LEMUR RESOURCES LIMITED

ACN 147 241 361

5 July 2013

CAPITAL STRUCTURE

Shares on Issue: 192.5m

Unlisted Options: 13.5m

Market Cap: $7.89m (as at 4 July 2013)

Click here for latest share price **(ASX: LMR)**

CASH ON HAND
$17.06 million
(as at 30 April 2013)

CORPORATE DIRECTORY

Mr Marcello Cardaci
Interim Non-Executive Chairman

Mr Ryan Rockwood
Interim Executive Director

Mr Anthony Viljoen
Interim Executive Director

Mr Fortune Mojapelo
Non-Executive Director

Ms Shannon Coates
Company Secretary

CONTACT DETAILS

Principal and Registered Offices

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WEBSITE

www.lemurresources.com

RECOMMENDATION TO REJECT

THE OFF-MARKET TAKEOVER OFFER BY BUSHVELD FOR YOUR LEMUR SHARES

AND TAKE NO ACTION IN RESPONSE TO THE REPLACEMENT BIDDER'S STATEMENT BY BUSHVELD

The Independent Directors of Lemur Resources Limited (ASX: LMR) (**Lemur**) recommend to shareholders that they **REJECT** the off-market takeover offer made by AIM-listed Bushveld Minerals Limited (a company incorporated in Guernsey) (**Bushveld**).

Lemur shareholders will shortly receive from Bushveld Minerals Limited its replacement bidder's statement (**Bidder's Statement**) in relation to its off-market takeover offer (**Bushveld Offer**) for all of the ordinary shares (**Lemur Shares**) in Lemur.

The Bushveld Offer comprises 3 Bushveld shares for every 5 Lemur Shares (**Offer Consideration**).

Recommendation of the Independent Directors

Marcello Cardaci and Ryan Rockwood (the **Independent Directors**) recommend that Lemur shareholders **REJECT** the Bushveld Offer given the reasons set out below and discussed in more detail on the following pages:

1	**The Independent Expert considers the Bushveld Offer is neither fair nor reasonable**
2	**Bushveld has limited cash and its ability to continue as a going concern is uncertain**
3	**Bushveld is incorporated in Guernsey and listed on AIM (and not on ASX)**

4	**Bushveld Shares are tightly held and trading in Bushveld Shares may not be liquid**
5	**Your interest in Lemur will be diluted and you will have reduced exposure to Lemur's assets**
6	**Lemur has a strong cash position and does not need Bushveld**

Lemur is currently preparing its target's statement in response to the Bushveld Offer and Bidder's Statement. Shareholders will receive the target's statement from the Company's Independent Directors which will set out full details and reasons for their recommendation to reject the Bushveld Offer in sufficient time to enable shareholders to make an informed decision.

Pending receipt of that target's statement, the Independent Directors recommend that shareholders reject the Bushveld Offer and take no action in relation to the Bidder's Statement or any other document received from Bushveld.

Shareholders are encouraged to read the Bidder's Statement and target's statement in full and to consider the Bushveld Offer having regard to their personal circumstances. The Independent Directors encourage shareholders to seek their own independent financial and taxation advice prior to deciding whether to accept the Bushveld Offer.

Lemur Shareholders should also note that they will not receive the Offer Consideration any sooner by accepting the Bushveld Offer early and, in any case, will not receive the Offer Consideration until each of the conditions to the Bushveld Offer (**Conditions**) have been satisfied or waived. If shareholders accept the Bushveld Offer, they will be prevented from participating in a superior proposal, should one eventuate, unless the limited circumstances for withdrawal apply. The closing date for the Bushveld Offer is 7.00pm (EST) on 9 August 2013 (unless extended).

Independent Expert's Report

As Mr Fortune Mojapelo and Mr Anthony Viljoen are each directors of both Lemur and Bushveld, the Independent Directors have commissioned BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) to prepare a report that states whether, in the expert's opinion, the Bushveld Offer is fair and reasonable and gives the reasons for forming that opinion.

The Independent Expert is of the view that the Bushveld Offer is **neither fair nor reasonable**. The Independent Expert's Report is included in its entirety at Appendix 1 of this announcement. Lemur Shareholders are urged to read that report carefully.

Statements of intention to accept

Bushveld has indicated in its Bidder's Statement that certain Lemur shareholders, who together hold approximately 40% of the issued capital of Lemur, have advised Bushveld that it is their present intention to accept the Bushveld Offer within five business days after commencement of the Offer Period in the absence of a superior proposal being publicly announced before the end of that five business day period.

Some Lemur Shares held by those Lemur Shareholders, constituting 27.27% of the issued share capital of Lemur, are classed as restricted by the ASX.

Lemur Shareholders should note that the holders of restricted Lemur Shares are prevented from disposing of, or agreeing to dispose of, their restricted securities during the escrow period.

A total of 53,500,000 Lemur Shares are currently subject to escrow until 24 August 2013. The holders of those Lemur Shares currently subject to escrow are prevented from accepting, or agreeing to accept, the Bushveld Offer until the escrow expires or until the holding lock is removed, whichever occurs earlier.

ASX may consent to the removal of the holding lock on the restricted Lemur Shares to enable the holder to accept the Bushveld Offer. However, ASX will not consent unless all of the following conditions are met:

- holders of **at least half** of the Lemur Shares that are not restricted have accepted the Bushveld Offer. This means that the holders of 69,500,001 unrestricted Lemur Shares will need to accept the Bushveld Offer before ASX consents to the removal of the holding lock;

- the Bushveld Offer is for all of the ordinary securities (which is the case); and

- Bushveld and Lemur agree in writing that a holding lock will be applied for each restricted Lemur Share that is not bought by Bushveld under the Bushveld Offer.

Accordingly, the ability of those Lemur shareholders who together hold approximately 40% of the issued capital of Lemur to accept restricted securities into the Bushveld Offer within five business days after commencement of the Offer Period will be subject to the above conditions first being met.

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

Detailed reasons to REJECT the Bushveld Offer

The Independent Expert has determined that the Offer is neither fair nor reasonable

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

- the preferred value of five Lemur Shares is $0.760; and

- the preferred value of the Offer Consideration (being three Bushveld Shares) is $0.609.

On this basis, the value of the Bushveld Offer does not represent a premium to the value of Lemur Shares and the Independent Expert has concluded that the Bushveld Offer is **NOT FAIR**.

The Independent Expert concluded that the disadvantages outweigh the advantages and that on this basis, the Bushveld Offer is **NOT REASONABLE**.

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

Bushveld has limited cash and its ability to continue as a going concern is uncertain

As at the date of the Bidder's Statement, Bushveld had a current cash position of approximately £430,000 and is seeking to raise additional capital funding of approximately £1.5 million. Without this cash injection, the Bushveld Group would not be able to complete all its intended projects and certain expenditure planned would need to be curtailed. The audit report set out in Appendix 4 to the Bidder's Statement states that these circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Bushveld Group's ability to continue as a going concern.

As at 30 April 2013, Lemur had approximately $17.06 million cash at bank. Given that the Conditions do not include a minimum acceptance condition, there can be no certainty as to Bushveld's ability to access Lemur's cash reserves following completion of the Bushveld Offer.

Bushveld is incorporated in Guernsey and listed on AIM (and not on ASX)

The Offer Consideration being offered under the Bushveld Offer is Bushveld Shares in exchange for Lemur Shares.

Unlike Lemur, which is an Australian incorporated company listed on ASX, Bushveld is a Guernsey incorporated company listed on AIM and subject to the AIM Rules; Bushveld is not listed on ASX. You will be exposed to the applicable corporations and securities laws, which will be different to those as a shareholder of an Australian company.

Lemur Shareholders should be aware AIM is a market operated by the London Stock Exchange in a different jurisdiction and time zone to the ASX. Further, given that the focus of AIM is to provide a market for small to medium-sized companies, entities listed on AIM tend to cover a limited breadth and depth compared to those listed on ASX. This may in turn affect the liquidity of Bushveld Shares.

Bushveld Shares are tightly held and trading in Bushveld Shares may not be liquid

Bushveld is very closely held. As at 30 April 2013, Bushveld had only approximately 130 shareholders and the top 4 shareholders of Bushveld collectively held approximately 94% of Bushveld. This has had, and is likely to continue to have, a significant impact on the liquidity of Bushveld Shares and may mean that Bushveld Shareholders may be unable to realise their investment in Bushveld at a time of their choosing. The future trading price of Bushveld Shares cannot be forecast or guaranteed.

The closely held nature of Bushveld's Shares also means that resolutions put to Bushveld shareholders for approval are largely determined by a very small number of shareholders of Bushveld. The closely held nature of Bushveld's Shares may also deter any potential control transactions or proposals by or from a third party in the future.

Dilution of interest in Lemur and reduced exposure to Lemur's assets

If Lemur Shareholders accept the Bushveld Offer and the Bushveld Offer becomes unconditional, their interest in Lemur's assets and the value that could be realised through successful development of the assets will be diluted.

In the event that the Bushveld Offer was accepted by 100% of Lemur Shareholders (other than Bushveld), no other Lemur Shares were issued and no Lemur Options were exercised, a maximum of approximately 112,410,001 Bushveld Shares, representing a **28.36%** interest in Bushveld, will be issued to Lemur Shareholders (other than Bushveld).

Lemur has a strong cash position and does not need Bushveld

Since listing on the ASX, Lemur has made significant progress in the development of the Imaloto Coal Project. As at 30 April 2013, Lemur had $17.06 million cash at bank and is debt free.

Lemur has recently undertaken a strategic review of the Imaloto Coal Project. It was determined that with adequate information now having been obtained for the purposes of completing a draft of the mining scoping study, which will include a preliminary mine plan, Lemur will continue to focus its Madagascan efforts on the following areas, which involve minimal cash outlay:

- construction of a detailed financial model for the Imaloto Coal Project, based on the findings of the mine, port and infrastructure scoping studies;
- continued work with Jiro sy Rano Malagasy (**Jirama**), the Madagascan Government's state owned electricity company responsible for the production, transport and distribution of electricity in Madagascar towards having an independent power producing (**IPP**) concession awarded and commencement of work on the IPP Environmental Impact Assessment;
- continued work with the Madagascan Ministry of Transport in evaluating alternative port sites; and
- effecting permit administration including renewal and transfers.

Lemur has commissioned a mine scoping study that is expected to be completed in the third quarter of 2013. The mine scoping study will assess the viability of a small scale mining operation based on 1 mtpa of saleable product. Upon completion of the mine scoping study, it is intended that a detailed financial model will be constructed.

In addition, Lemur has commissioned pre-feasibility studies to assess the viability of constructing a coal fired power station in close proximity to the Imaloto Coal Project.

Lemur does not need Bushveld to bring the Imaloto Coal Project into production or fund its development. Based on the cash and cash equivalents shown in the Bidder's Statement, a

majority of the cash that would be held by the merged entity would be contributed by Lemur.

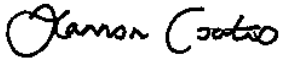
The price of Bushveld Shares is uncertain

Lemur Shareholders are being offered Bushveld Shares at a fixed ratio regardless of the price they trade at. If Lemur Shareholders accept the Bushveld Offer, and each of the Conditions are satisfied or waived, they will be subject to any rise or fall in the price of Bushveld Shares. The value implied by the Bushveld Offer depends on the trading price of Bushveld Shares after the Bushveld Offer. There is no guarantee that the implied premium represented by the Offer Consideration as outlined in the Bidder's Statement will be captured by accepting Lemur Shareholders after they receive Bushveld Shares in exchange for their Lemur Shares.

In particular, the risk of selling pressure following completion of the Bushveld Offer having a negative impact on the Bushveld Share price is increased as a result of the low level of liquidity of Bushveld's Shares and the relative inconvenience of an AIM listing. In addition, low levels of liquidity may increase the likelihood of Bushveld Shares being "mispriced" by the market.

Bushveld's stock has historically had very low levels of trading liquidity. This may result in a fall in the price of Bushveld Shares following completion of the Bushveld Offer due to investors looking to "profit take" and the lack of market depth to support the implied premium represented by the Offer Consideration as outlined in the Bidder's Statement.

AUTHORISED BY



Shannon Coates
Company Secretary

About Lemur Resources

Lemur Resources Limited is focused on the development of the Company's significant coal assets in Madagascar. Headquartered in Perth, Western Australia, the Company is planning to develop a thermal coal mine at its 99% owned Imaloto Coal Project, located in the Imaloto Coal Basin in Madagascar. Lemur's board and management have significant experience in developing commercial coal mining operations in Africa. The Company listed on the ASX in August 2011.

Forward Looking Statements

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

Other than as required by law, neither Lemur nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur or that other events will not occur. Subject to any continuing obligations under law or the Listing Rules, Lemur and the Lemur Directors disclaim any obligation or undertaking to disseminate after the date of this announcement any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based other than to comply with legal obligations or the Listing Rules.

For further information please contact the official Lemur Shareholder Information Line on 1300 308 902 (from within Australia) or +61 2 8022 7902 (from outside Australia) or go to www.lemurresources.com.

MEDIA CONTACT:

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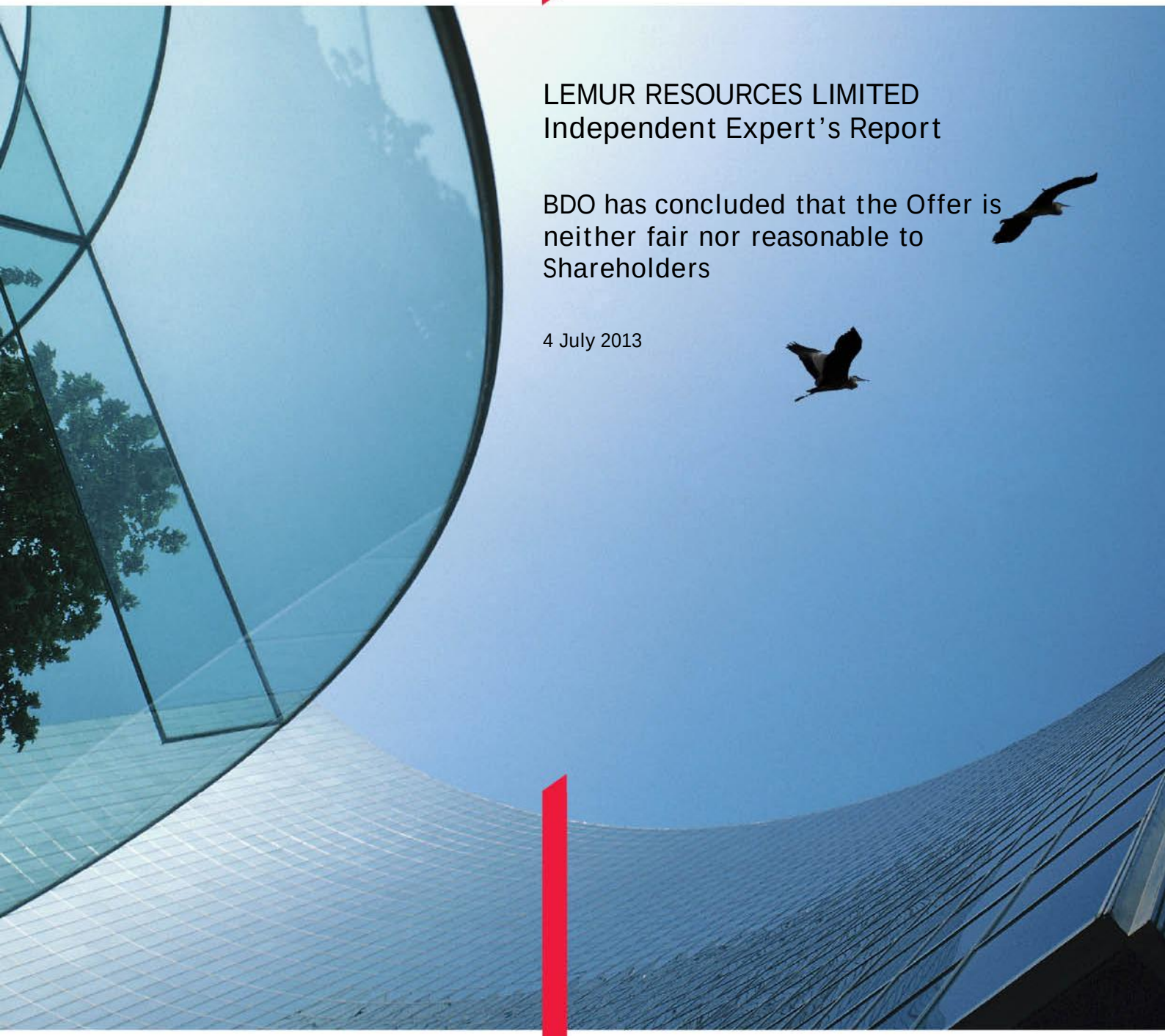
Appendix 1 – Independent Expert's Report



LEMUR RESOURCES LIMITED
Independent Expert's Report

BDO has concluded that the Offer is neither fair nor reasonable to Shareholders

4 July 2013

BDO

Financial Services Guide

4 July 2013

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ("we" or "us" or "ours" as appropriate) has been engaged by Lemur Resources Limited ("Lemur" or "the Company") to provide an independent expert's report on the off-market takeover offer from Bushveld Minerals Limited ("Bushveld") for all of the ordinary shares in Lemur that it does not already own. You will be provided with a copy of our report as a retail client because you are a shareholder of Lemur.

Financial Services Guide

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

This FSG includes information about:

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

Information about us

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

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

Financial services we are licensed to provide

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

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

General Financial Product Advice

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

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $28,000.

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
In June 2011 we were engaged to prepare an investigating accountant's report for Lemur for inclusion in a Prospectus. Our fees for this engagement amounted to $12,000.

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

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

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

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

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter.

Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

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

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

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Appendix 1 – Glossary

Appendix 2 – Valuation Methodologies

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

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PO Box 700 West Perth WA 6872
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4 July 2013

The Directors
Lemur Resources Limited
Ground Floor
83 Havelock Street
West Perth WA 6005

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 13 May 2013, Lemur Resources Limited ("Lemur" or "the Company") received notification of an off-market takeover offer from Bushveld Minerals Limited ("Bushveld") to acquire all of the ordinary shares in Lemur that it does not already own ("the Offer"). Under the Offer, Lemur Shareholders will receive three Bushveld shares as consideration for every five ordinary shares held in Lemur.

Bushveld is incorporated in Guernsey and is a mineral development company focused on exploring and developing mineral projects in South Africa. It was admitted to the AIM Market of the London Stock Exchange ("AIM") in March 2012. Bushveld currently holds a relevant interest in 5,150,000 Lemur shares, representing approximately 2.7% of Lemur's current fully paid ordinary share capital.

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

2. Summary and Opinion

2.1 Purpose of the report

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

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

2.2 Approach

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

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 AFS Licence No 316158 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

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

- How the value of five Lemur shares prior to the Offer compares to the value of the consideration to be received of three Bushveld shares;
- The likelihood of a superior alternative offer being available to Lemur;
- Whether a premium for control is being offered by Bushveld in relation to the acquisition of Lemur shares and whether this is appropriate;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offer; and
- The position of Shareholders should the Offer not proceed.

2.3 Opinion

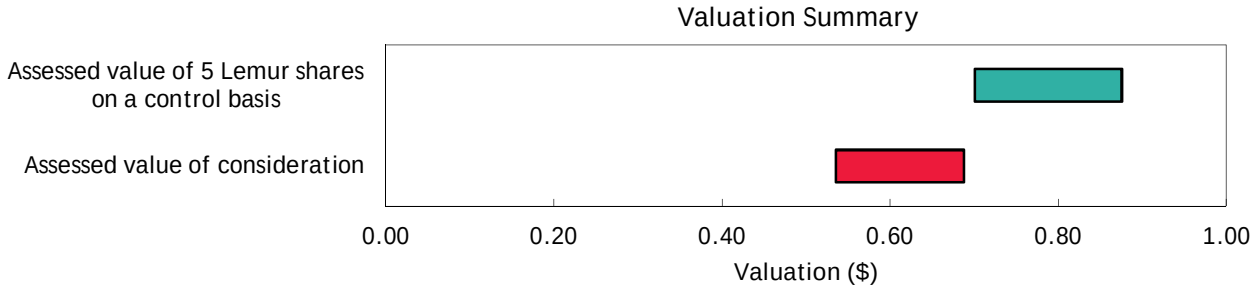
We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of any other relevant information, the Offer is neither fair nor reasonable to Shareholders.

2.4 Fairness

In section 13 we determined that the Offer consideration compares to the value of five Lemur shares, as detailed hereunder:

	Ref	Low	Preferred	High
		$	$	$
Value of five Lemur shares prior to the Offer	10	0.700	0.760	0.875
Value of three Bushveld shares (Offer consideration)	12	0.534	0.615	0.687

The above valuation ranges are graphically presented below:



The above pricing indicates that the value of five Lemur shares prior to the Offer is greater than the value of the Offer consideration of three Bushveld shares. Therefore, in the absence of any other relevant information, we consider that the Offer is not fair for Shareholders.

In valuing a Bushveld share we have relied on the QMP methodology and the resource multiple valuation method. With reliance on both these methodologies we have determined that the Offer is not fair for Shareholders. It is reasonable to believe that any higher value that may be determined by a direct

valuation of Bushveld's projects by an independent specialist is unlikely to be reflected in Bushveld's share price due to the very low liquidity and irregularity of trading in its shares.

Approximately 93.91% of Bushveld's issued capital as at the date of this report is held by four shareholders. This has significantly affected the liquidity of Bushveld shares being traded on AIM with only 4.24% of the current issued capital being traded over a 12 month period up until the announcement of the Offer. If the Offer is accepted (assuming it also becomes unconditional) and Bushveld acquires 100% of the issued capital of Lemur then Lemur Shareholders will hold a maximum of 28.36% of the merged entity. The ability of Lemur Shareholders, who will receive Bushveld shares as consideration, to realise the value of their Bushveld shares will be significantly affected by the limited liquidity of Bushveld shares on AIM and the tightly held nature of Bushveld.

2.5 Reasonableness

We have considered the analysis in section 14 of this Report, in terms of both:

- advantages and disadvantages of the Offer; and
- other considerations, including the position of Shareholders if the Offer does not proceed and the consequences of not accepting the Offer.

In our opinion, the position of Shareholders if the Offer is rejected is more advantageous than the position if the Offer is accepted. Accordingly, in the absence of any other relevant information, we believe that the Offer is not reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
14.1.1	Major shareholders of Lemur intend accepting the Offer	14.2.1	Dilution of existing Shareholders' interests
14.1.2	Diversification and exposure to additional assets	14.2.2	Relative cash positions of Lemur and Bushveld
14.1.3	No brokerage costs	14.2.3	Lemur will have to share benefits of its assets with Bushveld
		14.2.4	Intentions regarding current expenditure programs for Imaloto Coal Project
		14.2.5	Liquidity of Bushveld shares traded on AIM
		14.2.6	Potential taxation consequences
		14.2.7	Change in jurisdiction

Other key matters we have considered include:

Section	Description
14.3.1	Likelihood of alternative offers
14.3.2	Practical level of control
14.3.3	Post-announcement effect on the share prices of Lemur and Bushveld
14.3.4	Shares trading on AIM in comparison to ASX
14.3.5	Foreign exchange implications
14.3.6	Tax implications

3. Scope of the Report

3.1 Purpose of the Report

Bushveld has prepared a Bidder's Statement in accordance with section 636 of the Corporations Act 2001 Cth ("the Act"). Under section 633 item 10 of the Act, Lemur is required to prepare a Target's Statement in response to the Bidder's Statement.

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

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

Lemur and Bushveld have two common directors, Mr Fortune Mojapelo and Mr Anthony Viljoen. Therefore, an independent expert's report is required for inclusion in the Target's Statement and the independent Directors of Lemur have engaged BDO to satisfy this requirement.

3.2 Regulatory guidance

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

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

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

3.3 Adopted basis of evaluation

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

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

- A comparison between the value of five Lemur shares prior to the Offer and the value of the consideration to be received of three Bushveld shares (fairness – see section 13 "Is the Offer Fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Offer, after reference to the value derived above (reasonableness – see section 14 "Is the Offer Reasonable?").

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

4. Outline of the Offer

On 13 May 2013, Lemur received notification of an off-market takeover offer from Bushveld to acquire all of the ordinary shares in Lemur that it does not already own. Under the Offer, Lemur Shareholders will receive three Bushveld shares as consideration for every five ordinary shares held in Lemur.

Two directors of Bushveld, Mr Fortune Mojapelo and Mr Anthony Viljoen, are also members of the Lemur Board.

As at the date of this Report Bushveld holds a relevant interest in 5,150,000 Lemur shares, representing approximately 2.7% of Lemur's current fully paid ordinary share capital. The following table summarises the number of shares the respective companies have on issue, the number of shares that Bushveld would need to issue to Shareholders and the number of shares on issue upon acceptance of the Offer and the Offer becoming unconditional.

Summary of Merged Entity	Number
Number of shares Lemur has on issue	192,500,001
Number of Lemur shares on issue in which Bushveld has a relevant interest	5,150,000
Total Lemur shares on issue subject to the Offer (excluding Lemur shares in which Bushveld has a relevant interest)	187,350,001
Exchange ratio, 3 Bushveld share for every 5 Lemur shares	0.60
Maximum number of Bushveld shares to be issued under the Offer	112,410,001
Bushveld after the Offer	
Number of shares Bushveld has on issue*	283,969,110
Maximum number of shares to be issued to Lemur shareholders under the Offer	112,410,001
Maximum number of Bushveld shares on issue on completion of the Offer	396,379,111
Interest held by Lemur shareholders	28.36%
Interest held by existing Bushveld shareholders	71.64%
	100.00%

*Number of share on issue for Bushveld obtained from Replacement Bidder's Statement dated 1 July 2013

As shown above, if the Offer is accepted and becomes unconditional and Bushveld acquires 100% of Lemur's issued capital, then the maximum interest Shareholders will collectively hold is approximately 28.36% of the merged entity's issued capital. As outlined in the Replacement Bidder's Statement, the Offer is not subject to a minimum acceptance condition; therefore if Bushveld acquires less than 100% of Lemur's shares, this interest will change accordingly.

In addition to the shares on issue in the merged entity outlined in the above table, Bushveld announced on 3 June 2013 that it had received shareholder approval for the authority to issue up to 150 million shares. These shares are not included in the above capital structure. At the same meeting, Bushveld also received approval for the issue of up to 125 million Bushveld shares in order to enable the issue of the Offer consideration were 100% of Lemur shareholders to accept the Offer and the Offer becomes unconditional.

The Offer will be extended to any Lemur shares that are issued during the Offer period as a result of the exercise of Lemur options on issue before the Offer closes. At the date of this report, Lemur has 13.5 million options on issue ("Lemur Options"). The table above does not take into account the additional Bushveld shares that would be issued on the exercise of the Lemur Options. We note that all Lemur Options are currently out-of-the-money however, if all Lemur Options were exercised during the Offer period then an additional 8.1 million Bushveld shares would be issued, which could increase the maximum interest held by Lemur shareholders to 29.79%.

Ineligible foreign shareholders and unmarketable parcel shareholders of Lemur (as defined in the Replacement Bidder's Statement) who accept the Offer will not receive shares in Bushveld. These shareholders will be paid the net cash sale proceeds of the Bushveld shares which they would otherwise have received. The table above assumes that all Lemur shareholders are able to accept the Offer.

Conditions Precedent

The Offer is subject to the fulfilment of certain conditions including, but not limited to:

- Bushveld receiving all regulatory and shareholder approvals or consents;

- No material acquisitions, disposals, or new commitments by Lemur greater than $3.5 million;
- No material or adverse effect occurring in relation to Lemur;
- No prescribed occurrences occurring;
- No third party rights under Lemur's agreements or instruments; and
- No restraining orders.

As outlined in the Replacement Bidder's Statement there is no minimum acceptance condition to the Offer.

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

Bushveld intentions if the Offer is accepted

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

1. Intentions upon Bushveld acquiring 90% or more of Lemur's issued capital (enabling compulsory acquisition);
2. Intentions upon Bushveld acquiring more than 50%, but less than 90%, of Lemur's issued capital; and
3. Intentions upon Bushveld acquiring less than 50% of Lemur's issued capital.

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

- Undertake a detailed strategic review of Lemur's activities, assets and liabilities to evaluate their prospects, strategic relevance, funding requirements and financial performance. This may lead to modification of some of Lemur's existing projects and activities;
- Project expenditure for the Imaloto Coal Project is likely to be materially reduced from current levels however, Bushveld is unable to quantify the expenditure reduction until the strategic review has been completed. It will continue to work towards having an Independent Power Processing ("IPP") concession awarded by the Madagascan Government and will then assess options for funding and development; and
- Appoint a new management team and Board of Directors which is likely to include some of the current members of the Lemur Board. Bushveld also intends to centralise some of the administration functions as well as the corporate office which will be located in Johannesburg, South Africa.

If, following the close of the Offer, Lemur becomes a controlled entity, but not a wholly owned subsidiary of Bushveld; the following changes are intended by Bushveld:

- Bushveld intends to implement the intentions described above to the extent that it is economically feasible and subject to any applicable laws and regulations;
- In its capacity as a major shareholder in Lemur, Bushveld intends to become actively involved in determining Lemur's capital management policies and controlling the strategic direction of the

business of Lemur. If Bushveld receives acceptances under the Offer that bring its shareholding to more than 75% of Lemur, it will be in a position to pass special resolutions; and

- Seek to replace some or all the members of the Lemur Board and maintain Lemur's listing on the ASX.

If Bushveld acquires less than 50.1% of the Lemur shares, its interest in Lemur will become an investment of Bushveld which will be reviewed by Bushveld in accordance with its usual investment policies.

