DMC MINING LIMITED
ACN 121 513 620

9 May 2010

Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By E-Lodgment

Dear Sir/Madam

DMC MINING LIMITED ACN 121 513 620 ("DMC") – TAKEOVER OFFER BY CAPE LAMBERT RESOURCES LIMITED ("Cape Lambert")

As required by item 14 of section 633(1) of the *Corporations Act 2001* (Cth), we attach herewith a copy of DMC's Target's Statement (including an Independent Expert's Report), which has now been served by DMC on Cape Lambert in response to the off market takeover bid by Cape Lambert to acquire all of the issued capital of DMC.

Yours faithfully

David Sumich
Managing Director

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p 08 9486 1909 **f** 08 9486 1718 **dmcmining.com.au**

DMC MINING LIMITED
(ACN 121 513 620)

TARGET'S STATEMENT

The Directors of DMC Mining Limited unanimously recommend you

DO NOT ACCEPT AT THIS TIME

the offer by
Cape Lambert Resources Limited
TO ACQUIRE ALL OF YOUR SHARES IN DMC MINING LIMITED FOR $0.46 CASH PER SHARE

Your Directors' recommendation is because a superior proposal may emerge from Meijin Energy Group Limited or another third party

Financial Adviser

RBC Capital Markets

Legal Adviser

BLAKISTON & CRABB
LAWYERS

This is an important document and requires your immediate attention. If you do not understand it or are in doubt as to how to act, you should consult your financial or other professional adviser.

CORPORATE DIRECTORY

DIRECTORS	Mr David Sumich (Managing Director) Mr Kim Bischoff (Non-Executive Director) Mr Joe Ariti (Non-Executive Director)
SECRETARY	Ms Fiona Taylor
REGISTERED AND PRINCIPAL OFFICE	Level 1, 2 Ord Street WEST PERTH WA 6005 Telephone: +61 8 9486 1909 Facsimile: + 61 8 9486 1718
FINANCIAL ADVISER	RBC Capital Markets Level 46 2 Park Street SYDNEY NSW 2000
SOLICITORS	Blakiston & Crabb 1202 Hay Street WEST PERTH WA 6005
AUDITORS*	Pricewaterhouse Coopers QV1, 250 St Georges Terrace PERTH WA 6000
SHARE REGISTRY*	Security Transfer Registrars 770 Canning Highway APPLECROSS WA 6153 Telephone: (+61) 8 9315 2333 Facsimile: (+61) 8 9315 2233
ASX CODE	DMM

** For information purposes only. These parties have not been involved in the preparation of the Target's Statement.*

IMPORTANT DATES

Date of the Cape Lambert Offer	23 April 2010
Date of this Target's Statement	7 May 2010
Date for Cape Lambert to give Notice of Status of Conditions	18 May 2010
Scheduled close of Offer Period (unless extended or withdrawn)	5pm WST, 25 May 2010

The Cape Lambert Offer is open until 5pm WST on 25 May 2010 (unless the Cape Lambert Offer is withdrawn or extended). Shareholders should note that once they have accepted the Cape Lambert Offer, they will not be able to withdraw their acceptance if a superior proposal is received unless the limited rights of withdrawal of acceptances apply (please refer to sections 3, and 10.6 of the Bidder's Statement). Your acceptance will automatically be void if any of the conditions precedent under section 10.6 of the Bidder's Statement are not fulfilled or waived by Cape Lambert by the end of the Offer Period.

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IMPORTANT INFORMATION

This document is the Target's Statement dated 7 May 2010 given by DMC Mining Limited (**"DMC"** or **"Company"**) under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement. A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

The Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Cape Lambert Offer.

Defined Terms

A number of defined terms are used in this Target's Statement. These terms are defined in section 8 of this Target's Statement.

No Account of Personal Circumstances

This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each DMC Shareholder and it does not contain personal advice. DMC encourages you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Cape Lambert Offer for your DMC Shares.

Taxation Consequences of the Offer

In making a decision whether to accept the Offer, Shareholders should also have regard to the fact the disposal of DMC Shares may have taxation consequences. Shareholders should seek their own independent advice as to any such taxation consequence (please refer to section 5.1 of this Target's Statement and section 8 of the Bidder's Statement).

Forward Looking Statements

This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. DMC believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement. However, DMC Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of DMC. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement. None of DMC, its officers nor any person named in this Target's Statement with their consent nor any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, nor any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement. The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

Risk Factors

Shareholders should note that there are a number of risks attached to their investment in DMC.
Please refer to section 7.7 (Risk Factors) of this Target's Statement for further information on those risks.

DMC Shareholder Information Line

If you have any queries regarding the Cape Lambert Offer or this Target's Statement, please contact the official DMC Shareholder Information Line on 1800 606 449 (from within Australia) or +61 2 8256 3382 (from outside Australia).

WHAT YOU SHOULD DO

Your Directors unanimously recommend you **DO NOT ACCEPT AT THIS TIME** the Cape Lambert Offer for all of the DMC Shares you hold, as a superior proposal may emerge from Meijin or others.

Your Directors currently intend to **NOT ACCEPT AT THIS TIME** the Cape Lambert Offer for DMC Shares they own or control as a superior proposal may emerge from Meijin or others.

WHAT YOU NEED TO DO

DO NOTHING AT THIS TIME. For the time being, consider but do not respond to any documents sent to you by Cape Lambert.

You should read this Target's Statement, which contains your Director's recommendation to **NOT ACCEPT THE CAPE LAMBERT OFFER AT THIS TIME** and reasons for this recommendation.

You may be contacted by representatives of Cape Lambert by telephone. You do not need to speak to them, take any action or complete any forms at this time. Do not be pressured into accepting the Cape Lambert Offer at this time.

If you have any questions regarding the Cape Lambert Offer or this Target's Statement, please contact the DMC Shareholder Information Line on 1800 606 449 (from within Australia) or +61 2 8256 3382 (from outside Australia).

CONSIDER BUT DO NOT RESPOND TO ANY DOCUMENTS SENT BY CAPE LAMBERT AND TAKE NO ACTION AT THIS TIME.

LETTER FROM THE MANAGING DIRECTOR

Dear Fellow Shareholder,

Since Cape Lambert announced its intention to make an off-market takeover offer (**"Cape Lambert Offer"**) for your shares in DMC on 23 March 2010, which was unsolicited, your Directors have been working diligently to ensure that your interests are preserved and that the DMC share price is maximised. Your Directors, in conjunction with DMC's advisers, have been proactively soliciting proposals that may result in a suitable, superior alternative to the Cape Lambert Offer.

Most notably, on 5 May 2010, your Company announced that it had entered into a conditional takeover bid implementation deed with Meijin Energy Group Limited (**"Meijin"**), for Meijin to acquire all the ordinary shares in DMC for $0.50 per share in cash through an off-market takeover offer (**"Proposed Meijin Offer"**). Meijin is the largest producer and supplier of coking coal in China.

If the Proposed Meijin Offer is made it will value DMC at approximately $43.4 million[1] and will be priced at a premium of 8.7% to the Cape Lambert Offer of $0.46 per DMC share. Therefore, the Proposed Meijin Offer, if made, will be financially superior to the Cape Lambert Offer. Additionally, the Independent Expert has determined a preferred value of $0.50 per DMC Share.

The Proposed Meijin Offer is subject to three preconditions, which need to be satisfied or waived by 5.00pm (WST) 7 May 2010. As such, Shareholders will be made aware of the status of the preconditions to the Proposed Meijin Offer (and whether or not the Proposed Meijin Offer will be made) well before the closing date of the Cape Lambert Offer, of 25 May 2010. Shareholders should note that unless the preconditions are satisfied or waived the Proposed Meijin Offer will not be made.

Furthermore, there are a number of other parties currently undertaking due diligence with respect to potentially furnishing alternative proposals to the Cape Lambert Offer and the Proposed Meijin Offer.[2]

On this basis, your Directors unanimously recommend that you **DO NOT ACCEPT** the Cape Lambert Offer **AT THIS TIME.** Should you accept the Cape Lambert Offer there will be limited opportunities for you to participate in any superior proposal that may be made by Meijin or any other party.

We will keep you updated on further developments as they occur. Additionally, your Directors will advise you of a recommended course of action with respect to your shareholding in DMC, once Meijin has advised whether the preconditions to the Proposed Meijin Offer have been satisfied or waived by 5.00pm (WST) 7 May 2010. If you have any questions in relation to your Directors recommendation, please call the DMC Shareholder Information Line on 1800 606 449 (from within Australia) or +61 2 8256 3382 (from outside Australia).

I thank you for your continued support of the Company and look forward to providing updates in due course.

Yours sincerely,

David Sumich

Managing Director

1 Based on undiluted ordinary shares totalling 86,867,867.
2 There is no guarantee that any alternative offers will be forthcoming.

SECTION 1
WHY YOU SHOULD NOT ACCEPT THE CAPE LAMBERT OFFER AT THIS TIME

The Directors believe that DMC Shareholders should **NOT ACCEPT** the Cape Lambert Offer **AT THIS TIME** for the reasons set out below.

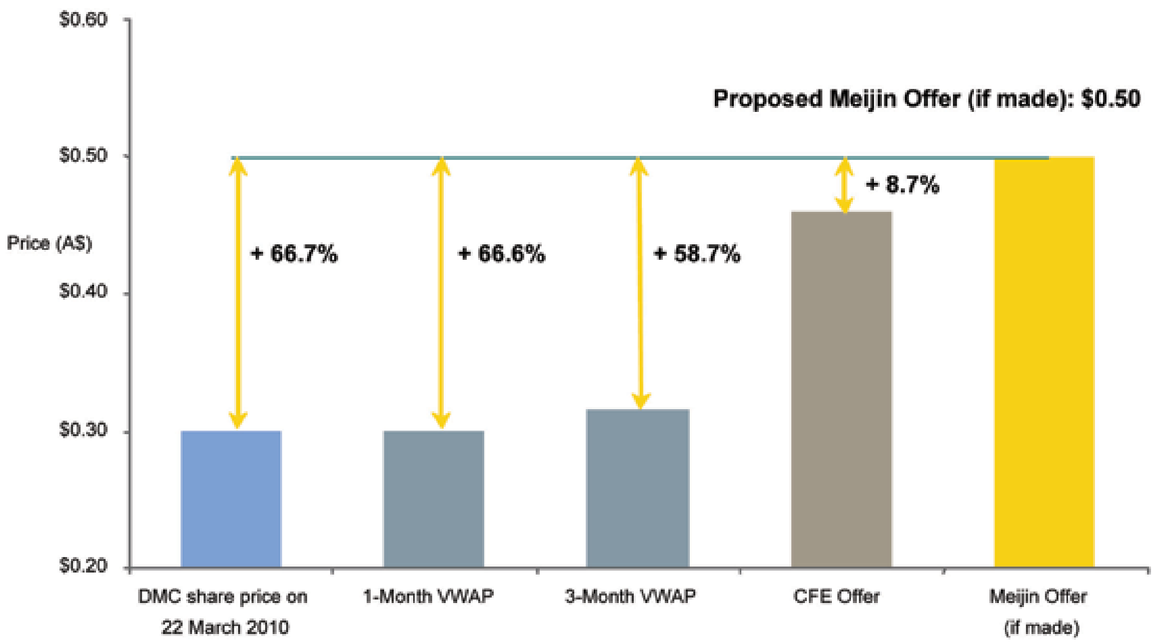
1.1 YOUR COMPANY HAS ENTERED INTO A CONDITIONAL TAKEOVER BID IMPLEMENTATION DEED WITH MEIJIN

On 5 May 2010, DMC entered into a conditional takeover bid implementation deed with Meijin, for Meijin to acquire all the ordinary shares in DMC for **$0.50** per share in cash through an off-market, takeover offer. The Proposed Meijin Offer, if made, will value DMC at approximately $43.4 million.

The Proposed Meijin Offer, if made, will be financially superior to the Cape Lambert Offer of $0.46 per DMC Share and will represent an attractive premium for your DMC Shares of:

- **8.7%** to the Cape Lambert Offer;
- **66.7%** to the DMC Share price of $0.30 on 22 March 2010, the last trading day prior to the announcement of the Cape Lambert Offer on 23 March 2010;
- **66.6%** to the 1 month volume weighted average price (**"VWAP"**) of DMC Shares of $0.3002 prior to 23 March 2010; and
- **58.7%** to the 3 month VWAP of DMC Shares of $0.3150 prior to 23 March 2010.

Furthermore, the Proposed Meijin Offer, if made, will be at or within the Valuation Range of $0.50 and $0.569 per DMC Share as determined by the Independent Expert. The Independent Expert has determined a preferred value of $0.50 per DMC Share.



Note: The percentages in the graph above are referable to the Proposed Meijin Offer, represented by the 5th column.

Details of the Proposed Meijin Offer

The Proposed Meijin Offer is subject to the following preconditions being satisfied or waived:

- completion of due diligence by 5.00pm (WST) on 7 May 2010 by Meijin on DMC (including DMC's Related Bodies Corporate and their respective businesses);
- the entering into of a pre-bid acceptance deed with Ekul Nominees Pty Ltd, a shareholder in DMC and related party to DMC's Managing Director, David Sumich; and
- no "prescribed occurrences" occurring before the date of satisfaction of the preconditions noted above.

If the preconditions are not satisfied or waived, the Proposed Meijin Offer will not be made.

Upon satisfaction or waiver of these preconditions (which needs to occur on or before 7 May 2010), Meijin will make the off-market takeover offer. The Proposed Meijin Offer, will be subject to a number of conditions, being a minimum acceptance condition of 48,700,000 DMC Shares (56.1% of the undiluted ordinary share capital of DMC or 52.3% on a fully diluted basis [3]) and no "prescribed occurrences".

DMC's Directors have agreed they will unanimously recommend that DMC Shareholders accept the Proposed Meijin Offer if made, in the absence of a superior proposal and subject to the consideration under the Proposed Meijin Offer being within the Valuation Range.

DMC's Directors have also indicated that they intend to accept the Proposed Meijin Offer if made, in respect of their own shareholdings, in the absence of a superior proposal and subject to the consideration under the Meijin Offer being within the Valuation Range.

1.2 YOUR COMPANY IS ACTIVELY ENGAGED WITH OTHER PARTIES THAT MAY FURNISH AN ALTERNATIVE SUPERIOR PROPOSAL

Since receiving the Cape Lambert Offer, your Directors in conjunction with their advisors have approached a number of parties that may be capable of furnishing an alternative superior proposal to the Cape Lambert Offer and the Proposed Meijin Offer (if made). As a result of this process, several parties (in addition to Meijin) are currently undertaking due diligence on DMC.

Your Directors will advise you as to the outcome of these activities and whether or not an alternative, superior proposal is received by the Company, as those events arise.

1.3 CAPE LAMBERT'S CHAIRMAN HAS RECENTLY STATED THAT $0.46 PER DMC SHARE IS "TOO CHEAP"

In response to DMC's announcement on 14 April 2010 advising it had received a notification of interest from a third party to make an off-market takeover bid for $0.46 per share, Cape Lambert's Chairman Tony Sage was quoted in the West Australian newspaper on 15 April 2010 as saying, "our philosophy is to make profits on deals then move on but….we were looking at a market cap of around $200 million (for DMC), so it is going to take a little bit to shake us loose (sic)."

The article added that, "Mr Sage also said the 46c-a-share approach from an unnamed third party was too cheap…".

Clearly, if according to Mr Sage, an approach at $0.46 per DMC share from a third party is too cheap, then what does that say about Cape Lambert Offer at $0.46 per DMC Share?

3 Based on DMC's existing Shares on issue (86,867,867) and outstanding options over DMC Shares (6,250,000).

1.4 ACCEPTING THE CAPE LAMBERT OFFER AT THIS TIME MAY HAVE POTENTIAL ADVERSE CONSEQUENCES FOR YOU

The Cape Lambert Offer is subject to a no "prescribed occurrences" condition (see section 10.6 of the Bidder's Statement). You should be aware of the following if you accept the Cape Lambert Offer:

- Whilst the Cape Lambert Offer remains conditional, if you accept the Cape Lambert Offer you will lose the ability to accept any rival offer or to sell your DMC Shares on market. If you accept the Cape Lambert Offer, you are only entitled to withdraw your acceptances in very limited circumstances.
- Whilst the Cape Lambert Offer remains conditional and you accept the Cape Lambert Offer, you will relinquish control of your DMC Shares with no guarantee of payment from Cape Lambert until the earlier of:
  - one month after you have accepted the Cape Lambert Offer or the Cape Lambert Offer becomes unconditional (whichever is later); and
  - 21 days after the end of the Offer Period.
- If you accept the Cape Lambert Offer and the Cape Lambert Offer is declared unconditional, acceptance by you will be final and you will lose the ability to accept any rival offer or sell your shares on market.

1.5 INDEPENDENT EXPERT'S REPORT

The Independent Expert has concluded that the Cape Lambert Offer is not fair and not reasonable to the DMC Shareholders not associated with Cape Lambert having regard to the Proposed Meijin Offer. The Independent Expert has valued DMC Shares in the range of $0.50 to $0.569 per DMC Share, with a preferred value of $0.50 per DMC Share. Therefore, the Cape Lambert Offer of $0.46 per DMC Share falls under the Independent Expert's Valuation Range.

However, in the absence of the Proposed Meijin Offer, the Independent Expert concludes that the Cape Lambert Offer would be fair and reasonable to the DMC Shareholders not associated with Cape Lambert.

The Independent Expert's Report is attached to this Target's Statement at Schedule 1.

SECTION 2
FREQUENTLY ASKED QUESTIONS

Question	Answer
Why have I received this document?	You have received the Target's Statement because you are a Shareholder in DMC. This Target's Statement is DMC's formal response to the Cape Lambert Offer. It contains important information prepared by your Directors to help you determine whether to accept or not accept the Cape Lambert Offer. Your Board unanimously recommends you **DO NOT ACCEPT AT THIS TIME** the Cape Lambert Offer.
What is the Cape Lambert Offer for my DMC Shares?	Cape Lambert has made a cash offer of $0.46 per Share for all of the Shares that you hold in DMC. Please note that you may only accept the Cape Lambert Offer for all of the DMC Shares held by you and not a greater proportion or a lesser proportion (unless you are a trustee or nominee as set out in section 10.3 of the Bidder's Statement).
Should I accept the Cape Lambert Offer?	Your Directors unanimously recommend that you **DO NOT ACCEPT AT THIS TIME** the Cape Lambert Offer but wait to see if the Proposed Meijin Offer, or a superior proposal, is made. If there is any change to this recommendation your Directors will inform you. Further details regarding your Directors' recommendation are contained in section 1 of this Target's Statement.
When will I know if the Proposed Meijin Offer will be made?	The Proposed Meijin Offer is subject to the following preconditions: ▪ completion of due diligence by Meijin on DMC, DMC's Related Bodies Corporate and their respective businesses (to be completed by 5.00pm (WST) on 7 May 2010); ▪ the entering into of a pre-bid acceptance agreement with Ekul Nominees, a shareholder in DMC and related party to DMC's Managing Director, David Sumich; and ▪ no "prescribed occurrences" occurring before the date of satisfaction of the preconditions noted above. Upon satisfaction or waiver of these preconditions (which needs to occur by 5.00pm (WST) on 7 May 2010), Meijin will make the off-market takeover offer. **If the preconditions are not satisfied or waived, the Proposed Meijin Offer will not be made.**
What do the Directors intend to do with their DMC Shares?	Each Director currently intends to **NOT ACCEPT AT THIS TIME** the Cape Lambert Offer in relation to those DMC Shares he owns or controls. Each Director intends to wait to see if the Proposed Meijin Offer, or a superior proposal, is made.
How do I accept the Cape Lambert Offer?	If you wish to accept the Cape Lambert Offer, follow the instructions in the Bidder's Statement (*see the Transfer and Acceptance Form enclosed with the Bidder's Statement*).

Question	Answer
How do I NOT ACCEPT the Cape Lambert Offer?	**To NOT ACCEPT** the Cape Lambert Offer, you do not need to do anything. Do not respond to any telephone calls or correspondence from Cape Lambert. You should note, however, that if Cape Lambert at a later date acquires further DMC Shares, such that Cape Lambert has a relevant interest in 90% of the DMC Shares, Cape Lambert may be entitled to compulsorily acquire the DMC Shares that it does not own.
Who is Cape Lambert Resources Ltd (Cape Lambert)?	Further details about Cape Lambert are set out in section 5 of the Bidder's Statement.
What choices do I have?	As a DMC Shareholder, you can: • **NOT ACCEPT AT THIS TIME** the Cape Lambert Offer by doing nothing – a course of action your Directors recommend; or • **ACCEPT** the Cape Lambert Offer – a course of action your Directors do not recommend at this time. Once you accept, you are locked in unless the limited withdrawal rights under the Cape Lambert Offer apply (please refer to sections 3 and 10.6 of the Bidder's Statement) or any condition under section 10.6 of the Bidder's Statement is not fulfilled or waived by Cape Lambert by the end of the Offer Period, in which case your acceptance will be void (see section 3 of the Bidder's Statement). You will not receive the cash consideration until the Cape Lambert Offer becomes unconditional. Note that if you accept the Cape Lambert Offer you will be bound by the acceptance terms set out in section 10.5 of the Bidder's Statement; or • **SELL** your DMC Shares on market (unless you have previously accepted the Cape Lambert Offer and have not validly withdrawn your acceptance in the limited circumstances where this is permitted). **YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU DO NOT ACCEPT AT THIS TIME THE CAPE LAMBERT OFFER BUT WAIT TO SEE IF THE PROPOSED MEIJIN OFFER, OR AN ALTERNATIVE SUPERIOR PROPOSAL, IS MADE FOR YOUR DMC SHARES.**
What if I want to sell my DMC Shares on market?	During the Offer Period, you may sell your DMC Shares on market for cash (less brokerage), provided you have not accepted the Cape Lambert Offer for those Shares. You should contact your broker for information on how to sell your DMC Shares on ASX and your tax adviser to determine the tax implications of such a sale.

Question	Answer
When do I have to decide?	If you wish to accept the Cape Lambert Offer you need to do so before its scheduled closing date. Cape Lambert has stated that the Cape Lambert Offer is scheduled to close at 5pm WST on 25 May 2010, unless it is extended or withdrawn. If you wish to **NOT ACCEPT** the Cape Lambert Offer, you do not need to do anything.
Do I have to pay stamp duty or brokerage charges if I accept the Cape Lambert Offer?	You will not pay any stamp duty if you accept the Cape Lambert Offer. If your DMC Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Cape Lambert, you will not incur any brokerage charges in connection with your acceptance of the Cape Lambert Offer. If your DMC Shares are registered in a CHESS Holding or you hold your DMC Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Cape Lambert Offer.
When will I receive my consideration if I accept the Cape Lambert Offer?	The Cape Lambert Offer is conditional and if you accept the Cape Lambert Offer while it is still conditional you will not receive the consideration under the Cape Lambert Offer until the earlier of: ▪ 1 month after the Cape Lambert Offer is accepted or the Cape Lambert Offer becomes unconditional (whichever is later); and ▪ 21 days after the end of the Offer Period.
If I accept the Cape Lambert Offer, can I withdraw my acceptance if I change my mind?	You may only withdraw your acceptance if Cape Lambert extends the Offer Period for more than one month and the Cape Lambert Offer remains subject to the condition at the time.
What happens if Cape Lambert increases its offer?	If you accept the Cape Lambert Offer now and Cape Lambert subsequently raises its Offer Price you will receive the higher price if the Cape Lambert Offer has become unconditional.
What are the conditions of the Cape Lambert Offer?	The Cape Lambert Offer is subject to a no "prescribed occurrences" condition (see section 10.6 of the Bidder's Statement).
When will Cape Lambert advise as to the status of the conditions?	Section 2.2 of the Bidder's Statement indicates that the Bidder will give a Notice of Status of Conditions on 18 May 2010. The Bidder is required to set out in this Notice of Status of Conditions: • whether the Cape Lambert Offer is free of the condition; • whether, so far as the Bidder knows, the condition has been fulfilled on the date the notice is given; and • the Bidder's voting power in DMC. If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period and the Bidder is required to give notice that states the new date for the giving of the Notice of Status of Conditions. If the condition is fulfilled (so that the Cape Lambert Offer becomes free of that condition) before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give the ASX and DMC a notice that states that the particular condition has been fulfilled.

Question	Answer
What happens if the condition is not satisfied or waived?	If the condition is not satisfied or waived before the Cape Lambert Offer closes, the Cape Lambert Offer will lapse. You will then be free to deal with your DMC Shares as you choose even if you have previously accepted the Cape Lambert Offer.
How can Cape Lambert extend the Cape Lambert Offer Period?	While the Cape Lambert Offer is subject to the condition, Cape Lambert may extend the Offer Period at any time before giving the Notice of Status of Conditions. However, if the Cape Lambert Offer is unconditional (that is, the conditions are satisfied or waived), Cape Lambert may extend the Offer Period at any time before the end of the Offer Period. In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period: • Cape Lambert increases the consideration offered under the Cape Lambert Offer; or • Cape Lambert's voting power in DMC increases to more than 50%. If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.
Can Cape Lambert withdraw the Cape Lambert Offer?	Before you accept the Cape Lambert Offer, Cape Lambert may withdraw unaccepted Cape Lambert Offers with the written consent of ASIC and subject to the conditions (if any) specified in such consent.
Can I be forced to sell my DMC Shares?	No. You do not have to accept the Cape Lambert Offer. You cannot be forced to sell your DMC Shares unless Cape Lambert acquires a relevant interest in at least 90% of all DMC Shares.

Question	Answer
Does the Cape Lambert Offer include my DMC Options?	No. Further, if a person, during the period from after the Record Date to the end of the Offer Period, becomes registered or entitled to be registered as the holder of DMC Shares (whether or not they are registered or entitled to be registered as the holder of other DMC Shares) due to the conversion of, or exercise of rights attached to, other securities convertible into DMC Shares (including DMC Options) that are on issue at the Record Date (being 5.00pm (WST) 7 April 2010), the Cape Lambert Offer will extend to those DMC Shares issued after the Record Date.
What are the risks associated with DMC and its business?	These risks are detailed in section 7.7 of this Target's Statement.
What are the tax consequences of accepting the Cape Lambert Offer?	A general outline of the tax consequences of accepting the Cape Lambert Offer is set out in section 5.1 of this Target's Statement. As these consequences differ widely according to each DMC Shareholder's individual circumstances, you are encouraged to seek independent tax advice before making any decision in relation to the Cape Lambert Offer.
If I have further questions in relation to the Cape Lambert Offer what can I do?	If you have any queries regarding the Cape Lambert Offer, please contact the official DMC Shareholder Information Line on 1800 606 449 (from within Australia) or +61 2 8256 3382 (from outside Australia).

SECTION 3
IMPLICATIONS AND RISKS ASSOCIATED WITH THE CAPE LAMBERT OFFER

Shareholders should be aware of the following key implications and risks that arise from the Cape Lambert Offer and that may affect the future performance and value of DMC Shares.

3.1 Inability to accept an alternative offer if one were to emerge

Except under limited circumstances provided for in the Corporations Act, DMC Shareholders who accept the Cape Lambert Offer will not be able to accept an alternative offer, should one emerge. You may only withdraw your acceptance and accept an alternative offer if Cape Lambert extends the Offer Period for more than one month and the Cape Lambert Offer remains subject to any condition at the time (see section 650E of the Corporations Act).

As previously mentioned, DMC has entered into a conditional takeover bid implementation deed with Meijin, which, if certain preconditions are satisfied, may lead to an offer of $0.50 per DMC Share. Should you accept Cape Lambert's Offer, you will not be able to accept the Proposed Meijin Offer, should it be made, unless the limited withdrawal rights noted above apply to you.

3.2 Minority Ownership Consequences

If Cape Lambert does not acquire 90% of DMC then it will not be able to proceed to compulsory acquisition of any remaining shares in DMC. If this occurs then the DMC Shareholders who do not accept the Cape Lambert Offer will become minority shareholders in DMC. As Cape Lambert currently has beneficial ownership of 35.41% of DMC Shares, if Cape Lambert obtain 50.1% of the DMC Shares, Cape Lambert will have voting control. Minority Shareholders in DMC will be able to exercise their voting rights, however, those votes will no longer collectively control DMC.

This has a number of possible implications including the following:

- The majority shareholder, will be able to cast the majority of votes at a general meeting of DMC enabling it to control the composition of the DMC Board and senior management, determine DMC's dividend policy and control the strategic direction and financial and operating policies of DMC.
- The Directors believe it is reasonably likely that the liquidity of DMC Shares would be lower than at present if a number of DMC Shareholders accept the Cape Lambert Offer.
- The directors may apply for DMC's removal from the official list of the ASX and the majority shareholder, Cape Lambert may vote in favour of this. Furthermore, if the number of DMC Shareholders is less than that required by the ASX, Cape Lambert may apply for DMC's removal from the official list of the ASX. If this occurs, DMC Shares will not be able to be traded on the ASX.
- If the majority shareholder, Cape Lambert, acquires 75% or more of the DMC Shares, it will be able to pass special resolutions of DMC. This will enable Cape Lambert to, among other things, amend DMC's constitution.

If Cape Lambert acquires a relevant interest in 90% of the DMC Shares, Cape Lambert may be entitled to compulsorily acquire the DMC Shares that it does not own.

3.3 Conditions of the Cape Lambert Offer

As described in section 2, the Cape Lambert Offer is subject to a "no prescribed occurrences" condition.

This condition is outlined in section 10.6 of the Bidder's Statement. If this condition is not satisfied by the applicable date (or waived by Cape Lambert), the Cape Lambert Offer will not be free of conditions and will not proceed.

SECTION 4
WHAT ARE MY CHOICES?

