PROSPECTIVITY FOR COKING COAL:

TSHIPISE 2 PROJECT

in the

TSHIPISE SECTOR of the SOUTPANSBERG COALFIELD

Prepared for:

SIGNET COKING COAL LIMITED

by

PC MEYER CONSULTING

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1.0 GENERAL

1.1 Purpose of Report.

PC Meyer Consulting was commissioned by **SIGNET COKING COAL LIMITED** (hereafter: Signet) to prepare a report on the prospectivity for **coking** coal on six farms covered by a Prospecting Right. All of the properties fall within the Limpopo Province of the Republic of South Africa and will collectively be referred to as the "Tshipise 2 Project".

This report is written using information provided by Beacon and other relevant information in the public domain and open sources. The Tshipise2 Project has no borehole logs for any of the farms. Therefore, interpretations and conclusions are based on the general regional geology, published information of the Geological Society of South Africa, the publication named *Mineral Deposits of Southern Africa* and the knowledge of the other coking coal projects in the region.

It is neither the purpose nor the aim of this report to present a definite conclusion on resource tonnes and coking coal qualities for the project areas but merely to suggest exploration potential based on the current knowledge of the coking coal in the region and the successes of other companies in the area.

1.2 Project Outline.

The one project consisting of one Prospecting Right (PR) made up by six contiguous farms. The details for the PR is as follows:

a) TSHIPISE 2

PR Reference No: LP/5/1/1/2/1264 PR.
Farms: Nonsaing 127 MT, Protea 125 MT, Beatrice 124 MT, Cato Smuts 113 MT, Olympie 114 MT and Laura 115 MT.
Rights Holder: Subiflex Pty Ltd (previously: Thandululo Coal Mining Pty Ltd).
Executed: June 2011.

Within the Mopane Sector are two Coal of Africa Limited projects "Makhado and Chapudi", one project from Optimum Coal Limited "Mpefu" and Universal Coal's "Berenice-Cygnus" project. The Tshipise sector has Coal of Africa's "Mt Stuart" project and Signet's "Tshipise 2" project (*Fig 1.1*). Exxaro's "Tshikondeni" colliery is in the Pafuri sector.

The only operating coal mine in the Soutpansberg Coalfield is the Exxaro owned Tshikondeni Colliery that lies 150 km east of the project area.