5. Profile of Lemur Resources Limited

5.1 History

Lemur Resources Limited is an exploration company focussed on developing coal assets in Madagascar. The Company was incorporated in Australia in November 2010 and obtained admission onto the ASX on 24 August 2011. Lemur's head office is based in Perth and the Company's board of Directors comprise of the following members:

- Marcello Cardaci - Interim Non Executive Chairman
- Ryan Rockwood - Interim Executive Director
- Anthony Viljoen - Interim Executive Director
- Fortune Mojapelo - Non Executive Director.

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

Imaloto Coal Project and Extension (Lemur 99% interest)

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

As announced on 28 March 2013, the Company released a revised JORC compliant coal resource for the project and during the quarter ended 31 March 2013, the Company finalised the key terms of a Heads of Agreement that is to be executed between Lemur and Jiro sy Rano Malagasy, the Madagascan Government's state owned electricity company responsible for the production, transport and distribution of electricity in Madagascar. This document will provide a road map outlining the steps Lemur must complete in order for the IPP concession to be issued.

Sakaraha Coal Project (Lemur 99% interest)

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

Ianapera Coal Project (Lemur 99% interest)

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

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

5.2 Historical Balance Sheet

Consolidated Statement of Financial Position	Unaudited as at 30-Apr-13 $	Audited as at 31-Dec-12 $	Audited as at 31-Dec-11 $
CURRENT ASSETS			
Cash and cash equivalents	17,060,792	18,072,759	21,614,007
Trade and other receivables	8,880	19,260	12,363
Other current assets	169,386	150,296	159,865
TOTAL CURRENT ASSETS	17,239,058	18,242,315	21,786,235
NON-CURRENT ASSETS			
Plant and equipment	376,373	507,576	880,094
Deferred exploration and evaluation expenditure	11,147,514	10,529,887	6,805,234
Loans receivable	-	-	103,723
TOTAL NON-CURRENT ASSETS	11,523,887	11,037,463	7,789,051
TOTAL ASSETS	28,762,945	29,279,778	29,575,286
CURRENT LIABILITIES			
Trade and other payables	545,766	760,397	390,953
Provisions	20,369	15,596	13,384
TOTAL CURRENT LIABILITIES	566,135	775,993	404,337
TOTAL LIABILITIES	566,135	775,993	404,337
NET ASSETS	28,196,810	28,503,785	29,170,949
EQUITY			
Contributed equity	29,502,731	29,502,731	29,502,731
Reserves	3,151	3,151	-
Accumulated losses	(1,309,073)	(1,002,098)	(331,783)
Equity attributable to owners of parent	28,196,809	28,503,784	29,170,948
Non-controlling interest	1	1	1
TOTAL EQUITY	28,196,810	28,503,785	29,170,949

Source: Unaudited management accounts as at 30 April 2013 provided by Lemur management and audited financial statement for the years ended 31 December 2012 and 31 December 2011

5.3 Historical Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income	Audited for the year ended 31-Dec-12 $	Audited from date of incorporation* to 31-Dec-11 $
Revenue		
Interest revenue	1,019,709	565,173
Debt forgiveness	89,135	-
Unrealised foreign exchange gain	23,855	-
	1,132,699	565,173
Expenses:		
Directors' and employee benefits expense	790,072	379,425
Business development expenses	260,548	104,550
Occupancy expenses	112,592	30,894
Professional services expenses	227,652	156,327
Public and investor relations expense	113,362	30,392
Loss on foreign exchange forward contract	-	122,605
Project evaluation	48,795	-
Doubtful debts written off	95,609	-
Other expenses	154,384	72,763
Loss before income tax	(670,315)	(331,783)
Income tax expense	-	-
Total comprehensive loss for the year	(670,315)	(331,783)

*Date of incorporation was 8 November 2010

Source: Audited financial statement for the years ended 31 December 2012 and 31 December 2011

We have not undertaken a review of Lemur's unaudited management accounts for the period ended 30 April 2013 in accordance with 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.

Lemur's cash balance of $21.61 million as at 31 December 2011 was a result of the Initial Public Offering ("IPO") undertaken during July 2011 in which the Company raised approximately $25 million before costs through the issue of 125 million ordinary fully paid shares. The Company's cash balance has decreased to $17.06 million as at 30 April 2013 mainly as a result of exploration activities undertaken on its Imaloto Coal Project.

Other current assets of $0.17 million as at 30 April 2013 consists mainly of accrued interest earned on the Company's 90 day term deposits. The balance also consists of minor prepayments and deposits.

The majority of the plant and equipment balance of $0.38 million as at 30 April 2013 relates to drilling equipment as well as some office furniture.

Deferred exploration and evaluation expenditure has increased from $6.81 million to $11.15 million between 31 December 2011 and 30 April 2013. This increase corresponds with a decrease in cash levels over the same period. The majority of this expenditure has been incurred on the Imaloto Coal Project which has had numerous drilling programmes undertaken over the period culminating in the announcement during March 2013 of an upgrade to its JORC compliant resource statement.

Contributed equity has remained at $29.50 million between 31 December 2011 and 30 April 2013. The majority of this balance is made up of those shares issued under the IPO though Lemur also issued 50 million shares to acquire Coal of Madagascar Limited and 7.5 million shares to acquire Pan African Drilling Limited in August 2011.

For the years ended 31 December 2012 and 31 December 2011 the Company made losses of $0.67 million and $0.33 million respectively. The result for 31 December 2011 incorporates the period from the date of incorporation, 8 November 2010, through to 31 December 2011.

5.4 Capital Structure

The share structure of Lemur as at the date of this Report is outlined below:

	Number
Total ordinary shares on issue*	192,500,001
Top 20 shareholders	131,637,399
Top 20 shareholders - % of shares on issue	68.38%

*53,500,000 of these shares are to be held in escrow until 24 August 2013

Source: Management of Lemur

The range of shares held in Lemur as at the date of this Report is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	3	143	0.00%
1,001 - 5,000	10	31,920	0.02%
5,001 - 10,000	52	507,480	0.26%
10,001 - 100,000	168	8,670,444	4.50%
100,001 - and over	147	183,290,014	95.22%
TOTAL	380	192,500,001	100.00%

Source: Management of Lemur

The ordinary shares held by the most significant shareholders as at the date of this Report are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Coal of Africa Limited	32,500,000	16.88%
Oak Nominees Limited	19,625,000	10.19%
JP Morgan Nominees Australia Limited <Cash Income A/C>	12,799,368	6.65%
JP Morgan Nominees Australia Limited	9,000,000	4.68%
HSBC Custody Nominees Australia limited	7,986,855	4.15%
Subtotal	81,911,223	42.55%
Others	110,588,778	57.45%
Total ordinary shares on Issue	192,500,001	100.00%

Source: Management of Lemur

Lemur has the following options on issue as at the date of this Report:

Current Options on Issue	Number
Options exercisable at $0.30 each on or before 31 December 2013	6,500,000
Options exercisable at $0.40 each on or before 31 December 2013	6,500,000
Options exercisable at $0.15 each on or before 15 November 2017	500,000
TOTAL	13,500,000

Source: Management of Lemur

6. Profile of Bushveld Minerals Limited

6.1 History

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

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

- Ian Watson - Non Executive Chairman
- Fortune Mojapelo – Chief Executive Officer (also a Director of Lemur)
- Anthony Viljoen - Executive Director (also a Director of Lemur)
- Geoff Sproule - Finance Director
- Jeremy Friedlander - Non Executive Director

As announced on 8 November 2012, Bushveld obtained a relevant interest in 5.15 million Lemur shares for a total consideration of $0.59 million, giving it an interest in approximately 2.7% of Lemur's issued capital.

Bushveld Iron Ore Project

The Iron Ore Project is situated in the Limpopo Province of South Africa in the northern limb of the Bushveld Complex. It is situated approximately 65 km west of Polowane and 45 km northwest of Mokopane. The project comprises two licences covering 7,409 hectares. For the 14 month period ended 28 February 2013, Bushveld's audited financial statements indicate that additions in relation to exploration activities on the Bushveld Iron Ore Project amounted to approximately £1.59 million.

On 22 April 2013, Bushveld announced a summary of the Scoping Study for the initial development phase on its Bushveld Iron Ore Project. A discounted cash flow model was built and on a base case scenario a net present value, using a 12.5% real discount rate, of approximately US$140 million was generated. This base case scenario incorporated capital expenditure of approximately US$126 million. The intended work program for the project is as follows:

- Prefeasibility Study due in the first quarter of 2014;
- Bankable Feasibility Study due in first quarter of 2015; and
- Licensing and permitting completed in second half of 2015.

The intention of Bushveld, as disclosed in the Replacement Bidder's Statement, for the development of the project is to secure a strategic partner. Currently, no agreement has been reached on the potential structure of a partnership and the timing for securing an agreement is not currently known.

For further information regarding the Bushveld Iron Ore Project refer to the Replacement Bidder's Statement.

Mokopane Tin Project

The Mokopane Tin Project consists of one licence covering 13,422 hectares located on the northern limb of the Bushveld Complex. The project is situated less than 10 km from the Bushveld Iron Ore Project and approximately 40 km northwest of Mokopane. Bushveld has explored and drilled one target and has plans to explore a further four targets. For the 14 month period ended 28 February 2013, Bushveld's audited financial statements indicate that additions in relation to exploration activities on the Mokopane Tin Project amounted to approximately £0.63 million. For further information regarding the Mokopane Tin Project refer to the Replacement Bidder's Statement.

6.2 Historical Balance Sheet

Consolidated Statement of Financial Position	Audited as at 28-Feb-13 £
CURRENT ASSETS	
Cash and cash equivalents	1,305,089
Trade and other receivables	50,157
TOTAL CURRENT ASSETS	1,355,246
NON-CURRENT ASSETS	
Property, plant and equipment	74,487
Investments	248,854
Intangible assets: Exploration expenditure	53,313,928
TOTAL NON-CURRENT ASSETS	53,637,269
TOTAL ASSETS	54,992,515
CURRENT LIABILITIES	
Trade and other payables	199,142
TOTAL CURRENT LIABILITIES	199,142
TOTAL LIABILITIES	199,142
NET ASSETS	54,793,373
EQUITY	
Share capital	2,839,691
Share premium	53,811,401
Accumulated deficit	(2,253,939)
Revaluation reserve	(138,628)
Foreign exchange translation reserve	(234,021)
Equity attributable to owners of parent	54,024,504
Non-controlling interest	768,869
TOTAL EQUITY	54,793,373

Source: Audited financial statements for the period ended 28 February 2013

6.3 Historical Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income	Audited for the 14 months to 28-Feb-13 £
Investment income	104,700
Administrative expenses**:	
AIM listing expenses	(1,443,097)
Professional fees	(322,815)
Employee benefits expense	(250,377)
Travelling expense	(20,586)
Foreign exchange loss	(171,795)
Other costs	(149,969)
Total operating loss	(2,253,939)
Currency translation differences on translation of foreign operations	(234,021)
Fair value loss on available for sale investments	(138,628)
Total comprehensive loss for the period	(2,626,588)

**The table above provides a breakdown of administrative expenses as per Note 7 of Bushveld's audited financial statements for the period ended 28 February 2013

Source: Audited financial statements for the 14 month period ended 28 February 2013

We have not undertaken a review of Bushveld's audited accounts as at 28 February 2013 in accordance with 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.

Bushveld completed a placing as part of its admission to AIM in March 2012 which saw it raise approximately £5.46 million (before costs) through the issue of 28.67 million shares at £0.20 each. Exploration expenditure incurred for the 14 months ended 28 February 2013 totalled £2.22 million which saw the cash and cash equivalents balance decrease to £1.31 million as at 28 February 2013.

The cash and cash equivalents balance of £1.31 million as at 28 February 2013 relates to cash and other short-term highly liquid investments. Of this balance, £430,000 relates to cash held.

On 8 November 2012, Bushveld announced a strategic investment in Lemur. Bushveld acquired a relevant interest in 5.15 million shares for total consideration of £0.39 million, giving it a relevant interest in approximately 2.7% of Lemur's issued capital. As at 28 February 2013, this holding has been classified as an investment with a fair value of £0.25 million.

Intangible assets as at 28 February 2013 total £53.31 million. Approximately £51.35 million of this balance relates to intangible assets acquired on the acquisition of Bushveld Resources Limited and Greenhills Resources Limited which occurred on 15 March 2012.

The most significant expense incurred during the 14 months ended 28 February 2013 related to associated costs incurred with Bushveld's admission to AIM in March 2012. This contributed to Bushveld recording a loss of £2.63 million for the period ended 28 February 2013.

The audit report for the period ended 28 February 2013 included an emphasis of matter regarding the going concern of Bushveld. This arose as a result of Bushveld having a cash position of £430,000 and being in the process of raising additional capital funding of £1.5 million. Without this cash injection Bushveld would not be able to complete all its intended projects and certain expenditure planned would need to be curtailed.

6.4 Capital Structure

As disclosed in the Replacement Bidder's Statement, Bushveld has 283,969,110 ordinary shares on issue. In addition to these shares, Bushveld has received authority at an extraordinary general meeting held on 3 June 2013, to issue up to 125 million Bushveld shares in order to enable the issue of the Offer consideration were 100% of Lemur shareholders to accept the Offer. Bushveld also received approval for a general authority to issue and allot up to 150 million Bushveld shares.

The ordinary shares held by the most significant shareholders as at 30 April 2013 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Mineral Wealth International Limited	114,099,932	40.18%
Obtala Resources Limited	100,404,178	35.36%
Acacia Resources Limited	32,640,000	11.49%
Blackrock investment Management (UK)	19,522,552	6.87%
Subtotal	266,666,662	93.91%
Others	17,302,448	6.09%
Total ordinary shares on Issue	283,969,110	100.00%

Source: Replacement Bidder's Statement dated 1 July 2013

We note from the table above that approximately 93.91% of Bushveld's issued capital is held by the top four shareholders.

Bushveld has not issued any options to date. However, as outlined in the Replacement Bidder's Statement, it intends to enter into share option agreements granting options to several individuals, including employees, management and Directors. The total number of options issued shall not exceed 10% of Bushveld's issued share capital.

7. Economic analysis

Commodity prices have declined from their peaks but, overall, remain at high levels by historical standards. Inflation has generally moderated over recent months and monetary policy has been eased further in a number of countries.

Financial conditions internationally are very accommodative. Despite the recent rise in sovereign bond yields, funding conditions for sovereigns, well-rated corporates and most financial institutions remain very favourable.

In Australia, growth over the past year has been slightly below trend. The outlook published by the Reserve Bank of Australia ("RBA") last month is for a similar performance in the near term and recent data are consistent with this. The unemployment rate has edged higher over the past year and growth in

labour costs has moderated. Inflation has been consistent with the medium-term target and is expected to remain so over the next one to two years.

The easing in monetary policy over the past 18 months has supported interest-sensitive areas of spending and has been reflected in portfolio shifts by savers and higher asset values. Further effects can be expected over time. The pace of borrowing has thus far remained relatively subdued, though recently there have been some signs of increased demand for finance by households. The exchange rate has depreciated since the previous RBA Board meeting, although, as the RBA Board has noted for some time, it remains high considering the decline in export prices that has taken place over the past year and a half.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 4 June 2013

8. Industry analysis

8.1 Coal Industry

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

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

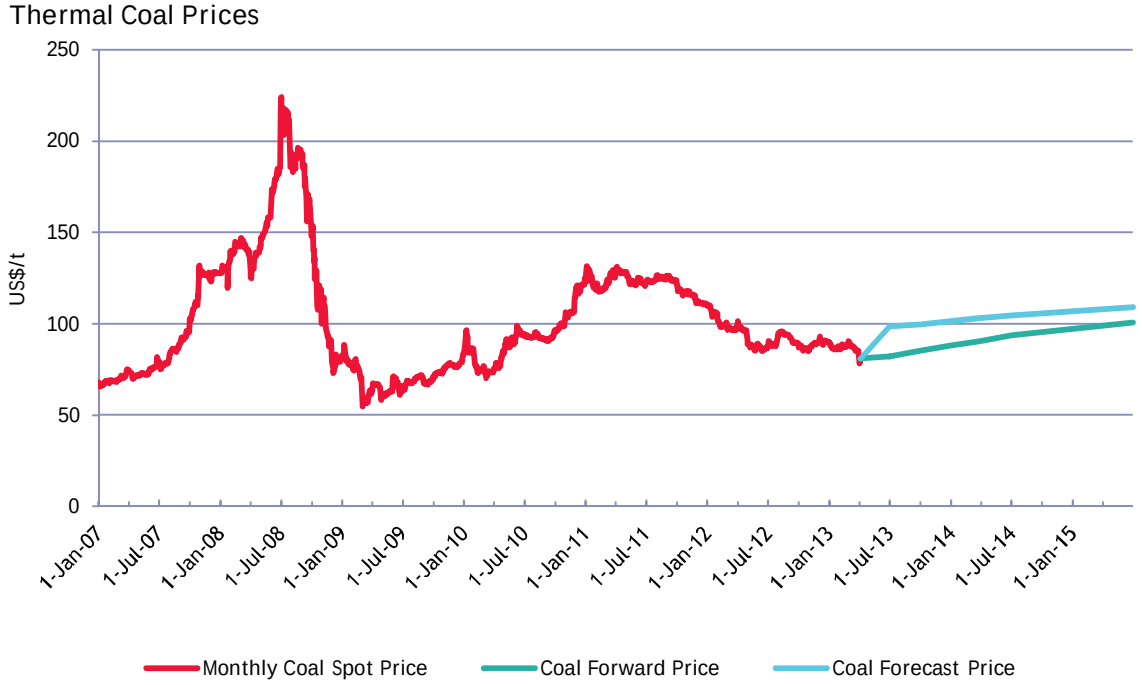
The two major coal types are coking coal and thermal coal. Coking coal is used for the production of metallurgical coke, which is used as a reductant in the production of both iron and steel. It is primarily used because of its high carbon content and coking characteristics, however it is also used for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

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

Coal is a global commodity and, as such, prices are determined by global supply and demand factors. With both the international community and the world's dependency on energy growing, fuel products are the single most important input affecting global economic growth. The fastest growing fuels are forecast to be renewable, nuclear and hydro. Coal is expected to grow at approximately 1.2% per annum. The long term price outlook is stable with prices forecast to return to above US$100 per tonne.

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/t to US$40/t throughout the 1990's, the current price is still well above historical levels.



Source: Bloomberg and BDO analysis

Coal prices have retracted substantially since the commodity boom during 2007 and 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 consensus forecast in the chart above. China and India's coal demand growth is forecast to be slower in this decade than it has been in the last decade driven by efficiency improvements and a movement towards less coal intensive economic activities.

Growing imports are expected to drive further expansion and integration of global coal markets. With China and India forecast to account for majority of the global coal growth in the coming decades and the growth in China and India forecast to slow, the outlook remains flat for coal. Global coal supply is forecast to grow by 1% per annum.

Coal's share in fuels used to generate power is forecast to decline over the next two decades, whilst consumption in the industrial sector is also expected to flatten.

8.2 Iron ore industry

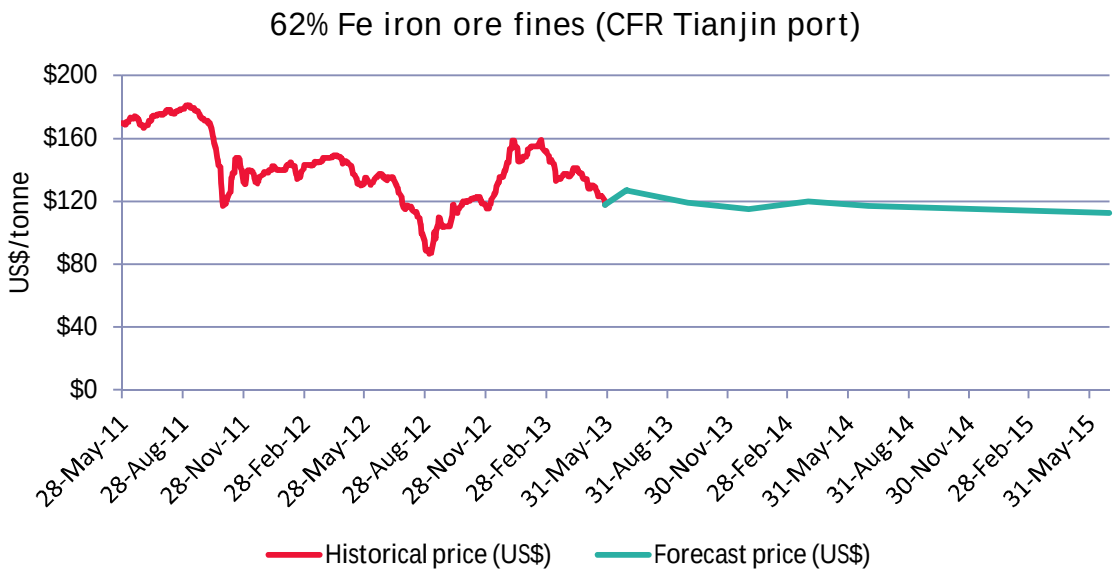
Iron ore is rock from which metallic iron can be economically extracted. Iron is the world's most used metal with approximately 98% of world iron ore production being used to make steel. It is primarily used in structural engineering, automobiles and other general industrial applications. Commercial development

of iron ore deposits are largely constrained by the position of the iron ore relative to its market and the cost of establishing proper transportation infrastructure such as ports and railways.

There are three main categories of iron ore exports:

- Fines: fines are the smallest size category and typically have a granular size less than 9.50mm. They are the most heavily traded category of iron ore;
- Lump Ore: lump ore consists of golf ball sized pieces, and generally has a higher iron content than fines; and
- Pellets: particle sizes range from 9.50mm to 16.00mm. Pellets are made by agglomeration of finely ground and concentrated ore.

Recent trends show a majority of the demand for iron ore being sourced from China, which has led some analysts to believe that Chinese steel demand has peaked after reaching and exceeding levels experienced by some of the largest OECD countries. There is however, still considerable scope for an expansion in steel consumption in China's interior and more distant provinces where consumption is far behind the larger Chinese cities such as Beijing and Tianjin. The central government is focusing its attention on developing these outer parts of China, and with the expansion of business to these areas to take advantage of low cost labour, it is inevitable that Chinese demand for iron ore will continue to expand. Other countries such as Brazil, India and Indonesia are likely to follow on China's development path albeit on a smaller scale, which is likely to ensure a bright future for the global iron ore industry.



Source: Bloomberg and BDO analysis

The iron ore price increased in mid 2011 on the back of anticipated ore shortages which prompted restocking by the world's larger steel mills. The above observed decline in the iron ore price in late 2011 can be attributable to the slow in Chinese ore demand. China is currently the world's largest importer of iron ore, yet Chinese imports in October 2011 decreased by 17.5% from the previous month. This decrease in Chinese demand for ore was also reflected in the falling steel prices over the same period. Iron ore prices showed a recovery towards the end of 2012 on the back of China approving significant investments in infrastructure projects. Forecast iron ore prices are expected to remain around the US$120 per tonne mark.

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, such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix 2. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

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

- A comparison between the value of five Lemur shares prior to the Offer and the value of the consideration to be received of three Bushveld shares.

9.1 Valuation of five Lemur shares prior to the Offer

In our assessment of the value of a Lemur share prior to the Offer we have chosen to employ the following methodologies:

- Net asset value ("NAV") – primary methodology
- Quoted market price basis ("QMP") – secondary methodology

We have chosen these methodologies for the following reasons:

- Lemur 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;
- Lemur has no foreseeable future net cash inflows and therefore the application of DCF is not possible. Under RG111, it is considered that it is only appropriate to use a DCF where Reserves are present;
- Lemur's most significant assets are its interest in the exploration assets it holds and as such we require an independent specialist valuation of the projects. We instructed Ravensgate Mining Industry Consultants ("Ravensgate") to provide an independent market valuation of all Lemur's current exploration projects. Ravensgate's full report may be found at Appendix 3; and
- Lemur is listed on the ASX. This provides an indication of the market value where an observable market for the securities exists.

9.2 Valuation of Offer consideration (Three Bushveld shares)

On 22 April 2013, Bushveld announced a summary of the Scoping Study for the initial development phase on its Bushveld Iron Ore Project. A discounted cash flow model was built and on a base case scenario a net present value, using a 12.5% real discount rate, of approximately US$140 million was generated. This base case scenario requires initial capital expenditure of approximately US$126 million. Under RG 111, we are unable to rely on the DCF method unless there are reasonable grounds for the forward looking information. We do not believe that we have reasonable grounds to assume that Bushveld's current resource can be converted to a reserve nor do we have reasonable grounds to assume that the initial

capital expenditure requirements can be met or what affect this capital expenditure may have on the number of shares on issue. As such, we are not able to rely on the DCF methodology to value Bushveld.

Therefore, in our assessment of the value of a Bushveld share, we have chosen to employ the QMP methodology and the resource multiple methodology. Bushveld is an AIM listed company and therefore the QMP method is an appropriate valuation method where an observable market exists. In addition to the QMP method, we have analysed the resource multiples observed for comparable companies listed with iron ore projects as their primary focus that we consider to be comparable to Bushveld. We have given equal weighting to both methodologies.

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- The acquirer is obtaining or increasing control of the target; and
- The security holders in the target will be receiving scrip constituting minority interests in the combined entity.

RG 111.32 suggests that if we use the quoted market price of securities to value the offered consideration, then we must consider and comment on:

- The depth of the market for those securities;
- The volatility of the market price; and
- Whether or not the market value is likely to represent the value if the takeover bid is successful.

As Bushveld is offering scrip to Shareholders as consideration and will be obtaining control of Lemur if the Offer is accepted and becomes unconditional, the QMP method is an appropriate valuation method.

10. Valuation of Lemur Resources Limited

10.1 Net Asset Valuation of Lemur

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

Consolidated Statement of Financial Position	Note	Unaudited as at 30-Apr-13 $	Low value $	Preferred value $	High value $
CURRENT ASSETS					
Cash and cash equivalents		17,060,792	17,060,792	17,060,792	17,060,792
Trade and other receivables		8,880	8,880	8,880	8,880
Other current assets		169,386	169,386	169,386	169,386
TOTAL CURRENT ASSETS		17,239,058	17,239,058	17,239,058	17,239,058
NON-CURRENT ASSETS					
Plant and equipment		376,373	376,373	376,373	376,373
Deferred exploration and evaluation expenditure	1	11,147,514	9,914,000	12,242,000	16,733,000
TOTAL NON-CURRENT ASSETS		11,523,887	10,290,373	12,618,373	17,109,373
TOTAL ASSETS		28,762,945	27,529,431	29,857,431	34,348,431
CURRENT LIABILITIES					
Trade and other payables		545,766	545,766	545,766	545,766
Provisions		20,369	20,369	20,369	20,369
TOTAL CURRENT LIABILITIES		566,135	566,135	566,135	566,135
TOTAL LIABILITIES		566,135	566,135	566,135	566,135
NET ASSETS		28,196,810	26,963,296	29,291,296	33,782,296
Shares on issue (number)			192,500,001	192,500,001	192,500,001
Value per share ($)			$0.140	$0.152	$0.175

The table above indicates the net asset value of a Lemur share is between $0.140 and $0.175 with a preferred value of $0.152.

We have been advised that there has not been a significant change in the net assets of Lemur since 30 April 2013 and that the above assets and liabilities represent their fair market value apart from the adjustments discussed below.

Note 1 – Exploration assets

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

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

Lemur Resources Ltd	Low value	Preferred value	High value
Mineral Asset Valuation - Ravensgate	$m	$m	$m
Imaloto - Advanced exploration area (99% interest)	9.855	12.140	16.573
Ianapera - Exploration area (99% interest)	0.012	0.025	0.037
Sakaraha - Exploration area (99% interest)	0.046	0.077	0.124
Total	9.914	12.242	16.733

The table above indicates a range of values between $9.91 million and $16.73 million, with a preferred value of $12.24 million.

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

The values provided by Ravensgate for each project were based on the comparable transaction method. As this method is based on previous transactions in the market we believe this value already takes into account any discounts or premia relating to market or strategic considerations. We therefore have no reason to believe that the preferred technical value provided by Ravensgate does not also represent the preferred market value of Lemur's mineral assets.

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

10.2 Quoted Market Prices for Lemur Securities

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

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

RG 111.11 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. 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.

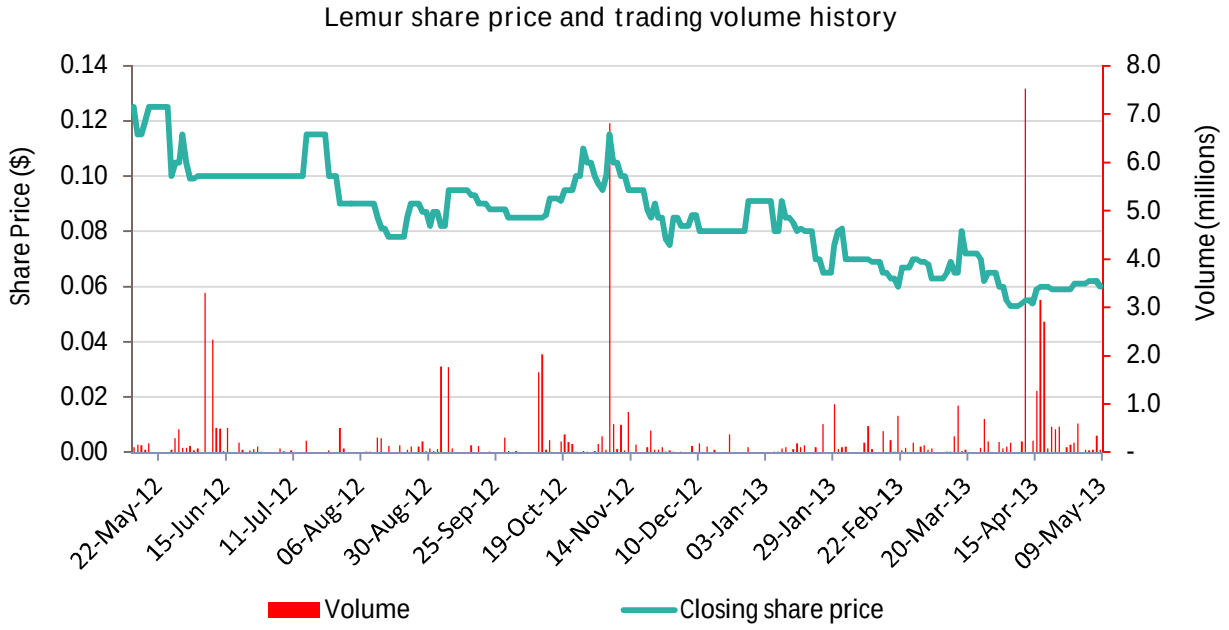
RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in section 14.