4.1 TO NOT ACCEPT THE CAPE LAMBERT OFFER AT THIS TIME

Your Directors unanimously recommend that you DO NOT ACCEPT AT THIS TIME the Cape Lambert Offer but wait to see if the Proposed Meijin Offer, or a superior proposal, is made for your DMC Shares. To not accept the Cape Lambert Offer, you do not need to do anything. Do not respond to any telephone calls or correspondence from Cape Lambert.

4.2 TO ACCEPT THE CAPE LAMBERT OFFER

To accept the Cape Lambert Offer, follow the instructions in the Bidder's Statement, which includes a transfer and acceptance form.

Once you have accepted the Cape Lambert Offer, you may only withdraw your acceptance if Cape Lambert extends the Offer Period for more than one month and the Offer remains subject to the condition at the time (see section 650E of the Corporations Act).

Before you consider accepting the Cape Lambert Offer, you should read the effect of acceptance set out in section 10.5 of the Bidder's Statement. That section describes the rights attached to your DMC Shares that you will be giving up, the representations and warranties that you will be making and the irrevocable authorities and appointments that you will be granting Cape Lambert, if you accept the Cape Lambert Offer.

If you accept the Cape Lambert Offer:

- You will not receive any possible benefits associated with being an owner of DMC Shares; and
- You may have a capital gain or a capital loss on the disposal of those DMC Shares. If you have a capital gain, you may be liable for capital gains tax.

4.3 TO SELL YOUR SHARES

During the Offer Period, you may sell your DMC Shares on market for cash (less brokerage), provided you have not accepted the Cape Lambert Offer for those DMC Shares.

The amount that you will receive through selling on the ASX will depend on the prevailing market price for DMC Shares at that time, which may be higher or lower than the value of the Cape Lambert Offer. The market price for DMC Shares can change for a variety of reasons. The latest price for DMC Shares may be obtained from the ASX website at www.asx.com.au.

If you sell your DMC Shares on market:

- you will receive the consideration for the sale of those DMC Shares sooner than if you accept the Cape Lambert Offer;
- you will lose the ability to accept the Cape Lambert Offer and receive the consideration (including any possible increase in consideration) offered under that offer in relation to those DMC Shares;
- you will not receive any possible benefits associated with being an owner of DMC Shares;
- you may have a capital gain or a capital loss on the disposal of those DMC Shares. If you have a capital gain, you may be liable for capital gains tax; and
- you may incur a brokerage charge.

You should contact your broker for information on how to sell your DMC Shares on ASX and your tax adviser to determine your tax implications of such a sale.

SECTION 5
SOME OTHER ISSUES ARISING FROM THE CAPE LAMBERT OFFER

5.1 Tax consequences

The income tax implications for a DMC Shareholder of accepting the Cape Lambert Offer will depend on a number of factors, including:

- whether the DMC Shareholder holds their DMC Shares on capital or revenue account for taxation purposes;
- the nature of the DMC Shareholder (i.e. whether it is an individual, company, trust or complying superannuation fund); and
- the tax residency status of the DMC Shareholder (i.e. Australian tax resident or not).

As these consequences differ widely according to each DMC Shareholder's individual circumstances, you are encouraged to seek independent tax advice before making any decision in relation to the Cape Lambert Offer. Cape Lambert has included a general outline of the tax implications to Australian residents of accepting the Cape Lambert Offer in section 8 of the Bidder's Statement, but the Directors recommend you discuss the Cape Lambert Offer with your own tax advisor.

SECTION 6
PROFILE OF DMC

6.1 Overview of DMC and Mayoko

DMC is an Australian incorporated iron ore exploration company which listed on the ASX in July 2007 (ASX: DMM). DMC's principal asset is the Mayoko Iron Ore Project (**"Mayoko Project"** or **"Project"**) located in the Republic of Congo (**"RoC"**), in which DMC acquired an 80% interest in December 2007. The remaining 20% interest is held by Tanaka Mining Projects (Proprietary) Limited (3%), Project Management International Limited (7%) and Mounda Moungha Makosso (10%).

DMC's current focus at the Mayoko Project is to delineate sufficient mineral resources to justify development of an initial hematite direct shipping ore mining operation. At a later stage and subject to the delineation of sufficient mineral resources, DMC plans to build a larger scale mine producing hematite and magnetite concentrates, leveraged off the nearby and existing infrastructure.

6.2 The Mayoko Project

The Mayoko Project is situated in the RoC within the emerging iron ore province of central West Africa, which includes other large iron ore projects such as Zanaga also located in RoC 100km to the east, and to the north at Belinga in Gabon and at Mbalam in Cameroon.

PROJECT LOCATION:

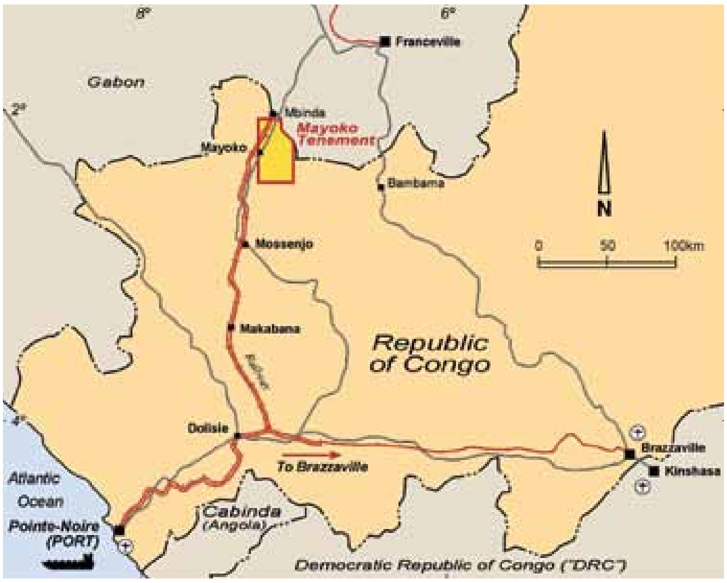


Figure 1: (Source: DMC)

Figure 2 (Source: DMC)

The Mayoko Project comprises a 1,000km^2 exploration licence located approximately 300 kilometres north east of the port city of Pointe Noire, located on the Atlantic coast of RoC (refer Figure 2).

EXPLORATION

Regional exploration to date has covered an area of 220 km2 in the central portion of the Project licence. This work has defined 6 exploration targets prospective for hematite and underlying magnetite banded iron formation mineralisation. In addition, the Company has reported an initial JORC compliant Inferred Mineral Resource of 33.1Mt at 55.5% Fe at Mt Lekoumou based on earlier diamond drilling.

A high resolution airborne magnetic survey and geological mapping carried out during 2009 defined an exploration target size of 0.9 – 1.3 billion tonnes of iron ore mineralisation at an estimated grade of 35-45% Fe in the 6 prospects.1

PROSPECT LOCATION: [4]

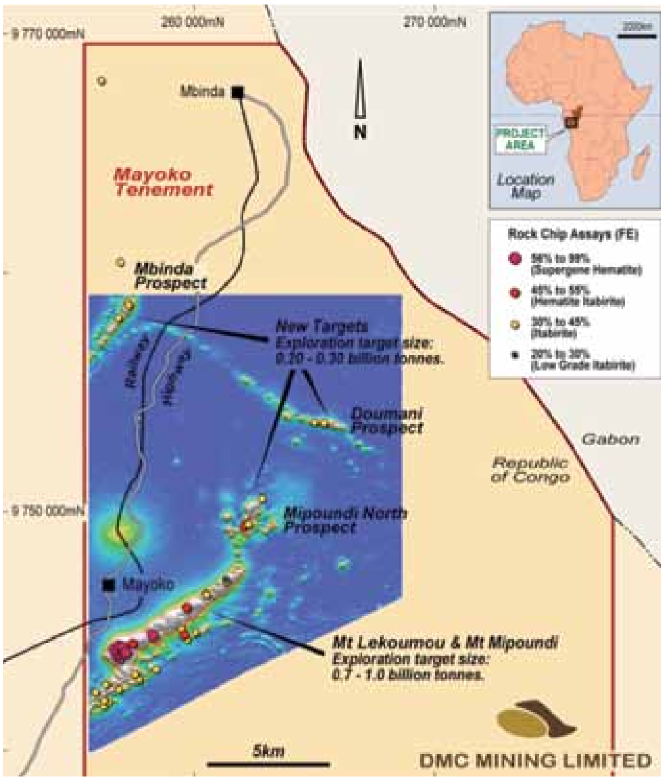


Figure 3 (Source: DMC)

Mineral Resource

In May 2008, the Company reported an initial Inferred Mineral Resource of surficial hematite based on earlier shallow diamond drilling over 1.2km of strike at Mt Lekoumou (refer Independent Geologist Report in Appendix 2 of the Independent Expert's Report for further details).

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4 The estimates of exploration target sizes mentioned in this target's statement should not be misunderstood or misconstrued as estimates of Mineral Resources. The estimates of exploration target sizes are conceptual in nature and there has been insufficient results received from drilling completed to date to estimate a Mineral Resource compliant with the JORC Code (2004) guidelines. Furthermore, it is uncertain if further exploration will result in the determination of a Mineral Resource.

Zone	Tonnes (millions)	% Fe	% SiO_2	% Al_2O_3	% P
Iron Cap	1.3	62.2	5.9	1.1	0.1
Detrital	15.6	54.9	9.4	4.9	0.1
In-situ Supergene	16.1	55.6	11.7	3.0	0.1
Total Inferred	33.1	55.5	10.4	3.8	0.1

DRILLING

An initial campaign of 2,400m of diamond drilling in 4 wide-spaced traverses commenced in December 2009. The aim of this program is to test the largely undrilled 7km long magnetic anomaly at Mt Lekoumou and Mt Mipoundi (Refer Figure 3) to depths of 300m below surface.

The first traverse of 3 diamond drill holes confirmed the exploration target model with weathered and enriched hematite mineralisation overlying weathered then fresh magnetite banded iron formations (also known as itabirite and itabirite protore respectively). The transition from hematite to magnetite dominant iron mineralisation occurs at depths from 40 to 80m below surface.

This initial drilling campaign will be completed during the June 2010 quarter with the first assay results expected later in that quarter.

INFRASTRUCTURE

The Mt Lekoumou prospect lies within 3km of an operating railway, which connects directly to the port of Pointe Noire. The distance by rail from the Mayoko Project to Pointe Noire is approximately 439km. Historically, the railway was used to transport manganese ore from the railhead at Mbinda to port by Compagnie Miniere de l'Ogooue during the 1980's and early 1990's.

The railway is owned and operated by the state-owned company Chemin de Fer Congo-Ocean (**"CFCO"**). In April 2009, DMC signed an agreement with CFCO, which granted the Company access from the Mayoko Project to Pointe Noire during the exploration phase of the Project and provided a framework for cooperation in relation to the future haulage of iron ore from the Mayoko Project to the port of Pointe Noire.

The port at Pointe Noire is the main ocean port in the RoC. In June 2009, the Company formalised a Memorandum of Understanding with the Port Authority of Pointe Noire, whereby both parties will cooperate to investigate the potential export of iron ore from the Mayoko Project through the existing Pointe Noire port and adjoining facilities.

Central West Africa and the Republic of Congo

The RoC is a single party dominant republic in central West Africa (and should not be confused with the less stable Democratic Republic of Congo). The current government has been in power for more than ten years and was re-elected for an additional term of seven years following peaceful elections in 2009.

The RoC has a long history of investment and operations by the petroleum industry. The government is now encouraging investment in the minerals sector and recent developments include commitment to construction of a US$723 million potash plant by Canadian company, Magindustries, investment by Xstrata plc in the Zanaga iron ore project located 100km east of the Mayoko Project, and exploration by Sundance Resources Limited at the Nabeba iron ore deposit in the north of RoC.

The contents of this section relating to exploration and mineral resources are based on information compiled by Mr Kim Bischoff, a Member of the Australasian Institute of Geoscientists. Mr. Bischoff is a Non-executive Director of DMC and has sufficient experience relevant to the styles of mineralisation and the deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Bischoff consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

SECTION 7

ADDITIONAL INFORMATION

7.1 Details of Directors

The Directors as at the date of this Target's Statement are:

Name	Position
Mr David Sumich	Managing Director
Mr Kim Bischoff	Non-Executive Director
Mr Joe Ariti	Non-Executive Director

7.2 Directors' intentions with respect to their own DMC Shares

Each of the Directors currently intends to NOT ACCEPT AT THIS TIME the Cape Lambert Offer in respect of all DMC Shares in which he has a relevant interest but will wait to see if the Proposed Meijin Offer, or a superior proposal, is made.

7.3 Interests of Directors

i. Interests in securities in DMC

The only marketable securities that DMC has on issue are DMC Shares and unlisted DMC Options.

As at 4 May 2010, DMC had 86,867,867 DMC Shares and a total of 6,250,000 DMC Options on issue. Each DMC Option is exercisable into one DMC Share.

Details of DMC Shares and DMC Options in which each Director has a relevant interest are as follows:

Director	DMC Shares	DMC Options
Mr David Sumich	5,983,400[1]	2,000,000[2]
Mr Kim Bischoff	Nil	Nil
Mr Joe Ariti	200,000	1,000,000[3]

Notes:

1. 5,800,000 Shares are held by Ekul Nominees Pty Ltd and 183,400 shares are held by Tirol Investments Pty Ltd which are companies controlled by Mr David Sumich.
2. 1,000,000 Options exercisable at $0.40 each on or before 30 June 2010 and 1,000,000 exercisable at $0.15 on or before 30 June 2010.
3. 1,000,000 Options exercisable at $0.30 each on or before 31 December 2012. As announced on 27 August 2009 these DMC Options were agreed to be granted upon Mr Ariti's appointment with the Company. Shareholder approval was not sought until 14 January 2010.

ii. Dealings in securities in DMC

Other than as set out below, no Director acquired or disposed of a relevant interest in any DMC Shares or DMC Options during the four month period ending on the date immediately before the date of this Target's Statement.

On 10 February 2010, 1,000,000 DMC Options were granted to Joe Ariti in accordance with shareholder approval obtained at a general meeting of DMC Shareholders held on 14 January 2010. These DMC Options were granted in accordance with the terms of Mr Ariti's appointment as announced to the market on 27 August 2009.

iii. Interests in securities of Cape Lambert

Details of Cape Lambert shares and Cape Lambert options in which each Director has a relevant interest are as follows:

Director	Cape Lambert shares	Cape Lambert options
Mr David Sumich	Nil	Nil
Mr Kim Bischoff	275,000[1]	1,500,000[2]
Mr Joe Ariti	1,550,000	3,000,000[3]

Notes:
1. 275,000 shares held by South Durras Pty Ltd, a company associated with Mr Kim Bischoff.
2. 1,500,000 options exercisable at $0.432 each on or before 30 June 2010.
3. 3,000,000 options exercisable at $0.432 each on or before 30 June 2010.

iv. Dealings in securities of Cape Lambert

Neither DMC nor any Director acquired or disposed of a relevant interest in any securities in Cape Lambert during the four month period ending on the date immediately before the date of this Target's Statement.

v. Agreements and benefits conditional on or connected with the Cape Lambert Offer

No Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Cape Lambert Offer and no Director is entitled to receive any benefit from Cape Lambert which is conditional on or connected with the Cape Lambert Offer (other than in their capacity as a DMC Shareholder).

vi. Contracts with Cape Lambert

Other than as set out below, no Director has any interest in any contract entered into by Cape Lambert.

J Ariti & Associates Pty Ltd (a company controlled by Mr Ariti) provides consulting services to Cape Lambert. J Ariti & Associates Pty Ltd is paid $1,500 per day (or part thereof) for the provision of such consulting services. As at the date of this Target's Statement J Ariti & Associates Pty Ltd has invoiced a total of $251,045 (net of GST) for the provision of such consulting services for the period 1 July 2009 to 31 March 2010.

Paniki Services (a trading entity associated with Mr Bischoff) provides consulting services to Cape Lambert. Paniki Services is paid $1,200 per day (or part thereof) for the provision of such consulting services. As at the date of this Target's Statement Paniki Services has invoice a total of $139,527 (net of GST) for the provision of such consulting services for the period 1 July 2009 to 31 March 2010.

The consulting services provided by J Ariti & Associates Pty Ltd and Paniki Services:

- concerns technical or operational matters on particular Cape Lambert projects; and
- are not directed to increasing Cape Lambert's stake in DMC.

There are no existing bonus arrangements between Cape Lambert and J Ariti & Associates Pty Ltd and Paniki Services linked to performance of Cape Lambert or any of the entities or projects in which it has an interest. Consequently, there are no bonus arrangements that could be triggered by the Cape Lambert takeover.

Mr Bischoff acts as General Manager - Exploration for Cape Lambert as part of his consulting services provided through Paniki Services. He is not employed in this role by Cape Lambert.

Mr Ariti is a non-executive director of Swick Mining Services Limited (ASX: SWK), which provides mineral drilling services to Cape Lambert Lady Annie Exploration Pty Ltd at the Lady Annie Project. Cape Lambert Lady Annie Exploration Pty Ltd is a wholly owned subsidiary of Cape Lambert.

vii. Payments and benefits

Other than a benefit permitted under section 200F of the Corporations Act, no benefit is proposed to be given to a Director:

- in connection with their retirement from office in DMC or a related body corporate of DMC; or
- in connection with the transfer of the whole or any part of the undertaking or property of DMC.

7.4 Potential impact of Cape Lambert Offer on DMC

DMC has not identified any material contracts to which it is a party that contain change of control provisions that may be triggered as a result of the Cape Lambert Offer or acceptances of the Cape Lambert Offer.

7.5 Impact of the Cape Lambert Offer on DMC Options

As at 4 May 2010, DMC had 6,250,000 Options on issue with various exercise prices and expiry dates.

If a person, during the period from after the Record Date to the end of the Offer Period, becomes registered or entitled to be registered as the holder of DMC Shares (whether or not they are registered or entitled to be registered as the holder of other DMC Shares) due to the conversion of, or exercise of rights attached to, other securities convertible into DMC Shares (including DMC Options) that are on issue at the Record Date (being 5.00pm (WST) 7 April 2010), the Cape Lambert Offer will extend to those DMC Shares issued after the Record Date.

7.6 Changes in the financial position of DMC

The most recent published financial information in relation to DMC is contained in the Company's reviewed financial report for the half year ended 31 December 2009 which was lodged with the ASX on 16 March 2010.

As disclosed as a subsequent balance sheet event in the half year financial report, in March 2010 the Company received $1,440,000 and issued 5,760,000 shares, being the second tranche of the capital raising that was announced to the market in September 2009.

7.7 Risk factors

There are a number of risks which may have a material and adverse impact on the future operating and financial performance of DMC and the value of DMC Shares. These may be risks that are widespread risks associated with any form of business or specific risks associated with DMC's business and its involvement in the exploration and mining industry. While most risk factors are largely beyond the control of DMC and its Directors the Company will seek to mitigate the risks where possible, for example by obtaining appropriate insurances and maintaining its key relationships.

The following summary, which is not exhaustive, represents some of the major risk factors which affect DMC. These risk factors ought not to be taken as an exhaustive list of the risks faced by DMC or by DMC Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of DMC and the value of DMC Shares.

(a) Share price

There is a risk that the DMC Share price may fall if the Cape Lambert Offer is unsuccessful.

(b) Exploration and production risks

The future viability and profitability of DMC as an exploration and production company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates and in particular the price of iron ore;
- risks inherent in exploration and mining including, among other things, successful exploration and exploitation of ore reserves, satisfactory performance of mining operations and competent management;
- a number of assumptions have been made and used by DMC and its advisors and consultants in the calculations and studies they have conducted. If any of these assumptions are incorrect, whether positive or negative, this will have an effect on the calculations and results of studies which have been conducted;
- risks associated with the current global economic environment;
- increases in the capital costs of project development occurring as a consequence of global economic conditions, delays, demand for resources and other factors;
- increases in the price of inputs to the production process, in particular, the price of fuel, consumables, freight and shipping;
- retention of key employees. DMC's performance is substantially dependent on its senior management, Directors and key technical personnel to continue to develop and manage DMC's projects. The loss of senior management, Directors and key technical personnel could have a material adverse effect on the business of DMC; and
- environmental management issues with which the Company may be required to comply from time to time and the potential risk that regulatory environmental requirements or circumstances could impact on the economic performance of the Company's operations.

(c) Sovereign Risk – Republic of Congo

The Company's principal project is located in the Republic of Congo which is a developing nation with associated political, economic and social risks. The Company has determined its investment and strategic decisions based on information currently available to the Directors. Should there be any material change in the political, economic and social environments in the Republic of Congo, the Directors may reassess investment decisions and commitments to assets in these countries.

(d) Other risks

The future viability and profitability of DMC are also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- the strength of the equity and debt markets in Australia and throughout the world;
- general economic conditions in Australia and their major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- financial failure or default by a participant in contractual relationship to which DMC is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by DMC in its activities;
- industrial or other disputes in Australia and the Republic of Congo; and
- an outbreak of hostilities or a material escalation of hostilities in Republic of Congo or elsewhere in the world

7.8 Due diligence

DMC has not provided Cape Lambert with any non-public information about DMC, for the purpose of Cape Lambert conducting a due diligence review of that information in connection with the Cape Lambert Offer.

7.9 Summary of Material Contracts

On 5 May 2010, DMC entered into a conditional takeover bid implementation deed with Meijin ("TBID"). The TBID provides that subject to the satisfaction or waiver of certain preconditions by 5.00pm on 7 May 2010 Meijin will make the Proposed Meijin Offer for all of the DMC Shares at an offer price of $0.50 per DMC Share.

The Proposed Meijin Offer, if made, will be subject to the following conditions:

- a minimum acceptance condition that at or before the end of the Proposed Meijin Offer period, Meijin has a relevant interest in at least 48,700,000 DMC Shares; and
- "no prescribed occurrences" occurring from the date of Meijin's bidder's statement to the end of the Proposed Meijin Offer period.

The preconditions are:

- completion of due diligence by 5.00pm on 7 May 2010 by Meijin on DMC (including DMC's Related Bodies Corporate and their respective businesses);
- the entering into of a pre-bid acceptance deed with Ekul Nominees Pty Ltd a shareholder in DMC and related party to DMC's Managing Director, David Sumich; and
- no "prescribed occurrences" occurring before the date of satisfaction of the preconditions noted above.

DMC will use its best endeavours to procure that all of the DMC Directors maintain that:

- they will unanimously recommend that DMC Shareholders accept the Proposed Meijin Offer, if made, in the absence of a superior proposal and subject to the consideration under the Proposed Meijin Offer being within or above the Valuation Range; and
- they intend to accept the Proposed Meijin Offer, if made, in respect of their own shareholdings, in the absence of a superior proposal and subject to the consideration under the Proposed Meijin Offer being within or above the Valuation Range.

Upon satisfaction of the preconditions, DMC is required to publicly announce the DMC Directors recommendation and intention in relation to DMC Shares they control.

Meijin may use members of the Meijin Group (being Meijin and its related bodies corporate) to make the Proposed Meijin Offer.

DMC will be required to pay Meijin a break fee of A$150,000 in the following circumstances:

- DMC does not prepare a target's statement in relation to the Proposed Meijin Offer or breaches its obligations to promote the Proposed Meijin Offer; or
- before the end of the Proposed Meijin Offer period each of the following occur:
    i. any DMC Director does not recommend, or indicates that he will not recommend, the Proposed Meijin Offer; and
    ii. the DMC Board has not received a superior proposal; and
    iii. the Proposed Meijin Offer price is within or above the Valuation Range.

Meijin will be required to pay DMC a break fee of A$150,000 if Meijin breaches it obligations:

- in respect of the preconditions;
- to make an announcement that it will make the Proposed Meijin Offer if the preconditions are satisfied or waived;
- to prepare a bidder's statement;
- to despatch the Proposed Meijin Offer in the agreed timeframes.

Each of Meijin and DMC may terminate the TBID if the other party is in breach of any clause of the TBID and upon receiving written notice, the other party fails to rectify the breach within 5 business days.

DMC may terminate the TBID by notice to Meijin if Meijin fails to notify DMC that the preconditions are not satisfied or waived by 5.00pm Perth time on 7 May 2010.

Each of Meijin and DMC may terminate the TBID at any time, by notice to the other, if:

- Meijin withdraws the Proposed Meijin Offer, if made, for any reason including non-satisfaction of defeating condition of the Proposed Meijin Offer as permitted by the Corporations Act; or
- on the date 4 months from the date of TBID the Proposed Meijin Offer, if made, has not been freed from all conditions; or
- the DMC Directors recommend a superior proposal; or

- the Independent Expert releases its report, and the Proposed Meijin Offer price is less than the Valuation Range.

7.10 Consent to inclusion of statements

Blakiston & Crabb has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as legal advisers to DMC.

Royal Bank of Canada has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as financial advisers to DMC.

This Target's Statement also includes statements made by, or statements based on statements made by, Cape Lambert. Cape Lambert has not consented to those statements being included in this Target's Statement.

BDO Corporate Finance (WA) Pty Ltd has consented to the inclusion in this Target's Statement of its Independent Expert's report in the form and context which it appears and BDO has not withdrawn its consent before the lodgement of this Target's Statement with ASIC.

Coffey Mining Pty Ltd has consented to the inclusion in this Target's Statement of its Specialist Report (as included in the Independent Expert's report) in the form and context which it appears and Coffey has not withdrawn its consent before the lodgement of this Target's Statement with ASIC.

7.11 Publicly available information

This Target's Statement contains statements which are made in or based on statements made in, documents lodged by various parties (including Cape Lambert) with ASIC, or given to ASX, namely in the Bidder's Statement.

As required by ASIC Class Order CO 01/1543, DMC will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to DMC Shareholders who request it during the Offer Period. To obtain a copy of these documents (or the relevant extracts), DMC Shareholders may telephone the official DMC Shareholder Information Line on 1800 606 449 (from within Australia) or +61 2 8256 3382 (from outside Australia).

7.12 Material litigation

As at the date of this Target's Statement, DMC is not aware of any current or proposed litigation or dispute that is material.

7.13 No other material information

This Target's Statement is required to include all the information that DMC Shareholders and their professional advisors would reasonably require to make an informed assessment whether to accept the Cape Lambert Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the information that DMC Shareholders and their professional advisors would reasonably require to make an informed assessment of whether to accept the Lambert Offer is:

- the information contained in the Bidder's Statement;
- the information which has been previously disclosed by DMC as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;
- the information contained in Cape Lambert releases to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

SECTION 8

DEFINITIONS AND INTERPRETATION

8.1 Definitions

In this Target's Statement, unless the context otherwise requires:

"**A$**", "**$**", or "**AUD**" means the currency of Australia;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means ASX Limited (ABN 98 008 624 691), and where the context requires, the Australian Securities Exchange;

"**ASX Listing Rules**" means the official listing rules of ASX as amended, varied, modified or waived from time to time;

"**Bidder's Statement**" means the bidder's statement issued by Cape Lambert dated 7 April 2010 as supplemented by a first supplementary bidder's statement dated 27 April 2010;

"**Cape Lambert**" or "**Bidder**" means Cape Lambert Resources Ltd ACN 095 047 920;

"**Cape Lambert Offer**" means the offer by Cape Lambert for the DMC Shares on the terms contained in section 7 of the Bidder's Statement;

"**CHESS**" means the Clearing House Electronic Sub register System, which provides for electronic share transfers in Australia;

"**CHESS Holding**" means a holding of DMC Shares on the CHESS Sub register of DMC;

"**Controlling Participant**" means a Participant who is designated as the controlling participant for shares in a CHESS Holding in accordance with the ASTC Settlement Rules;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Director**" means a member of the DMC Board;

"**DMC**" or "**Company**" means DMC Mining Limited ACN 121 513 620;

"**DMC Board**" or "**Board**" means the board of directors of DMC;

"**DMC Options**" or "**Options**" means options to subscribe for DMC Shares;

"**DMC Shareholder**" or "**Shareholder**" means a person registered in the register of members of DMC as a holder of one or more DMC Shares;

"**DMC Shares**" or "**Shares**" means fully paid ordinary shares in the capital of DMC;

"**Independent Expert**" means BDO Corporate Finance (WA) Pty Ltd;

"**Issuer Sponsored Holding**" means a holding of DMC shares on DMC's issuer sponsored subregister;

"**JORC**" or "**JORC Code**" means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition;

"**km**" means kilometres;

"**km^2**" means square kilometres;

"**Mayoko Project**" or "**Project**" means the Mayoko iron ore project located in the RoC;

"**Meijin**" means Meijin Energy Group Limited;

"**Notice of Status of Conditions**" means Cape Lambert's notice disclosing the status of the conditions of the Offer which is required to be given by subsection 630(3) of the Corporations Act;

"**Offer Period**" means the period during which the Cape Lambert Offer remains open for acceptance in accordance with section 2 of the Bidder's Statement;

"**Offer Price**" means the consideration offered under the Cape Lambert Offer for each DMC Share. As at the date of this Target's Statement, that consideration is AUD$0.46 per Share for all of your DMC Shares;

"**Project Vendors**" means Tanaka Mining Projects (Proprietary) Limited and Project Management International Limited;

"**Proposed Meijin Offer**" means the offer which will be made by Meijin of $0.50 per DMC share, subject to the satisfaction or waiver of certain preconditions;

"**Record Date**" means the time and date set by the Bidder under section 633(2) of the Corporations Act, being 5.00pm (Perth time) on 7 April 2010;

"**Related Bodies Corporate**" has the meaning given to it in the Corporation Act;

"**RoC**" means the Republic of Congo;

"**section**" means the relevant section in the document referred to;

"**Shareholder**" means a shareholder in DMC;

"**Target's Statement**" means this document being the statement of DMC under Part 6.5 Division 3 of the Corporations Act relating to the Cape Lambert Offer;

"**Valuation Range**" means the range of the values for each DMC Share (expressed in Australian dollars) as stated in the report of the Independent Expert; and

"**WST**" refers to Australian Western Standard Time.

