



# SVC Group Limited

ACN 009 161 522

Level 8, 55 Hunter Street  
Sydney, NSW 2000

Company Announcements Supervision  
Australian Securities Exchange  
20 Bond Street  
Sydney  
NSW 2000

24<sup>th</sup> July 2012

Attention: Companies Officer

## **QUARTERLY ACTIVITIES REPORT**

### **Background**

SVC Group Limited was incorporated in 1986 as Defiance Mining NL. For a period between 2001 and 2006 the Company operated as a medical technology developer. Since 2006 the Company has been operating as a developer and owner of retirement villages. The securities of SVC were suspended from trading on ASX on 1 October 2008 because of the Company's inability to provide ASX with full audited accounts for the 2008 financial year.

Since its suspension from trading, the Board of Directors of the Company has been renewed and the new Board has negotiated conversion of debts in excess of \$2,000,000 into equity. In the June quarter the Company raised \$1,700,000 through a Prospectus offer and subsequently its trading suspension was lifted by the ASX.

### **Hunter Valley Joint Venture**

SVC has a Joint Venture Agreement (JV Agreement) with Coast and Country Developments Pty Limited (CCD) to develop a Hunter Valley property into a Manufactured Home Estate. The property, Lot 99, is adjacent to an existing manufactured village owned by CCD.

Under the terms of the JV Agreement, SVC will lodge a development application in accordance with New South Wales state and local government guidance and technical requirements, facilitate the purchase of pre-manufactured homes by each home purchaser from the home manufacturer, and manage siting of the homes and connection of services. In exchange for its services, SVC will look to recoup its costs from the sale of the manufactured homes and receive 80% of any remaining profits from the sale of the homes.

### **Manufactured Home Estates**

Manufactured Home Estates and long term residential Caravan Parks are a contemporary form of medium density housing development comprising land leased communities in which the residents own or rent manufactured homes on dwelling sites leased from the estate.

The strong demand for low cost housing in the Hunter Valley region should see a good take up rate for both low cost property and low cost rental accommodation.

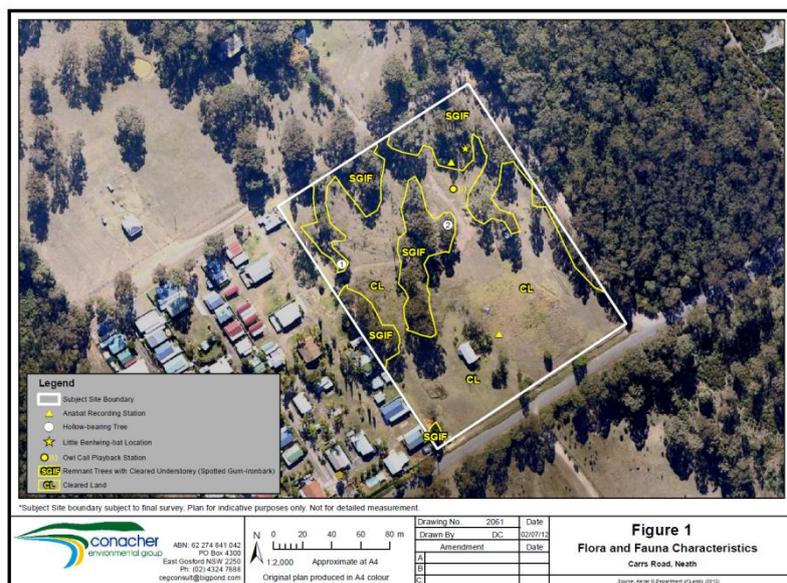


One bedroom dwellings being manufactured in Penrith, NSW

### D.A. Submission

In a meeting between Council officers, CCD, and SVC last month, it was confirmed by Council that in their opinion the development was permissible under their current land zoning and Local Environmental Plan (LEP) for the area. A number of matters were raised by Council including the need for Bush Fire Safety Report, Flora and Fauna Study, Traffic Impact Assessment, Heritage and Social Impact Assessments prior to submission of plans. Of these studies the Company considered that the Bush Fire Safety and Flora and Fauna Study were of high priority having the potential to be highly detrimental to the size, and location of the new estate.