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

Minority interest value

Our analysis of the quoted market price of a Lemur share is based on the pricing prior to the announcement of the Offer. This is because the value of a Lemur share after the announcement may include the affects of any change in value as a result of the Offer. However, we have considered the value of a Lemur share following the announcement when we have considered reasonableness in section 14.

Information on the Offer was announced to the market on 13 May 2013. Therefore, the following chart provides a summary of the share price movement over the 12 month period to 9 May 2013 which was the last full trading day prior to the announcement. We note Lemur went into a trading halt on 10 May 2013.



Source: Bloomberg and BDO analysis

The daily price of Lemur shares for the 12 months prior to 9 May 2013 has ranged from a low of $0.052 on 5 April 2013 to a high of $0.125 which was achieved on several days at the beginning of the measurement period during late May 2012.

The share price of Lemur has generally trended downwards over the measurement period. The closing price of Lemur shares plateaued around $0.100 for the month of June 2012 and the first half of July 2012. This is despite high volumes of Lemur shares being traded in early June. The graph indicates that Lemur shares have displayed an increased liquidity during the months leading up to the announcement of the Offer. The highest volume of shares was traded on 11 April 2013 where approximately 7.5 million shares were traded. This was followed by several days of higher volumes of Lemur shares being traded.

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

Date	Announcement	Closing Share Price Following Announcement $ (movement)	Closing Share Price Three Days After Announcement $ (movement)
29/04/2013	Quarterly Activities and Cash flow Report	0.059(▸ Nil)	0.061 (▲ 3.4%)
28/03/2013	Revised Resource Statement	0.065 (▲ 4.8%)	0.065 (▸ Nil)
22/02/2013	Strategic Review	0.060 (▼ 4.8%)	0.067 (▲ 11.7%)
5/02/2013	Revised Resource Statement	0.070 (▸ Nil)	0.070 (▸ Nil)
31/01/2013	Quarterly Cash flow and Activities Report	0.080 (▲ 6.7%)	0.070 (▼ 12.5%)
31/10/2012	Quarterly Activities and Cash Flow Report	0.105 (▸ Nil)	0.095 (▼ 9.5%)
9/10/2012	Final Batch of Laboratory Results - Imaloto Coal Project	0.085 (▸ Nil)	0.085 (▸ Nil)
18/09/2012	Laboratory Results	0.093 (▸ Nil)	0.090 (▼ 3.2%)
14/08/2012	Laboratory Results - Imaloto Coal Project	0.081 (▼ 4.7%)	0.078 (▼ 3.7%)
30/07/2012	Quarterly Activities and Cash Flow Report	0.090 (▼ 10.0%)	0.090 (▸ Nil)
26/07/2012	Completion of Western Drilling Programme	0.100 (▸ Nil)	0.090 (▼ 10.0%)

Source: Bloomberg and BDO analysis

On 28 March 2013 Lemur released a revised resourced statement for its Imaloto Coal Project. The revised resource statement highlighted a JORC compliant Imaloto Coal resource of 135.7 million gross tonnes in situ, of which 68% is Measured and 91% is Measured and Indicated. This compared to the revised resource statement announced to the market on 5 February 2012, which stated a JORC Compliant Imaloto Coal resource of 147.5 million GTIS, of which 52% was Measured and 80% was Measured and Indicated. The market responded positively to the revised resource statement, increasing by 4.8% on the day of the announcement.

On 22 February 2013 the Company announced that the Board had undertaken a strategic review to identify the best possible way to utilise Lemur's structure and cash reserves. As part of the strategic review the Company signalled its intention to develop a preliminary mine plan and detailed financial model for the purposes of completing the Mining Scoping Study for the Imaloto Coal Project. The Company also reflected its intention to consider new acquisitions, particularly considering its cash position. The market initially responded negatively to the announcement, falling by 4.8%. However, the share price of Lemur recovered over the next three trading days increasing by 11.7%.

On 31 January 2013 the Company released its Quarterly Report for the period ended 31 December 2012. The share price of Lemur closed 6.7% higher on 31 January 2013 but fell 12.5% over the following three days. The highlights of the Quarterly Report included further exploration, laboratory results, progress on a revised JORC compliant resource statement, further work on infrastructure and mining scoping studies as well as the commencement of pre-feasibility studies regarding the construction and operation of a coal fired power station in the Imaloto precinct.

On 14 August 2012 Lemur announced its fourth batch of laboratory results for the Imaloto Coal Project. The announcement reflected further improvement in the overall yield of thermal coal, which the Company

indicated was likely to lead to the improvement in the economics of the Imaloto Coal Project. The share price of Lemur declined in response to this information, both on the date of the announcement and in the three trading days following.

On 26 July 2012, the Company announced that the Western Drilling Programme, which forms part of the Phase III Exploration Programme at the Imaloto Coal Project, had been completed. Final results of the drilling programme were to be used as part of issuing a revised resource statement. The share price of Lemur did not react on the day of this announcement. However, on the third trading day following the announcement, which coincided with the release of the Quarterly Report for the period ended 30 June 2012, the share price of Lemur declined by 10.0%.

To provide further analysis of the market prices for a Lemur share, we have also considered the volume weighted average price ("VWAP") for 10, 30, 60 and 90 trading day periods to 9 May 2013.

	9-May-13	10 Days	30 Days	60 Days	90 Days
Closing price	$0.060				
Volume Weighted Average Price (VWAP)		$0.061	$0.058	$0.059	$0.061

Source: Bloomberg and BDO analysis

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

An analysis of the volume of trading in Lemur shares for the 12 months to 9 May 2013 is set out below:

	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.060	$0.060	50,000	0.03%
10 Days	$0.059	$0.062	1,594,390	0.83%
30 Days	$0.052	$0.065	18,911,370	9.82%
60 Days	$0.052	$0.080	23,487,927	12.20%
90 Days	$0.052	$0.091	26,958,427	14.00%
180 Days	$0.052	$0.120	47,864,086	24.86%
1 Year	$0.052	$0.125	59,850,284	31.09%

Source: Bloomberg and BDO analysis

This table above indicates that Lemur's shares display a moderate level of liquidity, with 31.09% of the Company's current issued capital being traded in the 12 months prior to the announcement of the Offer. We also note that on 11 April 2013 and 7 November 2012 approximately 7.52 million shares and 6.81 million shares were traded respectively which represents approximately 7.44% of the Company's current issued capital. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and

- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Lemur, we do not consider the market for the Company's securities to be deep. This is based on 31.09% of the Company's current issued capital being traded in the 12 months prior to the announcement of the Offer which also includes two days where an abnormal amount of shares were traded. The volume of Lemur shares traded is lower than 1% of the Company's securities traded on a weekly basis, which would be required in order to characterise the market for the Company's securities to be deep.

Our assessment is that a range of values for Lemur shares based on market pricing, after disregarding post announcement pricing, is between $0.058 and $0.062.

Control Premium

We have reviewed the announced control premiums paid by acquirers of 23 coal mining companies listed on the ASX since 2005. We have summarised our findings below:

Announced Date	Target Name	Acquirer Name	Deal value ($m)	Acquirer's interest in target post-transaction (%)	Announced Control Premium (%)
31-Jan-13	Gujarat NRE Coking Coal Ltd	Jindal Steel & Power Ltd	34.5	31.49	7.67
14-Dec-12	Bowen Energy Ltd	Bhushan Steel Ltd	1.24	100.00	18.76
21-May-12	Rocklands Richfield Ltd	Shandong Energy Group Co Ltd	180.19	100.00	51.6
07-May-12	Coalworks Ltd	Whitehaven Coal Ltd	140.11	100.00	18.34
22-Dec-11	Gloucester Coal Ltd	Yanzhou Coal Mining Co Ltd	1299.31	100.00	-17.41
12-Dec-11	Aston Resources Ltd	Whitehaven Coal Ltd	1990.15	100.00	11.1
12-Sep-11	Hunnu Coal Ltd	Banpu PCL	381.71	100.00	50.65
29-Aug-11	Northern Energy Corp Ltd	New Hope Corp Ltd	53.18	100.00	33.89
08-Aug-11	Coal & Allied Industries Ltd	Rio Tinto Ltd, Mitsubishi Corp	1577.59	100.00	23.65
11-Jul-11	Peabody Energy Australia PCI Pty Ltd	ArcelorMittal, Peabody Energy Corp	4045.85	100.00	5.22
20-Apr-11	Rocklands Richfield Ltd	Jindal Steel & Power Ltd	14.45	27.29	106.54
06-Dec-10	Rio Tinto Coal Mozambique	Rio Tinto Ltd	3370.95	100.00	27.84
08-Nov-10	Caledon Resources PLC	Guangdong Rising Assets Management Co Ltd	425.1	100.00	58.98
08-Oct-10	Northern Energy Corp Ltd	New Hope Corp Ltd	156.19	80.83	79.12
22-Sep-10	Bowen Energy Ltd	Bhushan Steel Ltd	1.09	73.60	88.92
05-Jul-10	Centennial Coal Co Ltd	Banpu PCL	1851.96	100.00	38.32
07-Apr-10	Gloucester Coal Ltd	Noble Group Ltd	233.46	65.40	42.31
13-Aug-09	Yancoal Resources Ltd	Yanzhou Coal Mining Co Ltd	2594.97	100.00	9.26
10-Jul-09	Bowen Energy Ltd	Bhushan Steel Ltd	4.32	59.65	8.23
26-Feb-09	Gloucester Coal Ltd	Noble Group Ltd	229.86	87.70	102.87
05-Dec-07	Resource Pacific Holdings Ltd	Xstrata PLC	858.89	100.00	35.25

05-Jul-06	Excel Coal Ltd	Peabody Energy Corp	1702.46	100.00	13.09
23-Feb-05	Austral Coal Ltd	Centennial Coal Co Ltd	297.67	85.79	12.19
				Mean	35.93
				Median	27.84

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 long-term median and average announced control premia paid by acquirers of coal mining targets listed on the ASX is 27.84% and 35.93% respectively. We note that the sample size of announced control premia for coal transactions is relatively small. As such the median represents a more accurate measure of central tendency as the mean will tend to be skewed by outliers in a smaller sample.

There are two transactions in the table above which we consider to be extreme outliers.

1. In December 2011 it was announced that Yanzhou Coal Mining Co Ltd, one of China's largest coal producers, would acquire a 100% stake in Gloucester Coal Ltd. This transaction is considered to be an outlier as a Yanzhou Coal Mining Co Ltd received a discount of 17.41% to obtain a controlling interest in Gloucester Coal Ltd; and
2. In April 2011 Jindal Steel & Power Ltd made an offer to acquire an additional 12.83% stake in Rocklands Richfield Ltd, increase its total interest post-transaction to 27.29%. The transaction had an announced control premium of 106.54%.

We note that the average announced control premia, for transactions whereby the acquirer obtained 100% control in the target (and excluding outlier 1 above), is 28.28%.

Taking the factors above into consideration in applying a control premium to Lemur's quoted market share price we believe an appropriate range to be between 25% and 35%.

Quoted market price including control premium

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

	Low	Midpoint	High
	$	$	$
Quoted market price value	0.058	0.060	0.062
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.073	0.078	0.084

Therefore, our valuation of a Lemur share based on the quoted market price method and including a premium for control is between $0.073 and $0.084, with a midpoint value of $0.078.

10.3 Assessment of Lemur Value

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

	Low	Preferred	High
	$	$	$
NAV methodology (section 10.1)	0.140	0.152	0.175
QMP methodology (section 10.2)	0.073	0.078	0.084

The NAV methodology has been deemed most reliable for this purpose due to the core value of Lemur being in the cash held by the Company and the exploration assets that it holds in its balance sheet and for which we have received an independent valuation. The cash backing of Lemur alone represents $0.089 per share in value. This is above the QMP value. The NAV could be realised by Shareholders by liquidating the Company's assets and returning them to shareholders.

From our analysis of the quoted market price of a Lemur share we note that 31.09% of the Company's issued capital had been traded in a 12 month period which represents a moderate level of liquidity. We also note that over the twelve month period analysed Lemur shares have traded between a low of $0.052 and a high of $0.125. Under RG111.69 (d), the QMP methodology is considered an appropriate methodology when a liquid and active market exists for the securities. We consider that due to Lemur having only a moderate level of liquidity in addition to a large spread between the lowest and highest share prices over the 12 month period that there is not a liquid and active market for Lemur securities and therefore the QMP methodology cannot be deemed as reliable as the NAV methodology in determining the value of a Lemur share.

Our valuation of a Lemur share under the NAV methodology is higher than our valuation under the QMP methodology above. We believe that this is a result of the NAV methodology incorporating the full analysis and independent valuation of Lemur's projects which may not have been appreciated by the market and therefore not reflected under the QMP method. We also note that as at 9 May 2013, the last full trading day prior to the announcement of the Offer, the Company's market capitalisation was approximately $11.55 million. The Company's market capitalisation is below Lemur's cash balance as at 30 April 2013 which indicates that the current market price does not accurately reflect the value of a Lemur share even on a cash backing basis.

Based on the results above we consider the value of a Lemur share based on the NAV methodology, to be between $0.140 and $0.175, with a preferred value of $0.152.

Under the Offer, Lemur Shareholders will receive three Bushveld shares for every five Lemur shares they hold. Therefore the value of five Lemur shares is as follows:

	Low	Preferred	High
	$	$	$
Value of one Lemur share prior to the Offer	0.140	0.152	0.175
Exchange ratio	5	5	5
Value of five Lemur shares prior to the Offer	0.700	0.760	0.875

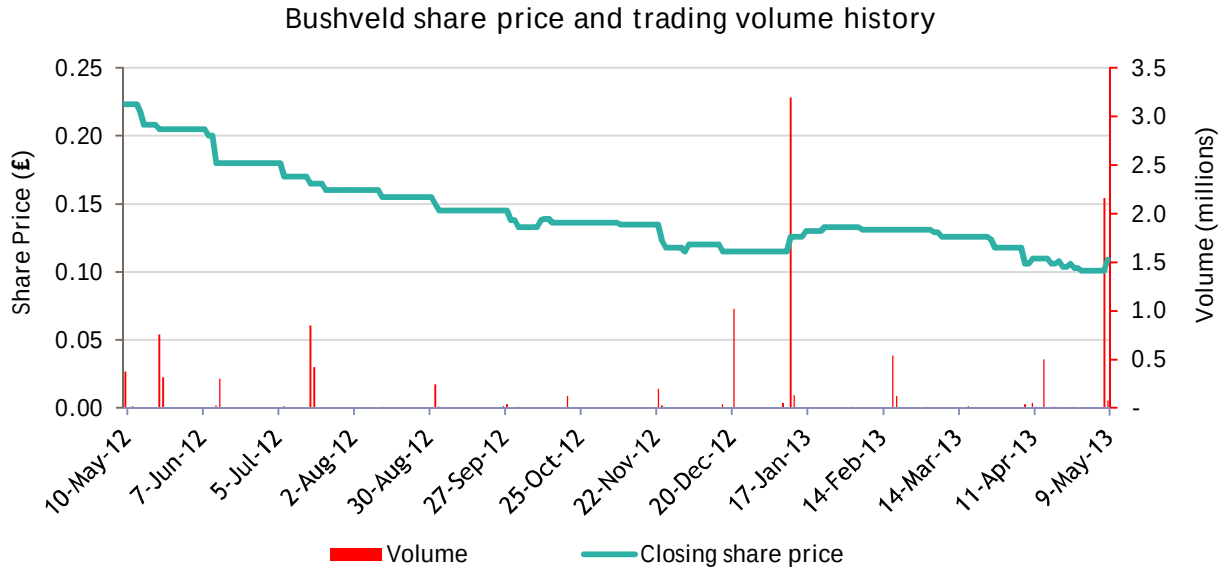
11. Valuation of Bushveld Minerals Limited

11.1 Quoted Market Prices for Bushveld Securities

Shareholders of Lemur are being offered three Bushveld shares for every five Lemur shares they hold. As explained in section 9.2, we have assessed the quoted market price for a Bushveld share to arrive at the value of the consideration offered by Bushveld. 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.

Under RG 111.34 it is noted that if, in a scrip bid, the target is likely to become a controlled entity of the bidder, the bidder's securities can also be valued using a notionally combined entity. However, it should still be noted that the accepting holders are likely to hold minority interests in that combined entity.

Our analysis of the quoted market price of a Bushveld share is based on the most recent trading price over the last 12 months prior to the date of announcement of the Offer on 13 May 2013. Therefore, the following chart provides a summary of the share price movement over the 12 months to 9 May 2013 which was the last full trading day prior to the announcement.



Source: Bloomberg and BDO analysis

The daily price of Bushveld shares from 10 May 2012 to 9 May 2013 has ranged from a low of £0.101 on 29 April 2013 to a high of £0.223 on 10 May 2012. The share price of Bushveld has generally trended downwards over the measurement period with limited shares being traded as a result of Bushveld shares being tightly held. The highest volumes of shares traded occurred on 11 January 2013, where 3.2 million shares were traded and prior to the announcement of the Offer on 8 May 2013, where 2.16 million shares were traded.

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

Date	Announcement	Closing Share Price Following Announcement £ (movement)	Closing Share Price Three Days After Announcement £ (movement)
22/04/2013	Scoping Study - Bushveld Iron Ore Project	0.108 (▲1.9%)	0.106 (▼1.9%)
15/04/2013	Holding(s) in Company	0.110 (▶Nil)	0.106 (▼3.6%)
11/04/2013	Metallurgical Update on Iron Ore Project	0.110 (▲3.8%)	0.110 (▶Nil)
27/03/2013	Mineral Resource Update - P-Q Weathered Zone	0.124 (▼1.6%)	0.118 (▼4.8%)
19/03/2013	Operations Update - Iron Ore Project	0.126 (▶Nil)	0.126 (▶Nil)
7/02/2013	Bushveld Operational Update	0.131 (▼1.5%)	0.131 (▶Nil)
7/02/2013	Site Visit	0.131 (▼1.5%)	0.131 (▶Nil)
7/02/2013	Resource Update - Bushveld Iron Ore	0.131 (▼1.5%)	0.131 (▶Nil)
28/01/2013	Metallurgical Testwork Results - Iron Ore Project	0.133 (▶Nil)	0.133 (▶Nil)
24/01/2013	Potential Phosphate Resource at Iron Ore Project	0.133 (▲2.3%)	0.133 (▶Nil)
17/01/2013	Operations Update - Bushveld Iron Ore Project	0.130 (▲3.2%)	0.130 (▶Nil)
13/12/2012	Mokopane Tin Project Update	0.120 (4 Nil)	0.120 (▶Nil)
5/12/2012	Bushveld Iron Ore Resource Update	0.120 (▲4.3%)	0.120 (▶Nil)
4/12/2012	Mokopane Tin Project Update	0.115 (▼2.5%)	0.120 (▲4.3%)
23/11/2012	Half Year Results for the period to 31 August 2012	0.135 (▶Nil)	0.123 (▼8.9%)
8/11/2012	Strategic Investment	0.136 (▶Nil)	0.135 (▼0.7%)
8/11/2012	REPLACEMENT - Doc re. Strategic Investment	0.136 (▶Nil)	0.135 (▼0.7%)
8/11/2012	Doc re. Strategic Investment	0.136 (▶Nil)	0.135 (▼0.7%)
2/11/2012	Drilling work results - Bushveld Iron Ore Project	0.136 (▶Nil)	0.136 (▶Nil)
11/10/2012	Drilling Programme and Resource Update	0.138 (▲3.8%)	0.139 (▲0.7%)
28/08/2012	Final Results	0.155 (▶Nil)	0.155 (▶Nil)
26/06/2012	Operations Update	0.180 (▶Nil)	0.180 (▶Nil)

Source: Bloomberg and BDO analysis

To provide further analysis of the market prices for a Bushveld share, we have also considered the volume weighted average price ("VWAP") for 10, 30, 60 and 90 trading day periods to 9 May 2013.

	9-May-13	10 Days	30 Days	60 Days	90 Days
Closing price	£0.109				
Volume Weighted Average Price (VWAP)		£0.110	£0.110	£0.114	£0.117

Source: Bloomberg and BDO analysis

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

An analysis of the volume of trading in Bushveld shares for the 12 months to 9 May 2013 is set out below:

	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	£0.101	£0.109	82,573	0.03%
10 Days	£0.101	£0.109	2,265,784	0.80%
30 Days	£0.101	£0.118	2,908,656	1.02%
60 Days	£0.101	£0.131	3,646,887	1.28%
90 Days	£0.101	£0.138	7,064,992	2.49%
180 Days	£0.101	£0.155	8,885,020	3.13%
1 Year	£0.101	£0.223	12,032,201	4.24%

Source: Bloomberg and BDO analysis

This table indicates that Bushveld's shares display a very low level of liquidity, with only 4.24% of their current issued capital being traded in the 12 months prior to the announcement of the Offer. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

Our assessment is that a range of values for Bushveld shares based on market pricing, after disregarding post announcement pricing, is between £0.109 and £0.118, with a midpoint of £0.114.

11.2 Resource Multiple Valuation

The primary asset of Bushveld is the Bushveld Iron Ore Project. We have analysed the resource multiples observed for listed companies with iron ore projects in Africa as their primary focus. A brief description of the comparable companies is provided below.

Company name	Stock exchange	Description
African Minerals Limited	AIM	African Minerals Limited is a minerals exploration and development company with significant interests in Sierra Leone. It is listed on AIM, and is headquartered in London, United Kingdom. The company is currently focussed on the development of the iron ore deposit at Tonkolili and its related rail and port infrastructure. This project is the largest employer in Sierra Leone.
Baobab Resources PLC	AIM	Baobab Resources PLC is a Mozambican-focused explorer with a large landholding in the central north of the country. The company's flagship project is the Tete pig iron project in which a pre-feasibility study was completed in March 2013.
Sable Mining Africa Ltd	AIM	Sable Mining Africa Ltd is an AIM listed resource company developing a multi staged portfolio of assets in Africa, focussing primarily on iron ore and coal. The company has a portfolio of iron ore projects in West Africa, primarily Guinea and Liberia as well as a coal portfolio with near-term production and exploration/development assets in South Africa and Zimbabwe.
Sundance Resources Limited	ASX	Sundance Resources Limited is an Australian-based exploration company focused on mining interests in the Republic of Cameroon. The Mbalam-Nabeba iron ore project straddles the border of the central African countries Cameroon and the Republic of Congo. In April 2011, Sundance released the results of the Definitive Feasibility Study for Stage One and the Pre-Feasibility Study for stage two which paves the way for Sundance's transition from explorer to producer subject to finalizing Government approvals and securing appropriate project finance.
Affero Mining Inc	TSX-V and AIM	Affero Mining Inc is an iron ore exploration and development company listed on TSX-V and AIM. The Company holds four exploration permits in the south of Cameroon, all along the same proposed infrastructure, in an area rapidly emerging as a new iron ore district. The flagship project is Nkout.
Kogi Iron Limited	ASX	Kogi Iron Limited is focused on the exploration and development of its Agbaja Plateau Iron Ore Project located in Kogi State, Republic of Nigeria, West Africa.
Ferrum Crescent Limited	ASX	Ferrum Crescent Ltd explores for iron in South Africa. The Company owns an interest in the Turquoise Moon Iron Project, which consists of the Moonlight Deposit and the De Loskop Prospect, located in the Limpopo region of South Africa.
Equatorial Resources Limited	ASX	Equatorial Resources Limited is an emerging iron ore exploration company with iron ore exploration projects located in the Republic of Congo. The company is in the process of completing a Scoping Study on its Mayoko-Moussondji iron ore project which is expected to be finalised in 2013.
London Mining PLC	AIM	London Mining PLC focuses on identifying, developing and operating mines to supply the steel industry globally. The Company develops iron ore mines as well as operate coking coal properties.

We have calculated Bushveld's market capitalisation based on the midpoint value per share as derived using the QMP method being £0.114. To this value we have added the current net debt of Bushveld to arrive at its enterprise value of £31.1 million.

The table below shows that the median enterprise value per unit of inferred, indicated and measured resource is £0.08 per tonne.

We have also analysed the median enterprise value per unit of inferred, indicated and measured resource when excluding companies that are in production or any clear outliers we have identified. We have done this to exclude companies that hold projects that are at a more developed stage than those held by Bushveld. From this analysis we have excluded African Minerals Limited, Sable Mining Africa Ltd and

London Mining PLC. The median enterprise value per unit of inferred, indicated and measured resource when excluding these companies is £0.03 per tonne and the average is £0.08 per tonne.

	Iron Ore Project	Location	Interest	Enterprise value 9 May 2013 £ (millions)	Relevant interest Tonnes (millions)	EV/resource multiple £/tonne
Bushveld Minerals Ltd	Bushveld Iron Ore Project	Limipopo Province, South Africa	64%	31.1	492.5	0.06
African Minerals Limited	Tonkolili Project	Sierra Leone	75%	803.74	9,563.3	0.08
Baobab Resources PLC	Tete Iron Ore Project	Mozambique	85%	50.83	618.0	0.08
Sable Mining Africa Ltd	Nimba Iron Ore Project	Guinea	80%	66.65	97.2	0.69
Sundance Resources Limited	Mbalam-Nabeba Iron Ore Project	Cameroon & The Republic of Congo	77%	171.55	593.2	0.29
Affero Mining Inc	Nkout Iron Ore Project	Cameroon	90%	63.62	2,331.7	0.03
Kogi Iron Limited	Agbaja Plateau Iron Ore Project	Nigeria	100%	17.06	487.7	0.03
Ferrum Crescent Limited	Moonlight Iron Ore Project	Limipopo Province, South Africa	97%	2.01	298.4	0.01
Equatorial Resources Limited	Mayoko-Moussondji Iron Project	The Republic of Congo	100%	18.92	766.8	0.02
London Mining PLC	Marampa Mine	Sierra Leone	100%	264.21	1,072.0	
	Isua	Greenland	100%		1,107.0	
	Wadi Sawawin	Saudi Arabia	25%		95.8	
				264.21	2,274.8	0.12
					Average	0.15
					Median	0.08
					Average	0.08
					Median	0.03
					(excludes African Minerals, Sable Mining & London Mining)	

We have applied the average and median resource multiples to the resources of Bushveld to arrive at an inferred value per share. Bushveld has a total of 769.57 million tonnes of measured, indicated and inferred resources of which it has a 64% interest in.

	Resource multiple	Bushveld's indicated & inferred resources (Million Tonnes)	Inferred Enterprise Value £ (millions)	Cash £ (millions)	Debt £ (millions)	Equity value £ (millions)	Shares on issue	Inferred value per share (£)
Average	0.08	492.52	38.2	1.3	-	39.5	283,969,110	0.14
Median	0.03	492.52	15.3	1.3	-	16.6	283,969,110	0.06

The inferred value per share using the resource multiple methodology is on a minority interest basis.

11.3 Assessment of Bushveld value

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

	Low £	Midpoint £	High £
QMP methodology (section 11.1)	0.109	0.114	0.118
Resource multiple valuation (section 11.2)	0.060	0.100	0.140

Based on the results above we consider the value of a Bushveld share to be between £0.109 and £0.140, with a midpoint of £0.125.

We note that due to the illiquidity and irregular trading of Bushveld's shares, the quoted market price method is not necessarily considered an accurate reflection of the company's value however, the midpoint value of a Bushveld share under both our valuation methods above is consistent. Therefore we have based our low value of our valuation range on the QMP methodology and the high value of our valuation range on the resource multiple valuation method.