8.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

(a) the singular includes the plural and vice versa;

(b) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;

(c) a reference to any gender includes all genders;

(d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(e) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be;

(f) unless otherwise specified, a reference to a section, clause, annexure or schedule is to a section, clause, annexure or schedule of or to this Target's Statement;

(g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;

(h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;

(i) the words "including", "such as", "particularly" and similar expressions do not imply limitation; and

(j) headings are for convenience of reference only and do not affect interpretation.

SECTION 9

APPROVAL OF TARGET'S STATEMENT

This Target's Statement has been approved by a resolution of the DMC Board.

Signed for and on behalf of DMC Mining Limited:

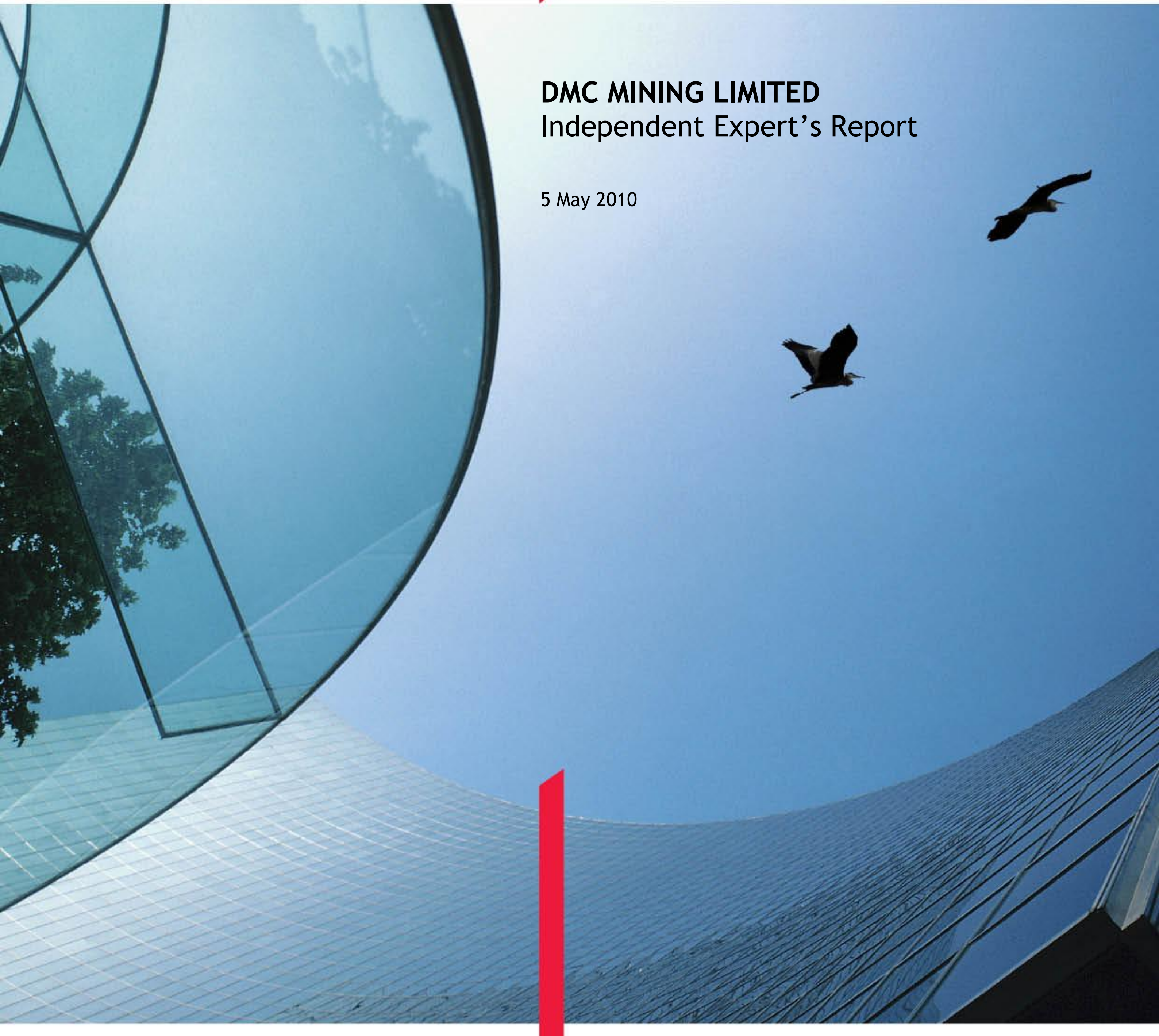
Dated 7 May 2010

David Sumich
Managing Director

SCHEDULE 1

DMC MINING LIMITED
Independent Expert's Report

5 May 2010



BDO Corporate Finance (WA) Pty Ltd
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Financial Services Guide

5 May 2010

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ("**BDO**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by DMC Mining Limited ("**DMC**") to provide an independent expert's report on whether or not the proposed takeover offer from Cape Lambert Resources Limited to acquire all the shares in DMC at $0.46 per share is fair and reasonable. You will be provided with a copy of our report as a retail client because you are a shareholder of DMC.

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

This FSG includes information about:

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

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

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

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

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

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

Fees, Commissions and Other Benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately $25,000.

Over the past two years, BDO Corporate Tax (WA) Pty Ltd has provided a subsidiary of Cape Lambert Resources Limited with taxation services. The total fees for these services totalled $33,130.

Over the past two years, BDO Corporate Finance (WA) Pty Ltd has provided DMC Mining Limited with valuation services. The total fees for these services totalled $5,366.

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

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

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

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

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

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

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

Contact details
You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

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5 May 2010

The Directors
DMC Mining Limited
2 Ord Street
West Perth, Western Australia 6005

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1 Introduction

On 23 March 2010, Cape Lambert Resources Limited ("**Cape Lambert**") announced an off-market cash offer for all shares of DMC Mining Limited ("**DMC**" or "**the Company**"). The consideration offered for each DMC share was $0.40. On 23 April 2010, Cape Lambert increased the consideration offered for each DMC share to $0.46.

2 Summary and Opinion

2.1 Purpose of the report

The directors of DMC have requested that BDO Corporate Finance (WA) Pty Ltd ("**BDO**") prepare an independent expert's report ("**our Report**") to express an opinion as to whether or not the proposed offer from Cape Lambert to acquire DMC shares off market for $0.46 per share ("**the Offer**") is fair and reasonable to the non associated shareholders of DMC ("**Shareholders**").

Our Report is prepared pursuant to Section 640 of the Corporations Act and is to be included in DMC's Target's Statement which is to be sent to all Shareholders in order to assist the Shareholders in their decision whether or not to accept the Offer.

2.2 Approach

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

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

- How the value of a DMC share compares to the value of the consideration offered by Cape Lambert;
- The likelihood of a superior alternative offer being available to DMC;
- Other factors which we consider to be relevant to the Shareholder's in their assessment of the Offer; and
- The position of Shareholders should the Offer not proceed.

2.3 Opinion

We have considered the terms of the Offer as outlined in the body of our report and have concluded that the Offer is not fair and not reasonable to Shareholders. Our opinion is made in light of a superior conditional offer received from the Meijin Energy Group Limited ("Meijin"). In the absence of the conditional offer from Meijin our opinion is that the Offer is fair and reasonable.

On 5 May 2010, DMC announced that it had entered into a conditional Takeover Bid Implementation Deed ("**TBID**") with Meijin, for Meijin to acquire all the ordinary shares in DMC for $0.50 per share in cash through an off-market takeover offer ("**the Alternative Offer**"). The pricing of the Alternative Offer is an all cash offer for A$0.50 per DMC share.

The key terms of the Alternative Offer are stated below:

- An all-cash takeover offer of A$0.50 per DMC share
- At the end of the offer period, the bidder having a relevant interest in at least 48,700,000 DMC shares on issue

The Alternative Offer is subject to the following preconditions:

- The completion of due diligence to the satisfaction of Meijin.
- A requirement for David Sumich, Managing Director of DMC, and his respective shareholding entities in DMC to enter into pre-bid agreements to sell their shares in DMC to Meijin.
- No prescribed occurrences occurring before the dates of satisfaction of the above preconditions (being an event listed in section 652C(1)(a) to (h) and section 652C(2)(a) to (e) of the Corporations Act 2001 (Cth) (as set out in Appendix 3).

The preconditions need to be satisfied or waived by 5.00pm Perth time on 7 May 2010. In our opinion these preconditions are capable of being met by 7 May 2010. If the preconditions are satisfied or waived Mejin will make the off-market takeover bid. If the preconditions are not satisfied or waived, the Alternative Offer will not be made. If Meijin make the off-market takeover bid, it will not be known until the end of the offer period whether Meijin will have a relevant interest in at least 48,700,000 DMC shares. It is therefore up to each individual shareholder to consider whether to accept the Offer or the Alternative Offer in the light of this level of shares needing to be acquired by Meijin.

In the event that the preconditions of the Alternative Offer are not satisfied or waived, we consider the Offer to be fair and reasonable to Shareholders, in the absence of a superior offer.

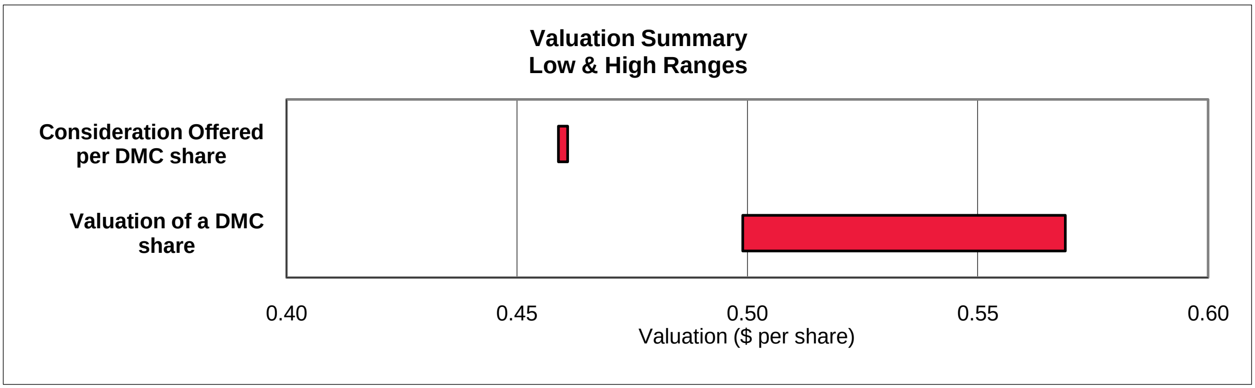
2.4 Fairness

In Section 11 we determined that the Offer consideration compares to the value of DMC, as detailed hereunder.

	Section	Low ($)	Preferred ($)	High ($)
Valuation of a DMC share	9.4	0.500	0.500	0.569
Consideration Offered per DMC share	10	0.460	0.460	0.460

The value we have attributed to a DMC share is the value available to Shareholders under the Alternative Offer in our low and preferred valuations. The high valuation is based on the net tangible asset valuation.

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Offer is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 12 of this report, in terms of both:

- Advantages and disadvantages of the Offer
- Alternatives, including the position of Shareholders if the Offer is not successful.

In our opinion, the position of Shareholders if the Offer is successful is less advantageous than the position of Shareholders if the Offer is not successful. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Offer is not reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
12.3.1.1	Opportunity for DMC shareholders to realise their investment	12.3.2.1	Shareholders will not benefit from future activities and possible increases in the value of DMC
12.3.1.2	Further Capital likely to be required by DMC	12.3.2.2	Crystallisation of capital gains and losses
		12.3.2.3	Inability to obtain a directly comparable investment to the Mayoko Iron Ore Project
		12.3.2.4	Further illiquidity likely to occur

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
		12.3.2.5	Availability of the Alternative Offer and inability to participate in future possible offers

Other key matters we have considered include:

Section	Description
12.1	Alternative proposal
12.2	Implications of not accepting the Offer

3 Scope of the Report

3.1 Purpose of the Report

Cape Lambert has prepared a Bidder's Statement in accordance with Section 636 of the Corporations Act ("the Act"). Under Section 633 Item 10 of the Act DMC is required to prepare a Target's Statement in response to the Bidder's Statement.

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

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

Cape Lambert currently has a 36.2 percent shareholding in DMC. Therefore, an independent expert's report is required for inclusion in the Target's Statement. The directors of DMC have engaged BDO to satisfy this requirement.

3.2 Regulatory guidance

The Act does not define the meaning of "fair and reasonable". In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

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

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

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

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

- A comparison between the value of a DMC share (on a control basis) and the value of the consideration offered (fairness – see Section 11 “Is the Offer Fair?”); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Offer, after reference to the value derived above (reasonableness – see Section 12 “Is the Offer Reasonable?”).

4 Outline of the Offer

On 23 March 2010, Cape Lambert announced that it had made an all cash takeover offer for DMC. Under the Offer, Cape Lambert made an off-market offer to all DMC shareholders to acquire their shares at $0.40 a share, payable in cash (“**the Initial Offer**”).

On 23 April 2010, Cape Lambert announced it had revised the offer to $0.46 a share, payable in cash. This revised offer was made after DMC had announced that it had received a notification of an intention to make an offer by a third party offering Shareholders $0.46 per DMC share. This has not yet been formalised into an offer which is capable of acceptance by Shareholders.

The Offer period will commence on 23 April 2010 and end on 25 May 2010.

The Offer is subject to a no prescribed occurrences condition, being occurences listed in Section 652C (1) (a) – (h) and Section 652 (2) (a) – (e) of the Corporations Act but within an off market takeover context. These conditions are applicable to DMC or its subsidiaries during the period from the date of the announcement of the Offer to the date which is three business days after the end of the offer period. Details of the conditions as defined within the Corporations Act have been specified in detail in Appendix 3.

5 Profile of DMC Mining Limited

5.1 History

DMC is an Australia based exploration and development company whose flagship asset is the Mayoko Iron Ore Project (“**the Project**”). DMC Mining was incorporated August 2006 and listed on the Australian Securities Exchange (“**ASX**”) in July 2007.

The directors of DMC are:

- David Sumich
- Joe Ariti
- Kim Bischoff

5.2 Mayoko Iron Ore Project

DMC acquired 80 percent of DMC Iron Congo SARL which holds the licence to the Project on 3 December 2007. The remaining 20 percent DMC Iron Congo Sarl is owned by three parties being, Tanaka Mining Projects Pty Ltd (holding a three percent share), Project Management International Limited (holding a seven percent share) and Mounda Moungha Makosso (holding a ten percent share). The Project is located in the south west region of the Republic of Congo. The site of the Project is located 2.2 kilometres from rail infrastructure which is connected to the port of Point Noire, a major port within the Republic of Congo.

The company has a defined JORC resource of 33.1Mt of hematite iron ore (with an average grade of 55.5 percent Fe). This defined resource has been largely based on drilling conducted by previous owners of the project in the 1970s. DMC has publicly stated that is has an exploration target of 0.9 – 1.3 billion tonnes of predominantly itabirite iron ore (with grades ranging from 35 to 45 percent Fe).

In terms of the infrastructure requirements for the Project, DMC announced the completion of a Rail Access Agreement with Chemin De fer Congo Ocean (the state owned and operated railway company who owns the railway). However, the Company is still in discussions with the Port Authority of Pointe Noire in relation to a formal agreement for the export of iron ore through the port.

DMC engaged GRD Minproc to complete a scoping study on the hematite iron ore resources within the Project. The study was focused on the feasibility of a direct shipping ore (“**DSO**”) operation and was based on the existing hematite resource of 33.1 Mt and a potential expansion case of 110 – 135 Mt.

Further information on the Project may be found in the independent geologist’s report prepared by Coffey Mining Pty Ltd, which is attached Appendix 4.

The results of the scoping study are summarised in the table below:

Description	3Mtpa scenario	11Mtpa scenario
Resource Mined	**33Mt**	**110 - 135Mt**
Mining Capex (US$m)	8.9	51.1
Plant Capex (US$m)	75.6	100.6
Infrastructure Capex (US$m)	9.0	9.0
Rail and Port Capex (US$m)	61.5	182.1
Miscellaneous Capex (US$m)	6.4	10.6
Total Direct Costs (US$m)	**161.4**	**353.4**
Engineering, Procurement, Construction Management (US$m)	30.1	74.3
Total Direct and Indirect Costs (US$m)	**192.0**	**428.0**
Provision Costs (US$m)	6.0	58.0
Total Capex (US$m)	**198.0**	**486.0**
Mining Costs (US$/t)		6.00
Processing Costs (US$/t)		1.35
Transport Costs (US$/t)		14.40
Port and Royalty Costs (US$/t)		0.50
Total Operating Costs (US$/t)		**22.25**

Source: DMC ASX Announcements

DMC has not publicly released any prospective valuations with regard to the hematite resources or the scoping study conducted by GRD Minproc.

5.3 Historical Balance Sheet

	Reviewed as at 31 December 2009 $	Audited as at 30 June 2009 $	Audited as at 30 June 2008 $
Assets			
Current Assets			
Cash and cash equivalents	1,914,682	416,524	1,022,757
Trade and other receivables	18,640	26,612	72,534
Other assets	41,299	46,581	33,303
Total Current Assets	**1,974,621**	**489,717**	**1,128,594**
Non-Current Assets			
Property, plant and equipment	249,611	203,711	65,237
Exploration assets	13,813,943	13,459,870	14,778,166
Total Non-Current Assets	**14,063,554**	**13,663,581**	**14,843,403**
Total Assets	**16,038,175**	**14,153,298**	**15,971,997**
Liabilities			
Current Liabilities			
Trade and other payables	184,488	224,429	624,740
Convertible note	-	2,000,000	-
Provisions	24,667	21,321	15,050
Total Current Liabilities	**209,155**	**2,245,750**	**639,790**
Total Liabilities	**209,155**	**2,245,750**	**639,790**
Net Assets	**15,829,020**	**11,907,548**	**15,332,207**
Equity			
Issued capital	16,852,475	11,661,875	10,461,882
Share based payments reserve	8,751,479	8,546,470	6,189,451
Foreign exchange translation reserve	69,648	72,674	-
Accumulated losses	(9,844,582)	(8,303,800)	(1,319,126)
Parent interest	**15,829,020**	**11,977,219**	**15,332,207**
Minority Interest	-	(69,671)	-
Total Equity	**15,829,020**	**11,907,548**	**15,332,207**

Source: DMC Mining Limited Audited Financial Report for the years ended 30 June 2009 and 2008 and DMC Reviewed Half Year Report for 31 December 2009

Exploration assets represent capitalised exploration expenditure in relation to the Mayoko Iron Ore Project. Cash has increased during the period to 31 December 2009 due to the capital raising conducted during the half year in which cash proceeds of $2,489,500 were received for the first tranche of the capital raising. During the year ended 31 December 2009, Dempsey Resources Pty Ltd ("Demsey"), a wholly owned subsidiary of Cape Lambert, converted a $2 million convertible loan note into 20,000,000 DMC shares. Dempsey also exercised the 5,000,000 options it held pursuant to the convertible note deed into 5,000,000 DMC shares, resulting in a cash inflow to DMC of $750,000.

5.4 Historical Income Statements

	Reviewed 6 months to 31 December 2009 $	Audited year to 30 June 2009 $	Audited year to 30 June 2008 $
Interest income	12,981	42,381	103,009
Finance costs	(12,849)	(312,436)	(3,011)
Administration expenses and other expense	(751,537)	(1,379,201)	(695,415)
Salaries and employee benefits	(499,813)	(2,578,587)	(532,047)
Exploration costs written off	(256,083)	(2,787,847)	(170,763)
Depreciation	(36,507)	(57,340)	(4,444)
Loss for the period	**(1,543,808)**	**(7,073,030)**	**(1,302,671)**
Attributable to:			
Equity holders of the company	(1,543,808)	(6,984,674)	(1,302,671)
Minority interest	~	(88,356)	~
	(1,543,808)	**(7,073,030)**	**(1,302,671)**

Source: DMC Mining Limited Audited Financial Report for the years ended 30 June 2009 and 2008 and DMC Reviewed Half Year Report for 31 December 2009

Salaries and employee benefits during the 2009 financial year included $1,817,653 of share based payments made to consultants (options issued).

Exploration costs written off during the 2009 financial year were in relation to the Mayoko Iron Ore project and the Tumut project.

Finance costs have decreased during the half year to 31 December 2009 as a result of Dempsey converting its loan into DMC shares. The loan had borne interest of 12 percent per annum.

Administration and other expenses in the 2009 financial year include share based payments valued at $552,200 which represent the 5,000,000 options issued to Dempsey.

5.5 Capital Structure

The share structure of DMC as at 31 March 2010 is outlined below:

	Number
Total Ordinary Shares on Issue	84,967,867
Top 20 Shareholders	64,334,067
Top 20 Shareholders - % of shares on issue	75.71%

Source: DMC Share Registry Report as at 31 March 2010

The range of shares held in DMC as at 31 March 2010 is as follows:

	No. of Ordinary Shareholders	No. of Ordinary Shares	Issued Capital (%)
1-1,000	48	34,591	0.04
1,001-5,000	146	463,572	0.55
5,001-10,000	130	1,128,872	1.33
10,001-100,000	292	10,814,876	12,73
100,001 – and over	61	72,525,956	85.36
Total	**677**	**84,967,867**	**100.00**

Source: DMC Share Registry Report as at 31 March 2010

The ordinary shares held by the most significant shareholders as at 31 March 2010 are detailed below:

	No. of Ordinary Shares Held	Percentage of Issued Shares (%)
Dempsey Resources Pty Ltd*	30,760,000	36.20
HSBC custody Nom Aus Ltd	6,803,651	8.01
Ekul Nom Pl	5,800,000	6.83
ANZ Nom Ltd	3,608,893	4.25
Total Top 4	**46,972,544**	**55.29**
Others	37,995,323	44.71
Total Ordinary Shares on Issue	**84,967,867**	**100.00**

Source: DMC Share Registry Report as at 31 March 2010

*Dempsey Resources Pty Ltd is a wholly owned subsidiary of Cape Lambert.

The most significant optionholders of DMC as at 31 March 2010 are outlined below:

Name	Number of Options	Exercise Price ($)	Expiry Date
David Sumich	1,000,000	0.40	30 June 2010
	1,000,000	0.15	30 June 2010
Bruce Franzen	1,000,000	0.40	30 June 2010
	1,000,000	0.15	30 June 2010
Tobin Bischoff	900,000	0.15	30 June 2010
Fiona Taylor	1,000,000	0.30	31 December 2012
Joe Ariti	1,000,000	0.30	31 December 2012
Cunningham Securities	1,250,000	0.65	31 December 2010
Total Number of Options	**8,150,000**		
Cash Raised if Options Exercised	**$2,647,500**		

Source: DMC Share Registry Report as at 31 March 2010

6 Profile of Cape Lambert Resources Limited

6.1 History

Cape Lambert is an Australian based exploration and development company which listed on the ASX in June 2001. Cape Lambert has interests in a number of mineral assets and investments in several exploration and mining companies.

Cape Lambert was previously known as International Goldfields Limited until 2 November 2005, when it registered a change of name to Cape Lambert Iron Ore Limited. On 21 November 2009, upon shareholder approval, the Company changed its name to Cape Lambert Resources Limited.

Cape Lambert's strategy is to invest in early stage projects and companies, add value to the assets and then position them for either development and/or sale.

Cape Lambert was also listed on the Alternative Investment Market from 5 May 2006 until 9 March 2009.

6.2 Current projects

Cape Lambert currently holds the following projects:

- **Marampa Iron Ore Project (Iron ore)**: 100% interest, hematite, located in Sierra Leone, West Africa.
- **Lady Annie Project (Copper)**: 100% interest, copper, located 100km north of Mt Isa in Queensland, Australia.
- **Lady Loretta Project (Zinc)**: 25% interest, zinc, located 120km north of Mt Isa in Queensland, Australia.
- **Sappes Gold Project (Gold)**: 100% interest, gold, located approx 30km north west of the port city of Alexandroupolis, Greece.
- **Australis Exploration Pty Ltd (Rock phosphate)**: 100% owned, rock phosphate and secondary uranium, licences and applications covering approx 38,000km^2 located in the Northern Territory and Queensland.
- **Cape Lambert South (Iron ore)**: 100% interest, magnetite, located in the coastal Pilbara region of Western Australia, Australia.

On 12 March 2010 Cape Lambert announced that it had signed a formal agreement to sell the Lady Annie project for a total consideration of $135m to China Sci Tec Holdings. China Sci Tec Holdings has completed the due diligence process and both parties expect the deal to be completed by 31 May 2010.

Cape Lambert has an interest in the following companies

- Corvette Resources Limited - 32.3% interest
- DMC - 36.2% interest
- Monitor Energy Limited – - 10.3% interest
- Global Iron Limited – 19.6% interest
- Cauldron Energy Limited – 18.0% interest
- Oklo Uranium Limited – 5.2% interest

- Universal Resources – 2.0% interest
- Fe Limited – 17.5% interest
- Baobab Resources Plc – 3.2% interest

6.3 Historical Balance Sheets

	Reviewed as at 31 December 2009 $	Audited as at 30 June 2009 $	Audited as at 30 June 2008 $
Assets			
Current Assets			
Cash and cash equivalents	34,542,979	74,058,703	16,137,185
Restricted cash	4,567,698	5,657,334	-
Trade and other receivables	14,495,839	49,906,564	260,446
Inventories	-	4,421,135	-
Assets classified as held for sale	86,556,904	-	56,861,281
Total Current Assets	**140,163,420**	**134,043,736**	**73,258,912**
Non-Current Assets			
Trade and other receivables	5,212,345	5,748,502	8,268
Financial assets at fair value through profit and loss	57,460,229	36,528,153	4,051,037
Entities accounted for using the equity method	51,587,219	38,384,711	-
Restricted cash	13,520,337	10,812,629	170,903
Property, plant and equipment	937,651	8,919,387	160,320
Exploration and evaluation expenditure	144,756,751	154,679,278	28,000
Deferred tax asset	-	-	3,855,707
Total Non-Current Assets	**273,474,532**	**255,072,660**	**8,274,235**
Total Assets	**413,637,952**	**389,116,396**	**81,533,147**
Liabilities			
Current Liabilities			
Trade and other payables	20,712,542	23,298,792	617,634
Borrowings	-	15,780,860	-
Provisions	5,230	-	-
Current tax liabilities	24,427,624	24,434,549	-
Deferred income	36,822	36,822	5,000,000
Liabilities directly associated with assets classified as held for sale	39,911,054	-	-
Total Current Liabilities	**85,093,272**	**63,641,023**	**5,617,634**
Non-Current Liabilities			
Provisions	52,909	11,922,606	-
Borrowings	2,282,537	2,991,074	-
Deferred tax liability	19,701,351	41,671,096	-
Total Non-Current Liabilities	**22,036,797**	**56,854,776**	**-**
Total Liabilities	**107,130,069**	**120,225,799**	**5,617,634**
Net Assets	**306,507,883**	**268,890,597**	**75,915,512**
Equity			
Issued capital	148,061,695	126,016,077	82,008,254
Reserves	3,191,519	4,386,526	15,458,304
Retained earnings	138,632,346	138,487,994	(21,551,046)
Parent Interest	**289,885,560**	**268,890,597**	**75,915,512**

	Reviewed as at 31 December 2009 $	Audited as at 30 June 2009 $	Audited as at 30 June 2008 $
Minority Interest	16,622,323	-	-
Total Equity	**306,507,883**	**268,890,597**	**75,915,512**

Source: Cape Lambert Resources Limited Audited Financial Report for the years ended 30 June 2009 and 2008 and Cape Lambert Resources Limited Half Year Report for 31 December 2009

6.4 Historical Income Statements

Profit and Loss	Reviewed 6 months to 31 December 2009 $	Audited year to 30 June 2009 $	Audited year to 30 June 2008 $
Revenue	8,786,827	19,740,294	1,542,218
Other income	18,074,000	236,812,168	1,230,322
Production costs	(7,707,785)	-	-
Share based payments expense	(3,498,392)	-	-
Employee benefits expense	(1,001,687)	(3,941,081)	(699,685)
Consulting expenses	(6,120,340)	(5,967,145)	(1,898,464)
Occupancy expenses	(549,289)	(337,743)	(350,388)
Compliance and regulatory expenses	(277,517)	(247,023)	(196,332)
Travel and accommodation	(541,883)	(312,963)	(359,286)
Share registry maintenance	(233,236)	(156,503)	(131,423)
Depreciation and amortisation expense	(144,202)	(68,185)	(41,413)
Finance costs	(253,461)	(407,522)	-
Loss on disposal of associate	(1,525,846)	-	-
Loss on disposal of financial assets	(665,809)	-	-
Other expenses	(3,080,250)	(628,349)	(362,581)
Discount on acquisition of business combination	637,774	55,385,237	-
Share of net profits of associates accounted for using the equity method	(2,144,836)	-	-
Impairment of investment in associate	-	(854,331)	-
Loss on disposal of plant and equipment	-	-	(75,764)
Profit/(Loss) from continuing operations before income tax	**(245,932)**	**299,016,854**	**(1,342,796)**
Income tax benefit/(expense)	390,284	(70,007,524)	3,522,268
Profit/(Loss) for the period	**144,352**	**229,009,330**	**2,179,472**

Source: Cape Lambert Resources Limited Audited Financial Report for the years ended 30 June 2009 and 2008 and Cape Lambert Resources Limited Half Year Report for 31 December 2009.

