

# Eastern Cape Coalfield Development, South Africa

Quarter 4, 2010

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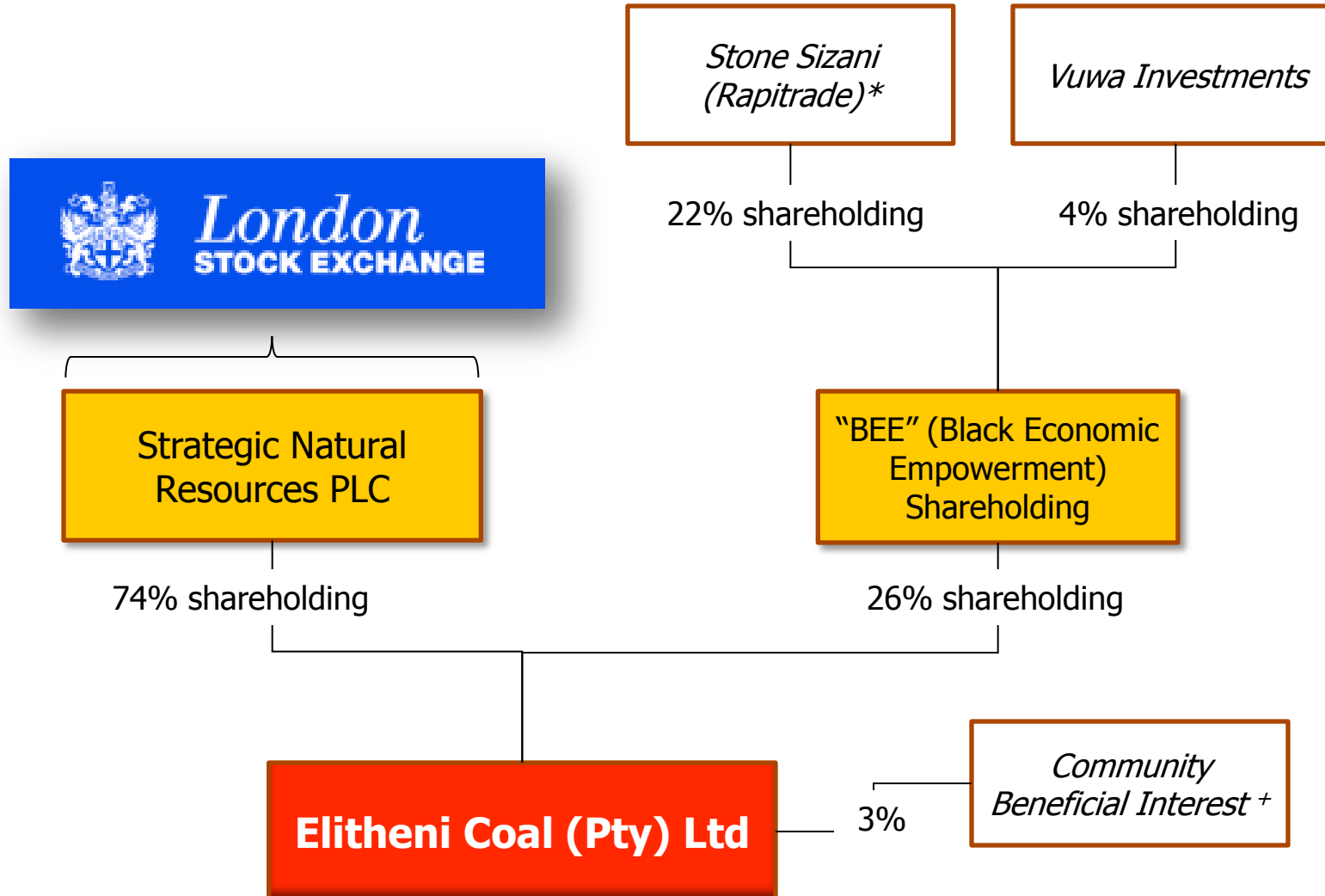
# Presentation Overview

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1. Background & Overview
2. Progress & Expansion
3. Conclusions & Contacts



# Company Assets and Ownership



\* Mr. Msutu is involved with Mr. Sizani and will remain as Director of Stakeholder Management and Sustainable Development.

+ Not shareholding only beneficial interest in terms of a % of the dividend stream.

# Where is the 'Elitheni' operation?



- Elitheni Coalfield exists 1000km North of Witbank / Mpumalanga Coalfield which trades coal through Richards Bay, Maputo and Durban.
- Elitheni Coalfield exists only 300km from port of East London (capable of handy sized vessels) and 500km away from the port of Coega (Nquara) capable of Cape Sized vessels.

