



ACN 147 241 361

19 JUNE 2015

CAPITAL STRUCTURE

Shares on Issue: 181m

Unlisted Options: 0.5m

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

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



CASH ON HAND

\$14.29m
(as at 28 February 2015)

CORPORATE DIRECTORY

Mr Anthony Viljoen
Executive Director and CEO

Mr Ryan Rockwood
Executive Director

Mr Fortune Mojapelo
Non-Executive Director

Ms Shannon Coates
Non-Executive Director &
Company Secretary

CONTACT DETAILS

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WEBSITE

www.lemurresources.com

RECOMMENDATION TO ACCEPT

THE OFF-MARKET TAKEOVER OFFER BY BUSHVELD MINERALS LIMITED FOR YOUR LEMUR SHARES, IN THE ABSENCE OF A SUPERIOR PROPOSAL

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

If they have not already done so, Lemur shareholders will shortly receive from Bushveld its Bidder's Statement (**Bidder's Statement**) in relation to its off-market takeover offer for all of the ordinary shares in Lemur for A\$0.06 per Lemur share (**Offer**).

Recommendation of the Independent Directors

Following receipt of an Independent Expert's Report, included in its entirety in Appendix 1, Mr Ryan Rockwood and Ms Shannon Coates (the **Independent Directors**) have carefully considered the Offer and recommend that Lemur shareholders accept the Offer in the absence of a superior proposal, given the reasons to accept the Offer and the potentially adverse consequences of not accepting the Offer, set out below and discussed in more detail on the following pages:

- 1 The Independent Expert considers the Offer is not fair but reasonable, notwithstanding that the Offer price is below the Independent Expert's preferred valuation of \$0.171 per Lemur share**
- 2 The Offer provides certainty of cash consideration and a premium to recent trading of Lemur shares**

- 3 **The Offer removes risks associated with holding shares in Lemur although Shareholders will be unable to benefit from the potential future upside in Lemur**
- 4 **The Independent Directors consider a superior proposal is unlikely as Bushveld holds a 63.6% relevant interest in Lemur¹**
- 5 **There are risks to remaining a minority shareholder in Lemur including potential delisting from ASX**

Note 1: As at the date of the Bidder's Statement.

Lemur is currently preparing its Target's Statement in response to the 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 accept the Offer (in the absence of a superior proposal) in sufficient time to enable shareholders to make an informed decision.

The Independent Directors acknowledge that there are also reasons why a Lemur shareholder might choose to reject the Offer, which will be set out in the Target's Statement and include those also set out below. Shareholders are encouraged to read the Bidder's Statement and Target's Statement in full and to consider the Offer having regard to their own personal circumstances. The Independent Directors encourage shareholders to seek their own independent financial and taxation advice prior to deciding whether to accept the Offer.

Lemur Shareholders should note that the Offer is conditional upon Bushveld receiving sufficient acceptances (such that it has a relevant interest in at least 90% of Lemur shares and 75% of the Lemur shares it offered to acquire) so that at the end of the Offer, Bushveld becomes entitled to proceed with compulsory acquisition for the remaining shares in Lemur. Further, Lemur shareholders should also note that they will not receive the Offer Consideration until the condition to the Offer has been satisfied or waived. If shareholders accept the Offer, they will be prevented from participating in a superior proposal, should one eventuate. The closing date for the Offer is 7.00pm (EST) on 17 July 2015 (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 commissioned BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) to prepare a report that states whether, in the Independent 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 Offer is **not fair but reasonable**. The Independent Expert's Report is included in its entirety at Appendix 1 of this announcement and will also be included in the Target's Statement. Lemur Shareholders are urged to read that report carefully.

Detailed reasons to ACCEPT the Offer in the absence of a superior proposal, and potential adverse consequences of not accepting the Offer are set out below:

The Independent Expert has determined that the Offer is not fair but reasonable. The Offer price is below the Independent Expert's preferred valuation of \$0.171 per Lemur share

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

- The Bushveld Offer price is below the cash backing at 28 February 2015 of \$0.079 per Lemur share. Furthermore, the Independent Expert notes that the Independent Technical Expert has valued the Company's mineral assets between \$14.032 million and \$21.122 million, excluding the recent acquisition

of the Zaaiplaats Tin Project at \$0.276 million. Should Lemur shareholders accept the Offer, Bushveld will ultimately attain 100% control of Lemur's cash balance of \$14.28 million at 28 February 2015, along with its mineral assets valued between \$14.308 and \$21.398 million pursuant to an Offer with a maximum aggregate consideration of just under \$4 million.

- The Bushveld Offer price is below the Independent Expert's preferred and minimum valuations of \$0.171 and \$0.152 per Lemur share respectively on a control basis representing a discount of approximately 65% and 61% respectively.

On this basis, the value of the Bushveld Offer represents a discount to the Independent Expert's preferred and minimum values of a Lemur Share and the Independent Expert has concluded that the Bushveld Offer is **NOT FAIR**.

However, notwithstanding that the Offer is not considered fair, the Independent Expert has assessed the Offer as **REASONABLE**. In the opinion of the Independent Expert, the position of shareholders if the Offer is successful is more advantageous than the position if the Offer is not successful, in particular due to the risks associated with remaining a shareholder in Lemur as a result of Bushveld holding a relevant interest in approximately 63.6% in Lemur at the date of the Bidder's Statement.

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

The Offer provides certainty of cash consideration and a premium to recent trading of Lemur shares

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

The Offer as at 20 May 2015 represented a premium of¹:

- 3% to Lemur's closing share price of A\$0.058
- 11% to Lemur's 30 day VWAP of A\$0.054
- 20% to Lemur's 60 day VWAP of A\$0.050
- 28% to Lemur's 90 day VWAP of A\$0.047

The Offer removes risks associated with holding shares in Lemur although shareholders will be unable to benefit from the potential future upside in Lemur

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

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

¹ Source Independent Expert's Report, see Appendix A

See section below regarding foregoing potential upside in Lemur.

The Independent Directors consider a superior proposal is unlikely as Bushveld holds a 63.6% relevant interest in Lemur

There is currently no superior proposal and given Bushveld's relevant interest in 63.6% of Lemur shares as at the date of the Bidder's Statement, the Independent Directors considered a superior proposal before the end of the Offer period is unlikely. There is no guarantee that Bushveld would make another offer for Lemur in the future.

There are risks to remaining a minority shareholder in Lemur including delisting

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

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

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

Some shareholders in Lemur intend accepting the Offer

Bushveld holds a 63.6% relevant interest in Lemur as at the date of the Bidder's Statement and has indicated in its Bidder's Statement that certain Lemur shareholders, who together hold approximately 10% of the issued capital of Lemur, have advised Bushveld that it is their intention to accept the Offer within ten business days of the Offer commencement date, in absence of a superior proposal being publicly announced before the end of that ten business day period.

Risk of delisting

Bushveld has stated in section 6.2.3 of the Bidder's Statement that even if it is not entitled to compulsory acquisition, it still intends to apply to discontinue Lemur's ASX listing. Shareholders not accepting the Offer should consider that they may end up holding shares in an unlisted entity, which may make it difficult to sell Lemur shares and this may have further implications including in relation to company disclosure obligations.

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

- the bidder and its related bodies corporate own or control at least 75% of the entity's ordinary securities but have not met the conditions to proceed to compulsory acquisition of the remaining securities under the Corporations Act;
- excluding the bidder and its related bodies corporate, the number of holders of ordinary securities having holdings with a value of at least \$500 is fewer than 150;

- the bidder foreshadowed in its bidder's statement that it intended, if it secured control of the entity, to cause the entity to apply for removal from the official list;
- the takeover bid remained open for at least two (2) weeks following the bidder and its related bodies corporate having attained ownership or control of at least 75% of the entity's ordinary securities; and
- the entity has applied for removal from the official list no later than one (1) month after the close of the takeover bid.

Risk of compulsory acquisition

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

The Independent Directors acknowledge that there are also reasons why a Lemur shareholder might chose to reject the Offer, which will be set out in the Target Statement and include:

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

The Offer is well below the cash backing at 28 February 2015 and the Independent Expert's preferred and minimum valuation of Lemur shares (see above).

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

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

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

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

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

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

SCOPING STUDY PARAMETERS – CAUTIONARY STATEMENT

The scoping study referred to in this announcement was first released to ASX on 26 September 2013. It:

- is based on lower-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised. There is a low level of geological confidence associated with mineral resources and there is no certainty that the production target itself will be realised;

- contains scoping study results and production targets which are preliminary in nature. The Life of Mine (“LOM”) Run of Mine (“ROM”) production target of 21 million tonnes is based on the exploitation of the Measured and Indicated portions only of the JORC compliant resource. The Measured and Indicated portions represent 91% of the resource equating to a total of 123 million tonnes;
- contains outputs relating to 100% of the Imaloto Project; and
- contains cash flows which, unless otherwise stated, are in US dollars which are undiscounted and are not subject to inflation/escalation factors and all years are calendar years.

During the 14 months ended 28 February 2015, the Company notes that it has undertaken advancement activities of its planned Imaloto coal mine and coal fired power plant in Madagascar, which include:

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

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

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

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

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

Potential taxation consequences

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

The Independent Directors encourage shareholders to seek their own independent financial and taxation advice prior to deciding whether to accept the Offer.

SHAREHOLDER INFORMATION LINE

If you have any queries regarding the Offer, please contact the official Lemur Shareholder Information Line on 1300 308 902 (from within Australia) or +61 02 8022 7902 (from outside Australia).

Competent Persons Statement

The information in this Report that relates to Mineral Resources was released to ASX on 29 July 2014 (*Coal Mineral Resource Updated to JORC 2012*) and is based on information compiled by Mr Johan Erasmus. Mr Erasmus is a Qualified Geologist (Bachelor of Science - Geology and Chemistry, Bachelor of Science (Hons.) – Geology – University of Port Elizabeth – 1989, 1990) and is also a Professional Natural Scientist (Pr.Sci. Nat.), registered with the South African Council for Natural Scientific Professions, a 'Recognised Overseas Professional Organisation' ('ROPO') included in a list promulgated by the ASX from time to time. Mr Erasmus is a consultant to the Company and the owner of Sumsare Consulting CC. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that material affects the information as announced on 29 July 2014. All material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Forward Looking Statements

This announcement contains certain forward looking statements. The words "expect", "forecast", "should", "projected", "could", "may", "predict", "plan" and other similar expressions are intended to identify forward looking statements. Indications of, and guidance on, future earnings, cash flow costs and financial position and performance are also forward looking statements. Forward looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward looking statements may be affected by a range of variables that could cause actual results or trends to differ materially. These variations, if materially adverse, may affect the timing or the feasibility of the development of the Imaloto Coal Project.

The Company believes it has a reasonable basis for making the forward-looking statements in this announcement, including with respect to any production targets, based on the information contained in this announcement and in particular:

- The LoM ROM production target of 21 million tonnes is based on the exploitation of the Measured and Indicated portions only of the JORC compliant resource. The Measured and Indicated portions represent 91% of the resource equating to a total of 123 million tonnes;
- JORC 2012 compliant Resources Statement released on 29 July 2014;
- Independent scoping studies which addressed the critical areas including the determination of mining inventory, mine design and scheduling, assay test work, and industry specific operating and capital cost data; and
- independently prepared financial model and the key assumption contained therein relating to the commodity price and exchange rate forecasts.

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LEMUR RESOURCES LIMITED Independent Expert's Report

18 June 2015



Financial Services Guide

18 June 2015

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

Financial Services Guide

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

This FSG includes information about:

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

Information about us

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

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

Financial services we are licensed to provide

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

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

General Financial Product Advice

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

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Fees, commissions and other benefits that we may receive

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

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

Other Assignments

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

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

Remuneration or other benefits received by our employees

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

Referrals

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

Complaints resolution*Internal complaints resolution process*

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

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

Referral to External Dispute Resolution Scheme

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

Appendix 2 - Valuation Methodologies

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

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18 June 2015

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

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

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

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

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

2. Summary and Opinion

2.1 Purpose of the report

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

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

2.2 Approach

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

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

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

2.3 Opinion

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

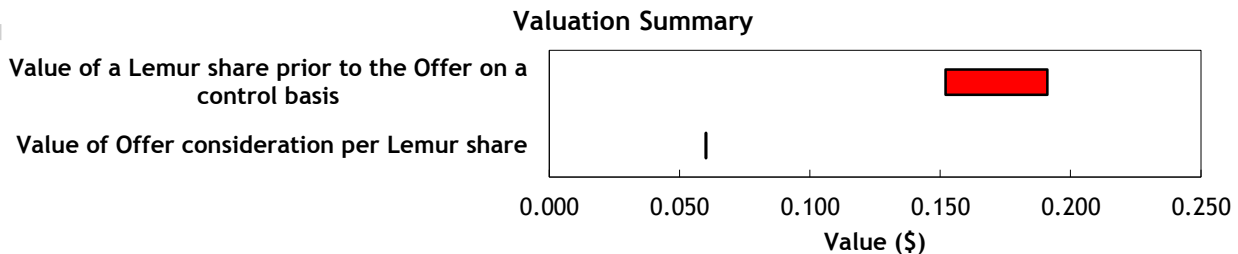
2.4 Fairness

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

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

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

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

2.5 Reasonableness

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

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

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

The respective advantages and disadvantages considered are summarised below:

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

Other key matters we have considered include:

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

3. Scope of the Report

3.1 Purpose of the Report

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

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

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

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

3.2 Regulatory guidance

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

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

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

3.3 Adopted basis of evaluation

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

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

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

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

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

4. Outline of the Offer

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

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

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

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

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

Conditions Precedent

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

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

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

Bushveld intentions if the Offer is accepted

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

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

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

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

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

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

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

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

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

5. Profile of Lemur

5.1 History

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

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

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

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

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

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

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

Imaloto Coal Project and Extension (Lemur 99% interest)

The Imaloto Coal Project is Lemur's key project and was acquired in April 2011 through its acquisition of Coal of Madagascar Limited. This project is situated in the Imaloto Coal Basin, the northern-most coal field in the greater Sakoa Basin of south west Madagascar. This project comprises four exploration permits and one mining permit. The permits include a number of concession blocks and cover a license area of approximately 81.5km².

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

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

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

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

Sakaraha Coal Project (Lemur 99% interest)

The Sakaraha Coal Project is located 90km north west of the Imaloto Coal Project. This project comprises one 62.5km² 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 25km² permit which is an exploration license consisting of 4 concession blocks. The Company drilled a single borehole during 2012 with no coal being encountered. Further drilling was abandoned.