Since this meeting the Company's specialist consultants have completed a Bush Fire Safety Report and Flora and Fauna Study, the Company is satisfied that no matters have arisen from these reports which could be considered adversely detrimental to the economics or approval success of the proposal.



The Company is now moving forward to complete detailed site layout and infrastructure designs. These designs together with remaining studies will be compiled into a development approval submission in accordance with, and in consideration of State and local legislation governing this type of development.

## **Zambia Resource Ventures Pty Ltd**

### **Background to Zambia Resource Ventures Pty Ltd**

In 2010 and 2011 the Board investigated and considered a number of possible investments and business opportunities. One area that the board considered was resources exploration and mining. To this end, SVC made early-stage investigations regarding copper/cobalt and gold projects in Zambia. In doing so, SVC developed some key relationships in Zambia and conducted early due diligence work and negotiations on one potential copper/cobalt project in the North West Province of Zambia known as the Kalaba Copper Project.

By introducing this project to Zambia Resource Ventures Pty Limited (ZRV) in 2011, a company set up by mining investment experts to investigate and negotiate the development of resource projects in Zambia, SVC did obtain an interest in ZRV of approximately 25% of ZRV's issued capital for introduction and its costs of approximately \$28,000.

In December 2011 ZRV gained an option agreement on the Kalaba Copper Project in the North West fringes of the Zambian Copper Belt, this license area was highly prospective for a significant copper and cobalt ore body based on past drilling results on the license area by companies including Anglo, Equinox, and Roan Selection Trust. In May 2012 a new agreement was reached between ZRV, the Vendor, the Facilitator, and Bannon Limited (ASX : BNX), whereby ZRV relinquished its option rights to the Project in return for a payment from the Vendor and BNX totaling some \$80,000 in cash and shares upon exercise of an option between BNX and the Vendor.

A further part of this agreement was the relinquishment of ZRV shares issued to the Facilitator, this has had the effect of reducing the issued capital of ZRV and SVC Group Limited now holds, due to the reduction of the issued capital, approximately 70% of the share capital in ZRV.

### **Background to Zambia as a Resource Investment Destination**

Zambia is located in southern Africa and is endowed with substantial mineral resources and an economy historically based on the copper mining industry, other minerals also associated with Zambia are, zinc, lead, cobalt, manganese, uranium, precious metals, and gem stones such as amethyst and emeralds. The Government of Zambia has created a positive investment climate for the mining industry; Zambia is Africa's largest producer of copper.

Zambia is looking to diversify its copper dominated mining industry by encouraging investment in exploration and mine developments in other minerals, such as cobalt, zinc, manganese, uranium, precious metals and gemstones. The Ministry of Mines and Minerals development enacts mineral policy with the assistance of the Departments of Geological Survey, Mines Development and Mines Safety. The Zambian Government adopts a purely regulatory and promotional role with regard to mining activities not dissimilar to Australia. Minerals in the ground are vested in the President on behalf of the

state, with the right to explore or produce minerals authorized by a license granted under the Mines and Minerals Act.

Substantial mining companies such as Vedanta Resources Plc, First Quantum Minerals, and Konkola Copper Mines have world class assets in the Zambian Copperbelt as well as in the Central, Western and North Western provinces. Existing prospecting licenses and new applications encompass nearly 50% of the Zambian land mass. ZRV has recently had its experts visit a number of licensed exploration and mining areas to review their potential, rock chips and ore samples were taken and are currently being analysed.

## Emeralds

In the past three decades Zambia has become a significant gem-producing country. The Restricted Kafubu Emerald Area in the Lufwanyama District (Fig. 1) has supplied up to 20 per cent of the world's emerald production, and is believed to be second in value only to Colombia. The total annual production is estimated to be worth between 250 and 400 million USD. The Kafubu area represents an important economic potential for Zambia. More recently an expansion of mining activity has taken place in this area due to the influx of investment capital from Chinese companies.