12. Value of the consideration

Under the Offer, Lemur Shareholders will receive three Bushveld shares for every five Lemur shares they hold. Therefore the value of three Bushveld shares is as follows:

	Low	Midpoint	High
Value of one Bushveld share (£)	£0.109	£0.125	£0.140
Exchange rate (A$/£)*	0.611	0.611	0.611
Value of one Bushveld share ($A)	$0.178	$0.205	$0.229
Exchange ratio	3	3	3
Value of three Bushveld shares ($A)	$0.534	$0.615	$0.687

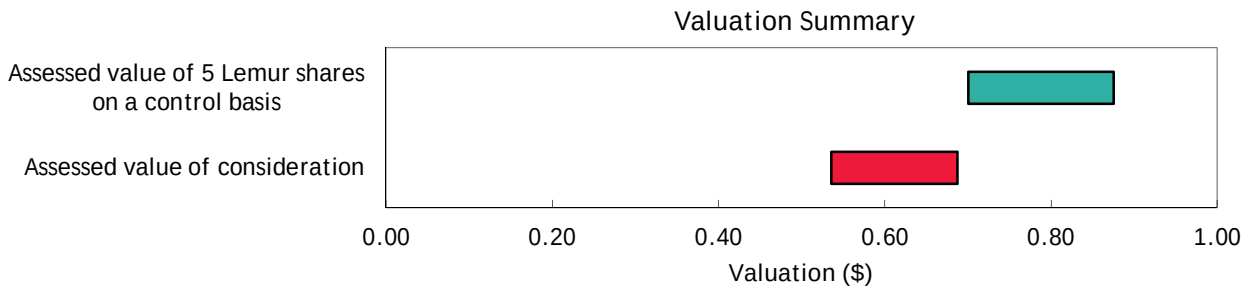
*Exchange rate obtained from Bloomberg

13. Is the Offer fair?

We determined that the Offer consideration of three Bushveld shares compares to the value of five Lemur shares, as detailed hereunder:

	Ref	Low $	Preferred $	High $
Value of five Lemur shares prior to the Offer	10	0.700	0.760	0.875
Value of three Bushveld shares (Offer consideration)	12	0.534	0.615	0.687

The above valuation ranges are graphically presented below:



The above pricing indicates that the value of five Lemur shares prior to the Offer is greater than the value of the Offer consideration of three Bushveld shares. Therefore, in the absence of any other relevant information, we consider that the Offer is not fair for Shareholders.

In valuing a Bushveld share we have relied on the QMP methodology and the resource multiple valuation method. With reliance on both these methodologies we have determined that the Offer is not fair for Shareholders. It is reasonable to believe that any higher value that may be determined by a direct valuation of Bushveld's projects by an independent specialist is unlikely to be reflected in Bushveld's share price due to the very low liquidity and irregularity of trading in its shares.

Approximately 93.91% of Bushveld's issued capital as at the date of this report is held by four shareholders. This has significantly affected the liquidity of Bushveld shares being traded on AIM with only 4.24% of the current issued capital being traded over a 12 month period up until the announcement of the Offer. If the Offer is accepted and becomes unconditional and Bushveld acquires 100% of the issued capital of Lemur then Lemur Shareholders will hold a maximum of 28.36% of the merged entity. The ability of Lemur Shareholders, who will receive Bushveld shares as consideration, to realise the value of their Bushveld shares will be significantly affected by the limited liquidity of Bushveld shares on AIM and the tightly held nature of Bushveld.

14. Is the Offer reasonable?

14.1 Advantages of accepting the Offer

We have considered the following advantages when assessing whether the Offer is reasonable.

14.1.1 Major shareholders in Lemur intend accepting the Offer

As disclosed in the Replacement Bidder's Statement, certain Lemur shareholders who collectively own approximately 40% of Lemur's current ordinary shares on issue, have advised that they will accept the Offer for Lemur shares in respect of all shares that they hold, in the absence of a superior offer. Certain Lemur shares held by these shareholders, constituting 27.27% of the issued capital of Lemur, are classed as restricted by the ASX, with their release and acceptance into the Offer being subject to customary conditions.

Therefore, the prospects of another bidder emerging may be low.

14.1.2 Diversification and exposure of additional assets

Shareholders who accept the Offer, subject to the Offer becoming unconditional, will be exposed to a more diversified portfolio of assets across a greater number of projects then they are currently exposed to through their holding in Lemur. Shareholders will gain exposure to tin assets and iron ore assets located in South Africa through Bushveld's Mokopane Tin Project and the Bushveld Iron Ore Project. We note that Bushveld has recently completed a Scoping Study on its Bushveld Iron Ore Project.

However, Shareholders would also have the ability to separately invest in Bushveld regardless of whether they accept the Offer or not.

14.1.3 No brokerage costs

On acceptance of the Offer and the Offer becoming unconditional, Shareholders will receive Bushveld shares as consideration for their Lemur shares. No brokerage costs will apply that would ordinarily apply if the shares were disposed of.

14.2 Disadvantages of accepting the Offer

If Shareholders accept the Offer, subject to the Offer becoming unconditional, the potential disadvantages, in our opinion, to Shareholders include the following:

14.2.1 Dilution of existing Shareholders' interest

Prior to the Offer, Shareholders owned 97.30% of the Company with Bushveld holding a relevant interest in 2.70%. If the Offer is accepted and becomes unconditional and Bushveld acquires 100% of the issued capital of Lemur, the Shareholders' interests will be diluted to a maximum of 28.36% of the merged entity. This will dilute Shareholders' interests in Lemur's projects and their level of collective influence on the operations and development of Lemur's projects. We also note that Shareholders will receive shares in a company with four major shareholders. This will further affect any control that Shareholders will have in the merged entity and may deter any future takeover offers.

14.2.2 Relative cash position of Lemur and Bushveld

According to the Replacement Bidder's Statement the most recent financial information for Bushveld indicates that as at 28 February 2013 Bushveld held approximately £1.31 million in cash and other short-term highly liquid investments. Of this balance approximately £430,000 is held in cash with Bushveld currently in the process of raising additional capital funding of approximately £1.5 million. Without this cash injection the audit report indicates that Bushveld would not be able to complete all its intended projects and certain expenditure planned would need to be curtailed. These conditions gave rise to the existence of a material uncertainty regarding Bushveld's ability to continue as a going concern in the audit report for the financial statements for the period ending 28 February 2013.

As at 30 April 2013, Lemur had approximately $17.06 million. As announced in the Company's quarterly report for the period ended 31 March 2013, Lemur indicated that the Board had undertaken a strategic review to consider how best to utilise the Lemur structure and cash reserves. From this review it was determined that the Company focus its Madagascan efforts on the following areas, which involve minimal cash outlay:

- Construct a detailed financial model for the Imaloto Coal Project based on findings of the Mine, Port and Infrastructure Scoping Studies;
- Continue work towards having an IPP concession awarded and commencement of work on the IPP Environmental Impact Assessment;
- Continue work with the Ministry of Transport in evaluating port sites; and
- Effecting permit administration including renewal and transfers.

The Board also considered that the strong cash position of Lemur positions it well to consider new acquisitions. The Company has commenced a formal search, focussed primarily on Southern African Coal assets but will consider other opportunities if they arise.

If the Offer is accepted and becomes unconditional the Company's ability to progress these initiatives will be limited as a result of Bushveld's intentions for the merged entity as outlined in section 4.

14.2.3 Lemur will have to share benefits of its assets with Bushveld

Shareholders who accept the Offer, subject to the Offer becoming unconditional, will hold a diluted interest in the merged entity's assets and will have to share any development or exploration upside in its assets portfolio, particularly the Imaloto Coal Project, with the current shareholders of Bushveld. The Company has recently finalised the key terms of a Heads of Agreement that is to be executed between Lemur and the Madagascan Government's state owned electricity company which is a step towards having an IPP concession issued.

14.2.4 Intentions regarding current expenditure programs for Imaloto Coal Project

As indicated in the Replacement Bidder's Statement, if Bushveld acquires a relevant interest in 90% or more of Lemur shares under the Offer, Bushveld intends to undertake a detailed strategic review of Lemur's activities, assets and liabilities to evaluate their prospects, strategic relevance, funding requirements and financial performance. This could lead to the modification of some of Lemur's existing projects and activities. In particular Bushveld, like Lemur, has indicated that project expenditure for the Imaloto Coal Project is likely to be materially reduced from current levels. As a result, Bushveld's activities will focus on its own assets rather than those of Lemur. However, Bushveld has indicated it

intends to continue to work towards having an IPP concession awarded by the Madagascan Government and assess options for funding and development.

14.2.5 Liquidity of Bushveld shares traded on AIM

In the six months prior to the Offer being announced only 3.13% of Bushveld's current issued capital was traded on AIM. We also note that approximately 93.91% of Bushveld's current issued capital is held by only four shareholders. If the Offer is accepted and becomes unconditional, Shareholders will receive Bushveld shares as consideration and Bushveld's liquidity may increase as a result. However, we cannot confirm if this will increase to the level of liquidity currently experienced by Lemur.

14.2.6 Potential taxation consequences

The taxation consequences for Shareholders will differ depending on their individual circumstances. Consideration for the Offer is in the form of scrip. Where scrip consideration is received, eligibility for capital gains tax scrip-for-scrip roll-over relief may be available if certain circumstances are met, in particular if the purchaser becomes the owner of 80% or more of the voting shares in the target. As there is no minimum acceptance condition to the Offer, this condition may or may not be met resulting in a potential tax liability for individual shareholders who accept the Offer and the Offer becoming unconditional.

14.2.7 Change in jurisdiction

If the Offer is accepted and becomes unconditional, Shareholders will become shareholders of Bushveld. Shareholders will be exposed to differences between applicable corporations and securities laws. Lemur is incorporated in Australia and listed on the ASX while Bushveld is incorporated in Guernsey and listed on AIM. If the Offer is accepted and becomes unconditional, Shareholders will receive new Bushveld shares as consideration which will be governed by Guernsey law.

Bushveld, as a company incorporated in Guernsey, will not be subject to all the provisions and protections of the Corporations Act to which Lemur is currently subject to and which Shareholders are familiar. Some Shareholders may not be familiar with the Guernsey provisions to which Bushveld will be subject. The United Kingdom ("UK") City Code on Takeovers and Mergers ("City Takeover Code") normally applies to an AIM-listed company whose registered office is in the UK, the Channel Islands or the Isle of Man. The City Takeover Code does not apply to Bushveld as its central management and control is not located in one of these jurisdictions. Therefore, Shareholders who accept the Offer, subject to the Offer becoming unconditional, will not benefit from protection under the Corporations Act or the City Takeover Code. However this will change from 30 September 2013. After this date the City Takeover Code will apply to such companies, including Bushveld.

14.3 Other considerations

14.3.1 Likelihood of alternative offers

We are unaware of any alternative proposal that might offer the Shareholders of Lemur a premium over the value ascribed to that resulting from the Offer. As noted in section 14.1.1 an alternative offer is unlikely.

14.3.2 Practical level of control

The Offer has no minimum acceptance condition, however we note that certain Lemur shareholders, who collectively own approximately 40% of Lemur's current ordinary shares on issue, have advised that they will accept the Offer for Lemur shares in respect of all shares that they hold, in the absence of a superior offer. If this occurs then Bushveld's holding in Lemur will increase from its current relevant interest of 2.70% to at least 42.70%. Bushveld's control of Lemur following the Offer (assuming it becomes unconditional) will therefore be significant when compared to all other shareholders.

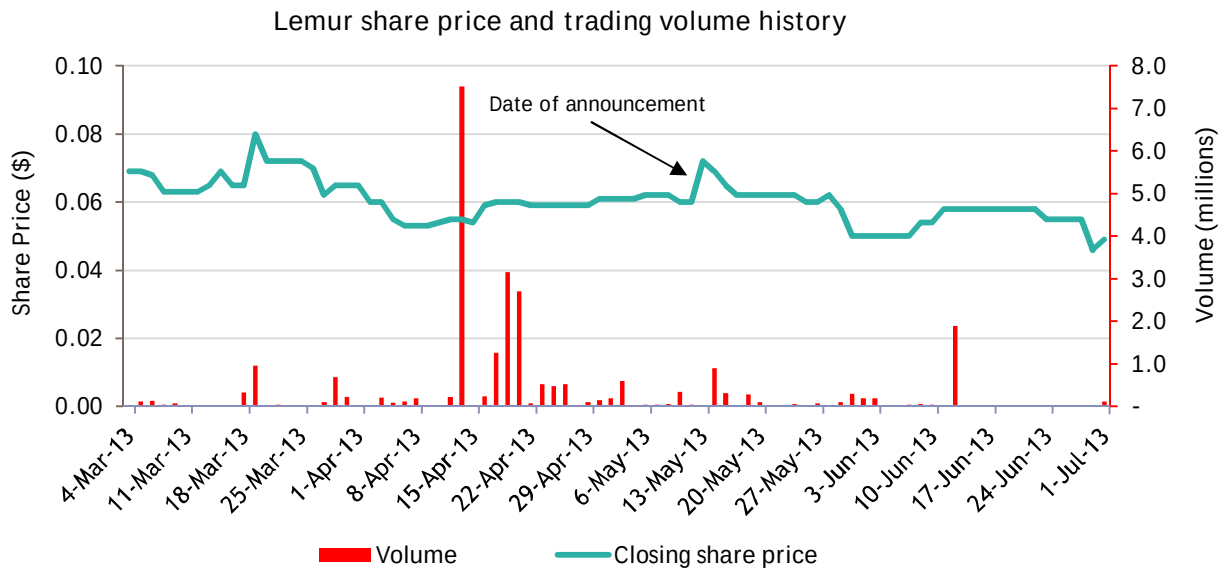
When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter. If the Offer is accepted (assuming it also becomes unconditional) by the Lemur shareholders who collectively hold 40% then Bushveld will be able to block special resolutions. Bushveld will be able to pass general resolutions if Lemur shareholders holding an additional 7.3% of the issued capital accept the Offer and the Offer becomes unconditional.

Bushveld has also indicated that if it acquires a relevant interest of over 90% it will appoint a new Lemur Board and if it only acquires a relevant interest above 50%, but less than 90%, it will still seek to replace some or all members of the Lemur Board.

14.3.3 Post announcement effect on the share prices of Lemur and Bushveld

We have analysed movements in both Lemur's and Bushveld's share price since the Offer was announced.

A graph of Lemur's share price leading up to the announcement of the Offer and following the announcement is set out below.

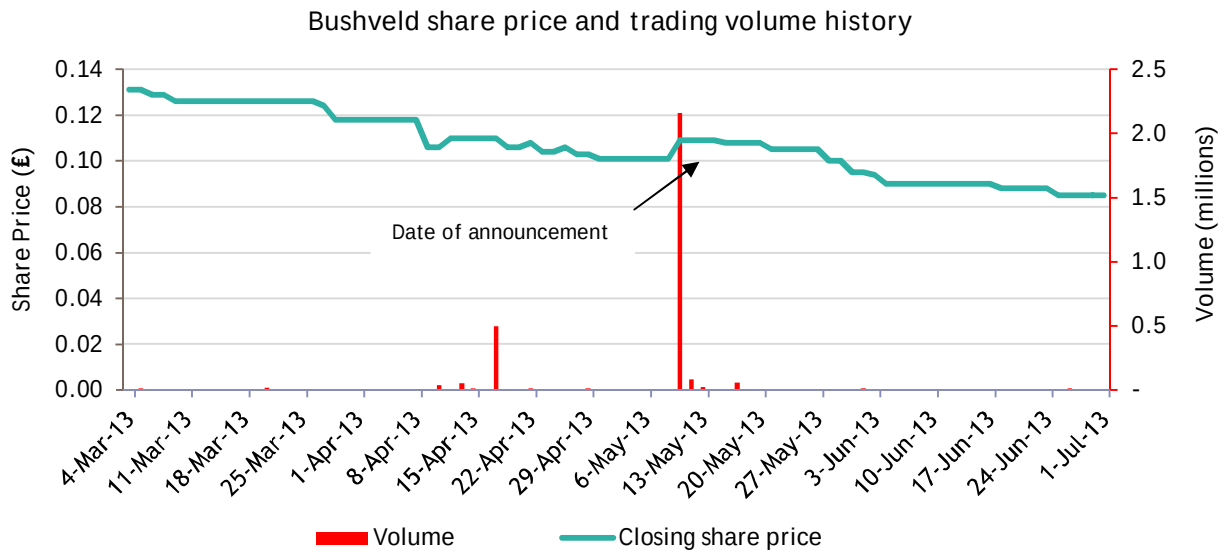


Source: Bloomberg and BDO analysis

The announcement of the Offer was made to the market on 13 May 2013. On that day approximately 0.9 million shares were traded and Lemur's share price closed at $0.072, an increase of 20% from the closing share price of $0.060 on the last full trading day on 9 May 2013. Lemur's share price has traded between a

low of $0.046 and a high of $0.069 since the announcement of the Offer closing below the pre-offer price at $0.049 on 1 July 2013.

RG 111.33 states that trading after a bid is announced may reflect some of the benefits of the combined entity, depending on whether the market has confidence that the transaction will proceed. Therefore, we have analysed movements in Bushveld's closing share price since the Offer was announced. A graph of Bushveld's share price leading up to and following the announcement is set out below.



Source: Bloomberg and BDO analysis

Following the announcement of the Offer on 13 May 2013, Bushveld's share price has shown a gradual decline. On the last full trading day prior to the Offer being announced, Bushveld's share price closed at £0.109. Since the Offer has been announced, Bushveld's share price has continued to trade between a low of £0.085 and a high of £0.109. On 1 July 2013, Bushveld's share price closed at £0.085 which is 22% lower than its closing price the last full trading day before the announcement of the Offer.

We have used pre-announcement prices in our fairness assessment to determine the value of a Bushveld share. If we were to reduce the value of Bushveld shares by 22%, the preferred value of the offer consideration would be reduced to £0.480.

14.3.4 Shares trading on AIM in comparison to ASX

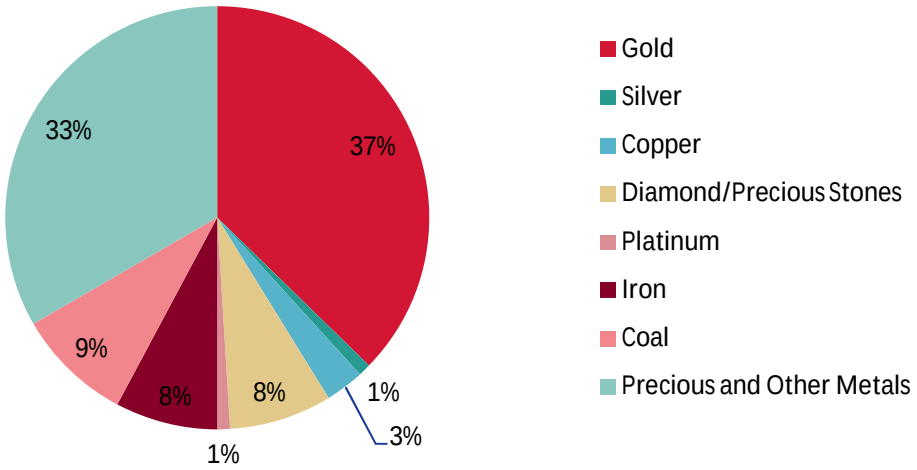
The AIM is a sub-market of the London Stock Exchange primarily targeted at smaller companies. The advantage of AIM for smaller companies is that it affords them the benefits of being a publicly listed entity with reduced regulation requirements. In addition to having reduced regulations, there are no requirements for companies listing on AIM regarding market capitalisation or number of shares.

Since its launch in 1995, capital raisings on AIM have generated approximately £81 billion (A$117 billion) for more than 3,300 companies. As at 30 April 2013 there were 1,088 companies listed on AIM with a combined market capitalisation of £62 billion (A$89 billion).

Trading shares on AIM is performed in the same manner as trading shares on the ASX, however as AIM is a subset of the London Stock Exchange, Australian investors can only use brokerage firms which allow international investors to trade AIM shares. Trading can be done online once an appropriate brokerage firm has been found.

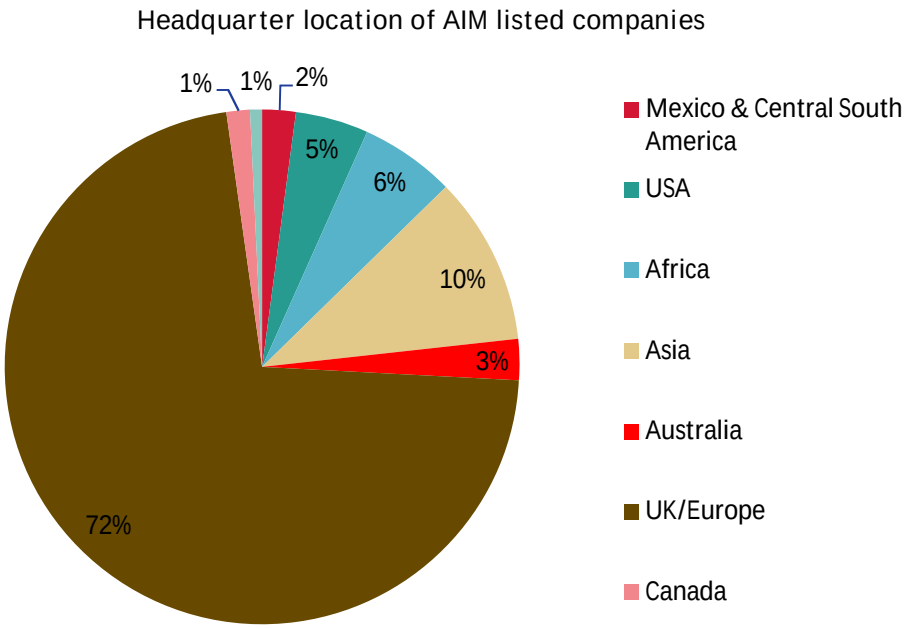
Of the 1,088 companies listed on AIM at 30 April 2013, 273 were from the mining and oil and gas sectors. Shown below is a breakdown of the relevant commodities which mining companies on AIM are focussed on. From this chart it is evident that the sector is dominated by companies searching for gold and precious metals.

Breakdown of AIM Mining Entities by Commodity



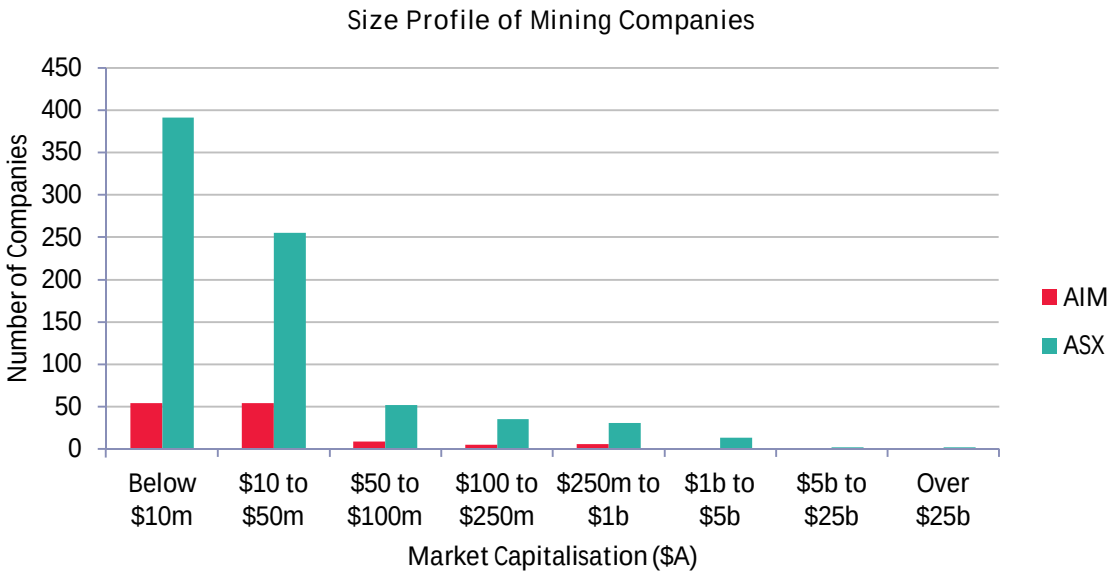
Source: Bloomberg and BDO analysis

The chart below shows where companies listed on AIM are headquartered. The majority of AIM listed companies are located in the UK and Europe (72%) with Asia being the next largest region (10%).



Source: AIM fact sheet

The chart below outlines the number of ASX and AIM listed mining companies in each market capitalisation band as at 28 May 2013.



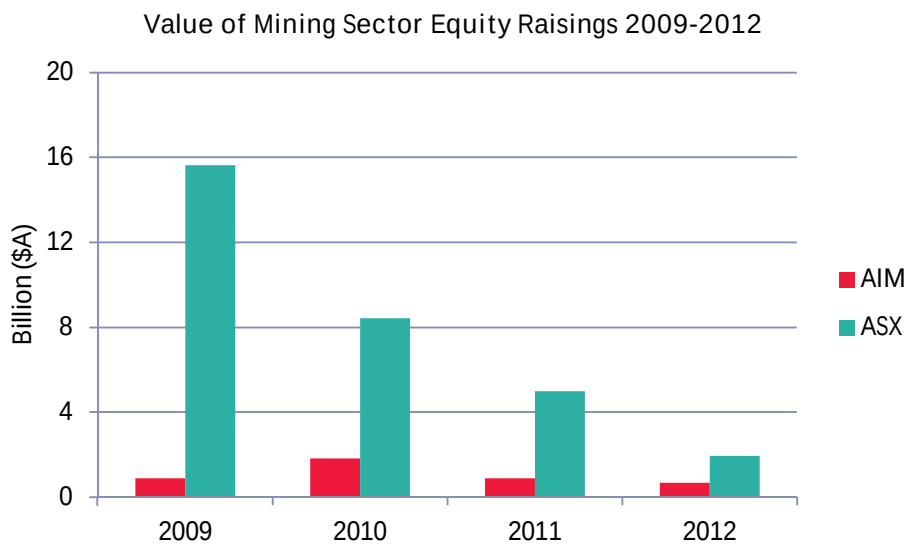
Source: Bloomberg and BDO analysis

We have also considered the number and value of public equity raisings for companies operating in the Metals and Mining Industry on both AIM and the ASX for the 12 months to 28 May 2013. The results of this analysis are tabulated below:

Exchange	Number of Financings	Value of Financings (A$ million)
AIM	62	356
ASX	287	1,653

Source: Bloomberg and BDO analysis

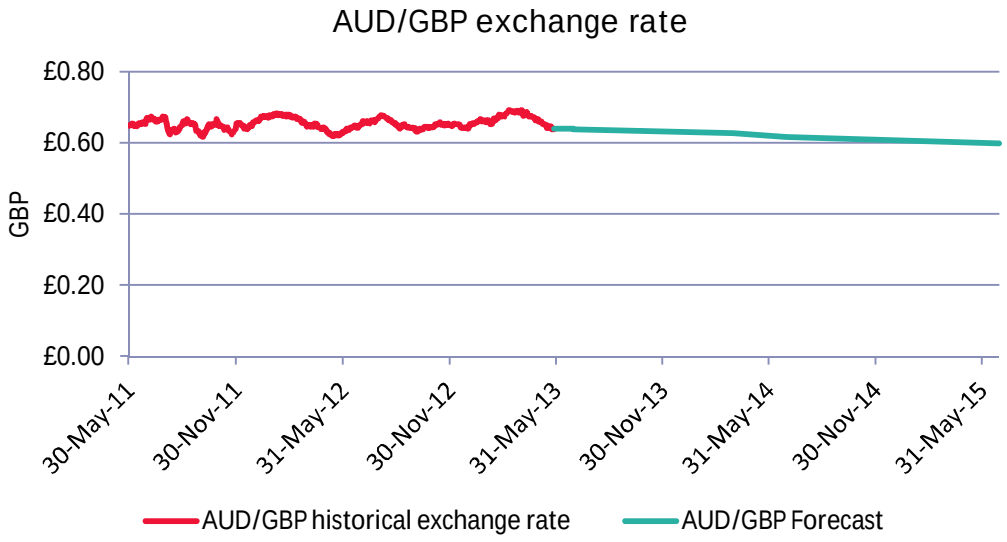
Not only did the ASX have significantly more financings than AIM, the value of these financings accounted for more than 3 times the value raised on AIM. The chart below also indicates that significantly more capital has been raised on the ASX compared to AIM over the four year period to 2012.



Source: Bloomberg and BDO analysis

14.3.5 Foreign exchange implications

If Shareholders accept the Offer, subject to the Offer becoming unconditional, they will hold shares in Bushveld which is listed on AIM. Therefore, they will be exposed to foreign exchange risk when converting British Pound denominated returns (if any) into Australian Dollars. The chart below indicates the degree of volatility of the Australian Dollar presented against the British Pound and thus highlights the uncertainty of returns, giving rise to additional risk that will be borne by Lemur Shareholders who accept the Offer.



Source: Bloomberg

14.3.6 Tax implications

The Australian tax consequences for Shareholders who accept the Offer (assuming it also becomes unconditional) will depend upon a number of factors including whether the Lemur shares are held on capital account, on revenue account or as trading stock. A distinguishing feature of shares held on capital account and shares held either on revenue account or as trading stock is the purpose for which they were acquired:

- shares held on revenue account, or as trading stock, are acquired for resale at a profit in the short term; whereas
- shares held on capital account are acquired for the purpose of deriving dividend income and long term appreciation of value.

The acceptance of the Offer and the Offer becoming unconditional should not crystallise Australian income tax liabilities for shareholders who hold their shares on capital account. This is due to the availability of scrip-for-scrip roll-over relief in Australia which is available if the transaction is made pursuant to a takeover bid and providing certain qualifying conditions are satisfied. The main qualifying condition relies on Bushveld becoming the owner of at least 80% of the voting shares in Lemur as a consequence of the Offer. However, as there is no minimum acceptance condition there is a risk that this 80% threshold will not be met.

There is no roll-over relief or deferral available for Australian income tax purposes for scrip-for-scrip exchanges of shares held on revenue account or as trading stock. Accordingly, Australian income tax liabilities may be crystallised by shareholders who hold their shares on revenue account or as trading stock. Shareholders are directed to the Target's Statement for a more detailed explanation of the tax implications of the Offer for Shareholders.

15. Conclusion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is neither fair nor reasonable to the Shareholders of Lemur.