**Sphere of competitive advantage**

# Summary of Prospecting & Mining Rights

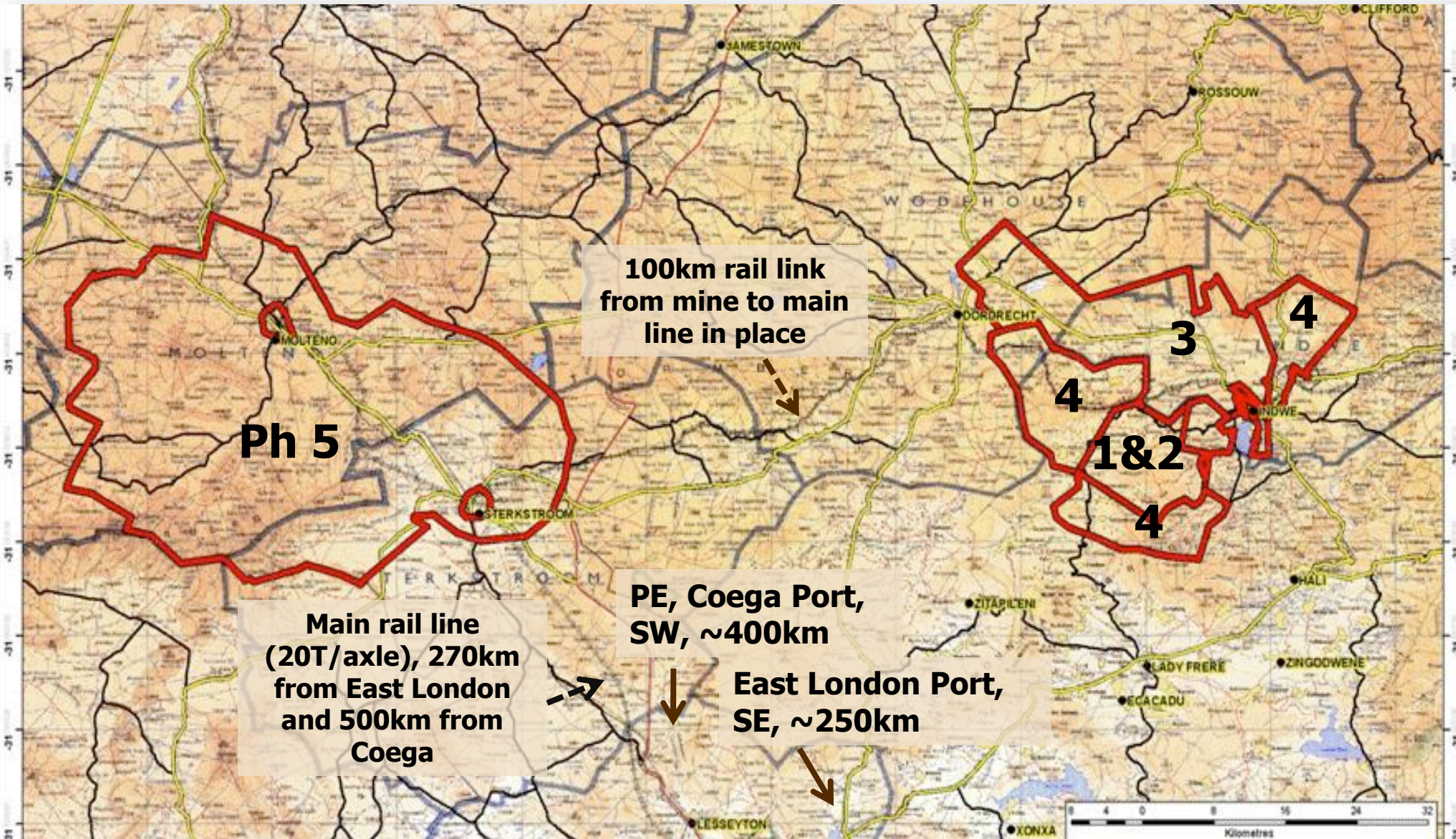


Mineral Right	Phase	Size	Area	Duration
Prospecting*	3	27 913ha	Indwe	3 years remaining
	4	27 612ha	Indwe	4 years remaining
	5 (Indlovu)	119 374ha	Molteno / Sterkstoom	4 years remaining
Mining+	1 & 2	9 281 ha	Indwe	28 years remaining

\* Prospecting rights are **renewable for 3 years** and allow the holder the exclusive right to apply for and obtain mining rights over the area in which the prospecting rights are held.

