



THE WATERBERG
COAL COMPANY LTD

WATERBERG COAL PROJECT

**JOHANNESBURG INDABA
OCTOBER 2014**

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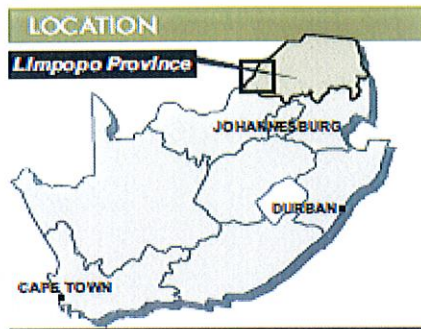
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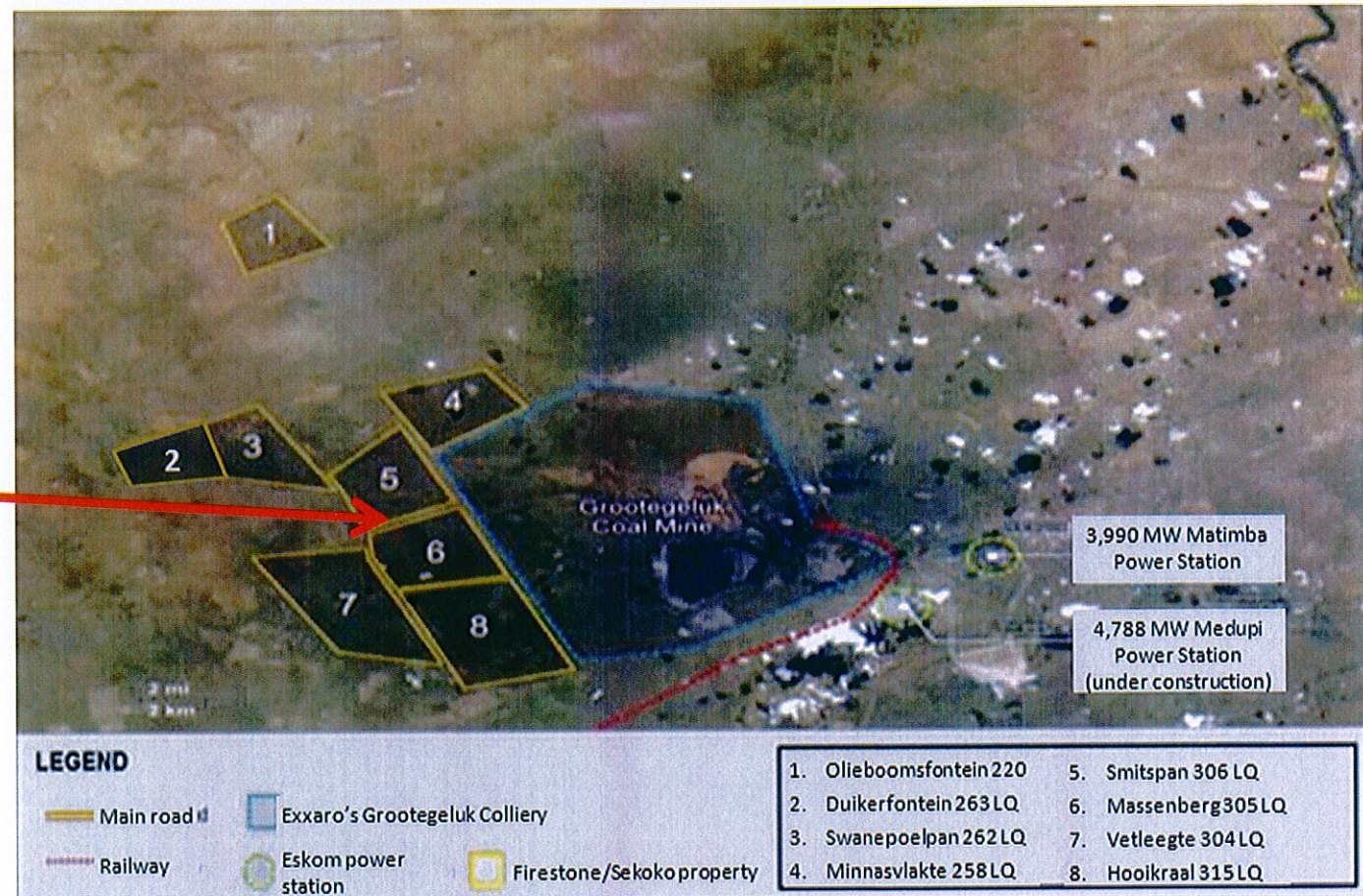
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WATERBERG: The future of South African coal