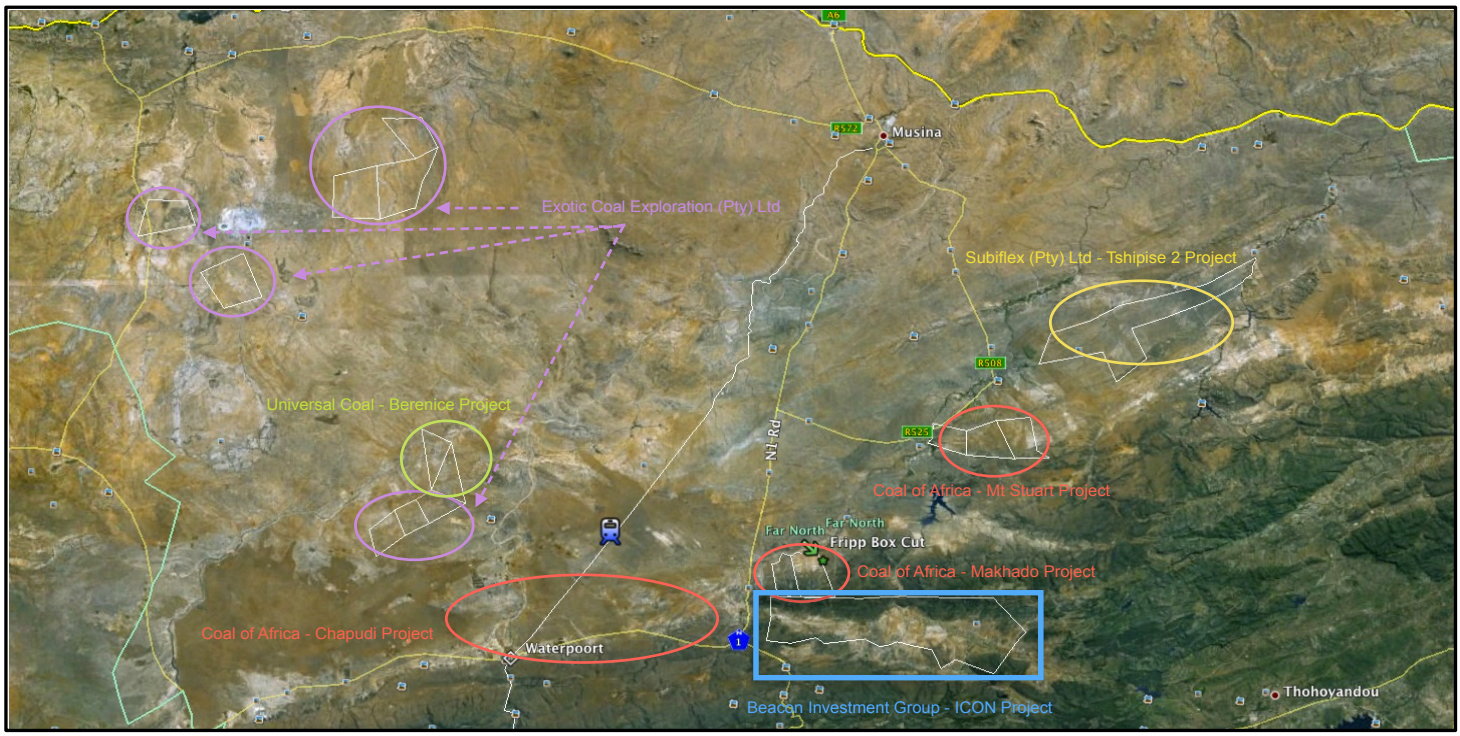


Fig 1.1 – Project locality and other surrounding projects.

1.3 Legal Aspects and Tenure.

One company holds a legal Prospecting Right for coal over the six farms composing the Tshipise 2 Project. Signet entered into an agreement with the rights holder to explore the properties for coking coal.

The Mineral Right details are as follows:

Rights Holder: Subiflex Pty Ltd (previously: Thandululo Coal Mining Pty Ltd).

PR Reference No: LP/5/1/1/2/1264PR.

Executed: June 2011.

Section 11 Transfer: Scheduled March 2012

Land ownership and surface rights belong to private individuals. The surface is mainly used for farming while in the area some limited surface magnesite mining is taking place. Access onto the properties can be negotiated with the surface owners.

The following aspects should be adhered to during the exploration activities:

- All prospecting should be conducted within the rules and regulations of the Mineral and Petroleum Resources Development Act (28/2002).
- Strict standards should be in place to ensure that the work was done within the Health and Safety Act as well as the Environmental Conservation Act.

All annual returns and reports must be submitted to the Department of Mineral Resources (DMR) in Polokwane.

1.4 General Geology. *(SRK Dec. 2009)*

The Soutpansberg Coalfield occupies an area stretching from the Mogolakwena River valley, West of Alldays in Limpopo Province, to Wylies Poort in the East.

The Pafuri-Venda Coalfield was previously regarded as an isolated eastward extension of Soutpansberg Coalfield, but is now regarded as a separate coalfield in its own right.

The coal occurrences in the Soutpansberg and Pafuri-Venda Coalfields are found regionally across the Northern part of South Africa.

Coal-bearing strata are inconsistently developed within this area with the coal occurrences being typically bright coal/carbonaceous mudstone associations, forming composite coal 'seams'.

A number of coal resource "blocks" or sectors have been defined by drilling in the area northwards from Waterpoort.

The following sections of the coalfield and sectors may be recognised based on geographical and geological considerations:

Mabelebele section;

- Extreme western 'shallow coal' sector;
- Near Western 'deep coal' sector;
- Western sector;
- Central sector; and
- Waterpoort sector;

Mutamba section; and

- Mopane sector.

The Mutamba area is separated from the main Soutpansberg Coalfield (Mabelebele section) due to structural discontinuity. The coalfield is characterised by intensive faulting with the result that the original depositional basin has been 'sliced up' into a number of discrete structural "blocks".

Syn-depositional faulting has to some degree controlled the size of individual coal "blocks" and has affected coal distribution significantly. The result is the tendency for coal quality and thickness to vary markedly from place to place, due to varying local depositional environments.

The thickest coal zone in this region is to be found some distance to the east of Waterpoort, comprising up to nine composite seams separated by carbonaceous mudstone, over a stratigraphic interval of about 40 m.

A progressive rank increase eastwards across the coalfield is indicated.

In the western shallow sector and in the near-western deep sector of the Soutpansberg coalfield, coal occurrences are poorly to inconsistently developed.

In the Central Sector of the coalfield, as well as parts of the eastern sector, the "coal measures" occur at depth below a relatively full sequence of Karoo strata and in many places the coal zone is located at more than 300 m below surface in these localities.

The coal seams in the Mabelebela Sectors of the coalfield are correlated to the Volksrust Formation (formerly Upper Ecca stage) of the Ecca group strata. Beaufort Group strata are also present.

Five coal zones or composite seams can generally be identified, numbered from the base upwards, generally designated as Nos.1, 2, 3, 4 and 5 respectively. The better quality seams are present towards the top and base of the coal-bearing sequence. The lower most composite 'seam' is up to 4 m thick in places.

The Mopane sector is situated on both sides of the Musina (Messina) - Louis Trichardt (Makhado) railway line, to the northeast, north and especially northwest of Waterpoort. Rocks of the Karoo Supergroup strike east west, and dip towards the north at up to 12°. The area has been broken up into fault blocks by a number of strike faults.

Up to seven composite coal seams can be identified over a vertical interval of some 50 m. From the bottom upwards, these 'seams' have been designated the Nos. A, 1B, 2A, 2B, 3A, 3B and 4 seams.