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

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

5.2 Historical Balance Sheet

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

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

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

Commentary on Historical Statement of Financial Position

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

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

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

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

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

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

5.3 Historical Statement of Comprehensive Income

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

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

Commentary on Comprehensive Income

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

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

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

5.4 Capital Structure

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

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

Source: Share registry

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

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

Source: Share registry

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

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

Source: Share registry

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

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

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

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6. Profile of Bushveld

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

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

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

Bushveld P-Q Iron Ore and Titanium Project

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

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

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

Mokopane Tin Project

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

Bushveld Vanadium Project

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

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

7. Economic analysis

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

Interest rates

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

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

Credit growth

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

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

The Australian dollar

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

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

Economic growth

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

Commodity prices

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

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

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 5 May 2015 and 2 June 2015

8. Industry analysis

8.1 Overview of the coal industry

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

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

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

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

8.2 Demand

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

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

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

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

8.3 Prices

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

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

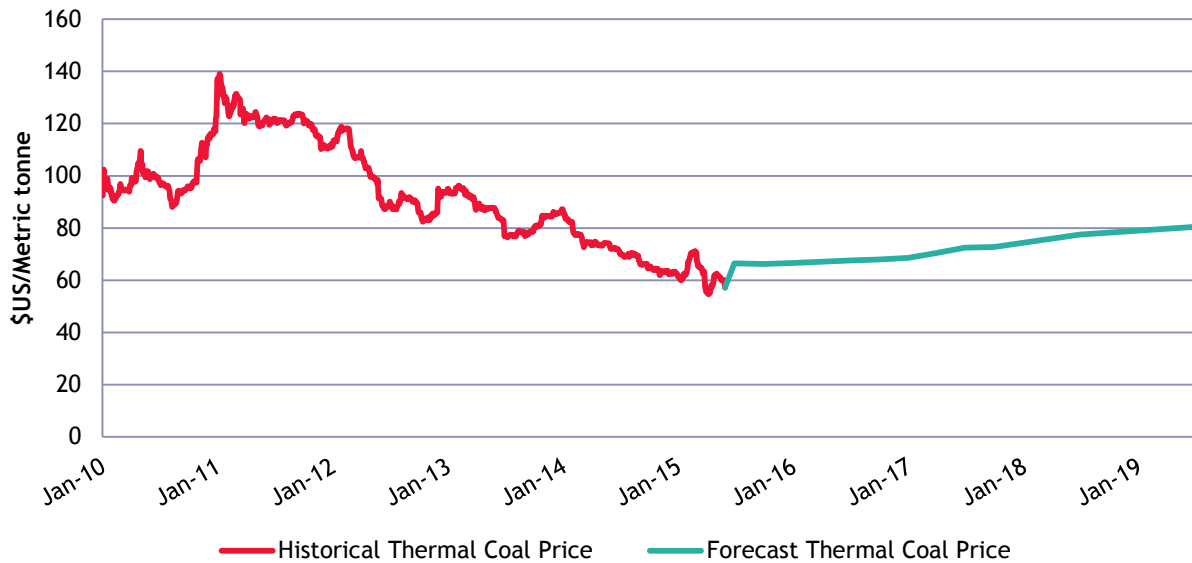
During early 2010, the price of thermal coal dropped off as a result of subdued demand for thermal coal from importing countries and an increase in the volume of traded coal. However, prices recovered rapidly in the second half of 2010 as China moved from being a net exporter to a net importer of thermal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

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

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

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

Thermal Coal



Source: Bloomberg & Consensus Economics

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

8.4 Outlook

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

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

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

Source: IBIS World & BDO Analysis

9. Valuation approach adopted

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

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

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

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

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

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

9.1 Valuation of Lemur's shares prior to the Offer

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

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

We have chosen these methodologies for the following reasons:

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

10. Valuation of Lemur

10.1 Net Asset Valuation of Lemur

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

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

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

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

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

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

Note a: Cash and cash equivalents

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

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

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

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

Note b: Exploration assets

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

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

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

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

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

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

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

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

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

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

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

10.2 Quoted Market Prices for Lemur Securities

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

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

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

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

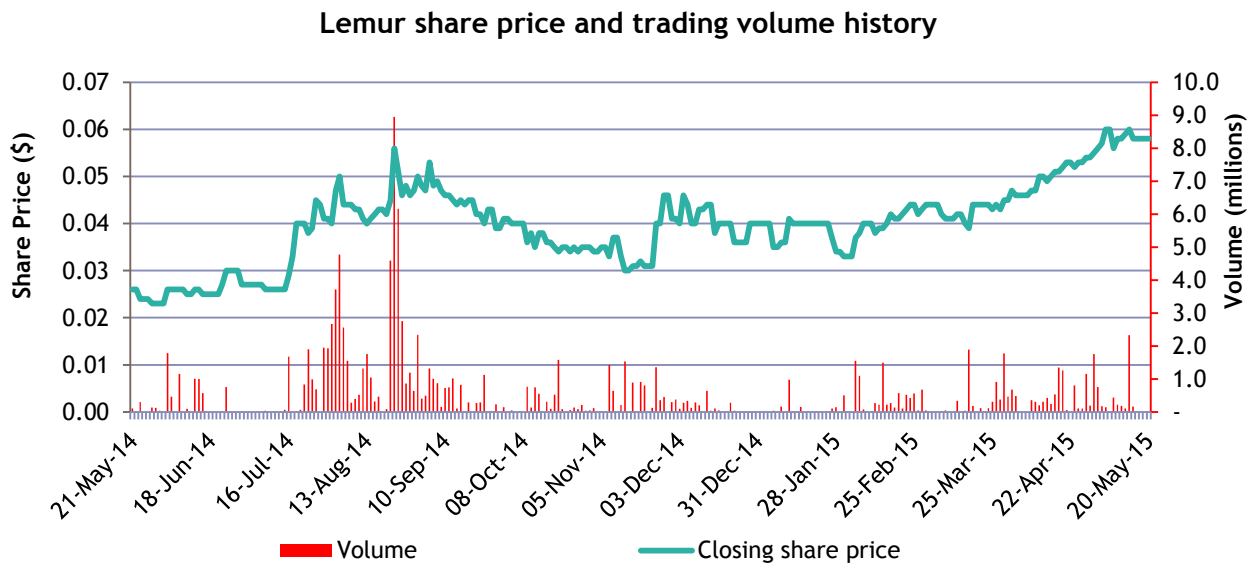
Whilst Bushveld may not obtain 100% of Lemur, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness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

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

Minority interest value

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

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



Source: Bloomberg

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

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

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

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

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

On 24 November 2014, Lemur announced that it was implementing an on-market buyback for up to 10% of its issued capital over the period of 12 months. The Board of the Company considered the current share price did not reflect the strong underlying cash position and value within the Company's assets. On the day of the announcement, the Company's shares remained unchanged at \$0.031, however increased by 48.4% to \$0.046 in the following three days.

On 17 March 2015, Lemur announced that it had executed a binding agreement to acquire 99.1% of Zaaipplaats Mining Proprietary Limited which holds the Zaaipplaats Project. On the day of the announcement, Lemur's share price fell by 2.5% to \$0.039, however increased by 12.8% to \$0.044 in the three days subsequent.

To provide further analysis of the market prices for an Lemur share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 20 May 2015:

Share Price per unit	20-May-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.058				
Volume weighted average price (VWAP)		\$0.059	\$0.054	\$0.050	\$0.047

Source: Bloomberg, BDO analysis

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

An analysis of the volume of trading in Lemur shares for the twelve months to 20 May 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.058	\$0.058	-	0.00%
10 Days	\$0.056	\$0.060	3,433,053	1.84%
30 Days	\$0.047	\$0.060	13,286,929	6.97%
60 Days	\$0.039	\$0.060	22,193,885	11.47%
90 Days	\$0.033	\$0.060	30,589,720	15.65%
180 Days	\$0.030	\$0.060	54,248,854	27.40%
1 Year	\$0.021	\$0.061	125,933,000	63.36%

Source: Bloomberg, BDO analysis

This table indicates that Lemur's shares display a medium level of liquidity, with 27.40% of the Company's current issued capital being traded in a six month period. If Bushveld's holding of 63.6% is removed then the volume traded in the six month period represents 65.54% of the non-Bushveld's shares on issue which represents a high level of liquidity.

For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

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

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

In the case of Lemur, we do consider the market for the Company's securities to be deep as a result of 65.54% of the Company's current issued non-Bushveld capital being traded over the six months prior to the announcement of the Offer.

Our assessment is that a range of values for Lemur shares based on market pricing, after disregarding post announcement pricing, is between \$0.05 and \$0.06.

Control Premium

We have reviewed the control premiums paid by acquirers of both general mining and coal companies listed on the ASX. We have summarised our findings below:

General Mining

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	22	96.48	37.54
2013	28	43.47	52.76
2012	42	109.43	44.31
2011	34	654.38	37.60
2010	41	625.97	45.72
2009	42	134.50	41.68
2008	14	435.97	36.38
2007	31	533.90	27.72
	Median	285.24	39.64
	Mean	329.26	40.46

Source: Bloomberg, BDO Analysis

Coal

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	-	-	-
2013	6	35.13	39.34
2012	6	254.89	38.73
2011	7	1337.46	30.52
2010	6	1006.46	55.92
2009	4	734.57	30.17
2008	-	-	-
2007	1	858.89	35.25
2006	1	1702.46	13.09
	Median	734.57	30.52
	Mean	658.87	27.00

Source: Bloomberg, BDO Analysis

The median and mean figures above are calculated based on the average deal value and control premium for each respective year. To ensure this does not skew our results, as summarised in the table below, we have also calculated the median and mean using the entire data set of control transactions for both the general mining and coal.

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
General Mining		
Median	40.51	35.19
Mean	344.04	40.76
Coal		
Median	168.19	34.90
Mean	753.52	38.27

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The tables above indicate that there has been an increasing trend of control premium paid by acquirers of general mining and coal companies since 2008 and 2006, respectively. The long term average of announced control premium paid by acquirers of mining and coal targets in Australia is in excess of 38%.

In assessing the sample of transactions for general mining, which were included in the table, we've noted transactions within the list which appear to be extreme outliers. These outliers include 16 transactions where the announced control premium was in excess of 100% and 16 transactions where the acquirer obtained a controlling interest at a discount (i.e. less than 0%). In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean.

We note that the sample size of announced control premia for coal transactions is relatively small.

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

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

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

Quoted market price including control premium

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

	Low	Midpoint	High
	\$	\$	\$
Quoted market price value	0.050	0.055	0.060
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.063	0.072	0.081

Source: BDO analysis

Therefore, our valuation of a Lemur share based on the quoted market price method and including a premium for control is between \$0.063 and \$0.081, with a midpoint value of \$0.072.

10.3 On-Market Buyback of Lemur shares

In our assessment of the value of Lemur shares, we have also considered the recent on market buyback implemented by the Company.

The buyback commenced on 8 December 2014 with the final buyback occurring on 15 May 2015. In total, 19,250,000 fully paid ordinary shares were bought back. The highest price paid for the buyback was \$0.06 per Lemur share on 13 May 2015 in which 2,071,270 shares were bought back.

We note that it took approximately five months for the maximum number of shares to be bought back and that the buyback price does not include any premium for control. However, the value implied by the buyback is broadly consistent with our QMP value.

10.4 Assessment of the value of a Lemur share

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

	Low	Preferred	High
	\$	\$	\$
Net assets value (Section 10.1)	0.152	0.171	0.191
ASX market prices (Section 10.2)	0.063	0.072	0.081

Source: BDO analysis

The NAV methodology has been deemed most reliable for this purpose due to the core value of Lemur being in the cash held by the Company and the exploration assets that it holds in its balance sheet and for which we have received an independent valuation. The cash backing of Lemur alone represents \$0.079 per share in value. This is above the QMP value at both the low and midpoint level. The NAV could be realised by Shareholders by liquidating the Company's assets and returning them to shareholders.

Our valuation of a Lemur share under the NAV methodology is higher than our valuation under the QMP methodology above at both the low and midpoint level. We believe that this is a result of the NAV methodology incorporating the full analysis and independent valuation of Lemur's projects which may not have been appreciated by the market and therefore not reflected under the QMP method. The presence of

a dominant shareholder in Bushveld also serves to deter an alternative takeover offer and potentially depress the ASX market price. We also note that as at 20 May 2015, the last full trading day prior to the announcement of the Offer, the Company's market capitalisation was approximately \$10.33 million. The Company's market capitalisation is below Lemur's cash balance as at 28 February 2015 which indicates that the current market price does not accurately reflect the value of a Lemur share even on a cash backing basis.

Based on the results above we consider the value of a Lemur share to be between \$0.152 and \$0.191, with a preferred value of \$0.171.

11. Valuation of consideration

Bushveld is offering Shareholders \$0.06 per Lemur share in cash.

12. Is the Offer fair?

The value of a Lemur share as compared with the value of the consideration offered per share is compared below:

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

We note from the table above that the value of a Lemur share on a control basis is in excess of the consideration. Therefore, we consider that the Offer is not fair.

13. Is the Offer reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Lemur a premium over the value ascribed to the Offer. Given that Bushveld has a relevant interest in approximately 63.6% of Lemur's issued shares, we consider it unlikely that an offer will be received from an alternative bidder.

We note that the Company's cash backing per share is \$0.079. As such it would be possible for the Company to distribute this cash to Shareholders and they would receive greater value for their shares than by accepting the Offer. However as at the date of our Report, we note that there is currently a 50% split between the Bushveld nominee directors and the Independent Directors. Therefore it is uncertain whether Lemur will be able to take such a corporate action.

In the case it does occur, the Company might need to raise funds to develop its projects at which point Shareholders could choose whether to participate or not. Our NAV assessment in section 10.1 indicates a value of \$0.152 to \$0.191 per share, when considering all of Lemur's assets and liabilities. This value could be distributed to Shareholders in an orderly realisation of assets.

As outlined in the Bidder's Statement, the offer period may be extended and the offer price of \$0.06 may be increased in accordance with the Act.

If the Offer is not successful, the only likely party to present an alternative, or superior, offer at a future date would be Bushveld.

13.2 Practical Level of Control

Under the conditions of the Offer there is a Minimum Acceptance Condition in which Bushveld must become entitled to compulsorily acquire any outstanding Lemur shares in accordance with the Act.

If the Offer is successful then Bushveld will hold an interest of over 90% in Lemur and will seek to gain full control through compulsory acquisition of the outstanding shares.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter.

Should Bushveld acquire 90% or more of shares in Lemur then Bushveld's intentions include to:

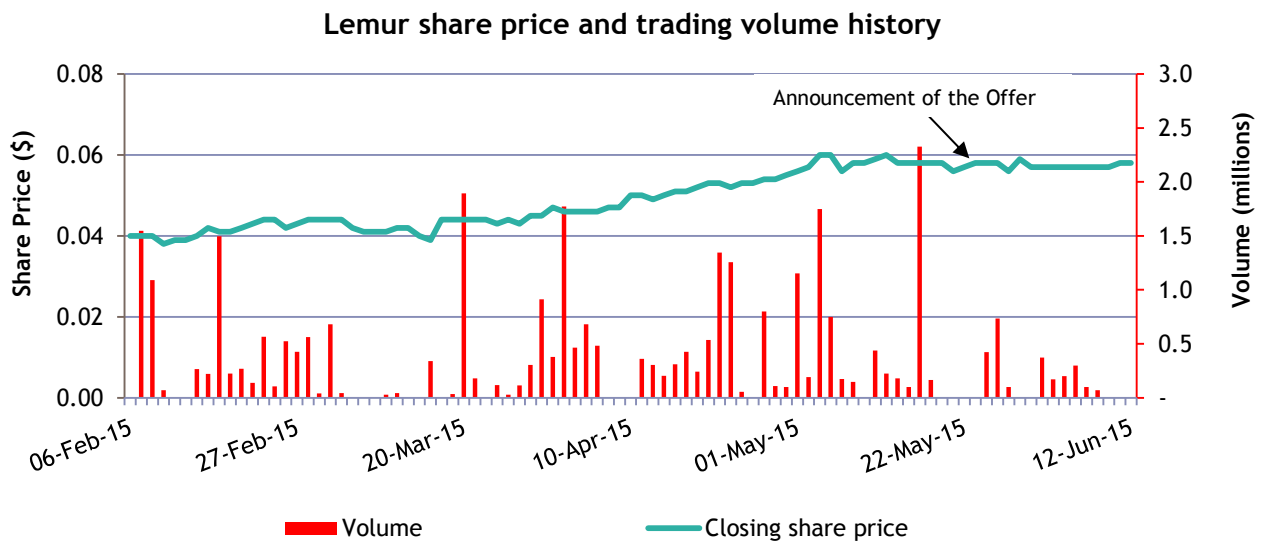
- Compulsorily acquire the outstanding Lemur shares in accordance with the Act;
- consider Lemur to be removed from the Official List of the ASX;
- review of the composition of the board of directors of Lemur;
- centralise some of the administration functions as well as the corporate office which will be located in Johannesburg, South Africa;
- undertake a detailed strategic review of Lemur's activities, assets and liabilities to evaluate their prospects, strategic relevance, funding requirements, financial performance and fit/synergies with the broader assets in Bushveld; and

consider proceeding with the compulsory acquisition of the Lemur Options which have not been exercised and that have not expired or lapsed. Alternatively, Bushveld may pursue other arrangements to acquire or cancel the Lemur Options

13.3 Consequences of not accepting the Offer

Impact on share price

We have analysed movements in Lemur’s share price since the Offer was announced. A graph of Lemur’s share price since the announcement is set out below.



