

ACN 147 241 361

**ANNUAL REPORT 2013**

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## **C O R P O R A T E   D I R E C T O R Y**

### **DIRECTORS**

Mr Anthony Viljoen	<i>Executive Director and CEO</i>
Mr Ryan Rockwood	<i>Executive Director</i>
Mr Fortune Mojapelo	<i>Non-Executive Director</i>
Mr Jonathan Murray	<i>Non-Executive Director</i>

### **COMPANY SECRETARY**

Ms Shannon Coates

### **REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**

Suite 1, Ground Floor  
83 Havelock Street  
West Perth  
Western Australia 6005

### **AUDITOR**

**Ernst & Young**  
11 Mounts Bay Road  
Perth  
Western Australia 6000

### **SOLICITORS**

**Steinepreis Paganin**  
Level 4, The Read Buildings  
16 Milligan Street  
Perth  
Western Australia 6000

### **BANKER**

**National Australia Bank**  
1232 Hay Street  
West Perth  
Western Australia 6005

### **SECURITIES EXCHANGE**

**Australian Securities Exchange**  
ASX: LMR

### **SHARE REGISTRY**

**Computershare Investor Services Pty Limited**  
Level 2  
45 St Georges Terrace  
Perth  
Western Australia 6000

## REVIEW OF OPERATIONS

2013 was a significant year for Lemur Resources Limited ("Lemur" or "the Company") and has favourably positioned the Company for positive growth going forward. Political stability was once again returned to Madagascar. The long awaited elections were freely and credibly concluded on 20 December 2013 resulting in Mr Hery Rajaonarimampianina becoming the new Madagascan president.

The Company progressed the Imaloto coal project in Madagascar, reporting an upgraded Mineral Resource (JORC 2004) and delivering a scoping study with robust economics.

### CAUTIONARY STATEMENT

The scoping study referred to in this Annual Report:

- 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 production targets and forecast financial information derived from production targets, full details of which were released to ASX on 26 September 2013. All material assumptions underpinning the production targets and forecast financial information derived from production targets continue to apply and have not materially changed.

From a corporate perspective, the change in the executive, as well as the bid by AIM listed Bushveld Minerals Limited for the Company, has introduced renewed vigour and a stabilised operating environment, expected to allow the Board to derive maximum benefit from the strong balance sheet of the Company through the realisation of value from the existing assets and cash and the potential development of new assets.

### OPERATIONAL

The key operational highlights for the 2013 financial year include:

#### IMALOTO COAL PROJECT AND EXTENSION (LEMUR 99%)

##### MINERAL RESOURCE STATEMENT UPGRADE

Following receipt of final laboratory results for the last of the drilling at Imaloto, the Company released an upgraded Mineral Resource Statement on 28 March 2013. Key findings, derived from the geological model were:

- a Mineral Resource, reported in accordance with the JORC Code 2004, of 135.7 million Gross Tonnes in Situ ("GTIS") of which 68% is now Measured and 91% is now Measured and Indicated;
- coal contained in the Main Seam, which now totals 63.4 million GTIS, is expected to generate a primary product when washed, yielding approximately 67% export grade thermal coal;
- the Main Seam secondary product is expected to be suitable as feedstock for a domestic coal fired power station; and
- assuming a single stage processing, the overall theoretical yield is 100% for the entire Main Seam.

The Mineral Resource for the Imaloto project is summarised as follows. The full Mineral Resource Statement and applicable Competent Person's statement appears on pages 8-12 of this Annual Report:

Seam	GTIS (million)			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
Main Seam Lower Split	-	-	-	-
Surface	-	-	-	-
<b>Total</b>	<b>91.6</b>	<b>31.5</b>	<b>12.6</b>	<b>135.7</b>

## REVIEW OF OPERATIONS

### EXPLORATION ACTIVITY

No physical exploration activity was undertaken by the Company on the Imaloto project or in Madagascar for the 2013 financial year. Work was focussed on licensing and delivery of the scoping study results.

### PROJECT SCOPING STUDY

During the period, the Company completed the evaluation of the process and infrastructure requirements for the Imaloto project and produced a scoping study report that highlighted the positive, first pass economics of the project and identified areas for further development, not least is the establishment of a mine mouth coal fired independent power plant ("IPP").

The study comprised three separate scoping studies in relation to mining, infrastructure & land logistics and port to understand the operating, capital and process requirements in order to commence an economically viable mining operation, producing up to 1mtpa of saleable export product and 400ktpa of saleable domestic product from Imaloto. Various consultants specialising in the relevant areas were used to generate the component reports.

### SCOPING STUDY RESULTS

The results of the scoping study generated robust economics for the further development of the project and the Company intends to investigate these options further in the 2014 financial year.

### MINING SCOPING STUDY

The mining scoping study envisages an initial 9 years of predominantly open pit mining of the lower quality coal for production in the coal fired power station (Phase 1), with production then moving underground to mine the higher quality export orientated tonnages via traditional board and pillar mining (Phase 2). The results can be summarised as follows:

Physicals	Phase 1 Years 0 to 9	Phase 2 Years 10 to 19	Total
<b>Coal Resource</b>			
Gross Tonnes in Situ			135.7 Mt
Life of Mine			19 years
<b>Production - Run of Mine (ROM)</b>			
Open Pit	3.4 Mt	-	3.4 Mt
Underground	1.3 Mt	16.0 Mt	17.3 Mt
<b>Total</b>	<b>4.7 Mt</b>	<b>16.0 Mt</b>	<b>20.7 Mt</b>
<b>Coal Sales</b>			
Domestic Coal Fired Power Station	3.7 Mt	5.3 Mt	9.0 Mt
Export	0.7 Mt	9.9 Mt	10.7 Mt
<b>Total</b>	<b>4.4 Mt</b>	<b>15.2 Mt</b>	<b>19.7 Mt</b>

## REVIEW OF OPERATIONS

The Imaloto project area has been broken into the following 5 mining blocks:

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

### Processing and Land Logistics

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.

It has been confirmed by the Company's independent coal fired power station consultants, F-tech, that the Main, Upper and Top seams in their RAW form, save for crush and screen, are suitable as power station feed stock for a configured power station.

### PORT SCOPING STUDY

The port scoping study contemplates the movement of up to 1mtpa of export grade thermal product from mine gate to the existing Port of Tulear, with the export operation scheduled to commence in year 9. The Port comprises a narrow road causeway which leads out to a large central load out area comprised of limestone foundation overlayed with bitumen.

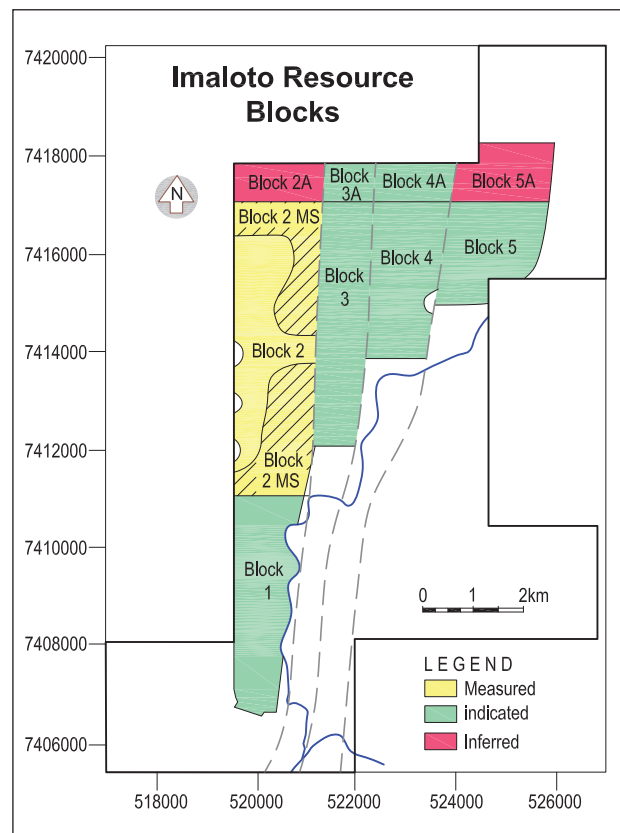


FIGURE 1: IMALOTO PROJECT

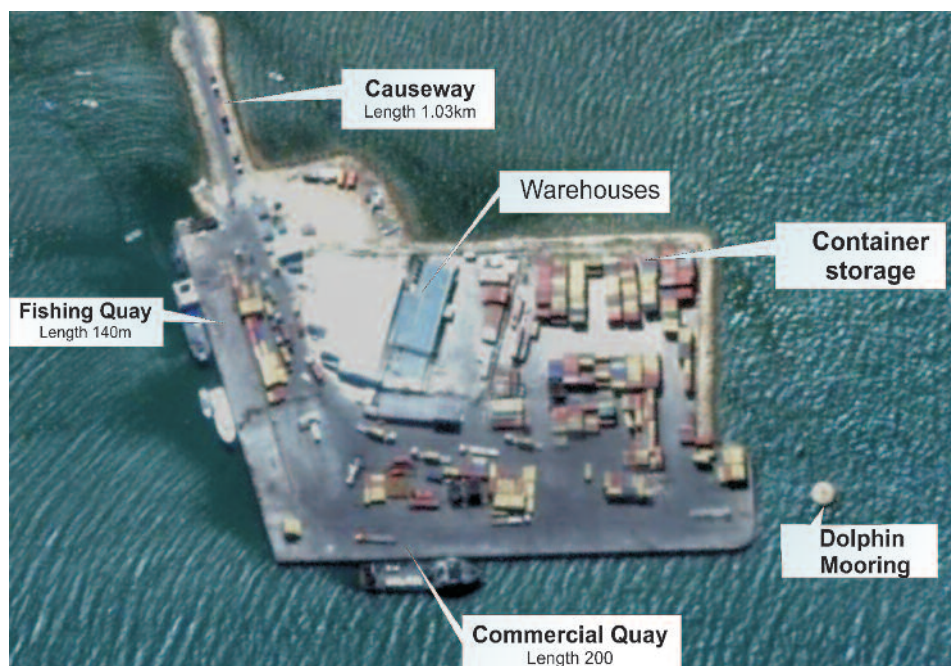


FIGURE 2:  
THE EXISTING PORT  
OF TULEAR

## REVIEW OF OPERATIONS

The city of Tular encroaches on the Port to the north, whilst to the south there are two significant areas, which are both sparsely populated and that have been identified as potential coal stockyard areas.

### COAL QUALITIES AND MARKETING

#### WASH TABLE ANALYSIS OF THE MAIN SEAM

The wash-table below shows the composite quality for the Main Seam based on all samples received and analysed as part of the Phase III programme:

Sample	Wash	Moisture	Main Seam - Cumulative Results (Air-dried Base)					Yield	DAVF	Calculated GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
			Ash	Volatile	F.C.	Sulphur	Gross C.V.				
Mass	R.D.	%	%	%	%	%	MJ/kg	%			
4604	F1.25	5.4	9.2	36.2	49.2	1.10	27.88	1.4	42.4	6478	6238
10941	F1.30	5.6	10.2	35.5	48.7	1.11	27.67	5.1	42.2	6438	6198
36450	F1.35	5.4	12.1	34.4	48.1	1.04	27.09	17.6	41.8	6295	6054
61491	F1.40	5.5	14.1	32.9	47.6	0.99	26.39	40.0	40.9	6133	5892
79109	F1.50	5.4	16.9	30.7	47.0	0.96	25.30	67.4	39.5	5880	5639
40814	F1.60	5.4	18.8	29.5	46.3	0.98	24.55	81.6	38.9	5703	5462
16826	F1.70	5.4	20.0	28.9	45.7	0.99	24.11	87.4	38.8	5597	5355
9403	F1.80	5.3	20.9	28.6	45.2	1.04	23.77	90.6	38.7	5516	5275
6027	F1.90	5.3	21.6	28.3	44.8	1.07	23.51	92.7	38.8	5453	5212
21219	S1.90	5.1	24.5	27.7	42.7	1.82	22.36	100.0	39.3	5177	4936

*Wash-table for Main Seam Analyses of the Western Drilling Programme based on the analysis of 55 samples*

If the Main Seam is to be considered for a 5,600 kcal/kg NAR product, via a single stage wash the cut-point density of 1.500 ton/m<sup>3</sup> will result in a product with an ash content of 16.9%, Volatiles at 30.7%, total sulphur at 0.96% and a theoretical yield of 67.4%.

Initially, it is anticipated that ROM tonnes will be crushed and screened and sold as feedstock to a yet to be constructed power station. At the end of year 8 ROM tonnes will be beneficiated via a single stage wash. The primary product will be delivered to the export market with the secondary product continuing to be sold as feedstock to the power station.

#### POWER STATION FEED STOCK PRICING

During Phase 1 (the open pit operation), the RAW Main Seam feed stock will have an average CV of 23.05 MJ/kg per tonne. At the end of year 8, as the feedstock shifts from RAW Main Seam to the discard from the single stage wash the CV falls to an average of 15.2 MJ/kg per tonne. Revenue of \$3 per gigajoule was arrived at by F-tech following discussions with Jirama and private industry power consumers.

#### COAL FIRED POWER STATION

F-Tech 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.

## REVIEW OF OPERATIONS

### HEADS OF AGREEMENT

The Company has finalised negotiations for the key terms of a Heads of Agreement between itself and Jirama the Madagascar Government's state owned electricity company responsible for the production, transport and distribution of electricity in Madagascar. The key terms provide a road map outlining the precursory steps the Company must complete in order for the IPP concession to be issued and, if executed, will form the basis for proposed Concession and the Power Purchase and Transmission Agreements between the IPP and the Malagasy Government.

### IPP FUNDING

In the event that an IPP concession is awarded, it is the Company's intention to bring in a strategic equity partner ("SEP") to fund, construct and operate the power station. Several SEP's have been identified and preliminary discussions have commenced.

### PROJECT ECONOMICS

The results of the scoping studies returned favourable economics, that can be summarised as follows:

Revenue and Operating Expenditure – USD		Years 0 to 9	Years 10 to 19	Total	
REVENUE					
Domestic Coal Fired Power Station		\$184.3M	\$300.1M	\$484.5M	
Export		\$59.7M	\$801.7M	\$861.4M	
Total		\$244.1M	\$1101.8M	\$1345.9M	
Per saleable GJ		\$3.09 per GJ	\$3.27 per GJ	\$3.23 per GJ	
OPERATING EXPENDITURE					
Total		\$172.3M	\$892M	\$1064.4M	
Per saleable GJ		\$2.18 per GJ	\$2.65 per GJ	\$2.56 per GJ	
Capital Expenditure – USD		Years Years 0 to 7	Years 8 to 9	Years 10 to 19	Total
		\$11.8M	\$79.3M	\$4.7M	\$95.9M
Project Economics and Pricing Sensitivities – USD					
Export Price – per GJ (Average over LoM)		\$3.40	\$3.74	\$4.07	
Net present value					
- @ 10% post-tax real		\$36.2M	\$54.5M	\$72.6M	
EBITDA (Real Terms)		\$281.5M	\$361.6M	\$441.7M	
Free cash flow (Real Terms)		\$166.9M	\$239.0M	\$311.1M	

### SCOPING STUDY OPTIMISATION

Subsequent to the release of the consolidated scoping studies, some optimisation work and further financial modelling was conducted. In particular, the mine plan was tweaked to more accurately mirror the anticipated burn requirement of the IPP. The net financial impact was the project NPV increasing to US\$49m at a 10% post-tax real discount rate as modelled by our independent third party consultants, Hindsight Financial and Commercial Solutions (Pty) Ltd. Other financial assumptions were materially the same as above.



## REVIEW OF OPERATIONS

### CORPORATE

#### BUSHVELD MINERALS TAKEOVER

As announced on 4 November 2013, the takeover offer by Bushveld Minerals Limited ("Bushveld") for all of the ordinary shares in Lemur closed on Friday 1 November 2013 ("Offer"). Following the close of the Offer Bushveld had a relevant interest in 54.39% of Lemur's issued share capital.

#### STRATEGY

It is the intention of the Board of Directors of the Company to extract value for all shareholders in the upcoming year along the following lines:

1. Cost Rationalisation – realigning the cost base to take advantage of cost synergies with the new majority shareholder;
2. Project advancement – advancing the existing Imaloto project by progressing the IPP license and identifying a suitable strategic partner to extract value from the asset; and
3. Project identification – leveraging the unique in-house project generation and development capabilities as well as the Company's fixed exploration assets and current cash holdings, to identify and develop further value for all stakeholders in the Company.

#### LEGAL CLAIM

The Company continues to contest the spurious claims against license 4578. The Lemur Directors have obtained legal advice from Madagascan counsel, John W Fooks & Co., who have advised that in their view the judgment is not a threat to Lemur's currently held tenure over permit 4578 on the basis that the claim is ill-founded, principally as it post-dates the effective transfer date of permit 4578 to Lemur, indicating that Lemur has acquired the permit in good faith. However, there can be no guarantee that Lemur will be successful in disputing the validity of the court judgement.