16. Sources of information

This report has been based on the following information:

- Draft Target's Statement on or about the date of this report;
- Replacement Bidder's Statement dated 1 July 2013;
- Unaudited management accounts of Lemur Resources Limited for the period ended 30 April 2013;
- Audited financial statements of Lemur Resources Limited for the years ended 31 December 2012 and 31 December 2011;
- Reviewed financial statements for Lemur Resources Limited for the half-year ended 30 June 2012;
- Audited financial statements of Bushveld Minerals Limited for the period ended 28 February 2013;
- Unaudited interim financial statements of Bushveld Minerals Limited for the period ended 31 August 2012;
- Independent Valuation Report of Lemur Resources Limited's mineral assets dated May 2013 performed by Ravensgate Mining Industry Consultants;
- Share registry information of Lemur Resources Limited;
- Information in the public domain; and
- Discussions with Directors and Management of Lemur Resources Limited.

17. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $28,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Lemur in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Lemur, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Lemur and Bushveld and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Lemur and Bushveld and their respective associates.

A draft of this report was provided to Lemur and its advisors for confirmation of the factual accuracy of its contents. 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).

18. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 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 with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 15 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.

19. Disclaimers and consents

This report has been prepared at the request of Lemur for inclusion in the Target's Statement which will be sent to all Lemur Shareholders. Lemur engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the off-market takeover offer from Bushveld to acquire all of the shares in Lemur.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us is false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Bushveld.

BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Lemur, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Lemur. The valuer engaged for the mineral asset valuation, Ravensgate Mining Industry Consultants, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation are considered appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes	Adam Myers
Director	Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
AIM	The market of that name operated by the London Stock Exchange
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Bushveld	Bushveld Minerals Limited
City Takeover Code	UK City Code on Takeovers and Mergers
The Company	Lemur Resources Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
IPO	Initial Public Offering
IPP	Independent Power Producing
Lemur	Lemur Resources Limited
NAV	Net Asset Value
Offer	The off-market takeover offer from Bushveld Minerals Limited to acquire all of the ordinary shares in Lemur Resource Limited
QMP	Quoted Market Price
Ravensgate	Ravensgate Mining Industry Consultants
RBA	Reserve Bank of Australia

Replacement Bidder's Statement	Replacement Bidder's Statement released by Bushveld dated 1 July 2013
Our Report	This Independent Expert's Report prepared by BDO
RG111	Content of expert reports (March 2011)
RG112	Independence of experts (March 2011)
Shareholders	Shareholders of Lemur not associated with Bushveld
UK	United Kingdom
Valmin Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Security for Independent Expert Reports
VWAP	Volume Weighted Average Price
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

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.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.

Appendix 3 – Independent Valuation

Ravensgate
Mining Industry Consultants

TECHNICAL PROJECT REVIEW

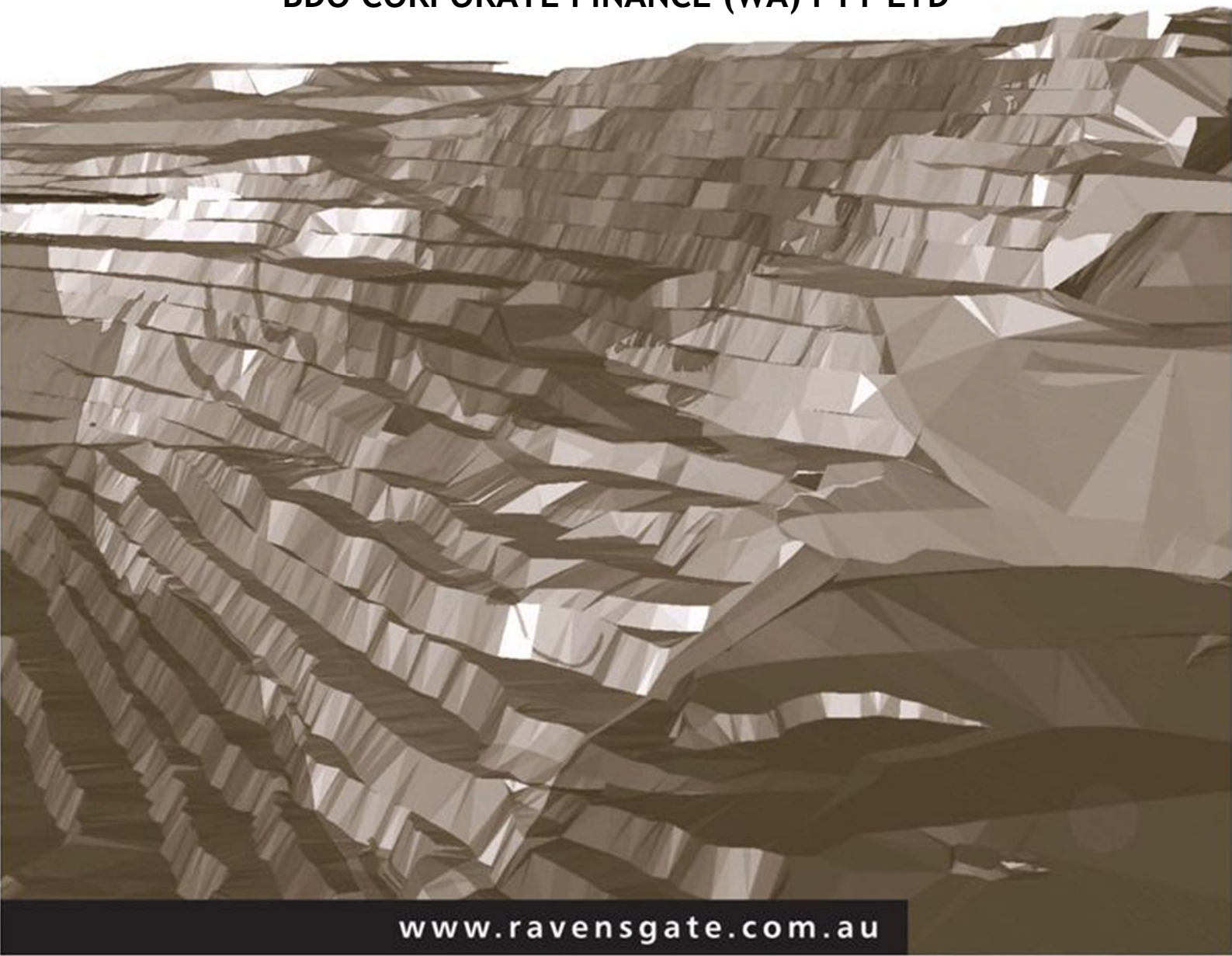
and

INDEPENDENT VALUATION REPORT

LEMUR RESOURCES LIMITED – MADAGASCAN COAL MINERAL ASSETS

for

BDO CORPORATE FINANCE (WA) PTY LTD



www.ravensgate.com.au

Ravensgate
Mining Industry Consultants

TECHNICAL PROJECT REVIEW

and

INDEPENDENT VALUATION REPORT

LEMUR RESOURCES LIMITED – MADAGASCAN COAL MINERAL ASSETS

for

BDO CORPORATE FINANCE (WA) PTY LTD

29 May 2013

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TECHNICAL PROJECT REVIEW

and

INDEPENDENT TECHNICAL VALUATION

Prepared by RAVENSGATE on behalf of:

BDO Corporate Finance (WA) Pty Ltd

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	Ravensgate	(1)	

Sam Ulrich
For and on behalf of:
RAVENSGATE

Neal Leggo
For and on behalf of:
RAVENSGATE

This report has been commissioned from and prepared by Ravensgate for the exclusive use of BDO Corporate Finance (WA) Pty Ltd.

Each statement or opinion in this report is provided in response to a specific request from BDO Corporate Finance (WA) Pty Ltd to provide that statement or opinion. Each such statement or opinion is made by Ravensgate in good faith and in the belief that it is not false or misleading.

Each statement or opinion contained within this report is based on information and data supplied by Lemur Resources Limited to Ravensgate, or otherwise obtained from public searches conducted by Ravensgate for the purposes of this report.

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1. EXECUTIVE SUMMARY

Corvidae Pty Ltd ATF Ravensgate Unit Trust T/As Ravensgate (Ravensgate) has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Lemur Resources Limited (LMR) to provide a Technical Project Review on LMR's Madagascan Coal Mineral Assets and an Independent Technical Valuation over these licences. This Technical Project Review and Independent Valuation Report were prepared by Ravensgate for inclusion in the Independent Expert's Report (IER) prepared by BDO. LMR's Madagascan coal mineral assets consist of three projects. The projects included in this report are listed below.

Mineral Asset	LMR's Ownership %
Imaloto	99%
Ianapera	99%
Sakaraha	99%

LMR's coal licences are located in the country of Madagascar. Tenement licence details have been compiled for detailed review and are appended at the end of this report. Further exploration work remains to be carried out in order to help improve geological understanding, to generate exploration targets, to investigate exploration targets, to estimate mineral resources and to undertake economic studies (where defined and as further work progresses) within the licence areas. Ravensgate's considered opinion is that the projects are of merit and worthy of further exploration.

The valuation presented in this report was completed on behalf of BDO. The valuation has been completed with information provided by, and with the full support of LMR. The applicable valuation date is 29 May 2013. The Madagascan coal projects can be classified as Exploration Area Mineral Assets and Advanced Exploration Area Mineral Assets. A mineral resource and/or exploration target as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2004 Edition) has been defined for the Imaloto project (Table 1).

Table 1 Imaloto Coal Resource

	Resource Category Gross Tonnes In Situ (Millions)			
Seam	**Measured**	**Indicated**	**Inferred**	**Total**
Main	50.8	8.4	4.2	63.4
Upper	23.1	12.7	5.3	41.1
Top	17.7	10.3	3.2	31.2
Total	**91.6**	**31.5**	**12.6**	**135.7**

The resource has been compiled to an appropriate level of precision and minor rounding errors may occur

Ravensgate did not carry out a site visit to LMR's projects in Madagascar. Mr Sam Ulrich of Ravensgate has had prior experience with the Imaloto project. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. Ravensgate is of the opinion that no significant additional benefit would have been gained through an additional site visit to the project area at this stage. Ravensgate has concluded that the Madagascan projects are of technical merit and are worthy of conducting further review and exploration.

A summary of the LMR's coal projects valuation in 100% equity percentage terms is provided in Table 2. The applicable valuation date is 29 May 2013 and is derived from using the Comparable

Transactions valuation method. The value of LMR's coal projects is considered to lie in a range from $10.014M to $16.903M, within this range Ravensgate has selected a preferred value of $12.366M, which is about the middle of the range.

Table 2 Summary LMR's Coal Projects Technical Valuation in 100% Equity Terms

Licence	Mineral Asset	Equity %	Area km^2	Valuation		
				Low $M	High $M	Preferred $M
Imaloto	Advanced Exploration Area	100%	81.25	9.955	16.740	12.263
Ianapera	Exploration Area	100%	25	0.013	0.038	0.025
Sakaraha	Exploration Area	100%	62.5	0.047	0.125	0.078
TOTAL	**Exploration Area**	**100%**	**168.75**	**10.014**	**16.903**	**12.366**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

A summary of LMR's coal projects valuation in respective ownership percentage terms is provided in Table 3. The applicable valuation date is 29 May 2013 and is derived from using the Comparable Transactions valuation method. The value of LMR's coal projects is considered to lie in a range from $9.914M to $16.733M, within this range Ravensgate has selected a preferred value of $12.242M, which is about the middle of the range.

Table 3 Summary LMR's Coal Projects Technical Valuation in Respective Ownership Percentage Terms

Project	Mineral Asset	Ownership %	Area km^2	Valuation		
				Low $M	High $M	Preferred $M
Imaloto	Advanced Exploration Area	99%	81.25	9.855	16.573	12.140
Ianapera	Exploration Area	99%	25	0.012	0.037	0.025
Sakaraha	Exploration Area	99%	62.5	0.046	0.124	0.077
TOTAL	**Exploration Area**	**99%**	**168.75**	**9.914**	**16.733**	**12.242**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

2. INTRODUCTION

The objectives of this report are to firstly provide a Technical Project Review of the Madagascan coal projects in which Lemur Resources Limited (LMR) has a 99% equity interest and secondly to provide a valuation and technical assessment of these projects prepared in accordance with the guidelines of the VALMIN Code. The work has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and LMR. The Independent Expert's Report (IER) will be included in LMR's Target Statement.

This report does not provide a valuation of LMR as a whole, nor does it make any comment on the fairness and reasonableness of any proposed transaction between any two companies. The conclusions expressed in this Technical Project Review and Independent Technical Valuation are valid as at the Valuation Date (29 May 2013). The review and valuation is therefore only valid for this date and may change with time in response to changes in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values included in this report are expressed in Australian dollars (A$) unless otherwise stated.

This report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code) as adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) in April 2005. The report has also been prepared in accordance with ASIC Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts). The Technical Project Review and Independent Technical Valuation report has been compiled based on information available up to and including the date of this report.

2.1 Terms of Reference

Corvidae Pty Ltd as trustee for the Ravensgate Unit Trust trading as Ravensgate (Ravensgate) has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Lemur Resources Limited (LMR) to provide an Independent Technical Project Review and Independent Technical Valuation on LMR's Madagascan coal Mineral Assets.

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004).

2.2 Tenement Status Verification

Ravensgate has not independently verified the status of the tenements that are referred to in this report as set out in the Tenement Schedule in Table 16 of this report, which is a matter for independent legal experts. LMR commissioned an independent review of LMR's mineral permits status. Legal firm John W. Ffooks & Co (Ffooks) completed this review and identified the following material issues that would impact on Ravensgate's valuation.

Ffooks indicated that three of the tenements (3196, 26904 and 27163) are still registered in the names of the original applicants. These tenements have been purported to have been transferred to Coal Mining Madagascar SARL (CMM). In Ffooks' legal opinion, Lemur is the rightful owner of these tenements holding a 99% interest through its 100% ownership of Coal of Madagascar Limited which in turn has a 99% interest in CMM.

Ffooks indicated that two of the tenements (26904 and 27163) at the Imaloto project have expired and are in the process of being renewed. Ravensgate has taken this into account when valuing the Imaloto project, by only valuing the project based on the coal resource and not including any value for these surrounding tenements.

Ravensgate is satisfied, based on Ffook's review, that the tenements are in good standing and the values assigned to the tenements correctly reflect LMR's ownership.

2.3 Site Investigation

Ravensgate did not carry out a site visit to LMR's projects in Madagascar. Mr Sam Ulrich of Ravensgate has had prior experience with the Imaloto project. Ravensgate is satisfied that there is sufficient current information available to allow an informed appraisal to be made. Ravensgate is of the opinion that no significant additional benefit would have been gained through an additional site visit to the project area at this stage. Ravensgate has concluded that the Madagascan projects are of technical merit and are worthy of conducting further review and exploration.

2.4 Qualifications, Experience and Independence

Ravensgate has been consulting to the mining industry since 1997 with its services that include valuations, independent technical reporting, exploration management and resource estimation. Our capabilities include reporting for all the major securities exchanges and encompass a diverse variety of commodity types.

Author: Sam Ulrich, Principal Consultant, BSc (Hons) Geology, GDipAppFin, MAusIMM, MAIG, FFin.

Sam Ulrich is a geologist with over 15 years experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia, Indonesia, Laos and China primarily in gold, base metals and uranium. Prior to joining Ravensgate Sam worked for Manhattan Corporation Ltd a uranium exploration and resource development company in a senior management position. Mr Ulrich holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

Co-Author: Neal Leggo, Principal Consultant, BSc (Hons) Geology, MAIG, MSEG

Neal Leggo has over 28 years experience in minerals geology including senior management, consulting, exploration, development, underground mining and open pit mining. He has extensive experience with a wide variety of commodities including gold, copper, iron ore, silver, lead and zinc, uranium and manganese across numerous geological terrains within the Asia-Pacific region.

Prior to joining Ravensgate, Neal worked for FMG leading a large field team undertaking fast-track exploration, delineation and feasibility study of a major new iron ore discovery in the Pilbara of WA. Previous to this Neal was Exploration Manager at Crescent Gold were he led a successful exploration team and also managed feasibility study and development work on seven gold deposits in preparation for mining. At Hatch he undertook numerous geological consulting assignments included scoping, prefeasibility and review studies, geological audit and due diligence. At BHP he modelled mineral resources including the Cannington, Mt Whaleback and Yandi world-class deposits. Previous to this Neal worked 8 years in Mt Isa for MIM where roles included chief geologist for the Hilton underground lead zinc mine and exploration manager for Isa District. During the 1980s he worked as a field geologist across northern Australia on a wide variety of exploration projects and mines.

Neal offers extensive knowledge of available geological, geophysical, geochemical and exploration techniques and methodologies, combined with strong experience in feasibility study, development and mining of mineral deposits. Neal completed an Honours degree in Geology at the University of Queensland in 1980 and holds the relevant qualifications, experience and professional associations required by the ASX, JORC and VALMIN Codes in Australia. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

Peer Reviewer: Craig Harvey, Principal Consultant, NHD Economic Geology, MGSSA, MAIG

Craig Harvey has had extensive experience of over 18 years in exploration geology, production geology, resource modelling and due diligence investigations. He has worked extensively within Southern Africa as well as offshore in Canada, Australia and Asia, conducting due diligence investigations across various operations from grassroots exploration properties to producing mines. Prior to joining Ravensgate, Craig has worked for Gold and Uranium producers Simmer and Jack Mines and First Uranium Corporation. Prior to this, he worked for Transvaal Gold Mining Estates modelling mineral resources from producing mines and managing exploration activities across extensive properties in a hydrothermal gold environment. He has worked for Harmony Gold Mines where he was part of the change management and due diligence team related to Harmony's growth strategy. He started his career with Gold Fields and gained production geology experience across a broad range of the operating mines in various commodities including gold, platinum and coal. Mr Harvey holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia.

2.5 Disclaimer

The Authors of this report, and Ravensgate, have no prior association with LMR in regard to the mineral assets and have no interest in the outcome of the technical assessment.

Ravensgate is independent of LMR, its directors, senior management and advisors and has no economic or beneficial interest (present or contingent) in any of the mineral assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are in the order of $18,000 to $22,000.

The relationship with LMR is solely one of professional association between client and independent consultant. None of the individuals employed or contracted by Ravensgate are officers, employees or proposed officers of LMR or any group, holding or associated companies of LMR.

The report has been prepared in compliance with the Corporations Act and ASIC Regulatory Guides 111 and 112 with respect to Ravensgate's independence as experts. Ravensgate regards RG112.31 to be in compliance whereby there are no business or professional relationships or interests which would affect the expert's ability to present an unbiased opinion within this report.

This report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 29 May 2013 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

2.6 Consent

Ravensgate consents to this report being distributed, in full, in the form and context in which the technical assessment in provided, for the purpose for which this report was commissioned. Ravensgate provides its consent on the understanding that the assessment expressed in the individual sections of this report will be considered with, and not independently of, the information set out in full in this report.

2.7 Principal Sources of Information

The principal sources of information used to compile this report comprise technical reports and data variously compiled by LMR and their partners or consultants, publically available information such as ASX releases, government reports and discussions with LMR's technical and corporate management personnel. With the consent of LMR, other general report contents describing the regional geology, historical exploration and current exploration have been

reproduced verbatim from a number of LMR internal and publically available reports. A listing of the principal sources of information is included in the references attached to this report.

Ravensgate has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was also provided to LMR prior to finalisation by Ravensgate, requesting that LMR identify any material errors or omissions prior to its final submission. Ravensgate does not accept responsibility for any errors or omissions in the data and information upon which the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

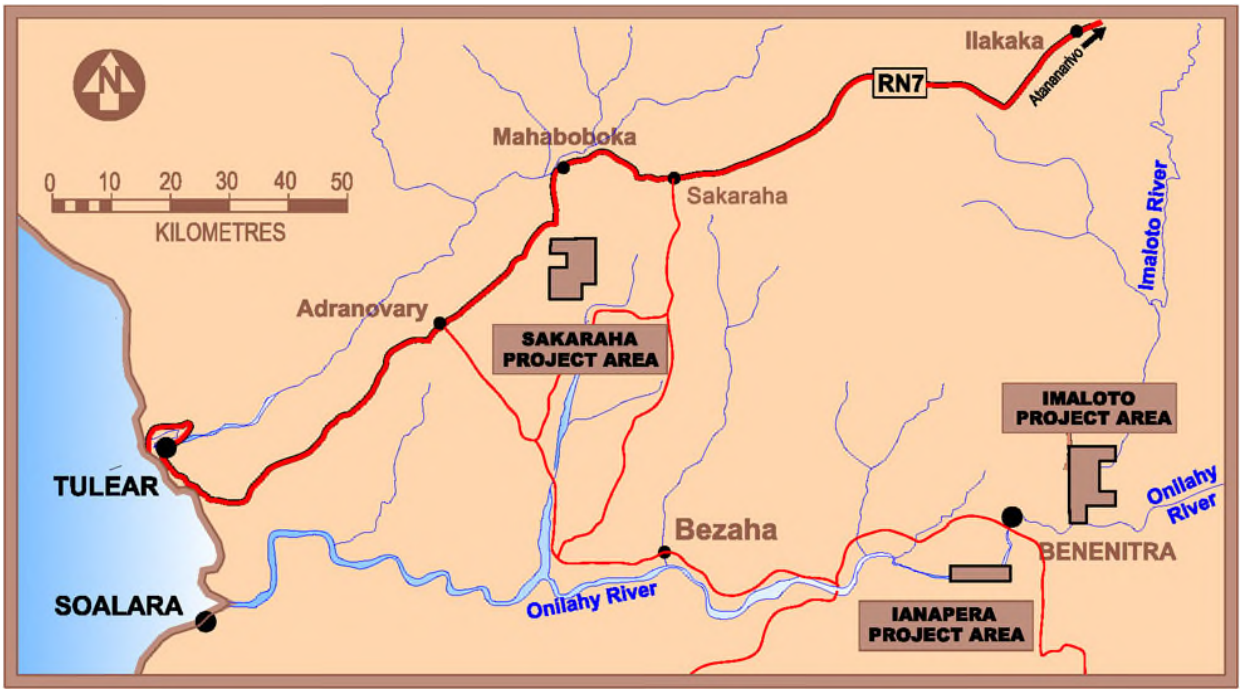
2.8 Competent Persons Statement

The information in this report that relates to Mineral Resources at the Imaloto project as described in Section 3 is based on information compiled by Mr Johan Erasmus. Mr Erasmus is a Qualified Geologist (Bachelor of Science -Geology and Chemistry, Bachelor of Science (Hons.) – Geology – University of Port Elizabeth – 1989, 1990) and is also a Professional Natural Scientist (Pr.Sci. Nat.), registered with the South African Council for Natural Scientific Professions, a 'Recognised Overseas Professional Organisation' (ROPO) included in a list promulgated by the ASX from time to time. Mr Erasmus is the owner of Sumsare Consulting CC. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Erasmus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

2.9 Background Information

The projects discussed in this report are located in the country of Madagascar. A locality map of the Madagascan coal projects is presented in Figure 1 below. A summary of the tenement details is listed in Table 16 at the end of this report. Report file references and a glossary of terms are also included at the end of this report. Ravensgate understands that the project tenements in Madagascar are held in good standing. A brief overview of the projects is outlined in Sections 3, 4 and 5. The Independent Valuation of the projects is outlined in Section 6.

Figure 1 Location of LMR's Madagascan Coal Projects



3. IMALOTO COAL PROJECT, MADAGASCAR

Note: Competent Person statements are listed in Section 2.8

3.1 Introduction

The Imaloto Coal Project is located in the Imaloto Coal Basin, which is the northern-most coal field in the greater Sakoa Basin of southwest Madagascar. The Imaloto Coal Project area lies approximately 20km northwest of the town of Benenitra and 158km from the coastal city of Tulear, between the north-south flowing Imaloto River and the west-east flowing Onilahy River. The project is located within the Toliara Province of Madagascar.

The Project can be accessed from Tulear along the paved road to Antananarivo (Route 7) for 70km as far as the town of Andranovory; then by rural dirt roads for about 150km to Benenitra; and finally by dirt track for the last 15km to the site itself. Typical current travel time in the dry season is about seven hours. As far as Benenitra, all but one of the major rivers is crossed by sturdy, high-level, bridges; and a single river requires to be forded in the last section. In the rainy season, the track from Benenitra to site can be expected to be impassable for much of the time. The road from Benenitra to Andranovory may be subject to periodic closure (Wadley and Hall, 2011).

Figure 2 Imaloto Coal Project, after Lemur Resources Limited, 2011

3.2 Tenure

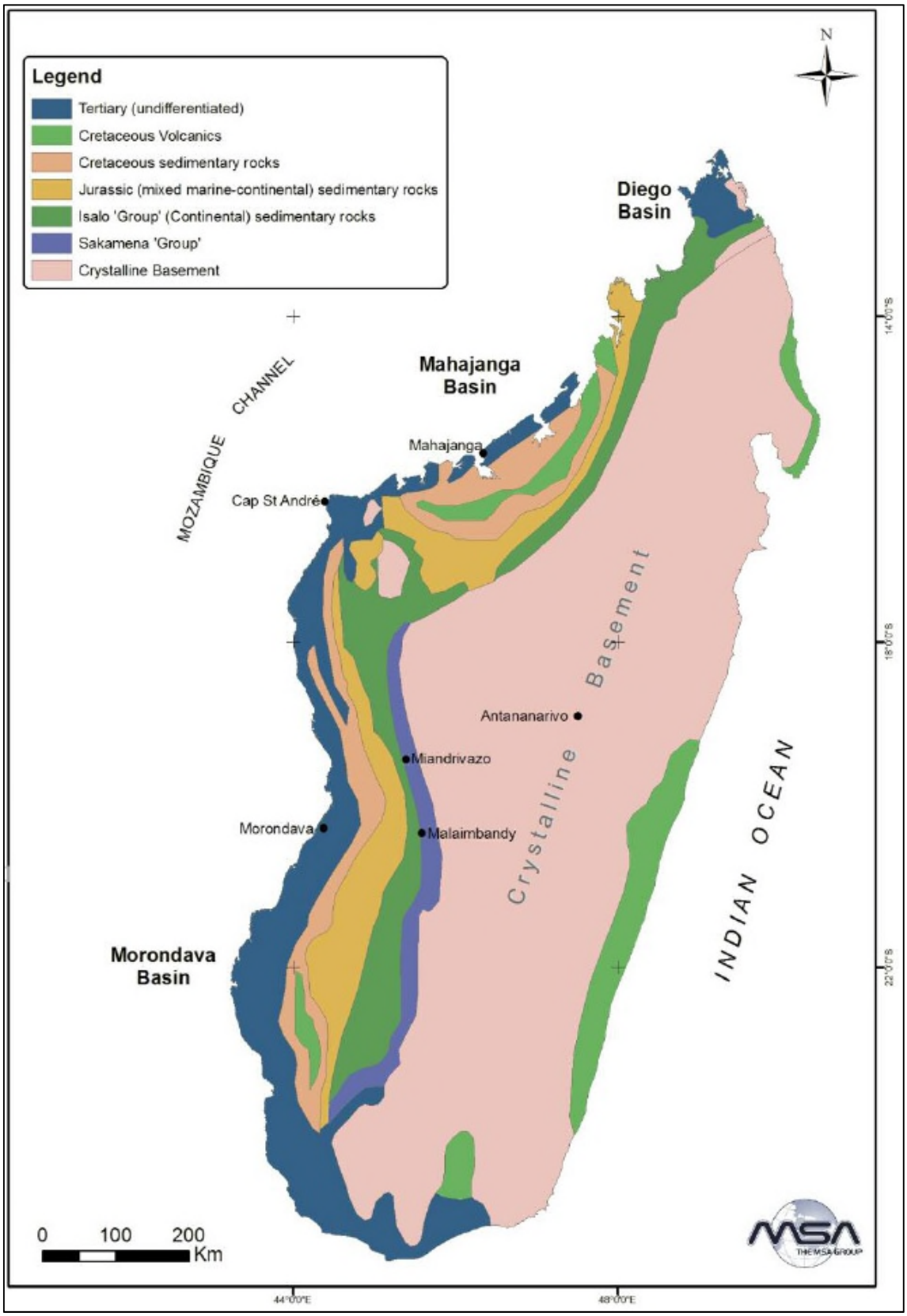
The Imaloto Coal Project area consists of five licences comprising one mining licence and four exploration licences with a total area of approximately 81.5km^2. The licence details can be found in Table 16 at the end of this report.

3.3 Regional Geology

Madagascar comprises a fragment of the African Plate, rifted from the vicinity of Tanzania at the time of the breakup of Gondwana some 200 million years ago. The eastern two-thirds of Madagascar is composed of Precambrian basement complex of Archaean to Neoproterozoic age (the Malagasy Shield). Unconformably overlying the crystalline rocks of the Malagasy Shield is a sequence of Upper Palaeozoic to middle Mesozoic sediments. These unmetamorphosed sediments comprise the western third of the country and are dominated by the Karoo Supergroup, so named due to its similarity and correlation to the Karoo Supergroup in South Africa. Various components of the Karoo sediments host the bulk of known coal occurrences in Madagascar.

Madagascar is interpreted as having undergone several periods of structural deformation in the mid-Proterozoic to early Paleozoic; this process was associated with the intrusion of granite and later pegmatite. A major resultant feature of this deformational process is the northwest-southeast striking Bongolava - Ranotsara Shear Zone, which truncates the Malagasy Shield. Subsequent rifting associated with the separation of India and Madagascar in the late Mesozoic resulted in numerous volcanic events. A regional geological map of Madagascar is provided as Figure 3 (Malagasy Minerals, 2012).