Source: Bloomberg

The announcement of the Offer was made to the market on 21 May 2015. On that day approximately 0.42 million shares were traded and Lemur’s share price closed at \$0.056, a decrease of 3.6% from the closing share price of \$0.058 on the last full trading day on 20 May 2015. Lemur’s share price has traded between a low of \$0.056 and a high of \$0.060 since the announcement of the Offer. The gradual increase in Lemur’s share price prior to the announcement of the Offer is likely a result of the recent on-market buyback completed by the Company.

Given the above analysis it is possible that if the Offer is not accepted then Lemur’s share price may decline to pre-announcement levels. If Shareholders were of the view that if the Offer is unsuccessful that Bushveld may consider a higher offer in the future then there may be little or no decline in the Company’s share price.

Impact on ASX liquidity

As outlined in section 10.2, we consider that prior to the announcement of the Offer; the market for Lemur’s shares has historically demonstrated characteristics of a deep and active market after taking into consideration the fact that Bushveld holds approximately 63.6%.

We note that if Bushveld receives acceptances but does not reach a 90% holding, determines to waive the minimum acceptance condition of the Offer, and decides to retain Lemur's listing on the ASX, the liquidity for Lemur's shares on the ASX may decrease.

In our view, the decrease in liquidity will be caused by the decrease in the number of shares on issue which are not held by Bushveld on account of:

- Bushveld's increased holding in Lemur's issued capital following the Offer; and
- The on-market share buyback reducing existing number of shares on issue.

Impact of delisting

As disclosed in the Bidder's Statement, even if Bushveld does not acquire the requisite relevant interests to proceed to compulsory acquisition under the Act, Bushveld may consider waiving the minimum acceptance condition noting in this case, it intends to delist Lemur's shares from the official list of the ASX.

In accordance with the ASX listing rules, shareholders of Lemur may not be provided with an opportunity to vote on a resolution to delist the Company from the official list of the ASX if, among other conditions:

- Bushveld and its related bodies corporate own or control at least 75% of the ordinary securities in Lemur (but have not met the conditions to proceed to compulsory acquisition);
- Excluding Bushveld and its related bodies corporate, the number of holders of ordinary securities having holdings with a value of at least \$500 (marketable parcel) is fewer than 150; and
- Bushveld foreshadows in its bidder's statement that it intends to cause Lemur to apply for removal from the official list.

Given that it appears Bushveld has made the requisite disclosures in the Bidder's Statement, we note that subject to satisfaction of the ASX's listing rules, Lemur may be removed from the official list of the ASX without shareholder approval. In these circumstances, it is important to note that Lemur's shares will no longer trade on a securities market.

If Lemur is delisted, given there will no longer be a market on which Lemur's shares can trade, we consider that liquidity will be significantly reduced and there will no longer be an observable price for Lemur's shares. Additionally, Lemur will no longer be subject to the listing rules of the ASX and this may have further implications on Shareholders including in relation to reduced financial reporting and company disclosure obligations.

As a public company incorporated in Australia, irrespective of listing status, Lemur will still need to comply with the Corporations Act as applicable.

13.4 Advantages of accepting the Offer

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

13.4.1 Certainty of cash consideration

The cash consideration that has been offered by Bushveld would allow Lemur Shareholders to realise cash for their investment. No dividends have been paid on Lemur shares to date.

The consideration of cash of \$0.06 is a fixed and definite amount, and is not subject to the inherent risks that will affect the quoted market price of a Lemur share, including the risk associated with a company holding resource exploration and development projects.

There may be capital gains tax implications for Shareholders, and Shareholders should consult with their own tax advisors to determine any individual tax implications from acceptance of the Offer.

13.4.2 Removes future risks associated with holding shares in Lemur

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

- Development of projects into cash generating assets;
- Deterioration in market conditions;
- Future funding and dilution; and
- Potential loss of listed status and liquidity due to removal from ASX official list.

13.5 Disadvantages of accepting the Offer

If the Offer is successful, in our opinion, the potential disadvantages to Shareholders include:

13.5.1 The Offer is not fair

As set out in section 12, the Offer is not fair. RG 111 states that an Offer is reasonable if it is fair - in this case it is not fair.

If the Offer is successful, Bushveld will gain full control of the cash and projects of Lemur by acquiring the 66,552,904 shares it does not already own for \$0.06 per share, a payment of approximately \$4 million.

As at 28 February 2015, Lemur had approximately \$14.28 million in cash, valuing the Company's cash backing per share at \$0.079. Furthermore, we note that the Independent Technical Expert has valued the Company's mineral assets between \$14.032 million and \$21.122 million excluding the recent acquisition of the Zaaiplaats Project at \$0.276 million.

Should Shareholders accept the Offer, Bushveld will ultimately attain 100% control of Lemur's cash balance of \$14.28 million at 28 February 2015 along with its mineral assets valued between \$14.308 million and \$21.398 million for a payment of approximately \$4 million.

13.5.2 Inability to benefit from the potential future upside in Lemur

If the Offer is accepted, Shareholders will forgo their participation in potential future profits and capital growth that Lemur may be able to realise.

As at the date of this Report, the Company holds a 99% interest in the Imaloto Coal Project. During the 14 months ended 28 February 2015, the Company notes that it has undertaken advancement activities of its planned Imaloto Coal mine and coal fired power plant in Madagascar which include:

- continued discussions with Jirama and MoE in relation to the proposed IPP license and the advancement of the technical aspects of the IPP;
- updated its existing coal Mineral Resource in accordance with JORC 2012; and

- selected the experts to work on the environmental impact assessment, design & engineering and project financing of the power plant with work to commence upon the Company securing the required licenses.

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

We also note that in the Company's audited financial report for the 14 months ended 28 February 2015, Lemur outlined that it intends to use its cash balance to acquire more value accretive assets. The profile of assets being sought are those either in production and generating cash flows or greenfield exploration assets with significant exploration upside.

The Company also acquired a 99.1% interest in Zaaiplaats Mining Proprietary Limited, a company incorporated in South Africa and the registered owner of the Zaaiplaats Project which was previously the site of the second biggest tin mining operation in South Africa.

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

13.5.3 Potential taxation consequences

The taxation consequences for Shareholders will differ depending on their individual circumstances. Shareholders who are considered Australia residents may be liable to pay capital gains tax on the disposal of their Lemur shares under the Offer.

13.6 Other Considerations

Other considerations we have considered include:

13.6.1 On-Market share buyback implemented by Lemur

We have also considered the recent on market buyback implemented by the Company.

The buyback commenced on 8 December 2014 with the final buyback occurring on 15 May 2015. In total, 19,250,000, being the maximum number of fully paid ordinary shares were bought back. The highest price paid for the buyback was \$0.06 per Lemur share on 13 May 2015 in which 2,071,270 shares were bought back.

We note the consideration of \$0.06 per Lemur share offered by Bushveld is on average greater than the average price in which Lemur Shareholders accepted the share buyback. This means that the Offer provides a possible exit for shareholders within the QMP value range on a minority interest basis. However given the Offer is a control transaction, and noting that the cash consideration of the Offer does not exceed our assessment of QMP value on a control basis as per section 10.2, nor our assessed value of Lemur in section 10.3 of our Report, we consider that Bushveld is not offering an appropriate control premium in recognition of the fact that Bushveld may acquire 100% ownership of Lemur.

While the maximum number of shares bought back was achieved, the buyback took approximately five months with the majority of the shares bought back subsequent to the share price trading within the higher range of our assessed QMP values on a minority basis. Furthermore, we note the buyback does not necessarily indicate shareholders' liquidating their entire interest in Lemur, given they may have accepted the on-market buyback in varying degrees while still holding an interest in Lemur and the potential upside

associated with the value of Lemur. Shareholders may consider that they require a higher payment to relinquish complete exposure to the upside from holding a share in Lemur.

13.6.2 Shareholders in Lemur intend accepting the Offer

As disclosed in the Bidder's Statement, Bushveld is confident that the Minimum Acceptance Condition will be satisfied as a result of Bushveld having a 63.6% relevant interest in Lemur. Furthermore, certain Lemur shareholders who collectively own approximately 10% of Lemur's current ordinary shares on issue, have advised that they will accept the Offer in respect of all shares that they hold, in the absence of a superior offer.

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

13.6.3 Compulsory acquisition

Should Bushveld acquire 90% or more of shares in Lemur, the intentions of Bushveld are to proceed with the compulsory acquisition of the outstanding Lemur shares in accordance to Part 6A of the Act.

Any Shareholders that form this remaining 10% will receive the same consideration that has been offered per share as Shareholders that accept the Offer.

14. Conclusion

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

15. Sources of information

This report has been based on the following information:

- Draft Target's Statement on or about the date of this Report;
- Audited financial statements of Lemur for the 14 months ended 28 February 2015 and the years ended 31 December 2013 and 31 December 2012;
- Independent Valuation Report of Lemur Resources Limited's mineral assets dated 27 May 2015 performed by Ravensgate Mining Industry Consultants;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Lemur Resources Limited.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$ 20,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

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

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

A draft of this report was provided to Lemur and its advisors for confirmation of the factual accuracy of its contents. Our opinion was changed from neither fair nor reasonable to not fair but reasonable following this review following our consideration of factual matters raised. These matters relate to the intentions of Bushveld regarding to Lemur's listing on the Official List of the ASX. We updated our analysis of reasonableness in light of the intentions, which resulted in a change in our opinion.

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17. Qualifications

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

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

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

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Institute of Chartered Accountants in Australia. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Lemur for inclusion in the Target's Statement which will be sent to all Lemur Shareholders. Lemur engaged BDO Corporate Finance (WA) Pty Ltd to prepare an

independent expert's report to consider the off-market takeover offer from Bushveld to acquire all of the shares in Lemur it does not own.

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

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

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

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

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

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Ravensgate Mining Industry Consultants.

The valuer engaged for the mineral asset valuation, Ravensgate Mining industry Consultants possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

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

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

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Adam Myers
Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
AIM	Alternative Investments Market
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Bushveld	Bushveld Minerals Limited
The Company	Lemur Resources Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Services
FSG	Financial Services Guide
the Independent Directors	Mr Ryan Rockwood and Ms Shannon Coates
IPP	Independent Power Plant
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Lemur	Lemur Resources Limited
Lemur Options	The 0.5 million options Lemur currently has on issue.
MoE	Ministry of Energy
NAV	Net Asset Value

Reference	Definition
the Offer	Off-market takeover from Bushveld to acquire all the ordinary shares in Lemur that it does not already own.
Our Report	This Independent Expert's Report prepared by BDO
P-Q Project	The P-Q Iron Ore and Titanium Project
QMP	Quoted market price
Ravensgate	Ravensgate Mining Industry Consultants
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Shareholders	Shareholders of Lemur not associated with Bushveld
US	United States of America
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
Zaaiplaats Project	The two properties registered by Zaaiplaats Mining Proprietary Limited

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The Directors
 BDO Corporate Finance (WA) Pty Ltd
 38 Station Street
 SUBIACO, WA 6008, Australia

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.

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Appendix 3 - Independent Valuation Report prepared by Ravensgate

Sent under a separate cover

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TECHNICAL PROJECT REVIEW
and
INDEPENDENT VALUATION REPORT

LEMUR RESOURCES LIMITED
MADAGASCAN COAL MINERAL ASSETS

for

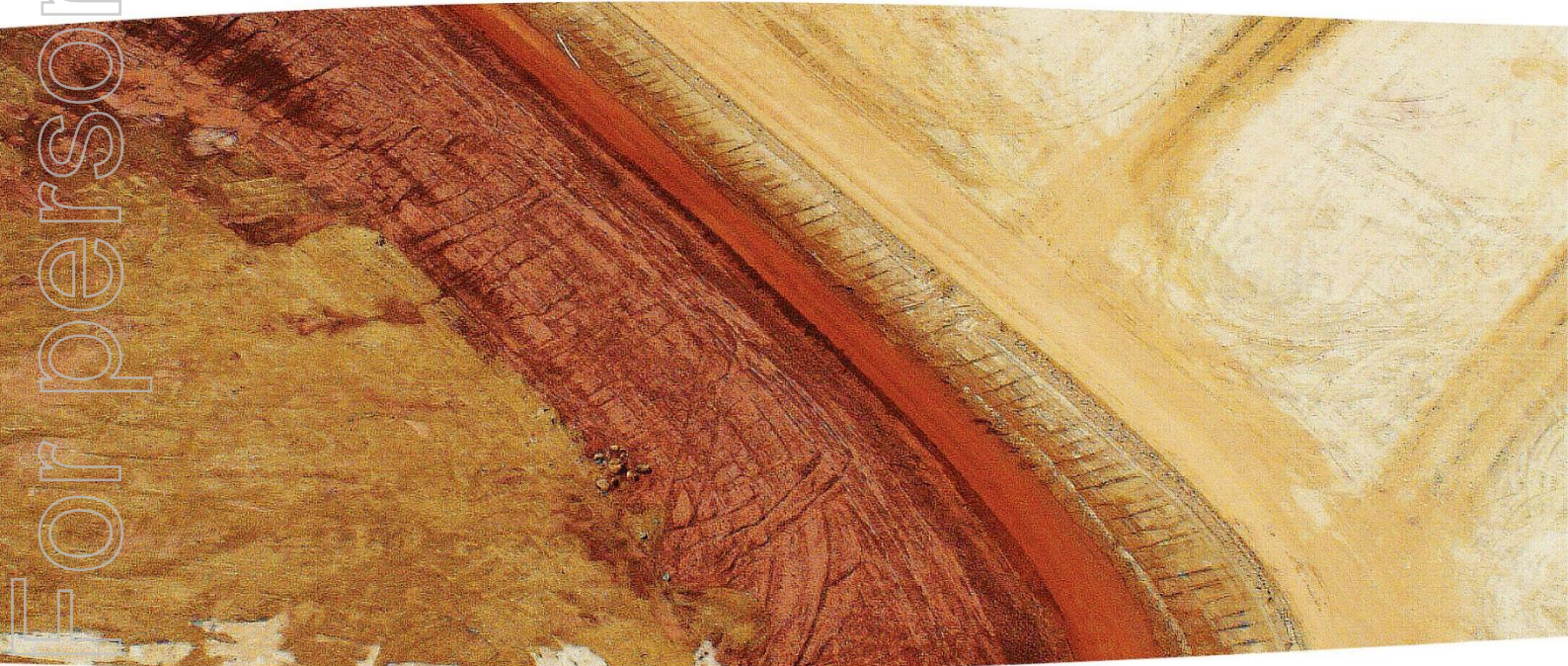
LEMUR RESOURCES LIMITED

and

BDO CORPORATE FINANCE (WA) PTY LTD

27 May 2015

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RESOURCEFUL

TECHNICAL

PARTNERS



TECHNICAL PROJECT REVIEW and INDEPENDENT TECHNICAL VALUATION

Prepared by RAVENSGATE on behalf of:

Lemur Resources Limited and BDO Corporate Finance (WA) Pty Ltd

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Date: 27 May 2015		
Copies: Lemur Resource Limited	(2)	
Ravensgate	(1)	

Project No. LEM004

File Name: LEM004_VAL_16_Jun_2015_Final.Docx



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 Lemur Resources Limited.

Each statement or opinion in this report is provided in response to a specific request Lemur Resources Limited to provide that statement or opinion. Each such statement or opinion is made by Ravensgate in good faith and in the belief that it is not false or misleading.

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



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1. EXECUTIVE SUMMARY

Corvidae Pty Ltd as trustee for the Ravensgate Unit Trust trading as Ravensgate (Ravensgate) has been commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) and Lemur Resources Limited (LMR) to provide a Technical Project Review on LMR's Madagascan Coal Mineral Assets and an Independent Technical Valuation over these licences. This Technical Project Review and Independent Valuation Report were prepared by Ravensgate for inclusion in the Independent Expert's Report (IER) prepared by BDO. LMR's Madagascan coal mineral assets consist of three projects. The projects included in this report are listed below.