WATERBERG COAL PROJECT



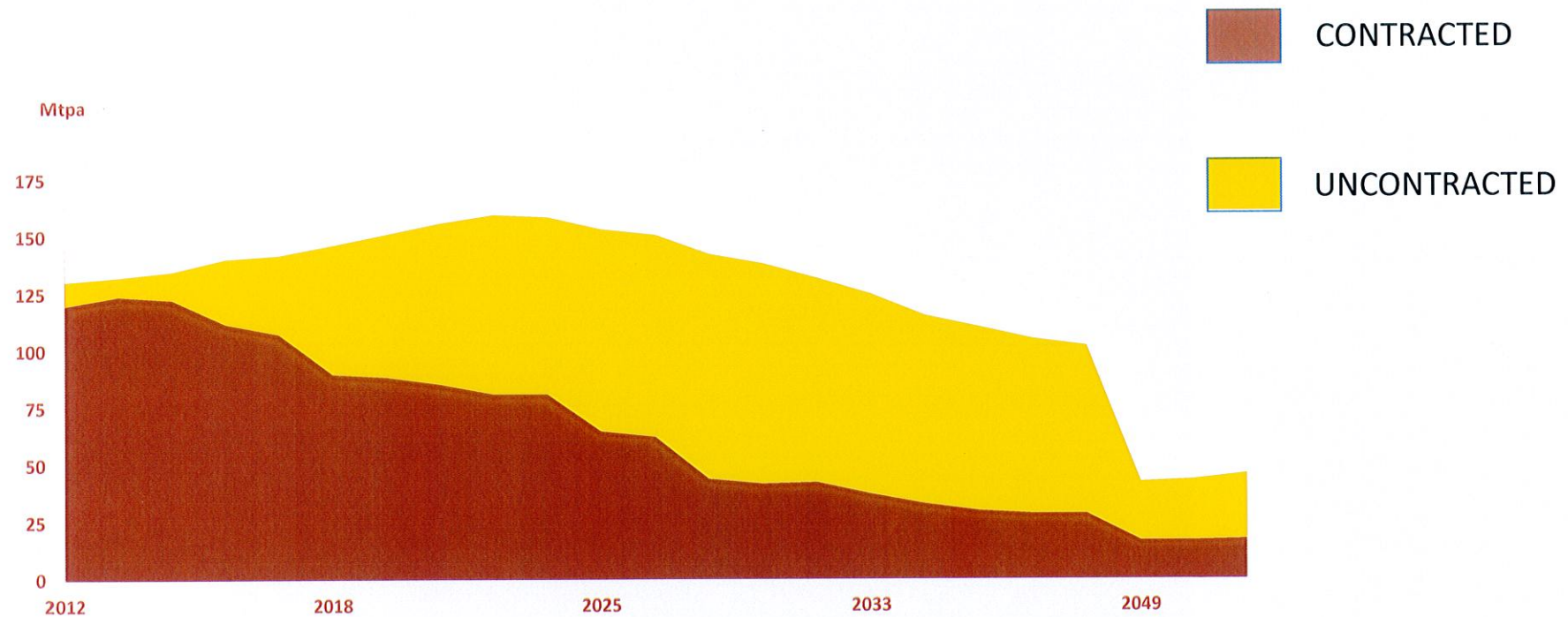
BUSINESS THESIS

Introduction & Background

- Technical thesis based on last seven years investigations
- Recognised by industry that Waterberg Coal is replacement supply for Highveld power stations and export
- Bulk drilling samples for Eskom proved coal is suitable for Highveld power stations
- Drilling proved up high tonnages of +5000 K/cal NAR quality coal
- Project has matured from Eskom only, to include export and IPP

A key business driver is Eskom's domestic coal requirements

Eskom coal supply for the next 40 years



Source: Transnet; Company information

Recent research on Mpumalanga coal fields confirms

- Most Power Stations reaching >25 years life
- Estimated costs of short term / un-contracted coal can reach order of R1000/t
- Un-contracted coal over next decade up to 700Mt
- By 2041 up to 2.1 Bt replacement coal for PS is required by Eskom
- Central Basin good quality opencast opportunities limited so current operators have to move to costly U/G operations
- **Central Basin running out of cost efficient reserves –**

AND

- **5 to 8 yrs to develop a high volume coal mine – therefore Eskom currently at risk for 60Mtpa**

South African energy supply options

- Coal fired generation will continue to dominate for the foreseeable future
- Ageing, unmaintained power stations and delayed new builds a serious risk – however sunk capital in existing Stations an opportunity if coal supply maintained.
- Nuclear an option but not in next decade
- Wind and Solar PV making in roads but roll out behind schedule
- Gas lacks required infrastructure
- **Immediate action by “leadership” required to avoid economic death spiral OR the lights WILL go out!**
- **WATERBERG COAL PROJECT IS AN IMMEDIATE SOLUTION**

Our thesis has confirmed that:

- Waterberg Coal Project the only logical choice – extensive resources at consistent quality and reasonable cost

Technical merits of the Waterberg Coal Project

Completed definitive feasibility study on Eskom 10mpta supply

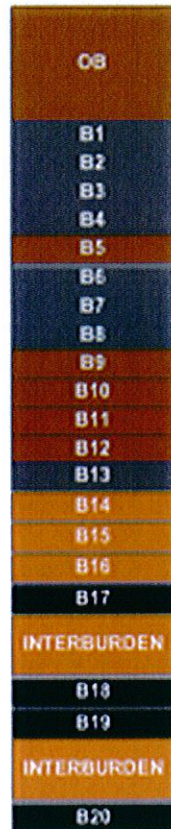
- ARDBEL appointed as EPCM contractor
- Current optimisation in progress on DFS
- Examining funding options

Accruing from our work on the Eskom Project we have identified:

- The opportunity for the export project
- IPP strategy

Coal Geology and Qualities

Mining benches, Coal seam profiles



Primary Wash Coal Qualities by bench

Bench Name	Ash (%)	CV (MJ/kg)	TS (%)	TYD (%)
B01	25.41	23.17	1.78	32.82
B02	30.39	21.38	1.21	52.73
B03	27.39	22.45	1.18	40.32
B04	33.66	20.11	0.85	13.83
B05	30.30	21.30	1.09	48.17
B06	28.78	21.85	1.18	40.15
B07	32.23	20.56	1.13	15.11
B08	33.40	19.93	0.94	9.63
B09	37.81	18.21	0.55	16.60
B10	39.57	17.37	0.43	37.63
B11	37.12	18.41	0.65	33.58
B12	36.93	18.57	0.72	8.84
B13	40.39	17.15	0.38	21.68
B15	23.09	23.76	0.90	79.39
B16	28.06	21.92	0.56	69.32
B17	22.98	23.89	0.89	72.24
B18	18.91	25.45	0.58	78.92

100 metre

UPPER ZONES

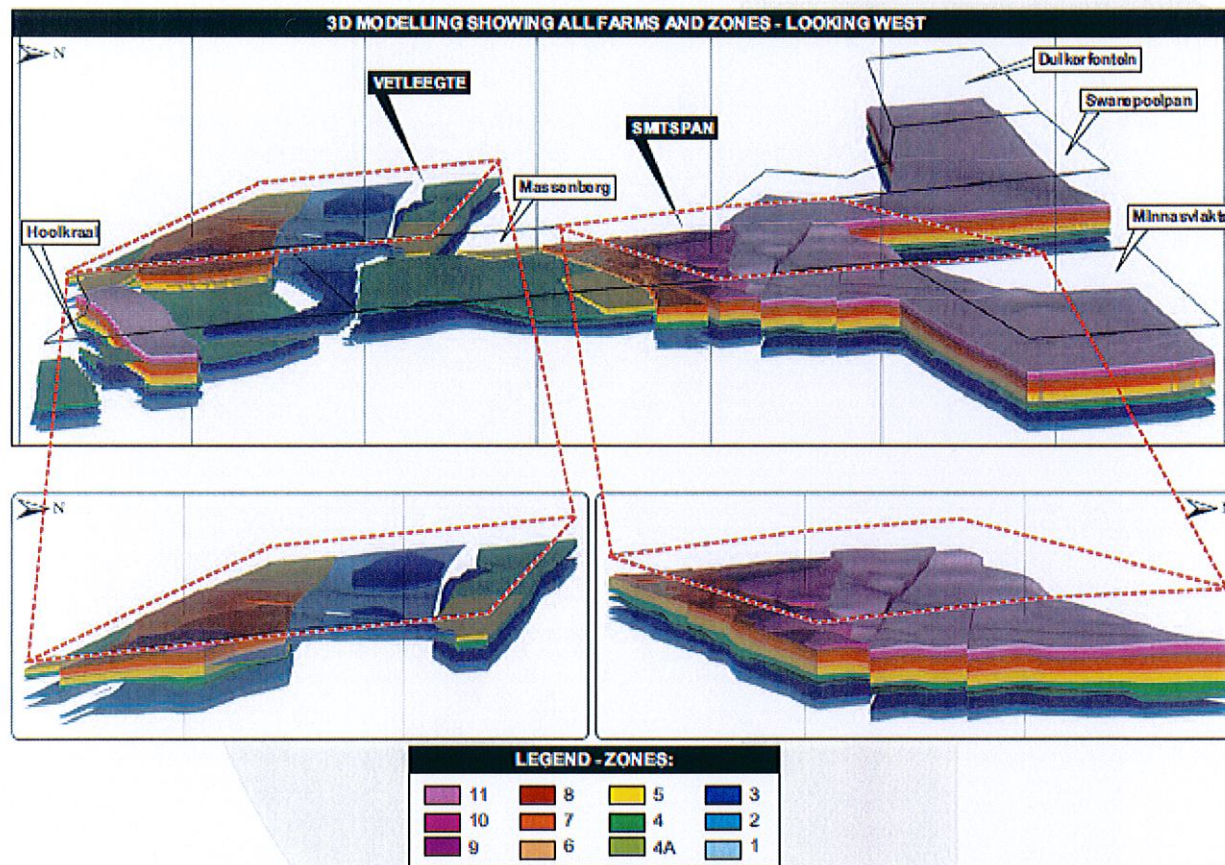
LOWER ZONES

SRK Estimate for Smitspan and Massenberg, based on raw coal qualities only

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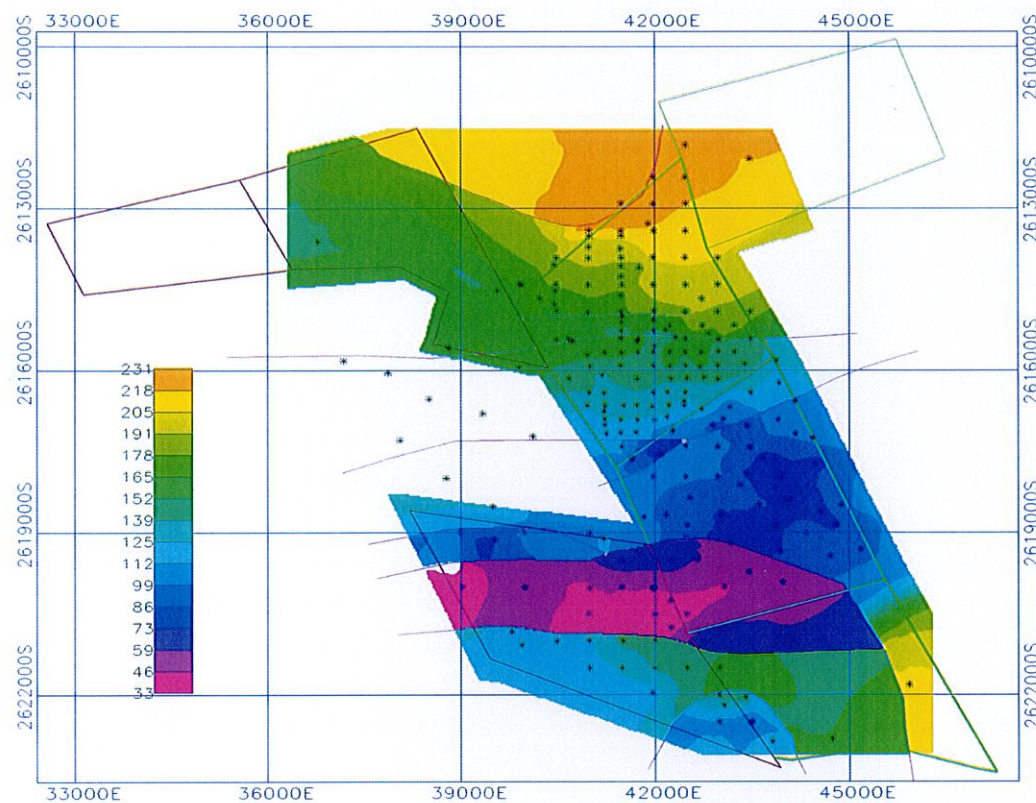
Geology

3D Geological model



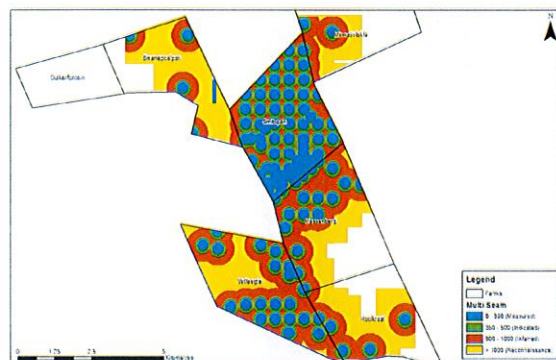