+ Mining rights are exclusive extraction rights and are **renewable for 30 years**

**Our prospecting and mining footprint dominates the Eastern Cape Coalfield with over 1800km<sup>2</sup> of rights.**



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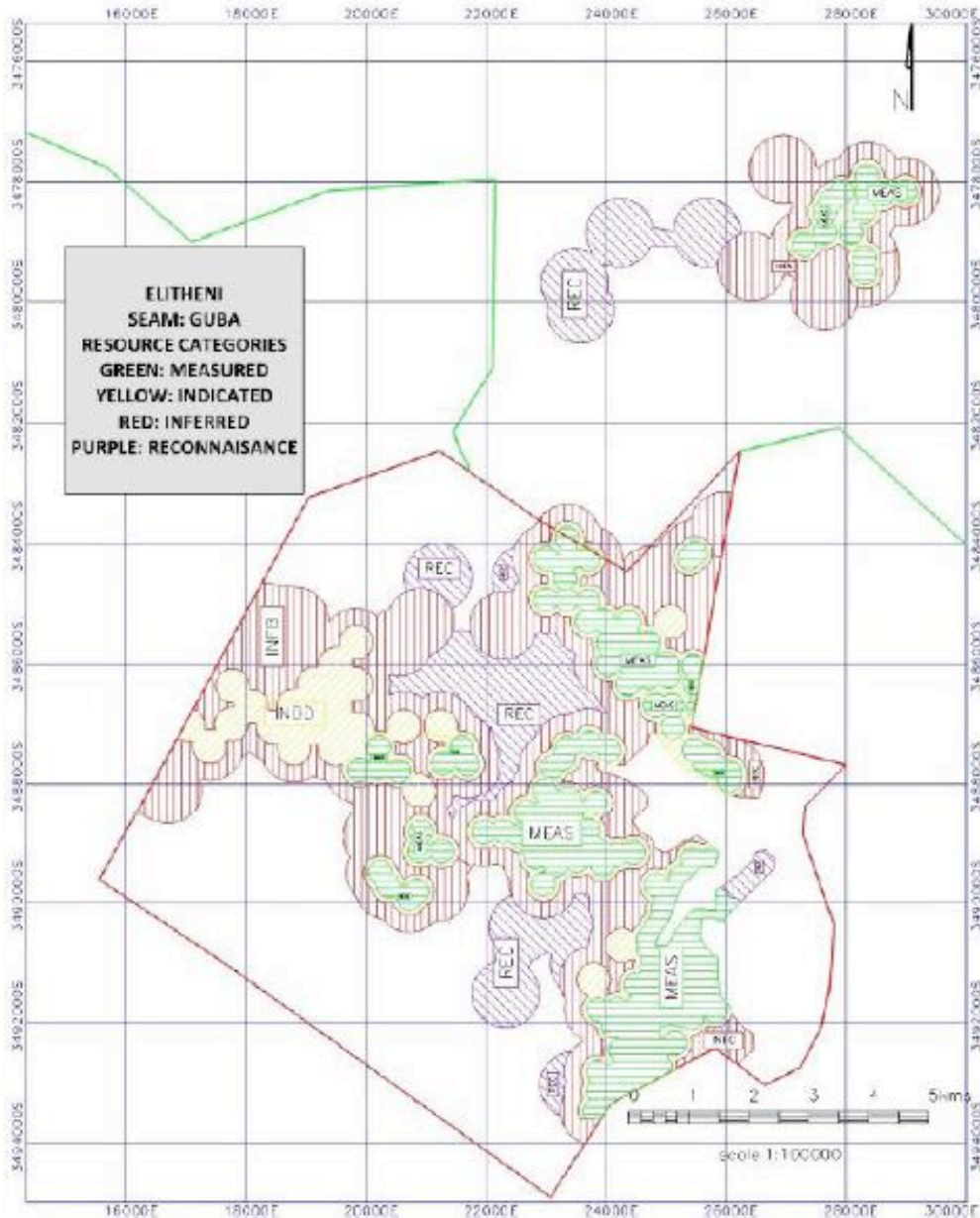