<u>Mineral Asset</u>	<u>LMR's Ownership %</u>
Imaloto	99%
Ianapera	99%
Sakarah	99%

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

The valuation presented in this report was completed on behalf of LMR. The valuation has been completed with information provided by, and with the full support of LMR. The applicable valuation date is 27 May 2015. The Madagascan coal projects can be classified as Exploration Area Mineral Assets and Pre Development Project Mineral Assets. A mineral resource and/or exploration target as defined by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has been defined for the Imaloto project (Table 1).

Table 1 *Imaloto Coal Resource (after Lemur Resources 29 July 2014)*

Seam	Resource Category Gross Tonnes In Situ (Millions)			Total
	Measured	Indicated	Inferred	
Main	50.8	8.4	4.2	63.4
Upper	23.1	12.7	5.3	41.1
Top	17.7	10.3	3.2	31.2
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 LMR's coal projects valuation in respective ownership percentage terms is provided in Table 2. The applicable valuation date is 27 May 2015 and is derived from using the Comparable Transactions valuation method. The value of LMR's coal projects is considered to lie in a range from \$14.033M to \$21.122M, within this range Ravensgate has selected a preferred value of \$17.390, which is approximately the middle of the range.



Table 2 Summary LMR's Coal Projects Technical Valuation in Respective Ownership Percentage Terms

Project	Mineral Asset	Ownership %	Area km ²	Valuation		
				Low \$M	Preferred \$M	High \$M
Imaloto	Pre Development Project	99%	81.25	13.974	17.288	20.961
Ianapera	Exploration Area	99%	25	0.012	0.025	0.037
Sakaraha	Exploration Area	99%	62.5	0.046	0.077	0.124
TOTAL	Exploration Area	99%	168.75	14.033	17.390	21.122

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

In determining the valuation Ravensgate used the average 21 May 2015 South African Richards Bay export coal price of US\$60.80 per tonne which equated to A\$76.95 using the 21 May 2015 exchange rate of 0.791.

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2. INTRODUCTION

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

This report does not provide a valuation of LMR as a whole, nor does it make any comment on the fairness and reasonableness of any proposed transaction between any two companies. The conclusions expressed in this Technical Project Review and Independent Technical Valuation are valid as at the Valuation Date (27 May 2015). The review and valuation is therefore only valid for this date and may change with time in response to changes in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values included in this report are expressed in Australian dollars (A\$) unless otherwise stated.

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

2.1 Terms of Reference

Corvidae Pty Ltd as trustee for the Ravensgate Unit Trust trading as Ravensgate (Ravensgate) has been commissioned by BDO and LMR to provide an Independent Technical Project Review on LMR's Madagascar coal Mineral Assets and an Independent Technical Valuation over these licences.

This report has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (The VALMIN Code) and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012).

2.2 Tenement Status Verification

Ravensgate has not independently verified the status of the tenements that are referred to in this report as set out in the Tenement Schedule in

Table 16 of this report, which is a matter for independent legal experts. LMR commissioned an independent review of LMR's mineral permits status. Legal firm John W. Ffooks & Co (Ffooks) completed this review and identified the following material issues that would impact on Ravensgate's valuation.

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

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

2.3 Site Investigation

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



2.4 Qualifications, Experience and Independence

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

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

Sam Ulrich is a geologist with over 19 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia, Indonesia, Laos and China primarily in gold, base metals and uranium. Prior to joining Ravensgate Sam worked for Manhattan Corporation Ltd, a uranium exploration and resource development company in a senior management position. Mr Ulrich holds the relevant qualifications and experience as well as professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101.

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

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

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

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

Peer Reviewer: Alan Hawkins, Principal Consultant, BSc (Hons) Geology, MSc (Ore Deposit Geology), MAIG RPGeo, FSEG

Alan Hawkins is a geologist with over 18 years' experience in near mine and regional mineral exploration, resource development and the management of exploration programs. He has worked in a variety of geological environments in Australia and Indonesia, primarily in gold and copper. Prior to joining Ravensgate, Alan worked for Newmont Mining Corporation as a Principal Geologist in their exploration, corporate and business development divisions, providing technical support, due diligence and rapid first-filter geological and economic analysis to M&A teams in the Asia Pacific region as well as US and African EBD teams. This role also included project and non-core asset divestments including commercial negotiations with junior exploration companies, stakeholders and land & legal teams.



Previous to this, Alan held various principal and senior regional exploration management roles in WA and NT. In the 1990's Alan worked as a near mine exploration geologist for Eagle Mining Corporation NL, Great Central Mines Ltd and Normandy Mining Ltd at the Jundee-Nimary Gold Mine and was part of the team that discovered the +2Moz Au Westside deposit, where he also worked as a resource modelling geologist before joining Newmont's regional exploration team. Alan holds the relevant qualifications and professional associations required by the ASX, JORC and VALMIN Codes in Australia to qualify as a Competent Person as defined in the JORC Code. He is a Qualified Person under the rules and requirements of the Canadian Reporting Instrument NI43-101 and is a Registered Professional Geoscientist in the field of Mineral Exploration with the Australian Institute of Geoscientists.

2.5 Disclaimer

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

Ravensgate has previously completed an independent technical project review and valuation on LMR's Madagascan mineral assets dated 29 May 2013.

Ravensgate is independent of LMR, its directors, senior management and advisors and has no economic or beneficial interest (present or contingent) in any of the mineral assets being reported on. Ravensgate is remunerated for this report by way of a professional fee determined in accordance with a standard schedule of commercial rates, which is calculated based on time charges for work carried out, and is not contingent on the outcome of this report. Fees arising from the preparation of this report are in the order of \$4,000 to \$7,000.

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

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

This report has been compiled based on information available up to and including the date of this report. The statements and opinions are based on the reference date of 18 August 2014 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

2.6 Consent

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

2.7 Principal Sources of Information

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

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



the opinions and conclusions in this report are based, and does not accept any consequential liability arising from commercial decisions or actions resulting from errors or omissions in that data or information.

2.8 Competent Persons Statement

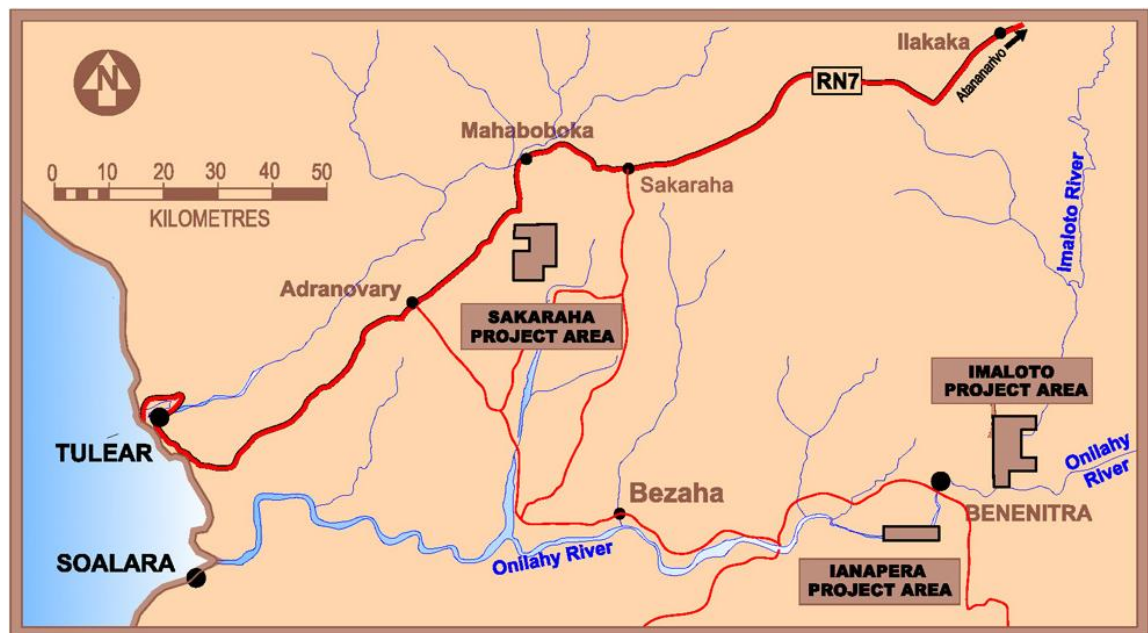
The information in this report that relates to Mineral Resources at the Imaloto project as described in Section 3 is based on information compiled by Mr Johan Erasmus. Mr Erasmus is a Qualified Geologist (Bachelor of Science - Geology and Chemistry, Bachelor of Science (Hons.) -Geology - University of Port Elizabeth - 1989, 1990) and is also a Professional Natural Scientist (Pr.Sci. Nat.), registered with the South African Council for Natural Scientific Professions, a 'Recognised Overseas Professional Organisation' (ROPO) included in a list promulgated by the ASX from time to time. Mr Erasmus is the owner of Sumsare Consulting CC. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Erasmus consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

2.9 Background Information

The projects discussed in this report are located in the country of Madagascar. A locality map of the Madagascan coal projects is presented in Figure 1 below. A summary of the tenement details is listed in

Table 16 at the end of this report. Report file references and a glossary of terms are also included at the end of this report. Ravensgate understands that the project tenements in Madagascar are held in good standing. A brief overview of the projects is outlined in Sections 3, 4 and 5. The Independent Valuation of the projects is outlined in Section 6.

Figure 1 Location of LMR's Madagascan Coal Projects



3. IMALOTO COAL PROJECT, MADAGASCAR

Note: Competent Person statements are listed in Section 2.8

3.1 Introduction

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

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

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



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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 81.5km². The licence details can be found in

Table 16 at the end of this report.

3.3 Regional Geology

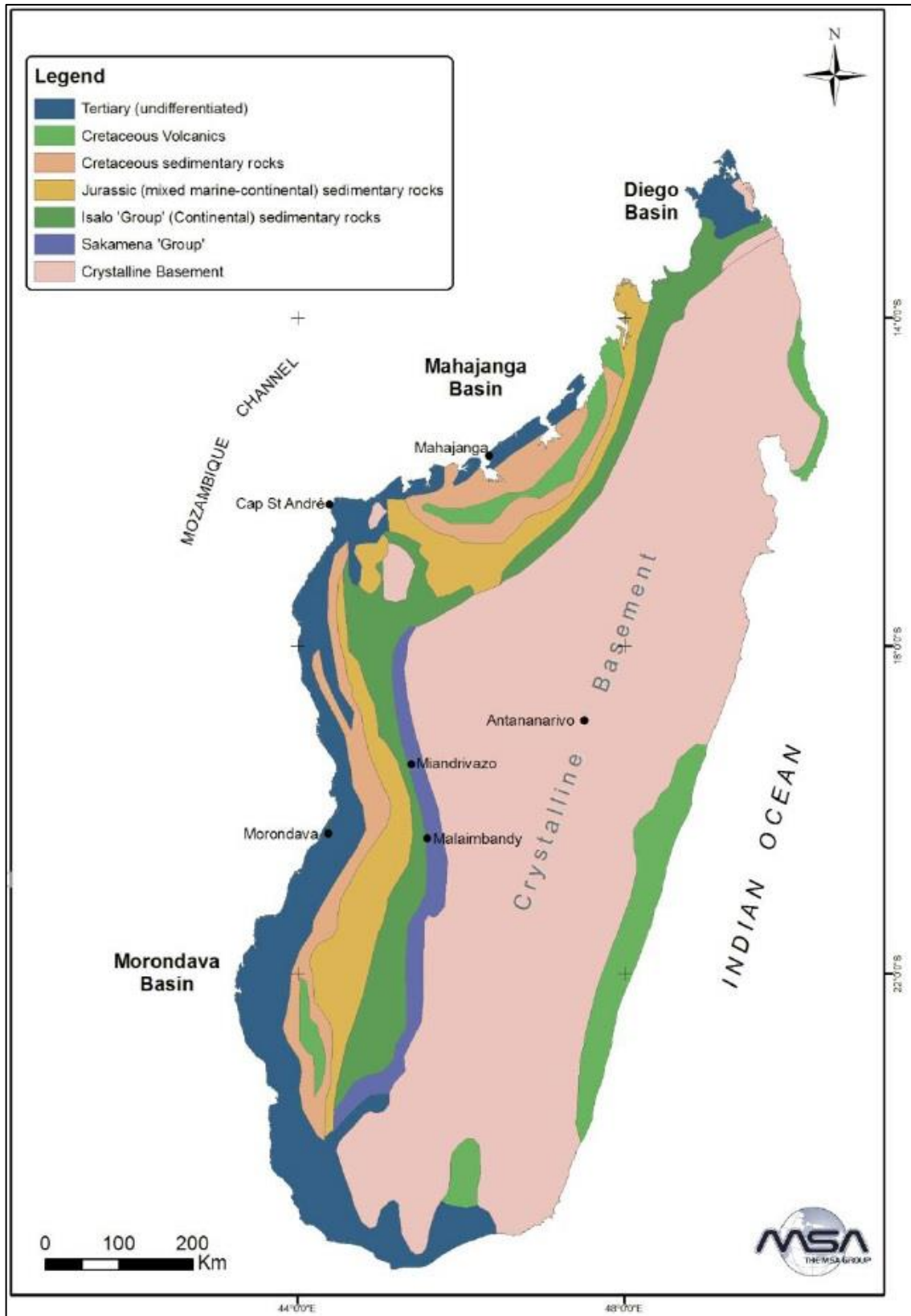
Madagascar comprises a fragment of the African Plate, rifted from the vicinity of Tanzania at the time of the breakup of Gondwana some 200 million years ago. The eastern two-thirds of Madagascar is composed of Precambrian basement complex of Archaean to Neoproterozoic age (the Malagasy Shield). Unconformably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

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

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



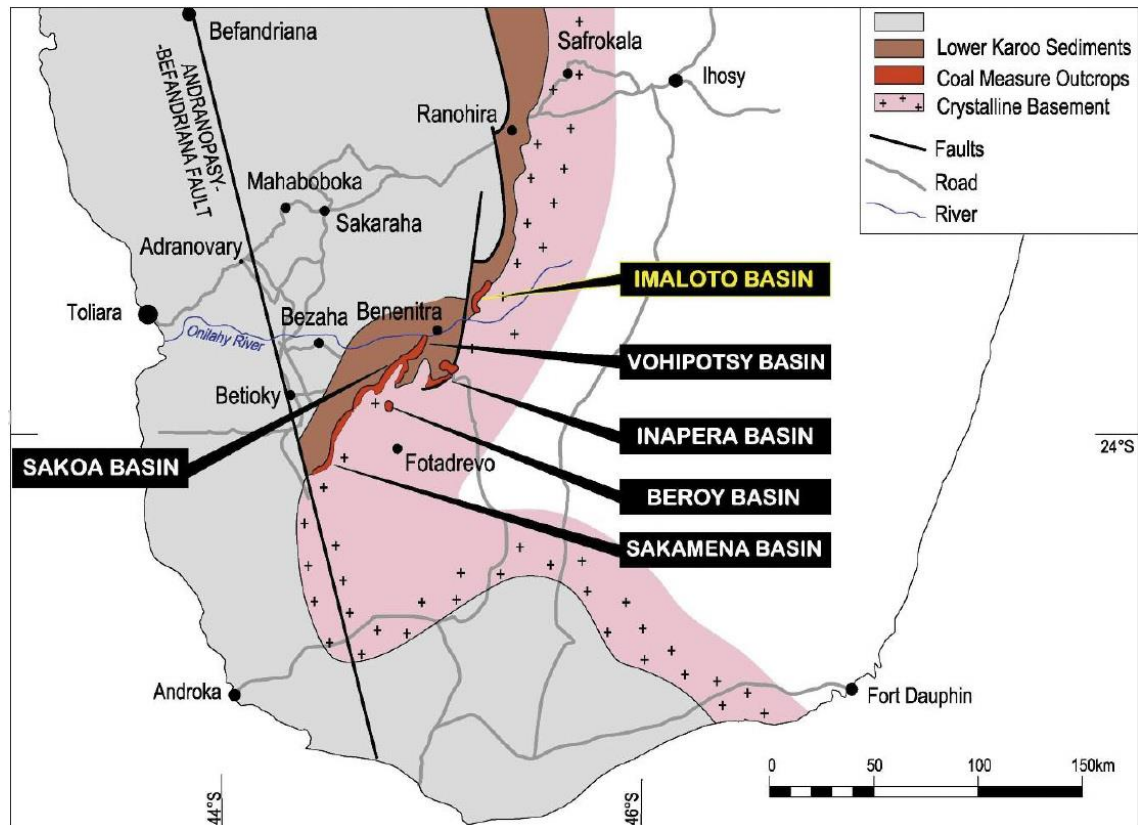
Depositional sequences equivalent to the Permian Karoo Supergroup of continental Africa are found along the entire western and northwestern coast of Madagascar. They are generally subdivided into the Morondava Basin, the Mahajanga Basin and the Diego Basin (Morel, 2008). The coal deposits of Madagascar are contained in the southern most of three large



sedimentary basins, which developed in association with the separation of Madagascar from the northeast African mainland. This separation occurred in Permian to Jurassic times as part of the break-up of Gondwana (Wadley and Hall, 2011). The succession is subdivided into three lithostratigraphic units, which in ascending order are the Sakoa Group, the Sakamena Group and the Isalo Group. The Sakoa and Sakamena Groups are time equivalents of the Karoo Supergroup on the African continent and were deposited in individual graben structures. The sequence commences with glacial deposits, which are overlain by a coal bearing succession of fine-grained clastic sedimentary rocks. The succeeding sedimentary strata rest in some places disconformably on the latter or overstep onto basement. The overlying Jurassic Isalo Group drapes across the Permian sequence. The Isalo Group consists predominantly of coarse-grained sandstones deposited by braided streams with the coarse detritus derived from a structural uplift in the east (Wescott and Diggins, 1998).