Geology

Depth to Floor of BENCH 18, showing fault effect and uplifted blocks

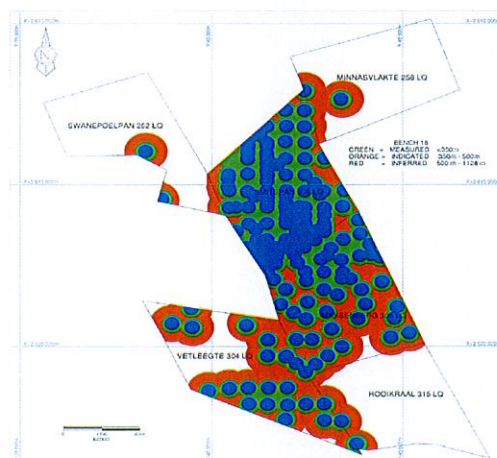


Drilling has confirmed a “world class deposit”

2012 LEVEL OF DRILLING



2014 LEVEL OF DRILLING



2014 Resource Statement – Gemecs CPR

Coal resource on all six Waterberg Coal Project properties under both Prospecting Permits and Mining Rights

SAMREC resource classification	Coal resource ¹ (Mt)	Ash % (ad)	IM % (ad)	Vol % (ad)	CV (MJ/kg) (ad)	TS % (ad)
Measured	1384	57.6	2.2	17.9	10.7	1.00
Indicated	1386	57.4	2.3	17.8	10.7	1.13
Inferred	986	58.5	2.2	17.6	10.4	1.19
Total Resources	3756	57.8	2.2	17.8	10.6	1.10
Rd 1.90 qualities ²		26.8	2.9	26.1	22.47	0.95

Competent Person Statement

The Coal Resources were estimated in accordance with the South African code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (“SAMREC Code”), Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“the JORC Code”) and South African National Standard (SANS 10320:2004) guidelines.