6.5 Comments on the financial statements

6.5.1 Significant events for the 30 June 2009 financial year

During the 30 June 2009 financial year, Cape Lambert completed the acquisition of Mineral Securities Limited and the Lady Annie project. The fair value of the assets and liabilities acquired were as follows:

Fair value of assets and liabilities acquired	Audited as at 30 June 2009 Fair value $
Cash and cash equivalents	2,026,211
Restricted cash	4,920,304
Trade and other receivables	10,126,746
Inventory	4,421,135
Financial assets at fair value through profit and loss	21,567,314
Investments accounted for using the equity method	11,547,782
Property, plant & equipment	8,731,337
Exploration assets	149,211,719
Total Assets	**212,552,548**
Trade and other payables	(4,562,113)
Provision for employee benefits	(249,203)
Lease liabilities	(4,075,925)
Environmental performance obligations	(11,922,606)
Total Liabilities	**(20,809,847)**
Net Assets acquired	**191,742,701**

Source: Cape Lambert Resources Limited Audited Financial Report for the year ended 30 June 2009

As the above assets and liabilities were acquired at a discount of $55,385,237 to the respective fair values of these assets, a corresponding discount of $55,385,237 was recognised in the income statement for the year ended 30 June 2009.

The audited accounts also show the company made a profit on disposal of the Cape Lambert tenements to the China Metallurgical Group Corporation of $232,667,721. The company disclosed a net contingent asset of $72,400,000 which is contingent on various events transpiring prior to 6 August 2010.

6.5.2 Significant events for the 31 December 2009 half year

During the 31 December 2009 half year, the Lady Annie project was recorded as a held for sale asset because a formal agreement was signed by Cape Lambert to transfer 100% of the ownership rights of this project to China Sci Tech Holdings. The following assets and liabilities relate to the Lady Annie project as at 31 December 2009.

Assets and Liabilities held for sale	Reviewed as at 31 December 2009 Fair value $
Cash and cash equivalents	663,200
Trade and other receivables	525,992
Inventory	224,441
Restricted cash	1,209,151
Property, plant and equipment	9,025,270
Capitalised exploration and evaluation costs	74,908,850
Assets classified as held for sale	**86,556,904**
Trade and other payables	(1,121,445)
Provision for employee benefits	(180,291)
Borrowings	(4,238,865)
Provision for rehabilitation	(11,922,606)
Deferred tax liability	(22,447,847)
Total Liabilities	**(39,911,054)**
Net Assets held for sale	**46,645,850**

Source: Cape Lambert Resources Limited Reviewed Half Financial Report for the half year ended 31 December 2009

Cape Lambert's interim financial report states that during the half year ended 31 December 2009 it converted a $2 million convertible note in DMC into DMC shares. This together with the exercise of $5 million DMC options enabled Cape Lambert to acquire a 36% interest in DMC.

The 30 June 2009 audited financial statements show that included within trade and other receivables was a convertible loan note valued at $28,040,500. During the period ended 31 December 2009 this was converted into equity instruments in Pinnacle Group Assets Limited.

The review report also shows operating cash outflows of $5.8 million, repayments of borrowings of $15.4 million and the transfer of $3 million cash to long term deposits (to serve as security for performance bonds and other bank guarantees classified as restricted cash).

7 Industry Analysis

Iron ore is the most widely used metal globally. It finds its use primarily in structural engineering applications, automobiles and other general industrial applications. Commercial development of iron ore deposits is constrained by the position of the iron ore relative to its market, the cost of establishing proper transportation infrastructure such as ports and railways, and the energy costs required to establish the infrastructures.

There are three main categories of iron ore exports. These are:

- Fines: The most heavily traded category of iron ore.
- Lump Ore: Lump ore consists of golf ball sized pieces, and has higher iron content than fines.
- Pellets: Iron ore in "pellets" are semi-refined iron ore in the form of blast furnace pellets.

At present, world production of iron ore averages two billion metric tonnes annually. The world's largest producer of iron ore for the export trade is the Brazilian mining corporation Vale (formerly Companhia Vale Rio Doce), followed by BHP Billiton and Rio Tinto Group.

7.1 Pricing

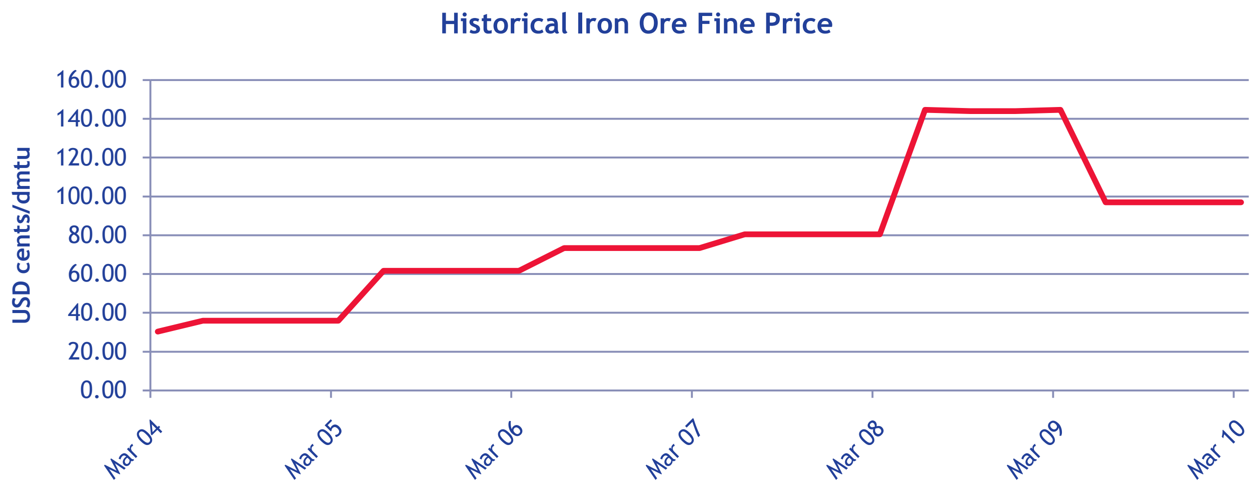
The majority of metal commodities trade on exchanges in the form of either spot or future prices.

However, iron ore is an exception to this. Iron ore is mostly traded in world markets under long-term contracts. These contracts are negotiated between miners and steelmakers and can be used as a benchmark to other players in the industry. The prices are set during annual contract negotiations and are usually introduced at the start of the Japanese fiscal year in April. There is a spot market for iron ore however this market has traditionally been smaller.

The problem with having two different iron ore pricing mechanisms running concurrently, is that when spot prices are higher than the benchmark, miners lose the extra revenue which would have been earned by selling ore on the spot market. When spot prices are lower than the benchmark, some steel mills purchase their ore from the spot market. The benchmark system provides protection for steel mills but not miners. However, it does offer price stability to miners allowing them to plan their production more effectively.

It is for the above reason that many miners are pushing for a spot market for iron ore to be the primary basis for iron ore pricing. Another option that has been considered is shorter term contracts. There has been new evidence in 2010 that Asian steel mills are prepared to accept short term contracts, as evidenced by the transaction signed on 30 March 2010 between Vale SA and Sumitomo Industries Co (Japan’s third biggest steel maker) agreeing to a 3 month contract.

The following graph shows historic iron ore prices since 2004:



Source: Bloomberg

The sharp increase in iron ore price movements over the period from March 2008 to March 2009 was marked by the surge in Chinese, Japanese and Korean steel mill demand for iron ore. During this period, the annual iron ore price contracts were observed to increase by between 65% and 97% from the prior year.

A significant change in trend was observed over the quarter to June 2009 due to the global economic downturn. With steel mills reducing production levels, Rio Tinto was first to announce on 1 April 2009 that it had settled the iron ore Hamersley prices with Japan's leading steelmaker, Nippon Steel at a 33 percent reduction to US$0.97/dmtu FOB for fines and 44 percent reduction for lump to US$1.12/dmtu FOB. A similar term was struck with POSCO, which is Korea's largest steel maker.

It is anticipated that there will be a sharp increase in the iron ore price leading into the start of the Japanese fiscal year in April 2010. Commentators are currently forecasting 2010 price rises of between 40 to 100 percent, with Vale securing a 90 percent price increase as at 31 March 2010.

Another aspect in determining iron ore prices is the extra cost associated with shipping. With China, Korea and Japan being the major players in the steel making industry, it costs more for Brazilian iron ore to be transported to Asia than for Australian iron ore. Australian producers have in the past argued for a premium on their ore due to the fact that it is cheaper to ship.

8 Valuation Approach Adopted

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

- Net Tangible Assets on a going concern basis ("**NTA**")
- Quoted Market Price Basis ("**QMP**")
- Capitalisation of future maintainable earnings ("**FME**")
- Discounted Cash Flow ("**DCF**")
- Multiple of Exploration Expenditure ("**MEE**")

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

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of DMC shares we have chosen to employ the following methodologies:

- Net Tangible Assets on a going concern basis
- Quoted Market Price Basis
- Recent genuine offers received by the target

We have chosen these methodologies for the following reasons:

- We have chosen to utilise the net tangible asset basis as DMC is still in the exploration phase of development. We have instructed an independent geologist, Coffey Mining Pty Ltd ("**Coffey**") to value DMC's exploration assets.
- We have chosen to utilise the quoted market price basis because DMC shares are listed on the ASX, which provides an observable measure for the price at which minority parcels of DMC shares are bought and sold.
- We note that DMC has entered into a conditional Takeover Bid Implementation Deed with Meijin Energy Group Limited on 5 May 2010 and we have therefore considered the pricing available to Shareholders in this alternative offer.

9 Valuation of DMC Mining Limited

9.1 Net Asset Valuation of DMC

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

	Note	Reviewed as at 31 December 2009 $	Low Valuation $	Preferred Valuation $	High Valuation $
Assets					
Current Assets					
Cash and cash equivalents	(a)	1,914,682	4,387,682	4,387,682	4,387,682
Trade and other receivables		18,640	18,640	18,640	18,640
Other assets		41,299	41,299	41,299	41,299
Total Current Assets		**1,974,621**	**4,447,621**	**4,447,621**	**4,447,621**
Non-Current Assets					
Property, plant and equipment		249,611	249,611	249,611	249,611
Exploration assets	(b)	13,813,943	20,900,000	37,200,000	47,800,000
Total Non-Current assets		**14,063,554**	**21,149,611**	**37,449,611**	**48,049,611**
Total Assets		**16,038,175**	**25,597,232**	**41,897,232**	**52,497,232**
Liabilities					
Current Liabilities					
Trade and other payables		184,488	184,488	184,488	184,488
Provisions		24,667	24,667	24,667	24,667
Total Current Liabilities		**209,155**	**209,155**	**209,155**	**209,155**
Total Liabilities		**209,155**	**209,155**	**209,155**	**209,155**
Net Assets		**15,829,020**	**25,388,077**	**41,688,077**	**52,288,077**
Shares	**(a)**	**79,267,867**	**91,927,867**	**91,927,867**	**91,927,867**
Value of a DMC Share		**$0.200**	**$ 0.276**	**$0.453**	**$0.569**

Source: BDO Analysis

We have been advised that there has not been a significant change in the net assets of DMC since 31 December 2009. The table above indicates that the net asset value of a DMC share is between $0.276 and $0.569, with a preferred value of $0.453.

The following adjustments were made to the net assets of DMC as at 31 December 2009 in arriving at our valuation.

(a) Cash and Cash Equivalents

We have made three adjustments in relation to cash and cash equivalents relating to

- Operating and investing cash flows for the period 1 January 2010 to 31 March 2010
- Capital raisings conducted for the period 1 January 2010 to 31 March 2010
- In the Money Options being exercised

Operating and Investing Cash Flows

Per the Appendix 5B released for 31 March 2010 quarter, DMC had incurred $802,000 of operating and investing cash flows, primarily in relation to exploration and evaluation activities. The funds spent during this period form part of the exploration budget used by Coffey in the independent market valuation of exploration assets and accordingly must be adjusted for.

Capital raisings conducted for the period 1 January 2010 to 31 March 2010

On 10 March 2010 DMC issued 5,760,000 shares under the second tranche of the capital raising that was announced on 22 August 2009. The proceeds of this second tranche were $1,440,000.

In the Money Options being exercised

We have also assumed that the following options have been exercised raising an additional $1,835,000.

Name	Number of Options	Exercise Price ($)	Cash Raised
David Sumich	1,000,000	0.40	$400,000
	1,000,000	0.15	$150,000
Bruce Franzen	1,000,000	0.40	$400,000
	1,000,000	0.15	$150,000
Tobin Bischoff	900,000	0.15	$135,000
Fiona Taylor	1,000,000	0.30	$300,000
Joe Ariti	1,000,000	0.30	$300,000
Total	6,900,000		$ 1,835,000

In our analysis above, we have not included the options owned by Cunningham Securities as the respective exercise price of these options of $0.65 is above the Offer price and the share price of DMC.

Summary

As a result of the above two adjustments the following shares and cash proceeds will be raised

	Number of Shares Issued	Cash Raised
Operating and Investing Cash Flows	N/A	($802,000)
Capital Raising	5,760,000	$1,440,000
Options Exercised	6,900,000	$1,835,000
Total	12,660,000	$2,473,000

(b) Exploration Assets

We instructed Coffey to provide an independent market valuation of the exploration assets held by DMC. Coffey considered a number of different valuation methods when valuing the exploration assets of DMC. Coffey applied the MEE method and the comparable transaction method. The MEE method is discussed in Appendix 2. Coffey's full report is appended within Appendix 4. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider these methods to be appropriate given the pre feasibility stage of development for DMC's exploration assets.

The range of values for each of DMC's exploration assets as calculated by Coffey is set out below:

	Low Value $m	Preferred Value $m	High Value $m
Mayoko Iron Ore project (Equity 80% share)	20.9	37.2	47.8

The table above indicates DMC's 80% share in the Mayoko Iron Ore Project has a range of values between $20.9 million and $47.8 million, with a preferred value of $37.2 million.

9.2 Quoted Market Prices for DMC Securities

To provide a comparison to the valuation of DMC in Section 9.1, we have also assessed the quoted market price for a DMC share.

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

RG 111.22 suggests that when considering the value of a company's shares for the purposes of approval under s640 of the Corporations Act the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100 percent control of another company. These advantages include the following:

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

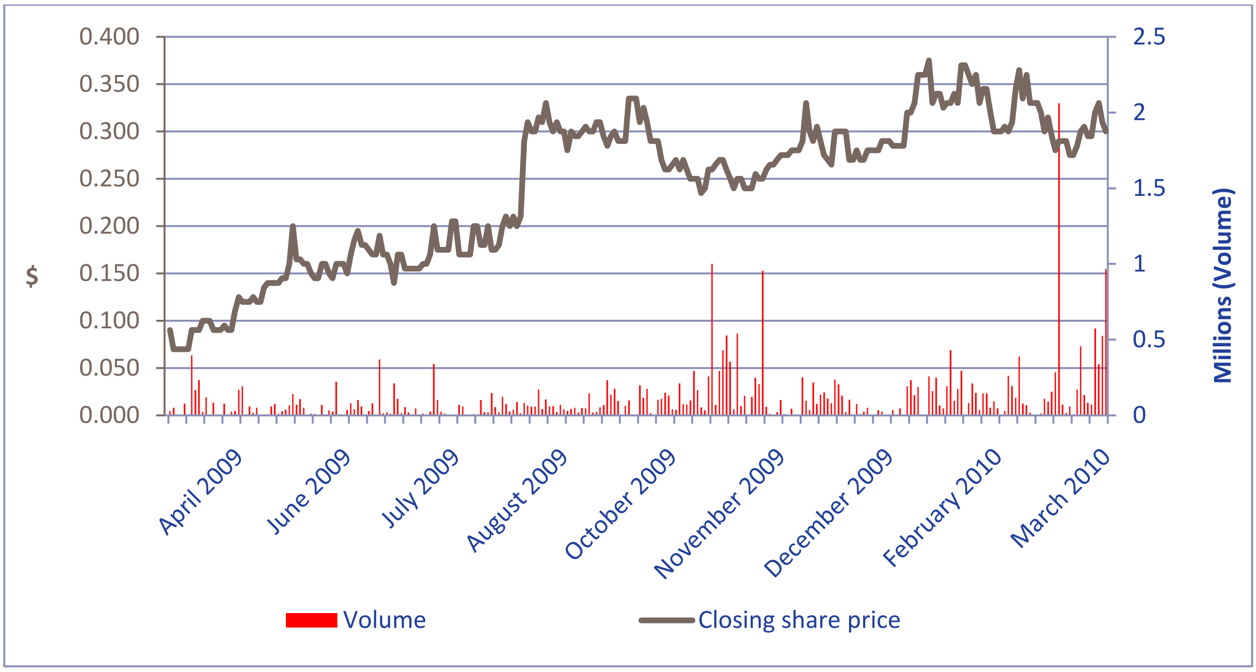
Whilst there is a possibility that Cape Lambert will not obtain 100 percent of the DMC shares on issue after the Offer, RG 111 states that the expert should calculate the value of a target's shares as if 100 percent control were being obtained. RG 111.24 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 12.

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

9.2.1 Minority interest value

Our analysis of the quoted market price of a DMC share is based on the pricing prior to the announcement of the Initial Offer. This is because the value of a DMC share after the announcement may include the effects of any change in value as a result of the Initial Offer. However, we have considered the value of a DMC share following the announcement when we have considered reasonableness in Section 12.

Information on the Initial Offer was announced to the market on 23 March 2010. Therefore, the following chart provides a summary of the share price movement over the year to 22 March 2010 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of DMC shares from 23 March 2009 to 22 March 2010 ranged from a high of $0.39 on 12 January 2010 to a low of $0.07 on 31 March 2009.

The price of DMC shares rose for the first four months of the period leading to the announcement of the Offer. Over this period the share price was fairly volatile on the back of thin trading volumes. On 7 August 2009 the price of DMC shares spiked, coinciding with news that a director's son had converted 100,000 options into ordinary shares at $0.15. From this point the traded volume of DMC shares gradually increased, while the share price declined to around $0.25 in October. On 11 November 2009 the share price rose above $0.25 and did not fall below this point again, continuing to increase into 2010. The price of DMC shares has been maintained above $0.30 for the majority of the time period between January and March. DMC shares closed at $0.30 on the date prior to the announcement of the initial offer.

The spike in volume on 3 March 2010 does not coincide with any announcement by the Company.

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

Date	Announcement	Closing Share Price Following Announcement $ (movement)	Closing Share Price Three Days After Announcement $ (movement)
1 April 2009	DMC Rail Access Agreement	0.090 (▲29%)	0.100 (▲43%)
8 May 2009	Strategic Partner Negotiations and Capital Raising Update	0.160 (▲10%)	0.165(▲14%)
12 June 2009	MOU with Port Authority	0.190 (▲12%)	0.160 (▼6%)
3 July 2009	CFE to acquire 37% of DMC Mining	0.200 (▲18%)	0.175 (▲3%)
17 July 2009	Exploration Target Size of 0.7 to 1.0 billion tonnes at Mayoko	0.200 (▲7%)	0.200 (▲7%)
22 September 2009	A$4 million Placement Completed	0.310 (▼7%)	0.290(▼13%)
5 November 2009	Drilling to Commence at Mayoko	0.255 (▲6%)	0.260 (▲8%)
12 January 2010	Exploration Target Size Increase	0.375 (▲4%)	0.340 (▼6%)

Source: DMC ASX Annoucements, Bloomberg

The Company announced the granting of rail access to the Mayoko to Pointe Noire Rail Line on 1 April 2009. This was a significant milestone for the Company's Mayoko Iron Ore Project, which the market recognised, resulting in a sharp rise in the price of DMC shares.

The announcement on 8 May 2009 relates to prospective undisclosed joint venture partners and the potential for future funding and a long term partnership with Cape Lambert, following on from the issue of a convertible note to Cape Lambert in December 2008. The announcement on 3 July 2009 relates to the conversion of that convertible note.

To provide further analysis of the market prices for a DMC share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 22 March 2010.

	22 March 2010	10 Days	30 Days	60 Days	90 Days
Closing Price	$0.300				
Weighted Average		$0.307	$0.304	$0.315	$0.311

Source: DMC ASX Annoucements, Bloomberg

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

An analysis of the volume of trading in DMC shares for the twelve months to 22 March 2010 is set out below:

	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 day	$0.3000	$0.3400	967,701	1.14%
10 days	$0.2750	$0.3400	3,322,306	3.91%
30 days	$0.2750	$0.3650	7,336,553	8.63%
60 days	$0.2750	$0.3900	11,077,826	13.04%
90 days	$0.2650	$0.3900	13,193,676	15.53%
180 days	$0.1700	$0.3900	23,705,461	27.90%
1 year	$0.0700	$0.3900	28,336,839	33.35%

Source: DMC ASX Annoucements, Bloomberg

This table indicates that DMC's shares display a moderate level of liquidity, with 33.35 percent of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.53 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

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

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

In the case of DMC, there is a insufficient volume of shares traded to constitute a 'deep' market. Volume has been inconsistent over the year leading up to the announcement, and despite increasing in recent months it remains relatively low. In addition to this, the cumulative volume above includes a one off spike of over two million shares traded on 3 March 2010, which when removed, decreases the cumulative volume considerably.

Cape Lambert's shareholding of 36.20% distorts our analysis. In light of this, we have removed Cape Lambert's shareholding from our analysis and have noted the following:

	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 Trading Day	$0.3000	$0.3400	967,701	1.79%
10 Trading Days	$0.2750	$0.3400	3,322,306	6.13%
30 Trading Days	$0.2750	$0.3650	7,336,553	13.53%
60 Trading Days	$0.2750	$0.3900	11,077,826	20.44%
90 Trading Days	$0.2650	$0.3900	13,193,676	24.34%
180 Trading Days	$0.1700	$0.3900	23,705,461	43.73%

In light of our revised analysis, we have noted an increase in liquidity in DMC's shares, we therefore do consider there is a deep market for DMC shares.

Our assessment is that a range of values for DMC shares based on market pricing, after disregarding post announcement pricing, is between $0.275 and $0.340.

9.2.2 Control Premium

We have reviewed the control premiums paid by acquirers of iron ore companies listed on the ASX. We have summarised our findings below:

Announce Date	Acquirer Name	Target Name	Deal Value (US$m)	Control Premium (%)
1/07/2004	Consolidated Minerals Limited	Portman Limited	16.33^	1.3^
11/01/2005	Cliffs Natural Resources Inc	Portman Limited	391.65	36.45
10/01/2008	Cliffs Natural Resources Inc	Portman Limited	379.82	16.83
14/03/2008	Sinosteel Corporation	Midwest Corporation Limited	681.83	36.03
07/09/2009	Atlas Iron Ltd	Warwick Resources Ltd	66.07	19.7
10/03/2010	Atlas Iron Ltd	Aurox Resource Limited	120.29	240^
		Average	**307.14**	**27.3**
		Average (Excluding Outlier)	**379.84**	**27.3**

Source: Bloomberg

Note: ^ The deals between Consolidated Minerals Ltd and Portman Ltd, Atlas Iron Ltd and Aurox Resources Limited have been considered an outliers

The results from the table above indicate an average control premium of 27% and an average control premium of 27% after excluding the outliers.

Due to a lack of comparable data available, we have expanded our control premium analysis across ASX listed mining companies that have been acquired by domestic and foreign companies between 2000 to 2009. Below is a summary of our findings over the period analysed:

Transaction Period	Number of Transactions	Average Deal Value (US$m)	Median Deal Value (US$m)	Average Control Premium (%)	Median Control Premium (%)
2009	13	34.41	14.60	25.32	19.35
2008	9	448.50	265.51	32.80	36.03
2007	24	432.74	148.31	24.62	17.68
2006	20	81.85	40.88	31.11	25.16
2005	13	887.38	62.17	42.42	29.78
2004	3	25.83	25.83	25.67	15.50
2003	6	624.03	50.21	6.77	14.37
2002	6	194.20	19.85	31.62	23.81
2001	6	112.98	69.82	28.98	31.25
2000	5	606.98	390.97	34.43	30.50
Total	**105**	**317.01**	**50.21**	**28.55**	**23.81**

Source: Bloomberg

Based on the results above, the long term median control premium paid for mining companies in Australia is 24% to 29%.

9.2.3 Quoted market price including control premium

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

	Low $	High $
Quoted market price value	0.275	0.340
Control premium	24%	29%
Quoted market price valuation including a premium for control	**0.341**	**0.439**

Therefore, our valuation of a DMC share based on the quoted market price method and including a premium for control is between $0.341 and $0.439, with a preferred value of $0.390.

9.3 Alternative Offer

On 5 May 2010, DMC announced that it had entered into a conditional Takeover Bid Implementation Deed with Meijin, for Meijin to acquire all the ordinary shares in DMC for $0.50 per share in cash through an off-market takeover offer. The pricing of the Alternative Offer is an all cash offer for A$0.50 per DMC share.

The key terms of the Alternative Offer are stated below:

- An all-cash takeover offer of A$0.50 per DMC share
- At the end of the offer period, the bidder having a relevant interest in at least 48,700,000 DMC shares on issue

The Alternative Offer is subject to the following preconditions:

- The completion of due diligence to the satisfaction of Meijin.
- A requirement for David Sumich, Managing Director of DMC, and his respective shareholding entities in DMC to enter into pre-bid agreements to sell their shares in DMC to Meijin.
- No prescribed occurrences occurring before the dates of satisfaction of the above preconditions (being an event listed in section 652C(1)(a) to (h) and section 652C(2)(a) to (e) of the Corporations Act 2001 (Cth) (as set out in Appendix 3).

The preconditions need to be satisfied or waived by 5.00pm Perth time on 7 May 2010. In our opinion these preconditions are capable of being met by 7 May 2010. If the preconditions are satisfied or waived Mejin will make the off-market takeover bid. If the preconditions are not satisfied or waived, the Alternative Offer will not be made. If Meijin make the off-market takeover bid, it will not be known until the end of the offer period whether Meijin will have a relevant interest in at least 48,700,000 DMC shares. It is therefore up to each individual shareholder to consider whether to accept the Offer or the Alternative Offer in the light of this level of shares needing to be acquired by Meijin.

9.4 Conclusion on the Value of a DMC Share

In Section 9.1, we valued DMC on a net tangible asset basis and in Section 9.2 we valued DMC on a quoted market basis. In section 9.3, we considered the Alternative Offer.

These values are summarised below:

	Section	Low value per share $	Prefered per share $	High value per share $
Value of DMC on a net tangible asset basis	**9.1**	0.276	0.453	0.569
Quoted market price including control premium	**9.2**	0.341	0.390	0.439
Alternative Offer	**9.3**	0.500	0.500	0.500

We have considered the Alternative Offer as the most appropriate valuation methodology to value a DMC share as this provides the higherest value to Shareholders. RG 111 states that it is generally appropriate for an expert to consider any recent genuine offers received by the target as an appropriate valuation methodology.

10 Valuation of Consideration

The consideration offered for each DMC share by Cape Lambert is $0.46, payable in cash.

11 Is the Offer Fair?

The value of a DMC share and the consideration offered is compared below:

	Section	Low ($)	Preferred ($)	High ($)
Valuation of a DMC share	9.4	0.500	0.500	0.569
Consideration offered per DMC share	10	0.460	0.460	0.460

We note from the table above that the consideration offered per DMC share is lower than the preferred valuation of a DMC share. Therefore, we consider that the Offer is not fair.

12 Is the Offer Reasonable?

12.1 Alternative Proposal

On 5 May 2010, DMC announced that it had entered into a conditional Takeover Bid Implementation Deed with Meijin, for Meijin to acquire all the ordinary shares in DMC for $0.50 per share in cash through an off-market takeover offer. The pricing of the Alternative Offer is an all cash offer for A$0.50 per DMC share.

The key terms of the Alternative Offer are stated below:

- An all-cash takeover offer of A$0.50 per DMC share
- At the end of the offer period, the bidder having a relevant interest in at least 48,700,000 DMC shares on issue

The Alternative Offer is subject to the following preconditions:

- The completion of due diligence to the satisfaction of Meijin.
- A requirement for David Sumich, Managing Director of DMC, and his respective shareholding entities in DMC to enter into pre-bid agreements to sell their shares in DMC to Meijin.
- No prescribed occurrences occurring before the dates of satisfaction of the above preconditions (being an event listed in section 652C(1)(a) to (h) and section 652C(2)(a) to (e) of the Corporations Act 2001 (Cth) (as set out in Appendix 3).

The preconditions need to be satisfied or waived by 5.00pm Perth time on 7 May 2010. In our opinion these preconditions are capable of being met by 7 May 2010. If the preconditions are satisfied or waived Mejin will make the off-market takeover bid. If the preconditions are not satisfied or waived, the Alternative Offer will not be made. If Meijin make the off-market takeover bid, it will not be known until the end of the offer period whether Meijin will have a relevant interest in at least 48,700,000 DMC shares. It is therefore up to each individual shareholder to consider whether to accept the Offer or the Alternative Offer in the light of this level of shares needing to be acquired by Meijin.