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

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



3.4 Local Geology

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

Approximately 50km² or two-thirds of the tenement area is underlain by Karoo Sequence sedimentary rocks, including Permian sedimentary rocks of the Coal Measures Formation of the Sakoa Group. The strata in this sub-basin dips to the north, and is faulted into discrete structural blocks. The faulting has a north-south orientation. The sedimentary package thickens to the north, with the sandstones, mudstones and siltstones of the Red Series and the Vohitolia Limestone Formations sequentially overlying the Coal Measures Formation. The



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

The average depth of weathering is approximately 10m.

The local geology is characterised by northerly trending sub-vertical faults which have broken the sub-horizontal strata into fault blocks downthrown to the west as illustrated in Figure 6. These blocks were defined during resource modelling (refer Section 3.7.2). Block 1 is near horizontal, dipping to the north at less than 1°. The relative displacement between Blocks 2 and 3 varies between 30 and 40m. Block 2 dips to the north at 1°. Block 3 dips to the west-northwest at 2°. The vertical separation between blocks 3 and 4 is also 30m. The strata in Block 4 dip to the north at less than 1°. The coal seams are shallower in the southern parts and deeper in the northern areas (Erasmus, 2013). The relative elevation difference between Blocks 4 and 5 is estimated to be 25m, with other fault throws estimated between 20m and 110m. The extent of the estimated displacement of these faults will effectively divide the coal resource into separate elongate mining blocks.

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

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

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

3.5 Exploration

3.5.1 Historic Exploration

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

In a 1984 report, BP Coal noted that the Imaloto Basin was prospective for shallow coal because of known coal outcrops and that the coal bearing formations were shallower and more gently dipping here than in the southern Sakoa basin. The following year BP Coal undertook a surface exploration program consisting of trenching and sampling coal outcrops along the edges of the basin in collaboration with OMNIS, an agency of the government. The program confirmed the existence of coal in surface trenches (although weathered) with



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thicknesses up to 2m, giving encouragement for potential economic coal deposits existing down dip. However, no drilling was undertaken to follow up these results (Uranio, 2008).

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

3.5.2 Diamond Drilling

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

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

Following positive results from Phase 1, further programs of exploration were designed to provide closer spaced drill data and more detailed and comprehensive analytical data. The boreholes were initially spaced on an approximate 1,000 x 1,000m grid, which was subsequently reduced to approximately 300m. The subsequent second and third phases of exploration were again managed in-house and included the drilling of an additional 123 boreholes. Drilling occurred in three phases from March 2009 until October 2009 (Phase 1), August to December 2011 (Phase 2) and April 2012 to December 2012 (Phase 3). The main emphasis of the exploration program was to focus on the Main Seam, due to its greater thickness and better quality coal.

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

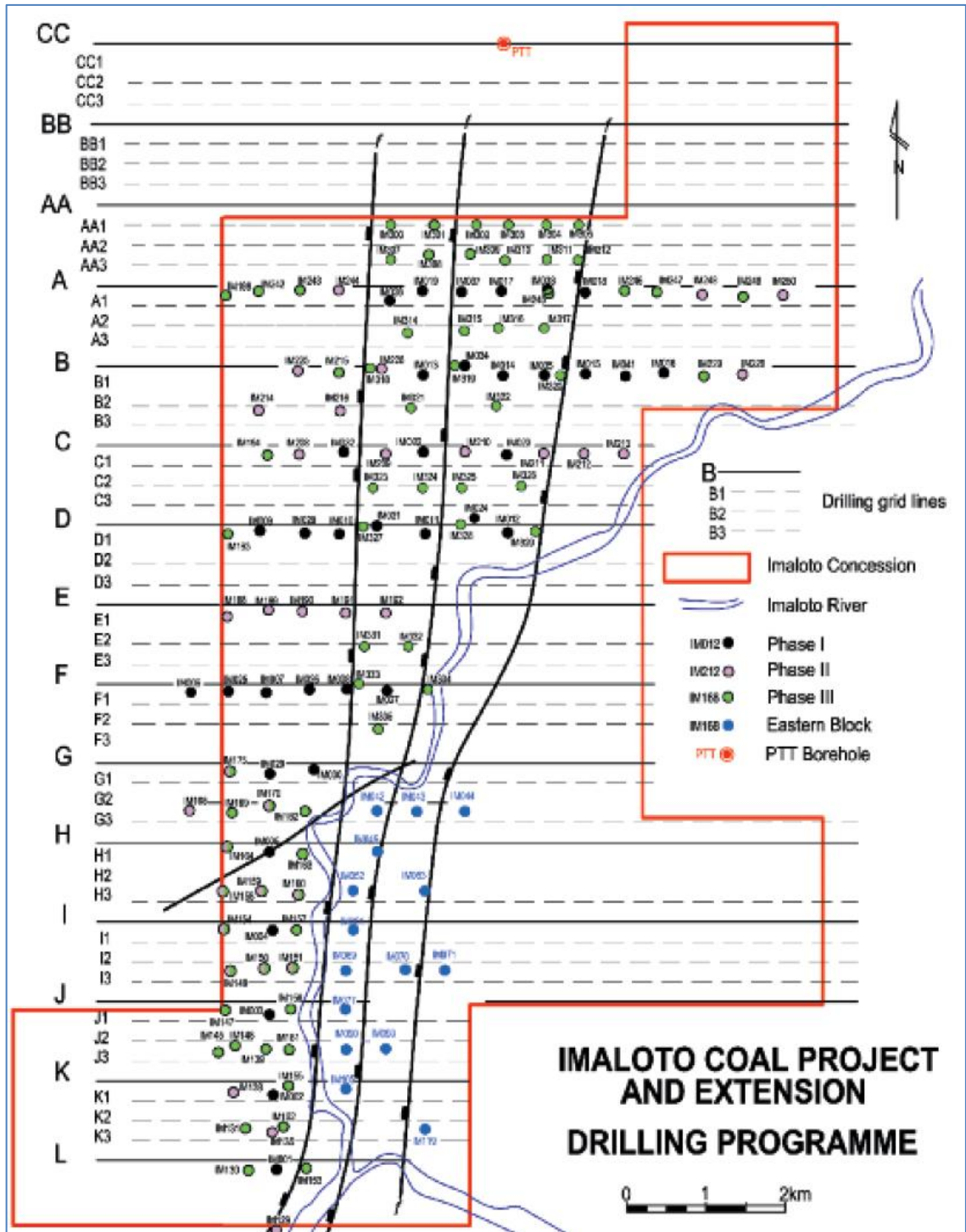
Drilling recoveries were good. Three holes were re-drilled because recoveries were below 97% in the coal seams. The measured recoveries were acceptable and within the required standard. The 159 boreholes were drilled producing 19,572m of core giving an average depth per hole of 122m. The maximum depth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

The coal resource is estimated on the basis of the 159 boreholes that were drilled between February 2009 and December 2012 (Figure 6). Since the resource orientation is near horizontal, all the drilling was planned to be vertical. Mr Erasmus undertook a random check on borehole orientation which showed the audited holes to vary between -89.0° and 88.94°. All of the boreholes were drilled with two similarly equipped Boart-Longyear LF 70 rigs. These rigs are the property of LMR and are staffed by Indonesian operators. All drilling was cored diamond drilling and was drilled in HQ size producing a recovered core of 63.5mm in diameter. This size core produces a sample mass of 4.75kg of coal per running metre at a default density of 1.500t/m³. All drilled boreholes were surveyed after the completion of drilling by Mada Topo, a Madagascan survey company. All coordinates were supplied in WGS84 and UTM 38S format. All the collar elevations were reported as metres above mean sea level.

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



Figure 6 Imaloto coal project drilling program



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3.6 Coal Quality

Calculating the actual usefulness of coal as a fuel requires determining its proximate and ultimate analysis. The quality of the three principal seams at Imaloto have been determined from the submission of samples for proximate analysis and the estimation of calorific value and total sulphur content. Results from Phase 1 drilling indicated that the Main Seam contains 18.9Mt of coal amenable to open cast mining of sufficiently good quality to warrant the execution of a series of float and sink tests to ascertain the potential quality enhancement that would be derived from beneficiation (Wadley and Hall, 2011).

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

- Sample preparation
- As received density
- Screening out < 0.5mm, ISO 1953
- Sink and float analyses, ISO 7936
- Sulphur % content per float and final sink, C030-402-W (Based on ASTM:D4239)
- Moisture % content per float and final sink, C030-403-W (Based on SANS 5925)
- Volatile % content per float and final sink, C030-404-W (Based on ISO 562)
- Ash % content per float and final sink, C030-401-W (Based on ISO 1171)
- Free swelling index per float below 1.400t/m³, ISO 540
- Gross CV(MJ/kg) per float and final sink, C030-405-W (Based on ISO 1928)

Results of the coal quality test work have been released in a series of market announcements and technical reports, most recently Lemur (2012), Erasmus (2013) and Lemur (2013). Table 3 summarises the number of core samples by seam that have undergone proximate analysis (after Lemur, 2012).

Table 3 Samples Submitted for Proximate Analysis by Seam and Batch

Core samples that have undergone wash table analysis:	Phase I & II					Phase III						Project to date Total
	2009	Batch 1	Batch 2	Batch 3	Batch 4	Batch 5	Batch 6	Batch 7	Batch 8	Batch 9	Sub-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.



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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/m³ 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/m³ 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/m³ will result in a product with an Ash content of 16.4%, Volatiles at 32.9%, Total Sulphur at 1.23% and a theoretical Yield of 24.0%.”

3.6.4 Further Coal Quality Test Work

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

3.7 Mineral Resources

3.7.1 Global Resource

On the 29 July 2014 LMR re-reported the Imaloto Coal Deposit in accordance with the JORC Code 2012. The resource estimate was unchanged to the estimate reported 28 March 2013 under the JORC Code 2004.

The estimated coal resource is contained in three seams and amounts to a gross tonnage in situ (GTIS) of 135.7Mt. This has been classified as 91.6Mt at Measured, 31.5Mt at Indicated, with the balance of 12.6Mt at the Inferred level of confidence. The current coal resource for the Imaloto coal project is provided in Table 4 below in summary form.

Table 4 Imaloto Coal Resource (after Lemur Resources 29 July 2014)

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



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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:

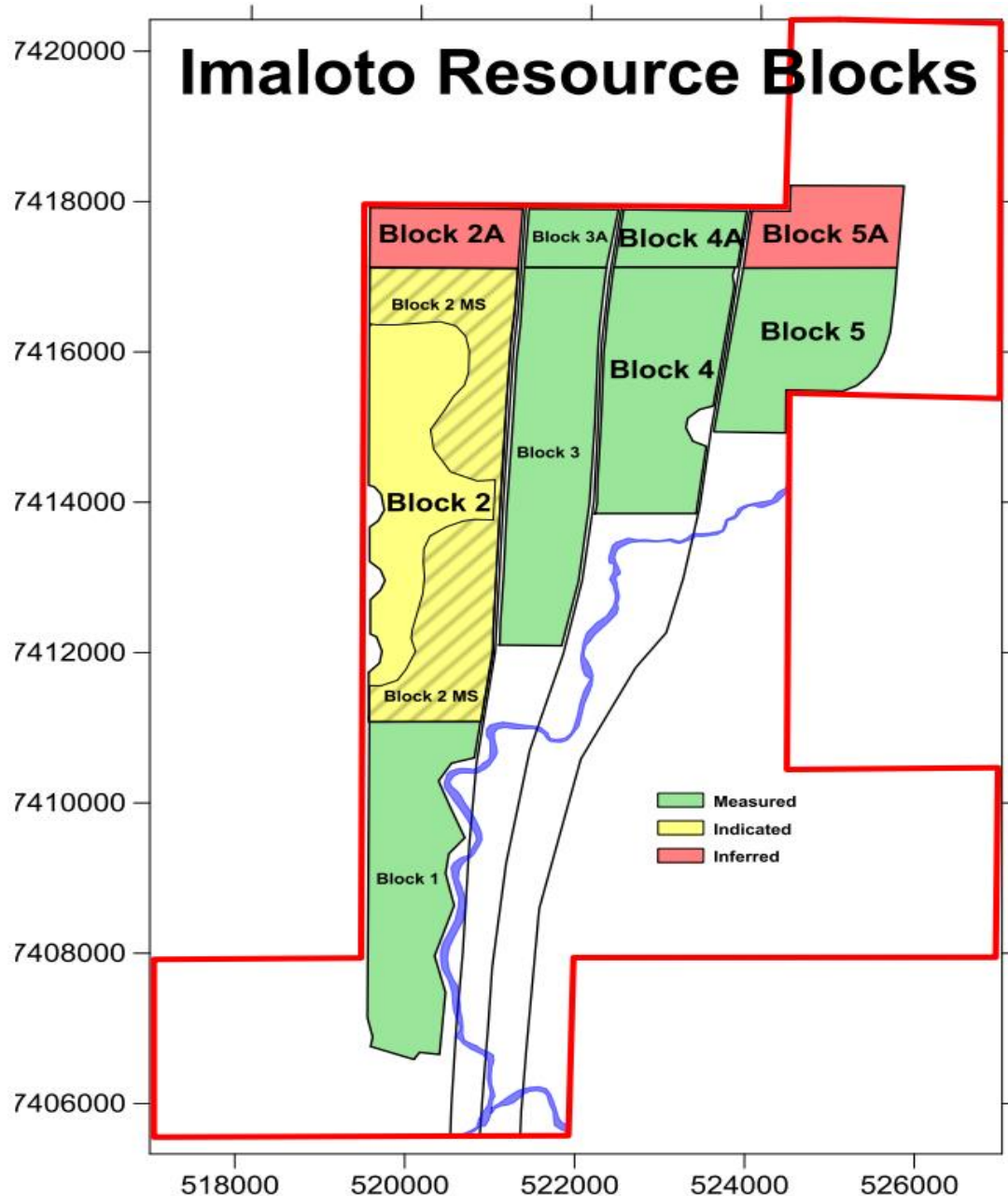
- 40.6% ash, 31.1% fixed carbon, 1.80% sulphur, and a gross calorific value of 16.59MJ/kg.