## Progress since the admission to the AIM market, LSE



2007	To	2010
9283 ha of prospecting rights	→	<b>180 000 ha</b> of prospecting rights
15Mt coal resource	→	<b>150Mt</b> of coal resource <b>on &lt;3% of area</b>
Only 5 year prospecting rights	→	<b>30 year exclusive mining rights</b>
Market strategy hinged on power	→	<b>Market strategy broadened</b> to local industry, using fluidised bed boilers
No export coal available	→	<b>Export quality coal identified</b> and export strategy in play
Only prospecting activity	→	<b>Mining development and open pit mining commenced</b>
Only local market seen as viable	→	<b>Export feasibility completed and proven viable</b> , progressing to bankable

# Current Rights Area: Technical Resource Summary



- **150 million tonne resource**
  - 45.6Mt measured, 45.5Mt indicated and 59.2 inferred
- Seam averages 1.46m thick for measured resource.
- Coal Seam varies across reserve but areas contiguous create good exportable coal opportunity.

## Typical Coal Specifications

Spec	RAW	Washed
GCV	15-18Mj	23 - 28Mj
Ash	35-50%	17.5 - 29%
Volatiles	6-12%	6-12%
Sulphur	0.2-0.4%	0.3-0.5%
InherentH <sub>2</sub> O	1.5 - 2%	1.5 - 2%
Phos in Coal	0.004%	0.004%

## Export Potential

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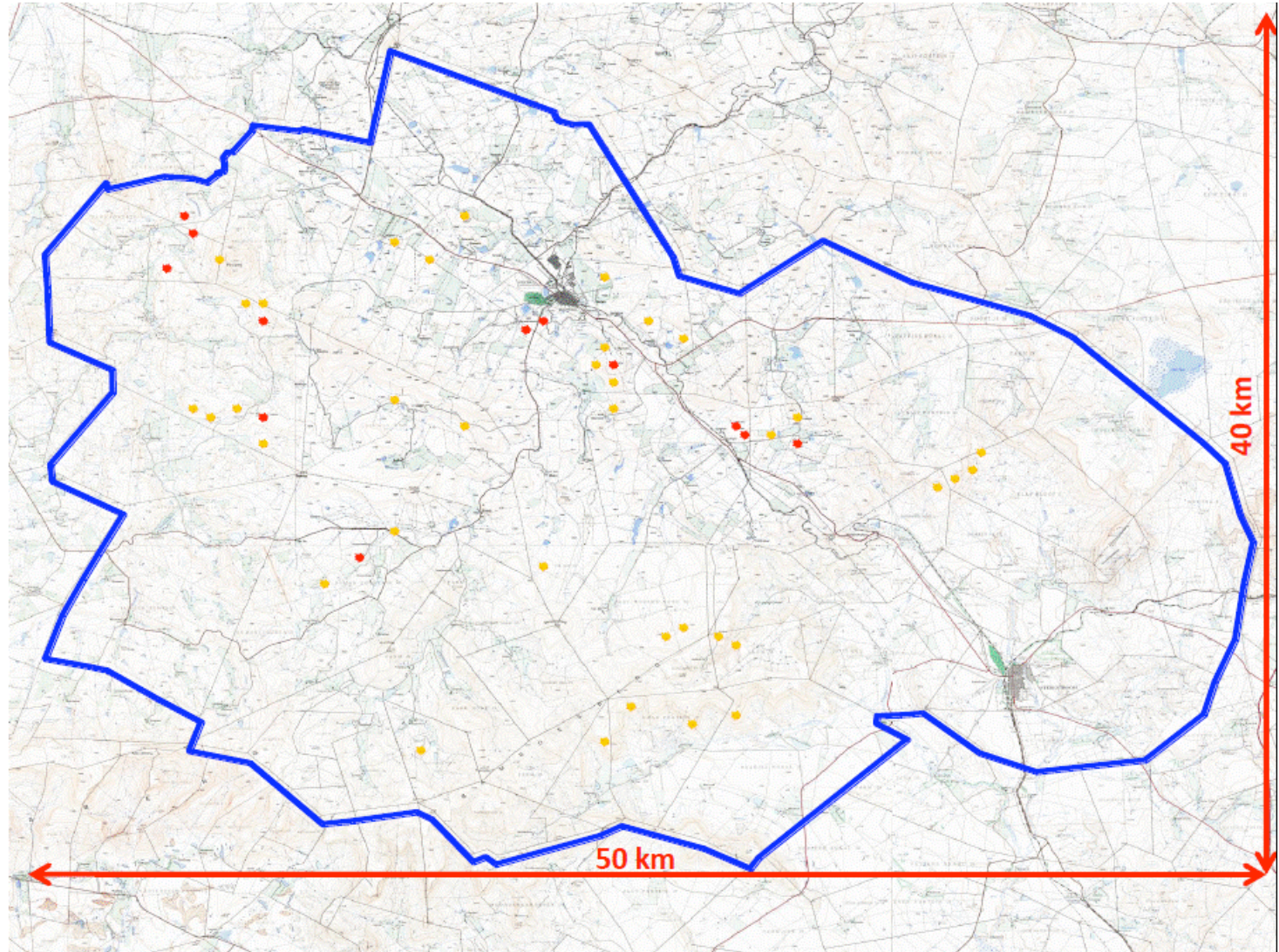
- SNR commissioned a feasibility study to assess the viability of exporting coal through the port of East London, 300km by road from the mine.
- Consultants, Ports of Africa have confirmed the feasibility of exports to the magnitude of 2-2.5mtpa through the port.
- In addition Professor Rosemary Falcon, well known in South Africa as a leader within coal quality assessment and utilisation, concluded an assessment of the washability of a bulk sample from Elitheni and the market application of the results, possible identified markets include:
  - Export or local use as a high value product in the metallurgical industries;
  - Export to Turkey as a part of their domestic coal market usage;
  - Export to India for process heat and power generation;
  - Pulverised Combustion Injection (PCI), for use in local blast furnaces;
  - Power and heat generation, with specific reference to fluidised bed boilers.
- As a result of the above, the Company is engaged with various possible off-take agreements and has formed strategic marketing relationships for the export off-take of the coal.