12.2 Implications of not accepting the Offer

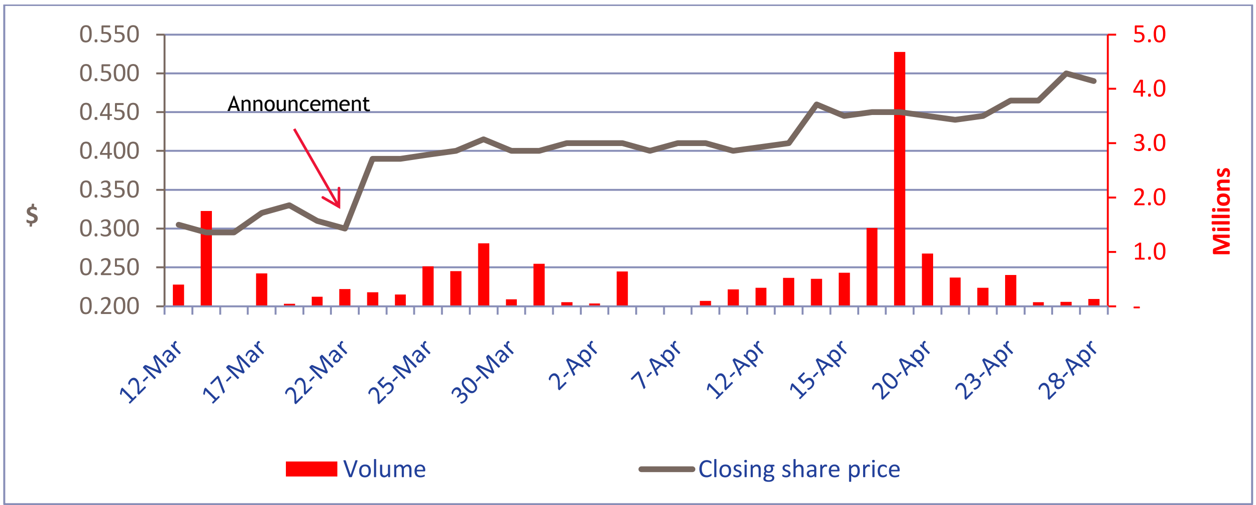
12.2.1 Future activities of DMC if the Offer is not accepted

If the Offer is not accepted, DMC will continue to develop the Mayoko Iron Ore Project. DMC currently does not possess the necessary funds to develop the Mayoko Iron Ore Project through to completion. DMC will be dependent on future capital raising or debt raisings. These activities may further dilute the current shareholders of DMC.

Shareholders will be able to consider the terms of the Alternative Offer, if the preconditions are satisfied or waived by 5.00 pm Perth time on 7 May 2010.

12.2.2 Potential decline in share price

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



Source: Bloomberg

The price of a DMC share rose 30 percent on the day of the announcement of the Initial Offer to close at $0.39. This rise was accompanied by a spike in volume to 4,681,709 shares traded. Since that point volume has decreased considerably while the share price has remained steady at around $0.40 until an announcement on 14 April 2010 that a notification of interest had been received from a third party to make an all-cash takeover offer of $0.46 per DMC share. The share price closed at $0.46 on that day and has been further supported by the announcement of the revised Offer made by Cape Lambert.

On 2 May 2010, the Australian Government released an announcement of its response to the Henry Tax Review which included the proposal to impose a 40% tax on the 'Super Profits' of mining companies. This result in the quoted market prices of mining companies with Australian operations falling while the prices of mining companies with overseas operations most notable in Africa, increasing. The closing price of DMC shares on 3 May 2010 was $0.51. It is not clear whether this will be a sustained increase or a temporary reaction to this announcement by the Government.

On 5 May 2010, the Alternative Offer was made at a price $0.50.

We have noted in section 13.1, there is an Alternative Offer. If Shareholders reject the Offer, the DMC share price may be supported at the post Initial Offer price by the Alternative Offer and may not decline to the pre-announcement share price.

12.3 Reasonableness

We have considered the position of Shareholders if the Offer is accepted and have taken into account the following advantages and disadvantages in this assessment. We have assessed that in all cases the advantages and disadvantages of rejecting the Offer are the inverse of accepting the Offer. Thus for simplicity of evaluation of the Offer we have set out the significant factors only in the context of accepting the Offer.

12.3.1 Advantages of Accepting the Offer

If the Offer is accepted, in our opinion, the potential advantages to Shareholders include those listed in the table below:

	Advantage	Description
12.3.1.1	Opportunity for DMC shareholders to realise their investment	The Offer gives Shareholders who would otherwise be disposing of their shares on market, an opportunity to realise their investment at a fixed price. The Offer enables Shareholders to dispose of DMC shares in larger volumes at a premium to market prices compared to what may have been achievable prior to the Offer.
12.3.1.2	Further Capital likely to be required by DMC	As at 31 March 2010, DMC had cash reserves of \$2.6M. To further develop the Mayoko Iron Ore Project, DMC will have to raise further capital through equity and/or debt. Future equity holdings are likely to dilute Shareholders and future debt raisings will decrease the cash flows of DMC. If Shareholders accept the Offer, they will not be subjected to the risk of the above events.

12.3.2 Disadvantages of accepting the Offer

If the Offer is accepted, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

	Disadvantage	Description
12.3.2.1	Shareholders will not benefit from future activities and possible increases in value of DMC	If Shareholders dispose of their shareholding in DMC, they will not be able to participate in any future activities of DMC. Possible future activities may include resource and reserve upgrades at the Mayoko Iron Ore Project or the Mayoko Iron Ore Project moving into production. These activities will possibly lead to future increases in the value of DMC. Shareholders will not benefit from this increase in value if they accept the Offer, unless they use the proceeds to invest in Cape Lambert. However in doing this, Shareholders would incur brokerage charges on acquisition of Cape Lambert shares and they will also be exposed to the other assets of Cape Lambert which may not suit their investment or risk profile.
12.3.2.2	Crystallisation of Capital gains and losses	If DMC Shareholders accept Cape Lambert's offer, $0.46 per share will be received. If the Shareholder is an Australian tax resident, this will give rise to capital gains tax (**"CGT"**) implications. Depending on the cost base of each Shareholder's respective investment, Shareholders will either incur a capital gains tax loss or gain. This is a disadvantage to Shareholders as no CGT events will occur if the Offer is not accepted.
12.3.2.3	Inability to obtain a directly comparable investment to the Mayoko Iron Ore Project	DMC, through its 80% owned subsidiary, owns the Mayoko Iron Ore Project in the Republic of Congo. If Shareholders were to accept the Offer, Shareholders would not be able to invest in a similar investment which has exposure to the Mayoko Iron Ore Project, other than investing in Cape Lambert (see 12.3.2.1)

	Disadvantage	Description
12.3.2.4	Further illiquidity likely to occur	The Offer is not conditional on Cape Lambert acquiring any specified percentages in DMC. If the Offer proceeds and Cape Lambert does not acquire 100% of DMC, the Shareholders that do not accept the Offer may experience further illiquidity in the shares they own if a significant number of other Shareholders accept the Offer.
12.3.2.5	Availability of the Alternative offer and inability to participate in future possible offers	We have noted that there is the Alternative Offer which offers Shareholders a consideration of $0.50 per DMC share. This Alternative Offer is at a higher value than the Offer however it has more conditions than the Offer. There is a possibility, with an expanded timeframe, that more rival offers may eventuate and they may be at a value higher than the Offer. Shareholders will not be able to participate in any rival offer if they accept the Offer.

12.3.3 Conclusion on the Reasonableness of the Offer

On the basis of our analysis in section 12, we have considered the Offer to be not reasonable.

13 Conclusion

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

In the event that the preconditions of the Alternative Offer are not satisfied or waived, we consider the Offer to be fair and reasonable to Shareholders, in the absence of a superior offer.

14 Sources of Information

This report has been based on the following information:

- Financial statements for the financial years ended 30 June 2008 and 2009
- Financial statements for the half year ended 31 December 2009
- Management accounts for 2010 year to date
- Independent geologist valuation of DMC's interest in the Mayoko Iron Ore Project to be prepared by Coffey Mining Limited dated 28 April 2010
- The draft target's statement
- The bidder's statement prepared by Cape Lambert dated 7 April 2010
- Takeover Bid Implementation Deed with Meijin Energy Group Limited dated 5 May 2010
- The first supplementary bidder's statement lodged with ASIC on 27 April 2010
- Information from DMC's share registry on top 20 shareholders and option holders and the spread of shareholders and option holders
- Discussions with the directors and management of DMC
- Information available in the public domain.

15 Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $25,000 (excluding GST and reimbursement of out of pocket expenses). Except for these fees, BDO Corporate Finance (WA) Pty Ltd and its affiliates have not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

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

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

A draft of this report was provided to DMC and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of

Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

16 Qualifications

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

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

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

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 120 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 12 years in the Audit and Assurance and Corporate Finance areas.

17 Disclaimers and Consents

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

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

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

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or review of DMC or Cape Lambert in accordance with standards issued by the Auditing and Assurance Standards Board. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Cape Lambert. BDO

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

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

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

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon an independent geologist valuation prepared by Coffey Mining Pty Ltd.

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

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

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes
Director

Adam Myers
Associate Director
Authorised Representative

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
Alternative Offer	On the 14 April 2010, DMC announced to the market that it had been notified by a third party of an interest in making an off-market bid for the shares in DMC
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Cape Lambert	Cape Lambert Resources Limited
Coffey	Coffey Mining Pty Ltd
DCF	Discounted Future Cash Flows
Dempsey	Dempsey Resources Pty Ltd, a subsidiary of Cape Lambert Resources Limited
DMC	DMC Mining Limited
DSO	Direct Shipping Operation
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
MEE	Multiple of Exploration Expenditure
Meijin	Meijin Energy Group Limited
NTA	Net Tangible Assets on a going concern basis
QMP	Quoted Market Price Basis
Our Report	This Independent Expert's Report prepared by BDO
ROC	Return of Capital
Shareholders	Shareholders of DMC Mining Limited not associated with Cape Lambert Resources Limited
TBID	Takeover Bid Implementation Deed between Meijin and DMC
The Company	DMC Mining Limited
The Initial Offer	The initial offer from Cape Lambert to acquire DMC shares off market for $0.40 per share announced on the 23 March 2010
The Offer	The revised offer from Cape Lambert to acquire DMC shares off market for $0.46 per share announced on the 23 April 2010
The Project	The Mayoko Iron Ore Project
VWAP	Volume Weighted Average Price

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net tangible asset value on a going concern basis ("NTA")*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

3 *Capitalisation of future maintainable earnings ("FME")*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ("DCF")*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Multiple of Exploration Expenditure ("MEE")*

The Past Expenditure method is a method of valuing exploration assets in the resources industry. It is applicable for areas which are at too early a stage of prospectivity to justify the use of alternative valuation methods such as DCF. The Past Expenditure method is often referred to as the Multiple of Exploration Expenditure method.

Past expenditure, or the amount spent on exploration of a tenement, is commonly used as a guide in determining value. The assumption is that well directed exploration adds value to a property. This is not always the case and exploration can also downgrade a property. The Prospectivity Enhancement Multiplier ("**PEM**") which is applied to the effective expenditure therefore commonly ranges from 0.5 to 3.0. The PEM generally falls within the following ranges:

- 0.5 to 1.0 where work to date or historic data justifies the next stage of exploration;
- to 2.0 where strong indications of potential for economic mineralisation have been identified; and
- to 3.0 where ore grade intersections or exposures indicative of economic resources are present.

Appendix 3 – Conditions of the Offer

Cape Lambert ("**the Bidder**") will be entitled to withdraw if certain events happen during the offer period with regards to the DMC ("**the Target**"). These conditions are specified as per Section 652C of the Corporations Act 2001.

(1) The Bidder may withdraw unaccepted offers made under a market bid if one of the following happens during the bid period, but only if the Bidder's voting power in the Target is at or below 50% when the event happens:

(a) the Target converts all or any of its shares into a larger or smaller number of shares;

(b) the Target or a subsidiary resolves to reduce its share capital in any way;

(c) the Target or a subsidiary:

(i) enters into a buy-back agreement; or

(ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act 2001;

(d) the Target or a subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;

(e) the Target or a subsidiary issues, or agrees to issue, convertible notes;

(f) the Target or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

(g) the Target or a subsidiary charges, or agrees to charge, the whole, or a substantial part, of its business or property;

(h) the Target or a subsidiary resolves to be wound up.

(2) The Bidder may also withdraw unaccepted offers made under a market bid if 1 of the following happens during the bid period:

(a) a liquidator or provisional liquidator of the Target or of a subsidiary is appointed;

(b) a court makes an order for the winding up of the Target or of a subsidiary;

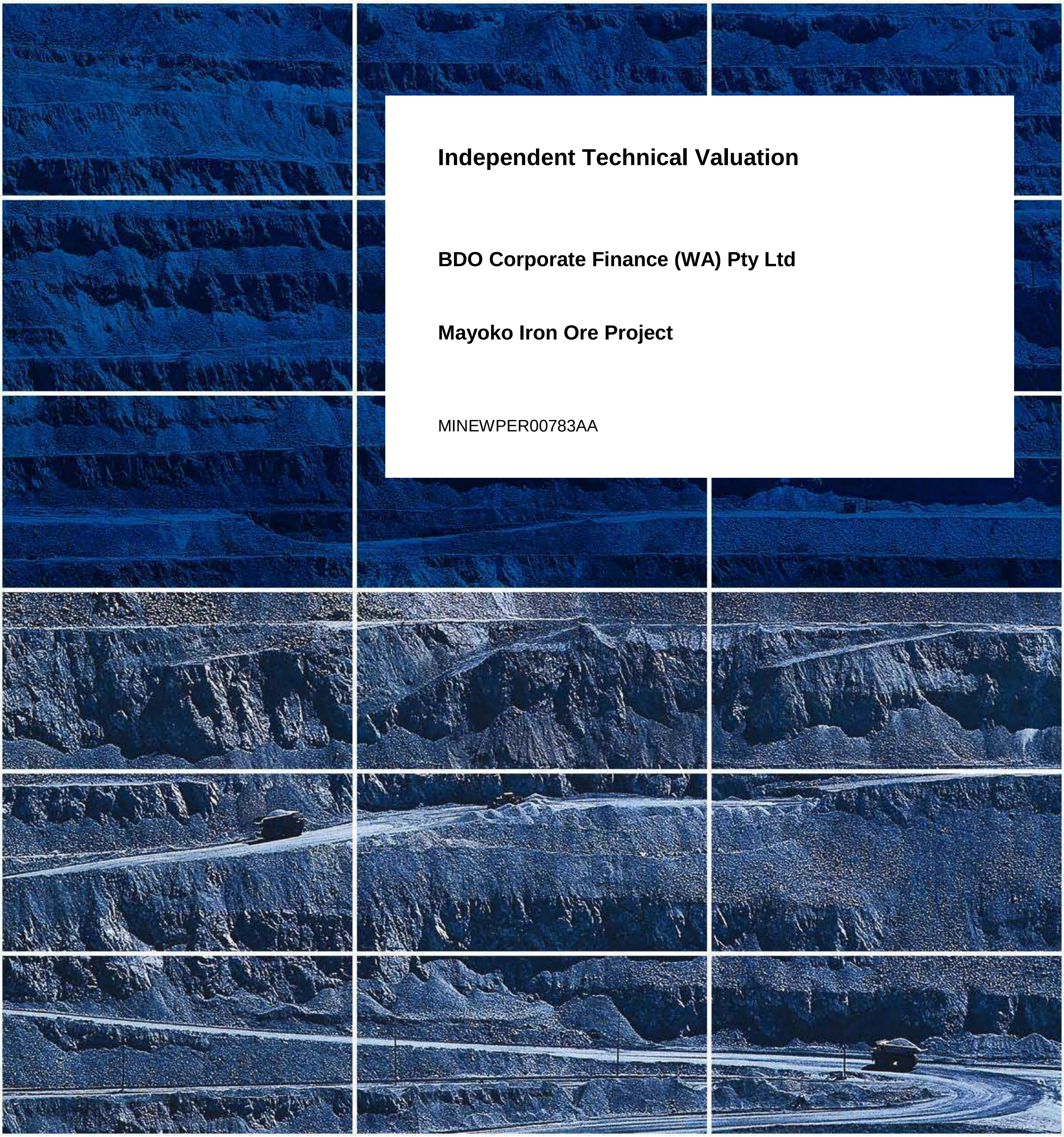
(c) an administrator of the Target, or of a subsidiary, is appointed under Section 436A, 436B or 436C of the Corporations Act 2001;

(d) the Target or a subsidiary executes a deed of company arrangement;

(e) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of the Target or of a subsidiary.

Appendix 4 – Coffey Mining Pty Ltd Independent Geologist Report

coffey mining
SPECIALISTS FROM BOARDROOM TO MINE FACE



Independent Technical Valuation

BDO Corporate Finance (WA) Pty Ltd

Mayoko Iron Ore Project

MINEWPER00783AA

28 April 2010

The Directors
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008
AUSTRALIA

Dear Sirs

RE: Independent Technical Valuation - Mayoko Iron Ore Project

Coffey Mining ("Coffey") has been commissioned by DMC Mining Limited (ASX : DMM) on behalf of BDO Corporate Finance (WA) Pty Ltd (BDO), to prepare an Independent Technical Valuation (ITV) for the DMM equity in the Mayoko Project in the Republic of Congo. The valuation is being sought to assist with the preparation of an Independent Expert's Report by BDO.

Coffey has based its review of the Mayoko Project on information provided by DMM, along with technical reports by previous project operators and other relevant published and unpublished data. These reports are listed with other principal sources of information in Section 9. A site visit was undertaken to the Mayoko Project by Ms Kathy Body between the 12th and 14th of April 2010. All reasonable enquiries were made to confirm the authenticity and completeness of the data upon which this report is based.

The Mayoko Project consists of one tenement covering an aggregate area of approximately 1,000 sq km. DMM currently holds 80% of DMC Iron Congo SARL, the license holder. The legal status associated with the tenure of the property has not been independently verified by Coffey. The status of the tenements at the time of the valuation is based on information provided by DMM.

The Independent Technical Valuation has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("The Valmin Code"), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG), and the rules and guidelines issued by such bodies as the ASIC and Australian Securities Exchange (ASX), which pertain to Independent Expert Reports.

The mineral property which DMM has an interest in is considered to be an "Exploration Project" and as such, inherently speculative in nature. Coffey considers nonetheless that Mayoko is an advanced exploration project, with JORC compliant Mineral Resources identified for which some preliminary project development studies have been completed.

MINEWPER00783AA

coffey mining

The Independent Technical Valuation has been prepared on information available up to and including 20th of April 2010. Coffey has assigned a **preferred value of A$37.2M** for the DMM equity. The effective valuation date is 20 April 2010.

Coffey is a mining industry consulting firm which, through RSG Global Consulting Pty Ltd, has been providing services and advice to the international mineral industry and financial institutions since 1987. The principal author of this report is Mr Paul Mazzoni, who is a professional geologist with 37 years experience in the exploration and evaluation of mineral properties globally. Paul Mazzoni is a Senior Consultant and Chief Geologist with Coffey, a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Member of the Society of Economic Geologists (SEG). Mr Mazzoni has the appropriate relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the Valmin Code and a "Competent Person" as defined in the JORC Code.

The site visit was undertaken by Ms Kathy Body, who is a professional geologist with 15yrs experience. Ms Body is a full time employee of Coffey Mining and is a Registered Professional Natural Scientist (Pr.Nat.Sci.). Ms Body has the appropriate relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the Valmin Code and a "Competent Person" as defined in the JORC Code.

Neither Coffey, nor the authors of this report, have or have had previously, any material interest in DMM or the mineral properties in which DMM has an interest. Our relationship with DMM is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

For and on behalf of Coffey Mining Pty Ltd

Paul Mazzoni
Chief Geologist

DOCUMENT INFORMATION

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Version	Description (section(s) amended)	Author(s)	Date

Document Review and Sign Off

Primary Author
Paul Mazzoni

Supervising Principal
Barry Cloutt

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EXECUTIVE SUMMARY

Introduction

Coffey Mining ("Coffey") has been commissioned by DMC Mining Limited (ASX : DMM) on behalf of BDO Corporate Finance (WA) Pty Ltd (BDO), to prepare an Independent Technical Valuation (ITV) for the DMM 80% equity in the Mayoko Iron Ore Project ("Mayoko Project") in the Republic of Congo. The valuation is being sought to assist with the preparation of an Independent Expert's Report by BDO. The effective valuation date is 20 April 2010. The Independent Technical Valuation has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("The Valmin Code").

Project Setting

The project is located in the Republic of Congo (ROC) approximately 300km from the port city of Pointe Noire and connected to the port by an existing railway previously used to export manganese ores from Gabon. The Mayoko Project comprises Exploration Licence number E2008-75, covers an area of 1,000 sq km and was granted by the Minister of Mining on 3rd of April 2008 for a period of 3 years with two renewals of two years possible. The license is held by DMC Iron Congo S.A.R.L., a company incorporated in ROC and in which DMM hold an 80% equity

Geology and Mineralisation

The Mayoko Project lies within the "Massif du Chaillu" Formation. This formation runs roughly south to north from ROC into Cameroon where it grades into the Ntem Charnockite Terrane. The du Chaillu granite-greenstone terrane is largely composed of two granitoid generations overprinted by a north-south foliation. Within the granitoids, there are enclaves of older schists and greenstones which contain steeply dipping banded iron formation (BIF). The probably Mesoarchean iron formations of the du Chaillu schist-greenstone terrane, host iron mineralisation in ROC, Gabon and Cameroon. The nearest deposit, Zanaga, is approximately 100km east in the Republic of the Congo and the furthest deposit, Mbalam, is approximately 550km north in the Cameroon.

At Mayoko, iron mineralisation is best known from the main prospect at Mt Lékoumou-Mt Mipoundi. Mineralisation is associated with steeply dipping "ferruginous quartzites" which are metamorphosed and recrystallised quartz-magnetite BIF (itabirites) interlayered with amphibolites. There appear to be at least two main BIF units. Weathering of these has produced three types of supergene hematite mineralisation. These comprise, in order of abundance, "enriched" quartz-hematite BIF, hematite rich detrital mineralisation derived from mechanical and chemical weathering of the BIF and localised hematite rich massive iron cap overlying the enriched hematite enriched BIF. Hematite mineralisation from historical drilling at Mt Lékoumou averages 55.5% Fe, 10.4% SiO_2, 3.8% Al_2O_3 and 0.1% P. Historical drilling shows that weathered in situ itabirite grades 30-40% Fe. No analytical data are available to date for primary quartz-magnetite BIF but visual grade estimates from current DMM drilling suggest Fe grades of 30-35% are likely

Exploration and Development History

The Mayoko Project is considered to mostly be at an early exploration stage. Detailed historical work was largely restricted to the Mt Lékoumou and Mt Mipoundi areas and focused on the resources at the former. Under a UN sponsored program, over 40 drillholes, assays and chemical analysis was carried out by I.C.E.S Geomin Bucharest, Romania ("ICES") during 1974 and 1975. In December 2007 the project was acquired by DMM and investigation of the project has continued to the present. The main elements of this more recent exploration history were; completion of rock chip sampling, geological mapping; trench sampling and re sampling of historical pits; resource estimation based on the Mt Lékoumou drill holes; a Concept Study by GRD Minproc ("GRDM"); minor metallurgical testwork on hematite mineralisation from Mt Lékoumou; and a detailed airborne geophysical survey over the central project area from which exploration target size was estimated. In December 2009, DMM commenced diamond drilling at Mayoko. From December 2009 to 1st of April, it had completed five holes for 1323m.

Mineral Resources

A Mineral Resource estimate for the Mayoko deposit was completed during March 2008 by Runge Ltd (Runge) for DMM. The resource estimate was restricted to the Mt Lékoumou mineralised zone. All data used in the estimate was compiled in 1975 by ICES from drilling completed between 1974 & 1975. The modelled Mt Lékoumou resource area has a lateral strike extent of 1800m and a vertical extent of 170m from surface at 840mRL to 670mRL. The latter is controlled by draping over topography. A total of 38 diamond holes and 16 small pits are located in the resource area. The resource estimate utilised a standard block model using Inverse Distance Squared (ID2) grade interpolations. The interpolation was constrained by resource outlines based on mineralisation envelopes prepared using a nominal 50% Fe cutoff grade and geological contacts. JORC compliant Inferred Resources were declared consisting of 33.1Mt @ 55.5% Fe, 10.4% SiO_2, 3.8% Al_2O_3 and 0.1% P.

Exploration Potential

Processing, imaging and modelling of the high resolution helicopter borne magnetic survey data were employed to estimate the volume of magnetic material present and thus derive an estimate of the size of the potential exploration targets. A total of 18 bodies were modelled on 19 traverses but it is clear from the magnetic data that the thickest iron formations are present in the Mt Lékoumou – Mt Mipoundi area. The total exploration target size was stated was stated by Resource Potentials as being 1,341Mt. This included a target of 289Mt of non magnetic (hematite) mineralisation. In January 2010, DMM announced additional modelling had lead to a revised aggregate exploration target size at Mayoko in the range of 0.9 to 1.3 billion tonnes.

Coffey considers there is considerable potential within the project area to define significant quartz-magnetite iron formation resources which are potentially suitable for upgrading to produce magnetite (+- some hematite) concentrate.

Metallurgical Characteristics

Several key areas such as the grade and mineralogical characteristics of the primary quartz magnetite BIF and the metallurgy and beneficiation characteristics of the supergene (hematite) and primary (magnetite?) mineralisation are not well understood. The Fe grade and deleterious element characteristics of the possible beneficiation products, and hence expected product prices, have yet to be established and these are the subject of testwork currently planned.

Valuation

This valuation of the Mayoko Project takes into account the declared Mineral Resource at Mt Lékoumou and the exploration potential of the 1,000 sq km project area. The Multiple of Exploration Expenditure (MEE) method was selected as the most appropriate for the valuation of the exploration potential of project, including the exploration targets away from the Mt Lékoumou deposit. The Yardstick method was used to ascribe a value to the Inferred Resources at Mt Lékoumou.

Mayoko Project valuation is summarised in Tables 1 and 6_1. The Coffey preferred value for DMM's 80% equity in the project is **A$37.2M**. The effective date of the valuation is 20th April 2010.

Mayoko Project Valuation Summary (DMM 80% Equity)

Asset (valuation method)	High Valuation $M	Low Valuation $M	Preferred Value $M
Hematite Resources (Yardstick)	17.6	5.8	11.2
Magnetite BIF potential (MEE)	30.2	15.1	26.0
Total	**47.8**	**20.9**	**37.2**

The Market Transaction investigation completed by Coffey illustrates the extreme range of values attributed to iron ore projects in Africa. There are insufficient recent transactions involving projects comparable to Mayoko to make any meaningful comparison however a transaction involving the somewhat similar Putu Project tends to support the order of magnitude of the current valuation..

The wide value range in the current valuation is a function of the uncertainties due to the paucity of critical information. Investigations are still at an early stage and yet to establish a number of key parameters regarding the resource tonnages and grade, beneficiation characteristics and possible saleable products and grades.

The current preferred value is approximately four times the historical valuation completed only 12 months ago (in March 2009). This, however, should be considered in the context of the doubling in iron ore prices and additional technical information collected since that time. Other material changes include the establishment of JORC compliant Inferred Resources for hematite resources at Mt Lékoumou and an increase in exploration target size from geophysical modelling of the new magnetic survey data.

The new information currently being collected from the diamond drilling program and the results of future metallurgical test programs and DTR tests on drill core samples are likely to have a significant impact on the valuation by way of provision of key information currently not available. There is currently considerable volatility in the iron ore price and changes to this will have an impact on the valuation. As such the valuation is strictly applicable to the valuation date only and is expected to vary significantly as additional data are collected.

1 INTRODUCTION

Coffey Mining ("Coffey") has been commissioned by DMC Mining Limited (ASX : DMM) on behalf of BDO Corporate Finance (WA) Pty Ltd (BDO), to prepare an Independent Technical Valuation (ITV) for the DMM equity in the Mayoko Project in the Republic of Congo. The valuation is being sought to assist with the preparation of an Independent Expert's Report by BDO.

Coffey has based its review of the Mayoko Project on information provided by DMM, along with technical reports by previous project operators and other relevant published and unpublished data. These reports are listed with other principal sources of information in Section 9. A site visit was undertaken to the Mayoko Project by Ms Kathy Body of Coffey Mining between the 12th and 14th of April 2010. All reasonable enquiries were made to confirm the authenticity and completeness of the data upon which this report is based.

The Mayoko Project consists of one exploration license covering an aggregate area of approximately 1,000 sq km. DMM currently holds 80% of DMC Iron Congo SARL, the license holder. The legal status associated with the tenure of the property has not been independently verified by Coffey. The status of the tenements at the time of the valuation is based on information provided by DMM.

The Independent Technical Valuation has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("The Valmin Code"), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG), and the rules and guidelines issued by such bodies as the ASIC and Australian Securities Exchange (ASX), which pertain to Independent Expert Reports.

The mineral property in which DMM hold an interest, is considered to be an "Exploration Project", and as such is inherently speculative in nature. Coffey considers nonetheless that Mayoko is an exploration project with JORC compliant Mineral Resources identified for which some preliminary project development studies have been completed.

The Independent Consulting Geologist's Report and Technical Valuation has been prepared on information available up to and including 20th of April 2010.

Coffey Mining is a mining industry consulting firm which, through RSG Global Consulting Pty Ltd, has been providing services and advice to the international mineral industry and financial institutions since 1987. The principal author of this report is Mr Paul Mazzoni, who is a professional geologist with 34 years experience in the exploration and evaluation of mineral properties within Australia, SE Asia, China, India, Africa, North America, South America and the SW Pacific. Paul Mazzoni is a Principal Consultant and Chief Geologist with Coffey Mining, a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Member of the Society of Economic Geologists (SEG). Mr Mazzoni has the appropriate relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the Valmin Code and a "Competent Person" as defined in the JORC Code.

The site visit was undertaken by Ms Kathy Body, who is a professional geologist with 15 years experience. Ms Body is a full time employee of Coffey Mining and is a Registered Professional Natural Scientist (Pr.Nat.Sci.). Ms Body has the appropriate relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the Valmin Code and a "Competent Person" as defined in the JORC Code.

Neither Coffey Mining, nor the authors of this report, have or have had previously, any material interest in DMM or the mineral properties in which DMM has an interest. Our relationship with DMM is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

2 MAYOKO PROJECT

2.1 Republic Of Congo Country Background

The Republic of Congo (ROC) in West Africa has a population of 3.8 million (UN, 2008) and covers an area of 342,000 sq km. ROC was previously a French colony and gained independence in 1960. The capital is Brazzaville and the major languages spoken are French and indigenous African languages. The dominant religion is Christianity.