The outcomes of Antananrivo and Tulear court judgements are expected in the first half of 2014.



Anthony Viljoen  
*Executive Director and CEO*

## ANNUAL MINERAL RESOURCE STATEMENT

The Company reviews and reports its Mineral Resources at least annually. The date of reporting is 31 December each year, to coincide with the Company's end of financial year balance date. If there are any material changes to its Mineral Resources over the course of the year, the Company is required to promptly report these changes.

On 28 March 2013, Lemur released its "Revised Resource Statement – Imaloto Coal Project" ("Resource Statement") for the Company's Imaloto Coal Project in Madagascar. The coal resource as described in the Resource Statement was calculated after the completion of an exploration programme by Lemur that spanned approximately 18 months (February 2011 to December 2012). The estimate is based on information from 159 boreholes, and the associated laboratory results.

During the review period from 1 January 2013 to reporting date of 31 December 2013, no exploration activity was conducted on the project site and hence there was no expansion of or additions to the modelling database. In addition, no shafts or box-cuts were constructed during the same period. No resources have been converted to reserves since the previous report dated 28 March 2013.

In completing the annual review for the year ended 31 December 2013, the historical resource factors were reviewed and found to be relevant and current. The Imaloto Coal Project has not been converted to an active operation yet and hence no resource depletion has occurred for the review period.



FIGURE 1: THE GENERAL LOCALITY OF THE PROJECT AREA.

### The Resource Statement

The current Resource Statement for the Imaloto Coal Project is shown in Table 1 below. The commodity is coal and the coal quality is displayed in Tables 2, 3 and 4 below. The geographical distribution of the resource is shown in Figure 2.

The resource amounts to a total GTIS tonnage of 135.7 million tonnes ("Mt"). The Main Seam makes up 63.4 Mt of this total while the Upper and Top Seams cover the balance at 41.1 and 31.2 Mt respectively.

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

## ANNUAL MINERAL RESOURCE STATEMENT

TABLE 1: THE IMALOTO COAL RESOURCE TONNAGE.

COAL RESOURCE - Imaloto - Lemur Resources - as @ 31 Dec 2013.												
Block	Commodity	Seam	Ply	Thick (m)	Area (m2)	Volume (m3)	Density	GTIS	Drill Grid	Resource Category	Geological Loss	TTIS
1	Coal	Main	Main	1.35	3940874	5320180	1.468	7.810	331	Measured	10	7.029
<b>Total</b>								<b>7.810</b>				<b>7.029</b>
2	Coal	Top	Top	0.98	6999660	6849535	1.509	10.336	519	Indicated	15	8.786
2	Coal	Upper	Upper	1.12	6999660	7839424	1.622	12.716	519	Indicated	15	10.808
2	Coal	Main	Main	1.90	2959047	5630147	1.500	8.445	519	Indicated	15	7.178
<b>Total</b>								<b>31.497</b>				<b>26.772</b>
3	Coal	Top	Top	0.88	4273073	3760304	1.539	5.787	371	Measured	10	5.208
3	Coal	Upper	Upper	1.07	4273073	4572188	1.590	7.270	371	Measured	10	6.543
3	Coal	Main	Main	2.85	4272813	12176950	1.467	17.864	371	Measured	10	16.077
<b>Total</b>								<b>30.920</b>				<b>27.828</b>
4	Coal	Top	Top	0.83	3761367	3121935	1.580	4.933	373	Measured	10	4.439
4	Coal	Upper	Upper	1.31	3761367	4927391	1.608	7.923	373	Measured	10	7.131
4	Coal	Main	Main	2.94	3357197	9863333	1.514	14.933	353	Measured	10	13.440
<b>Total</b>								<b>27.789</b>				<b>25.010</b>
5	Coal	Top	Top	0.72	3052761	2827001	1.598	4.518	424	Measured	12	3.975
5	Coal	Upper	Upper	1.12	2802195	3138458	1.590	4.990	406	Measured	12	4.391
<b>Total</b>								<b>9.508</b>				<b>8.367</b>
2A	Coal	Top	Top	0.50	1397766	698883	1.509	1.055	1182	Inferred	20	0.844
2A	Coal	Upper	Upper	0.75	1397766	1048325	1.622	1.700	1182	Inferred	20	1.360
2A	Coal	Main	Main	1.98	1397766	2767577	1.500	4.151	1182	Inferred	20	3.321
<b>Total</b>								<b>6.906</b>				<b>5.525</b>
3A	Coal	Top	Top	0.79	777559	614271	1.555	0.955	441	Measured	12	0.841
3A	Coal	Upper	Upper	0.80	777559	622047	1.631	1.015	441	Measured	12	0.893
3A	Coal	Main	Main	3.98	777559	3094683	1.510	4.673	441	Measured	12	4.112
<b>Total</b>								<b>6.643</b>				<b>5.846</b>
4A	Coal	Top	Top	0.87	1092459	950440	1.581	1.503	370	Measured	10	1.352
4A	Coal	Upper	Upper	1.06	1092459	1158007	1.620	1.876	370	Measured	10	1.688
4A	Coal	Main	Main	3.38	1092459	3692513	1.507	5.565	370	Measured	10	5.008
<b>Total</b>								<b>8.943</b>				<b>8.049</b>
5A	Coal	Top	Top	0.75	1795637	1346728	1.598	2.152	1340	Inferred	20	1.722
5A	Coal	Upper	Upper	1.25	1795637	2244546	1.590	3.569	1340	Inferred	20	2.855
<b>Total</b>								<b>5.721</b>				<b>4.577</b>
<b>Gross Indicated Tonnage in Situ</b>								<b>31.497</b>	<b>Total Indicated Tonnage in Situ</b>			<b>26.772</b>
<b>Gross Measured Tonnage in Situ</b>								<b>91.613</b>	<b>Total Measured Tonnage in Situ</b>			<b>82.129</b>
<b>Gross Inferred Tonnage in Situ</b>								<b>12.627</b>	<b>Total Inferred Tonnage in Situ</b>			<b>10.102</b>
<b>Gross Total Tonnage in Situ</b>								<b>135.737</b>	<b>Total Tonnage in Situ</b>			<b>119.003</b>
<b>Gross Top Seam Tonnage in Situ</b>								<b>31.238</b>	<b>Total Top Seam Tonnage in Situ</b>			<b>27.167</b>
<b>Gross Upper Seam Tonnage In Situ</b>								<b>41.058</b>	<b>Total Upper Seam Tonnage In Situ</b>			<b>35.670</b>
<b>Gross Main Seam Tonnage In Situ</b>								<b>63.441</b>	<b>Total Main Seam Tonnage In Situ</b>			<b>56.166</b>
<b>Gross Main Seam Inferred Tonnage</b>								<b>4.151</b>				<b>3.321</b>
<b>Gross Main Seam Indicated Tonnage</b>								<b>8.445</b>				<b>7.178</b>
<b>Gross Main Seam Measured Tonnage</b>								<b>50.844</b>				<b>45.666</b>

The seam thickness cut-off that was applied was 0.5 m for the Top and Upper Seams, and 1.4 m for the Main Seam.

## ANNUAL MINERAL RESOURCE STATEMENT

TABLE 2: THE WEIGHTED AVERAGE MAIN SEAM COAL QUALITY FOR THE IMALOTO COAL PROJECT.

Main Seam – Cumulative Results (Air-dried Base) as @ 31 Dec 2013										Calculated GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
Sample Mass	Wash R.D.	Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	Gross C.V. MJ/kg	Yield %	DAVF		
80401	F1.35	5.1	12.2	34.2	48.5	0.98	27.27	17.7	41.4	6310	6070
132987	F1.40	5.0	13.9	32.9	48.2	0.95	26.64	38.0	40.6	6164	5924
191942	F1.50	5.1	16.5	30.7	47.8	0.92	25.62	67.4	39.1	5930	5689
92073	F1.60	5.0	18.4	29.6	47.0	0.95	24.89	81.5	38.6	5759	5518
40557	F1.70	5.0	19.6	29.0	46.4	0.99	24.43	87.7	38.5	5650	5409
21871	F1.80	4.9	20.5	28.7	45.9	1.03	24.11	91.1	38.5	5572	5331
12977	F1.90	4.9	21.1	28.5	45.5	1.07	23.87	93.0	38.5	5516	5275
45410	S1.90	4.7	23.9	27.9	43.4	1.87	22.78	100.0	39.1	5254	5013
31442	-0.5 Raw	4.8	23.8	23.7	37.8	1.48	19.38		33.2	4474	4231
684628	Raw	4.7	23.9	27.7	43.2	1.85	22.62		38.9	5219	4977

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

TABLE 3: THE WEIGHTED AVERAGE UPPER SEAM COAL QUALITY FOR THE IMALOTO COAL PROJECT.

Upper Seam – Cumulative Results (Air-dried Base) as @ 31 Dec 2013										Calculated GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
Sample Mass	Wash R.D.	Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	Gross C.V. MJ/kg	Yield %	DAVF		
11820	F1.35	5.4	12.5	34.8	47.3	1.03	26.83	7.9	42.4	6234	5993
36170	F1.40	5.2	15.7	33.7	45.4	1.01	25.64	22.8	42.7	5945	5704
72838	F1.50	5.1	20.0	32.0	42.9	1.10	24.12	52.9	42.7	5587	5345
31120	F1.60	5.0	22.1	31.1	41.8	1.14	23.43	65.7	42.7	5420	5179
15814	F1.70	4.9	23.7	30.5	40.9	1.17	22.88	72.2	42.7	5290	5049
10087	F1.80	4.9	25.0	30.0	40.2	1.18	22.43	76.4	42.7	5182	4940
8167	F1.90	4.8	26.3	29.5	39.4	1.19	21.95	79.8	42.8	5069	4827
49077	S1.90	4.5	35.3	26.2	34.0	1.82	18.62	100.0	43.6	4283	4040
15222	-0.5 Raw	4.5	37.2	23.5	31.6	1.40	16.73		40.4	3850	3607
257720	Raw	4.5	35.4	26.1	33.9	1.79	18.51		43.4	4257	4015

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

TABLE 4: THE WEIGHTED AVERAGE TOP SEAM COAL QUALITY FOR THE IMALOTO COAL PROJECT.

Top Seam - Cumulative Results (Air-dried Base) as @ 31 Dec 2013										Calculated GAR kcal/kg @ 8% TM	NAR kcal/kg @ 8% TM
Sample Mass	Wash R.D.	Moisture %	Ash %	Volatile %	F.C. %	Sulphur %	Gross C.V. MJ/kg	Yield %	DAVF		
18702	F1.35	5.7	11.2	35.1	48.0	0.96	27.22	17.3	42.3	6341	6101
22288	F1.40	5.5	13.7	34.3	46.6	0.98	26.37	31.1	42.4	6130	5889
40180	F1.50	5.3	18.7	32.1	43.9	1.01	24.64	56.0	42.3	5716	5475
31634	F1.60	5.1	22.2	30.6	42.1	1.09	23.40	75.6	42.1	5418	5177
9746	F1.70	5.0	23.5	30.1	41.4	1.15	22.97	81.6	42.2	5315	5074
4415	F1.80	5.0	24.2	29.9	40.9	1.18	22.71	84.3	42.2	5252	5011
4615	F1.90	5.0	25.1	29.5	40.4	1.21	22.36	87.2	42.3	5171	4929
20666	S1.90	4.7	30.2	28.0	37.0	2.17	20.40	100.0	43.0	4704	4462
9534	-0.5 Raw	4.9	30.2	24.9	33.9	1.65	18.08		38.3	4180	3936
170943	Raw	4.7	30.2	27.8	36.9	2.14	20.27		42.8	4675	4432

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

## ANNUAL MINERAL RESOURCE STATEMENT

### Material Changes and Resource Statement Comparison

The total Indicated, Measured and Inferred coal Mineral Resource for the Company totalled 135.7 Mt as at 31 December 2013, as noted above. This represents a decrease of 34.9 Mt from the total Inferred Coal Resource (at similar thickness cut-off limits) of 170.6 Mt as at 31 December 2012. The decrease is due to the following factors:

- The first resource estimate for this project was prepared by Mike Scott and Associates ("MSA") in a report dated December 2010. The resource was classified as inferred with the tonnages as shown in Table 5 below, and in effect for December 2012.
- Subsequent to the completion of the 2nd, 3rd and 4th phases of the drilling programme, Sumsare Consulting ("SC") produced a resource report (March 2013), with the tonnages also shown in Table 5 below, and effective for 31 December 2013.
- The MSA Resource as determined in the report dated December 2010, showed a total inferred resource of 170.6 Mt (GTIS). The SC (March 2013) report showed a resource of 135.7 Mt (GTIS).
- The Main Seam shows a relative reduction of 10.3 Mt, which is attributable to small changes in the densities as calculated from the larger quality database and to changes in seam geometry.
- The Top Seam shows a gain of 4.1 Mt which is due to changes in seam geometry, as well as changes in the calculated in-situ density from the larger quality database.
- The Upper Seam shows a negative variance of 28.6 Mt due to changes in seam geometry. The latest calculated densities for the Upper Seam was also significantly lower than those previously used. MSA used an in-situ density of 1.760 while SC used a density of 1.615.

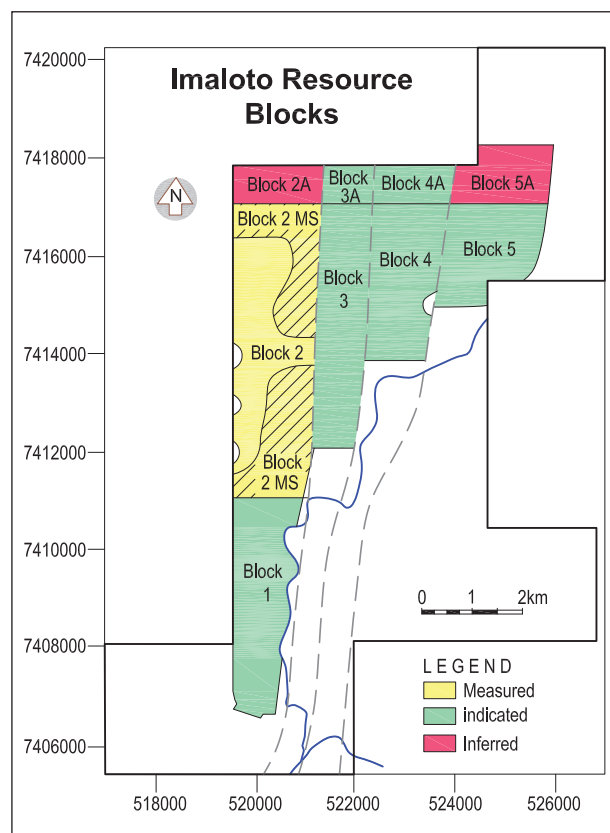


FIGURE 2: THE RESOURCE BLOCKS FOR THE IMALOTO COAL PROJECT.

TABLE 5: A SUMMARY OF THE RESOURCE VARIANCE FOR THE PERIOD 31 DECEMBER 2012 TO 31 DECEMBER 2013.

Statement Date	Coal Resource Comparison			
	31-Dec-12	31-Dec-13	Variance	Comment
CPR Source	MSA	SC		MSA (Mike Scott & Associates), SC (Sumsare Consulting).
<b>Resource:</b>				
Total GTIS (Mt)	170.600	135.737	-34.863	
Total Main Seam GTIS (Mt)	73.800	63.441	-10.359	Reduction due to area and density changes.
Total Upper Seam GTIS (Mt)	69.700	41.058	-28.642	Reduction due to area and density changes.
Total Top Seam GTIS (Mt)	27.100	31.238	4.138	Gain due to area and density changes.
Changes to Coal Quality	CV & %TS	CV & %TS	Yes	Calorific Values higher, Total Sulphur Values Lower.
CPR based on n boreholes	36	159	123	Data from 123 additional new boreholes used in the SC CPR
Mining activity post Dec 2012	None	None	None	No Change
Conversion to Reserves	None	None	None	No Change

## ANNUAL MINERAL RESOURCE STATEMENT

A waterfall graph quantifying the losses and gains to take the resource from 170.600 Mt to 135.737 Mt is shown in Figure 3 below.

