

11 JULY 2012

**MOABSVELDEN  
CORNERSTONE INVESTMENT, OWNERSHIP RESTRUCTURING AND BANK  
FINANCING**

Xceed Resources Limited (ASX: XCD) is pleased to advise the following:

- Memorandum of Understanding (MOU) signed with Thebe Mining Resources (Pty) Ltd (**TMR or Thebe**) whereby TMR is proposing to become a cornerstone investor in the Moabsvelden thermal coal project and inject ZAR90 million (approx. A\$ 11m) towards development of the project.
- Completion of the various agreements contemplated in the MOU will see TMR hold a 30% project interest, as well as becoming a substantial shareholder of Xceed Resources Limited; whilst our existing BEE shareholders will exit their investment.
- The proposed TMR investment will inject substantial funding into the project development whilst minimizing dilution of the Company's existing shareholders. Following the completion of the proposed transactions, the Company's interest in Moabsvelden will reduce from 74% to 70% in return for a direct investment by TMR into the project of approximately A\$7.75m. In addition, TMR will invest approximately A\$3.25m into the Company.
- A positive response to the Moabsvelden bankable feasibility study has resulted in the Company receiving indicative term sheets for project development funding from South African based commercial banks amounting to approximately 60% of the development costs. TMR has established relationships with a number of commercial and development banks and this is expected to assist with the optimization of bank funding for the project.
- The Company has currently short listed two banks, Rand Merchant Bank and Standard Bank, to advance their indicative term sheets to credit approved status. Independent technical due diligence on behalf of the banks is expected to be completed later this quarter and, if positive, as is expected, should result in credit approved bank facilities being offered during the September Quarter.

Commenting on these developments, Xceed's Managing Director, Ian Culbert, said:

*"We are delighted to welcome TMR as a cornerstone investor. Not only are we gaining a partner with a substantial balance sheet and impeccable BEE credentials, we will be working closely with a highly professional management team whose involvement strongly bolsters our presence in South Africa and enhances our growth opportunities."*

*"TMR is a wholly owned subsidiary of Thebe Investment Corporation which was established to promote broad based participation in the economy long before the advent of transformation legislation in South Africa. Thebe Investment Corporation currently has an investment portfolio of approximately ZAR5.5 billion across a diverse range of economic activities. Moabsvelden will represent Thebe's most significant investment to date in the mining industry."*

**Chairman:** Patrick O'Connor  
**Managing Director:** Ian Culbert  
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*Xceed Resources Limited is an Australian based public company engaged in the acquisition of mineral projects in Southern Africa. The company's primary focus is the development of coal projects located within South Africa's premier coal fields, which are supported by established infrastructure and are readily capable of reaching their markets.*

*The company's first project is the Moabsvelden thermal coal project situated in the Witbank coal field. Subject to regulatory approval, Moabsvelden is expected to have a mine life in excess of 14 years with the potential to produce export quality as well as domestic quality thermal coal from an open-cast, low strip mine.*

*“The Company enjoys an excellent relationship with our existing BEE partners and wishes to pursue further investments in the South African mining sector with them in future. We are highly gratified that our existing partners have recognized the significance of the proposed investment by TMR in the context of current market conditions and have agreed to dispose of their interest in the project.”*

*“Clearly, the restructuring of the project ownership such that our new BEE partner is contributing financially to the future development costs is strongly beneficial to Xceed, particularly as this investment will primarily be at the project level where greater value recognition, and therefore less dilution, is being achieved ”*

*Details of the proposed cornerstone investment and restructuring follow:*

The MOU signed with TMR contemplates that three binding agreements will be entered into. These are:

- A. **Subscription Agreement** whereby TMR will invest ZAR90 million (approximately A\$11m) to be used for the development of Moabsveld. Of this amount, approximately ZAR62m (A\$7.75m) will be invested at the project level in return for which Thebe will acquire a 30% interest in the project. The actual amount invested at the project level will be adjusted according to the accounts of the project company at the time of investment. The balance of the TMR investment, approximately ZAR28m (A\$3.25m) will be invested directly into XCD as part and parcel of any future capital raising undertaken by the Company. The timing, quantum and pricing of any future capital raising by XCD will be decided only after the bank credit approval process has been completed. The indicated level of bank project funding (ZAR160m) together with the proposed TMR investment of ZAR90m substantially covers the forecast project development cost of ZAR266m.

The Subscription Agreement is subject to two substantive conditions; namely the execution of the Buy Back Agreement and the receipt of a credit approved term sheet from a bank.

- B. **Buy Back Agreement** whereby the project company will buy back the 26% shareholding held by the existing BEE shareholders with the consideration structured as a series of cash payments commencing six months after first coal sales. These cash payments will be made over a four year period and will total approximately ZAR57m. The payments are subordinate to bank debt obligations. The Buy Back Agreement is subject to one substantive condition; namely the execution of the Subscription Agreement.
- C. **Shareholders' Agreement** whereby pre-emptive rights, board and management representation, rights and obligations will be detailed.

All of the agreements will be subject to the approval of the various parties and certain regulatory approvals. It is expected that execution of these agreements will occur before the end of August 2012, at which time TMR proposes to make an initial investment of ZAR10m, with ZAR52m to follow upon receipt of a credit approved bank term sheet and the remaining ZAR28m at a later date.

**Bank Financing:**

Following the recent completion of a bankable feasibility study (refer ASX announcement dated 9 April 2012), the Company has hosted a number site visits and presented technical briefings to a range of South African and other overseas based financiers and investors with a view to engaging these parties in the development of Moabsvelden.

(The development cost of the project, including contingencies and EPCM costs, is estimated in the recently completed bankable feasibility study to be ZAR266m (approximately A\$33m)).

The Company has been encouraged by the positive response received from these briefings. In addition to the TMR proposal, the Company has received indicative offers of development finance from various South African banks. The Company has short listed two banks, Rand Merchant Bank and Standard Bank, to advance their indicative term sheets to credit approved status.

The appointment of an independent technical consultant to review the Moabsvelden feasibility study and report to the short listed banks will be made shortly. Based upon the indicative offers received, the Company expects that following the banks' credit approval process, credit approved project development loans amounting to ZAR 160m (approximately 60% of the development costs) will be offered during the third quarter of this year. In addition, the short listed banks have each indicatively offered a working capital facility of ZAR50m, equivalent to two months of operating costs. The introduction of TMR as a financially capable shareholder which has established relationships with a wide range of South African financial institutions is expected to greatly assist the process of obtaining final credit approved status.

Successful closure of the TMR investment proposal will mean that the Company is well placed to carry out its announced intention to commence off-site fabrication of a coal washing plant in the fourth quarter of this year with the objective of commencing coal production mid-2013, subject to the issuing of all regulatory approvals and mining licence.

For further information regarding the Company, please contact the Company on +61 8 9226 0329 or refer to [www.xceedresources.com.au](http://www.xceedresources.com.au)

For and on behalf of the Board of  
**Xceed Resources Limited**



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Ian Culbert  
Managing Director