



16 December 2015

Australia Securities Exchange  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## **BOARD REPORT TO SHAREHOLDERS**

Dear fellow shareholders

I am pleased to take this opportunity to update you on developments since the new Board was elected at AGM and EGM of 26 November 2015. Over the coming months it is important that shareholders are well-informed about developments and I intend to make communication with our shareholders one of our most important priorities.

The Board convened on 26 November 2015 to make the necessary appointments and commence a process of corporate review. The review has proved more difficult than anticipated due to the retrenchment of all Sydney office staff by the former executives, including themselves, on the day prior to the AGM/EGM. Notwithstanding, with the assistance of the company's major shareholders, the Board has now completed a desk-top due diligence of the company's operations.

A second Board Meeting, and the first ever held in South Africa, occurred on 14 December 2015. All members of the Board then visited the Boikarabelo Mine on 15 December 2015 and undertook an inspection of the mine, ahead of our re-assessment of the company's project development and financing options.

Interim CEO, Rob Lowe, has begun the task of rebuilding the company's executive team. This is a priority because capable and respected executives are necessary to ensure the company is able to deliver on the potential of the Boikarabelo project and is effectively a pre-condition of any project funding agreement. Rob Lowe is also the CEO of Altius, one of our major South African shareholders and has been instrumental in promoting the project since 2013. Rob was appointed by the previous Board to develop a funding plan for the project, which led to the debt club proposal involving HSBC, Rand Merchant Bank, Industrial Development Corporation and major shareholders. He has the benefit of detailed project knowledge and enjoys easy access to all of the stakeholders on which our project will ultimately rely including the development funding institutions, rail utility and electricity generator.

Meetings have been held with representatives of potential financiers to the project, including the provider referred to in the company's 30 September 2015 ASX release, and whose intermediary addressed the AGM. The Board intends to appoint an independent financial adviser to assist in its assessment of the alternative finance proposals under negotiation. The Board's objective is to complete the funding for the project as soon as possible so that the company can commence contract tendering during this optimal period of contractor pricing pressure.

The Board will review the Boikarabelo project architecture, which is unlikely to change, and evaluate viable alternate operational models – such as owner/operator or contract mining – in order to reduce the

capital cost of the project. We will also examine options to make more efficient use of capital and minimize risk exposure during the execution phase. Selecting an appropriate delivery model will impact directly on finance requirements. A qualified and experienced independent director will lead this exercise on behalf of the board. My aim is to report to you on the outcome of the Board's assessment of these project development options early in 2016.

Your company's board believes that the Boikarabelo project has a compelling case for development, and offers significant opportunities for all stakeholders, particularly you, the owners of the company. To optimize the opportunity our immediate objective is to rigorously review all options and elements of the project with the objective of standing before you at the 2016 AGM to report that we are funded and that the balance of construction is under way. The board and management team will be working very hard to achieve that objective, within that timeframe, and will be reporting regularly to shareholders on progress.

Yours sincerely



Denis Gately  
Chairman  
For and on behalf of the Board