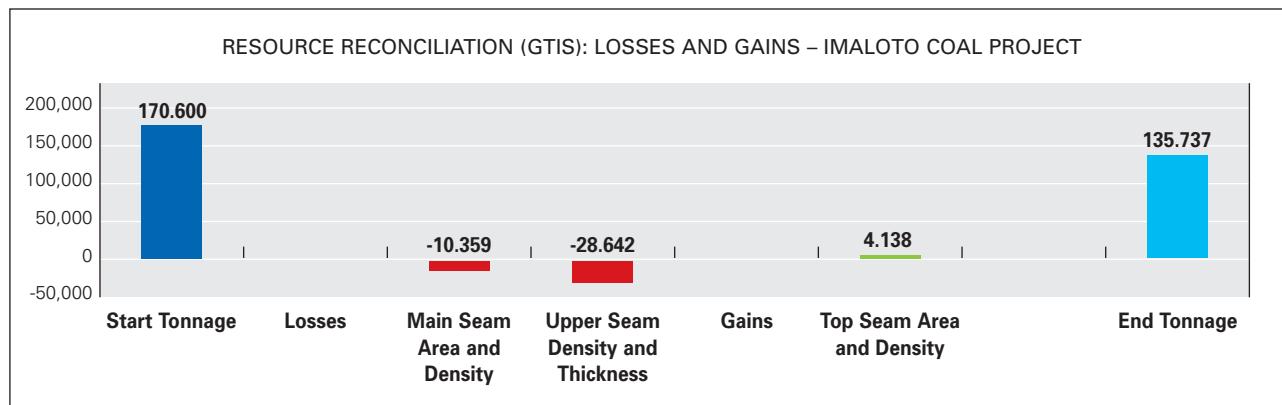


FIGURE 3: A SUMMARY OF THE RESOURCE LOSSES AND GAINS FOR THE PERIOD 31 DECEMBER 2012 TO 31 DECEMBER 2013, WHICH IS BASED ON INFORMATION FROM 123 ADDITIONAL BOREHOLES.

There has been no change to the Resource Statement reported on the 28 March 2013 to review date of 31 December 2013, or to the date of this Annual Report.

### Governance Arrangements and Internal Controls

Lemur has ensured that the Mineral Resources quoted are subject to good governance arrangements and internal controls. The Mineral Resources reported have been generated by an independent external consultant who is experienced in best practices in modelling and estimation methods. The consultant has also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, Lemur management carry out regular reviews and audits of internal processes and external contractors that have been engaged by the Company.

The Mineral Resource dated 28 March 2013 was compiled in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code) 2004 Edition. Lemur has engaged its independent external consultant to update the Mineral Resource in accordance with the JORC Code 2012 Edition. It is expected that the updated report will be made available in early April 2014, and that the estimation methodology will be the same as for the document reported in accordance with the JORC Code 2004.

### Competent Person Statement

The information in this report that relates to Mineral Resources was prepared and first disclosed under the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code") 2004 Edition and has not been updated since to comply with the JORC Code 2012 Edition on the basis that the information has not materially changed since it was last reported. It was previously released to ASX on 28 March 2013 and was titled "Revised Resource Statement – Imaloto Coal Project". The Company is not aware of any new information or data that materially affects the information as previously released on 28 March 2013 and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Mineral Resource released on 28 March 2013 was prepared by Mr Johan Erasmus, who is a Qualified Geologist (Bachelor of Science - Geology and Chemistry – University of Port Elizabeth – 1989, Bachelor of Science Honours – Geology – University of Port Elizabeth - 1990) and is also a Professional Natural Scientist (Pr.Sci. Nat.), registered with the South African Council for Natural Scientific Professions, a 'Recognised Overseas Professional Organisation' ('ROPO') included in a list promulgated by the ASX from time to time. Mr Erasmus is the owner of Sumsare Consulting CC. Mr Erasmus has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Erasmus has consented to the inclusion in the Annual Report of the matters based on his information in the form and context in which it appears. The Annual Mineral Resource Statement is based on and fairly represents information and supporting documentation prepared by competent persons. The Annual Mineral Resource Statement as a whole has been approved by Mr Erasmus.

## D I R E C T O R S '   R E P O R T

The Directors of Lemur Resources Limited ("the Company") and its controlled entities ("the Group") submit the consolidated financial statements for the year ended 31 December 2013 ("the period") and the following report made out in accordance with a resolution of the Directors.

### Directors

The names and details of the Directors of Lemur Resources Limited in office during the period and until the date of this report are as follows. Unless otherwise noted, the Directors were in office for the entire period.

**MR ANTHONY VILJOEN** *BA Mgt, Pg Dip FBI*

**Non-Executive Director to 6 November 2013**

**Executive Director and CEO from 6 November 2013 to present**

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

Mr Viljoen has been responsible for the establishment and project development of a number of junior mining companies across Africa, including New Kush Exploration and Mining (Gold, South Sudan), Coal of Madagascar, Greenhills Resources (Tin), New Horizon Minerals (Iron Ore), Frontier Platinum Resources and Eagle Uranium.

Mr Viljoen graduated from the University of Natal, Pietermaritzburg with a Bachelor of Business and Agricultural Economics and a Post Graduate Diploma of Finance Banking and Investment Management.

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

During the past three years, Mr Viljoen has also served as a director of AIM listed Bushveld Minerals Limited (2012 – Present).

**MR RYAN ROCKWOOD** *BA, MA, MEng Cantab*

**Independent Non-Executive Director to 6 November 2013**

**Executive Director from 6 November 2013 to present**

Ryan Rockwood is an experienced mining sector professional and focused on mergers, acquisitions, equity and debt financings for over 5 years before joining Lemur as an Executive Director. Prior to 2007, he spent many years in operations management, consulting and working for leading mining companies. Mr Rockwood has successfully led profit improvement engagements for coal, iron ore, copper and gold operations. His international experience includes living and working in the United Kingdom, USA, South Africa and South East Asia.

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

In the last three years, other than his current directorship, Mr Rockwood has not served as a director of any other listed company.

**MR FORTUNE MOJAPALO**

**Alternate Non-Executive Director for Professor Rasoamahanina to 23 April 2013**

**Non-Executive Director from 24 April 2013 to 7 May 2013**

**Reappointed as Non-Executive Director from 7 May 2013**

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

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

Mr Mojapelo is currently the Chief Executive Officer of AIM listed Bushveld Minerals Limited, the Company's major shareholder. During the past three years, Mr Mojapelo has also served as a director of AIM listed Bushveld Minerals Limited (2012 – Present).



## DIRECTORS' REPORT

### **MR JONATHAN MURRAY** *LLB BComm*

#### **Non-Executive Director from 6 November 2013 to present**

Mr Murray is a partner at law firm Steinepreis Paganin, based in Perth, Western Australia. Since joining the firm in 1997, he has gained significant experience in advising on initial public offers and secondary market capital raisings, all forms of commercial acquisitions and divestments and providing general corporate and strategic advice.

Mr Murray graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting). He is also a member of FINSIA formerly the Securities Institute of Australia).

During the past 3 years Mr Murray has also served as a director of the following other listed companies:

- Peak Resources Limited (appointed February 2011)
- Hannans Reward Limited (appointed January 2010)
- Highfield Resources Ltd (appointed October 2011 – resigned August 2013)
- Laguna Resources Ltd (appointed October 2009 – resigned February 2012)
- Kalgoorlie Mining Company Ltd (appointed June 2010 – resigned October 2012) previously US Nickel Ltd

### **MR ANDREW LOVE** *B.Com, FCA, MAICD*

#### **Independent Non-Executive Chairman (resigned 25 March 2013)**

Mr Love has extensive experience in energy and resource projects, particularly in Australia, Africa and Asia. He was a former Senior Partner of Ferrier Hodgson Chartered Accountants.

During the three years prior to the date of his resignation, Mr Love also served as a director of the following listed companies:

- Roc Oil Company Limited (1997 – 2013)
- Charter Hall Office Trust Limited (2010 – 2012)
- Riversdale Mining Limited (2006 – 2011)
- Eircom Holdings Limited (2008 – 2010)

### **MR BLAIR SERGEANT** *B.Bus (Acct.), Post. Grad Dip (Bus), ACIS, ASA*

#### **Managing Director (resigned 8 April 2013)**

Mr Sergeant is the former Finance Director of Coal of Africa Limited, an Australian coal miner with producing and development assets in South Africa and listed on ASX, AIM and JSE. Mr Sergeant graduated from Curtin University, Western Australia with a Bachelor of Business and a Post Graduate Diploma in Corporate Administration. He is a member of the Chartered Institute of Company Secretaries and an Associate of the Australian Society of Certified Practising Accountants.

During the three years prior to the date of his resignation, Mr Sergeant also served as a director of the following listed companies:

- Coal of Africa Limited (2004 – 2011)
- Vmoto Limited (2004 – 2009) (2012)
- Compass Hotel Group Limited (2010 – 2011)

### **MR MARCELLO CARDACI** *BJuris, LLB, B.Com*

#### **Non-Executive Director to 8 April 2013**

#### **Non-Executive Chairman from 8 April 2013 to 5 November 2013 (resigned 5 November 2013)**

Mr Cardaci graduated from the University of Western Australia with a Bachelor of Jurisprudence and Bachelor of Laws in 1989 and a Bachelor of Commerce majoring in accounting and finance in 1994. In February 1996, he joined Blakiston & Crabb (now Gilbert + Tobin) from Freehills. He is experienced in a wide range of commercial matters with an emphasis on public and private equity fund raisings, due diligence, mergers, acquisitions and divestments, establishment of mining and petroleum projects, joint ventures and advising on Corporations Act and Listing Rules issues.

During the three years prior to the date of his resignation, Mr Cardaci also served as a director of the following listed companies:

- Forge Group Limited (2007 – 2013)
- Manhattan Corporation Limited (2006 – Present)
- International Goldfields Limited (2009)
- Sphere Minerals Limited (1999 – 2010)



## DIRECTORS' REPORT

### PROFESSOR DANIEL RASOAMAHENINA *MEcon, MBA*

Independent Non-Executive Director (resigned 13 April 2013)

Professor Rasoamahanina is a professor in Business Policy and Strategic Management with the Government Business School, INSCAE, National Institute of Accounting Sciences and Business Administration in Madagascar. A resident of Madagascar, he is a graduate from universities in both Madagascar and the United States of America. In addition to positions held at top levels in the private sector, Professor Rasoamahanina has strong connections with the Malagasy Government, having served in numerous positions including Special Advisor to the Minister of Tourism, Adviser to the Minister of Transport, Administrator of the Central Bank of Madagascar, Chief of Staff - Presidency of the Republic of Madagascar, and a Member of the Economic and Finance Coordination Committee (CCEF) to the President. He also has significant experience with international institutions, has conducted negotiations with the Institutions of Bretton Wood while being a member of the CCEF, President of the Human Resource Development and Assistance with the Private Sector, with US AIN and jointly with the Minister of Finance, ordonnateur national (official in charge of overseeing expenditure for Madagascar) of the European Development Fund.

In the last three years, other than his current directorship, Professor Rasoamahanina has not served as a director of any other listed company.

### Company Secretary

#### MS SHANNON COATES *LLB, ACIS, GAICD*

Ms Coates holds a Bachelor of Laws from Murdoch University and has over 18 years' experience in corporate law and compliance. Ms Coates is a Chartered Secretary and currently acts as Company Secretary to several ASX and AIM listed companies and unlisted companies, the majority of which operate in the mineral resources and oil and gas industries, both in Australia and internationally. Ms Coates is General Manager Corporate to Perth based corporate advisory firm Evolution Capital Partners, which specialises in the provision of corporate services to ASX, JSE and AIM listed companies.

### Directors' Interests in the Shares and Options of the Company

The number of shares and options in the Company held at the date of this report by each Director of Lemur Resources Limited, including their personally-related entities are set out below:

TABLE 1: DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Anthony Viljoen	4,000,000	Nil
Ryan Rockwood	4,250,000	Nil
Fortune Mojapelo	Nil	Nil
Jonathan Murray	Nil	Nil

## DIRECTORS' REPORT

### Board and Committee Meetings

The number of Board meetings of Directors held during the period and the number of meetings attended by each Director is as follows:

TABLE 2: DIRECTORS MEETINGS HELD AND ATTENDED DURING THE PERIOD

	Directors' meetings	
	Meetings Held and Eligible to Attend	Attended
Andrew Love <sup>1</sup>	3	3
Blair Sergeant <sup>2</sup>	4	4
Anthony Viljoen	15	15
Marcello Cardaci <sup>3</sup>	12	12
Daniel Rasoamahenina <sup>4, 5</sup>	4	0
Ryan Rockwood	15	15
Fortune Mojapelo <sup>6</sup>	15	15
Jonathan Murray <sup>7</sup>	1	1

Notes:

1. Mr Love resigned 25 March 2013
2. Mr Sergeant resigned 8 April 2013
3. Mr Cardaci resigned 5 November 2013
4. Mr Rasoamahenina resigned 13 April 2013
5. Mr Mojapelo attended four meetings as alternate Non-Executive Director for Mr Rasoamehenina to 23 April 2013
6. Mr Mojapelo was appointed as Non-Executive Director 24 April 2013
7. Mr Murray was appointed as Director 6 November 2013

The following Board sub-committees have been established and comprised the following members as at the date of this report:

Audit Committee	Nomination and Remuneration Committee	Health, Safety and Environment Committee
Jonathan Murray (Chair) <sup>1</sup>	Fortune Mojapelo (Chair)	Ryan Rockwood(Chair)
Anthony Viljoen	Jonathan Murray <sup>2</sup>	Anthony Viljoen
Fortune Mojapelo		

Notes:

1. Appointed to Audit Committee 3 February 2014
2. Appointed to Nomination and Remuneration Committee 26 November 2013

## DIRECTORS' REPORT

During the period, the Board sub-committees held the following meetings:

TABLE 3: COMMITTEE MEETINGS HELD AND ATTENDED DURING THE PERIOD

	Audit Committee		Nomination and Remuneration Committee		Health, Safety and Environment Committee	
	Meetings Held and Eligible to Attend	Attended	Meetings Held and Eligible to Attend	Attended	Meetings Held and Eligible to Attend	Attended
Andrew Love <sup>1</sup>	1	1	-	-	-	-
Blair Sergeant <sup>2</sup>	-	-	-	-	-	-
Anthony Viljoen	1	1	-	-	-	-
Marcello Cardaci <sup>3</sup>	2	2	-	-	-	-
Daniel Rasoamahenina <sup>4</sup>	-	-	-	-	-	-
Ryan Rockwood <sup>5</sup>	2	2	1	1	-	-
Fortune Mojapelo <sup>6</sup>	1	1	1	1	-	-
Jonathan Murray <sup>7</sup>	-	-	1	1	-	-

Notes:

1. Mr Love resigned 25 March 2013
2. Mr Sergeant resigned 8 April 2013
3. Mr Cardaci resigned 5 November 2013
4. Mr Rasoamahenina resigned 13 April 2013
5. Mr Rockwood attended one of the Audit Committee meetings as an invitee
6. Mr Mojapelo was appointed as Non-Executive Director on 24 April 2013
7. Mr Murray was appointed as Director 6 November 2013

### Principal Activities

During the period, the principal activities of the entities within the Group were mineral exploration and project development.

### Operating Results for the Period

The net consolidated loss for the period after income tax amounted to \$1,328,507 (31 December 2012: \$670,315).

The Group has not reached a stage in its development where it is generating an operating profit. All of the Group's efforts go into the current project exploration and development and new project evaluation.

At the end of the financial year, the Group had cash on hand of \$16,138,212 (31 December 2012: \$18,072,759). During the period, the Company:

- Released a revised Resource Statement of 135.7Mt Gross Tonnes in Situ ("GTIS") of which 68% was Measured and 91% was Measured and Indicated. Exploration and evaluation costs incurred during the period totalled \$274,704 (31 December 2012: \$3,338,901);
- Released the results of the consolidated mining, infrastructure and logistical scoping studies, all of which assess the viability of a small scale mining operation at the Imaloto Coal Project. The Project's viability and positive economics were confirmed by the scoping studies. Costs incurred in relation to these studies during the period totalled \$41,437 (31 December 2012: \$195,368); and
- Continued the process of working towards securing an Independent Power Plant ("IPP") concession to construct, operate and supply a coal fired power station in near proximity to the Imaloto Coal Project. No costs were incurred in relation to these studies during the period (31 December 2012: \$290,667).

More information on the operating result, financial position and cash flow movements are included in the Financial Statements included in this report.

## DIRECTORS' REPORT

### Dividends

No dividend has been declared or paid by the Group during the 12 month period ended 31 December 2013 and the Directors do not at present recommend a dividend.

### Likely Developments, Expected Results and Future Business Strategies

The Group will continue the evaluation of its mineral projects and undertake generative work to identify and acquire new resource projects. Other than as referred to in this report, due to the nature of the business, to attempt to provide further information as to likely developments in the operations of the Group and likely results of those operations in future financial years would, in the opinion of the Directors, be speculative.

### COURT CASE INVOLVING PERMIT 4578

During the year the Company continued to defend a legal claim and resulting court judgment that declared null and void various historical sale agreements which ultimately resulted in the Company being granted permit 4578.

The Directors are disputing the validity of the court judgement and the matter is currently before the courts in both Tulear and Antananarivo. The Lemur Directors have obtained legal advice from Madagascan counsel, John W. Ffooks & Co., who have advised that in their view the judgment is not a threat to Lemur's currently held tenure over permit 4578 on the basis that the claim is ill-founded, principally as it post-dates the effective transfer date of permit 4578 to Lemur, indicating that Lemur has acquired the permit in good faith. However, there can be no guarantee that Lemur will be successful in disputing the validity of the court judgement.