**Rail Line Crossing Elitheni Rights Area**

# Phase 5 expansion of drilling programme

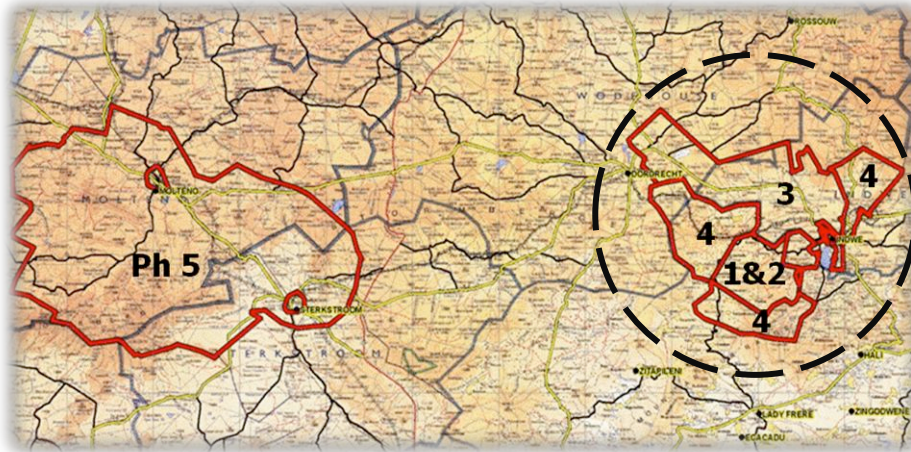
- Elitheni intends to commence drilling on it's Phase 5 (Indlovu) area in 2011. As per the adjacent, there is significant evidence of coal.
- Extrapolation based on the evidence of coal outcrops, and previously accessed informal adits, results in the following possible reserve\*.
  - 119 000ha = 1 119sqkm
  - Avg seam height = 1.5m
  - Avg in situ density = 1.7
  - Possible in situ tonnes = 3 billion
  - Discount by 50% = 1.5 billion tonnes coal for geological error rectification
- **Elitheni has 5 available rigs for drilling and believe an additional 100Mt resource can be proved up each year.**



\* This calculation is based on extrapolation of physically cited evidence. It does not take into account invasive drilling and hence has been discounted by 50%.