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



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Table 5 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

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

Sample Mass	Wash R.D.	Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	Gross C.V. MJ/kg	Yield %	DAVF	GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
Main Seam - Cumulative Results (Air-dried Base)									Calculated		
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		
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

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

A detailed breakdown by area block and incorporating tabulations for seam, thickness, area, volume, density, GTIS, drill grid, confidence level, geological loss and TTIS is presented as Table 5. Figure 7 is provided to illustrate the location of the area blocks into which the resource has been divided as part of the resource estimation process. This map also shows the location of each borehole, the river and the tenement boundary. Table 6 details the results of coal quality testing, providing the weighted average coal quality for the Main, Top and Upper Seam in terms of sample mass, wash RD, moisture, ash, volatile, FC, sulphur, gross CV, yield, NAR, calculated DAVF and GAR NAR.

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

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

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

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

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

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

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

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

3.7.3 Minor Coal Seams

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

3.7.4 Resource Estimation Methods and Assumptions

The resource estimation was undertaken by Mr Johan Erasmus of Sumsare Consulting CC, an external independent consultant, who has taken responsibility as Competent Person for the mineral resource estimation. The estimate was publicly reported by LMR on 29 July 2014.

The coal resource is estimated on the basis of the 159 boreholes which provided 19,572m of core. The average drilling density comes to one borehole per 424m² for the total deposit. The coal seams were sampled using high resolution sampling during the first phase of drilling which defined units which were sampled in the second and third phases of drilling. Samples were tested for coal quality as described in Section 3.6.

The bulk densities were derived from laboratory raw density determinations which were weighted for sample mass calculated for each seam. Densities used for the resource estimation range from 1.47 to 1.51t/m³ and are within the expected range given the ash content reflecting the higher density *stone discard* observed during washing tests.



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

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

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

3.7.5 Comments about the Resource Estimation

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

The resource classification approach used the average grid spacing to assign the appropriate level of confidence. Measured resources were assigned with grid spacing's of typically less than 500x500m. Indicated resources used typical grid spacing's of greater than 500x500m and less than 800x800m. Inferred resources were assigned for grid spacing's greater than 800x800m and out to 1,340m. Ravensgate's opinion is that this approach to resource classification is appropriate and in line with the JORC Code 2012 guidelines.

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

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

3.8 Mining and Associated Studies

In September 2013 LMR announced the results of three separate scoping studies that it had been undertaking in relation to Mining, Infrastructure & Land Logistics and Port. The objective of these scoping studies was to understand the operating, capital and process requirements in order to commence an economically viable mining operation producing up to 1Mtpa of saleable export product and 400Ktpa of saleable domestic product from Imaloto. A brief summary of these scoping studies have been provided below.



The results of the scoping studies have been used by Hindsight Financial and Commercial Solutions (Pty) Ltd to construct a financial model, using a life of mine export price of US\$3.40 per GJ, equating to US\$81 per tonne. An overview of the scoping study is as follows:

- 21 year life of mine
 - First 10 years being opencast and providing feedstock to power station at 400Ktpa
 - Underground operations expected to commence in year 11 and ramping up to 1.5Mtpa ROM (1Mt of export product and 0.5Mt of power station product)
- 25.5Mj/kg export product and low grade residual product for power generation
- Export sales targeted at 1Mtpa, starting in year 11
- Low initial Capex of US\$11.9M, with modular scaling of project in second phase:
 - Phase 1: Capex of US\$9M in years 0 to 2 with 0.5Mtpa ROM production
 - Phase 2: Capex of US\$81M in years 10 to 12 with ramp up to 1.5Mtpa ROM production
- NPV of US\$36.2M (10% discount rate) achieved in scoping study released in September 2013 and subsequent optimisation work led to an estimated NPV of up to US\$49M.

It should be noted that the scoping studies are:

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

3.8.1 Mining Scoping Study

The mining scoping study was prepared by Badger Mining & Consulting (Pty) Ltd. The objective of the study was to provide a high level indication on the viability of early stage production based on an initial 1Mtpa of saleable export product from the project.

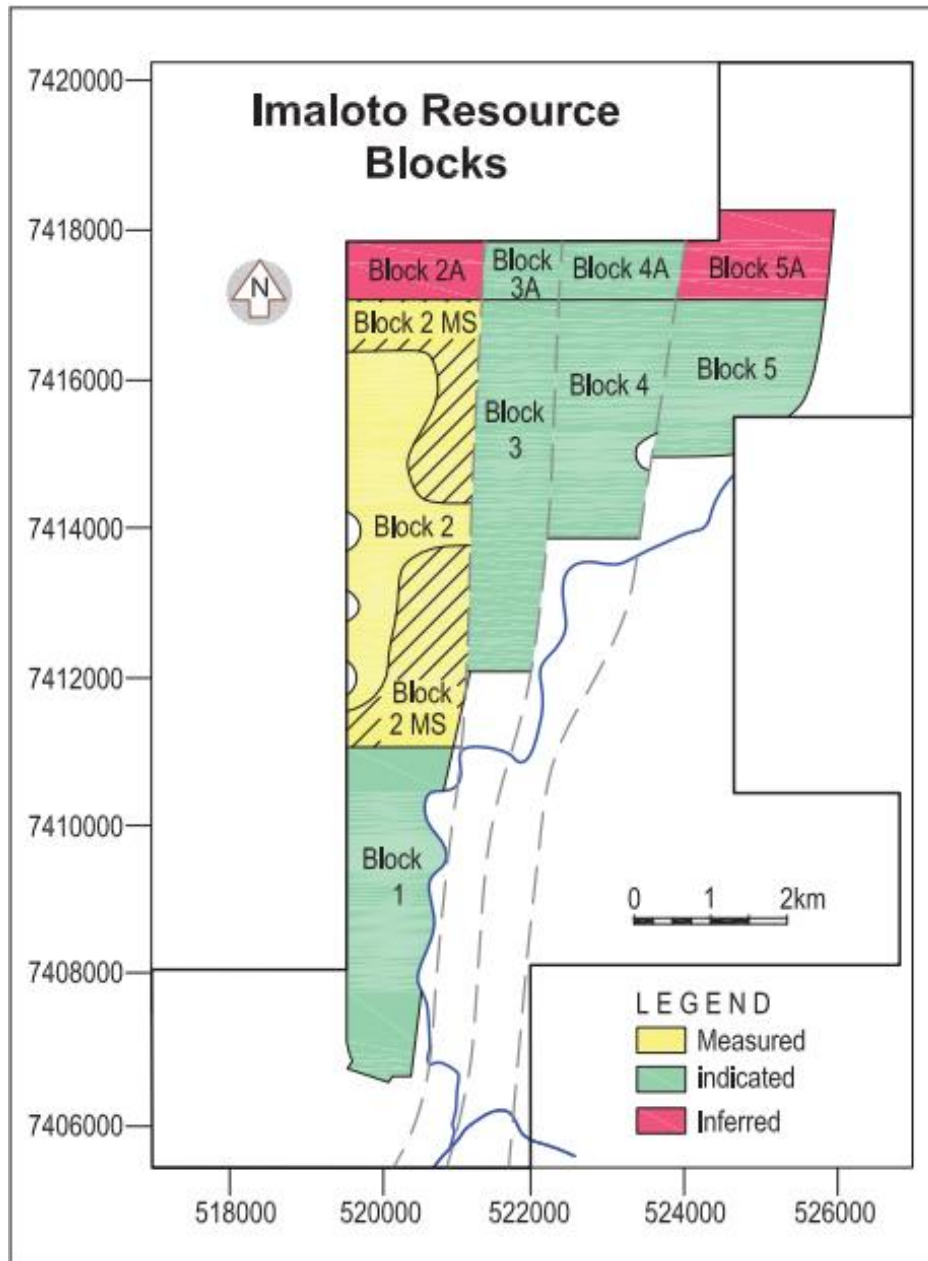
The project has been broken into the following five mining blocks (Table 7 and Figure 8).

Table 7 Scoping Study Mining Blocks

Block	Gross Tonnes in Situ (millions)	Suitable to:
1	7.8	Open Pit and Underground
2	38.4	Not suitable to either
3	37.6	Underground
4	36.7	Underground
5	15.2	Not suitable to either
Total	135.7	



Figure 8 Imaloto Mining Resource Blocks



Phase 1 - Open Cast Operations

The scoping study contemplates open cast operations will be a contract mining operation with a conventional truck and shovel system being used. The open pit operation will commence in Block 1 (Figure 8). The Main Seam will be mined, crushed, screened and sold raw to a proposed Independent Power Producer (IPP), which is planned to be located adjacent to the mine. Initial capital for Phase 1 is estimated at approximately US\$11.9M with a LOM of 10 years. No IPP exists at this time however, LMR has been working towards being issued an IPP Concession that would provide LMR the right to operate and construct a coal fired power station in near proximity to the Imaloto Coal Project.

Phase 2 - Underground Operations

The scoping study contemplates that underground operations will be a contract mining operation. Construction of the underground operation is scheduled to commence 9 years after the commencement of the open pit operation with related production occurring in Year 11.



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The portal and ventilation shaft are to be constructed in Block 4 (Figure 8) where the underground operation will commence. Production in Block 4 will be balanced with production from Block 1 and 3 over the LOM. A mechanised Bord and Pillar mining approach will be adopted utilising unmanned mobile machines. As the depth of the underground mining increases so do the pillar sizes. These pillars have been scheduled for removal on retreat. The underground's ROM coal will be beneficiated for the purposes of producing a primary export grade product which will be trucked to the Port of Tulear. The discard coal will be sold to the IPP as referred to in Phase 1. Capital required for Phase 2 is estimated at US\$81M and will have a LOM of 10 years.

The key Imaloto project physicals are summarised in Table 8 below.

Table 8 Mining Scoping Study Imaloto Project Physicals

Imaloto Physicals	Phase 1 (Years 0 to 10)	Phase 2 (Years 11 to 21)	Total
Coal Resource			
Gross Tonnes in Situ			135.7Mt
Mineable Tonnes			20.7Mt
Life of Mine			21 years
Production - Run of Mine (ROM)			
Open Pit	3.2Mt	0.2Mt	3.4Mt
Underground	0.0Mt	17.3Mt	17.3Mt
Total	3.2Mt	17.5Mt	20.7Mt
Coal Sales			
Domestic Coal Power Station	3.2Mt	5.9Mt	9.1Mt
Export	0.0Mt	10.7Mt	10.7Mt
Total	3.2Mt	16.6Mt	19.8Mt

3.8.2 Infrastructure and Land Logistics Scoping Study

The infrastructure and land logistics scoping study was prepared by DRA Mineral Projects Ltd. The object of the Study was to assess the viability of initially producing and transporting 1Mtpa of saleable export product by truck to the port of Tulear and covers all aspects from the ROM stockpile through to delivery at port.

The scoping study contemplates Phase 1 production will be crushed and screened only. Only the underground ROM tonnes produced during Phase 2 will be washed in preparation for the seaborne market. The Main, Upper and Top Seams in their raw form are suitable as power station feed stock for a circulating fluidised combustor configured power station.

Coal beneficiation studies indicate that the optimal wash will be single stage and will result in an export quality primary product with the secondary product having specification making it suitable for power station feedstock.

The scoping study has allowed for capital and operational costs associated with residential and administration mine site facilities, general plant and related infrastructure.

The movement of up to 1Mtpa of export grade thermal product from mine gate to the Port of Tulear is contemplated with the export operation to commence in year 9.

The scoping study allows for the construction of a new 60km gravel haul road including four bridges to connect the project with the existing highway between Tulear and Antananarivo. The highway links directly to the Port of Tulear a further 150km away. The export product is



to be hauled using 34 tonne Interlink side tipper trucks. This selection was governed by Madagascar's road legislation in terms of haul truck sizes and axel loads.

3.8.3 Port Scoping Study

The port scoping study was prepared by Ports of Africa (Pty) Ltd. The object of the report was to provide a high level understanding of costing, viability and required upgrades in order to utilise the existing Port of Tuléar to facilitate the export initially of up to 1Mtpa saleable export product.

Results of the study determined that the most suitable and economical port operation would involve the coal being delivered from the mine to a stockyard south of the city by road. The export product would then be placed on a conveyor belt that runs out to the jetty and loaded by radial stackers on to barges to be delivered by tug to a 50,000 tonne dead weight ocean going vehicle anchored off the main quay.

3.8.4 Coal Fired Power Station Study

F-Tech International has completed the following studies in relation to assessing the economic, environmental and social viability of constructing and operating a coal fired power station in near proximity to the Imaloto project:

- Scoping study and business case designed to assess whether prima facie, an opportunity exists for a coal fired power station on or around Imaloto and involves a detailed transmission study, business case analysis, load definition assessment, order of magnitude costing and fatal flaw analysis.
- Site pre-feasibility and technical development study designed to understand the technical specifications of a future power plant and its related transmission and a preliminary assessment of the impact that each of these components may have on the environment. A preliminary budget was determined and financial model constructed along with plant location, fuel source management, identification of and preliminary discussion with EPC contractors and a high level project risk assessment.

LMR has entered into a Memorandum of Understanding with Jiro sy Rano Malagasy (Jirama), the Madagascar Government's state owned electricity company. LMR has been working towards being issued an Independent Power Producing (IPP) Concession that would provide LMR with the right to operate and construct a coal fired power station in near proximity to the Imaloto Coal Project. The proposed Imaloto thermal power station comprises construction, commissioning and operating of a 45MW (3 x 15MW) coal fired thermal power station.

3.9 Project Potential

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

LMR's recent Infrastructure & Land Logistics and Port scoping studies outline a scenario of delivering a 5,600 kcal/kg NAR product to the seaborne market and a secondary quality coal for domestic supply to a regional coal fired power station (the concession for which is still yet to be issued).

Based on the scoping studies the possible future development of the Imaloto project largely depends on LMR being granted an IPP concession and the construction of a thermal coal power plant to take the low grade coal to provide cash flow for development of the export quality coal. An IPP development gives the project favourable economics by substantially reducing the capital expenditure required, as well as turning pre strip cost into revenue.

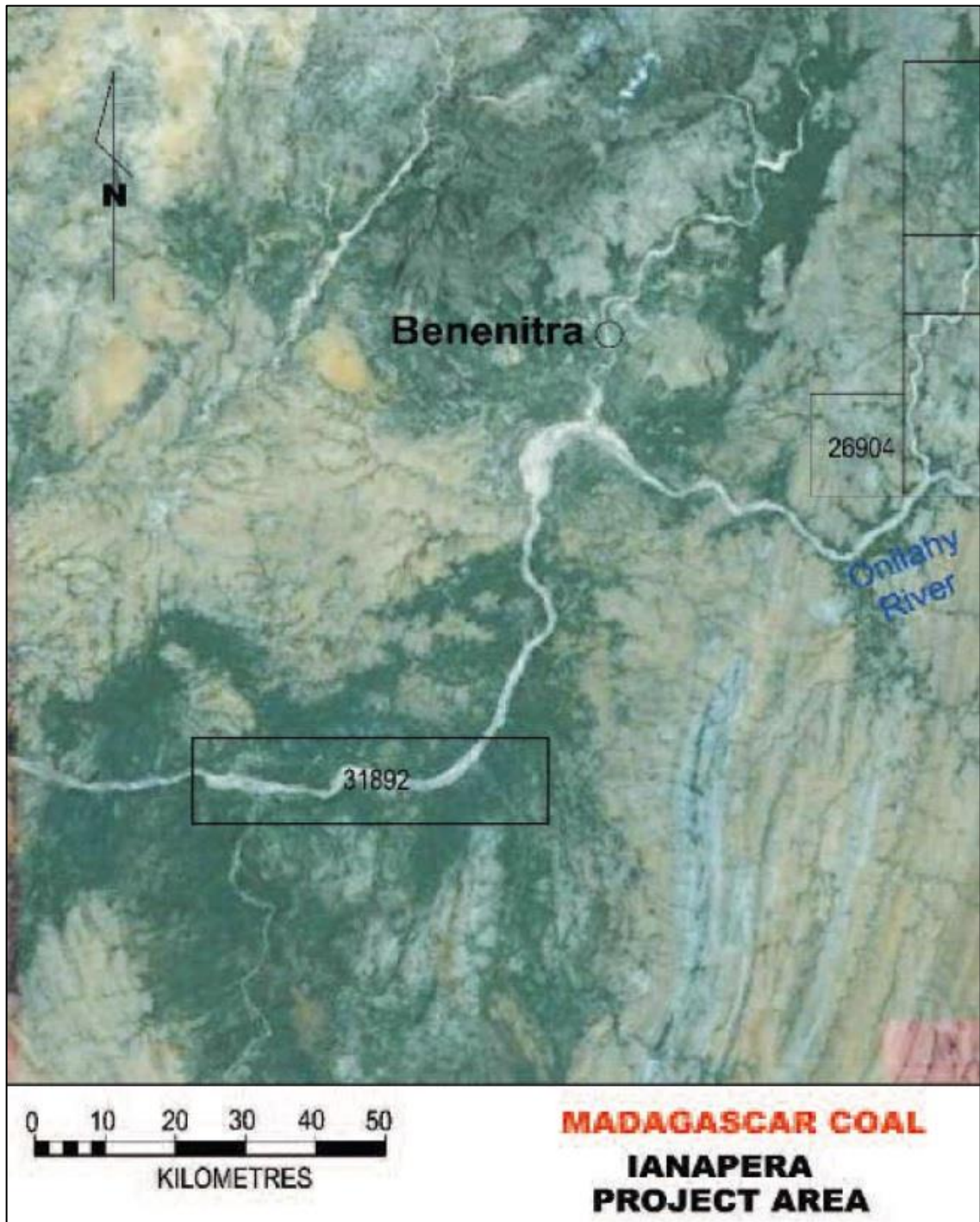


4. IANAPERA COAL PROJECT, MADAGASCAR

4.1 Introduction

The Ianapera coal project is located as shown in Figure 1 approximately 17km southwest of the Imaloto Project. The project outline and locality is indicated in Figure 9.