### Significant Changes in the State of Affairs

Total assets decreased by \$1,914,860 primarily due to a reduction in cash on hand resulting from the Company's continued operational and capital expenditure.

Total liabilities decreased by \$608,202 primarily due to a reduction in trade creditors and accruals.

In the opinion of the Directors, there were no other significant changes in the state of affairs of Lemur Resources Limited and its controlled entities that occurred during the period not otherwise disclosed in this report or the consolidated financial statements.

### Significant Events after Balance Date

At the Company's General Meeting held on 21 February 2014, the shareholders approved the issue of 4 million ordinary shares to Anthony Viljoen and 4 million ordinary shares to Ryan Rockwood.

Other than the above, since the end of the financial year no other matters or circumstances have occurred that have or may significantly affect the operations or the state of affairs of the Consolidated Entity in subsequent financial years.

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Lemur Resources Limited and its controlled entities, and for the executives in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

Details of KMP:

#### (i) Directors

Anthony Viljoen	–	Non-Executive Director to 6 November 2013. Executive Director and CEO from 6 November 2013
Ryan Rockwood	–	Non-Executive Director to 6 November 2013. Executive Director from 6 November 2013
Fortune Mojapelo	–	Alternate Non-Executive Director for Professor Rasoamahenina to 23 April 2013. Non-Executive Director from 24 April 2013 to 7 May 2013. Reappointed as Non-Executive Director from 7 May 2013
Jonathan Murray	–	Non-Executive Director appointed 6 November 2013
Andrew Love	–	Non-Executive Chairman (resigned 25 March 2013)
Blair Sergeant	–	Managing Director (resigned 8 April 2013)
Daniel Rasoamahenina	–	Non-Executive Director (resigned 13 April 2013)
Marcello Cardaci	–	Non-Executive Director to 8 April 2013. Non-Executive Chairman from 8 April 2013 to 5 November 2013 (resigned 5 November 2013)

#### (ii) Executives

Dale Hanna	–	Chief Financial Officer
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### Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors is responsible for determining and reviewing remuneration arrangements for the Directors and executives.

The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing board and executive team.

### Remuneration policy

The remuneration policy of Lemur Resources Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term (e.g. cash bonuses) and long-term incentives (e.g. options). The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

## DIRECTORS' REPORT

The Group's financial performance since incorporation has been as follows:

	31 December 2013	31 December 2012	31 December 2011
Revenue	\$700,486	\$1,019,709	\$565,173
Net profit (loss) after tax	(\$1,328,507)	(\$670,315)	(\$331,783)
Basic earnings (loss) per share	0.69 cents	0.35 cents	0.45 cents
Diluted earnings (loss) per share	0.69 cents	0.35 cents	0.45 cents
Net assets	\$27,197,127	\$28,503,785	\$29,170,949
Share price (at balance date)	\$0.03	\$0.09	\$0.16

As the Company is currently in exploration and evaluation phases, historical earnings are not yet an accurate reflection of Company performance and cannot be used as a long term incentive measure. Consideration of the Company's earnings will be more relevant as the Company matures.

### FIXED REMUNERATION

Fixed remuneration consists of base remuneration (including any fringe benefit tax charges related to employee benefits), as well as employer contributions to superannuation funds. Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and superannuation contribution. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

Remuneration packages are reviewed annually by the Nomination and Remuneration Committee. The process consists of a review of Company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. The Nomination and Remuneration Committee can access external advice regarding remuneration independent of management where required. No external advice was obtained during the financial year.

### PERFORMANCE LINKED REMUNERATION

Performance linked remuneration includes both long term and short term incentives and is designed to reward KMP for meeting or exceeding their objectives.

#### SHORT TERM INCENTIVES

Each year the Nomination and Remuneration Committee assesses the actual performances of the Group and of the KMP. A cash bonus may be recommended at the discretion of the Nomination and Remuneration Committee where the performance and key objectives of the Group and the KMP have been met or exceeded.

No short term incentives were paid during the year.

#### LONG TERM INCENTIVES

Options are issued under the Lemur Resources Limited Employee Share Option Plan (the "Plan"). The total potential long term incentive is set at a level so as to provide sufficient incentive to the KMP to achieve the operational targets, such that the cost to the Company is reasonable in the circumstances.

The Plan provides for KMP and employees to receive a set amount of options over ordinary shares for no consideration. The ability to exercise the options is conditional upon the employee remaining with the Company throughout the vesting period. As the intention of these incentives is solely to retain the KMP's no other performance criteria is required

As part of the terms and conditions of employment, the Company prohibits executives and Directors from entering into arrangements to protect the value of unvested options and share awards. This includes entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

No options were issued to KMP during the financial year.

### Non-executive Directors' remuneration

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to Non-Executive Directors and reviews their remuneration regularly. The maximum aggregate amount of Directors' fees that can be paid to Non-Executive Directors is \$500,000 which was approved by the sole member of the Company on 28 November 2010. Any increases to the maximum aggregate amount of Directors' fees that can be paid are subject to approval by shareholders.

## DIRECTORS' REPORT

### Executive and KMP remuneration

The remuneration structure for KMP is based on a number of factors, including length of service, particular experience of the individual concerned and their role within the organisation. The contracts of service between the Group and KMP are on a continuing basis, the terms of which are not expected to change in the near future.

### Employment contracts

#### Managing Director – Blair Sergeant (resigned 8 April 2013)

Mr Sergeant was employed under a fixed term contract with the following significant terms:

<i>Commencement date</i>	– 28 December 2012
<i>Term</i>	– 48 weeks
<i>Fixed remuneration</i>	– \$312,000 per annum plus 9.25% statutory superannuation
<i>Variable remuneration</i>	– nil
<i>Termination and termination payment</i>	– On 8 April 2013 the employment contract was terminated. Mr Sergeant consulted to the company for a period of 3 months commencing 9 April 2013 for which he received \$72,000. Upon completion of the consulting period Mr Sergeant received a termination payment of \$156,000.

#### Executive Director and CEO – Anthony Viljoen

Mr Viljoen is employed under a fixed term contract with the following significant terms:

<i>Commencement date</i>	– 1 December 2013
<i>Term</i>	– 2 years
<i>Fixed remuneration</i>	– \$212,000 per annum plus 9.25% statutory superannuation
<i>Variable remuneration</i>	– Up to 50% of the fixed remuneration
<i>Equity remuneration</i>	– 4,000,000 ordinary shares for nil consideration
<i>Termination conditions</i>	– The Company may terminate employment without cause by providing 6 months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. There are no termination payments provided in the employment contract.

#### Executive Director – Ryan Rockwood

Mr Rockwood is employed under a fixed term contract with the following significant terms:

<i>Commencement date</i>	– 1 December 2013
<i>Initial term</i>	– 2 years
<i>Fixed remuneration</i>	– \$180,000 per annum plus 9.25% statutory superannuation
<i>Variable remuneration</i>	– Up to 50% of the fixed remuneration
<i>Equity remuneration</i>	– 4,000,000 ordinary shares for nil consideration
<i>Termination conditions</i>	– The Company may terminate employment without cause by providing 6 months' notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. There are no termination payments provided in the employment contract.

## DIRECTORS' REPORT

### Chief Financial Officer – Dale Hanna

Mr Hanna was employed under a fixed term contract with the following significant terms:

<i>Commencement date</i>	– 22 August 2011
<i>Initial term</i>	– none which was subsequently varied to indefinite
<i>Fixed remuneration</i>	– \$169,724 per annum plus 9.25% statutory superannuation
<i>Variable remuneration</i>	– nil
<i>Termination and termination payment</i>	– On 28 February 2014 the employment contract was terminated and Mr Hanna received a termination payment totalling \$62,250

The Remuneration Report for the 2012 financial year received positive shareholder support at the 2012 AGM.

Results were as follows:

Discretionary	2,000,000
For	53,852,556
Against	12,569,830
Abstain	5,399,263

### Remuneration of KMP and the Highest Paid Executives of the Group

#### 31 December 2013

31 December 2013	Short-term benefits			Share based payment		Post-employment benefit			
KMP	Salary and fees	Cash bonus	Non-monetary benefits	Options	Rights <sup>7</sup>	Superannuation	Total	% Performance related	% Option
Director									
Andrew Love <sup>1</sup>	12,500	-	-	-	-	1,125	13,625	-	-
Blair Sergeant <sup>2</sup>	220,769	-	-	-	-	20,421	241,190	-	-
Anthony Viljoen	87,507	-	-	-	44,819	8,094	140,420	-	-
Marcello Cardaci <sup>3</sup>	39,722	-	-	-	-	3,619	43,341	-	-
Daniel Rasoamahenina <sup>4</sup>	12,204	-	-	-	-	1,129	13,333	-	-
Ryan Rockwood	84,840	-	-	-	44,819	7,848	137,507	-	-
Fortune Mojapelo	26,613	-	-	-	-	2,462	29,075	-	-
Jonathan Murray <sup>5</sup>	5,594	-	-	-	-	517	6,111	-	-
Executive									
Dale Hanna <sup>6</sup>	169,725	-	-	21,849		15,487	207,061	-	11%

Notes:

1. Resigned 25 March 2013
2. Resigned 8 April 2013. Included in Mr Sergeant's Salary and Fee total is a termination payment for \$156,000 representing 6 months' salary as per the terms of his employment contract.
3. Resigned 5 November 2013
4. Resigned 13 April 2013
5. Appointed 6 November 2013
6. Mr Hanna was terminated on the 28 February 2014
7. Refer to details of award to Mr Anthony Viljoen and Mr Ryan Rockwood on page 21



## DIRECTORS' REPORT

### 31 December 2012

KMP	Short-term benefits			Share based payment		Post-employment benefit		% Performance related	% Option
	Salary and fees	Cash bonus	Non-monetary benefits	Options	Rights <sup>7</sup>	Superannuation	Total		
<b>Director</b>									
Andrew Love	50,000	-	-	-	-	4,500	54,500	-	-
Blair Sergeant	232,660	-	112,663 <sup>2</sup>	-	-	20,907	366,230	-	-
Anthony Viljoen	40,000	-	-	-	-	3,600	43,600	-	-
Marcello Cardaci	40,000	-	-	-	-	3,600	43,600	-	-
Daniel Rasoamahenina	40,000	-	-	-	-	3,600	43,600	-	-
Ryan Rockwood	40,000	-	-	-	-	3,600	43,600	-	-
Fortune Mojapelo <sup>1</sup>	-	-	-	-	-	-	-	-	-
<b>Executive</b>									
Dale Hanna	161,457	-	-	3,151	-	14,692	179,300	-	2%

#### Notes:

1. Mr Mojapelo was appointed on 6 November 2012, as an alternate director for Professor Daniel Rasoamahenina.
2. On 28 December 2012, Mr Sergeant and his family, at the request of the Company, relocated to Southern Africa. The cost of relocation totalled \$112,663 and included travel, freight, and accommodation costs.

### Options Granted, Vested, Exercised and Lapsed During the Year

	Granted		Fair value per option at grant date	Terms and Condition for each Grant				Vested	
	Number	Grant date		Exercise price	Expiry	First exercise date	Last exercise date	Number	%
<b>31 December 2013</b>									
<b>Executives</b>									
Dale Hanna	-	-	-	-	-	-	-	500,000	100%
<b>31 December 2012</b>									
<b>Executives</b>									
Dale Hanna	500,000	6 Nov 2012	\$0.05	\$0.15	15 Nov 2017	15 Nov 2013	15 Nov 2017	-	-

## DIRECTORS' REPORT

### Value of Options Granted, Exercised and Lapsed During the Year

31 December 2013

No options were granted, exercised or lapsed during the year.

31 December 2012

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of share options for the year
<b>Executives</b>				
Dale Hanna	\$25,000	-	-	2%

### Value of ordinary shares Granted, Exercised and Lapsed During the Year

31 December 2013

No ordinary shares were granted, exercised or lapsed during the year.

31 December 2012

	Value of ordinary shares granted during the year	Value of ordinary exercised during the year	Value of options lapsed during the year	Remuneration consisting of share options for the year
<b>Executives</b>				
Dale Hanna	\$25,000	-	-	2%

### Value of Rights Granted, Exercised and Lapsed During the Year

At the Company's General Meeting held on 21 February 2014, the shareholders approved the issue of 4 million ordinary shares to Anthony Viljoen and 4 million ordinary shares to Ryan Rockwood.

	Anthony Viljoen	Ryan Rockwood
Number of ordinary shares granted	4,000,000	4,000,000
Vesting conditions	none	none
Grant date	21 February 2014	21 February 2014
Measurement date	1 December 2013	1 December 2013
Valuation	Share price at date of grant	Share price at date of grant
Service period commencing	26 November 2013	26 November 2013

### END OF AUDITED REMUNERATION REPORT

## DIRECTORS' REPORT

### Auditor Independence and Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all material non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in APES110 Code of Ethics for Professional Accountants.

The following fees for non-audit services were paid to the external auditors during the 12 months ended 31 December 2013:

- Tax Compliance Services \$35,000

### Auditor's Independence Declaration

The Auditor's Independence Declaration for the 12 months ended 31 December 2013 is included at page 27 and forms part of this Directors' Report.

### Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors support and have adhered to the principles of corporate governance as recommended by the ASX. The Group's Corporate Governance Statement is included in this report immediately after the Auditor's Independence Declaration.

### Share Options

At the date of this report 500,000 options to acquire ordinary shares in Lemur Resources Limited were on issue as follows:

TABLE 6: SHARE OPTIONS

Number	Expiry date	Exercise price	Transferable/ Non- Transferable
500,000	15/11/2017	\$0.15	Non- Transferable

The options are non-transferable unless the Board, in its absolute discretion, permits options to be transferred.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

No options were exercised during the period or in the period up to the date of this report.

At the Company's General Meeting held on 21 February 2014, the shareholders approved the issue of 4 million ordinary shares to Anthony Viljoen and 4 million ordinary shares to Ryan Rockwood.

### Insurance and Indemnity of Officers

Under Lemur's Constitution, unless arising out of conduct involving a lack of good faith, Lemur must indemnify, to the extent permitted by law, each Director, secretary, executive officer and employee of Lemur against:

- any liability incurred by each such person in their capacity as director, secretary, executive officer or employee, as the case may be;
- any liability incurred:
  - in defending civil or criminal proceedings in which judgement is given in their favour or in which they are acquitted;
  - in connection with any application relating to such proceedings in which relief is granted to them under the Corporations Act or the corresponding law of another jurisdiction; or
  - in connection with any investigation of any kind relating to the affairs or conduct of Lemur in which they are examined or required to give evidence or produce documents.

Each of the Directors named in this report has the benefit of this indemnity, which extends to all Directors, secretaries, executive officers and employees of Lemur.

No amount was paid under these indemnities during the 12 month period ended 31 December 2013 or since that date.

## DIRECTORS' REPORT

The Constitution permits Lemur to pay or agree to pay premiums in respect of any contract of insurance which insures any person who is or has been a Director, secretary, executive officer or employee of Lemur against any liability incurred by that person in any such capacity and being a liability:

- for costs and expenses in defending proceedings (whether civil or criminal), whatever their outcome; and
- not arising out of conduct involving a wilful breach of duty or which contravenes section 232(5) and (6) of the Corporations Act.

Lemur has the following insurance cover in respect of amounts that Lemur may have to pay under any of the indemnities set out above:

\$29,546	Directors and officers run off insurance covering 31 October 2013 to 31 October 2015.
\$19,700	Directors and officers insurance covering 24 June 2012 to 31 October 2013.
\$7,688	Directors and officers insurance covering 12 September 2013 to 12 September 2014. This policy has been taken out by Lemurs' controlling shareholder Bushveld Minerals Ltd, however is paid for by Lemur.

### Risk Management

The Group takes a proactive approach to risk management including monitoring actual performance against budgets and forecasts. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

### Environmental Regulations and Performance

The Group is required to carry out the exploration and evaluation of its mining tenements in accordance with various country and state government Acts and Regulations.

In regard to environmental considerations, the Group is required to obtain approval from various country and state regulatory authorities before any exploration requiring ground disturbance is carried out. It is normally a condition of such regulatory approval that any area of ground disturbed during the Group's activities is rehabilitated in accordance with various guidelines.

There have been no significant breaches of these guidelines.

This report is made in accordance with a resolution of the Board of Directors.



**Jonathan Murray**  
*Non-Executive Director*

Perth  
31 March 2014

## AUDITOR'S INDEPENDENCE DECLARATION



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11 Mounts Bay Road  
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### Auditor's Independence Declaration to the Directors of Lemur Resources Limited

In relation to our audit of the financial report of Lemur Resources Limited for the financial year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Gavin Buckingham  
Partner  
Perth  
31 March 2014

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lemur Resources Limited ("Lemur" or "Company") is responsible for the establishment of a corporate governance framework that has regard to the best practice recommendations set by the ASX Corporate Governance Council. Lemur's objective is to achieve best practice in corporate governance, having due regard to the practicality of implementation of the best practice recommendations given the current nature and scale of the Company's activities, and the Company's Board, senior executives and employees are committed to achieving this objective.