The most explored part of the coalfield is the Mopane sector. Both CoAL (Makhado Project), Rio Tinto (Chapudi Project) and Universal Coal (Berenice Project) have conducted extensive exploration in this part of the coalfield.

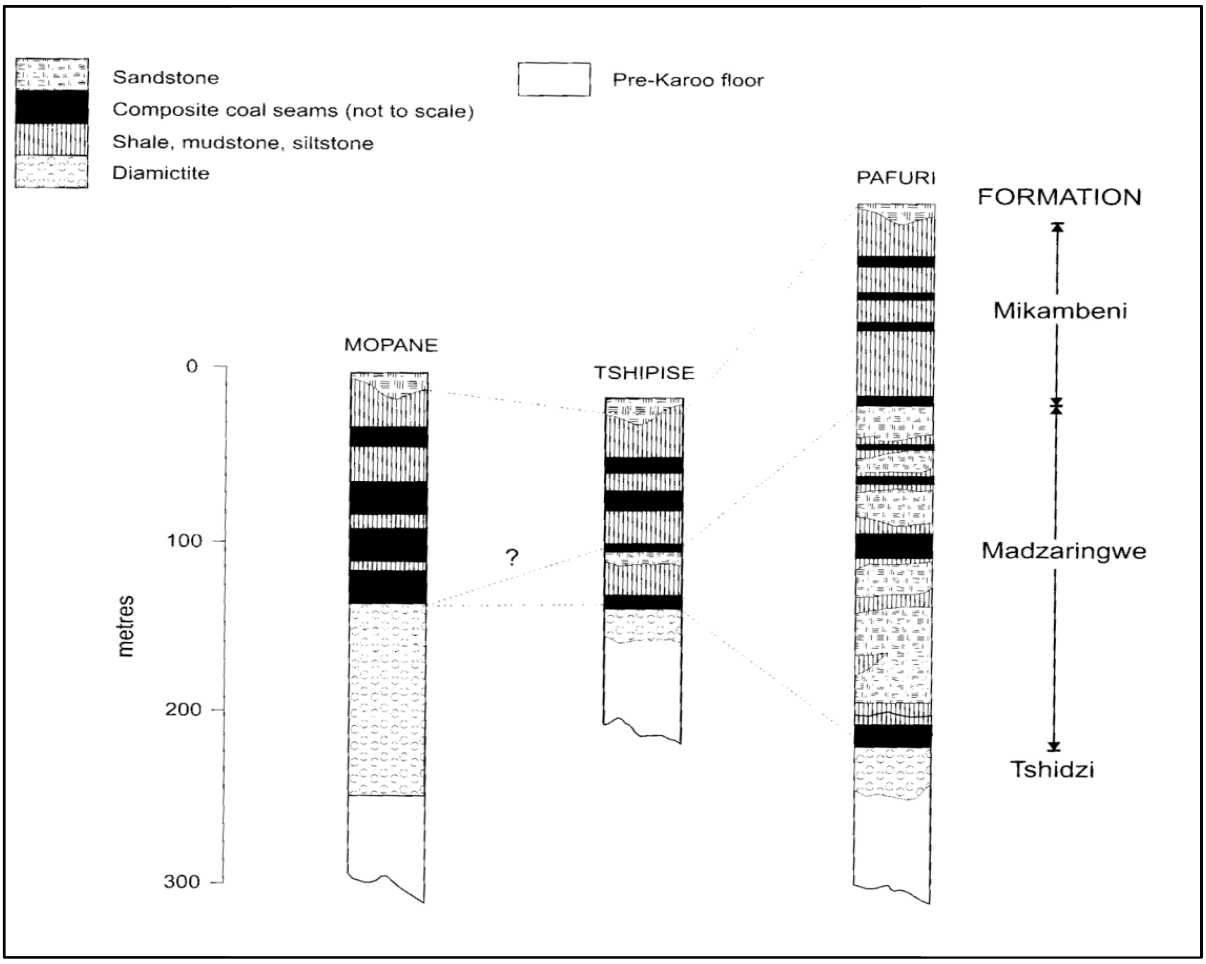


Fig 1.2 – Coal Seams of the Soutpansberg Coalfield (Source: Mineral Resources of South Africa).

1.5 Topography and Climate. *(Climate and Water Resources in the Limpopo Province – C.K. M'Marete: Department of Agriculture and Rural Engineering)*

Limpopo Province is one of South Africa's richest agricultural areas. It is a major producer of vegetables. The subtropical climate enjoyed by much of the province gives rise to the cultivation of tea, coffee and fruits, especially tropical fruits. Forestry makes a major contribution to the economy, as do tobacco, sunflower, wheat, cotton, maize, and groundnuts. Livestock farming includes cattle ranching and game. The abundance of orchards with various sub-tropical fruits and nuts form the basis of a thriving agro-industrial sector.

Extensive tea and coffee estates, which are found in the Lowveld areas like Thohoyandou and Tzaneen. Extensive plantations of forest cover the mountain slopes of the province especially in the Louis Trichardt and Tzaneen districts. Plantations of hard woods for furniture manufacturing have also been established.