● Yellow dots are outcrops of coal  
 ● Red dots are old informal adits

## Eastern Side Focus – feasibility CAPEX allocated



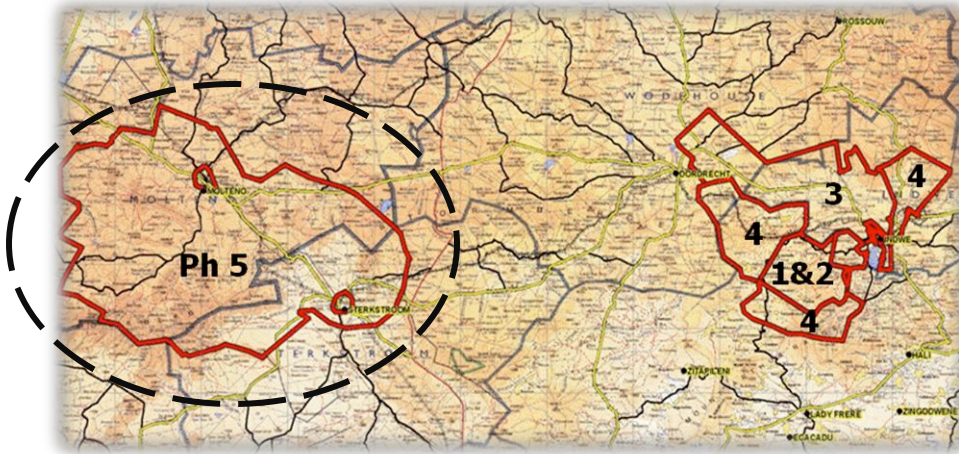
- Five strategic focus areas to be initiated in short, medium and long term and their anticipated supply, are presented below:
  1. Short Term (6-18 months)
    1. Local industrial supply (1.2Mtpa w/i 5 yrs)
    2. Exports (2-2.5Mtpa, East London w/i 3 yrs)
  2. Medium Term (36-72 months)
    1. Power Generation (1 to 4Mtpa)
    2. Local metallurgical supply (0.2 to 1Mtpa)
  3. Longer Term (+5 years)
    1. Coal Gasification (2 to 5Mtpa)

- The Eastern side of the reserve is where Elitheni is currently focussed and from where Elitheni will realise early stage revenue.



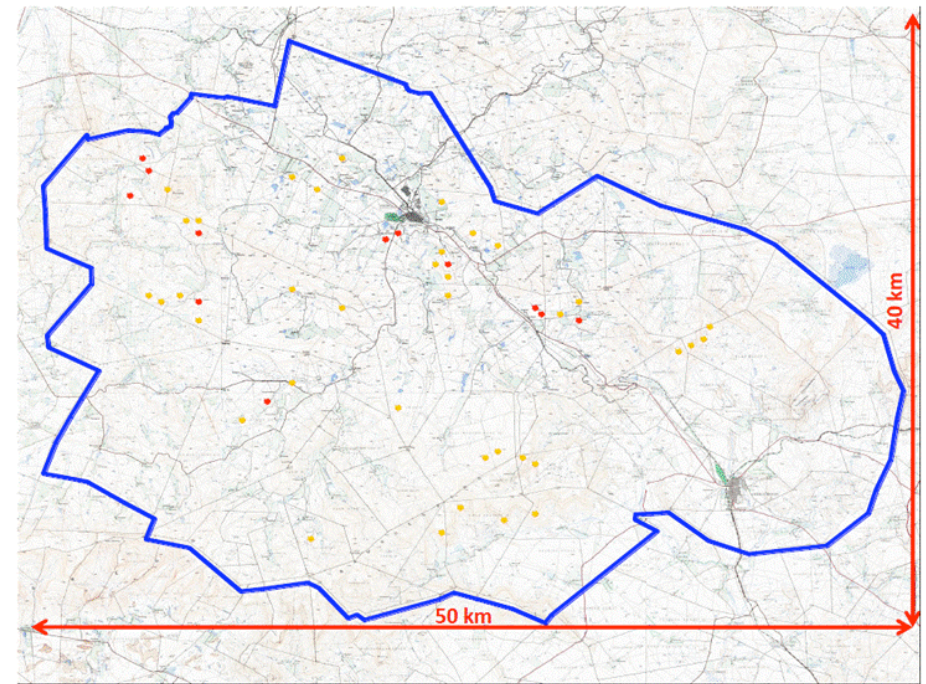
**Stockpiles at the Elitheni Coal Mine, ready for delivery**

# Western Side Focus



- Three key potential projects have been identified:
  1. Power Generation : 1000Mw to 3200Mw
    1. Potential for 4 to 12Mtpa extraction
  2. Coal To Liquids : Supply to PetroSA
    1. Potential for 5Mtpa
  3. Exports of Steam Coal through deep water port of Coega (Nquara) circa 500km away from the mine and capable of handling Cape Sized vessels of 180 kilo tonnes.
    1. Potential for 10Mtpa

- The western side of the reserve holds the greatest expansion possibilities for Strategic Natural Resources.



**The directors estimate a potential in excess of 1Bn tonnes of coal in the Phase 5 area**

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## Conclusion & Contact Information

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- For more information please visit us at:
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