This statement summarises the corporate governance practices that have been adopted by the Board and reports on an "if not, why not" basis those recommendations the Company has opted not to follow. In addition to the information contained in this statement, the Company's website at [www.lemurresources.com.au](http://www.lemurresources.com.au) contains additional details of its corporate governance procedures and practices.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's recommendations.

Recommendation	Comply Yes / No	Reference / explanation	ASX Listing Rule / CGC recommendations
<b>Principle 1 — Lay solid foundations for management and oversight</b>			
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 30	ASX CGC 1.1
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 30	ASX CGC 1.2
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Page 30	ASX CGC 1.3
<b>Principle 2 — Structure the board to add value</b>			
2.1 A majority of the board should be independent directors.	No	Page 31	ASX CGC 2.1
2.1 The chair should be an independent director.	N/A	Page 31	ASX CGC 2.2
2.3 The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.	Yes	Page 31	ASX CGC 2.3
2.4 The board should establish a nomination committee.	Yes	Page 31	ASX CGC 2.4
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 31	ASX CGC 2.5
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Page 31-32	ASX CGC 2.6
<b>Principle 3 — Promote ethical and responsible decision-making</b>			
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>The practices necessary to maintain confidence in the company's integrity</li> <li>The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>The responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	Yes	Page 32	ASX CGC 3.1
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes	Page 32	ASX CGC 3.2
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	Page 32	ASX CGC 3.3
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive's positions and women on the board.	Yes	Page 32	ASX CGC 3.4

## CORPORATE GOVERNANCE STATEMENT

Recommendation	Comply Yes / No	Reference / explanation	ASX Listing Rule / CGC recommendations
<b>Principle 3 — Promote ethical and responsible decision-making</b>			
3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Page 32	ASX CGC 3.5
<b>Principle 4 — Safeguard integrity in financial reporting</b>			
4.1 The board should establish an audit committee.	Yes	Page 32	ASX CGC 4.1
4.2 The audit committee should be structured so that it:		Page 32	ASX CGC 4.2
• Consists only of non-executive directors	No		ASX LR 12.7
• Consists of a majority of independent directors	No		
• Is chaired by an independent chair, who is not chair of the board	Yes		
• Has at least three members	Yes		
4.3 The audit committee should have a formal charter.	Yes	Page 32	ASX CGC 4.3
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	Page 32	ASX CGC 4.4
<b>Principle 5 — Make timely and balanced disclosure</b>			
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Page 32	ASX CGC 5.1
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Page 32	ASX CGC 5.2
<b>Principle 6 — Respect the rights of shareholders</b>			
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Page 33	ASX CGC 6.1
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Page 33	ASX CGC 6.2
<b>Principle 7 — Recognise and manage risk</b>			
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 33	ASX CGC 7.1
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Page 33	ASX CGC 7.2
7.3 The board should disclose whether it has received assurance from the CEO (or equivalent) and the Chief Financial Officer (CFO) (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 33	ASX CGC 7.3
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Page 33	ASX CGC 7.4

## CORPORATE GOVERNANCE STATEMENT

Recommendation	Comply Yes / No	Reference / explanation	ASX Listing Rule / CGC recommendations
<b>Principle 8 — Remunerate fairly and responsibly</b>			
8.1 The board should establish a remuneration committee.	Yes	Page 31	ASX CGC 8.1
8.2 The remuneration committee should be structured so that it:		Page 31	ASX CGC 8.2
• Consists of a majority of independent directors	No		
• Is chaired by an independent chair	No		
• Has at least three members	Yes		
8.3 Companies should clearly distinguish the structure of non executive director's remuneration from that of executive directors and senior executives.	Yes	Page 31	ASX CGC 8.3
8.4 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	Page 31	ASX CGC 8.4

**ASX Best Practice Recommendations**

Unless otherwise stated, Lemur's corporate governance practices were in place throughout the year ended 31 December 2013.

**Board of Directors****EVALUATION OF BOARD AND SENIOR EXECUTIVE PERFORMANCE**

A process has been established to review and evaluate the performance of the Board, individual Directors and senior executives. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing the performance of the Board and individual Directors over the previous 12 months and examining ways in which the Board can better perform its duties. The Company's annual Board review to consider the 2013 financial year is scheduled to take place within four months of the end of the financial year.

The Managing Director (or equivalent) is responsible for assessing the performance of the key executives within the Company. This is performed through a formal process involving a formal meeting with each senior executive.

**ROLE AND RESPONSIBILITIES OF THE BOARD**

The Board is responsible for guiding and monitoring the Company on behalf of shareholders. The specific responsibilities of the Board include:

- appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company (subject to compliance with ASX Listing Rules and the Corporations Act 2001 (Cth));
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules) (see Section 2 below); and
- meeting with the external auditor, at their request, without management being present.



## CORPORATE GOVERNANCE STATEMENT

In accordance with ASX Principle 1, the Board has established a Board Charter which sets out functions reserved to the Board and those delegated to senior executives. This Charter is available on the Company's website. The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

### BOARD COMPOSITION

At the date of this Annual Report, the Board is comprised of two executive Directors and two non-executive Directors. On 5 November 2013, Mr Cardaci resigned as non-executive chairman. The Company does not currently have a Chairman.

The Company's website contains details on the procedures for the selection and appointment of new Directors and the re-election of incumbent Directors, together with the Board's policy for the nomination and appointment of Directors.

ASX Principle 2 recommends the Board establish a Nomination Committee to focus on the selection and appointment practices of the Company. It is further recommended that the Nomination Committee have a formal Charter.

The Company has established a Nomination and Remuneration Committee, comprised of one executive Director and two non-executive Directors (one of which is considered to be independent) and is currently chaired by Mr Fortune Mojapelo.

Given the composition of the Board, the formation of a Remuneration and Nomination Committee in accordance with Principle 8.2 of the ASX Corporate Governance Council's recommendations is not possible. The Board considers this present structure is appropriate given its current circumstances until such time as it is able to appoint further independent non-executive Directors to the Board. Both the Nomination and Remuneration Committee have a formal Charter, and are in compliance with each Charter to the furthest extent possible other than as limited by the Board's current composition. Both the Nomination and Remuneration Committee Charters are available on the Company's website, and both include information on the Company's approach to selection and appointment of Directors. The Nomination and Remuneration Committee held one meeting during the period.

The composition of the Board is reviewed at least annually to ensure the balance of skills and experience is appropriate. The current Directors have the broad range of qualification, experience and expertise within the technical, mining exploration, finance and legal industries that the Board is looking to achieve. The skills, experience and expertise of Directors is set out in the Directors' Report.

The names of the Directors in office at the date of this Report, the year they were first appointed and their status as non-executive, executive or independent Directors is set out in the Directors' Report. It is intended that Mr Ryan Rockwood retire by rotation and seek re-election by shareholders at the 2014 Annual General Meeting.

### INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board considers an independent Director to be a non-executive Director who meets the criteria for independence included in Principle 2 of the ASX Corporate Governance Principles and Recommendations. Materiality for these purposes is based on quantitative and qualitative bases. An amount of over 5% of the annual turnover of the Company or 5% of the individual Directors' net worth is considered material for these purposes.

The Board has reviewed and considered the positions and associations of each of the Directors in office at the date of this report and consider that a majority of the Directors are not independent as Mr Viljoen and Mr Rockwood are executives and Mr Mojapelo is a Director of the Company's major shareholder, Bushveld Minerals Limited. Whilst this arrangement is not in accordance with Principle 2.1 of the ASX Corporate Governance Council's recommendations, the Company is comfortable that the Board composition is appropriate due to the Company's circumstances and the broad range of skills and experience the Board members bring to the Company. Furthermore, the Company is confident that independent judgement is exercised by all members of the Board and that its current composition is not detrimental to the Company.

The Board will undergo regular monitoring of the Board composition to ensure its structure is appropriate, adds value and is otherwise in line with its corporate governance principles.

### INDEPENDENT PROFESSIONAL ADVICE

The Board has adopted a formal policy on access to independent professional advice which provides that Directors are entitled to seek independent professional advice for the purposes of the proper performance of their duties. The advice is at the Company's expense and advice so obtained is to be made available to all Directors.

### MEETINGS

The Board held 8 scheduled meetings during the reporting year and no unscheduled meetings were held during that year.

The attendance of Directors at Board meetings during the year ended 31 December 2013 is detailed in the Directors' Report.

## CORPORATE GOVERNANCE STATEMENT

### CODE OF CONDUCT

The Board encourages appropriate standards of conduct and behaviour from Directors, officers, employees and contractors of the Company.

The Board has adopted a Code of Conduct in relation to Directors and employees, available from the Company's website. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety.

### DIVERSITY

ASX Principle 3 recommends companies establish a policy concerning diversity and disclose the policy or a summary of that policy. It further recommends that companies should disclose in each annual report measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them. Lemur has established a Diversity Policy having regard to the suggestions set out in the new ASX Corporate Governance Principles and Recommendations. Our diversity policy covers gender, age, ethnicity and cultural background. It includes a requirement that the Board establish measurable objectives for achieving gender diversity, with progress in achieving these objectives assessed annually by the Nomination and Remuneration Committee. Due to the current nature and scale of Lemur's activities, the Board has not established measurable objectives for achieving gender diversity but will review this position on a regular basis going forward. The Company currently has no female employees.

### FINANCIAL REPORTING

ASX Principle 4 recommends the Board establish an Audit Committee to focus on issues relevant to the integrity of the Company's financial reporting. It is further recommended the Audit Committee have a formal Charter.

The Company has established an Audit and Risk Management Committee which operates in accordance with a formal Audit and Risk Management Committee Charter, available from the Company's website. The Audit and Risk Management Committee Charter promotes an environment consistent with best practice financial reporting and includes information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

The Audit and Risk Management Committee comprises of two non-executive Directors (one of whom is considered independent) and one Executive Director and is currently chaired by Mr Jonathan Murray. The Audit and Risk Management Committee held one meeting during the period.

Given the composition of the Board, it is not possible for the Audit and Remuneration Committee to comply with Principle 4.2 of the ASX Corporate Governance Council's recommendations. However, the Board considers this structure is presently appropriate given its current circumstances and is not detrimental to the Company.

### CONTINUOUS DISCLOSURE

In accordance with ASX Principle 5, the Board has an established Continuous Disclosure Policy which is available from the Company's website.

The Company is committed to:

- (a) complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing rules;
- (b) preventing the selective or inadvertent disclosure of material price sensitive information;
- (c) ensuring shareholders and the market are provided with full and timely information about the Company's activities; and
- (d) ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

## CORPORATE GOVERNANCE STATEMENT

### SHAREHOLDER COMMUNICATION

In accordance with ASX Principle 6, the Board has established a communications strategy which is available from the Company's website. The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company.

The Managing Director (or equivalent) and Company Secretary have primary responsibility for communication with shareholders. Information is communicated through:

- (a) continuous disclosure to relevant stock markets of all material information;
- (b) periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of corporate activities;
- (c) notices of meetings and explanatory material;
- (d) the annual general meeting;
- (e) periodic newsletters or letters from the Company; and
- (f) the Company's web-site at [www.lemurresources.com.au](http://www.lemurresources.com.au)

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

Shareholders are encouraged at annual general meetings to ask questions of Directors and senior management and also the Company's external auditors, who are requested to attend the Company's annual general meetings.

### RISK MANAGEMENT

In accordance with ASX Principle 7, the Company has a policy for the oversight and management of material business risks, which is available on the Company's website.

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- (a) establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- (b) continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- (c) formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- (d) monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

- (a) effectiveness and efficiency in the use of the Company's resources;
- (b) compliance with applicable laws and regulations; and
- (c) preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control, requiring management appraise the Board of changing circumstances within the Company and within the international business environment. During the reporting period, the Managing Director (or equivalent) regularly reported to the Board as to the effectiveness of the Company's management of its material business risks. Further, in accordance with Principle 7, the Managing Director (or equivalent) and Chief Financial Officer have confirmed in writing to the Board that:

- (a) the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards;
- (b) the above confirmation is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and
- (c) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.



## CORPORATE GOVERNANCE STATEMENT

### SECURITIES TRADING

The Board has adopted a Securities Trading Policy which complies with the requirements of Listing Rule 12.12 and which regulates dealings by Directors, officers and employees in securities issued by the Company.

The policy, which is available on the Company's website, includes the Company's closed periods, restrictions on trading that apply to the Company's key management personnel, trading that is not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining written clearance. The policy provides that employees, Directors and officers must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Chair.

### PRIVACY

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a company the size and nature of Lemur.

## STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2013 FULL YEAR REPORT

		CONSOLIDATED	
	Note	31 December 2013	31 December 2012
		\$	\$
<b>CURRENT ASSETS</b>			
Cash	17	16,138,212	18,072,759
Trade and other receivables	9	14,751	19,260
Other current assets	10	97,716	150,296
<b>TOTAL CURRENT ASSETS</b>		<b>16,250,679</b>	<b>18,242,315</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	11	309,648	507,576
Deferred exploration and evaluation expenditure	12	10,804,591	10,529,887
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,114,239</b>	<b>11,037,463</b>
<b>TOTAL ASSETS</b>		<b>27,364,918</b>	<b>29,279,778</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	144,486	760,397
Provisions	14	23,305	15,596
<b>TOTAL CURRENT LIABILITIES</b>		<b>167,791</b>	<b>775,993</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>167,791</b>	<b>775,993</b>
<b>NET ASSETS</b>		<b>27,197,127</b>	<b>28,503,785</b>
<b>EQUITY</b>			
Contributed equity	15	29,502,731	29,502,731
Employee share option reserve		25,000	3,151
Accumulated losses		(2,330,605)	(1,002,098)
Equity attributable to owners of parent		27,197,126	28,503,784
Non- controlling interest		1	1
<b>TOTAL EQUITY</b>		<b>27,197,127</b>	<b>28,503,785</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2013**

		<b>CONSOLIDATED</b>	
	<b>Note</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
		<b>\$</b>	<b>\$</b>
<b>REVENUE</b>			
Interest revenue	6	700,486	1,019,709
<b>OTHER INCOME</b>			
Debt forgiveness		-	89,135
Unrealised foreign exchange gain		2,319	23,855
		702,805	1,132,699
<b>EXPENSES</b>			
Directors' and employee benefits expenses	7(a)	845,884	790,072
Business development expenses		84,237	260,548
Occupancy expenses		143,766	112,592
Professional services expenses	7(b)	304,521	227,652
Public and investor relations expense		26,823	113,362
Takeover defence	7(c)	276,996	-
Project evaluation		6,015	48,795
Doubtful debts written off		-	95,609
Depreciation		201,498	6,605
Other expenses		141,572	147,779
<b>LOSS BEFORE INCOME TAX</b>		1,328,507	670,315
Income tax expense	8	-	-
<b>LOSS FOR THE YEAR</b>		1,328,507	670,315
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		1,328,507	670,315
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO:</b>			
Members of the parent		1,328,507	670,315
Non- controlling interest		-	-
		1,328,507	670,315
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:</b>			
Members of the parent		1,328,507	670,315
Non- controlling interest		-	-
		1,328,507	670,315
Basic loss per share (cents per share)	16	0.69 cents	0.35 cents
Diluted loss per share (cents per share)	16	0.69 cents	0.35 cents

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Contributed Equity \$	Employee Share Option Reserve \$	Accumulated Losses \$	Non-Controlling Interest \$	Total \$
At 1 January 2012	29,502,731	-	(331,783)	1	29,170,949
Loss for the year	-	-	(670,315)	-	(670,315)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(670,315)	-	(670,315)
Transactions with owners in their capacity as owners					
Share based payments	-	3,151	-	-	3,151
At 31 December 2012	29,502,731	3,151	(1,002,098)	1	28,503,785
Loss for the year	-	-	(1,328,507)	-	(1,328,507)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	(1,328,507)	-	(1,328,507)
Transactions with owners in their capacity as owners					
Share based payments	-	21,849	-	-	21,849
At 31 December 2013	29,502,731	25,000	(2,330,605)	1	27,197,127

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2013**

	<b>Note</b>	<b>CONSOLIDATED</b>	
		<b>31 December 2013</b>	<b>31 December 2012</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(1,778,572)	(1,359,058)
Interest received		721,585	1,054,093
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	17(b)	<b>(1,056,987)</b>	<b>(304,965)</b>
<b>CASH FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation		(876,308)	(3,238,901)
Payments for plant and equipment		(3,571)	(19,838)
Deposits paid		-	(9,513)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(879,879)</b>	<b>(3,268,252)</b>
<b>CASH FROM FINANCING ACTIVITIES</b>			
Receipts from repayment of loan		-	8,114
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>8,114</b>
<b>NET (DECREASE)/ INCREASE IN CASH HELD</b>		<b>(1,936,866)</b>	<b>(3,565,103)</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>		<b>18,072,759</b>	<b>21,614,007</b>
<b>FOREIGN EXCHANGE VARIANCES ON CASH</b>		<b>2,319</b>	<b>23,855</b>
<b>CLOSING CASH BALANCE</b>		<b>16,138,212</b>	<b>18,072,759</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

## 1. CORPORATE INFORMATION

The financial report of Lemur Resources Limited ("the Company") and its controlled entities ("the Consolidated Entity" or "the Group") for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 31 March 2014.