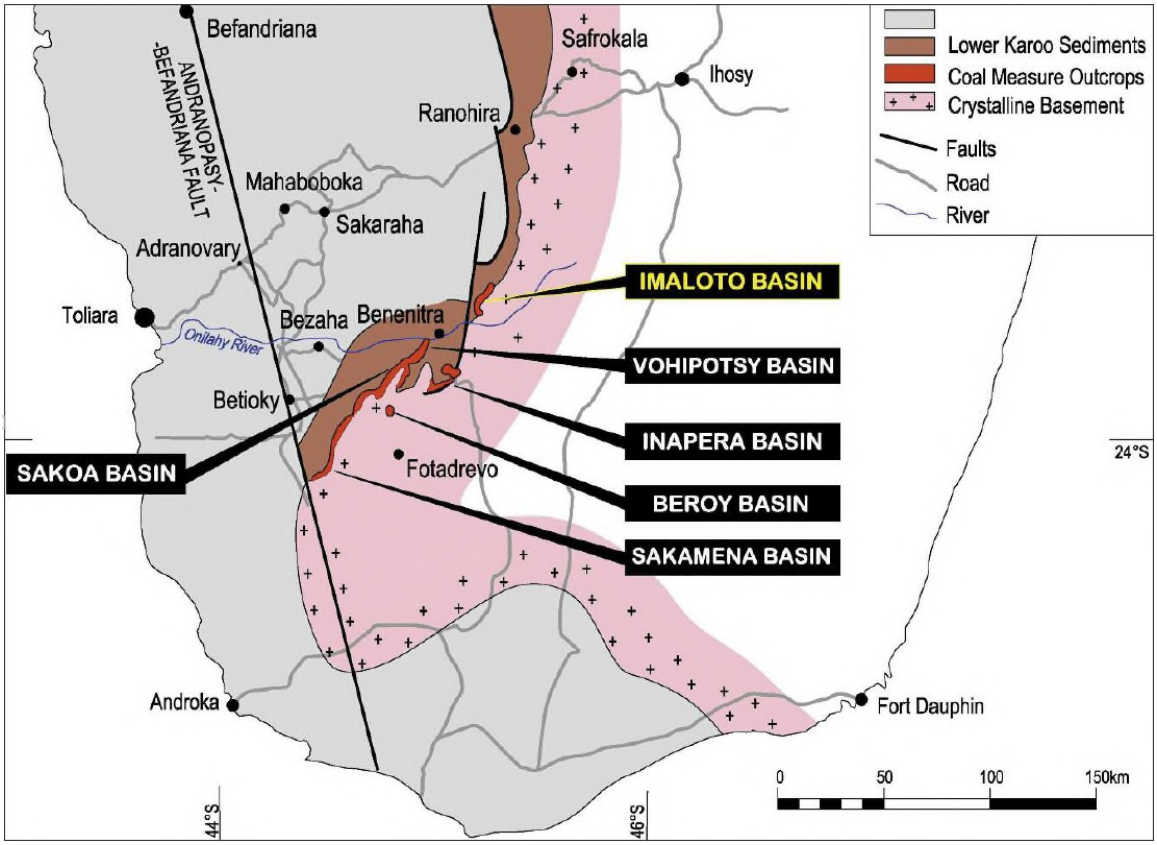
Figure 3 Geology of Madagascar, after Wadley and Hall, 2011



Depositional sequences equivalent to the Permian Karoo Supergroup of continental Africa are found along the entire western and north western coast of Madagascar. They are generally subdivided into the Morondava Basin, the Mahajanga Basin and the Diego Basin (Morel, 2008). The coal deposits of Madagascar are contained in the southern most of three large sedimentary basins, which developed in association with the separation of Madagascar from the northeast African mainland. This separation occurred in Permian to Jurassic times as part of the break-up of Gondwanaland (Wadley and Hall, 2011). The succession is subdivided into three lithostratigraphic units, which in ascending order are the Sakoa Group, the Sakamena Group and the Isalo Group. The Sakoa and Sakamena Groups are time equivalents of the Karoo Supergroup on the African continent and were deposited in individual graben structures. The sequence commences with glacial deposits, which are overlain by a coal bearing succession of fine- grained clastic sediments. The succeeding sedimentary strata rest in some places disconformably on the latter or overstep onto basement. The overlying Jurassic Isalo Group drapes across the Permian sequence. The Isalo Group consists predominantly of coarse-grained sandstones deposited by braided streams with the coarse detritus derived from a structural uplift in the east (Wescott and Diggens, 1998).

The coalfields of Madagascar occur within six elongated fault bounded sub-basins along the southern and southeastern margin of the Morondava Basin (Morel, 2008). From south to north the principal sub-basins are Sakamena, Beroy, Ianapera, Sakoa, Vohipotsy and Imaloto for a total distance of approximately 150km (Figure 4).

Figure 4 Simplified Regional Geology for the Coal Basins of Southwest Madagascar, after Wadley et al, 2011



3.4 Local Geology

The Imaloto Coalfield is situated in the northernmost part of the Morondava basin, and the stratigraphy as documented in this exploration program generally corresponds with the sequence stratigraphy as described in the literature. (Erasmus, 2013)

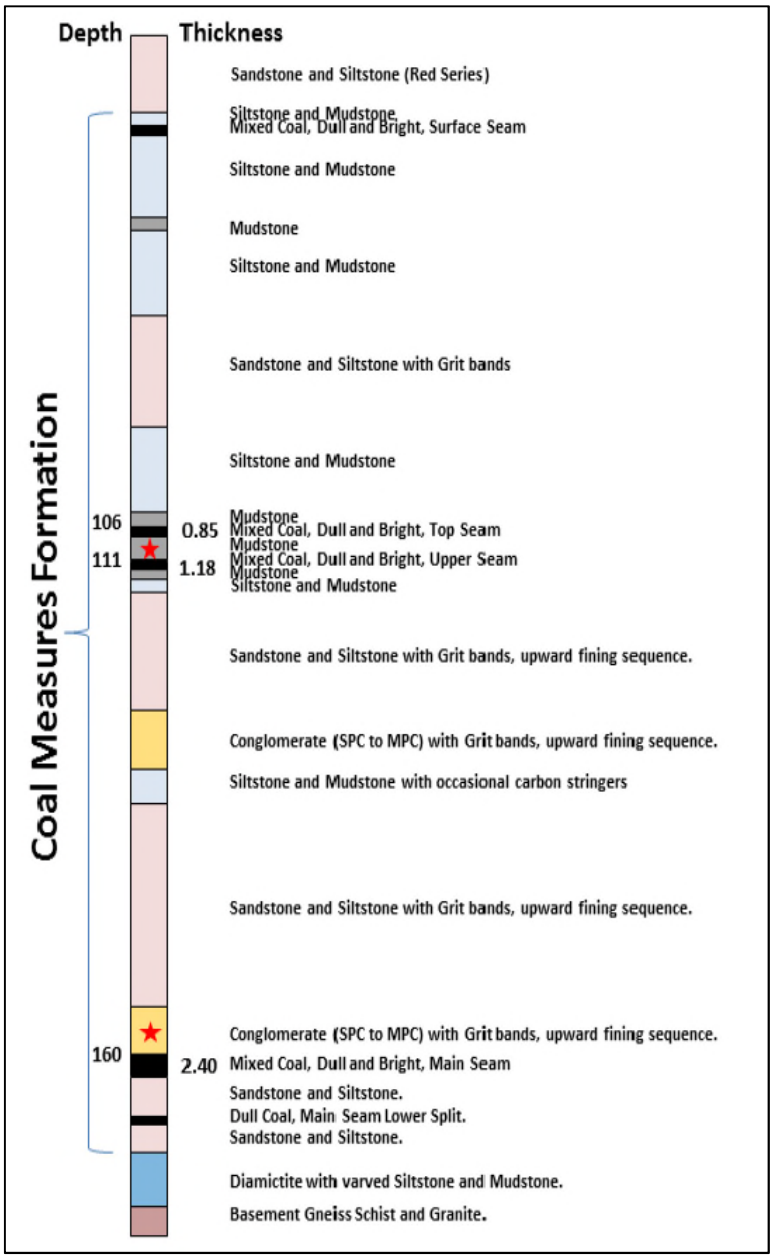
Approximately 50km^2 or two-thirds of the tenement area is underlain by Karoo Sequence sediments, including Permian sediments of the Coal Measures Formation of the Sakoa Group. The strata in this sub-basin dips to the north, and is faulted into discrete structural blocks. The faulting has a north-south orientation. The sedimentary package thickens to the north, with the sandstones, mudstones and siltstones of the Red Series and the Vohitolia Limestone Formations sequentially overlying the Coal Measures Formation. The coal bearing sediments rests conformably on glacial sediments. The underlying basement consists of gneisses, schists and granites of Precambrian age.

The coal measure stratigraphy defined by the exploration program includes from the base upwards the following seams;

- Main Seam Lower Split
- Main Seam
- Upper Seam
- Top Seam
- Surface Seam

The complete stratigraphy including the location and thickness of these coal seams is provided as Figure 5. Towards the north, the surface topography is elevated and the younger Red Series Formation sediments overly the Coal Measures Formation, while in the south the Coal Measures Formation outcrops.

Figure 5 General Coal Stratigraphy for the Imaloto Project



Interpretation of the drilling logs produced correlations of the three seams across the field. Independent review by Wadley and Hall (2011) of an initial drilling interpretation found the correlations to be robust and credible, with support from reliable marker horizons including the footwall and hanging wall sandstone and a persistent conglomerate unit above the main seam.

The average depth of weathering is approximately 10m.

The local geology is characterised by northerly trending sub-vertical faults which have broken the sub-horizontal strata into fault blocks downthrown to the west as illustrated in Figure 6. These blocks were defined during resource modelling (refer Section 3.7.2). Block 1 is near horizontal, dipping to the north at less than 1°. The relative displacement between Blocks 2 and 3 vary between 30 and 40m. Block 2 dips to the north at 1°. Block 3 dips to the west of north-west at 2°. The vertical separation between blocks 3 and 4 is also 30m. The strata in Block 4 dip to the north at less than 1°. The coal seams are shallower in the southern parts and deeper in

the northern areas. (Erasmus, 2013). The relative elevation difference between Blocks 4 and 5 is estimated to be 25m, with other fault throws estimated between 20m and 110m. The extent of the estimated displacement of these faults will effectively divide the coal resource into separate elongate mining blocks.

The Main Seam Lower Split occurs on average 11.5m below the Main Seam. The Surface Seam occurs on average 40m above the Top Seam. These two seams are on average less than 30cm in thickness and hence are not considered to be of economic significance. Two important marker horizons useful for correlation and structural interpretation is the small to medium sized pebble conglomerate occurring immediately above the Main Seam and the mudstone and carbonaceous rocks that constitute the Top and Upper Seam package. (Erasmus, 2013).

The Main Seam maintains a potentially mineable thickness (0.4 to 4.4m) across most of the basin. It is thinnest in the South and West, thickening markedly towards the north. It varies in depth below surface from outcrop in the south and east to over 220m depth in the north. It is overlain by a predominately sandstone zone over 40m thick separating it from the overlying Upper Seam. The immediate hanging wall and footwall of the Main Seam are both laterally persistent sandstone units, with generally sharp top and bottom contacts. Sandstones typically provide favourable floor and roof lithologies in terms of underground rock mechanics. In some areas along the margin of the basin, the main seam is absent due to non-deposition or erosion. Geological logs describe the Main Seam as comprising intermediate to bright or dull coal commonly characterised by mudstone or siltstone intercalations. Calcite veining is ubiquitous. Rare chalcopyrite and pyrite nodules were noted (Wadley and Hall, 2011).

Approximately 50m higher in the stratigraphy a coal zone 7 to 14m thick contains two distinct but thin coal seams named the Upper Seam and the Top Seam. The remainder of the zone comprises shale and mudstone intercalations with other minor lenticular coal seams. This zone is only preserved in the northern half of the project area due to the effects of recent erosion stripping off this portion of stratigraphy. The average thickness of the Upper Seam is 1.36m, while the average thickness of the Top Seam is 0.81m. The inter-burden or parting separation of the two seams is an average of 5.21m. (Wadley and Hall, 2011).

3.5 Exploration

3.5.1 Historic Exploration

The occurrence of coal in the Imaloto Basin has long been known from surface mapping. In a 1987 report describing the coal resources of Madagascar (UNDPI-World Bank 1987) references were made to work dating back to the 1950s: “The four coal seams were described in 1954 as mainly carbonaceous mudstone. A later report (1957) describes one seam with an average thickness 1m as having 15% raw ash.” These references were however not cited.

In a 1984 report, BP Coal noted that the Imaloto was prospective for shallow coal because of known coal outcrops and that the coal bearing formation were shallower and more gently dipping here than in the southern Sakoa basin. The following year BP Coal undertook a surface exploration program consisting of trenching and sampling coal outcrops along the edges of the basin in collaboration with OMNIS, an agency of the government. The program confirmed the existence of coal in surface trenches (although weathered) with thicknesses up to 2m, giving encouragement for potential economic coal deposits existing down dip. However no drilling was undertaken to follow up these results (Uranio 2008).

Wadley and Hall (2011) reported the existence of an old adit into the main seam of unknown origin with no mapping or data available from this underground mining.

3.5.2 Diamond Drilling

Coal Mining Madagascar SARL (CMM) commenced exploration in the area in 2008 with a detailed interpretation of high resolution satellite imagery and airborne magnetics, which concluded that drilling was warranted and recommended ground-based mapping. Limited mapping was undertaken which confirmed the satellite interpretation, but detailed mapping remained incomplete until 2011.

The Phase 1 exploration program commenced after the final granting of all the Mining and Prospecting Rights in February 2009. The initial planning of the first phase of exploration included drilling 36 boreholes spaced on a 1km grid over the whole area underlain by Permian Age sediments. Drilling was managed in-house and was manned by Indonesian operators. CMM established a tented camp on the western bank of the Imaloto River. This property was equipped as an exploration base and all the field activity, logging of core and sampling of core was managed from this base camp.

Following positive results from Phase 1, further programs of exploration were designed to provide closer spaced drill data and more detailed and comprehensive analytical data. The boreholes were initially spaced on an approximate 1000x1000m grid, which was subsequently closed down to approximately 300m. The subsequent second and third phases of exploration were again managed in-house and included the drilling of an additional 123 boreholes. Drilling occurred in three phases from March 2009 until October 2009 (Phase 1), August to December 2011 (Phase 2) and April 2012 to December 2012 (Phase 3). The main emphasis of the exploration program was to focus on the Main Seam, due to its greater thickness and better quality coal.

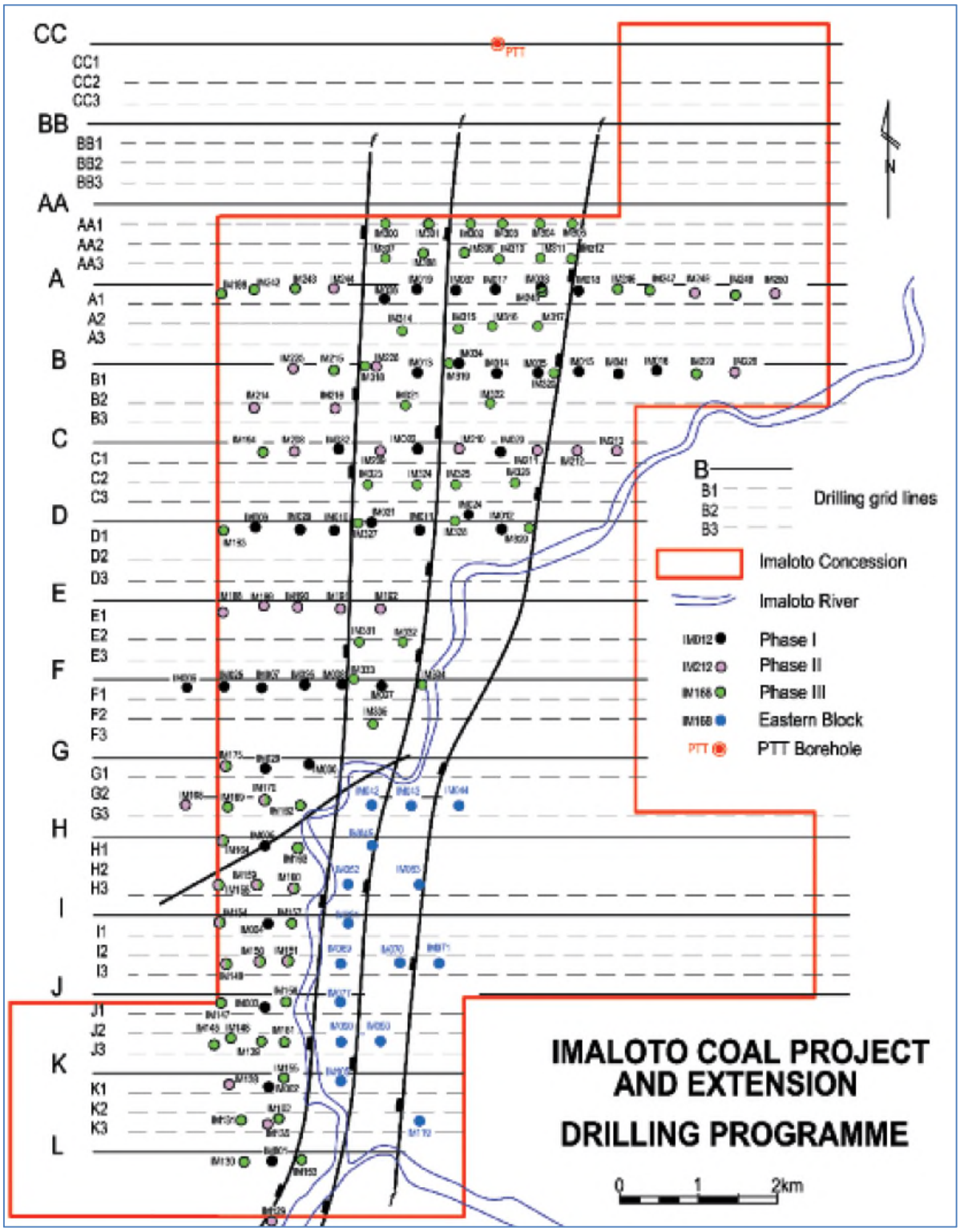
Mr Johan Erasmus, an external independent consultant, has taken responsibility as Competent Person for the exploration data and mineral resource estimation. He was present on site for four periods of approximately 10 days each during the execution of the Phase 2 and 3 drilling programs. Drilling and recovery of core on this site is verified by him. He reported witnessing the drilling first-hand on site, and also witnessing the sampling and dispatching of samples from the exploration camp in Imaloto via Tulear, to the coal laboratory (M&L Inspectorate) in Middelburg in South Africa.

Drilling recoveries were good. Three holes were re-drilled because recoveries were below 97% in the coal seams. The measured recoveries were acceptable and within the required standard. The 159 boreholes were drilled producing 19,572m of core giving an average depth per hole of 122m. The maximum depth drilled was on borehole IM244 at 389.5m. The seams were sampled as units, which were defined by high resolution sampling during the first phase of drilling (Erasmus, 2013 and Lemur, 2013).

The coal resource is estimated on the basis of 159 boreholes that were drilled between February 2009 and December 2012 (Figure 6). A total of 19,572m was drilled in this exploration program. Since the resource orientation is near horizontal, all the drilling was planned to be vertical. Erasmus undertook a random check on borehole orientation which showed the audited holes to vary between -89.0^{o} and 88.94^{o}. All the boreholes were drilled with two similarly equipped Boart-Longyear LF 70 rigs. These rigs are the property of Lemur Resources and are staffed by Indonesian operators. All the drilling was cored diamond drilling and was drilled in HQ size. This produced a recovered core of 63.5mm in diameter. This size core produces a sample mass of 4.75kg of coal per running metre at a default density of 1.500t/m^3. All the drilled boreholes were surveyed after the completion of drilling by Mada Topo, a Madagascan survey company. All the coordinates were supplied in WGS84 and UTM 38S format. All the collar elevations were reported as metres above mean sea level.

During the first phase of the project (first 36 boreholes), sampling was detailed and included the sampling of non-coal roof and floor sediments. The core was split in half, and sent to the laboratory for analyses and the remaining half was retained on site. Phase 2 and 3 boreholes were sampled as full core with lithological contacts as sample boundaries. The minimum seam width for sampling is 30cm. All the residue material is in the custody of the laboratory for future analyses.

Figure 6 Imaloto coal project drilling program



3.6 Coal Quality

Calculating the actual usefulness of coal as a fuel requires determining its proximate and ultimate analysis. The quality of the three principal seams at Imaloto have been determined from the submission of samples for proximate analysis and the estimation of calorific value and

total sulphur content. Results from Phase 1 drilling indicated that the Main Seam contains 18.9 million open cast tonnes quality of the coal of sufficiently good quality to warrant the execution of a series of float and sink tests to ascertain the potential quality enhancement that would be derived from beneficiation (Wadley and Hall, 2011).

Analyses were performed on 391 samples, covering the three phases of drilling. The laboratory used for sample analyses is M&L Inspectorate in Johannesburg, South Africa. The samples were bagged and tagged in the field, and taken by road to Tulear in Madagascar. From Tulear, the samples were shipped by DHL to Johannesburg by air freight. The following analyses were requested as a standard on all samples:

- Sample preparation
- As received density
- Screening out < 0.5mm, ISO 1953
- Sink and float analyses, ISO 7936
- Sulphur % content per float and final sink, C030-402-W (Based on ASTM:D4239)
- Moisture % content per float and final sink, C030-403-W (Based on SANS 5925)
- Volatile % content per float and final sink, C030-404-W (Based on ISO 562)
- Ash % content per float and final sink, C030-401-W (Based on ISO 1171)
- Free swelling index per float below 1.400t/m^3, ISO 540
- Gross CV(MJ/kg) per float and final sink, C030-405-W (Based on ISO 1928)

Results of the coal quality test work have been released in a series of market announcements and technical reports, most recently Lemur (2012), Erasmus (2013) and Lemur (2013). Table 4 summarises the number of core samples by seam that have undergone proximate analysis (after Lemur 2012).

Table 4 Samples Submitted for Proximate Analysis by Seam and Batch

Core samples that have undergone wash table analysis:	Phase I & II 2009	Batch 1	Batch 2	Batch 3	Batch4	Phase III Batch 5	Batch 6	Batch 7	Batch 8	Batch 9	Sub-total	Project to date Total
Total												
Surface seam	0	0	0	0	1	0	0	0	0	1	2	2
Main seam	39	12	5	6	4	21	4	2	1	46	101	140
Top seam	22	0	6	5	5	0	7	3	1	26	53	75
Upper seam	24	0	6	7	5	0	7	2	1	27	55	79
Lower seam	0	0	0	1	1	7	2	0	0	1	12	12
Sub-coal intersections	83	0	0	0	0	0	0	0	0	0	0	83
	168	**12**	**17**	**19**	**16**	**28**	**20**	**7**	**3**	**101**	**223**	**391**

Tables detailing the compilation of analytical results on the main quality characteristics from the three main coal seams are provided in the section on mineral resources of this report. These results of coal quality test work are summarised in the sections below.

3.6.1 *Main Seam Coal Quality*

Erasmus (2013) reported "the Main seam is anticipated to return a good quality raw feed for power generation with a CV of 20.74MJ/kg (ADB), an Ash content of 28.8%, and an elevated Total Sulphur value of 1.96%. If the Main seam is to be considered for a 5,600kcal/kg NAR product, the cut-point density of 1.500t/m^3 will result in a product with an Ash content of 17.2%, Volatiles at 30.3%, Total Sulphur at 1.03% and a theoretical Yield of 66.1%."

3.6.2 *Top Seam Coal Quality*

Erasmus (2013) reported "The Top Seam is anticipated to return a raw feed for power generation with a CV of 17.95MJ/kg (ADB), an Ash content of 36.9%, and an elevated Total Sulphur value of 2.10%. If the Top Seam is to be considered for a 5,600kcal/kg NAR product, the cut-point density of 1.400t/m^3 will result in a product with an Ash content of 14.1%, Volatiles at 31.9%, Total Sulphur at 1.03% and a theoretical Yield of 30.2%."

3.6.3 *Upper Seam Coal Quality*

Erasmus (2013) reported "The Upper Seam is anticipated to return a raw feed for power generation with a CV of 15.70MJ/kg (ADB), an Ash content of 42.6%, and an elevated Total Sulphur value of 1.85%. If the Upper Seam is to be considered for a 5,600kcal/kg NAR product, the cut-point density of 1.400t/m^3 will result in a product with an Ash content of 16.4%, Volatiles at 32.9%, Total Sulphur at 1.23% and a theoretical Yield of 24.0%."

3.6.4 *Further Coal Quality Testwork*

Petrographic studies, chemical analysis of coal ash, ash fusion tests, ultimate analysis (including carbonate, chlorine, phosphorus, iron and sulphur) for coal from the various seams at Imaloto has either not been undertaken, or the results are not available to Ravensgate. Therefore, no comments can be made by Ravensgate with regard to these aspects of coal quality.

3.7 Mineral Resources

3.7.1 *Global Resource*

A resource report dated January 2013 titled "A Resource Statement of the Imaloto Coal Deposit in Madagascar in terms of the JORC Reporting Code" was prepared for Lemur Resources Limited, by Johan Erasmus of Sumsare Consulting, to quantify the in-situ coal resource contained in project tenements (Erasmus, 2013). Following receipt of final analytical results, a revised resource was reported dated 28 March 2013 by the same author, which updated the resource report with final resource numbers and coal quality tabulations (Lemur, 2013).

The estimated coal resource is contained in three seams and amounts to a gross tonnage in situ (GTIS) of 135.7Mt. This has been classified as 91.6Mt at measured, 31.5Mt at indicated, with the balance of 12.6Mt at the inferred level of confidence. The current coal resource for the Imaloto coal project is provided in Table 5 below in summary form.

Table 5 Imaloto Coal Resource

	Resource Category Gross Tonnes In Situ (Millions)			
Seam	**Measured**	**Indicated**	**Inferred**	**Total**
Main	50.8	8.4	4.2	63.4
Upper	23.1	12.7	5.3	41.1
Top	17.7	10.3	3.2	31.2
Total	**91.6**	**31.5**	**12.6**	**135.7**

The resource has been compiled to an appropriate level of precision and minor rounding errors may occur

Average Coal quality parameters for each seam comprising the reported resources shown here are reported on a 'raw' material basis.

Raw Main Seam parameters ('air dried basis') are :

28.1% ash, 40.7% fixed carbon, 1.98% sulphur, and a gross calorific value of 21.15MJ/kg.

Raw Upper Seam parameters ('air dried basis') are :

40.6% ash, 31.1% fixed carbon, 1.80% sulphur, and a gross calorific value of 16.59MJ/kg.

Raw Top Seam parameters ('air dried basis') are :

35.0% ash, 34.2% fixed carbon, 2.16% sulphur, and a gross calorific value of 18.68MJ/kg.