Fig. 1

London listed Gemfields Resources owns a majority stake in Kagem Mining Limited, the largest emerald mine in Zambia and one of the most attractive emerald mines in Africa. Kagem's unaudited total operating costs for the six months ending 31 December 2010 totaled US \$6.6 million, implying an average production cost during the period of US \$0.35 per carat of emerald and beryl. Cuttable stones average \$US 75-750/ct, and the better quality stones fetch as much as \$US 10,000/ct after treating, cutting and polishing. Somewhere between 10-30% of run-of-mine production is cuttable, with the rest saleable at lower prices US\$500-1000 per kg (1kg being 5,000 carats). Zambia Resource Ventures Pty Ltd has recently visited several mine license areas to conduct early technical and legal work. At least one license area within the Restricted Emerald Area is of high interest; discussions with the license owners continue with a view to conduct further exploration/drilling work.

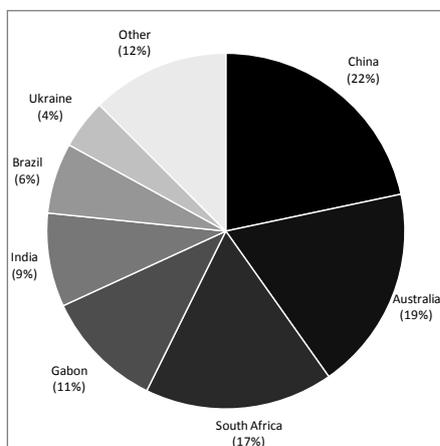
## Manganese

Manganese (Mn) is a silvery-grey metal resembling iron. It is hard and very brittle, difficult to fuse, but easy to oxidise. About 85–90% of manganese production is used to make steel. Manganese is essential to the steel industry by virtue of its sulphur-fixing, deoxidising and alloying properties. It is, for example, a key component of low-cost stainless steel. Manganese has no satisfactory substitute as a hardening alloy element and deoxidant in steel.

World manganese ore production was estimated by the United States Geological Survey (USGS) at 10.8 Mt (contained manganese) in 2009. The leading manganese-producing countries are China (22%), Australia (19%), South Africa (17%), Gabon (11%) and India (9%).

The manganese market is closely tied to the growing demand for steel, particularly in the developing nations of China, India and Brazil. In 2007, every tonne of steel produced around the world required 9.5 kg of manganese on average, up from 8.7 kg/t in 2005. Until recently, the world's main producer of high grade manganese ore has been South Africa. Manganese assets outside of South Africa are becoming increasingly low grade at a time when China and India are increasingly in need of high grade ores.

In February 2012, the price of medium grade lumpy manganese ore containing 44% Mn, which is a typical grade ore for China, was approximately US\$300 per metric tonne (mt). The peak price was reached on August 2010 at US\$382.80/mt. The FOB China price of 75% FeMn is \$US1620/mt it has been as high as \$1700 earlier this year.



Leading Manganese Production Countries

Zambia Resource Ventures Pty Ltd recently commenced technical and legal due diligence on high grade manganese occurrences in north east Zambia where small scale mining operators produce in excess of 60% manganese ore from near surface deposits at low cost. Opportunities exist to create joint ventures with existing operators and/or acquire new ground in the region. Samples have been taken and assay results are pending.



Manganese Ore found on prospect license area in north east Zambia

### **Gold**

Zambia Resource Ventures Pty Ltd has also reviewed mining license areas in Zambia which are prospective for gold; rock chip samples have been taken and assay results are pending.

### **Copper**

Zambia Resource Ventures Pty Ltd also commenced review of several copper properties in the Copper Belt of North West Province, Zambia. This work is at an early stage but holds promise for future opportunities.

### **SVC's Interest in Zambia Resource Ventures Pty Ltd**

SVC's current shareholding in ZRV will be subject to dilution as ZRV raises more capital, it is not the intention of SVC, at this time, to retain a large interest in ZRV and the Board of SVC will look at all options including in-specie distribution of its holdings to SVC Shareholders.

Please do not hesitate to contact the Company for any further information or clarification on the matters addressed in this update.

Yours faithfully,



Richard Pritchard  
Chairman and joint Company Secretary  
SVC Group Limited