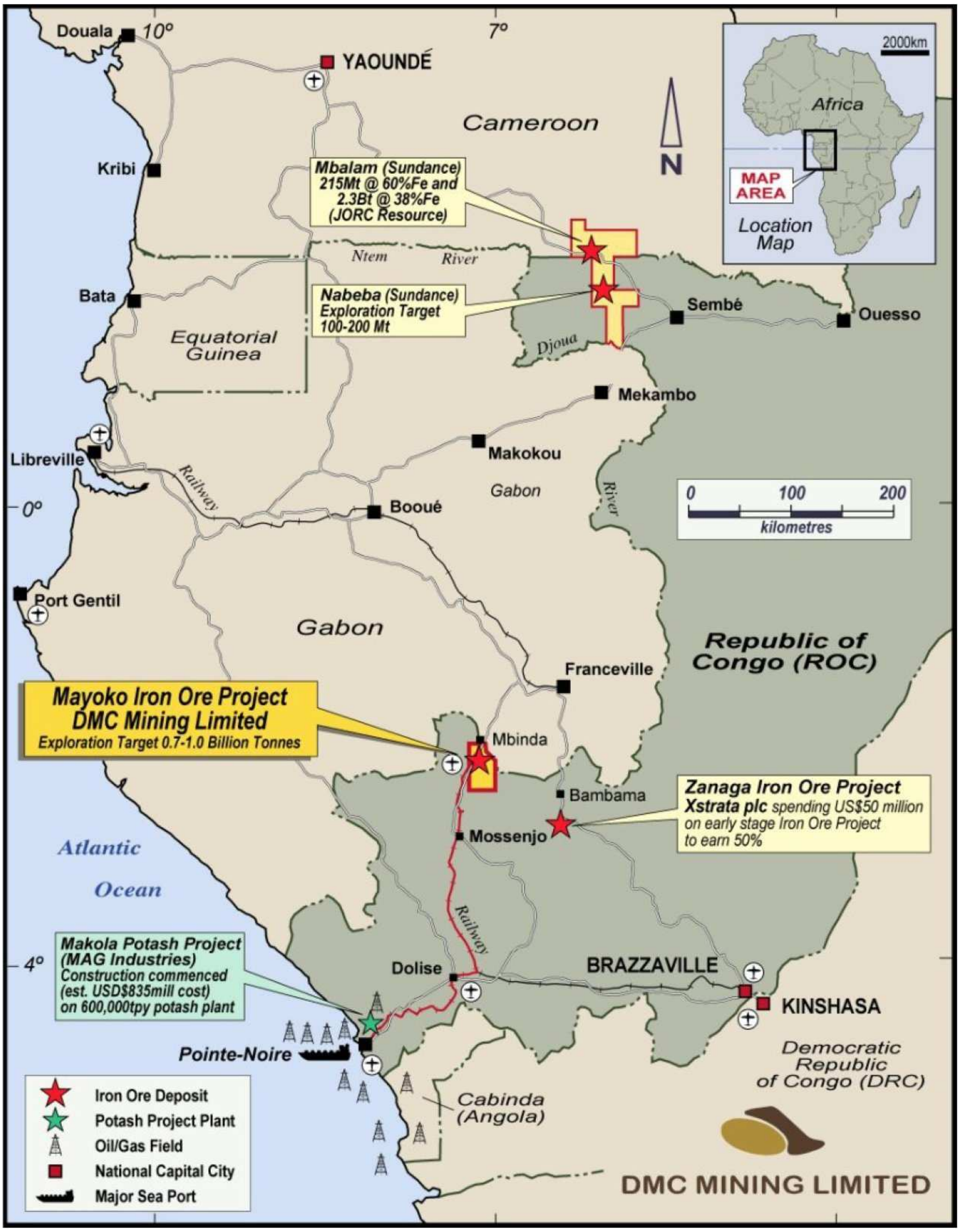
Congo's main industry is petroleum. With estimated proven reserves of 1.5 billion barrels, ROC is sub-Saharan Africa's fifth largest oil producer after Nigeria, Angola, Gabon, and Equatorial Guinea. The majority of ROC crude oil production is located offshore and is heavily reliant on foreign personnel and technology. French company Total FinaElf has been historically dominant in the oil sector. The second largest oil investor has been ENI-Agip (Agip-Congo) of Italy. US oil companies that have investments include; Anadarko, Chevron Texaco, CMS-Nomeco, Exxon-Mobile and Marathon. Other foreign oil participants are Royal Dutch Shell (United Kingdom), Energy Africa (South Africa), and Heritage Oil (Canada).

The specialist risk consultancy firm, Control Risks, has rated the Republic of the Congo as one of the lowest risk countries in Africa based on both security and political risk. Compared to many other African nations, it enjoys relative political and social stability. The ROC is a unitary republic and the current government headed by Denis Sassou-Nguesso has been in power for over 10 years and appears stable. Foreign investment seems to be encouraged. MagIndustries Corp has committed to construction of a US$723M potash plant for the Mengo Potash project 15km NE of Pointe Noire. In May 2007, Mining Projects Development (MPD) signed agreements with the government and is ramping up a drilling program and concurrent studies for the Zanaga iron ore deposit 100km west of the Mayoko deposit. The Congo electrical authority has committed to bringing a 25MW power plant on-line by the end of this year with a 400MW plant scheduled to be on-line by the end of 2010.

2.2 Location, Access and Physiography

The project is located in the Republic of Congo approximately 300km northeast of Pointe Noire in the Niari Region, District of Mayoko. The project lies about 350km northwest of the national capital Brazzaville. The locality of Mayoko (840 inhabitants), situated in the centre of the exploration area is itself, the administrative centre of the District. It is on the Dolisie/Mossendjo/M'Binda national road and the COMILOG railway also passes through the town. The Mt Lékoumou deposit is located approximately 3.5km to the south-east of Mayoko (14km by road). The largest and closest population centres to the area are Mossendjo, 100km to the south and M'Binda, 25km to the north. The population is concentrated in the surroundings of and along the national road and the railway with an average population density of 2 inhabitants per km^2.

Figure 2.2_1
Location of the Mayoko Project



The topography is locally rugged with steep slopes and incised drainages and elsewhere more gentle with eroded plateau. Elevation ranges between 600 and 840m above sea level with the high points being Mt Lékoumou in the east (812.85m) and Mt Makengui in the west (785m). The area is characterised by a dense drainage network with the main river being the Louessé, which is a tributary of the Niari River and flows between Mt Lékoumou and Mt Makengui. The tributaries of the Louessé with the greatest flows are the Lépia, Babéné and Lehala rivers.

The climate is tropical equatorial with two rainy seasons (the beginning of February – end of March and the beginning of October – end of December) and two dry periods (beginning of June – end of September and the month of January). The annual rainfall reaches 1,800mm.

The natural vegetation is equatorial rainforest with a large variety of species of trees. The wealth of the region has traditionally been in its timber, which was the object of intensive forestry in the past. Small scale (mostly artisanal) gold mining also occurs from mostly alluvial deposits in the region. Animal grazing is largely undeveloped and the main occupation of the inhabitants is traditional agriculture, the farming of cassava and peanuts and hunting. Construction materials in the area include laterite, which is quarried in many locations and used for road surfacing.

2.3 Infrastructure

The main elements of local infrastructure at Mayoko comprise the main road, the railway line to the port of Pointe Noire, the local airstrip and the local electricity supply.

The main road from Mossendjo to the south of Mayoko to Mbinda in the north is a dirt road constructed by the stripping of trees and vegetation and rough contouring of the remaining lateritic soils. The road carries frequent logging trucks typically comprising articulated prime movers with a trailer loaded with 6m long tree sections.

A narrow gauge railway operates from Pointe Noire to Mbinda, north of Mayoko. The railway service is currently used for twice weekly passenger and freight trains. The railway was originally constructed by Compagnie Minière de lOgooué (COMILOG) to service a manganese mine in Gabon from which ore was trucked to a railhead at Mbinda. It was also used for heavy haulage for the logging industry. It runs through the Mayoko licence area from the western side to the north eastern corner of the licence. The COMILOG manganese operation transported approximately 2.5 to 3Mt/a of manganese ore. The operation was scheduled and controlled by the Chemin de Fer Congo-Ocean (“CFCO”), the state owned rail company. Their operation consisted of three train trips per day with approximately 2,300 to 2,600t of ore per train. The Comilog operation owned 3 diesel locomotives and approximately 180 ore wagons (46t capacity).

The railway lies approximately 3km north east of the Mt Lékoumou deposit and connects to the city of Pointe Noire on the ROC south west coast. In April 2009, DMM was granted a rail access agreement for access to the Mayoko to Pointe Noire Rail Line during the exploration phase of the project. The agreement was reached with state-owned and operated CFCO.

There is a dirt airstrip at Mayoko which would be suitable for light aircraft after some repair and another airstrip located 10km to the north on the Mayoko to Mbinda road. The Mayoko power station is small and of limited capacity (possibly 250kVA) and only reticulating to limited buildings

The city of Pointe Noire, located on the Atlantic coast, is the second largest in ROC. It is a well developed city and the centre of much of the country's oil industry. There is a deep water port at Pointe Noire capable of handling bulk container and crude oil tanker ships. Point Noire is a significant port servicing the Congo, Gabon, Central Africa, Cameroon, Chad and Angola. Total tonnage moved in 2006 was 15Mtpa with an annual growth rate of 5% per annum. Most of the tonnage moved through the port is petroleum products for export and containers with goods imported from overseas.

The most seaward wharf has a low water draft of 12-13m and handles containers and large equipment. An adjacent wharf appears to handle similar capacity ships (currently around 60,000t). The manganese ore shipments operated for around 15 years and ceased in the 1990s when the trans-Gabonese railway was established. The Port Authority reportedly indicated that the manganese ore ships would hold 250,000t of ore. There is currently no ship loader and associated conveyors and no area for a train unloading facility at the existing port. DMC Mining formalised a Memorandum of Understanding (MOU) with the Port Authority of Pointe Noire (PAPN) in June 2009. Under the MOU, DMM can undertake assessment and design of infrastructure required to export iron ore. PAPN has identified a preferred site for a new and larger port to be built approximately 10km north of the existing facility.

2.4 Tenure

2.4.1 Mineral Property Title in ROC

The mining policy of the ROC is based upon the constitution of the ROC, dated 20 January 2002, the law 4/2005 of 11 April 2005 enacting the mining code, the law 23/82 of 7 July 1982 and decree 86/814 dated 11 June 1986 implementing the mining code. These laws were established to stimulate the development of mining and to guarantee the property rights of both local and foreign investors. According to the law, the state owns all mineral resources, but exploration and exploitation of these resources by private parties is permitted through different types of mining permits, which are granted by decrees. The permit holders have both rights and obligations, as defined by the Mining Code enacted in the law 4/2005 of 11 April 2005. Mining rights in the ROC are obtained in two or three stages:

1) The authorisation to prospect ("L'authorisation de prospection") allows geological prospecting at the earth surface for a defined mineral substance. This authorisation is non exclusive and can be simultaneously granted to several parties. The authorisation is valid for 1 year and can be extended for another year. The authorisation can be extended to include other mineral substances upon application by the holder of such authorisation. Depending on the results of the prospecting activities, the holder of such authorisation may apply for:

    - a permit for mineral exploration
    - an authorisation for exploitation for the minerals and area covered by the authorisation to prospect.

2) The Exploration Permit ("Permis de recherches minières") gives the holder exclusive prospecting and exploration rights in a defined area to unlimited depth for the mineral substances it is issued for. According to law 4/2005 of 11 April 2005, it is valid for 3 years and can be extended twice for a period of 2 years each time upon application by the holder. The permit can be withdrawn by the Minister in charge of mines if the holder does not start exploration activities for the mineral substance it was issued for within 9 months of the date at which the permit was granted. Depending on the results of the exploration activities carried out under the exploration permit, the permit holder shall have priority as regards the granting of an exploitation permit for the mineral substances covered by the relevant exploration permit.

3) The Exploitation Permit ("Permis d' exploitation") gives the holder exclusive right to carry out exploitation activities in an area defined by the permit, to an unlimited depth and in respect of those mineral substances for which the exploitation permit is granted. The permit is valid for maximum 25 years and can be extended upon request by the permit holder for maximum periods of 15 years per extension. When the permit expires and no request for extension is filed, a mine closure plan must be submitted. In the event that the permit holder has not commenced the exploitation works within 12 months of the date at which the permit was granted, the council of ministers can decide to withdraw such permit.

At each stage of the mining rights acquisition process, several steps are required (e.g. application, "publication", registration/filling payments, notarisation, tax payments) before the application is converted to an authorisation or permit.

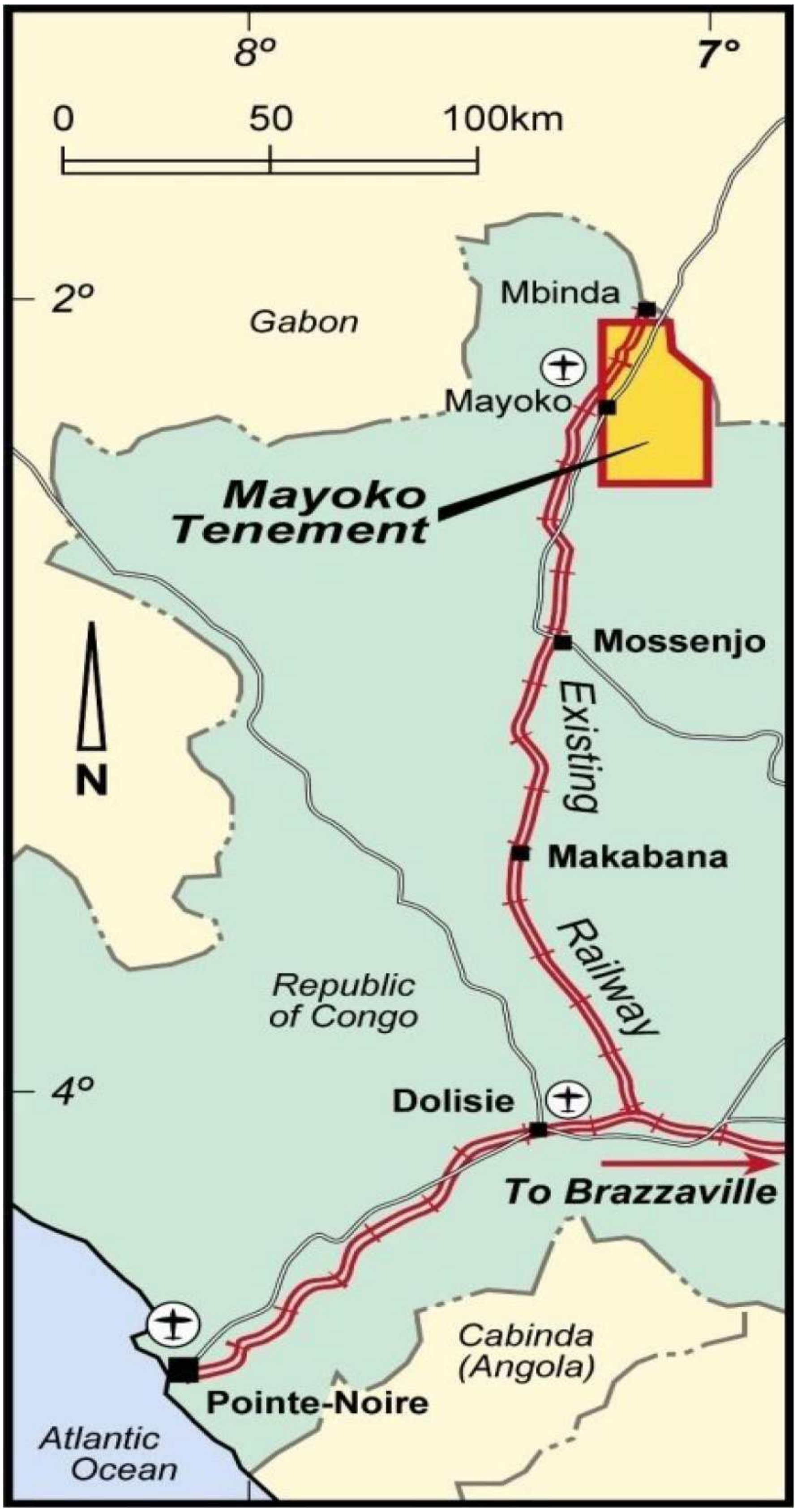
2.4.2 Mayoko Project Tenure

The Mayoko Iron Ore Exploration Licence number E2008-75 was granted by the Minister of Mining, The Hon Jean Pierre Ngassaki, under The Republic of the Congo Mining Code (2005). The license was granted on 3rd of April 2008 for a period of 3 years and is renewable twice, each renewal for two years. The license covers an area of 1,000 sq km and the boundaries are defined by five vertices described below (Table 2.4.2_1) with one boundary lying along a defined segment of the ROC - Gabon border as illustrated in Figure 2.4.2_1. The license is held by DMC Congo Iron SARL.

Table 2.4.2_1
Mayoko License Coordinates

Vertices	Longitude	Latitude
A	12º 53' 19" E	2º 05' 00" S
B	12º 48' 00" E	2º 05' 00" S
C	12º 48' 00" E	2º 30' 00" S
D	13º 00' 00" E	2º 30' 00" S
E	13º 00' 00" E	2º 15' 00" S
Border	CONGO	GABON

Figure 2.4.2_1
Mayoko Project Tenement



DMM acquired an 80% interest in the project license from private vendors on 3 December 2007. The acquisition consideration comprised:

- Payment of AUD$500,000 plus issue of 3,333,333 DMM shares and 11,000,000 DMM $0.20 options expiring 30th June 2009.
- Upon DMM attaining a market capitalisation of AUD$25,000,000 DMM will issue 4,250,000 DMM Shares.
- Upon DMM attaining a Market Capitalisation of AUD$50,000,000 DMM will issue 4,250,000 DMM shares.
- Upon DMM making an announcement to the ASX of the discovery of a 400,000,000 tonne JORC inferred resource, DMM will issue 3,333,333 DMM shares.
- Upon execution of the Mining Convention, DMM will issue 2,000,000 DMM Shares. The Mining Convention is understood to include the Mining Licence, Commercial Agreements with the Government and approved Environment Impact Assessment Studies.

Information pertaining to the status of the Mayoko Project tenements has been provided by DMM. Coffey is not qualified to provide comment on the legal standing of the tenements, and has not independently verified the status of the Mayoko Project assets. This valuation has been prepared on the understanding that the assets were lawfully accessible for evaluation and possible future development. The tenement schedule is provided as Table 2.4_2.

Table 2.4_2
Mayoko Tenement Schedule

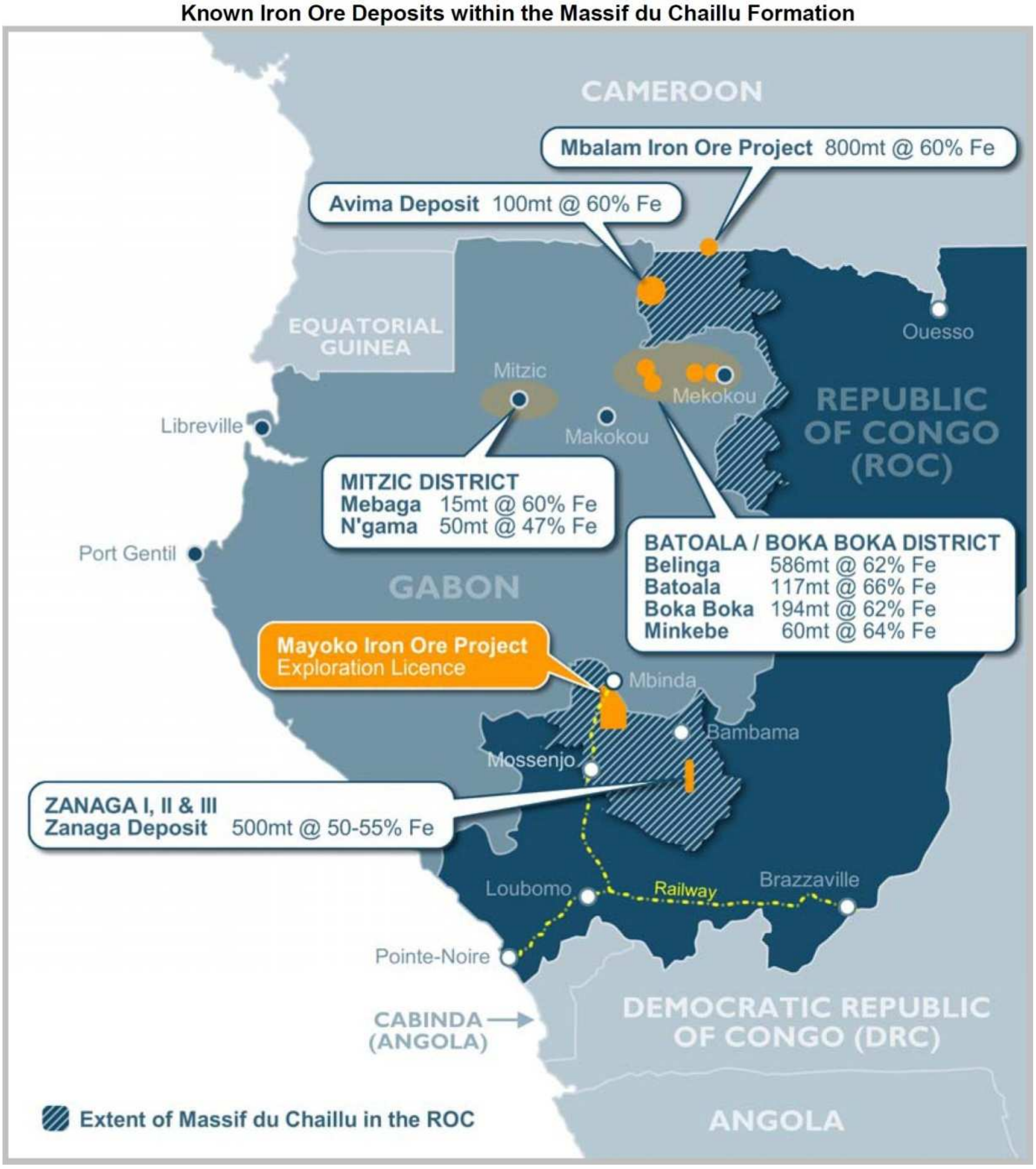
Tenement Number	Tenement Status	Holder	Area Km²	Grant Date	Expiry Date
E2008-75	Granted	DMC Iron Congo S.A.R.L	1,000	O3/04/2008	03/04/2011

2.5 Regional Geological Setting

The Mayoko iron ore project lies within the “Massif du Chaillu” Formation. This formation runs roughly south to north from the Republic of the Congo into Cameroon, where it grades into the Ntem Charnockite Terrane. The du Chaillu granite-greenstone terrane is largely composed of two granitoid generations overprinted by a north-south foliation. Within the granitoids, there are septa of older schists and greenstones which have not been completely granitised. The larger of these septa cover areas in the order of 20km x 5km and 30km x 25km. They contain steeply dipping banded iron formation (BIF). The probably Mesoarchean iron formations of the du Chaillu schist-greenstone terrane, host the iron mineralisation. A map showing the location of the known iron mineralisation and the extent of the Massif du Chaillu Formation within the Republic of the Congo is shown in Figure 2.5_1

The Massif du Chaillu formation hosts multiple iron ore deposits in the Republic of the Congo, Gabon and Cameroon. The nearest deposit, Zanaga, is approximately 100km east in the Republic of the Congo and the furthest deposit, Mbalam, is approximately 550km north in the Cameroon.

Figure 2.5_1
ROC Regional Geology and Iron Deposits



From 2008 GRD Minproc Study

2.6 Project Geology and Mineralisation

The description of the project geology originates from the 1974/1975 ICES report which describes four main types of iron mineralisation as follows:

a) primary iron formation (BIF) mineralisation comprising fresh ferruginous quartzites encountered in drilling (equivalent to itabirites)

b) weathered ferruginous quartzites

c) iron cap rock (Chapeau de Fer or "hats of iron")

d) colluvial, iron rich material produced from the weathering of the iron formations

The ferruginous quartzites, also called BIF or itabirite, were observed to be interbedded with mafic schist (amphibolite) outcrops on either side of the Louessé River. Macroscopically, these formations are green-grey or reddish-grey in colour. Microscopically they are composed of 40-50% quartz usually less than or equal to 0.6 to 0.8mm in grain size with magnetite, the second main constituent equal to or smaller than 0.5 to 1.5mm in grainsize. Magnetite is often rimmed with hematite or colloform films of limonite. Minor pyrrhotite was also described as being present.

The iron rich bands were described as having widths of up to 300m and up to 11km of strike. The contact with the amphibolite schist was described as sharp or very gradual, by substitution of the quartz with amphibole and the gradual disappearance of magnetite.

The ferruginous quartzites were described as being weathered towards the surface and forming a zone up to 52m thick in which quartz is apparently leached and the magnetite is partially transformed into hematite and limonite.

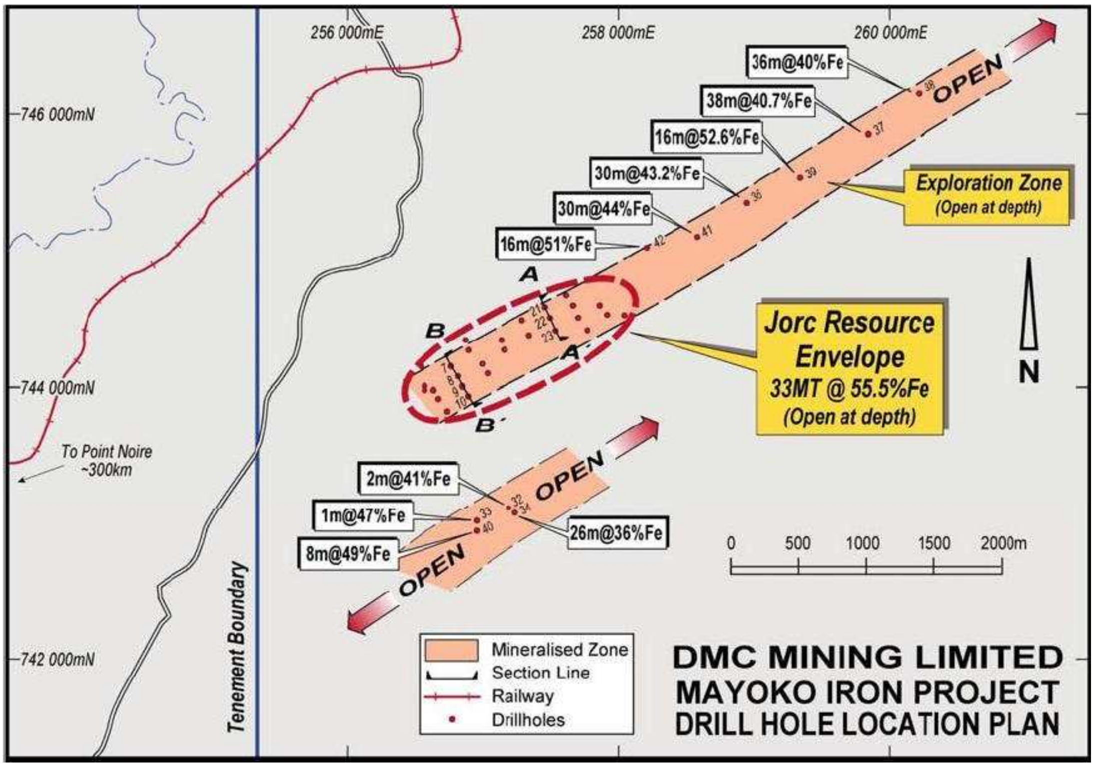
The iron rich cap rock was interpreted as a more advanced stage of weathering of ferruginous quartzites, during which the magnetite was completely transformed into hematite and the latter is partially transformed into limonite. On Mt Lékoumou, the ferruginous cap rock was described as extending over an area of 320 x 140m. Macroscopically, this mineralisation was described as reddish brown with violet iridescence, hard and compact. Microscopically the iron cap mineralisation was described as being dominated by fine grained hematite with subordinate limonite and a low percentage of quartz (2-3%).

The fourth type of mineralisation described was interpreted to be colluvial in origin and appears to be equivalent to a detrital iron deposit (DID) style of mineralisation. It was described from drillholes as representing a 4-5m thick layer of sandy magnetite and hematite with quartz pebbles and yellow clay, showing a clear cut boundary with underlying amphibolites in the lower slopes of Mt Lékoumou and Mt Mipoundi. In the upper slopes the boundary between this material and in-situ oxidised ferruginous quartzite was described as being difficult to distinguish.

The distribution of iron mineralisation as determined from the ICES drilling and ground magnetic surveying is shown in Figure 2.6_1. Resource estimation completed by Runge in 2008 was based on the ICES drilling and estimated the supergene hematite mineralisation in the densely drilled area (Figure 2.6_1). Inferred Resources (from about 10 to 50m vertical depth) were estimated as 33.1Mt at 55.5% Fe, 10.4% SiO_2, 3.8% Al_2O_3 and 0.1% P.

Re-sampling of historic pits by DMM, showed grades associated with the iron cap and supergene hematite mineralisation averaged 43.3% Fe, 15.3% SiO_2, 10.7% Al_2O_3, 0.125 MnO, 0.10% P, 0.52% TiO_2 and 9.42% LOI. A comparison of results with the original ICES results suggested an 8% positive bias in the historical assay results for Fe. Current drilling by DMM will help clarify the existence or otherwise of this bias.