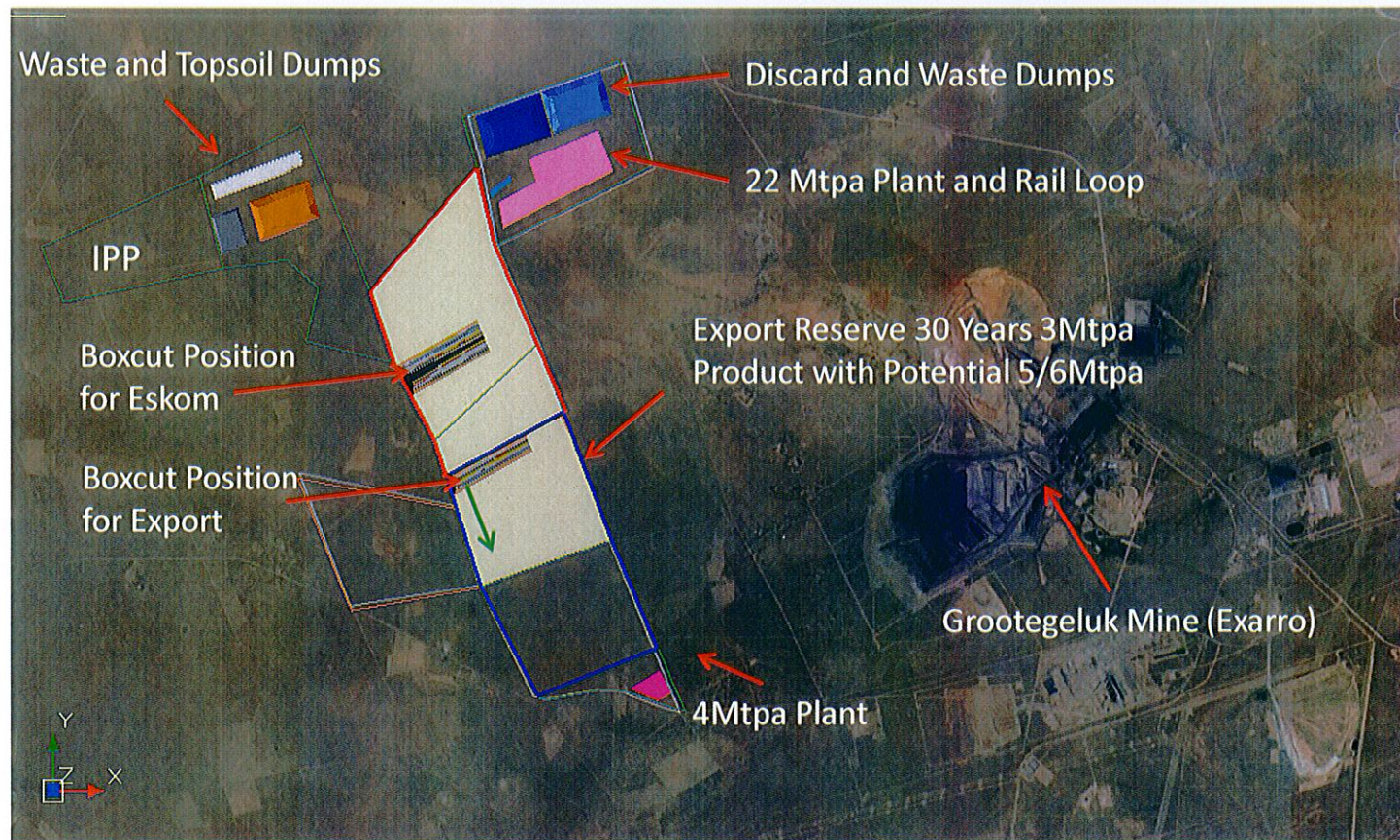
The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Coenraad D van Niekerk, Pr.Sci.Nat (Reg. No 400066/98), M.Sc Hons (Geology), MDP, an employee of Gemecs (Pty) Limited, who is a Fellow of the Geological Society of South Africa. Mr Niekerk is a mining geologist with 38 years’ experience in the mining industry, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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 Niekerk consents to the inclusion in the presentation of the matters based on this information in the form and context in which it appears.

Note:

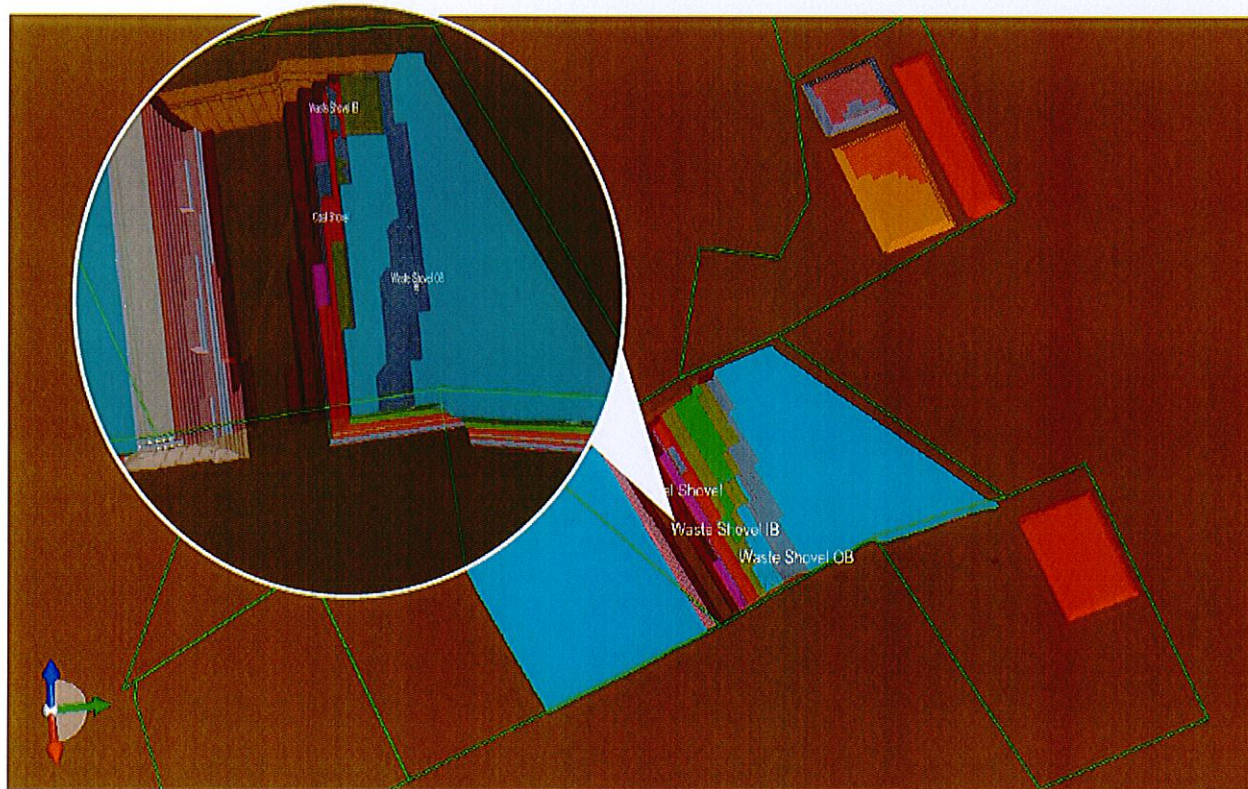
1. Coal Resource based on minimum thickness cut-off of 0,5m
2. The Average washed product to be delivered to market