Figure 9 Locality of the Ianapera Coal Project, after Lemur Resources Limited, 2011



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4.2 Tenure

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

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



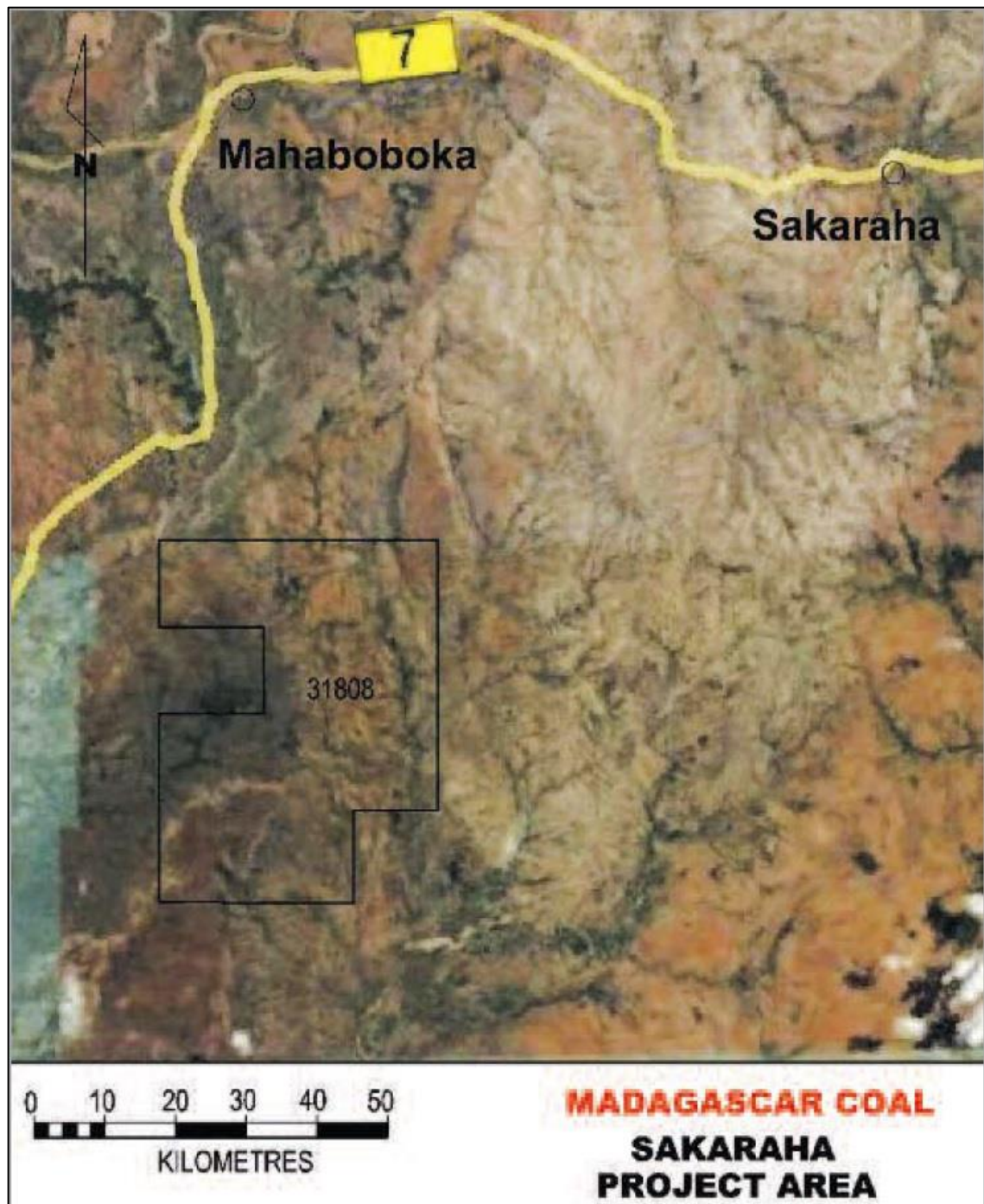
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5. SAKARAHA COAL PROJECT, MADAGASCAR

5.1 Introduction

The Sakaraha coal project is located as shown in Figure 1 approximately 90km northwest of the Imaloto Project. The project outline and locality is indicated in Figure 10.

Figure 10 Location of the Sakaraha Coal Project, after Lemur Resources Limited, 2011



5.2 Tenure

The Sakaraha Coal Project consists of one exploration licence with an area of 62.5km². The licence details can be found in Table 16 at the end of this report.

5.3 Regional Geology

The regional geology for Madagascar is described in section 3.3.

5.4 Local Geology

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

5.5 Exploration

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

5.6 Project Potential

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

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



6. VALUATION

6.1 Introduction

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

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

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

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

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

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

Where transactions including sales and joint ventures relating to mineral assets that are comparable in terms of location, timing, mineralisation style and commodity, and where the terms of the sale are suitably arm's length in accordance with the VALMIN Code, such transactions may be used as a guide to, or a means of valuation. This method (termed



Comparable Transactions) is considered highly appropriate in a volatile financial environment where other cost based methods may tend to overstate value.

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

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



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to represent increasing geological confidence from known, estimated or interpreted specific geological evidence and knowledge. An Ore Reserve is the economically minable part of a Measured or Indicated Resource after appropriate studies. An Inferred Resource reflecting insufficient geological knowledge, cannot translate into an Ore Reserve. Measured Resources may become Proved (highest confidence) or Probable Reserves. Indicated Resources may only become Probable Reserves.

6.2 Previous Mineral Asset Valuations

Ravensgate completed a VALMIN valuation of LMR's mineral assets dated 29 May 2013, which valued LMR's mineral assets between \$9.91M and \$16.73M with a preferred value of \$12.24M. Ravensgate is not aware, nor have we been made aware, of any other valuations over LMR's coal projects. Exploration tenements have not been included in the valuation where tenure or permits have not been granted (except on an assumed 100% equity basis) to the relevant company and the company does not therefore have any ownership over the tenement's mineral assets or any exploration value within the tenement.

6.3 Material Agreements

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

<u>Mineral Asset</u>	<u>LMR Ownership %</u>
Imaloto	99%
Ianapera	99%
Sakaraha	99%

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

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

6.4 Comparable Transactions

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

Publicly available market transactions have been separated to reflect transactions on a dollar per square kilometre of licence holding or on a dollar per coal resource tonne for a more advanced exploration target or mineral resource. This was undertaken to reflect the varying levels of geological exploration carried out within the various project licences. In general terms, exploration projects may start with a relatively large licence holding where a lack of detailed geological sampling and knowledge renders the use of the in-situ yardstick valuation method inappropriate (i.e. an Exploration Area Mineral Asset). For these



particularly early-stage exploration areas, comparable transactions on a dollar per square kilometre basis are more relevant. As the project advances and as geological sampling and knowledge increase, licence areas tend to decrease to match a narrowing focus on more prospective areas. For these areas where specific, drill sample supported Exploration Targets have been identified that warrant further detailed evaluation or mineral resources require estimation, comparable transactions on a dollar per coal resource tonne basis may be more appropriate (i.e. an Advanced Exploration Area Mineral Asset or Pre-Development Project at early stage of assessment).

6.4.1 Reported Market Transactions

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

Ravensgate's analysis of market transactions for coal projects with resources in southern and eastern African (Mozambique, Tanzania, Botswana and South Africa) (Table 9) indicates an implied value between \$0.010 and \$0.655 per resource tonne of coal. The implied value per tonne is dependent on the resource category (Measured, Indicated or Inferred), the quality of the coal and average coal seam thicknesses. The implied value was also affected by the strategic importance of the resources to the purchaser.

To take into account the change in the coal price over time, for each transaction in Table 9 the implied value per tonne of coal has been divided by the monthly average coal price in Australian dollars at the time of the transaction then expressed as a percentage (Table 10) and ranked from highest to lowest in terms of percentage.

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

Ravensgate's analysis of southern and eastern African (Mozambique, Tanzania, Botswana and South Africa) market transactions for Exploration Area Mineral Asset coal projects (Table 11) indicates an implied value between \$311 and \$93,313 per km² for Exploration Area Mineral Assets. The implied value per km² is dependent on the existence of coal, how much exploration has been conducted and whether that exploration was successful. The implied value was also affected by the strategic importance of the licences and the presence of known mineralisation or historical mining activities upon them and the grade of the respective mineralisation present.

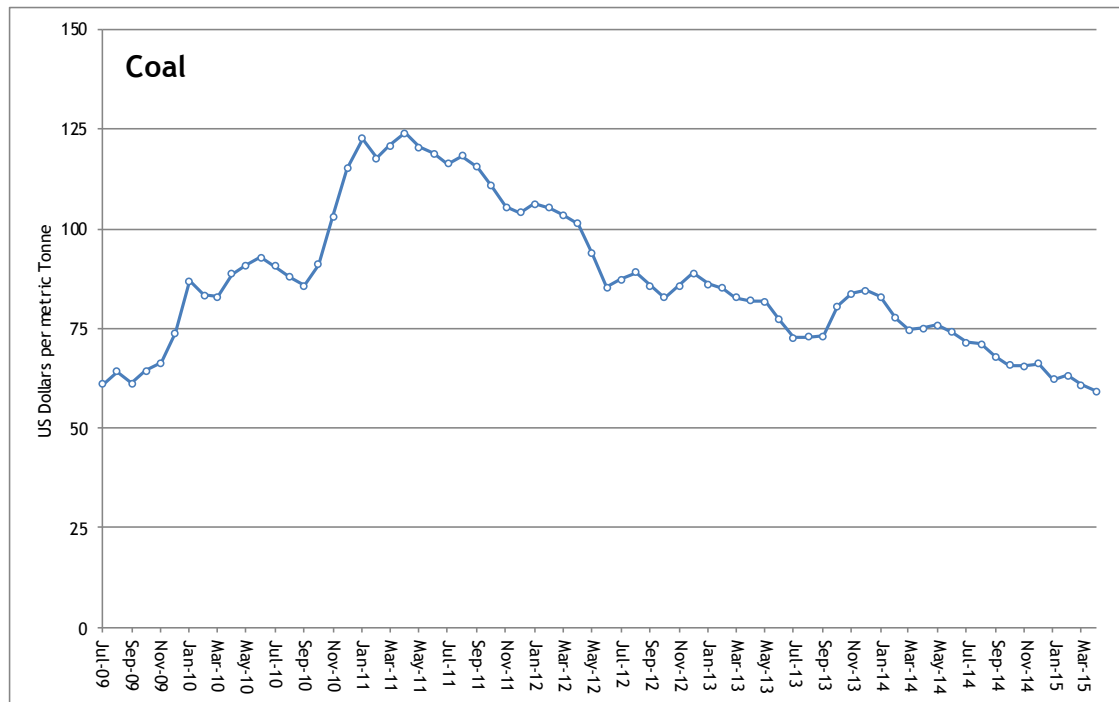
6.4.2 Commodity Prices

Ravensgate has examined the historical commodity chart for South African export thermal coal (Figure 11) for general trends over time. A general analysis of the price chart for coal in Figure 11 shows the price increasing slowly to January 2011 where it remained stable for a few months before slowly declining until July 2013, a brief price rebound until January 2014 and since then a 16 month period of decline. Ravensgate has taken into consideration the general commodity trend as an influence on deriving a final project valuation.



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Figure 11 Coal Five Year Monthly Average Price Chart to April 2015



Source: Indexmundi.com



Table 9 Market Transactions Involving Coal Projects with JORC Resources/Reserves in Southern and Eastern Africa

Project	Transaction Details & Type	Coal (Mt)	Purchase Price 100% Basis (A\$)	Implied Value / Coal Tonne (A\$)
Mooiplaats Colliery, South Africa	22 September, 2014: Blackspear Holdings Proprietary Limited entered into an acquisition agreement with Coal of Africa Limited for 100% of the Mooiplaats Colliery for a gross consideration of ZAR250 million in cash. This underground operation had been on care and maintenance since October 2013. The project has coal resources of 45.0Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$24.7M (notional \$0.548 A\$/coal resource tonne on 100% terms).	45	\$24.7M	\$0.548
Holfontein Coal Project, South Africa	31 January 2014: An undisclosed company has entered into an acquisition agreement with Coal of Africa Limited for 100% of the Holfontein coal project for ZAR50M. The project has coal resources of 60Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$5.2M (notional \$0.086 A\$/coal resource tonne on 100% terms).	60	\$5.2M	\$0.086
Woestalleen Coal Project, South Africa	3 December 2013: Blue Falcon 212 Trading Pty Ltd entered into an acquisition agreement with Coal of Africa Limited for 100% of the Woestalleen coal project for ZAR100.8M. The project has coal resources of 29Mt (Measured and Indicated). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$10.8M (notional \$0.375 A\$/coal resource tonne on 100% terms).	29	\$10.8M	\$0.375
Eloff Coal Project, South Africa	26 March 2013: An undisclosed company has entered into an acquisition agreement with Homeland Energy Group Ltd for 50% of the Eloff coal project for ZAR110M. The project has coal resources of 60Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$22.7M (notional \$0.304 A\$/coal resource tonne on 100% terms).	75	\$22.7M	\$0.304