Lemur Resources Limited is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The nature of the operations and principal activities of the Consolidated Entity are mineral exploration and project development which is further described in the Directors' Report.

Lemur Resources Limited is a for-profit entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

### (b) GOING CONCERN

The financial report has been prepared on a going concern basis. In arriving at this position the Directors have had regard to the fact that the Consolidated Entity has sufficient cash and other assets to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

### (c) COMPLIANCE STATEMENT

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### (d) CHANGES IN ACCOUNTING POLICY, DISCLOSURES, STANDARDS AND INTERPRETATIONS

Except as disclosed below, the accounting policies applied are consistent with the prior year.

#### (i) Adoption of new and amended Accounting Standards and Interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations, effective from 1 January 2013, issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations. These included AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 119 *Employee Benefits (revised 2011)*, AASB 128 *Investment in Associates and Joint Ventures*, and AASB 13 *Fair Value Measurement*.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new relevant standard and/or amendment is described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (d) CHANGES IN ACCOUNTING POLICY, DISCLOSURES, STANDARDS AND INTERPRETATIONS *continued*

##### (i) Adoption of new and amended Accounting Standards and Interpretations *continued*

###### AASB 10 *Consolidated Financial Statements*

AASB 10 establishes a new control model that applies to all entities. It replaces the portion of AASB 127 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*.

The adoption of the accounting standard did not have a significant effect on the financial statements of the Group.

###### AASB 11 *Joint Arrangements*

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the ventures a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the ventures a right to the net assets is accounted for using the equity method.

Consequential amendments were also made to other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.

The adoption of the accounting standard did not have a significant effect on the financial statements of the Group.

###### AASB 12 *Disclosures of Interests in Other Entities*

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

The adoption of the accounting standard did not have a significant effect on the financial statements of the Group.

###### AASB 13 *Fair Value Measurement*

AASB 13 establishes a single source of guidance under AASB for all fair value measurements. AASB 13 does not change when an entity is required to use fair value but rather provides guidance on how to measure fair value under AASB when fair value is required or permitted.

Additional disclosures have been included in the notes to the financial statements.

###### AASB 119 *Employee Benefits (Revised 2011)*

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting dates. Consequential amendments were also made to other standards via AASB 2011-10.

The Group has classified leave provisions based on the timing of when the Group expects the benefit to become due to be settled. There has been no material impact upon adopting this standard.

##### (ii) Accounting Standards and Interpretations issued but not yet effective

The Australian Accounting Standards and Interpretations that are issued or amended but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretation, if applicable, when they become effective. The Group has yet to determine the full impact of these new and revised accounting standards and interpretations.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (d) CHANGES IN ACCOUNTING POLICY, DISCLOSURES, STANDARDS AND INTERPRETATIONS *continued*

##### (ii) Accounting Standards and Interpretations issued but not yet effective *continued*

Reference	Summary	Application date of standard*	Application date for Group*
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:</p> <ol style="list-style-type: none"> <li>Tier 1: Australian Accounting Standards</li> <li>Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements</li> </ol> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <ol style="list-style-type: none"> <li>For-profit entities in the private sector that have public accountability (as defined in this standard)</li> <li>The Australian Government and State, Territory and Local governments</li> </ol> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <ol style="list-style-type: none"> <li>For-profit private sector entities that do not have public accountability</li> <li>All not-for-profit private sector entities</li> <li>Public sector entities other than the Australian Government and State, Territory and Local governments.</li> </ol> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012 11.</p>	1 July 2013	1 January 2014
AASB 2011-4	<p><i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i></p> <p>This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.</p>	1 July 2013	1 January 2014
AASB 2012-3	<p><i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i></p> <p>AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.</p>	1 January 2014	1 January 2014

## NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*(d) CHANGES IN ACCOUNTING POLICY, DISCLOSURES, STANDARDS AND INTERPRETATIONS *continued*(ii) Accounting Standards and Interpretations issued but not yet effective *continued*

Reference	Summary	Application date of standard*	Application date for Group*
Interpretation 21	<p><i>Levies</i></p> <p>This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.</p>	1 January 2014	1 January 2014
AASB 9	<p><i>Financial Instruments</i></p> <p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> <li>Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> <li>The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>The remaining change is presented in profit or loss</li> </ul> </li> </ol> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> <p>The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:</p> <ol style="list-style-type: none"> <li>New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;</li> <li>Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and</li> </ol> <p>The mandatory effective date moved to 1 January 2017.</p>	1 January 2017	1 January 2017

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (d) CHANGES IN ACCOUNTING POLICY, DISCLOSURES, STANDARDS AND INTERPRETATIONS *continued*

##### (ii) Accounting Standards and Interpretations issued but not yet effective *continued*

Reference	Summary	Application date of standard*	Application date for Group*
AASB 2013-3	<p><i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i></p> <p>AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.</p>	1 January 2014^^	1 January 2014
AASB 2013-4	<p><i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting</i></p> <p>AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.</p>	1 January 2014	1 January 2014
AASB 2013-5	<p><i>Amendments to Australian Accounting Standards – Investment Entities</i></p> <p>These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 <i>Business Combinations</i> when it obtains control of another entity.</p> <p>These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.</p> <p>These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.</p>	1 January 2014	1 January 2014
AASB 2013-7	<p><i>Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders</i></p> <p>AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.</p>	1 January 2014	1 January 2014

## NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

## (d) CHANGES IN ACCOUNTING POLICY, DISCLOSURES, STANDARDS AND INTERPRETATIONS continued

## (ii) Accounting Standards and Interpretations issued but not yet effective continued

Reference	Summary	Application date of standard*	Application date for Group*
Annual Improvements 2010–2012 Cycle *****	<p><i>Annual Improvements to IFRSs 2010–2012 Cycle</i></p> <p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> <li>IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.</li> <li>IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' assets to the entity's assets.</li> <li>IAS 16 &amp; IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> </ul> <p>IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</p>	1 July 2014	1 January 2015
Annual Improvements 2011–2013 Cycle *****	<p><i>Annual Improvements to IFRSs 2011–2013 Cycle</i></p> <p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> <li>IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.</li> </ul> <p>IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.</p>	1 July 2014	1 January 2015

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (d) CHANGES IN ACCOUNTING POLICY, DISCLOSURES, STANDARDS AND INTERPRETATIONS *continued*

##### (ii) Accounting Standards and Interpretations issued but not yet effective *continued*

Reference	Summary	Application date of standard*	Application date for Group*
AASB 1031	<p><i>Materiality</i></p> <p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.</p> <p>AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p>	1 January 2014	1 January 2014
AASB 2013-9	<p><i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i></p> <p>The Standard contains three main parts and makes amendments to a number Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.</p>	^^^	^^^

\* *Designates the beginning of the applicable annual reporting period unless otherwise stated*

\*\*\*\*\* *These IFRS amendments have not yet been adopted by the AASB*

^^^ *The application dates of AASB 2013-9 are as follows;*

*Part A – periods ending on or after 20 Dec 2013*

*Part B – periods beginning on or after 1 January 2014*

*Part C – reporting periods beginning on or after 1 January 2015*

*The application date for the Group would be the same as per the Standard.*

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (e) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Lemur Resources Limited and its subsidiaries as at 31 December each year or for any time during the year.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated for the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Lemur Resources Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position separately from the equity of the owners of the parent.

Total comprehensive income within a subsidiary is attributable to non-controlling interest even if that results in a deficit balance.

#### (f) SEGMENT REPORTING

The Consolidated Entity has identified its operating segment based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operates in one operating segment. The operations of the Consolidated Entity consist of mineral exploration within Madagascar.

#### (g) FOREIGN CURRENCY TRANSLATION

##### (i) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars (AUD), which is the Company's functional and presentation currency. The controlled entities functional currencies are also Australian dollars (AUD).

##### (ii) TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. When exchange differences arise they are recorded directly in profit and loss.

#### (h) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

For the purposes of the Statement of Cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (i) TRADE AND OTHER RECEIVABLES

Trade receivables are generally paid on 30 day settlement terms and are recognised and carried at original invoice amount less an allowance for impairment. Trade receivables are non-interest bearing. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified.

An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

#### (j) INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets. The classification depends on the purpose for which the investments were acquired.

#### (k) PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated using a straight line method to allocate their cost over their estimated useful lives. The expected useful lives are as follows:

- Plant and Equipment (Mine site) – 1 to 3 years
- Plant and Equipment (Head office) – 1 to 3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### (i) IMPAIRMENT

Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

#### (ii) DERECOGNITION AND DISPOSAL

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

### (II) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### (i) CONSOLIDATED ENTITY AS A LESSEE

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (m) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at transaction price minus principal repayments. They represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (n) PROVISIONS

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### (o) EMPLOYEE BENEFITS

##### (i) WAGES, SALARIES, SUPERANNUATION AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled.

##### (ii) LONG SERVICE LEAVE

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

#### (p) SHARE BASED PAYMENTS

The Consolidated Entity provides benefits to its directors and employees in the form of share-based payments, whereby directors and employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity, on a straight-line basis, over the year in which the vesting and/or service conditions are fulfilled (the vesting year), ending on the date on which the relevant directors and employees become fully entitled to the options (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income reflects:

- the grant date fair value of the options;
- the current best estimate of the number of options that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting year and the likelihood of vesting conditions being met, based on best available information at the reporting date; and
- the extent to which the vesting year has expired.

The charge to the statement of comprehensive income for the year is the cumulative amount as calculated above less the amounts already charged in previous years. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (p) SHARE BASED PAYMENTS *continued*

If an equity-settled award is cancelled, other than forfeiture, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### (q) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (r) REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

##### (i) INTEREST REVENUE

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest revenue over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### (s) INCOME TAX AND OTHER TAXES

##### (i) INCOME TAX

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

#### (s) INCOME TAX AND OTHER TAXES *continued*

##### (i) INCOME TAX *continued*

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

##### (ii) OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (t) EARNINGS PER SHARE

Basic earnings per share is calculated as net profit (loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit (loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### (u) EXPLORATION AND EVALUATION EXPENDITURE

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the right to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

##### (i) IMPAIRMENT

The carrying value of capitalised exploration and evaluation expenditure is assessed annually for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (u) EXPLORATION AND EVALUATION EXPENDITURE continued

##### (i) IMPAIRMENT continued

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to the recoverable amount. Any impairment losses are recognised in the statement of comprehensive income.

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities and contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future years.

#### (i) IMPAIRMENT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Consolidated Entity decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the year in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the year in which this determination is made.

#### (ii) SHARE BASED PAYMENT TRANSACTIONS

The Consolidated Entity measures the cost of equity settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Binomial Option Pricing Model, with the assumptions detailed in note 19. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of the assets and liabilities within the next annual reporting year but may impact income and expenses.

### 4. SEGMENT INFORMATION

The Consolidated Entity has identified one operating segment based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operates in Madagascar (exploration and evaluation for coal). Discrete financial information is presented for the Group as a whole. Accordingly all significant operating decisions are based on an analysis of the Group as one segment. The financial position and results of this segment is equivalent to the financial statements of the Group as a whole.

Other prospective opportunities outside of this geographical location are also considered from time to time, and if they are secured, will then be attributed to the geographical location where they are located.

The majority of the Consolidated Entity's non-current assets are held in Madagascar and all interest revenue is derived from funds invested in short-term money market instruments, all of which are held within Australia.

## NOTES TO THE FINANCIAL STATEMENTS

## 5. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Lemur Resources Limited, at 31 December 2013. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	31 December 2013 \$	31 December 2012 \$
<b>Assets</b>		
Total current assets	16,240,565	18,217,779
Total non-current assets	11,128,232	10,645,678
Total assets	27,368,797	28,863,457
<b>Liabilities</b>		
Total current liabilities	171,671	359,672
Total non-current liabilities	-	-
Total liabilities	171,671	359,672
<b>Equity attributable to equity holders of the parent</b>		
Contributed equity	29,502,731	29,502,731
Employee Option Reserve	25,000	3,151
Accumulated losses	(2,330,605)	(1,002,098)
Total equity	(27,197,126)	28,503,784
<b>Loss for the year</b>		
Total comprehensive loss for the year	1,328,507	673,598

The parent has no contingent liabilities.

During the period, the parent entity had a 12 month operating lease commitment for its head office space comprising of 2 car bays and 2 offices totalling \$7,550 per month. From 15 October 2013, the lease may be terminated on 6 months written notice. On 15 October 2013 notice was given on 1 office and 1 car bay. Refer to note 24(d) for further details of the lease.

The following are controlled entities at 31 December 2013 and have been included in the consolidated financial statements. The financial year of the controlled entities is the same as that of Lemur Resources Limited.

Controlled Entity	Country of Incorporation	Entity Holding Investment	Principal Activity	Beneficial Percentage held by The Consolidated Entity	
				31 December 2013 %	31 December 2012 %
Coal of Madagascar Limited	Guernsey	Lemur Resources Limited	Holding Company	100%	100%
Coal Mining Madagascar SARL	Madagascar	Coal of Madagascar Limited	Exploration Company	99%	99%
Pan African Drilling Limited	British Virgin Islands	Coal of Madagascar Limited	Drilling Company	100%	100%
Imaloto Power Project Limited (incorporated on 14/05/12)	Mauritius	Lemur Resources Limited	Power Generation Company	100%	100%
Lemur Investments Limited (incorporated on 31/01/12)	Mauritius	Lemur Resources Limited	Holding Company	100%	100%
Lemur Exploration SARL (incorporated on 25/06/12)	Madagascar	Lemur Investments Limited	Exploration Company	99%	99%

Investments in controlled entities are in ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. PARENT ENTITY INFORMATION *continued*

#### (i) PORTION OF INTEREST HELD BY NON-CONTROLLING ENTITIES

Controlled Entity	Country of Incorporation	Principal Activity	Principal Activity	
			31 December 2013 %	31 December 2012 %
Coal Mining Madagascar SARL	Madagascar	Exploration Company	1%	1%
Lemur Exploration SARL (incorporated on 25/06/12)	Madagascar	Exploration Company	1%	1%

CONSOLIDATED	
31 December 2013 \$	31 December 2012 \$

### 6. REVENUE

Interest revenue	700,486	1,019,709
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### 7. EXPENSES

#### (a) DIRECTORS AND EMPLOYEE BENEFITS EXPENSE

Employee salaries, superannuation and annual leave expense	289,071	445,358
Directors' fees and superannuation (i)	534,964	228,900
Non-monetary benefits	-	112,663
Employee Share Option Expense	21,849	3,151
	845,884	790,072

#### (b) PROFESSIONAL SERVICES EXPENSES

Audit fees	30,000	30,000
Corporate Tax	35,000	32,500
Company Secretarial	60,000	60,000
Legal	60,357	29,132
Corporate compliance in relation to foreign subsidiaries	32,366	55,561
Consultancy fees	70,200	-
Other	16,598	20,459
	304,521	227,652

#### (c) TAKEOVER DEFENCE

Legal – Target Statement preparation	202,506	-
Accountants – Independent Experts Report	26,123	-
Technical – Valuation report	19,423	-
Other – Share registry and investor relations	28,944	-
	276,996	-

(i) Includes a \$156,000 termination payment paid to Mr Blair Sergeant.