PROPOSED MINING LAYOUT AND PLANT DESIGN

Project Layout



Opencast strip mine with backfill



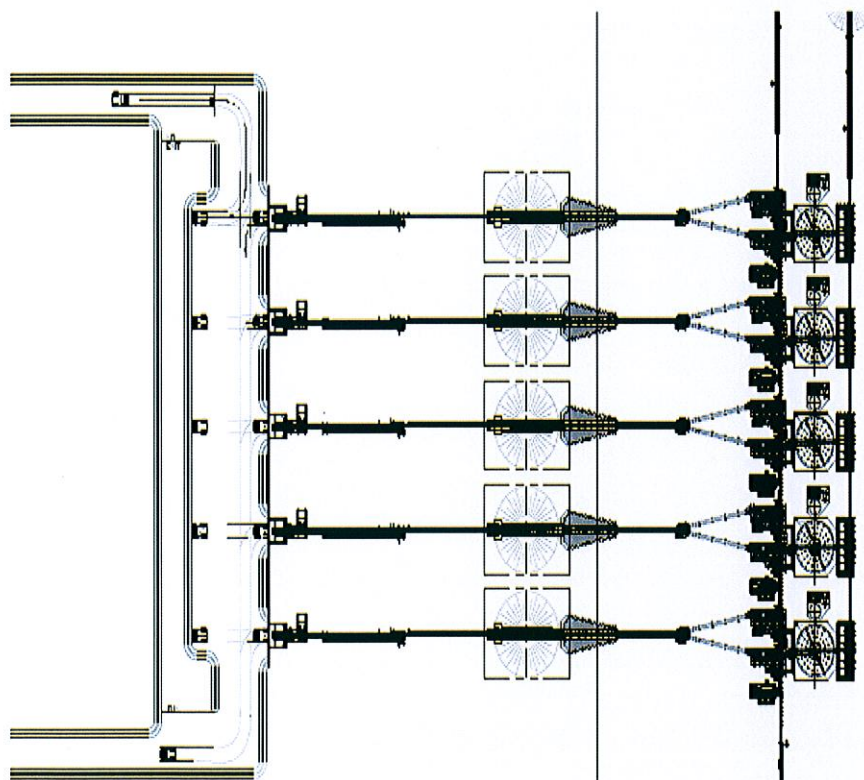
- Contractor mining
- Mine designed on “green” principles