Project	Transaction Details & Type	Coal (Mt)	Purchase Price 100% Basis (A\$)	Implied Value / Coal Tonne (A\$)
Moabsvelden Coal Project, South Africa	11 July 2012: Thebe Mining Resources (Pty) Ltd entered into an acquisition agreement with Xceed Resources Ltd for 30% of the Moabsvelden coal project for \$7.75M in cash. The project has coal resources of 66Mt (64Mt Measured and 2Mt Indicated) and coal reserves of 44Mt (31Mt Proved and 13Mt Probable). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$25.5M (notional \$0.378 A\$/coal resource tonne or \$0.570 A\$/coal reserve tonne on 100% terms).	66 44	\$25.5M \$25.5M	\$0.386 \$0.581
Revuboe Coal Project, Mozambique	24 July 2012: Anglo American PLC entered into an acquisition agreement with the Talbot Estate for 58.9% of the Revuboe coal project for \$540M in cash. The project has coal resources of 1,396Mt (1,067Mt Measured and 329Mt Indicated). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$916.8M (notional \$0.657 A\$/coal tonne on 100% terms).	1,396	\$916.8M	\$0.657
Sakoa Coal Project, Madagascar	2 March 2012: PTT Public Company Limited entered into an acquisition agreement with Red Island Minerals Ltd for 66.5% of the Sakoa coal project for \$US50.16M. The project has coal resources of 180Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$69.9M (notional \$0.388 A\$/coal tonne on 100% terms)	180	\$69.9M	\$0.388
Mbila Coal Project, South Africa	20 September 2011: Zyl Limited entered into an acquisition agreement with Mbila Resources (Pty) Limited for 44% of the Mbila coal project for US\$27M in cash and shares. The project has coal resources of 89Mt (25Mt Measured, 62Mt Indicated and 2Mt Inferred). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$58.3M (notional \$0.655 A\$/coal tonne on 100% terms).	89	\$58.3M	\$0.655
Moatize Coal Basin, Mozambique	4 April 2011: BHR Mining Limited entered into an acquisition agreement with Global Minerals & Metals Pte Limited for 100% of a coal project in the Moatize basin for US\$42M in cash. The project has a coal resources of 450Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$40.4M (notional \$0.090 A\$/coal tonne on 100% terms).	450	\$40.4M	\$0.090

Project	Transaction Details & Type	Coal (Mt)	Purchase Price 100% Basis (A\$)	Implied Value / Coal Tonne (A\$)
Coal Project in Southern Tanzania	24 March 2011: Edenville Energy PLC entered into an acquisitions agreement with a private vendor for an initial interest of 50.1% of coal project in southern Tanzania for US\$5.2M in cash and shares. The project has coal reserves of 49Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$10.1M (notional \$0.207 A\$/coal tonne on 100% terms).	49	\$10.1M	\$0.207
Moruple Coal Project, Botswana	15 March 2011: Hodges Resources Limited entered into an option to earn in agreement with a private vendor, where they can earn an initial 75% interest in the Moruple coal project for an upfront payment of US\$0.5M and an exploration spend of US\$3.0M over two years. The project has inferred coal resources of 414Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$4.3M (notional \$0.010 A\$/coal tonne on 100% terms).	414	\$4.3M	\$0.010
Chapudi Coal Project, South Africa	29 November 2010: Coal of Africa Limited entered into an acquisition agreement with Rio Tinto for 100% of the Chapudi coal project for US\$75M. The project has a total coal resource of 1,040Mt (90Mt Measures, 220Mt, Indicated and 730Mt Inferred). Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$74.9M (notional \$0.072 A\$/coal tonne on 100% terms).	1,040	\$74.9M	\$0.072
Lubu Coal Field, Zimbabwe	1 June 2010: Sable Mining Africa Ltd entered into an acquisition agreement with Monaf Investments (Private) Ltd for 80% of the Lubu coal project for US\$6M in cash and shares. The project has an inferred coal resource of 334Mt. Assuming the terms of the agreement were met the implied discounted cash equivalent on a 100% equity basis is \$8.9M (notional \$0.027 A\$/coal tonne on 100% terms).	334	\$8.9M	\$0.027

Note: Differences may occur due to rounding errors



Table 10 Summary of Market Transactions Involving Coal Resources/Reserves in Southern and Eastern Africa - Australian Dollars

Transaction Date	Property Value A\$M	Contained Coal Mt	A\$/t Coal	Coal Price on Trans Date A\$/t Coal	A\$/t as % of Coal Price	Normalised ¹ A\$/t Coal
15-Mar-11	4.3	414	0.010	119.79	0.0087	0.007
01-Jun-10	8.9	334	0.027	108.87	0.0246	0.019
29-Nov-10	75.0	1,040	0.072	103.93	0.0694	0.053
04-Apr-11	40.4	450	0.090	117.55	0.0765	0.059
31-Jan-14	5.2	60	0.086	90.15	0.0956	0.074
24-Mar-11	10.1	49	0.207	119.79	0.1727	0.133
26-Mar-13	22.7	75	0.304	78.62	0.3861	0.297
03-Dec-13	10.8	29	0.375	92.91	0.4033	0.310
02-Mar-12	69.9	180	0.388	95.85	0.4051	0.312
11-Jul-12 ²	25.5	66	0.386	85.08	0.4533	0.349
20-Sep-11	58.3	89	0.655	113.22	0.5788	0.445
11-Jul-12 ²	25.5	44	0.581	85.08	0.6834	0.526
22-Sep-14	24.7	45	0.548	75.54	0.7259	0.559
24-Jul-12	916.8	1,396	0.657	82.44	0.7966	0.613

Notes: The table shows the market transactions described in Table 9 ordered from lowest to highest based on the normalised Australian dollar per tonne of coal.

¹The normalised cost per tonne of coal was done using the current South African Richards Bay export coal price of A\$76.95 (21 May 2015).

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

Table 11 Market Transactions Involving Coal Projects at the Exploration Stage in Southern and Eastern Africa

Project	Transaction Details & Type	Area (km 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
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	495	\$0.154M	\$311



	\$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).			
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 \$2,519 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 has valued the Imaloto project solely based on the present coal resource and has not valued tenements surrounding the coal resource separately.

6.5.1.1 Selection of Valuation Method

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

A coal resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has been reported (Measured, Indicated and Inferred coal resource of 135.7Mt (Gross Tonnes In Situ)). In valuing the Imaloto project under the VALMIN Code, Ravensgate considers the DCF/NPV method inappropriate, due to the stage of the mineral asset with no defined Ore Reserves and with it not expected to be in production in the short term.

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

6.5.1.2 Project Analysis - Comparable Transactions Method

Ravensgate's analysis of coal market transactions in southern and eastern Africa (Table 9) indicates that the implied value of advanced exploration projects with coal resources and or reserves generally range from \$0.010 to \$0.657 per contained resource tonne of coal. Removing the transactions involving coking coal, metallurgical coal, coal Reserves and collieries, left an implied range of \$0.010 to \$0.386 per contained resource tonne of thermal coal. Analysing the transactions of these remaining projects, taking into account the change in the coal price over time and expressing the dollar value per tonne of coal as a percentage of the coal price (Table 10), the average of these transactions is 0.20%, which equates to \$0.154 per resource tonne of coal using the 21 May 2015 South African Richards Bay export coal price of \$76.95 (US\$60.80).

Ravensgate has derived an implied range of \$0.120 to \$0.180 with a preferred value of \$0.150 per tonne of contained coal to apply to the Main Seam of the Imaloto project coal resource listed in Section 3.7 using the average 21 May 2015 South African Richards Bay export coal price of \$76.95 (US\$60.80). These derived values are based on the dollar value per tonne of coal expressed as a percentage of the coal price, where a range from 0.16% to 0.23% has been applied and the preferred value is based on 0.19%. This above average range reflects the confidence in the coal resource with most coal classified as Measured and Indicated. It also takes into account the results of the scoping studies.

Ravensgate has derived an implied range of \$0.090 to \$0.135 with a preferred value of \$0.110 per tonne of contained coal to apply to the Upper and Top Seams of the Imaloto project coal resource listed in Section 3.7 using the average 21 May 2015 South African Richards Bay export coal price of \$76.95 (US\$60.80). These derived values are based on the dollar value per tonne of coal expressed as a percentage of the coal price, where a range from 0.12% to 0.18% has been applied and the preferred value is based on 0.14%. This range reflects the lower coal quality of the Upper and Top Seams compared to the Main Seam in the coal resource with the coal quality indicating that it would only be useable as domestic power station feed.

These values relate to approximately \$13.97M to \$20.96M for the contained coal within the current mineral resource estimates (135.7Mt of coal) for LMR's 99% interest in the Imaloto project. From this range a preferred value of \$17.29M has been selected which reflects a average value of \$0.127 per contained resource tonne of coal.

A summary of the valuation for the Imaloto project can be found below in Table 12.



Table 12 Comparative Transactions Valuation for the Imaloto Project (LMR's 99% Interest)

Coal Seam	Mineral Asset	Tonnes (Mt)	Value per tonne			Valuation		
			Low \$	Preferred \$	High \$	Low \$M	Preferred \$M	High \$M
Main	Advanced Exploration Area	63.4	0.120	0.150	0.180	7.532	9.415	11.298
Upper	Advanced Exploration Area	41.1	0.090	0.110	0.135	3.662	4.476	5.493
Top	Advanced Exploration Area	31.2	0.090	0.110	0.135	2.780	3.398	4.170
All Seams	Advanced Exploration Area	135.7	0.103	0.127	0.154	13.974	17.288	20.961

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

6.5.2 Ianapera Project, Madagascar

6.5.2.1 Selection of Valuation Method

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

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has not been reported for the Ianapera project. In valuing the Ianapera project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the mineral asset.

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

6.5.2.2 Project Analysis - Comparable Transactions Method

Ravensgate's analysis of southern and eastern African market transactions for Exploration Area Mineral Asset coal projects (Table 11) suggests an implied value between \$311 and \$93,133 per km² for Exploration Area Mineral Assets. Within this range, more Greenfields exploration projects with geophysical anomalies but no known drilling or geochemical anomalies range from \$311 to \$2,519 per km², 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 km² and most advanced brownfields projects with defined drill targets and coal typically range from \$8,510 to \$93,313 per km². Assets of strategic value sit at the higher end of this range.

Ravensgate has derived implied ranges and preferred values per km² based on the interpreted prospectivity of the project, to apply to the area of the project (Table 13) on LMR's 99% ownership interest.



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Table 13 Comparative Transactions Valuation for the lanapera Project (LMR's 99% Interest)

Project	Mineral Asset	Area km ²	Value per km ²			Valuation		
			Low \$	Preferred \$	High \$	Low \$M	High \$M	Preferred \$M
Ianapera	Exploration Area	25	500	1,000	1,500	0.012	0.025	0.037

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

The value for the lanapera project relates to approximately \$0.012M to \$0.037M. From this range a preferred value of \$0.025M has been selected. The low implied ranges and preferred values attributed to the lanapera project reflects that, at present, recent exploration by LMR has not been successful for coal, with only one hole drilled to a depth of 360m returning no coal shows, leading to the abandonment of further drilling on the project. The project is still at an early stage of exploration with many areas largely unexplored requiring exploration. Ravensgate considers the lanapera project is of merit and worthy of further exploration.

6.5.3 Sakaraha Project, Madagascar

6.5.3.1 Selection of Valuation Method

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

A mineral resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code - 2012 Edition) has not been reported for the Sakaraha project. In valuing the Sakaraha project, Ravensgate considers the DCF/NPV method inappropriate, due to the early stage of the mineral asset.

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

6.5.3.2 Project Analysis - Comparable Transactions Method

Ravensgate's analysis of southern and eastern African market transactions for Exploration Area Mineral Asset coal projects (Table 11) suggests an implied value between \$311 and \$93,133 per km² for Exploration Area Mineral Assets. Within this range, more Greenfields exploration projects with geophysical anomalies, but no known drilling or geochemical anomalies range from \$311 to \$2,519 per km², 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 km² and most advanced brownfields projects with defined drill targets and coal typically range from \$8,510 to \$93,313 per km². Assets of strategic value sit at the higher end of this range.

Ravensgate has derived implied range and preferred value per km² based on the interpreted prospectivity of the project, to apply to the area of the project (Table 14) on LMR's 99% ownership interest.

The value for the Sakaraha project relates to approximately \$0.046M to \$0.124M. From this range a preferred value of \$0.077M has been selected. This value reflects the stage of exploration at the project and the quality of the exploration ground. The project is still at an early stage of exploration with LMR having completed no drilling on the project thus far with many areas largely unexplored and requiring exploration. Ravensgate considers the Sakaraha project is of merit and worthy of further exploration.



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Table 14 Comparative Transactions Valuation for the Sakaraha Project (LMR's 99% Interest)

Project	Mineral Asset	Area km ²	Value per km ²			Valuation		
			Low \$	Preferred \$	High \$	Low \$M	Preferred \$M	High \$M
Sakaraha	Exploration Area	62.5	750	1,250	2,000	0.046	0.077	0.124

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

6.6 Valuation Summary

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

A summary of LMR's coal projects valuation in respective ownership percentage terms is provided in Table 15. The applicable valuation date is 27 May 2015 and is derived from using the Comparable Transactions valuation method. The value of LMR's coal projects is considered to lie in a range from \$14.033M to \$21.122M, within this range Ravensgate has selected a preferred value of \$17.390M, which is approximately the middle of the range.

Table 15 Summary LMR's Coal Projects Technical Valuation in Respective Ownership Percentage Terms

Project	Mineral Asset	Ownership %	Area km ²	Valuation		
				Low \$M	Preferred \$M	High \$M
Imaloto	Advanced Exploration Area	99%	81.25	13.974	17.288	20.961
Ianapera	Exploration Area	99%	25	0.012	0.025	0.037
Sakaraha	Exploration Area	99%	62.5	0.046	0.077	0.124
TOTAL	Exploration Area	99%	168.75	14.033	17.390	21.122

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

The improvement in the value of LMR's coal projects from this valuation to the one dated 29 May 2013 is due to the improved understanding of the Imaloto project through the various scoping studies completed. The optimised scoping study gave a resultant NPV of US\$49M, it should be noted that this NPV is not based on Ore Reserves, but Mineral Resources and is contingent on LMR being granted an IPP concession and construction of a thermal coal power station able to utilise the low grade coal as feedstock to produce revenue, prior to producing export grade thermal coal. At present LMR is progressing towards obtaining an IPP concession. Ravensgate considers that the following three major risks would act as discounting factors to the scoping study NPV in its present form:

- An IPP concession were not to be granted to LMR;
- Funding or a strategic partner for the funding, construction and operation of the thermal power station could not be found;
- Mineral resource risks and the conversion of Measured and Indicated Mineral Resources to Ore Reserves.



7. TENEMENT DETAILS

Table 16 LMR's Tenement Details

Tenement	Status	Holders	Expiry Date	Area (km ²)	LMR Equity %
Imaloto					
12653	Granted	CMM ¹	18/04/2017	25	99%
3196	Granted	4 th Island Investments ²	06/11/2016	18.75	99%
4578	Granted	CMM ¹	28/11/2045	25	99%
27163	Granted	Genyus Sarl(u) ²	22/10/2015	6.25	99%
26904	Granted	Genyus Sarl(u) ²	22/10/2015	6.25	99%
Ianapera					
31892	Granted	CMM ¹	18/04/2017	25	99%
Sakaraha					
31808	Granted	CMM ¹	07/09/2016	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



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9. GLOSSARY

<i>carbonate</i>	Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO ₃ . Essential component of limestones and marbles.
<i>coal</i>	Readily combustible rock containing carbonaceous material formed from plant remains that have been compacted, indurated, chemically altered, and metamorphosed by heat and pressure during geologic time.
<i>clastic</i>	Pertaining to a rock made up of fragments or pebbles (clasts).
<i>geochemical</i>	Pertains to the concentration of an element.
<i>geophysical</i>	Pertains to the physical properties of a rock mass.
<i>granite</i>	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
<i>intrusions</i>	A body of igneous rock which has forced itself into pre-existing rocks.
<i>joint venture</i>	A business agreement between two or more commercial entities.
<i>metamorphic</i>	A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids.
<i>Mt</i>	Million Tonnes.
<i>NAR</i>	Net as Received
<i>outcrops</i>	Surface expression of underlying rocks.
<i>pegmatite</i>	A very coarse grained intrusive igneous rock which commonly occurs in dyke-like bodies containing lithium-boron-fluorine-rare earth bearing minerals.
<i>plies</i>	Lithological subdivisions of a coal seam each of which has a uniform character.
<i>Proterozoic</i>	An era of geological time spanning the period from 2,500 million years to 570 million years before present.
<i>sedimentary</i>	A term describing a rock formed from sediment.
<i>seam</i>	A bed of coal lying between a roof and floor.
<i>shale</i>	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
<i>strata</i>	Sedimentary rock layers.
<i>stratigraphic</i>	Composition, sequence and correlation of stratified rocks.