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	31 December 2013	31 December 2012
	\$	\$
<b>8. INCOME TAX</b>		
The major components of income tax expense/(benefit ) are:		
<b>Income Statement</b>		
<i>Current income tax</i>		
Current year income tax charge / (benefit)	-	-
Prior year over-provision of current income tax	-	-
Current income (tax charge) / benefit not recognised	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Prior year over-provision of income tax	-	-
Deferred income tax not recognised	-	-
Income tax expense reported in the income statement	-	-
<b>Statement of Recognised Income and Expense</b>		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Capital raising costs charged to equity not recognised	-	-
Income tax expense reported in equity	-	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate as follows:		
Accounting loss before tax from continuing operation	1,328,507	670,315
At the Group's statutory income tax rates of 30% (2012: 30%)	398,552	201,095
Effect of lower tax rate and other	(59,554)	(1,688)
Non-deductible expenses	(6,555)	(16,133)
Prior year over-provision of income tax	-	(15,129)
Tax losses and other temporary differences not recognised	(332,443)	(168,145)
Income tax expense reported in the income statement	-	-



## NOTES TO THE FINANCIAL STATEMENTS

### 8. INCOME TAX continued

#### DEFERRED INCOME TAX

Deferred income tax at 31 December 2013 relates to the following:

	Opening	Income	Equity	Closing
<i>Deferred tax liabilities</i>				
Accrued interest	-	-	-	-
Unrealised foreign exchange	(7,456)	4,384	-	(3,072)
	(7,456)	4,384	-	(3,072)
<i>Deferred tax assets</i>				
Accruals	9,820	(1,984)	-	7,836
Provisions	4,679	2,312	-	6,991
Plant and equipment	554	538	-	1,092
Section 40-880 Costs	312,159	(36,130)	-	276,029
Losses available for offset against future taxable income	472,095	363,323	-	835,418
Not recognised	(791,851)	(332,443)	-	(1,124,294)
	7,456	(4,384)	-	3,072
Net deferred tax assets	-	-	-	-

Deferred income tax at 31 December 2012 relates to the following:

<i>Deferred tax liabilities</i>				
Accrued interest	(37,479)	37,479	-	-
Unrealised foreign exchange	-	(7,456)	-	(7,456)
	(37,479)	30,023	-	(7,456)
<i>Deferred tax assets</i>				
Accruals	9,000	820	-	9,820
Provisions	4,015	664	-	4,679
Plant and equipment	-	554	-	554
Section 40-880 Costs	529,327	(167,172)	(49,996)	312,159
Losses available for offset against future taxable income	168,839	303,256	-	472,095
Not recognised	(673,702)	(168,145)	49,996	(791,851)
	37,479	(30,023)	-	7,456
Net deferred tax assets	-	-	-	-

#### CONSOLIDATED

31 December 2013	31 December 2012
\$	\$

Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as follows:

Temporary differences	288,876	319,756
Tax losses – revenue	835,418	472,095
	1,124,294	791,851

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Group's ability to use losses in the future is subject to the companies in the Group satisfying the relevant tax authority's criteria for using these losses.

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	31 December 2013	31 December 2012
	\$	\$
<b>9. TRADE AND OTHER RECEIVABLES</b>		
Sundry debtors	14,751	19,260
Terms and conditions of the above financial instruments:		
i) Sundry debtor is comprised primarily of GST receivable is non-interest bearing and has repayment terms between 15 and 60 days.		
<b>10. OTHER CURRENT ASSETS</b>		
Accrued interest	69,448	90,547
Security deposits	4,881	27,157
Prepayments	23,387	32,592
	97,716	150,296
Terms and conditions of the above financial instruments:		
i) Accrued interest represents the portion of interest income earned by the Company on its 90 day term deposits (effective rate 3.68%) though not received at the reporting date.		
ii) Security deposits represents cash deposits made in the course of renting various mine site plant and equipment.		
<b>11. PLANT AND EQUIPMENT</b>		
<i>Plant and equipment – Mine Site</i>		
Cost	1,024,803	1,024,803
Accumulated depreciation	(726,005)	(533,127)
Written down value	298,798	491,676
<i>Plant and equipment – Head Office</i>		
Cost	28,742	25,171
Accumulated depreciation	(17,892)	(9,271)
Written down value	10,850	15,900
<b>Reconciliation of carrying amount</b>		
<i>Plant and equipment – Mine Site</i>		
Opening balance	491,676	877,428
Additions	-	-
Depreciation <sup>(i)</sup>	(192,878)	(385,752)
	298,798	491,676
<b>Plant and equipment – Head Office</b>		
Opening balance	15,900	2,666
Additions	3,571	19,839
Depreciation expense	(8,621)	(6,605)
	10,850	15,900
	309,648	507,576

- (i) At 31 December 2012 deprecation was capitalised. Capitalised deprecation relates to drill and mine site equipment used in exploration and evaluation activities at the Imaloto Coal Project and has been capitalised in accordance with the Group's accounting policy

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	31 December 2013	31 December 2012
	\$	\$
<b>12. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE</b>		
Exploration and evaluation costs	10,804,591	10,529,887
<b>Reconciliation of carrying amount</b>		
<i>Exploration and evaluation costs</i>		
Opening balance	10,529,887	6,805,234
Expenditure incurred	274,704	3,338,901
Capitalised depreciation <sup>(i)</sup>	-	385,752
	10,804,591	10,529,887

(i) At 31 December 2012 depreciation was capitalised. Capitalised depreciation relates to drill and mine site equipment used in exploration and evaluation activities at the Imaloto Coal Project and has been capitalised in accordance with the Group's accounting policy

### Recoverability

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

### Court case involving permit 4578

During the year the Company continued to defend a legal claim and resulting court judgment that declared null and void various historical sale agreements which ultimately resulted in the Company being granted permit 4578.

Permit 4578 is a mining permit, is where the coal seams are at their shallowest and holds a material portion of the Imaloto Coal Resource.

The Directors are disputing the validity of the court judgement and the matter is currently before the courts in both Antananarivo and Tulear. The Lemur Directors have obtained legal advice from Madagascan counsel, John W Fooks & Co., who have advised that in their view the judgment is not a threat to Lemur's currently held tenure over permit 4578 on the basis that the claim is ill-founded, principally as it post-dates the effective transfer date of permit 4578 to Lemur, indicating that Lemur has acquired the permit in good faith. However, there can be no guarantee that Lemur will be successful in disputing the validity of the court judgement.

	CONSOLIDATED	
	31 December 2013	31 December 2012
	\$	\$
<b>13. TRADE AND OTHER PAYABLES</b>		
Trade creditors	51,460	311,345
Accrued expenses	93,026	449,052
	144,486	760,397

Terms and conditions of the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

## 14. PROVISIONS

### Employee entitlements

Annual leave	23,305	15,596
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## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	31 December 2013	31 December 2012
	\$	\$
<b>15. CONTRIBUTED EQUITY</b>		
(a) ISSUED AND PAID UP CAPITAL		
Ordinary shares fully paid	29,502,731	29,502,731

	CONSOLIDATED			
	31 December 2013		31 December 2012	
	Shares	\$	Shares	\$
(b) MOVEMENTS IN SHARES ON ISSUE				
End of the period	192,500,001	29,502,731	192,500,001	29,502,731

There was no movement in shares on issue during the period

## (c) SHARE OPTIONS

At period end 500,000 unlisted options non-transferrable employee share options were on issue. Refer to note 19 for details of these options.

## (d) ORDINARY SHARES

At the Company's General Meeting held on 21 February 2014, the shareholders approved the issue of 4 million ordinary shares to Anthony Viljoen and 4 million ordinary shares to Ryan Rockwood.

## (e) TERMS AND CONDITIONS

*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

As per the Corporations Act 2001 the Company does not have authorised capital and ordinary shares do not have a par value.

*Options*

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

	CONSOLIDATED	
	31 December 2013	31 December 2012
	\$	\$
<b>16. LOSS PER SHARE</b>		
Loss used in calculating basic and diluted earnings per share	1,328,507	670,315

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share

192,500,001      192,500,001

Effect of dilution:

share options <sup>(1)</sup>

-      -

Weighted average number of ordinary shares adjusted for the effect of dilution

192,500,001      192,500,001

(1) All tranches were out of the money at balance date and as such do not have a dilutive effect on the earning per share calculation. Refer to note 19 for unlisted options details.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. LOSS PER SHARE continued

At balance date the Company had on issue 500,000 unlisted options over ordinary shares of the Company with an exercise price of \$0.15.

At the Company's General Meeting held on 21 February 2014, the shareholders approved the issue of 4 million ordinary shares to Anthony Viljoen and 4 million ordinary shares to Ryan Rockwood.

CONSOLIDATED	
31 December 2013	31 December 2012
\$	\$

### 17. CASH FLOW STATEMENT

#### (a) RECONCILIATION OF CASH

Cash balances comprise:

Cash at bank	16,138,212	18,072,759
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Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (b) RECONCILIATION OF LOSS AFTER INCOME TAX TO THE NET CASH USED IN OPERATING ACTIVITIES

Loss after tax	(1,328,507)	(670,315)
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##### *Non-cash items*

Depreciation and amortisation	201,498	6,605
Share based payments	21,849	3,151
Forgiveness of loan payable	-	(89,135)
Bad and doubtful debts	-	96,345
Unrealised foreign exchange revaluation	(2,319)	(23,855)

##### *(Increase) / decrease in assets and increase/ (decrease) in liabilities:*

GST receivable	4,510	(7,633)
Accrued interest	21,099	34,384
Prepayments	9,205	(15,302)
Provisions	7,709	2,212
Trade and other payables	7,969	358,578
Net cash used in operating activities	(1,056,987)	(304,965)

### 18. EXPENDITURE COMMITMENTS

#### (a) LEASE COMMITMENTS

##### (i) Head office lease

The Company has entered into a lease for its head office space located in Perth, Australia, comprising of 2 car bays and 2 offices totalling \$7,550 per month. From 15 October 2013, the lease may be terminated by giving 6 months written notice. Refer to note 24(d) for further details of the lease.

On 15 October 2013 termination notice was given on the first office and car bay therefore at year end 3.5 months remain outstanding on the lease.

On 15 January 2014 termination notice was given on the second office and car bay therefore at year end 6.5 months remain outstanding in the lease.

## NOTES TO THE FINANCIAL STATEMENTS

## 18. EXPENDITURE COMMITMENTS continued

## (a) LEASE COMMITMENTS continued

## (ii) Johannesburg lease

The Company entered into a sub-lease agreement on 27 November 2013 for head office space and car parking located in Johannesburg, South Africa, totalling ZAR 70,000 per calendar month (plus VAT). The sub-lease can be terminated by either party by providing 3 months' written notice. Refer to note 24(d) for further details of the lease.

Future minimum lease payments under the lease together with the present value of the net minimum lease payments are as follows:

	Minimum Lease Payments	
	31 December 2013 \$	31 December 2012 \$
<b>CONSOLIDATED</b>		
Within one year	45,219	71,725

## (b) EXPLORATION TENEMENT EXPENDITURE

In order to maintain current rights of tenure to exploration tenements, Lemur Resources Limited and its controlled entities are required to meet the expenditure requirements of the various mines departments. Based on the current tenement holdings, expenditure commitments for the year ended 31 December 2013 is estimated to be \$40,000. All exploration expenditure commitments are non-binding, in respect of outstanding expenditure commitments, in that the Group has the option to relinquish and lose these licences or its contractual commitments at any stage, at the cost of its cumulative expenditure up to the point of relinquishment.

## 19. SHARE BASED PAYMENTS

## Employee Shares

At the Company's General Meeting held on 21 February 2014, the shareholders approved the issue of 4 million ordinary shares to Anthony Viljoen and 4 million ordinary shares to Ryan Rockwood.

	Anthony Viljoen	Ryan Rockwood
Number of ordinary shares granted	4,000,000	4,000,000
Vesting conditions	none	none
Grant date	21-February-2014	21-February-2014
Measurement date	01 December 2013	01 December 2013
Valuation	Share price at date of grant	Share price at date of grant
Service period commencing	26-November-2013	26-November-2013

## Unlisted Employee Share Options:

The following table details the number (No) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2013		2012	
	No	WAEP \$	No	WAEP \$
Outstanding at the beginning of the year	13,500,000	0.35	13,000,000	0.35
Granted during the year	-	-	500,000	0.15
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(13,000,000)	(0.35)	-	-
Outstanding at the end of the year	500,000	0.15	13,500,000	0.34
Exercisable at the end of the year	500,000	0.15	13,000,000	0.35

## NOTES TO THE FINANCIAL STATEMENTS

### 19. SHARE BASED PAYMENTS continued

The outstanding balance at 31 December 2013 of 500,000 options over ordinary shares has an exercise price of \$0.15 each. All options vested on 15 November 2013, and are exercisable until 15 November 2017.

The options will lapse if not exercised by the exercise date. The options cannot be transferred and will not be quoted on the Australian Securities Exchange.

The weighted average share price during the year was \$0.06.

The weighted average remaining contractual life for the share options outstanding at 31 December 2013 is 3.96 years.

The exercise price for all options outstanding at the end of the year is \$0.15.

The fair value of the equity-settled share options is estimated at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

The following table lists the weighted average inputs to the model used to fair value the options:

\$0.15 cent options	
Underlying share price	\$0.09
Exercise price	\$0.15
Issue date	15/11/2012
Expiration date	15/11/2017
Life of the options	4.00 years
Volatility (a)	100%
Risk-free rate	2.62%
Fair value of one option	\$0.05

(a) The volatility has been calculated based on the volatility of ASX listed companies considered comparable to Lemur.

### 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instrument is cash.

The main purpose of this financial instrument is to fund the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### (a) CREDIT RISK

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

Financial instruments that potentially subject the consolidated entity to concentrations of credit risk consist principally of cash and cash and cash equivalents, term deposits and receivables.

The Group places its cash deposits and derivatives with high credit-quality financial institutions. The cash deposits all mature within three months and attract a rate of interest at normal short-term money market rates. Receivables balances are monitored on an ongoing basis with the results that the Parent's and Group's exposure to bad debts is not significant.

#### (b) INTEREST RATE RISK

The Group is exposed to market interest rates and manages this through investment of surplus funds into the short term money market on 30 to 90 day terms with fixed interest rates.

The following sensitivity analysis represents a reasonable and possible change based on the variable interest rate risk exposures in existence at balance date. It is assumed that the balance at the reporting date is representative for the year as a whole.

## NOTES TO THE FINANCIAL STATEMENTS

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

## (b) INTEREST RATE RISK continued

At 31 December 2013, with an interest rate movement as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	CONSOLIDATED 31 December 2013		CONSOLIDATED 31 December 2012	
	Post Tax Profit Higher/(Lower)	Impact on Equity Higher/(Lower)	Post Tax Profit Higher/(Lower)	Impact on Equity Higher/(Lower)
	\$	\$	\$	\$
<i>Reasonable possible change</i>				
+0.5% (50 basis points)	80,620	(80,620)	90,364	(90,364)
-0.5% (50 basis points)	(80,620)	80,620	(90,364)	90,364

At balance date the Group and Company's exposure to variable interest rate risks on financial assets and liabilities are as follows:

	CONSOLIDATED	
	31 December 2013	31 December 2012
	\$	\$
<b>Financial Assets</b>		
Cash (net exposure)	16,138,212	18,072,759

## (c) LIQUIDITY RISK

The Group's liquidity position is managed to ensure that sufficient funds are available to meet its financial commitments in a timely and cost effective manner.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. The table below reflects a balanced view of cash inflows and outflows and shows the implied risk based on those values. Trade payables and other financial liabilities originate from the financing of assets used in the Group's ongoing operations. These assets are considered in the Group's overall liquidity risk.

Management continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The table below analyses the Group's and Company's financial liabilities into relevant maturity groupings based on the remaining year from the balance date to the contractual maturity date.

CONSOLIDATED	Maturity			Total \$
	< 1 year \$	>1 to <2 Years \$	>2 to 5 Years \$	
<b>31 December 2013</b>				
<b>Financial Liabilities</b>				
Trade and other payables	144,486	-	-	144,486
<b>31 December 2012</b>				
<b>Financial Liabilities</b>				
Trade and other payables	760,397	-	-	760,397



## NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (d) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when expenses are denominated in different currency from the Group's functional currency.

The Group's functional currency is Australian Dollars ("AUD"). Other than AUD, the Group predominantly transacts in United States Dollars ("USD") and South African Rand ("ZAR").

The Group manages its foreign currency risk by hedging material transactions that are expected to occur within a maximum 24-month year. Hedging instruments used by the group include 90 day open forward contracts along with holding foreign currency.

No open forward contracts were in place at balance date (31 December 2012: nil) and no foreign currency was held at balance date (31 December 2012: US\$ 286,339 [AU\$ 271,673]).

#### (e) CAPITAL RISK MANAGEMENT

Capital is defined as shareholders' equity of \$27,197,127 (31 December 2012: \$28,503,785).

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2013 and no dividends are expected to be paid in 2014.

There is no current intention to incur debt funding on behalf of the Consolidated Entity as on-going exploration expenditure will be funded via current cash reserves.

The Consolidated Entity is not subject to any externally imposed capital requirements.

#### (f) FAIR VALUES

The Directors have performed a review of the financial assets and liabilities as at 31 December 2013 and have concluded that the fair value of those assets and liabilities are not materially different to book values. The methods and assumptions used to estimate the fair value of financial instruments were:

- Cash - The carrying amount is fair value due to the liquid nature of these assets.
- Receivables/payables - Due to the short term nature of these financial rights and obligations, their carrying values are estimated to represent their fair values and equals the amount to be settled by the contracting party.