The Export Project: Modular plant 450 tph

PLANT DESIGN BY ARDBEL: 9-11 months construction



High Level Concept Layout for Eskom Phased Expansion



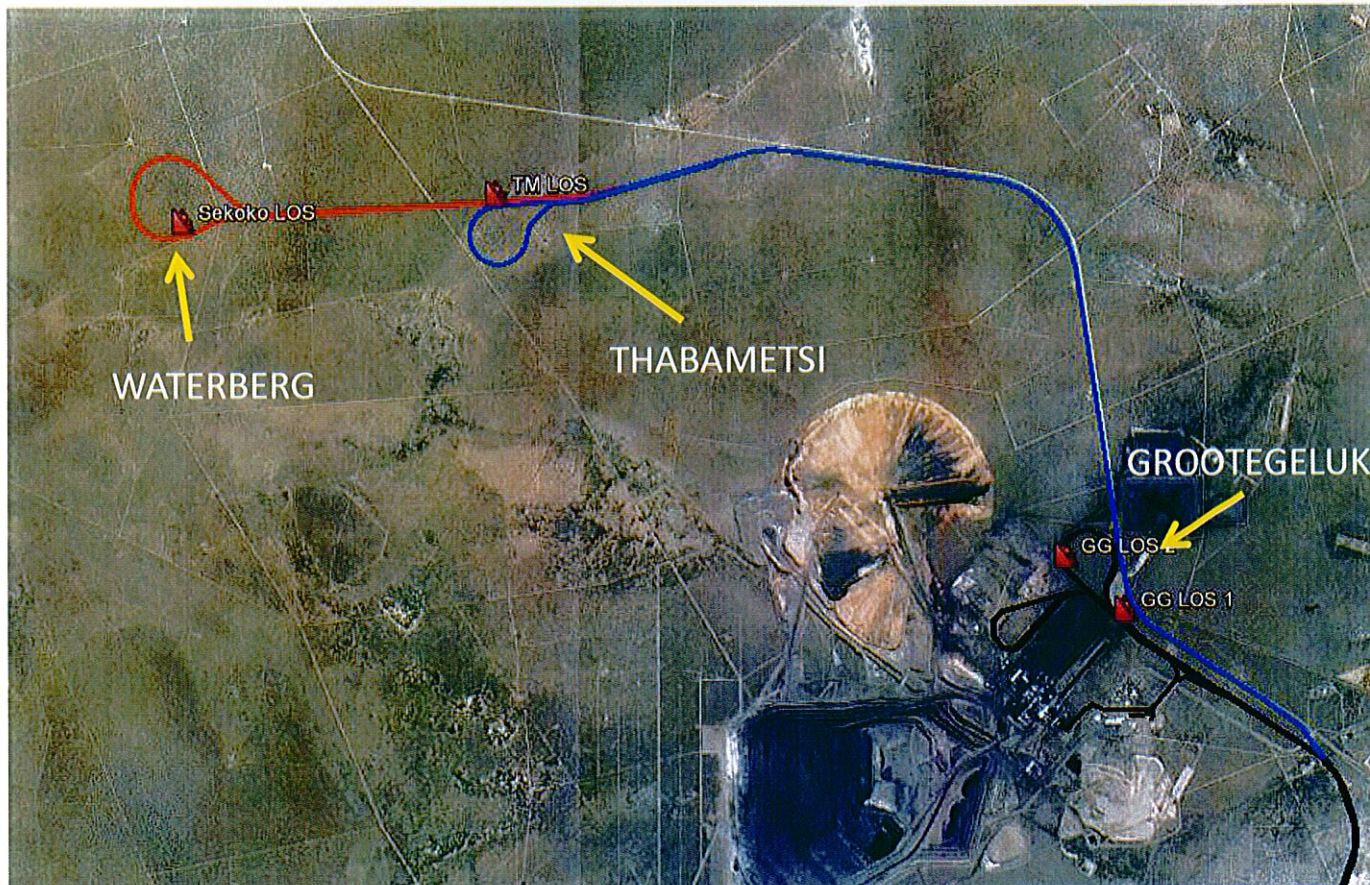
Allows for:

- TFR capacity build-up
- MWCAP2 commissioning
- Majuba Conversion
- Phased CAPEX Spend
- Early Cash Flow