3.7.2 *Detailed Resource Breakdown*

Figure 7 Map of Imaloto Coal Project faults and resource blocks

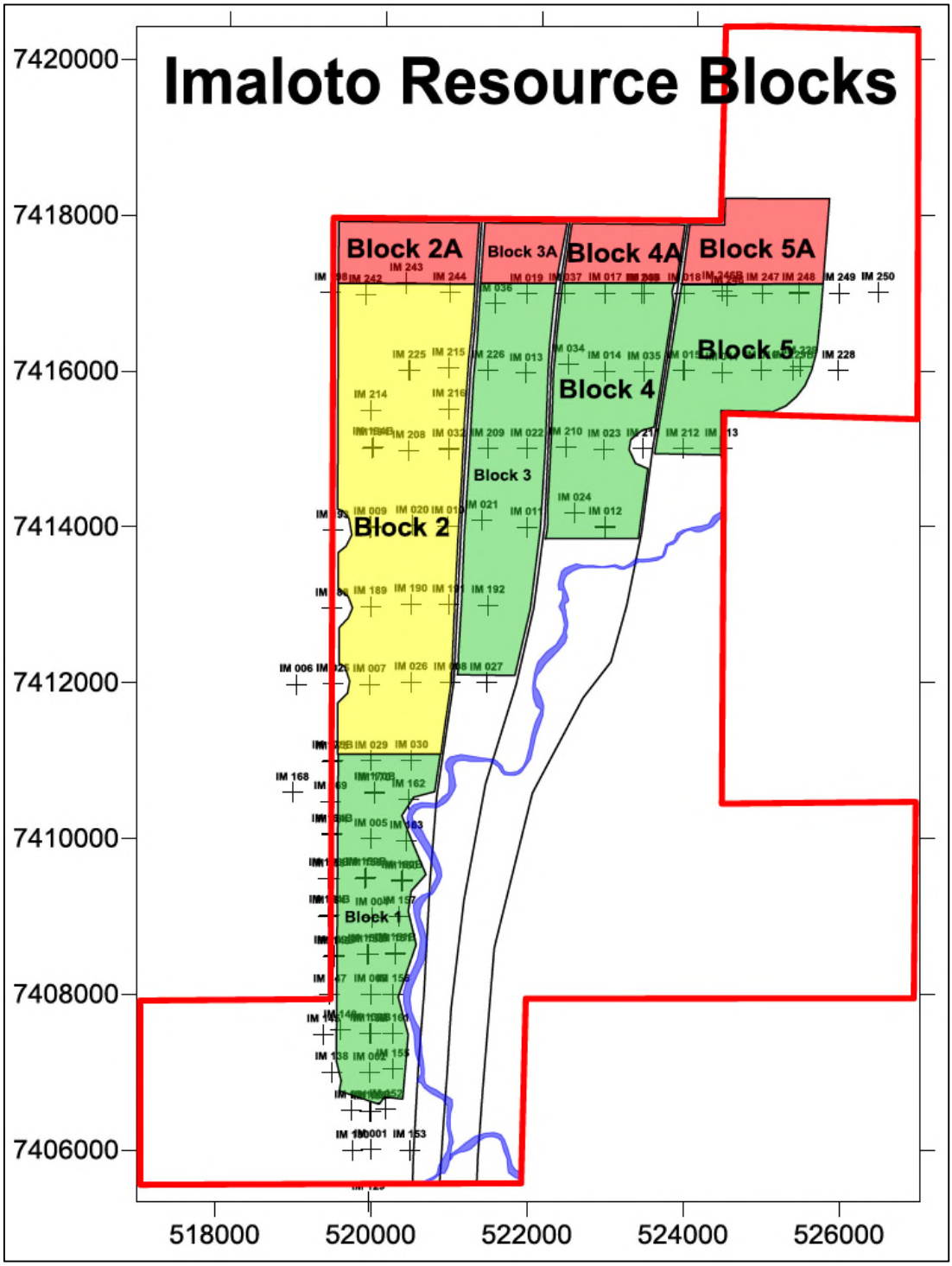


Table 6 Detailed Coal Resource – Imaloto Coal Project											
Block	**Seam**	**Ply**	**Thick (m)**	**Area (m^2)**	**Volume (m^3)**	**Density**	**GTIS**	**Drill Grid**	**Confidence level**	**Geological Loss**	**TTIS**
1	Main	Main	1.35	3940874	5320180	1.468	7.810	331	Measured	10	7.029
Total							**7.810**				**7.029**
2	Top	Top	0.98	6999660	6849535	1.509	10.336	519	Indicated	15	8.786
2	Upper	Upper	1.12	6999660	7839424	1.622	12.716	519	Indicated	15	10.808
2	Main	Main	1.90	2959047	5630147	1.500	8.445	519	Indicated	15	7.178
Total							**31.497**				**26.772**
3	Top	Top	0.88	4273073	3760304	1.539	5.787	371	Measured	10	5.208
3	Upper	Upper	1.07	4273073	4572188	1.590	7.270	371	Measured	10	6.543
3	Main	Main	2.85	4272813	12176950	1.467	17.864	371	Measured	10	16.077
Total							**30.920**				**27.828**
4	Top	Top	0.83	3761367	3121935	1.580	4.933	373	Measured	10	4.439
4	Upper	Upper	1.31	3761367	4927391	1.608	7.923	373	Measured	10	7.131
4	Main	Main	2.94	3357197	9863333	1.514	14.933	353	Measured	10	13.440
Total							**27.789**				**25.010**
5	Top	Top	0.72	3052761	2827001	1.598	4.518	424	Measured	12	3.975
5	Upper	Upper	1.12	2802195	3138458	1.590	4.990	406	Measured	12	4.391
Total							**9.508**				**8.367**
2A	Top	Top	0.50	1397766	698883	1.509	1.055	1182	Inferred	20	0.844
2A	Upper	Upper	0.75	1397766	1048325	1.622	1.700	1182	Inferred	20	1.360
2A	Main	Main	1.98	1397766	2767577	1.500	4.151	1182	Inferred	20	3.321
Total							**6.906**				**5.525**
3A	Top	Top	0.79	777559	614271	1.555	0.955	441	Measured	12	0.841
3A	Upper	Upper	0.80	777559	622047	1.631	1.015	441	Measured	12	0.893
3A	Main	Main	3.98	777559	3094683	1.510	4.673	441	Measured	12	4.112
Total							**6.643**				**5.846**

Table 6 Detailed Coal Resource – Imaloto Coal Project											
Block	**Seam**	**Ply**	**Thick (m)**	**Area (m^2)**	**Volume (m^3)**	**Density**	**GTIS**	**Drill Grid**	**Confidence level**	**Geological Loss**	**TTIS**
4A	Top	Top	0.87	1092459	950440	1.581	1.503	370	Measured	10	1.352
4A	Upper	Upper	1.06	1092459	1158007	1.620	1.876	370	Measured	10	1.688
4A	Main	Main	3.38	1092459	3692513	1.507	5.565	370	Measured	10	5.008
Total							**8.943**				**8.049**
5A	Top	Top	0.75	1795637	1346728	1.598	2.152	1340	Inferred	20	1.722
5A	Upper	Upper	1.25	1795637	2244546	1.590	3.569	1340	Inferred	20	2.855
Total							**5.721**				**4.577**
Gross Indicated Tonnage in Situ					31.497	Total Indicated Tonnage in Situ					26.772
Gross Measured Tonnage in Situ					91.613	Total Measured Tonnage in Situ					82.129
Gross Inferred Tonnage in Situ					12.627	Total Inferred Tonnage in Situ					10.102
Gross Total Tonnage in Situ					135.737	Total Tonnage in Situ					119.003
Gross Top Seam Tonnage in Situ					31.238	Total Top Seam Tonnage in Situ					27.167
Gross Upper Seam Tonnage In Situ					41.058	Total Upper Seam Tonnage In Situ					35.670
Gross Main Seam Tonnage In Situ					63.441	Total Main Seam Tonnage In Situ					56.166
Gross Main Seam Inferred Tonnage					4.151						3.321
Gross Main Seam Indicated Tonnage					8.445						7.178
Gross Main Seam Measured Tonnage					50.844						45.666

Table 7 Weighted average coal quality for the Main, Top and Upper Seams

Main Seam - Cumulative Results (Air-dried Base)									Calculated		
Sample Mass	Wash R.D.	Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	Gross C.V. MJ/kg	Yield %	DAVF	GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
99728	F1.35	5.0	12.1	34.1	48.8	1.05	27.42	21.2	41.1	6345	6105
170294	F1.40	5.0	14.0	32.7	48.3	0.99	26.69	40.9	40.4	6176	5936
232788	F1.50	5.0	16.8	30.4	47.8	0.95	25.60	67.4	38.9	5921	5681
118038	F1.60	5.0	19.3	29.1	46.6	0.99	24.68	78.6	38.5	5706	5465
57101	F1.70	4.9	20.9	28.7	45.5	1.01	24.02	84.2	38.7	5549	5308
30708	F1.80	4.9	22.3	28.2	44.6	1.07	23.50	87.8	38.7	5428	5187
13069	F1.90	4.8	23.5	28.0	43.7	1.03	23.23	90.6	39.1	5362	5121
65804	S1.90	4.6	28.2	26.7	40.6	2.00	21.13	100.0	39.6	4866	4625
39477	< 0.5	4.8	26.8	26.4	41.9	1.67	21.38		38.7	4935	4694
827007	Raw	4.6	28.1	26.7	40.7	1.98	21.15		39.6	4870	4628

Top Seam - Cumulative Results (Air-dried Base)									Calculated		
Sample Mass	Wash R.D.	Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	Gross C.V. MJ/kg	Yield %	DAVF	GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
25390	F1.35	5.5	11.2	35.1	48.2	1.06	27.32	19.4	42.1	6354	6114
28992	F1.40	5.4	13.9	34.2	46.5	1.02	26.44	31.4	42.4	6142	5902
52694	F1.50	5.2	18.8	32.0	44.0	1.07	24.78	57.0	42.2	5745	5504
40424	F1.60	5.1	22.5	30.4	42.0	1.16	23.52	74.9	42.0	5445	5204
13869	F1.70	5.0	23.8	30.0	41.3	1.23	22.98	78.3	42.1	5313	5071
6410	F1.80	4.9	24.7	29.5	40.8	1.26	22.62	81.7	42.0	5230	4988
4697	F1.90	4.9	25.8	29.3	40.1	1.15	22.51	85.8	42.2	5199	4958

31836	S1.90	4.6	35.1	26.1	34.2	2.19	18.67	100.0	43.3	4302	4059
11609	< 0.5	4.8	33.2	26.2	35.7	1.76	18.78		42.3	4337	4094
215921	Raw	4.6	35.0	26.1	34.2	2.16	18.68		43.3	4304	4061
Upper Seam - Cumulative Results (Air-dried Base)									**Calculated**		
Sample Mass	**Wash R.D.**	**Moisture %**	**Ash %**	**Volatile %**	**F.C. %**	**Sulphur %**	**Gross C.V. MJ/kg**	**Yield %**	**DAVF**	**GAR kcal/kg @ 8% TM**	**NAR kcal/kg @ 8% TM**
16699	F1.35	5.3	12.5	33.9	48.3	1.25	26.90	11.8	41.2	6239	5999
47410	F1.40	5.2	15.9	33.3	45.6	1.12	25.68	25.2	42.3	5952	5711
90377	F1.50	5.1	20.1	31.8	42.9	1.16	24.22	53.3	42.6	5609	5368
41607	F1.60	5.0	22.1	31.0	41.9	1.24	23.47	63.5	42.5	5428	5187
21485	F1.70	4.9	23.9	30.1	41.1	1.24	22.86	69.9	42.3	5280	5039
14054	F1.80	4.7	25.8	29.4	40.2	1.25	22.24	74.2	42.2	5127	4885
8294	F1.90	4.8	27.1	29.2	39.0	1.12	21.91	79.1	42.8	5056	4815
76277	S1.90	4.1	40.6	24.2	31.0	1.82	16.56	100.0	43.8	3797	3554
19040	< 0.5	4.5	39.1	23.9	32.5	1.48	16.97		42.5	3905	3662
335243	**Raw**	**4.2**	**40.6**	**24.2**	**31.1**	**1.80**	**16.59**		**43.7**	**3803**	**3560**

A detailed breakdown by area block and incorporating tabulations for seam, thickness, area, volume, density, GTIS, drill grid, confidence level, geological loss and TTIS is presented as Table 6. Figure 7 is provided to illustrate the location of the area blocks into which the resource has been divided as part of the resource estimation process. This map also shows the location of each borehole, the river and the tenement boundary. Table 7 details the results of coal quality testing, providing the weighted average coal quality for the main, top and upper seam in terms of sample mass, wash RD, moisture, ash, volatile, FC, sulphur, gross CV, yield, NAR, calculated DAVF and GAR NAR.

From more detailed previous reporting carried out in January 2013 it was observed that the analytical coal gross specific energy content (Air Dried Basis) reported at that time for the Main Seam is 20.74MJ/kg and for the for the Top Seam is 17.95MJ/kg which could then be classified as *medium energy* thermal coal in their raw form and for the Upper Seam the specific energy content is 15.70MJ/kg which can be classified as 'low energy' coal.

For comparison Typical Queensland *high energy* Production Thermal coals range from 21-32MJ/kg and Indonesian INDO A, B & C grades are in the order of 25, 23 and 19MJ/kg respectively.

Sulphur levels are at moderate levels and range from 1.03% for Main Seam, 2.10% for the Top Seam and 1.50% for the Upper Seam. (For comparison Typical Queensland *high energy* Thermal coals range from 0.3-1.3% sulphur and Indonesian INDO A, B & C grades are typically less than 1% sulphur).

Ash contents are 17.2% for the Main Seam, 14.1% for the Top Seam, and 16.4% for the Upper Seam. This compares with Queensland Production Coals which have ash contents ranging from 8-20% on an 'air dried basis'; whilst Indonesian Coals as shipped typically have an ash levels ranging up to 15%.

Lemur has carried out a series of test work on material for each seam to evaluate the potential to upgrade seam products.

The Main Seam with a *single stage wash* is seen to have coal quality improved significantly. Ash content decreases from 40.7% down to 17.0% and the calorific value increases from 21.15MJ/kg to 23.55MJ/kg.

The Top Seam similarly with a *single stage wash* is seen to have coal quality improved significantly. Ash content decreases from 35.0% down to 19.0% and the calorific value increases from 18.68MJ/kg to 22.65MJ/kg.

The Upper Seam material when subjected to a *single stage wash* is seen to have coal quality improved significantly. Ash content decreases from 40.6% down to 20.3% and the calorific value increases from 16.59MJ/kg to 22.19MJ/kg.

3.7.3 Minor Coal Seams

Several thinner seams are present in the Coal Measures Formation including the Surface Seam and the Main Seam Lower Split. Both these seams average less than 30cm in thickness and were therefore not considered to be economically feasible from an exploitation perspective and were thus excluded from the resource estimation (Lemur, 2013).

3.7.4 Resource Estimation Methods and Assumptions

The resource estimation was undertaken by Mr Johan Erasmus, an external independent consultant, who has taken responsibility as Competent Person for both the exploration data and the mineral resource estimation. The estimate is publicly reported in Erasmus (2013) and updated in Lemur (2013).

The coal resource is estimated on the basis of the 159 boreholes which provided 19,572m of core. The average drilling density comes to one borehole per 424m^2 for the total deposit. The coal seams were sampled using high resolution sampling during the first phase of drilling which defined units which were sampled in the second and third phases of drilling. Samples were tested for coal quality is described in Section 3.6.

The bulk densities were derived from laboratory raw density determinations which were weighted for sample mass calculated for each seam. Densities used for the resource estimation range from 1.47 to 1.51t/m^3 and are within the expected range given the ash content reflecting the higher density *stone discard* observed during washing tests.

A geological model was created by breaking the resource area down into resource blocks based on a series of north trending vertical faults (refer Section 3.5.2). For resource modelling and volume estimation Erasmus has used a calculation of volume between Seam roof and floors using Surfer Software (version 10.7.972). This method of seam volume in Ravensgate's opinion is adequate. A seam minimum cut-off thickness of 0.50m was applied to the Top and Upper Seams for resource reporting. As drill holes drilled are close to vertical, adjustment for true calculation thickness given the observed gentle coal seams dips of 1-3 degrees was not necessary and also given the between surface volume estimation method uses true elevations to generate the roof and floor grid surfaces containing the seam volume. The topographic surface used at Imaloto was derived from a Government issued topographic map with 5m contours. The Top and Upper Seams span the central and northern Imaloto concessions and in the central area the seams sit at an average depth of 75m and have with an average thickness 0.85m therefore giving them the potential to be mined using open-cut methods. The seams tend to increase in thickness as they deepen towards the north. In the northern concession, the seams sit at an average depth of 125m, with an average thickness 0.99m. The Top and Upper Seams are separated on average by a parting of 5.5m.

A gridded surface was generated for the roof and floor of each individual seam per resource block. The modelling algorithm used was inverse distance squared. The lateral continuity of the grid surface was limited by a blanking file. Blanking file boundaries are fixed by structure, seam thickness limits, physical boundaries (river course, weathering, sub-outcrop) and lease limits. The seam thickness limits are 0.5m for the Top and Upper Seams and 1.4m for the Main Seam. For Block 1 the Main Seam cut-off was 1.0m due to the relatively shallow geometry.

Geological loss was assigned on a sliding scale according to the level of confidence in the resource estimation. Essentially it was a measure of drilling density and reduced potential variability in seam geometry. The following geological losses were applied per resource category; measured resource – 10 to 12% geological loss; indicated resource – 15% geological loss; and inferred resource – 20% geological loss.

3.7.5 Comments about the Resource Estimation

It is not clear whilst reviewing Lemur's reporting information whether the coal quality data at localised borehole points of observation have been applied to specific areas in order to more accurately account for spatial variation of coal quality access to a given seam. This sort on information in a resource model would be of some benefit when considering future pit planning and mine production schedules as well as assisting with any decision making related to coal shipment blending.

The resource classification approach used the average grid spacing to assign the appropriate level of confidence. Measured resources were assigned with grid spacing's of typically less than 500x500m. Indicated resources used typical grid spacing's of greater than 500x500m and less than 800x800m. Inferred resources were assigned for grid spacing's greater than 800x800m and out to 1340m. Ravensgate's opinion is that this approach to resource classification is appropriate and in line with the JORC Code (Dec 2004) guidelines.

As reported by Lemur, the Upper and Top Seams contain 72.3 million tonnes for 53% of the total Imaloto Coal Resource. A significant proportion the Upper and Top Seams are in the measured and indicated categories and given the seams are sited at average depths from 75 to 125m below surface, there is the potential for them to be mined using open-cut methods.

Lemur has in its own reporting, recommendations from a January 2013 report that open-cut pit and mining optimisation studies needed to be carried out and that future work should focus on the development of the Main Seam of Blocks 1, 3 and 4. Ravensgate's opinion is that this sort of investigation would be appropriate for this stage of the project.

Lemur also considered that additional coal quality analyses should be undertaken in consideration of the importance of coal wash-ability and product beneficiation. This additional testwork should include some petrographic analysis to assist in the determination of the sulphur (sulphides) compounds present as nodular pyrite was noted during the logging of the core samples and a suitable process for removing this fraction would be beneficial for helping to consider appropriate methods for reducing total reported contained sulphur.

A more accurate topographic surface perhaps using LiDAR will be of benefit in refining any future pit optimisation and mine planning studies.

3.8 Project Potential

Lemur has in its own reporting recommendations from a January 2013 report that open-cut pit and mining optimisation studies needed to be carried out and that future work should focus on the development of the Main Seam of Blocks 1, 3 and 4. Ravensgate's opinion is that this sort of investigation would be appropriate for this stage of the project.

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3.8.1 Comments about Coal Quality

Results from Lemur's initial test results as reported in January 2013, indicate that whilst the Top and Upper Seam coal qualities could be beneficiated to an improved quality, the yields are insufficient to make either seam economic. However, independent coal fired power station consultants F-tech International Limited, have indicated to Lemur that circulating fluidised bed combustor configured power stations can use low quality coals, such as the Top and Upper seams as feedstock (Lemur, 2013).

Coal quality testwork combined with metallurgical testwork undertaken by Lemur indicates that the Main Seam in Blocks 1, 2, 3 and 4 has the potential to yield a 5,500kcal/kg GAR product suitable for export and a middlings suitable for feed to a power station. The quality modelling that was done on the respective seams shows that the Main Seam is capable of producing a very high total (export and middling) theoretical yield, in excess of 90%. The remaining seams yield lower at between 77% and 84% on an uncontaminated base. At a relative density of 1.50t/m^3, the theoretical yield of an export quality product with a gross CV of 25.60MJ/kg (6,113kcal/kg), Sulphur of 0.95% and Ash of 16.8%, is 67.4%. The optimal wash is a single stage and will result in an export quality primary product and secondary product with specifications suitable for power station feedstock, meaning the theoretical yield of the Main Seam could be 100%. (Lemur, 2013).

Lemur has concluded that results achieved to date shows sufficient potential to warrant further development of this deposit. Ravensgate concurs with this view.

3.8.2 Comments about Mining Potential

The Main Seam contains 18.9 million tonnes above a depth cut off of 100m, which could be regarded as potential for an open cast mining operation. The balance of the mineral resource lying no deeper than 368m has potential for supporting an underground mining operation.

A mining scoping study is reported to be currently in progress to assess the viability of both an open pit and underground mining operation at the Project (Lemur, 2013).

3.8.3 Comments about Development Potential

Development of the Imaloto coal resources would be a Greenfields project. Wadley and Hall (2011) noted in an Independent Expert's Report the remoteness of the Imaloto project area and the almost absolute absence of relevant infrastructure for coal mining.

Lemur has commissioned a mine scoping study which when completed will place it in a position to articulate to market what the Imaloto asset contains in financial terms under various costing and pricing scenarios. Lemur management is currently reviewing a draft version of the Mining Scoping Study. In 2012 Lemur reported on the completion of a port and mine infrastructure scoping study and a land logistics scoping study on the Imaloto Coal Project. Results of these studies have not been publicly disclosed and were not available to Ravensgate to assist in the preparation of this report and valuation. Once finalised, results of the mine scoping study can be used in conjunction with the results of the port and mine infrastructure and land logistics scoping studies in the construction of a financial model. Lemur have stated that they propose to develop a financial model which will consider all scenarios available to the Company in exploiting the resource which will include, but not be limited to, delivering a 5,600 kcal/kg NAR product to the seaborne market, domestic supply to a regional coal fired power station (the concession for which is still yet to be issued) or a combination of each (Lemur, 2012 and Lemur, 2013).

4. IANAPERA COAL PROJECT, MADAGASCAR

4.1 Introduction

The Ianapera coal project is located as shown in Figure 1 approximately 17km southwest of the Imaloto Project. The project outline and locality is indicated in Figure 8.

Figure 8 Locality of the Ianapera Coal Project, after Lemur Resources Limited, 2011

4.2 Tenure

The Ianapera Coal Project comprises one exploration licence with an area of 25km². The licence details can be found in Table 16 at the end of this report.

4.3 Regional Geology

The regional geology for Madagascar is described in section 3.3.

4.4 Local Geology, Exploration and Project Potential

The Ianapera coalfield lies in an isolated fault trough in the basement 9km southeast of Vohibory and 20km due east of Andranomanintsy (the Sakoa mine). The trough measures 7km by 11km and coal measures outcrop in several separate short (approximately 1km) strips limited by faults. The fault direction is mainly a northerly with a secondary north-northeasterly set. Dips vary significantly in amount and direction and are clearly affected by the faulting. There has been no

drilling but four sites have been trenched. There is a conflict in two sources of data as to the number of seams and there are no logs of the trenches. A 1928 report describes five seams totalling 8.5m of which one seam is 3m thick. This is contradicted by a 1959 report which describes only one very banded seam with only 0.10 to 0.60m of coal containing 29% ash. (UNDPI-World Bank, 1987)

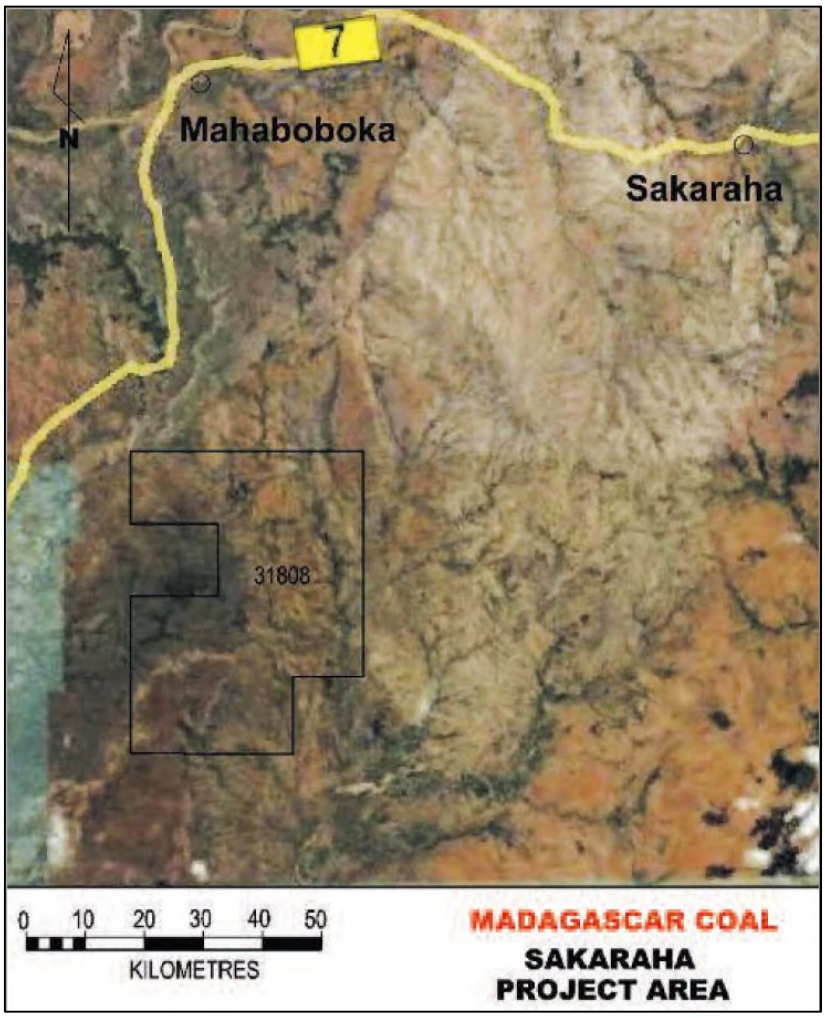
In its annual report for 2012 Lemur announced that they had drilled a single borehole into its Ianapera coal project reaching a depth of 360m. The company reported that no coal was encountered and a decision was made to abandon all further drilling (Lemur 2012). The location of the hole was not disclosed. Ravensgate has not been provided any technical data on this borehole or the Ianapera coal project in general.

5. SAKARAHA COAL PROJECT, MADAGASCAR

5.1 Introduction

The Sakaraha coal project is located as shown in Figure 1 approximately 90km northwest of the Imaloto Project. The project outline and locality is indicated in Figure 9.

Figure 9 Location of the Sakaraha Coal Project, after Lemur Resources Limited, 2011



5.2 Tenure

The Sakaraha Coal Project consists of one exploration licence with an area of 62.5km^2. The licence details can be found in Table 16 at the end of this report.

5.3 Regional Geology

The regional geology for Madagascar is described in section 3.3.

5.4 Local Geology

Ravensgate were unable to locate a description of the local geology or a geological map of the project area.

5.5 Exploration

Lemur have reported that they have discovered evidence of bituminous coal deposits in the Sakaraha Project area, which they propose to investigate during the Phase III Exploration Program (Lemur, 2013). Ravensgate has not been provided any technical data on the Sakaraha coal project.

5.6 Project Potential

Lemur has proposed to investigate the project using a variety of exploration methods including:

- comprehensive field mapping program to define stratigraphic markers, coal seam outcrop and sub outcrop positions and accurate position of fault traces;
- interpretation of high resolution satellite imagery to establish and confirm major geological stratigraphic and structural features related to the coal measures and adjacent rock formations;
- interpretation of available airborne radiometric and magnetic data to aid in the geological and structural synthesis and interpretation on the project area. (Lemur, 2013)

6. VALUATION

6.1 Introduction

There are a number of recognised methods used in valuing mineral assets. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to the asset. All monetary values included in this report are expressed in Australian dollars (A$) unless otherwise stated.

The VALMIN Code, which is binding upon Experts and Specialists involved in the valuation of mineral assets and mineral securities, classifies mineral assets in the following categories:

- Exploration Areas refer to properties where mineralisation may or may not have been identified, but where specifically a mineral resource has not been identified.
- Advanced Exploration Areas refer to properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by some form of detailed geological sampling. A mineral resource may or may not have been estimated but sufficient work will have been undertaken that provides a good understanding of mineralisation and that further work will elevate a prospect to the resource category. Ravensgate considers any identified mineral resources in this category would tend to be of relatively lower geological confidence.
- Pre-Development Projects are those where mineral resources have been identified and their extent estimated, but where a positive development decision has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- Development Projects refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- Operating Mines are those mineral properties, which have been fully commissioned and are in production.

Various recognised valuation methods are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that comprise one or more of these categories. When valuing Exploration Areas and therefore by default where the potential is inherently more speculative than more advanced projects, the valuation is largely dependent on the informed, professional opinion of the valuer. There are a number of methods available to the valuer when appraising Exploration Areas.

The Multiple of Exploration Expenditure (MEE) method can be used to derive project value, when recent exploration expenditure is known or can be reasonably estimated. This method involves applying a premium or discount to the exploration expenditure or Expenditure Base (EB) through application of a Prospectivity Enhancement Multiplier (PEM). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a *grass roots* project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value. The following guidelines are presented on selection of the PEM:

- PEM = 1. Exploration activities and evaluation of mineralisation potential justifies continuing exploration.
- PEM = 2. Exploration activities and evaluation of mineralisation potential has identified encouraging drill intersections or anomalies, with targets of noteworthy interest generated.
- PEM = 3. Exploration activities and evaluation of mineralisation potential has identified significant grade intersections and mineralisation continuity.

Where transactions including sales and joint ventures relating to mineral assets that are comparable in terms of location, timing, mineralisation style and commodity, and where the terms of the sale are suitably arm's length in accordance with the VALMIN Code, such transactions may be used as a guide to, or a means of, valuation. This method (termed Comparable Transactions) is considered highly appropriate in a volatile financial environment where other cost based methods may tend to overstate value.

The Joint Venture Terms valuation method may be used to determine value where a Joint Venture Agreement has been negotiated at *arm's length* between two parties. When calculating the value of an agreement that includes future expenditure, cash and/or shares payments, it is considered appropriate to discount expenditure or future payments by applying a discount rate to the mid-point of the term of the earn-in phase. Discount factors are also applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur. The value assigned to the second and any subsequent earn-in stages always involves increased risk that each subsequent stage of the agreement will not be completed, from technical, economic and market factors. Therefore, when deriving a technical value using the Joint Venture Terms method, Ravensgate considers it appropriate to only value the first stage of an earn-in Joint Venture Agreement. Ravensgate have applied a discount rate of 10.0% per annum to reflect an average company's cost of capital and the effect of inflation on required exploration spends over the timeframe required.

The total project value of the initial earn-in period can be estimated by assigning a 100% value, based on the deemed equity of the farminor, as follows:

$$V_{100} = \frac{100}{D}\left[CP + \left(CE * \frac{1}{(1+I)^{\frac{t}{2}}}\right) + \left(EE * \frac{1}{(1+I)^{\frac{t}{2}}} * P\right)\right]$$

where:

V_{100}	=	Value of 100% equity in the project ($)
D	=	Deemed equity of the farminor (%)
CP	=	Cash equivalent of initial payments of cash and/or stock ($)
CE	=	Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock ($)
EE	=	Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments ($)
I	=	Discount rate (% per annum)
t	=	Term of the Stage (years)
P	=	Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

Where mineral resources remain in the Inferred category, reflecting a lower level of technical confidence, the application of mining parameters using the more conventional DCF/NPV approach may be problematic or inappropriate and technical development studies may be at scoping study level. In these instances it is considered appropriate to use the *in-situ* Resource method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal or commodity contained within the resource. The level of discount applied will vary based on a range of factors including physiography and proximity to infrastructure or processing facilities. Typically and as a guideline, the discounted value is between 1% and 5% of the in-ground value of the metal in the mineral resource.

In the case of Pre-development, Development and Mining Projects, where Measured and Indicated mineral resources have been estimated and mining and processing considerations are known or can be reasonably determined, valuations can be derived with a reasonable degree of confidence by compiling a discounted cash flow (DCF) and determining the net present value (NPV).

The Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code, 2004), sets out minimum standards, recommendations and guidelines. A mineral resource defines a mineral deposit with reasonable prospects of economic extraction. Mineral resources are sub-divided into Inferred, Indicated and Measured to represent increasing geological confidence from known, estimated or interpreted specific geological evidence and knowledge. An Ore Reserve is the economically minable part of a Measured or Indicated Resource after appropriate studies. An Inferred Resource reflecting insufficient geological knowledge, cannot translate into an Ore Reserve. Measured Resources may become Proved (highest confidence) or Probable Reserves. Indicated Resources may only become Probable Reserves.

6.2 Previous Mineral Asset Valuations

Ravensgate is not aware, nor have we been made aware, of any valuations over LMR's coal projects. Exploration tenements have not been included in the valuation where tenure or permits have not been granted (except on an assumed 100% equity basis) to the relevant company and the company does not therefore have any ownership over the tenement's mineral assets or any exploration value within the tenement.

6.3 Material Agreements

Ravensgate has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Lemur Resources Limited (LMR) to provide an Independent Technical Project Review and Valuation Report. The Technical Project Review and Valuation report encompasses LMR's Coal Projects. The Technical Valuation report provides an assessment of LMR's Exploration Area and Advanced Exploration mineral assets listed below. Brief details of the LMR's ownership are listed as follows.

Mineral Asset	LMR Ownership %
Imaloto	99%
Ianapera	99%
Sakaraha	99%

Ravensgate understands all active mining and exploration permits are granted at this point in time and are in good standing.

Ravensgate is not aware, nor have been made aware, of any other agreements that have a material effect on the provisional valuations of the mineral assets, and on this basis have made no adjustments on this account.

6.4 Comparable Transactions

Ravensgate has completed a search for publicly available market transactions involving coal exploration projects without mineral resources, but includes exploration targets and transactions involving coal projects with resources within southern and eastern Africa. Transactions from this region of Africa were considered the closest comparably as most coal from this region of Africa is situated in Karoo Group sediments the same sediments as are found at LMR's projects in Madagascar. Transactions reflect comparable tenement holdings in geological provinces that are considered prospective for similar commodities, and that are of similar prospectivity to the minerals assets being valued. In Ravensgate's opinion and experience, it is understood that individual market transactions are rarely completely identical to the relevant project area or may not necessarily contain all the required information for compilation. In practice, a range of implied values on a dollar per coal resource tonne or dollar per square kilometre of licence holding will be defined as suitable for use. The transactions identified along with the implied cash-equivalent values are summarised in Section 6.4.1 by commodity and region.

Publically available market transactions have been separated to reflect transactions on a dollar per square kilometre of licence holding or on a dollar per coal resource tonne for a more

advanced exploration target or mineral resource. This was undertaken to reflect the varying levels of geological exploration carried out within the various project licences. In general terms, exploration projects may start with a relatively large licence holding where a lack of detailed geological sampling and knowledge renders the use of the in-situ yardstick valuation method inappropriate (i.e. an Exploration Area Mineral Asset). For these particularly early-stage exploration areas comparable transactions on a dollar per square kilometre basis are more relevant. As the project advances and as geological sampling and knowledge increase, licence areas tend to decrease to match a narrowing focus on more prospective areas. For these areas where specific, drill sample supported Exploration Targets have been identified that warrant further detailed evaluation or mineral resources require estimation, comparable transactions on a dollar per coal resource tonne basis may be more appropriate (i.e. an Advanced Exploration Area Mineral Asset or Pre-Development Project at early stage of assessment).

6.4.1 Reported Market Transactions

6.4.1.1. Reported Market Transactions Involving Coal Resources in Southern and Eastern Africa

Ravensgate's analysis of market transactions for coal projects with resources in southern and eastern African (Mozambique, Tanzania, Botswana and South Africa) (Table 8) indicates an implied value between $0.010 and $0.657 per resource tonne of coal. The implied value per tonne is dependent on the resource category (Measured, Indicated or Inferred), the quality of the coal and average coal seam thicknesses. The implied value was also affected by the strategic importance of the resources to the purchaser.

To take into account the change in the coal price over time, for each transaction in Table 8 the implied value per tonne of coal has been divided by the monthly average coal price in Australian dollars at the time of the transaction then expressed as a percentage (Table 9) and ranked from highest to lowest in terms of percentage.

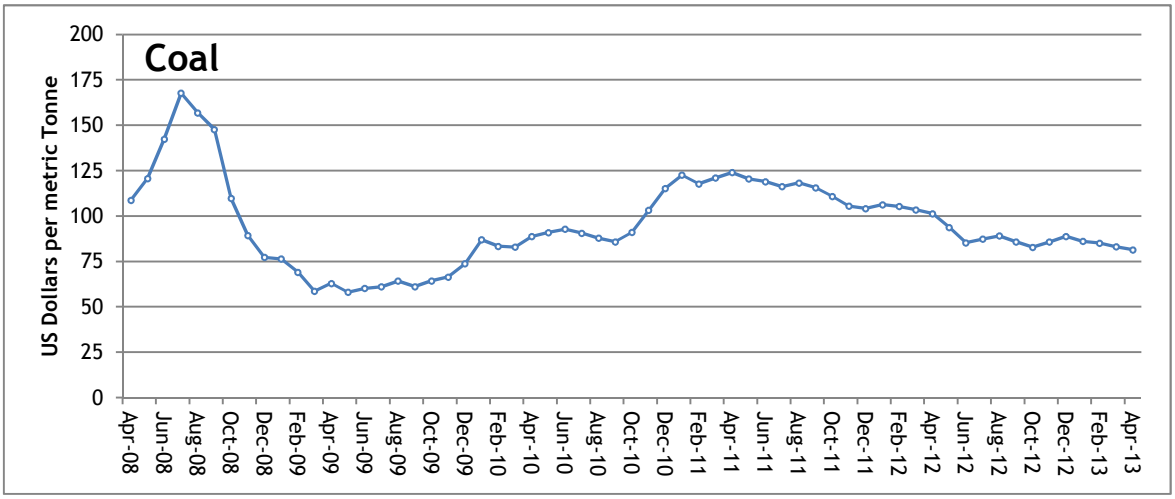
6.4.1.2. Reported Market Transactions Involving Exploration Area Coal Projects in Southern and Eastern Africa

Ravensgate's analysis of southern and eastern African (Mozambique, Tanzania, Botswana and South Africa) market transactions for Exploration Area Mineral Asset coal projects (Table 10) indicates an implied value between $311 and $93,313 per km^2 for Exploration Area Mineral Assets. The implied value per km^2 is dependent on the existence of coal, how much exploration has been conducted and whether that exploration was successful. The implied value was also affected by the strategic importance of the licences and the presence of known mineralisation or historical mining activities upon them and the grade of the respective mineralisation present.

6.4.2 Commodity Prices

Ravensgate has examined the historical commodity chart for South African export coal (Figure 10) for general trends over time. A general analysis of the price chart for coal in Figure 10 shows a sharp price rise from April 2008 to July 2008, followed by a sharp fall until March 2009, from where the price has increased slowly to January 2011 where it remained stable for a few months before slowly declining until June 2012, where it has remained relatively stable. Ravensgate has taken into consideration the general commodity trend as an influence on deriving a final project valuation.

Figure 10 Coal Five Year Monthly Average Price Chart to April 2013



Source: Indexmundi.com

Table 8 Market Transactions Involving Coal Projects with JORC Resources/Reserves in Southern and Eastern Africa				
Project	**Transaction Details & Type**	**Coal (Mt)**	**Purchase Price 100% Basis (A$)**	**Implied Value / Coal Tonne (A$)**
Moabsvelden Coal Project, South Africa	July 2012: Thebe Mining Resources (Pty) Ltd entered into an acquisition agreement with Xceed Resources Ltd for 30% of the Moabsvelden coal project for $7.75M in cash. The project has coal resources of 66Mt (64Mt Measured and 2Mt Indicated) and coal reserves of 44Mt (31Mt Proved and 13Mt Probable). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $25.0M (notional $0.378 A$/coal resource tonne or $0.570 A$/coal reserve tonne on 100% terms).	66 44	$25.0M $25.0M	$0.378 $0.570
Revuboe Coal Project, Mozambique	July 2012: Anglo American PLC entered into an acquisition agreement with the Talbot Estate for 58.9% of the Revuboe coal project for $540M in cash. The project has coal resources of 1,396Mt (1,067Mt Measured and 329Mt Indicated). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $916.8M (notional $0.655 A$/coal tonne on 100% terms).	1,396	$916.8M	$0.657
Mbila Coal Project, South Africa	September 2011: Zyl Limited entered into an acquisition agreement with Mbila Resources (Pty) Limited for 44% of the Mbila coal project for US$27M in cash and shares. The project has coal resources of 89Mt (25Mt Measured, 62Mt Indicated and 2Mt Inferred). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $58.0M (notional $0.652 A$/coal tonne on 100% terms).	89	$58.0M	$0.652
Moatize Coal Basin, Mozambique	April 2011: BHR Mining Limited entered into an acquisition agreement with Global Minerals & Metals Pte Limited for 100% of a coal project in the Moatize basin for US$42M in cash. The project has a coal resources of 450Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $40.4M (notional $0.090 A$/coal tonne on 100% terms).	450	$40.4M	$0.090

Table 8 Market Transactions Involving Coal Projects with JORC Resources/Reserves in Southern and Eastern Africa				
Project	**Transaction Details & Type**	**Coal (Mt)**	**Purchase Price 100% Basis (A$)**	**Implied Value / Coal Tonne (A$)**
Coal Project in Southern Tanzania	March 2011: Edenville Energy PLC entered into an acquisitions agreement with a private vendor for an initial interest of 50.1% of coal project in southern Tanzania for US$5.2M in cash and shares. The project has coal reserves of 49Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $10.2M (notional $0.207 A$/coal tonne on 100% terms).	49	$10.2M	$0.207
Moruple Coal Project, Botswana	March 2011: Hodges Resources Limited entered into an option to earn in agreement with a private vendor, where they can earn an initial 75% interest in the Moruple coal project for an upfront payment of US$0.5M and an exploration spend of US$3.0M over two years. The project has inferred coal resources of 414Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $4.3M (notional $0.009 A$/coal tonne on 100% terms).	414	$4.3M	$0.009
Chapudi Coal Project, South Africa	November 2010: Coal of Africa Limited entered into an acquisition agreement with Rio Tinto for 100% of the Chapudi coal project for US$75M. The project has a total coal resource of 1,040Mt (90Mt Measures, 220Mt, Indicated and 730Mt Inferred). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $74.9M (notional $0.072 A$/coal tonne on 100% terms).	1,040	$74.9M	$0.072
Lubu Coal Field, Zimbabwe	June 2010: Sable Mining Africa Ltd entered into an acquisition agreement with Monaf Investments (Private) Ltd for 80% of the Lubu coal project for US$6M in cash and shares. The project has an inferred coal resource of 334Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $9.1M (notional $0.027 A$/coal tonne on 100% terms).	334	$9.1M	$0.027

Table 8 Market Transactions Involving Coal Projects with JORC Resources/Reserves in Southern and Eastern Africa				
Project	**Transaction Details & Type**	**Coal (Mt)**	**Purchase Price 100% Basis (A$)**	**Implied Value / Coal Tonne (A$)**
Waterberg Coal Field, South Africa	March 2009: Gleneagle Gold Limited entered into an acquisition agreement with Namane Resource (Pty) Ltd for 70% of the Waterberg coal project for an initial payment of $9.8M in cash and shares and $15.4M in exploration spend over 2 years. The project has a coal resource of 1,290Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $34.0M (notional $0.026 A$/coal tonne on 100% terms).	1,290	$34.0M	$0.026

Note: Differences may occur due to rounding errors

Table 9 Summary of Market Transactions Involving Coal Resources/Reserves in Southern and Eastern Africa – Australian Dollars						
Transaction Date	**Property Value A$M**	**Contained Coal Mt**	**A$/t Coal**	**Coal Price on Trans Date A$/t Coal**	**A$/t as % of Coal Price**	**Normalised[1] A$/t Coal**
15-Mar-2011	4.3	414	0.010	119.79	0.0086	0.007
1-Jun-2010	9.1	334	0.027	108.87	0.0249	0.021
18-Mar-2009	34.0	1,290	0.026	88.24	0.0299	0.025
29-Nov-2010	74.9	1,040	0.072	103.93	0.0693	0.057
4-Apr-2011	40.4	450	0.090	117.55	0.0764	0.063
24-Mar-2011	10.2	49	0.207	119.79	0.1731	0.143
11-Jul-2012[2]	25.0	66	0.378	84.86	0.4454	0.367
20-Sep-2011	58.0	89	0.652	113.22	0.5759	0.475
11-Jul-2012[2]	25.0	44	0.570	84.86	0.6716	0.554
24-Jul-2012	916.8	1,400	0.657	84.86	0.7739	0.638

Notes: The table shows the market transactions described in Table 8 ordered from lowest to highest based on the normalised Australian dollar per tonne of coal.

[1]The normalised cost per tonne of coal was done using the current South African export coal price of A$82.36.

[2]The transaction by Thebe Mining Resources (Pty) Ltd and Xceed Resources Ltd for the Moabsvelden coal project had both resources and reserves stated which appears as two separate rows in the above table.

Table 10 Market Transactions Involving Coal Projects at the Exploration Stage in Southern and Eastern Africa				
Project	**Transaction Details & Type**	**Area (km^2)**	**Purchase Price 100% Basis (A$)**	**Implied Value / km^2 (A$)**
Mhukuru, Rukwa Basin, Ruhuhu and Selous Coal Projects, Tanzania	December 2011: Select Vaccines Limited entered into an acquisition agreement with Indigo Metals Limited for 100% of the Mhukuru, Rukwa Basin, Ruhuhu and Selous coal projects for $4.60M in cash and shares. The projects are prospective for coal and uranium and have a total area of 5,412km^2. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $4.600M (notional $850 A$/km^2 on 100% terms).	5,412	$4.600M	$850
Takatokwane South Coal Project, Botswana	October 2011: Nimrodel Resources entered into a joint venture/farm-in agreement with Triprop Energy Pty Ltd to earn an initial 20% of the Takatokwane South project for $1.00M in cash, shares and exploration expenditure. The project is prospective for thermal coal and has a total area of 1,500km^2. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $5.000M (notional $3,333 A$/km^2 on 100% terms).	1,500	$5,000M	$3,333
Waterburg Coal Project, South Africa	September 2011: Ikwezi Resources (Pty) Limited entered into an acquisition agreement with a private vendor for 100% of the Waterburg Project for $0.452M in cash. The project is prospective for coal having an exploration target of 2 to 4 billion tonnes of coal and has a total area of 57.14km^2. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $0.452M (notional $7,910 A$/km^2 on 100% terms).	57	$0.452M	$7,910
Zambeze Coal Project, Mozambique	July 2011: Mozambi Coal Limited entered into an acquisition agreement with Xiluva Mineral Resource Limitada for 80% of the Zambeze coal project for $1.525M in cash. The project is prospective for coal having an exploration target of 1.86 to 2.32 billion tonnes of coal and has a total area of 224km^2. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $1.906M (notional $8,510 A$/km^2 on 100% terms).	224	$1.906M	$8,510

Table 10 Market Transactions Involving Coal Projects at the Exploration Stage in Southern and Eastern Africa				
Project	**Transaction Details & Type**	**Area (km^2)**	**Purchase Price 100% Basis (A$)**	**Implied Value / km^2 (A$)**
Roodepoort and Bankfontein Coal Projects, South Africa	June 2011: Xceed Resources Limited's wholly owned subsidiary Focus Coal Investments Pty Ltd entered into a joint venture/farm-in agreement with Hampfuna Mining & Exploration Pty Limited to earn an initial 34% of the Roodepoort and Bankfontein coal projects for $0.645M in cash and exploration spend. The projects are prospective for coal and have a total area of 20.33km^2. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $1.897M (notional $93,313 A$/km^2 on 100% terms).	20	$1.897M	$93,313
Kiwira-Songwe Coal Project, Tanzania	April 2011: Edenville International (Tanzania) Limited entered into an acquisition agreement with a private vendor for 100% of the Kiwira-Songwe coal project for $0.154M in cash. The project is prospective for coal and has a total area of 494.99km^2. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $0.154M (notional $311 A$/km^2 on 100% terms).	495	$0.154M	$311
Rukwa Coal Project, Tanzania	August 2010: Edenville Energy PLC entered into an acquisition agreement with Upendo Group Ltd for 70% and 100% interest in various prospecting licences in the Rukwa coal project for $0.084M. The project is prospective for coal and has a total area of 338.47km^2. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $0.109M (notional $322 A$/km^2 on 100% terms).	338	$0.109M	$322
Zambeze Coal Project, Mozambique	March 2010: RTL Corporation Limited entered into an acquisition agreement with Dugal Pty Ltd for 70% of the Zambeze coal project for total staged cash payments of $1.099M. The project is prospective for coal and has a total area of 623km^2. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is $1.569M (notional $322 A$/km^2 on 100% terms).	623	$1.569M	$2,519

Note: Differences may occur due to rounding errors

6.5 Mineral Asset Valuation

6.5.1 Imaloto Project, Madagascar

Ravensgate have valued the Imaloto project solely based on the present coal resource and have not valued tenements surrounding the coal resource separately.

6.5.1.1. Selection of Valuation Method

The Imaloto project, in which LMR has a 99% equity interest can be classified as an Advanced Exploration Area mineral asset as defined in Section 6.1.

A coal resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2004 Edition) has been reported (Measured, Indicated and Inferred coal resource of 135.7Mt (Gross Tonnes In Situ)). In valuing the Imaloto project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the mineral asset.

Ravensgate has elected to apply the Comparable Transaction method to value the Imaloto project after consideration of the various valuation methods outlined in Section 6.1.

6.5.1.2. Project Analysis – Comparable Transactions Method

Ravensgate's analysis of coal market transactions in southern and eastern African Table 8 indicates that the implied value of advanced exploration projects with coal resources and or reserves generally range from $0.010 to $0.657 per contained resource tonne of coal. Removing the transactions involving coking or metallurgical coal left an implied range of $0.010 to $0.378 per contained resource tonne of thermal coal. Analysing the transactions of the remaining projects taking into account the change in the coal price over time, expressing the dollar value per tonne of coal as a percentage of the coal price (Table 9), the average of these transactions is 0.11%, which equates to $0.090 using the average April 2013 South African export coal price of $82.36 (US$81.42).

Ravensgate has derived an implied range of $0.100 to $0.150 with a preferred value of $0.125 per tonne of contained coal to apply to the main seam of the Imaloto project coal resource listed in Section 3.7 using the average April 2013 South African export coal price of 82.36 (US$81.42). These derived values are based on the dollar value per tonne of coal expressed as a percentage of the coal price, where a range from 0.12% to 0.18% has been applied and the preferred value is based on 0.15%. This above average range reflects the confidence in the coal resource with most coal classified as Measured and Indicated.

Ravensgate has derived an implied range of $0.050 to $0.010 with a preferred value of $0.060 per tonne of contained coal to apply to the upper an top seams of the Imaloto project coal resource listed in Section 3.7 using the average April 2013 South African export coal price of 82.36 (US$81.42). These derived values are based on the dollar value per tonne of coal expressed as a percentage of the coal price, where a range from 0.06% to 0.12% has been applied and the preferred value is based on 0.07%. This range reflects the lower coal quality of the upper and top seams compared to the main seam in the coal resource with the coal quality indicating that it would only be useable as domestic power station feed.

These values relate to approximately $9.955M to $16.740M for the contained coal within the current mineral resource estimates (135.7 million tonnes of coal) for a 100% interest in the Imaloto project. From this range a preferred value of $12.263M has been selected which reflects a value of $0.090 per contained resource tonne of coal.

A summary of the valuation for the Imaloto project can be found below in Table 11.

Table 11 Comparative Transactions Valuation for the Imaloto Project (100% Equity Basis)								
Coal Seam	**Mineral Asset**	**Tonnes (Mt)**	**Value per tonne**			**Valuation**		
			Low $	**High $**	**Preferred $**	**Low $M**	**High $M**	**Preferred $M**
Main	Advanced Exploration Area	63.4	0.100	0.150	0.125	6.340	9.510	7.925
Upper	Advanced Exploration Area	41.1	0.050	0.100	0.060	2.055	4.110	2.466
Top	Advanced Exploration Area	31.2	0.050	0.100	0.060	1.560	3.120	1.872
All Seams	**Advanced Exploration Area**	**135.7**	**NA**	**NA**	**NA**	**9.955**	**16.740**	**12.263**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

6.5.2 Ianapera Project, Madagascar

6.5.2.1. Selection of Valuation Method

The Ianapera project in which LMR has a 99% equity interest can be classified as Exploration Area mineral assets as defined in Section 6.1.

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2004 Edition) has not been reported for the Ianapera project. In valuing the Ianapera project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the mineral asset.

Ravensgate has elected to apply the Comparable Transaction to value the Ianapera project after consideration of the various valuation methods outlined in Section 6.1 and the geological / exploration information outlined in Section 4.

6.5.2.2. Project Analysis – Comparable Transactions Method

Ravensgate's analysis of southern and eastern African market transactions for Exploration Area Mineral Asset coal projects (Table 10) suggests an implied value between $311 and $93,133 per km^2 for Exploration Area Mineral Assets. Within this range, more greenfields exploration projects with geophysical anomalies but, no known drilling or geochemical anomalism range from $311 to $2,519 per km^2, more advanced projects with some drilling and or the presence of coal where prospects have been defined range from $2,519 to $8,510 per km^2, and most advanced brownfields projects with defined drill targets and coal typically range from $8,510 to $93,313 per km^2. Assets of strategic value sit at the higher end of this range.

Ravensgate has derived implied ranges and preferred values per km^2 based on the interpreted prospectivity of the project to apply to the area of the project (Table 12) on a 100% equity basis.

Table 12 Comparative Transactions Valuation for the Ianapera Project (100% Equity Basis)								
Project	**Mineral Asset**	**Area km^2**	**Value per km^2**			**Valuation**		
			Low $	**High $**	**Preferred $**	**Low $M**	**High $M**	**Preferred $M**
Ianapera	Exploration Area	25	500	1,500	1,000	0.013	0.038	0.025

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

The value for the Ianapera project relates to approximately $0.013M to $0.038M. From this range a preferred value of $0.025M has been selected. The low implied ranges and preferred values attributed to the Ianapera project reflects that at present recent exploration by LMR has not been successful for coal, with only one hole drilled to a depth of 360m returning no coal shows leading to the abandonment of further drilling on the project. The project is still at an early stage of exploration with many areas largely unexplored requiring exploration. Ravensgate considers the Ianapera project is of merit and worthy of further exploration.

6.5.3 Sakaraha Project, Madagascar

6.5.3.1. Selection of Valuation Method

The Sakaraha project in which LMR has a 99% equity interest can be classified as Exploration Area mineral assets as defined in Section 6.1.

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2004 Edition) has not been reported for the Sakaraha project. In valuing the Sakaraha project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the mineral asset.

Ravensgate has elected to apply the Comparable Transaction to value the Sakaraha project after consideration of the various valuation methods outlined in Section 6.1 and the geological / exploration information outlined in Section 5.

6.5.3.2. Project Analysis – Comparable Transactions Method

Ravensgate's analysis of southern and eastern African market transactions for Exploration Area Mineral Asset coal projects (Table 10) suggests an implied value between $311 and $93,133 per km^2 for Exploration Area Mineral Assets. Within this range, more greenfields exploration projects with geophysical anomalies but, no known drilling or geochemical anomalism range from $311 to $2,519 per km^2, more advanced projects with some drilling and or the presence of coal where prospects have been defined range from $2,519 to $8,510 per km^2, and most advanced brownfields projects with defined drill targets and coal typically range from $8,510 to $93,313 per km^2. Assets of strategic value sit at the higher end of this range.

Ravensgate has derived implied range and preferred value per km^2 based on the interpreted prospectivity of the project to apply to the area of the project (Table 13) on a 100% equity basis.

The value for the Sakaraha project relate to approximately $0.047M to $0.125M. From this range a preferred value of $0.078M has been selected. This value reflects the stage of exploration at the project and the quality of the exploration ground. The project is still at an early stage of exploration with LMR having completed no drilling on the project thus far with many areas largely unexplored requiring exploration. Ravensgate considers the Sakaraha project is of merit and worthy of further exploration.

Table 13 Comparative Transactions Valuation for the Sakaraha Project (100% Equity Basis)								
Project	**Mineral Asset**	**Area km^2**	**Value per km^2**			**Valuation**		
			Low $	**High $**	**Preferred $**	**Low $M**	**High $M**	**Preferred $M**
Sakaraha	Exploration Area	62.5	750	2,000	1,250	0.047	0.125	0.078

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

6.6 Valuation Summary

Ravensgate has concluded that LMR's coal projects in Madagascar are of merit and worthy of further exploration.

A summary of the LMR's coal projects valuation in 100% equity percentage terms is provided in Table 14. The applicable valuation date is 29 May 2013 and is derived from using the Comparable Transactions valuation method. The value of LMR's coal projects is considered to lie in a range from $10.014M to $16.903M, within this range Ravensgate has selected a preferred value of $12.366M, which is about the middle of the range.

Table 14 Summary LMR's Coal Projects Technical Valuation in 100% Equity Terms						
Licence	**Mineral Asset**	**Equity %**	**Area km^2**	**Valuation**		
				Low $M	**High $M**	**Preferred $M**
Imaloto	Advanced Exploration Area	100%	81.25	9.955	16.740	12.263
Ianapera	Exploration Area	100%	25	0.013	0.038	0.025
Sakaraha	Exploration Area	100%	62.5	0.047	0.125	0.078
TOTAL	**Exploration Area**	**100%**	**168.75**	**10.014**	**16.903**	**12.366**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

A summary of LMR's coal projects valuation in respective ownership percentage terms is provided in Table 15. The applicable valuation date is 29 May 2013 and is derived from using the Comparable Transactions valuation method. The value of LMR's coal projects is considered to lie in a range from $9.914M to $16.733M, within this range Ravensgate has selected a preferred value of $12.242M, which is about the middle of the range.

Table 15 Summary LMR's Coal Projects Technical Valuation in Respective Ownership Percentage Terms						
Project	**Mineral Asset**	**Ownership %**	**Area km^2**	**Valuation**		
				Low $M	**High $M**	**Preferred $M**
Imaloto	Advanced Exploration Area	99%	81.25	9.855	16.573	12.140
Ianapera	Exploration Area	99%	25	0.012	0.037	0.025
Sakaraha	Exploration Area	99%	62.5	0.046	0.124	0.077
TOTAL	**Exploration Area**	**99%**	**168.75**	**9.914**	**16.733**	**12.242**

The valuation has been compiled to an appropriate level of precision and minor rounding errors may occur.

7. TENEMENT DETAILS

Table 16 LMR's Tenement Details					
Tenement	**Status**	**Holders**	**Expiry Date**	**Area (km^2)**	**LMR Equity %**
Imaloto					
12653	Granted	CMM[1]	18/04/2014	25	99%
3196	Granted	4th Island Investments[2]	06/11/2013	18.75	99%
4578	Granted	CMM[1]	28/11/2045	25	99%
27163	Granted	Genyus Sarl(u)[2]	22/10/2012[3]	6.25	99%
26904	Granted	Genyus Sarl(u)[2]	22/10/2012[3]	6.25	99%
Ianapera					
31892	Granted	CMM[1]	18/04/2014	25	99%
Sakaraha					
31808	Granted	CMM[1]	07/09/2013	62.5	99%

[1] *Coal Mining Madagascar SARL (CMM). Lemur Resources Limited holds 100% of Coal of Madagascar Limited, which in turn holds 99% of CMM.*

[2] *These permits are purported to have been transferred to CMM*

[3] *An application for tenement renewal is underway.*

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9. GLOSSARY

aeromagnetic	A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the earth's magnetic field.
geophysical data	Data pertaining to the physical properties of the Earth's crust at or near surface, often collected from an aircraft.
aircore	Drilling method employing a drill bit that yields sample material which is delivered to the surface inside the rod string by compressed air.
arkosic	Pertaining to sandstones. Comprised predominantly of clasts of feldspar.
carbonate	Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO_3. Essential component of limestones and marbles.
coal	Readily combustible rock containing carbonaceous material formed from plant remains that have been compacted, indurated, chemically altered, and metamorphosed by heat and pressure during geologic time.
clastic	Pertaining to a rock made up of fragments or pebbles (clasts).
dolerite	A medium grained mafic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar.
dykes	A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle.
feldspar	A group of rock forming minerals.
geochemical	Pertains to the concentration of an element.
geophysical	Pertains to the physical properties of a rock mass.
granite	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
igneous	Rocks that have solidified from a magma.
intrusions	A body of igneous rock which has forced itself into pre-existing rocks.
joint venture	A business agreement between two or more commercial entities.
metamorphic	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids.
Mt	Million Tonnes.
outcrops	Surface expression of underlying rocks.
pegmatite	A very coarse grained intrusive igneous rock which commonly occurs in dyke-like bodies containing lithium-boron-fluorine-rare earth bearing minerals.
plies	Lithological subdivisions of a coal seam each of which has a uniform character.
Proterozoic	An era of geological time spanning the period from 2,500 million years to 570 million years before present.
rhyolite	Fine-grained felsic igneous rock containing high proportion of silica and feldspar.
sedimentary	A term describing a rock formed from sediment.
seam	A bed of coal lying between a roof and floor.
shale	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
strata	Sedimentary rock layers.
stratigraphic	Composition, sequence and correlation of stratified rocks.
veins	A thin infill of a fissure or crack, commonly bearing quartz.
volcanics	Formed or derived from a volcano.