Figure 2.6_1
Local Mineralisation in the Mt Lékoumou – Mt Mipoundi Area



Recent drilling by DMM at Mt Lékoumou and Mt Mipoundi has confirmed that the hematite enriched weathered BIF is underlain by quartz magnetite BIF (itabirite). The quartz magnetite BIF at Mt Lékoumou has been drilled down to 300m below surface on section N9744280. As yet there are no assay results available from this drilling and no comment can be made about the Fe grades. The recent drilling suggests that at Mt Lékoumou there are two main BIF units of about 75m and 110m true thickness separated by a 55m thick amphibolite unit (Figure 2.6_2). Minor thin amphibolite units and one thin pegmatite were also observed within the iron formation.

At Mt Mipoundi, on section N9745880, a single BIF unit with an estimated true width of 73m-80m was intersected at about 190m down hole in MKDD004 (Figure 2.6_4). The BIF contained two thin amphibolite units. Where intersected in MKDD005, this same BIF unit showed six thin zones of interbedded amphibolite.

Typical banded quartz-magnetite BIF from the 2010 drilling at Mt Lékoumou is illustrated in Figure 2.6_3. No assays are available as yet but visual estimates suggest the primary BIF averages about 30-35% Fe.

Figure 2.6_2
Mt Lékoumou Interpreted Drill Section N9744280

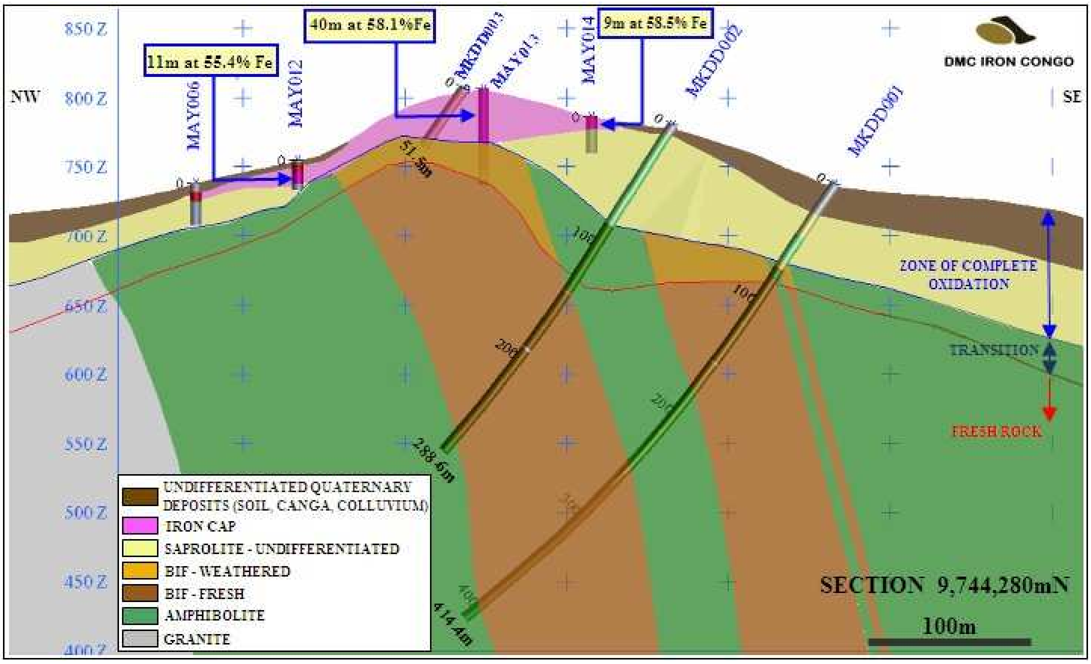


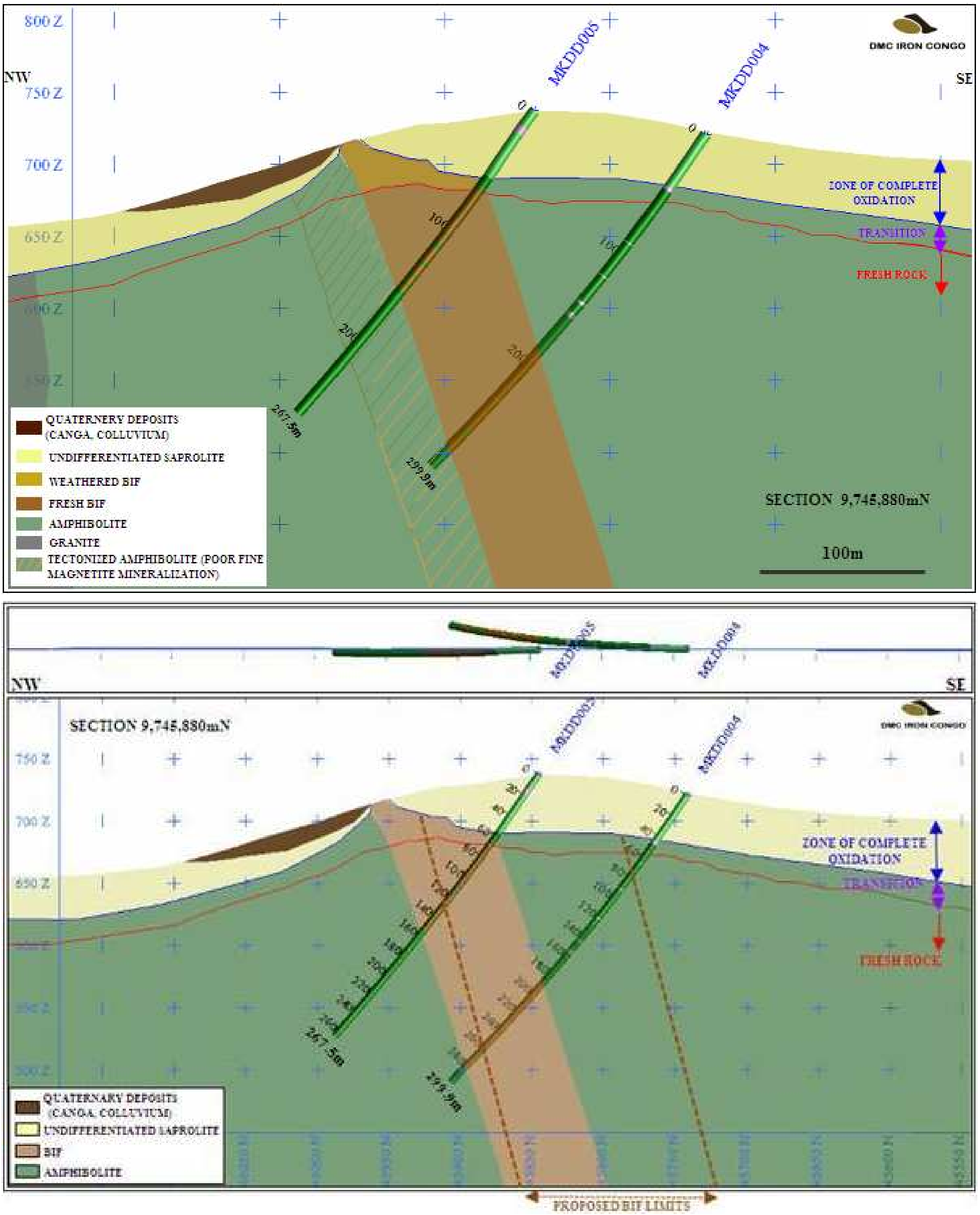
Figure 2.6_3
Mt Lékoumou Quartz-Magnetite BIF

a) MKDD001 354m-358m

b) MKDD002 257m -260m

pale bands are quartz rich, dark bands are magnetite rich

Figure 2.6_4
Mt Mipoundi Interpreted Drill Section N9745880



2.7 Exploration History

Early exploration history comprised regional and some local scale mapping between 1929 and 1954. Iron mineralisation was discovered during this time. In 1954, M. Donnot carried out detailed geological research in the Mayoko area, especially in relation to the Mt Lékoumou and Mt Makengui iron deposits. Mt Makengui is believed to be the western extension of the Lekoumou-Mipoundi mineralisation to the west of the Loesse River.

Between 1960 and 1961, Compagnie Minière de lOgooué (COMILOG), had three boreholes drilled (Numbers 4, 5 and 6) to depths of 40 meters and estimated a resource of 5.7 million tonnes of iron ore with a tenor of 50% to 60% Fe. In 1964, the Congolese Mining Office carried out a geological research mission with the purpose of revealing the presence of various useful mineral substances linked to the presence of many pockets of pegmatites which occur as outcrops in the region. The geological map on a scale of 1:50,000 drawn up at the time, indicates the presence of iron ore bodies at two points, Mt Lékoumou and Mt Makengui. The map does not show the continuation of ferruginous quartzite beyond these two points.

In February 1970, under a UN sponsored program, a delegation of Romanian specialists made a short visit to the Mt Lékoumou deposit and collected a sample of several kilograms of the ferruginous crust unearthed from a small shaft. Some studies were carried out on this sample in respect of the mineralogical composition plus granulometric and chemical tests which revealed higher tenors in iron and also in phosphorous. Under the UN sponsored program, over 40 drillholes, assays and chemical analysis was carried out by ICES during 1974 and 1975.

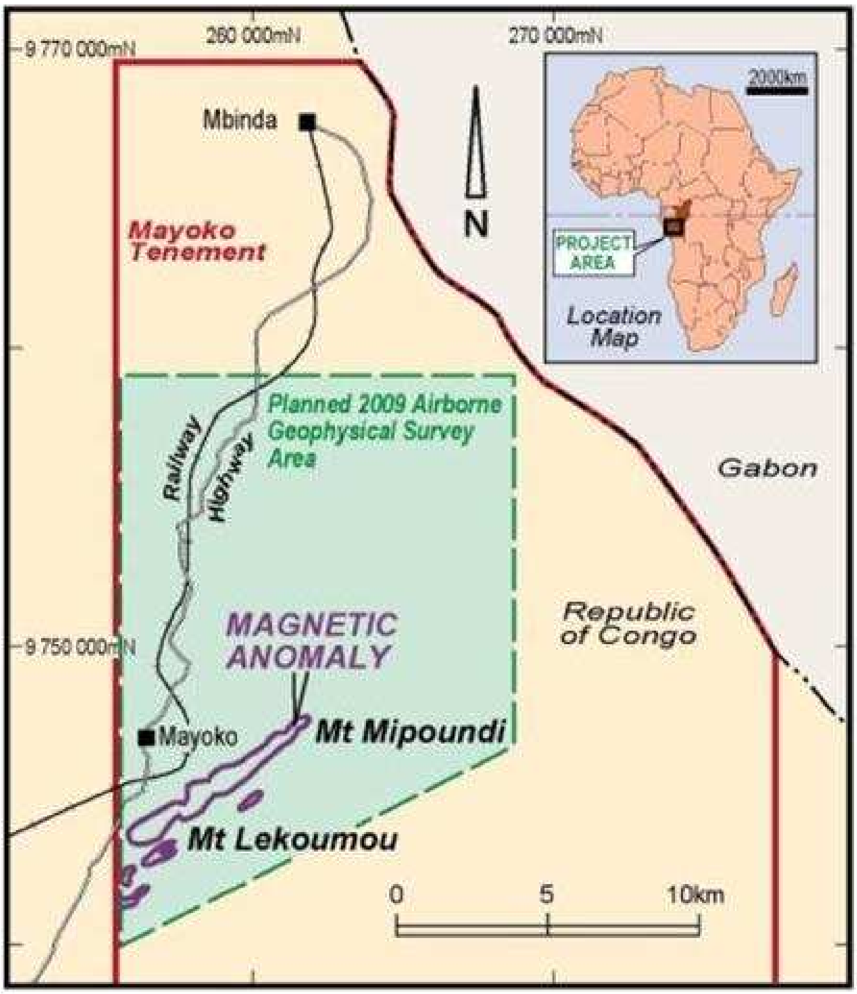
Further exploration work has been carried out by French company, Bureau De Recherches Geologique et Minieres (“BRGM”), during the 1980’s. No details of this later work have been sighted.

In December 2007, the project was acquired by DMM and investigation of the project has continued to the present. The main elements of this more recent exploration history were:

- DMM complete rock chip sampling, geological mapping, trench sampling and re sampling of historical pits between July 2008 and May 2009.
- DMM commissioned the Runge resource estimation May 2008.
- DMM commissioned a scoping level engineering study in Feb 2008. It was completed in June 2008 by GRDM.
- DMM completes preliminary metallurgical test work utilising surface and pit samples in August 2008.
- HLB Mann Judd Corporate (WA) Pty Ltd completed an IER in March 2009, including valuation of the Mayoko Iron Ore Project by Al Maynard & Associates Pty Ltd.
- Complete QEMSCAN mineralogy and liberation studies of one surface sample of enriched hematite BIF and lumps-fines analysis (3 samples) in May2009.
- DMM completed an airborne geophysical survey in June 2009.
- DMM commenced drilling at Mayoko in December 2009.

The high resolution airborne geophysical survey over the central portion of the 1,000 sq km Mayoko exploration licence was carried out in July 2009, covering 220 square kilometres. The heli-magnetic survey was completed by New Resolution Geophysics (NRG) in May 2009. The survey consisted of 100m spaced flight lines orientated north-south with a 20m average terrain clearance. The data acquired during the survey included magnetics, radiometrics and digital terrain (DTM). The coverage is shown in Figure 2.7_1. Trenching completed by DMM and historical drilling are shown on the geological and ICES ground magnetic contour map in Figure 2.7_2.

Figure 2.7_1
Mayoko High Resolution Airborne Magnetic Survey Coverage



Magnetic modelling was completed in July 2009 by Resource Potentials leading to exploration target size estimates which are described in Section 2.9 of this report.

DMM commenced diamond drilling at Mayoko in December 2009 and had completed five diamond drillholes to 31 March 2010 for 1322.9m. Holes MKDD001–MKDD003 were drilled on a single traverse at Mt Lékoumou near geophysical modelling Section 3. Holes MKDD004 and MKDD005 were drilled on a traverse at Mt Mipoundi, adjacent to geophysical modelling Section 7 (Figure 2.7_3).

Figure 2.7_2
DMM Trenching Locations and Historical Drilling at Mayoko

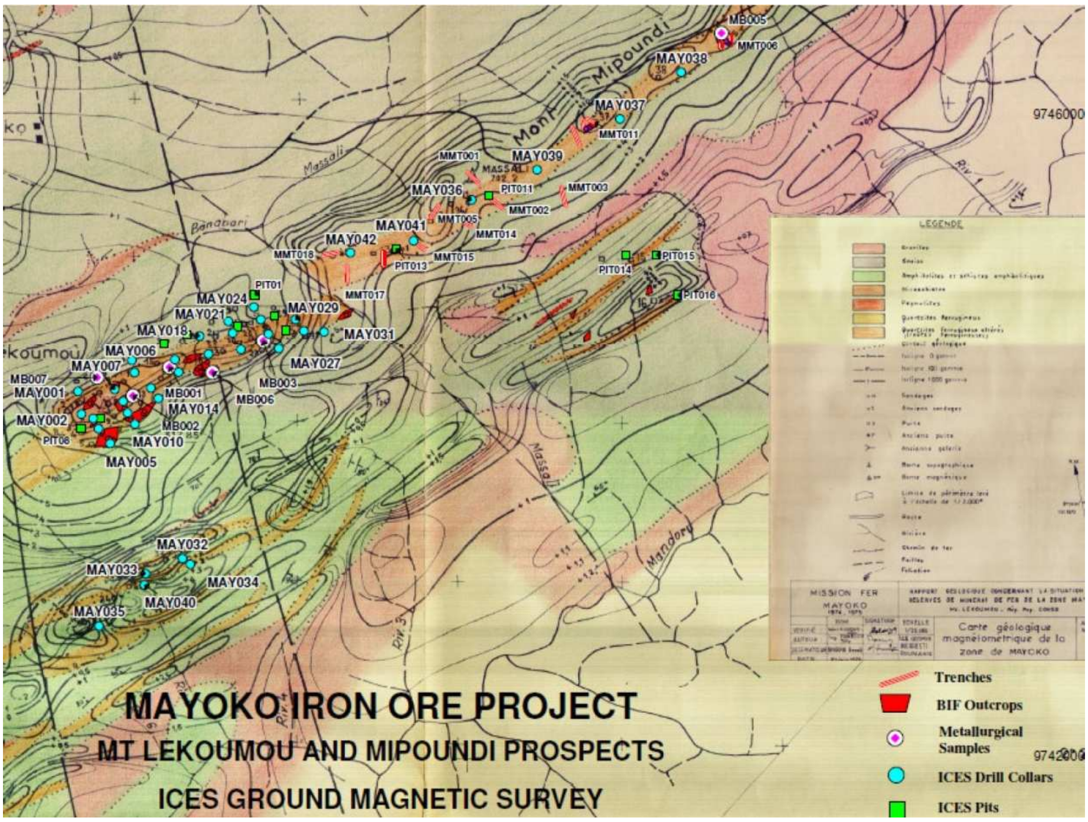
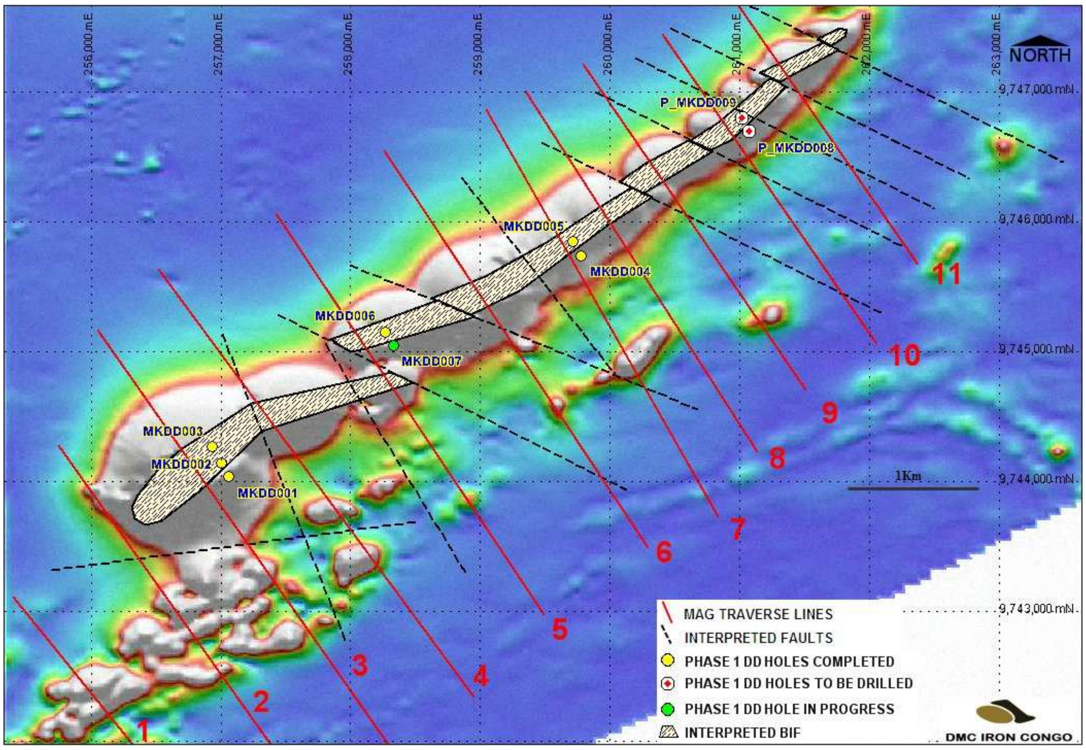


Figure 2.7_3
DMM Drilling in the Mt Lékoumou – Mt Mipoundi Area



Background image is Analytic Signal from detailed airborne magnetic survey data

2.8 Mineral Resources

2.8.1 Introduction

The known deposit at Mt Lékoumou is from historical drilling conducted between 1974 and 1975 by ICES. ICES drilled 38 vertical holes covering an area of approximately 5km along strike and 1.2km across strike. Of these holes, 26 were drilled on a 100 x 200m grid covering approximately 1.4km x 400m. These holes form the basis of the resource estimate which was completed by Runge in 2008. All 38 holes intersected iron mineralisation and 36 of the 38 holes ended in mineralised zones with grades in excess of 50% iron.

DMM commenced a 2400m Stage 1 diamond drilling program in December 2009 and this is in progress. The results of this drilling have not yet been incorporated in any updated resource estimate. Coffey has not independently validated the resource estimate and it is presented here as publically reported and endorsed by the relevant Competent Person.

2.8.2 Resource Estimates

A Mineral Resource estimate for the Mayoko deposit was completed during March 2008 by Runge for DMM. The resource estimate was restricted to the Mt Lékoumou mineralised zone. All data used in the estimate was compiled in 1975 by ICES from drilling completed between 1974 & 1975.

The original drillhole location survey method was not documented, however, the collars of all resource holes were preserved and the relative positions of drill collars were verified by handheld DGPS survey by DMM. All drillholes were vertical and the historic sampling of the drilling was carried out on 2m intervals. The core was split and half core was sent to the laboratory and the other half retained for reference. In total, 649 samples were taken and sent for grinding at the Brazzaville School of Sciences and 643 were chemically analysed. From the same samples, 15 were analysed again for control purposes. Other than these comments, the sampling and assay methodology was not defined and the core diameter unspecified. No sample material from the drilling was available for re-assay. Re-sampling of test pits by DMM confirmed the overall grades. Runge did identify a slight positive grade bias from the original sampling when the original pit sampling assays were compared with the subsequent re-sampling by DMM but noted that many of the samples were not directly comparable to the originals.

A site visit was carried out by Runge in February 2008 to confirm the geological setting and verify the location of historic drilling and sampling. The Mayoko resource area has a lateral strike extent of 1,800m and a vertical extent of 170m from surface at 840mRL to 670mRL. A total of 38 diamond holes and 16 small pits were located in the resource area. No previous mining has taken place, however several small scale sampling pits were excavated.

A number of domains were created to model the main features of the deposit. These were based on logging and observed mineral distribution. The geological domains include the following:

- Iron Cap: Haematitic crust material overlying the In-situ Supergene zone
- In-situ Supergene: Weathered and disintegrated BIF, siltstone and sandstone units. Haematite enriched from weathered magnetite.
- Detrital: Re-cemented accumulation on the slope and foot of the mountain. Haematite is the main Fe mineral with subordinate magnetite

Weathered and unweathered primary BIF (equivalent to the “ferruginous quartzites of ICES) was not modelled in the resource estimate which focused on the higher Fe grade secondary products. The deposit was estimated in a standard block model using Inverse Distance Squared (ID2) grade interpolations. The interpolation was constrained by resource outlines based on mineralisation envelopes prepared using a nominal 50% Fe cutoff grade and geological contacts. The block dimensions used in the models were 100m NS x 40m EW x 20m vertical with sub-cells of 25m x 10m x 5m. The resource was estimated without the application of a high grade cut and reported with a 50% Fe cutoff.

Runge believed that the geological model and grade distribution evident at Mayoko conformed to well understood, enriched Fe deposits which are exploited in many parts of the world. Drill data was judged to be relatively sparse so geological and grade continuity were assumed rather than verified. Furthermore, Runge noted that bulk density was assumed and QAQC information was not available for the drillholes and consequently the deposit was classified as an Inferred Mineral Resource.

Runge stated that the Mineral Resource estimate complies with recommendations in the Australian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). Therefore it is suitable for public reporting. The Runge Mineral Resource estimate is summarised in Table 2.8.2_1.

Table 2.8.2_1
Mayoko Inferred Mineral Resource at 50% Fe Cutoff Grade

Zone	Tonnes	Fe	SiO_2	Al_2O_3	P
Iron Cap	1.3	62.2	5.9	1.1	0.1
Detrital	15.6	54.9	9.4	4.9	0.1
In-situ Supergene	16.1	55.6	11.7	3.0	0.1
Grand Total	**33.1**	**55.5**	**10.4**	**3.8**	**0.1**

2.8.3 Resource Risk

The Inferred Resource classification was based on the sparseness of the drilling data, the assumed rather than measured bulk densities and the absence of QAQC data. Furthermore Runge identified an apparent analytical bias for Fe assays from earlier (pit) sampling which is reasonable to assume may have carried through to the drilling data. The age of the historical data on which the resource estimate is based further detracts from the confidence in the estimate.

2.8.4 Conclusions

While Classified Mineral Resources have been reported by Runge as being defined in accordance to the JORC Code, there is no indication that these resources are economic. The Engineering Study by GRDM in 2008 identified the resources as an area of "weakness" in the Study. Additional drilling by DMM since then has added to the general knowledge of the geology and mineralisation. As yet the new information has not been incorporated in an updated geological model and no additional resource estimates have been completed.

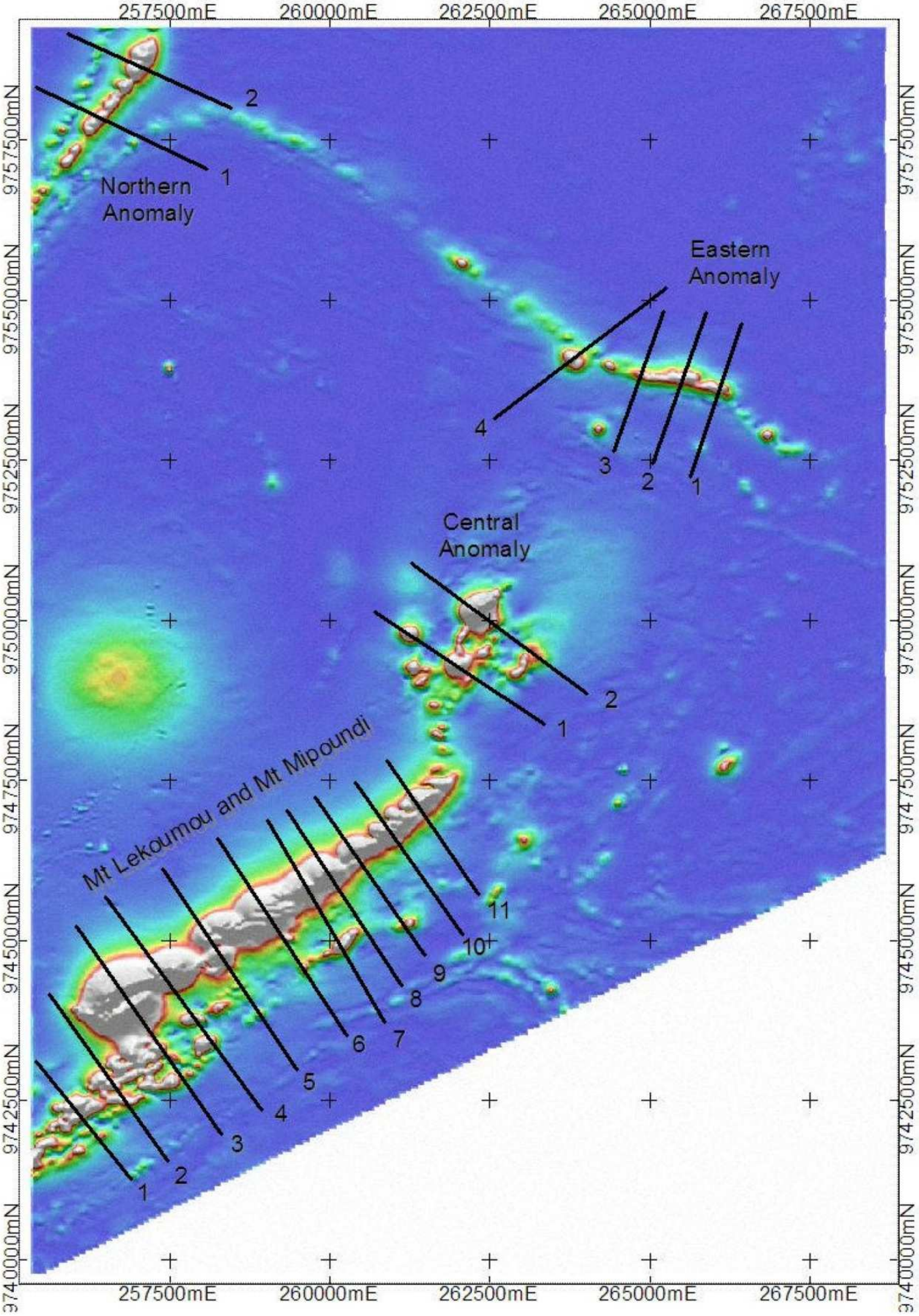
2.9 Exploration Potential

It has become relatively common practise amongst iron ore explorers to use interpretation and modelling of the magnetic data to estimate the volume of magnetic material present and thus derive an estimate of the size of the potential exploration targets. The magnetic material is interpreted to be iron formation comprising varying proportions of quartz and magnetite (+-hematite). The modelled volumes are converted to tons based on assumed bulk densities for typical iron formation and from this an "exploration target" size is described. No grades are assigned since there is no way of determining the iron content or the exact mineralogy of the iron bearing phases. These exploration targets should not be confused with Mineral Resources, but serve as a guide to the potential amount of iron bearing material present and hence provide a measure of the exploration potential.

Resource Potentials was commissioned by DMC Mining in July 2009 to complete processing, imaging and modelling of the high resolution, helicopter borne magnetic survey data. The high resolution survey refined the known ground magnetic anomalies associated with the Mt Lékoumou and Mt Mipoundi iron mineralisation and identified additional magnetic anomalies within the survey area considered prospective for iron mineralisation. Magnetic modelling was completed on the analytic signal data to estimate the geometry of the primary source (itabirite) of the strong magnetic anomalies. A range of magnetic susceptibilities were trialled in the models, and it was determined that a magnetic susceptibility of 1.0SI gave then best result in comparison to the known geology of the area.