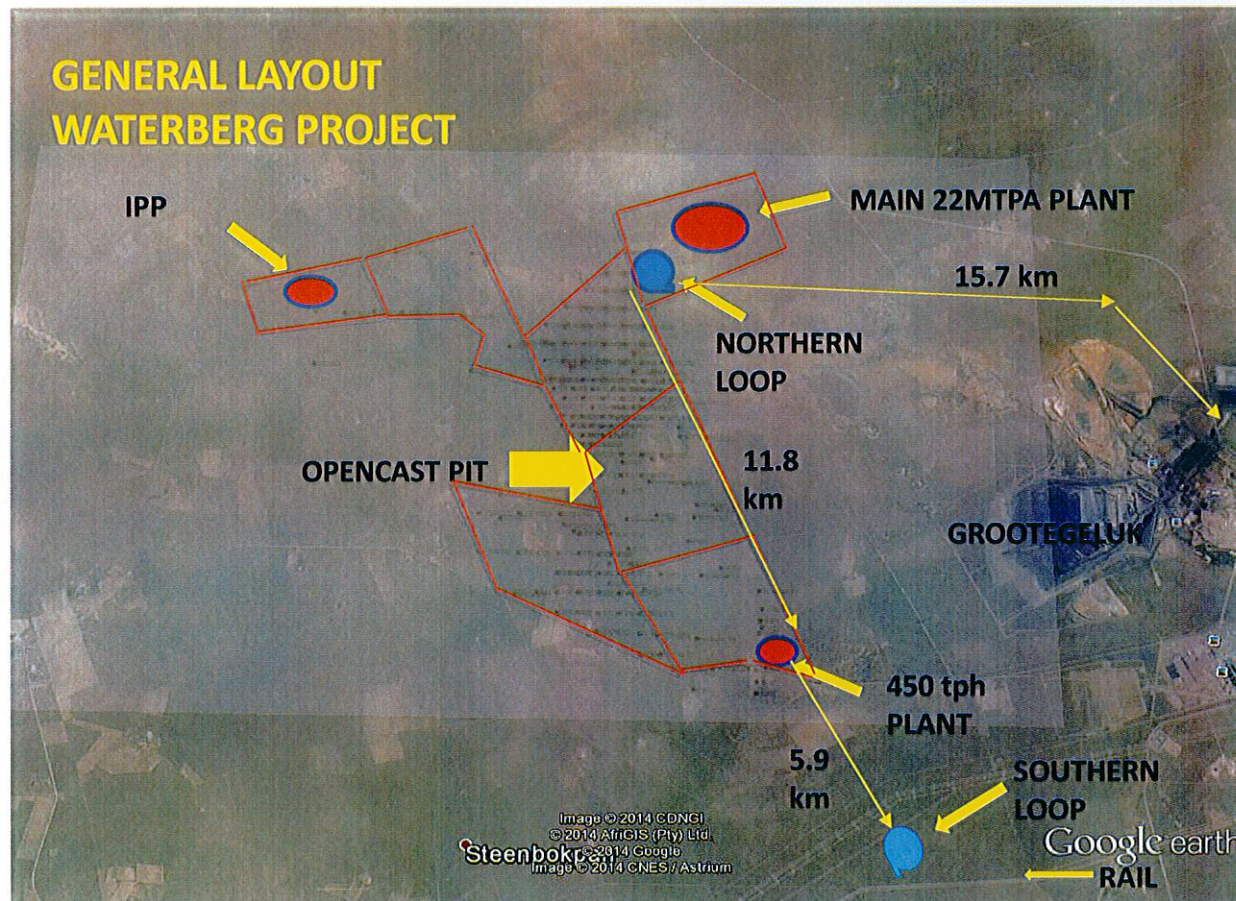
INFRASTRUCTURE

Rail

Rail option –
Taking off the
Exxaro
Thabametsi
line –
suggested by
TFR

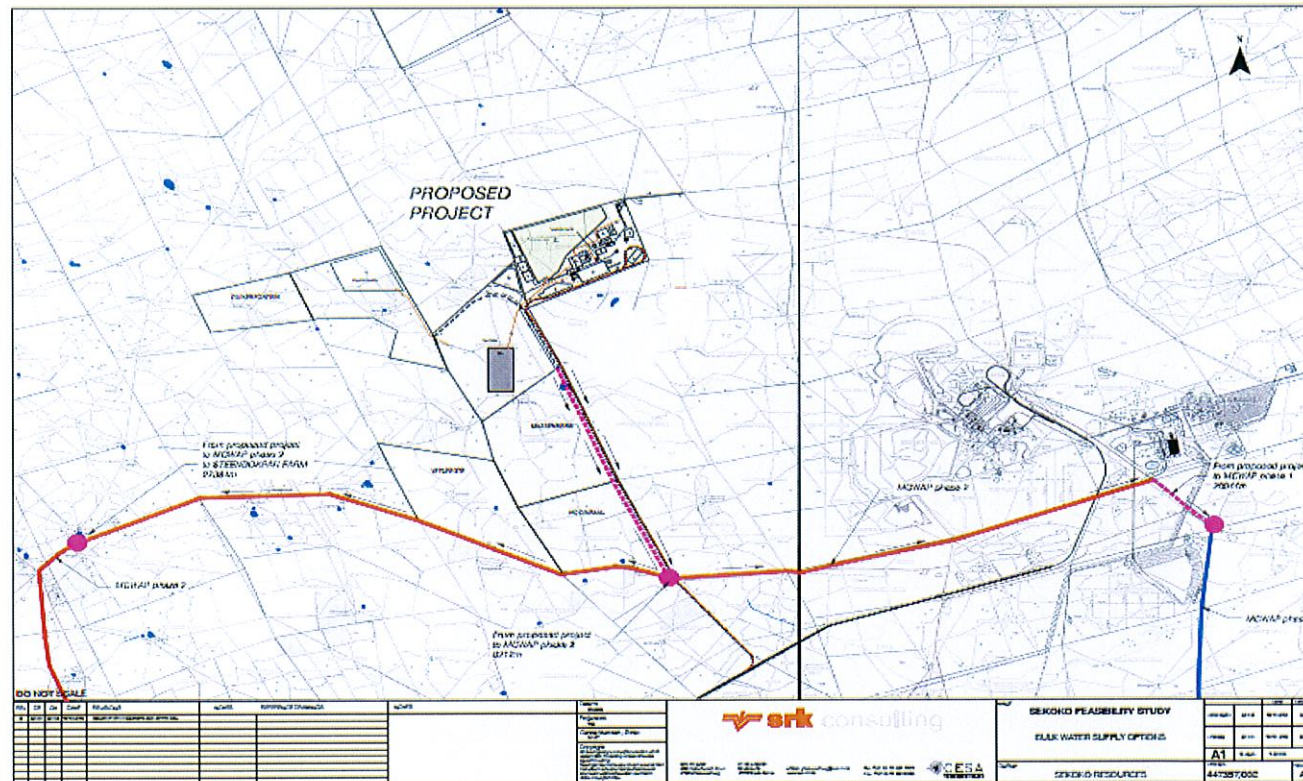


TFR suggested optimisation of rail loadouts between Exxaro and Sekoko Project



Water supply

MCWAP 1&2 Pipelines located along the Project area Southern boundary



Power

- Export 450 TPH plant uses spare capacity on local farm line
- Eskom 10mtpa plant to be supplied by feed from main Eskom grid
- Stand-by dielsel generation for construction and commissioning

Provisional Economics

			Export Project	Eskom Project
Strip Ratio			6.6	2.45
ROM tonnes		Mt	104.9	517.2
Production tonnes		Mt	59.1	301.8
Production Profile	2016		0.9	0
	2017		1.8	0
	2018		2.4	1.5
	2019		2.5	4.0
	2020		2	4.0
Capital Cost (note: export plant includes development capital)		\$m	140	547
Targeted Returns (IRR)		%	20+	17

SUMMARY

Business Thesis

- **World class deposit**
- **> 700 MT >5000 k/cal NAR Product**
- **Infrastructure on “DOOR STEP”**
- **Proposed build sequence:**
 - **Start-up with export**
 - **Phased Eskom supply to Majuba**
 - **Intergrate IPP from low grade material**
- **Benefit – Early cash flow**
- **Optimise asset**

THANK YOU