### 21. DIRECTOR AND EXECUTIVE DISCLOSURES

#### COMPENSATION OF KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	31 December 2013 \$	31 December 2012 \$
<b>Key Management Personnel</b>		
Short-term	659,474	716,780
Post-employment	60,702	54,499
Share- based payments	21,849	3,151
	<u>742,025</u>	<u>774,430</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 21. DIRECTOR AND EXECUTIVE DISCLOSURES continued

## OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

## 31 December 2013

Key Management Personnel	Held at 1 January 2013	Granted	Exercised	Expired	Held at 31 December 2013	Vested and exercisable at 31 December 2013	% of options vested
<b>Specified Directors</b>							
Andrew Love <sup>1</sup>	2,000,000	-	-	2,000,000	-	-	-
Blair Sergeant <sup>2</sup>	4,000,000	-	-	4,000,000	-	-	-
Anthony Viljoen	500,000	4,000,000 <sup>6</sup>	-	500,000	4,000,000	-	-
Marcello Cardaci <sup>3</sup>	500,000	-	-	500,000	-	-	-
Daniel Rasoamahenina <sup>4</sup>	500,000	-	-	500,000	-	-	-
Ryan Rockwood	569,850	4,000,000 <sup>6</sup>	-	569,850	4,000,000	-	-
Fortune Mojapelo	-	-	-	-	-	-	-
Jonathan Murray <sup>5</sup>	-	-	-	-	-	-	-
<b>Specified Executives</b>							
Dale Hanna	500,000	-	-	-	500,000	500,000	100%
<b>TOTAL</b>	<b>8,569,850</b>	<b>8,000,000</b>	<b>-</b>	<b>8,069,850</b>	<b>8,500,000</b>	<b>500,000</b>	<b>100%</b>

## Notes:

1. Resigned 25 March 2013
2. Resigned 8 April 2013
3. Resigned 5 November 2013
4. Resigned 13 April 2013
5. Appointed 6 November 2013
6. At the Company's General Meeting held on 21 February 2014, the shareholders approved the issue of 4 million ordinary shares to Anthony Viljoen and 4 million ordinary shares to Ryan Rockwood.

	Anthony Viljoen	Ryan Rockwood
Number of ordinary shares granted	4,000,000	4,000,000
Vesting conditions	none	none
Grant date	21 February 2014	21 February 2014
Measurement date	1 December 2013	1 December 2013
Valuation	Share price at date of grant	Share price at date of grant
Service period commencing	26 November 2013	26 November 2013

## NOTES TO THE FINANCIAL STATEMENTS

### 21. DIRECTOR AND EXECUTIVE DISCLOSURES continued

#### OPTIONS HELD BY KEY MANAGEMENT PERSONNEL continued

##### 31 December 2012

Key Management Personnel	Held at 1 January 2012	Granted	Exercised	Expired	Held at 31 December 2012	Vested and exercisable at 31 December 2012	% of options vested
<b>Specified Directors</b>							
Andrew Love	2,000,000	-	-	-	2,000,000	2,000,000	100%
Blair Sergeant	4,000,000	-	-	-	4,000,000	4,000,000	100%
Anthony Viljoen	500,000	-	-	-	500,000	500,000	100%
Marcello Cardaci	500,000	-	-	-	500,000	500,000	100%
Daniel Rasoamahenina	500,000	-	-	-	500,000	500,000	100%
Ryan Rockwood	569,850	-	-	-	569,850	569,850	100%
Fortune Mojapelo	-	-	-	-	-	-	-
<b>Specified Executives</b>							
Dale Hanna	-	500,000	-	-	500,000	-	0%
<b>TOTAL</b>	<b>8,069,850</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>8,569,850</b>	<b>8,069,850</b>	<b>94%</b>

#### SHARES HELD BY KEY MANAGEMENT PERSONNEL

##### 31 December 2013

Key Management Personnel	Held at 1 January 2013	Fully Paid Ordinary Shares		Held at 31 December 2013
		Acquired during the year	Other changes during the year	
<b>Specified Directors</b>				
Andrew Love	1,619,500	-	-	1,619,500 <sup>1</sup>
Blair Sergeant	730,000	-	-	730,000 <sup>2</sup>
Anthony Viljoen	-	-	-	-
Marcello Cardaci	500,000	-	-	500,000 <sup>3</sup>
Daniel Rasoamahenina	-	-	-	- <sup>4</sup>
Ryan Rockwood	250,000	-	-	250,000
Fortune Mojapelo	-	-	-	-
Jonathan Murray	-	-	-	-
<b>Specified Executives</b>				
Dale Hanna	422,700	499,062	-	921,762
<b>TOTAL</b>	<b>3,522,200</b>	<b>499,062</b>	<b>-</b>	<b>4,021,262</b>

#### Notes:

1. As at date of resignation on 25 March 2013
2. As at date of resignation on 8 April 2013
3. As at date of resignation on 5 November 2013
4. As at date of resignation on 13 April 2013

## NOTES TO THE FINANCIAL STATEMENTS

**21. DIRECTOR AND EXECUTIVE DISCLOSURES continued**

## SHARES HELD BY KEY MANAGEMENT PERSONNEL continued

**31 December 2012**

Key Management Personnel	Held at 1 January 2012	Fully Paid Ordinary Shares Acquired during the year	Other changes during the year	Held at 31 December 2012
<b>Specified Directors</b>				
Andrew Love	1,319,500	300,000	-	1,619,500
Blair Sergeant	200,000	530,000	-	730,000
Anthony Viljoen	-	-	-	-
Marcello Cardaci	500,000	-	-	500,000
Daniel Rasoamahanina	-	-	-	-
Ryan Rockwood	250,000	-	-	250,000
Fortune Mojapelo	-	-	-	-
<b>Specified Executives</b>				
Dale Hanna	90,700	332,000	-	422,700
<b>TOTAL</b>	<b>2,360,200</b>	<b>1,162,000</b>	<b>-</b>	<b>3,522,200</b>

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

**Loans to key management personnel**

There were no loans to key management personnel during the year.

**Other transactions and balances with key management personnel**

There were no transactions or balances with key management personnel other than those disclosed in the remuneration report of the Director's Report, Employee shares as disclosed in the Share Based Payments note 19 and the Related Party Disclosures note 24.

CONSOLIDATED	
31 December 2013	31 December 2012
\$	\$

**22. AUDITOR'S REMUNERATION**

The auditor of Lemur Resources Limited is Ernst & Young

Amounts received or due and receivable by Ernst & Young for:

- auditing the accounts	30,000	30,000
- corporate tax advice	35,000	32,500
	<b>65,000</b>	<b>62,500</b>

Ernst & Young received no other benefits.

**23. CONTINGENT LIABILITIES**

No contingent liabilities existed at year end.

**24. RELATED PARTY DISCLOSURES**

- Subsidiaries of the Company can be found in the Parent Entity Information in note 5.
- Directors who held office for any time during the year are disclosed in the Director's Report.

## NOTES TO THE FINANCIAL STATEMENTS

### 24. RELATED PARTY DISCLOSURES *continued*

(c) Terms and conditions of transactions with related parties:

Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

(d) Transaction with related parties:

(i) Transactions with Director related entities:

- The Company entered into a consultancy agreement dated 25 May 2011 with VM Investment Company (Pty) Ltd (VMI) under which it paid a consultancy fee of \$15,000 per calendar month (GST free) for exploration and logistical management services relating to the Company's Madagascan assets. The agreement could be terminated by the Company by providing 6 months written notice, or immediately due to misconduct. Mr Anthony Viljoen and Mr Fortune Mojapelo are directors and collectively hold 100% of the issued equity in VMI. Notice to terminate the contract was given on 31 January 2013 and the contract terminated on 31 July 2013. Under the contract VMI was paid \$105,000 during the financial period.
- The Company entered into a consultancy agreement on 25 May 2011 with Evolution Capital Partners Pty Ltd (Evolution) as trustee for the Evolution Trust under which it pays a consultancy fee of \$5,000 per calendar month (plus GST) for company secretarial services provided by Evolution's employee Shannon Coates. The agreement has a 3 year initial term during which the contract cannot be terminated, subject to misconduct clauses. After the 3 year anniversary, the Company can terminate the contract by giving three months' notice. Mr Blair Sergeant is a director, and the sole shareholder of Evolution and his family trust is one of the beneficiaries of the Evolution Trust. Mr Sergeant resigned from the Board and as Managing Director on 8 April 2013 and ceased to be a related party from this date.  
Under the contract, Evolution was paid \$16,333 (plus GST) between 1 January and 8 April 2013.
- The Company entered into a sub-lease agreement on 15 October 2011 with Evolution as trustee for the Evolution Trust under which it made lease payments of \$7,550 per calendar month (plus GST) for head office space and car parking at 3 Richardson Street, West Perth. The sub-lease was for a minimum term of 12 months, following which from 15 October 2012 it could be terminated by either party by providing 6 written months' notice.  
On 15 March 2013 the above sub- lease agreement was mutually varied such that the head office and car parking were relocated to 83 Havelock Street, West Perth and the lease payments were revised downward to \$5,500 per calendar month (plus GST). The sub-lease was for a minimum term of 7 months, following which from 15 October 2013 it could be terminated by either party by providing 6 written months' notice.  
Notice to terminate 50% of the sub-let space was given on 15 October 2013 and further notice was given on the remaining 50% of the sub-let space on 15 January 2014.  
Blair Sergeant is a director, and the sole shareholder of Evolution and his family trust is one of the beneficiaries of the Evolution Trust. Mr Sergeant resigned from the Board and as Managing Director on 8 April 2013 and ceased to be a related party from this date.  
Under the sub-lease agreements, Evolution was paid \$22,908 (plus GST) between 1 January and 8 April 2013.
- The Company entered into a sub-lease agreement on 27 November 2013 with VMI under which it made payments of ZAR 70,000 per calendar month (plus VAT) for head office space and car parking at 24 Fricker Road, Block A Ilovo, Johannesburg, 2116. Under the lease terms, and in recognition of historical occupancy, the commencement date was 1 August 2013. The sub-lease can be terminated by either party by providing 3 months' written notice.  
Under the sub- lease VMI was paid \$51,748 from 1 August 2013 to 31 January 2014 (with the month of January being a prepayment).

## NOTES TO THE FINANCIAL STATEMENTS

### 25. EVENTS AFTER THE BALANCE DATE

At the Company's General Meeting held on 21 February 2014, the shareholders approved the issue of 4 million ordinary shares to Anthony Viljoen and 4 million ordinary shares to Ryan Rockwood.

Other than the above, since the end of the financial year no other matters or circumstances have occurred that have or may significantly affect the operations or the state of affairs of the Consolidated Entity in subsequent financial years.

## **DIRECTORS' DECLARATION**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

In accordance with a resolution of the Directors of Lemur Resources Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of Lemur Resources Limited for the financial year ended 31 December 2013 are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of its financial position as at 31 December 2013 and performance for the year then ended; and
  - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 31 December 2013.

A handwritten signature in black ink, appearing to read "Jonathan Murray".

**Jonathan Murray**  
*Non-Executive Director*

Perth

31 March 2014

# INDEPENDENT AUDITOR'S AUDIT REPORT



Ernst & Young  
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## Independent auditor's report to the members of Lemur Resources Limited

### Report on the financial report

We have audited the accompanying financial report of Lemur Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



## INDEPENDENT AUDITOR'S AUDIT REPORT



### Opinion

In our opinion:

- a. the financial report of Lemur Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(c).

### Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of Lemur Resources Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

*Ernst & Young*

Ernst & Young

*Gavin Buckingham*

Gavin Buckingham  
Partner  
Perth  
31 March 2014

## ADDITIONAL SHAREHOLDER INFORMATION

The following information is current as at 7 March 2014:

### Voting Rights

The voting rights attaching to ordinary shares are:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options do not carry any voting rights.

### Substantial Shareholders

The number of shares held by substantial shareholders and their associates who have provided the Company with substantial shareholder notices are set out below:

Name of Substantial Shareholder	Date Notice provided to Company	Number of Shares in Notice	Interest Notice %
Bushveld Minerals Limited	26 September 2013	103,319,738	52.67
ACP Investments Pty Ltd	2 August 2013	32,500,000	5.43
Azure Capital Limited			
Alex Pismiris			
Adam Rankine-Wilson	2 December 2011	10,088,450	5.24

### On-Market Buy Back

There is no current on-market buy back.

### Distribution Schedules

Distribution schedules for each class of security as at 7 March 2014 are set out below. Where a person holds 20% or more of the securities in an unquoted class, the name of that holder and number of securities is also provided.

#### FULLY PAID ORDINARY SHARES

Range	Holders	Units	%
1 - 1,000	3	143	0.00
1,001 - 5,000	5	17,750	0.00
5,001 - 10,000	45	436,114	0.21
10,001 - 100,000	132	7,141,259	3.56
100,001 - Over	110	192,904,735	96.21
<b>Total</b>	<b>295</b>	<b>200,500,001</b>	<b>100.00</b>

#### UNLISTED OPTIONS EXERCISABLE AT \$0.15 EACH ON OR BEFORE 15 NOVEMBER 2017

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,001 - Over	1 <sup>1</sup>	500,000	100.00
<b>Total</b>	<b>1</b>	<b>500,000</b>	<b>100.00</b>

<sup>1</sup> Mr Dale Brian Hanna holds 500,000 options comprising 100% of this class.

## ADDITIONAL SHAREHOLDER INFORMATION

### Unmarketable Parcels

Holdings of less than a marketable parcel of ordinary shares (being 12,500 as at 7 March 2014):

Holders	Units
56	487,067

### Cash and Cash Equivalents Disclosure

The Company confirms it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

### Top Holders

The 20 largest registered holders of quoted securities as at 7 March 2014 were:

#### FULLY PAID ORDINARY SHARES

Name	No. Shares	%
1. BUSHVELD MINERALS LIMITED	104,697,097	52.22
2. JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	12,466,663	6.22
3. JP MORGAN NOMINEES AUSTRALIA LIMITED	9,000,000	4.49
4. SURFBOARD PTY LIMITED	7,349,830	3.67
5. MR RYAN ROCKWOOD	4,250,000	2.12
6. MR ANTHONY RICHARD VILJOEN	4,000,000	2.00
7. BAYONET INVESTMENTS PTY LTD <SOUTHPOINT A/C>	2,750,000	1.37
8. BBY NOMINEES LIMITED	2,000,000	1.00
9. COLBERN FIDUCIARY NOMINEES PTY LTD	2,000,000	1.00
10. ZERO NOMINEES PTY LTD	2,000,000	1.00
11. TESS CORPORATION PTY LTD	1,680,000	0.84
12. BANSKIN PTY LTD <DENICOLA FAMILY A/C>	1,625,000	0.81
13. NATIONAL NOMINEES LIMITED	1,541,950	0.77
14. MULLOWAY PTY LTD <JOHN HARTLEY POYNTON FM A/C>	1,390,108	0.69
15. APPLECROSS SECRETARIAL SERVICES PTY LTD <THE L GORR FAMILY A/C>	1,380,000	0.69
16. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <RVGAF2 A/C>	1,250,000	0.62
17. PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	1,200,000	0.60
18. RPM SUPER PTY LTD <RPM SUPER FUND A/C>	1,150,000	0.57
19. ACP INVESTMENTS PTY LTD	1,075,000	0.54
20. ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,043,628	0.52
	<b>163,849,276</b>	<b>81.72</b>

## TENEMENT SCHEDULE

Permit Number	Status	Registered Holder	Region	Total Area km2	Original %age Interest	Date Granted	Expiry Date	
12653 <sup>1</sup>	Granted Exploration License	CMM <sup>2</sup>	Imaloto	25	99%	11/02/2009	Pending	99%
3196 <sup>1</sup>	Granted Exploration License (subject to Transfer) <sup>3</sup>	24th Island Investments	Imaloto	18.75	99%	07/11/2008	Pending	99%
4578	Granted Mining License	CMM <sup>2</sup>	Imaloto	25	99%	29/11/2005	28/11/2045	99%
27163	Granted Exploration License (subject to Transfer) <sup>3</sup>	Genyus Sarl	Imaloto Extension	6.25	99%	23/10/2007	Pending	99%
26904	Granted Exploration License (subject to Transfer) <sup>3</sup>	Genyus Sarl	Imaloto Extension	6.25	99%	23/10/2007	Pending	99%
31892 <sup>1</sup>	Granted Exploration License	CMM <sup>2</sup>	Ianapera	25	99%	11/02/2009	Pending	99%
31808 <sup>1</sup>	Granted Exploration License	CMM <sup>2</sup>	Sakaraha	62.5	99%	08/09/2008	Pending	99%

1. Permits 12653, 31892 and 31808 have been renewed and are awaiting formal signature of the Ministry, at which time the new expiry date will be notified to the Company.
2. Coal Mining Madagascar SARL (CMM). Lemur Resources Limited holds 100% of Coal of Madagascar Limited, which in turn holds 99% of CMM.
3. As disclosed in the Company's Prospectus dated 30 June 2011, these permits have purported to have been transferred to CMM and are awaiting formal signature of the Ministry, at which time the new expiry date will be notified to the Company.

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