An estimation of the potential target tonnage of magnetic material was calculated for the magnetic models produced. The target volumes were calculated using the model thickness, down dip extent of 250m, and strike length dependant on the strike length of the analytic signal anomaly. A total of 18 bodies were modelled on 19 traverses and it is clear from the analytic signal data that the thickest iron formations are present in the Mt Lékoumou – Mt Mipoundi area (Figure 2.9_1). This returned a target tonnage of 1,052Mt using a density of 3.5gcm^3, a magnetic susceptibility of 1.0 SI, and according to a number of other assumptions. The weathered (non-magnetic) material between the current surface level and the top of the magnetic models was assumed to be hematite dominant mineralisation. The quantity of this material was modelled at 289Mt. The total exploration target size was stated was stated by Resource Potentials as being 1,341Mt (inclusive of the non magnetic material). In January 2010, DMM announced additional modelling had lead to a revised aggregate exploration target size at Mayoko in the range of 0.9 to 1.3 billion tonnes.

Figure 2.9_1
Exploration Target Magnetic Model Traverses



Subsequent drilling by DMM near two traverses modelled, (traverses 3 and 7 in Figure 2.9_1), suggests the actual thickness of BIF intersected was noticeably less than the magnetic model predicted. While some of this difference may be accounted for by structural complexity, it illustrates the need for caution when using magnetic modelling to estimate volumes. Similarly, the choice of density used can have a significant impact on the conversion of volumes to tonnes. As yet no density information is available for the quartz-magnetite (+-hematite) BIF which comprises most of the modelled material.

The Mayoko Project, in many ways, is at an early exploration stage. Detailed historical work was restricted to the Mt Lékoumou and Mt Mipoundi areas and focused on the resources at the former. The area appears not to have had any significant exploration activity between 1975 and DMM entry in 2007. Since 2007, exploration has proceeded as described in Section 2.7. Several key areas such as the grade and mineralogical characteristics of the primary quartz magnetite BIF and the metallurgy and beneficiation characteristics of the supergene (hematite) and primary (magnetite?) mineralisation are not well understood. These are being investigated with the current diamond drilling program and the results of these investigations will have a significant impact on the understanding of the project.

Notwithstanding these comments, Coffey considers there is considerable potential within the project area to define significant quartz-magnetite iron formation (itabirite) resources suitable for upgrading to produce magnetite (+- some hematite) concentrates. The grade characteristics of the possible concentrates, and hence expected product prices, have yet to be conclusively established. Similarly, Fe recovery to concentrate has yet to be determined by testwork. Systematic exploration and resource definition drilling is likely to convert a significant portion of the quartz-magnetite iron formation exploration targets outlined to date, to classified Mineral Resources. The economic potential of these will be dependent on their mineralogy (grade and beneficiation characteristics) and their geometry (thickness and dip) which will impact on potential future stripping ratios.

2.10 Exploration Expenditure

The historical exploration expenditure on the project prior to ICES has not been documented. The total expenditure by ICES was documented by them in 1975 as CFA 140,274,389 francs. DMM has provided an estimate of the cost of completing the equivalent program with current costs. The estimated total was $2.56M, of which about $2.3M can be attributed to investigations in the Mt Lékoumou area and $0.26M on exploration in other areas including Mt Mipoundi.

Exploration expenditure by DMM related to the Mayoko Project from commencement to end of February 2010 has also been provided by DMM and totals about $5.61M but includes $589K of parent company overheads and $3.2M of Mayoko related parent company costs. Coffey has elected to assign $5M of the total as applicable exploration expenditure. Of this, an estimated 40% or $2M is attributable to the immediate area of Mt Lékoumou and $3M to the other project areas. From this, Coffey consider the relevant historic exploration expenditure away from the Mt Lékoumou resource area has been $3.3M.

DMM has also provided the committed project budget for the period March 2010 to end June 2010 and the proposed budget from July 2010 to end March 2011 inclusive ($12.7M). From these budgets, Coffey has elected to assign $11M as the applicable reasonably committed 12month future exploration expenditure. Of this, 84% ($9.3M) is attributable to future exploration outside the Mt Lékoumou hematite resource.

2.11 Metallurgy

Minimal metallurgical test work has been completed to date. Some initial mineralogical testwork commenced in 2008 and in 2009 six bulk samples of 50kg each were collected from outcrops and shallow pits at Mt Lékoumou and Mt Mipoundi (Figure 2.7_2). Samples were sent to AMMTEC laboratories in Australia for metallurgical testing. No details of the sample preparation or test work methodology were made available. Individual samples represented enriched hematite BIF, iron cap or detrital material. Only three samples, from Mt Lékoumou, were subjected to crushing and screening tests before the test program was suspended. These comprised in-situ enriched hematite BIF (sample MB001), iron cap (MB002) and detrital mineralisation (sample MB003). The test the results are summarised in Table 2.11_1. In general there was fairly good agreement between the feed sample assays and the calculated head assays after screening.

QEMSCAN analysis of one surface sample of hematite enriched itabirite from outcrop at Mt Lékoumou (sample MB006) was completed. Modal mineralogy suggested the sample comprised 41.40% quartz and 57.11% hematite. The indicative mineral liberation data from this suggested that theoretically 95.7% of the iron could be recovered to a product grading 63.8% Fe at a coarse grind (~1mm). This suggests that theoretically, grinding and mineral separation (beneficiation) on 1 ton of hematite enriched itabirite could produce 0.55t of hematite concentrate with a grade of 63.8% Fe.

No metallurgical testwork information is available for fresh quartz magnetite BIF (itabirite) as diamond drill core composite samples from the current drilling program are still being prepared.

2.12 GRD Minproc "Scoping Study"

The GRD Minproc (GRDM) Scoping Study ("Study") was initially commissioned to determine likely mining, processing and infrastructure requirements to produce 5Mtpa of haematite at a scoping study level under a direct-shipped-ore scenario. It was based on the Inferred Resources and a conceptual pit design. GRDM commented that by international standards the iron grade was lower than typical for direct shipped ores and the impurity levels higher than desired. However, this was regarded as more of a disadvantage than a project impediment by GRDM who suggested the ore may be amenable to upgrading by blending, selective mining or beneficiation. Their comments were based on the available analytical data at that time. The study predates appropriate metallurgical testwork and beneficiation characteristics were assumed. Given the very early stage of the project at the time the study was completed and the insufficient hard data, it should more appropriately be regarded as a Concept Study.

Table 2.11_1

Mt Lékoumou Lump and Fines Screen @ 8mm Test Results

Sample	Type			Mass %	Fe %	SiO_2	Al_2O_3	S	MnO	P	TiO_2	LOI 1,000°C
MB001	**Enriched Hematite BIF**	Fraction	+8mm	68.71	58.66	0.88	8.51	0.027	0.02	0.046	0.078	5.4
			-8mm	31.29	57.06	2.53	9.06	0.032	0.02	0.059	0.183	6.14
		calculated Head		**100**	**58.16**	**1.4**	**8.68**	**0.028**	**0.02**	**0.050**	**0.111**	**5.63**
MB002	**Hematite Rich Iron Cap**	Fraction	+8mm	84.11	63.06	0.95	1.32	0.017	0.03	0.292	0.174	7.16
			-8mm	15.87	61.36	2.01	1.71	0.027	0.03	0.342	0.224	7.5
		calculated Head		**99.98**	**62.53**	**1.28**	**1.44**	**0.02**	**0.03**	**0.308**	**0.19**	**7.27**
MB003	**Detrital Mineralisation**	Fraction	+8mm	56.37	58.80	2.37	7.89	0.04	0.04	0.12	0.10	5.63
			-8mm	43.63	57.20	5.34	7.35	0.05	0.04	0.11	0.18	5.00
		calculated Head		**100.00**	**58.10**	**3.67**	**7.65**	**0.04**	**0.04**	**0.11**	**0.13**	**5.36**

The scope of work was expanded part way through the study in response to a number of findings, including that infrastructure; (power; rail and port), were largely in place and provided a potential opportunity to commence operations in a shorter time and at higher production rates. The final scope of work was for a 3Mt/a hematite operation in Stage 1A, ramping up to an 11Mt/a haematite plant in Stage 1B with a 3Mt/a magnetite plant following in Stage 2. The Study was based on notional hematite and magnetite resources and conceptual beneficiation outcomes. Capex and Opex estimates were made as part of the Study but no financial modelling was attempted given the preliminary nature of most of the inputs. Process design and capital and operating costs were based on analogy with iron ore deposits elsewhere (principally the Midwest of WA) rather than on actual data from the project.

3 VALUATION BACKGROUND

There are numerous recognised methods used in valuing "mineral assets". The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the quantity and type of information available in relation to any particular asset.

The Valmin Code, which is binding upon "Experts" and "Specialists" involved in the valuation of mineral assets and mineral securities, defines the level of asset maturity under the following categories:

- **"Exploration Areas"** refer to properties where mineralisation may or may not have been identified, but where a mineral resource has not been defined.
- **"Advanced Exploration Areas and Pre-Development Projects"** are those where Mineral Resources have been identified and their extent estimated, but where a positive development decision has not been made.
- **"Development Projects"** refers to properties which have been committed to production, but which have not been commissioned or are not operating at design levels.
- **"Operating Mines"** are those mineral properties, which have been fully commissioned and are in production.

The various recognised valuation techniques are designed to provide the most accurate estimate of the asset value in each of these categories of project maturity. In some instances, a particular mineral property or project may include assets that logically fall under more than one of these categories. The Mayoko Project is transitional between the first and second level of asset maturity.

Regardless of the valuation techniques adopted, the consideration must reflect the perceived "fair market value", which is described in Definition 43 of the Valmin Code as:

"*the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion.*"

In the case of Pre-development, Development and Mining Projects, where Measured, Indicated and Inferred Resources have been estimated, and mining and processing considerations can be reasonably determined, valuations can be derived by compiling a discounted cash flow (DCF) and determining the net present value (NPV).

Where mineral resources remain in the Inferred category, and the application of mining parameters to determine their economic viability has not been undertaken or is considered inappropriate, their value cannot be demonstrated using the more conventional DCF/NPV approach. A similar situation may apply where economic viability cannot be readily demonstrated for a resource assigned to a higher confidence category. In these instances it is frequently appropriate to adopt the In-situ Resource (or "Yardstick") method of valuation for these assets. This technique involves application of a heavily discounted valuation of the total in-situ metal contained within the resource. This usually equates to a range of 2.5% to 4% of the spot metal price as at the valuation date, but may vary substantially in response to a range of additional factors including physiography, infrastructure and the proximity of a suitable processing facility. The range is usually correlated to the confidence in the resource estimate such that the 2.5% factor is commonly applied to “Inferred” resources, 3.0% to “Indicated” and 4.5% to “Measured”.

In the case of Exploration Areas, and to a lesser extent Advanced Exploration Areas, the potential is speculative compared to projects where mineral resources have been estimated. The valuation of Exploration Areas is dependent, to a large extent, on the informed, professional opinion of the valuer.

Where useful previous and committed future exploration expenditure is known or can be reasonably estimated, the Multiple of Exploration Expenditure (“MEE”) method is considered to represent one of the more appropriate valuation techniques. This method involves assigning a premium or discount to the relevant effective Expenditure Base (“EB”), represented by past and future committed expenditure, through application of a Prospectivity Enhancement Multiplier (“PEM”). This factor directly relates to the success or failure of exploration completed to date, and to an assessment of the future potential of the asset. The method is based on the premise that a “grass roots” project commences with a nominal value that increases with positive exploration results from increasing exploration expenditure. Conversely, where exploration results are consistently negative, exploration expenditure will decrease along with the value.

Other valuation methods can be adopted to assist in confirming conclusions drawn from the MEE approach. Where sale transactions relating to mineral assets that are comparable in terms of location, timing and commodity, and where the terms of the sale are suitably “arms length” in accordance with the Valmin Code, such transactions may be used as a guide to, or a means of, valuation.

Where a joint venture agreement has been negotiated as an “arm’s length” transaction, the Joint Venture Terms valuation method may be applied. In a typical staged earn-in agreement, the value assigned to each of the various stages can be combined to reflect the total, 100% equity, value, as follows:

$$V_{100} = V_{Stage\ 1} + V_{Stage\ 2} + \ldots\ldots$$

The value of equity assigned to an entity buying into the project, the farminor, at any earn-in stage of a joint venture can be considered as the sum of the value of liquid assets transferred to the seller, or farminee, in cash or shares, plus the value of future exploration expenditure. Commonly, an agreement may stipulate a minimum expenditure that must be met by the farminor prior to allowing withdrawal from the agreement, and these funds are thus committed, as distinct from the notional expenditure to successful completion of the earn-in stage. In calculating the value of an agreement that includes future expenditure, it is considered appropriate to discount (usually at a rate of 10% per annum) that expenditure by applying the discount rate to the mid-point of the term of the earn-in phase. A probability range is also usually applied to each earn-in stage to reflect the degree of confidence that the full expenditure specified to completion of any stage will occur and, consequently, each equity position achieved.

The value assigned to the second and any subsequent earn-in stages will always involve discounted funds, and is likely to require exponentially increasing speculation as to the likelihood that each subsequent stage of the agreement will be completed. Correspondingly, in applying the Joint Venture Terms approach to staged earn-in agreements, it is regarded as most correct to consider only the first stage as the basis for estimating cash value equivalence at the time of the deal. Coffey adheres to this guideline by adopting the end of the initial earn-in period for valuation purposes.

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

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

where:

V_{100} = Value of 100% equity in the project ($)

D = Deemed equity of the farminor (%)

CP = Cash equivalent of initial payments of cash and/or stock ($)

CE = Cash equivalent of committed, but future, exploration expenditure and payments of cash and/or stock ($)

EE = Uncommitted, notional exploration expenditure proposed in the agreement and/or uncommitted future cash payments ($)

I = Discount rate (% per annum)

t = Term of the Stage (years)

P = Probability factor between 0 and 1, assigned by the valuer, and reflecting the likelihood that the Stage will proceed to completion.

4 TECHNICAL VALUATION

4.1 Introduction

The Mayoko Project is regarded as somewhat transitional, between an Exploration Area and an Advanced Exploration project. Inferred Resources exist but no development decision has been made. This valuation of the Mayoko Project takes into account the Inferred Resources at Mt Lékoumou and the exploration potential of the remaining 1,000 sq km project area. A number of different valuation methods were examined. The Multiple of Exploration Expenditure (MEE) method was selected as the most appropriate for the valuation of the exploration potential of project away from the Mt Lékoumou deposit including the exploration targets.

The Yardstick method, normally applied to the valuation of in-situ resources, depends on heavily discounting the value of the contained metal in resources which have achieved a formal resource classification of Inferred or higher. In the Mayoko case, JORC compliant Inferred Resources had been estimated. The product price used for this valuation was based on the March-April, 2010 prices, adjusted for product quality. A search of relevant market transactions involving iron ore projects in Africa was completed and the results considered for comparison.

4.2 MEE Method – Mayoko Exploration Potential

In valuing the exploration potential associated with the Mayoko Project, Coffey has elected to apply the Multiple of Exploration Expenditure (MEE) method. In order to apply this method a determination of the Expenditure Base (EB) is required. Normally this would comprise documented exploration costs. Estimated historical exploration expenditure and documented exploration expenditure by DMM since acquiring the project are described in Section 2.10. Of this, the component devoted to exploration away from the defined resources is estimated at $3.3M.

At the discretion of the valuer, firmly committed future exploration expenditure may also be considered in the EB. In this case, Coffey consider that the project is sufficiently encouraging that the relevant component of the proposed exploration expenditure discussed in Section 2.10 of this report is reasonably committed over the next 12 months. Coffey has elected to assign $9.3M to exploration away from the Mt Lékoumou hematite resource.

The EB for the exploration component of the Mayoko project valuation comprises the elements discussed above and totals $12.6M.

The Prospectivity Enhancement Multiplier (PEM) is based on the success (or failure) of exploration completed to date and an assessment of the future prospects of the tenement. Selected PEMs usually range from 0.5 to 3.0, but can be as low as 0 and as high as 5.

The exploration work completed by previous explorers away from the known resources is generally considered to have been of a preliminary nature only. The exploration activity completed by DMM to date has largely focused on the Mt Lékoumou and Mt Mipoundi areas and is similarly considered to be at an early stage.

Drilling completed by DMM to date suggests that the thickness of the iron formations encountered is less than those modelled to produce the exploration target sizes and the single density factor applied to convert volumes to tons is a likely source of error. Notwithstanding these comments, Coffey considers there is considerable potential within the project area to define significant quartz-magnetite iron formation (itabirite) for upgrading to produce magnetite (+- hematite) concentrates. Systematic exploration and resource definition drilling is likely to convert a significant portion of the quartz-magnetite iron formation exploration targets outlined to date to classified Mineral Resources. The beneficiation characteristics of the itabirite and grade characteristics of the concentrates and hence expected price have yet to be established through appropriate test work. Similarly the geometry and likely stripping ratios associated with these bodies need to be established through drilling.

Coffey considers that there is a moderate probability that additional supergene hematite resources will be defined with further systematic exploration. These are likely to be of similar or smaller size than the current hematite resource at Mt Lékoumou since this appears from the analytic signal data to be the most significant iron formation in the project area. It is likely, based on the results of the surface sampling completed by DMM, that they will have similar grade and deleterious element characteristics. From the current drilling, there appears to be an emerging potential to define zones of “soft” weathered quartz-hematite iron formation overlying the quartz-magnetite iron formation. These may constitute resources suitable for production of hematite concentrates. Analytical results from the current drilling will provide some information on the Fe grade and deleterious element characteristics of this “transitional” mineralisation.

On the basis of the preceding comments, Coffey has reasonably elected to assign a range of productivity enhancement multipliers (PEMs) from 1.5 to 3.0

Applying the EB of $12.6M and a range of PEMs from 1.5 to 3.0, Coffey derives a range of provisional values for a 100% interest in the exploration potential of the Mayoko Project from $18.9M to $37.8M. The value attributable to the DMM 80% equity is estimated to lie in the range from **$15.1M** to **$30.2M**, within which range Coffey select a **preferred value of $26M** to reflect the perceived project potential.

4.3 Yardstick Method – Mayoko Resources

The Classified Mineral Resources at Mayoko have been valued utilising the Yardstick Method. This method relies on the current metal price as one of the key inputs. At the time of the valuation, (March - April 2010), iron ore prices were undergoing a period of extreme volatility and upward pressure resulting from a number of factors including:

- Refusal of the major consumer (China) to accept price setting by the major producers
- Abandonment of the traditional annual price setting by the major producers in favour of quarterly price setting
- Chinese Government calls to boycott the big three suppliers (Vale, Rio and BHPB)
- Chinese Government directive to steel mills not to import iron ore with less than 60% Fe content (mostly sourced from India).
- Greater dependence on spot market prices which have been driven significantly higher by the various factors described.

On April 8, spot prices for higher grade Indian iron ore, (Fe 63.5%), reached US$146/t fob and prices for lower grade (58% Fe) were about US$111-115 fob. In contrast, BHP Billiton April Quarter prices set with Japanese steel mills were US$ 135/t fob for typical lump (>63.5% Fe) and US$ 120/t fob for 62%Fe fines.

Based on the screening tests described in Section 2.11 and the proportions of ore types described in Section 2.8 of this report, it is conceivable (but not demonstrated) that a ~60% Fe beneficiated product could be made with a 75% recovery to product. Allowing for some discount for the relatively low iron content and potential issue with P and other deleterious element contents, a price of US$110/t (AUD$118/t) has been <u>assumed</u> for products.

In the authors view, the additional resource development risk factors discussed in Section 2.8.3 and Section 2.11 must be considered in the derivation of the discount factors. The factors applied here consider these and also acknowledge the positive benefits of the adjacent rail infrastructure and possibilities for shipping products out of Pointe Noire. A range of factors were applied as shown in Table 4.3_1.

Table 4.3_1
Mayoko Resources Yardstick Valuation

Resource Type		Total M tons	In-situ*	Discount Factor %		Valuation		
						High	Low	Preferred
			$M	High	Low	$M	$M	$M
Open Pit	Inferred	33.1	2,929	0.75	0.25	22	7.3	14

* March 2010 low grade hematite iron ore price of AUD$118/t with 75% recovery to saleable assumed

On this basis we have elected to value the in-situ hematite resources at between $7.3M and $22M within which range the preferred value is $14M. The DMM 80% equity is then valued at between **$17.6M** and **$5.8M** within which range the preferred value is **$11.2M**. The large range of the valuation is a measure of the uncertainty due to the limited information. In particular there are uncertainties related to the beneficiation characteristics, product recovery, product specifications (price) and resource estimate. It is also appropriate given the significant recent price volatility.

4.4 Comparable Market Transactions

Coffey has conducted a search for publicly available market transactions involving iron ore exploration projects in Africa between 2008 and 2010. Relevant details for only a few transactions were found. These have been summarised in Table 4.4_1. The small number of transactions precludes meaningful analysis. It is apparent that there is an extreme range of values to the transactions between $52M (Putu) and $3.2B (Simandou) on 100% equity basis. The value is strongly controlled by how advanced the projects were at the time of the transaction, the quality of the resources (as expressed by the formal resource classification, the quantity of high grade mineralisation suitable for direct shipping (DSO) with minimal beneficiation and to a lesser extent by the project infrastructure requirements. In an attempt to provide some type of normalisation, the effective price paid per ton of contained iron was estimated. This also showed an extreme range reflecting the same factors discussed above and ranged from $0.26 (Putu) to $2.16 (Simandou).

There are no comparable transactions but a somewhat similar transaction was that involving the Putu Project. This project is closer to the coast (100km) but lacks an existing railway to assist with start up. Both projects will require a new port facility to be constructed. At the time of the transaction, the Putu project was said to have potential resources of 900Mt with average grades from 17 trenches of 59.7%Fe. The project had been subject to historical drilling, trenching, airborne magnetics and completion of an exploration adit. A historical US Geological Survey investigation estimated potential resources of 455Mt @ 45% Fe with grades of up to 67%Fe.

4.5 Previous Valuations

Coffey is aware of one previous valuation by Al Maynard & Associates Pty Ltd. This valuation is dated 10 March 2009 and concluded that in accordance with the provisions of the Valmin Code, the value ascribed to the DMM 80% share of the Mayoko Iron Ore Project was in the range of $US4.99 million to $US8.92 million, with a preferred value of $US6.6 million. Using an appropriate exchange rate this equated to $A10.3 million. The Yardstick valuation method was used.

The valuation predates a number of subsequent technical developments including:

- completion of the detailed airborne magnetic survey and magnetic modelling to estimate exploration target sizes
- commencement of drilling to establish hematite and magnetite BIF grades and attributes, depth extent of mineralisation and provide metallurgical test samples.

The valuation also predates a subsequent and significant commercial development, namely the effective doubling of iron ore prices.

Table 4.4_1

Recent Market Transactions – African Iron Ore Projects

Project	Country	Company 1	Purchased / Sold	Equity %	Price (US$)	Date	Company 2	100% Equity in $A (million)	Resources	Fe (Mt)	A$/t (Fe)	Resource Classification
Simandou	Guinea	Rio Tinto	Sold	45	$1.35 billion	May 2008	Chinalco	**3,212**	1.3Bt @ 65.99% Fe			Indicated
									955Mt @ 65.91% Fe			Inferred
									2,255Mt @ 65.96 Fe	1,487.4	**2.16**	Total
Putu	Liberia	African Aura Mining	Sold	61.5	$30 million	December 2008**	Severstal Resources	**52.2**	455Mt @ 45% Fe	205	**0.26**	*potential*
Bong	Liberia	Wuhan Iron and Steel (Group) Corporation	Purchased	60	$68.46 million	March 2010	China-Africa Development Fund	**122**	1.31 Bt @ av 35.48% Fe	465	**0.26**	*demontrated*
									2.79 Bt			*potential*
Tonkolili	Sierra Leone	China Railway Materials Commercial Corp	Purchasing	12.5	£167.9 million (33,579,474 common shares of AML @ £5/share)	January 2010	African Minerals	**2,216**	3.1 Bt @30.7% Fe	952		Indicated
									1.9 Bt @28.9% Fe	549		Inferred
									Total	1,501	**1.48**	Total
Belinga	Gabon	CMEC	Purchased	85	Euro 450M	June 06	Gabon Government	**832**	1Bt @64% Fe	640	**1.30**	*reserves*

* exchange rate 1A$ = US$0.934

** transaction completed

CMEC = China National Machinery and Equipment Import and Export Corp

italicised classifications are informal

5 MATERIAL AGREEMENTS

The Mayoko exploration license is held by DMC Iron Congo S.A.R.L. DMM currently holds 80% of DMC Iron Congo SARL. Other equity holders are understood to consist of Tanaka Mining Projects Pty Ltd (Tanaka) - 3%; Project Management International Limited (PMI) - 7% and Makosso - 10%. It is understood the project is subject to a shareholder agreement. Coffey is not qualified to provide comment on legal and other ownership issues associated with the project and has relied on information provided by DMM. The valuation is based on the assumption that the DMM 80% equity is lawfully valid.

6 VALUATION SUMMARY

The Mayoko Project valuation is summarised in Table 6_1. The Coffey preferred value for DMM's 80% equity in the project is **A$37.2M**. The effective date of the valuation is 20th April 2010.

Table 6_1
Mayoko Project Valuation Summary
(DMM 80% Equity)

Asset (valuation method)	High Valuation $M	Low Valuation $M	Preferred Value $M
Hematite Resources (Yardstick)	17.6	5.8	11.2
Magnetite BIF potential (MEE)	30.2	15.1	26.0
Total	**47.8**	**20.9**	**37.2**

The Market Transaction investigation completed by Coffey illustrates the extreme range of values attributed to iron ore projects in Africa. There are insufficient recent transactions involving projects comparable to Mayoko to make any meaningful comparison however a transaction involving the somewhat similar Putu Project tends to support the order of magnitude of the current valuation.

The wide value range in the current valuation is a function of the uncertainties due to the paucity of critical information. Investigations are still at an early stage and yet to establish a number of key parameters regarding the resource tonnages and grade, beneficiation characteristics and possible saleable products and grades.

The current preferred value is approximately four times the historical valuation completed only 12 months ago (in March 2009). This, however, should be considered in the context of the doubling in iron ore prices and additional technical information collected since that time. Other material changes include the establishment of JORC compliant Inferred Resources for hematite resources at Mt Lékoumou and an increase in exploration target size from geophysical modelling of the new magnetic survey data.

The new information currently being collected from the diamond drilling program and the results of future metallurgical test programs and DTR tests on drill core samples are likely to have a significant impact on the valuation by way of provision of key information currently not available. There is currently considerable volatility in the iron ore price and changes to this will have an impact on the valuation. As such the valuation is strictly applicable to the valuation date only and is expected to vary significantly as additional data are collected.

7 GLOSSARY OF TECHNICAL TERMS

Archaean	The oldest rocks of the Precambrian era, older than about 2,500 million years.
As	The chemical abbreviation for the element arsenic
Au	The chemical abbreviation for the element gold
Cainozoic	The youngest Era of geologic time spanning between 65 million years ago and the present
chlorite	A green coloured hydrated aluminium-iron-magnesium silicate mineral (mica) common in metamorphic rocks.
deformation	A general term for the process of folding, faulting, shearing, compression or extension of rocks as a result of stress.
dextral	Differential lateral movement across a fault such that the block away from the observer appears to have been displaced to the right
diabase	A mafic intrusive rock equivalent to a diorite
fault	A fracture or fracture zone in the earth's crust along which displacement of opposing sides has occurred.
felsic	Light colour rocks containing an abundance of feldspars, feldspathoids and silica.
galena	A lead sulphide mineral
goethite	A hydrated iron oxide mineral
granite	A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas.
granitoids	A family of related intrusive rocks which include granites and granodiorites
granodiorite	A coarse-grained igneous rock containing mainly quartz and feldspar minerals with biotite and or hornblende
Greenschist facies	A facies of metamorphic rock characterised by the development of the mineral chlorite
hematite	An iron oxide mineral with the chemical formula Fe_2O_3
intrusive	Refers to a magma which has solidified before reaching the earth's surface.
Kt	One thousand metric tonnes
lithological	Pertaining to the character of the rock.
magnetite	An iron oxide mineral with the chemical formula Fe_3O_4
metamorphism	The mineralogical, chemical and structural changes imposed on a solid rock which has been subjected to conditions of heat and or pressure which are different to those under which it formed.
metasomatism	A type of alteration whereby the chemical composition of a rock is significantly change by the addition and or removal of certain elements.
mineralisation	The concentration of metals and their compounds in rocks, and the processes involved therein.
Mo	The chemical abbreviation for the element molybdenum
Mt	One million metric tonnes
orogeny	The process by which structures in fold belt mountains formed including folding, faulting, metamorphism and intrusion of igneous rocks.

phyllite	A metamorphic rock intermediate in grade between a slate and a schist with mineralogy usually dominated by fine grained micas and chlorite.
porphyry	An igneous rock of any composition which contains scattered large crystals of one or more minerals set in a fine grained groundmass.
schist	A stongly foliated crystalline metamorphic rock formed by dynamic metamorphism.
sediment	A rock formed of particles deposited from suspension and transport in water, wind or ice.
sericite	A mica mineral very common as an alteration product in metamorphic and hydrothermally altered rocks.
shale	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
siliceous	Containing silica.
sinistral	Differential lateral movement across a fault such that the block away from the observer appears to have been displaced to the left.
stock	A small intrusive mass of igneous rock, usually possessing a circular or elliptical shape in plan view.
stockwork	An intersecting network of planar veins and veinlets
transpression	A combination of lateral, strike slip movement and compression across a deformation zone or fault system occurring in areas of oblique compression.
transtension	A combination of lateral strike slip movement and extension across a deformation zone or fault system.
volcanic	Pertaining to igneous material poured out on the surface of the earth in a molten state and to fragmental material of all sizes erupted from volcanic vents.
xenolith	A foreign inclusion in an igneous rock.

8 PRINCIPAL SOURCES OF INFORMATION

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