

**THE WATERBERG COAL COMPANY LIMITED
(FORMERLY RANGE RIVER GOLD LIMITED)
ACN 065 480 453**

REPLACEMENT PROSPECTUS

For an offer of up to 50,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$10,000,000 together with one (1) free attaching Option exercisable at \$0.20 for every two (2) Shares subscribed for (**Offer**).

Corporate Advisor to the Offer:



IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Securities offered by this Prospectus should be considered highly speculative.**

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

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1. CORPORATE DIRECTORY

Directors

Mr Brian McMaster (Executive Chairman)

Mr Stephen Miller (Executive Director)

Mr Jonathan Hart (Executive Director)

Mr Daniel Crennan (Non-Executive Director)

Mr Scott Funston (Executive Finance Director)

Company Secretary

Mr Jonathan Hart

Corporate Advisors

Garrison Capital Pty Ltd
Level 1, 33 Richardson Street
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Australian Legal Advisers

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16 Milligan Street
PERTH WA 6000

South African Legal Advisers – Title Report

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155 5th Street
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South Africa

Independent Geologist

Al Maynard & Associates
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Website: www.waterbergcoal.com.au

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Share Registry*

Australia

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ABBOTSFORD VIC 3067

South Africa

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Independent Accountant (and Auditor)

HLB Mann Judd
Level 9, 575 Bourke Street
MELBOURNE VIC 3000

*This party has been included for information purposes only. They have not been involved in the preparation of this Prospectus.

2. IMPORTANT NOTICE

2.1 General

This replacement prospectus is dated 25 July 2013 and was lodged with the ASIC on that date. This replacement prospectus replaces the original prospectus dated 11 July 2013 and the replacement prospectus dated 12 July 2013. For the purposes of this document, this replacement prospectus will be referred to as the "Prospectus".

The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

2.2 Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications for Securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

2.3 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.waterbergcoal.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.4 Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this prospectus are illustrative only and may not be drawn to scale.

2.5 Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

2.6 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6 of this Prospectus.

2.7 Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

4. INVESTMENT OVERVIEW

This Section is a summary only and not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

4.1 The Company

The Company was incorporated on 18 July 1994 for the primary purpose of conducting exploration activities on the Company's tenements in South Australia, being exploration licences EL 5221 (Lyons), EL 4197 (Glenloth) and EL 4445 (Claypan Dam) (**Tenements**). In this regard, the current principal activity of the Company is exploration for gold, copper and uranium.

On 23 March 2011, the Company's Shares were suspended from trading on the ASX. Following this, on 21 April 2011, the Company was placed into voluntary administration during which time the Company's administrators sold several of the Company's mining assets prior to the Company being recapitalised pursuant to a deed of company arrangement. Upon completion of the recapitalisation, the Company was subsequently readmitted to trading on the ASX on 27 July 2012.

On 17 December 2012, the Company announced the Takeover Offer to acquire all of the FSE Shares on issue. At the date of this Prospectus, the Takeover Offer has been declared unconditional and remains open. The Company has also offered accelerated settlement under the Takeover Offer resulting in the Company having acquired 1,576,808,318 FSE Shares (being 44.42% of the FSE Shares on issue) under the Takeover Offer and the Acquisition.

In addition, as announced on 2 April 2013, the Company completed its Acquisition of Ariona Company SA (**Ariona**). Subsequently, as announced on 10 April 2013, Ariona completed the Share Purchase Agreement, resulting in Ariona acquiring:

- (a) 480,000,000 FSE Shares; and
- (b) a 10% indirect interest in the Waterberg Coal Project through the subscription for a 25% interest in Sekoko.

Ariona also holds \$5,000,000 worth of FSE Convertible Notes.

Further details in respect of Ariona are set out in Section 6.4.

4.2 Key Investment Highlights

- (a) The Waterberg Coal Project is an advanced project containing a JORC compliant coal resource of 1.8 billion tonnes for which only 2 of the 8 farms which form the Waterberg Coal Project have been drilled (please refer to Section 6.6 for further details in respect of the Waterberg Coal Project, including a full JORC resource table).
- (b) A bankable feasibility study (**BFS**) in respect of the Waterberg Coal Project is ongoing and is due for completion shortly.
- (c) The Waterberg Coal Project is of significant strategic interest to South Africa, and may form a key component of future coal supply for South Africa's future energy requirements.

- (d) Sekoko has entered into a conditional memorandum of understanding (**MOU**) with Eskom Holdings for the delivery of up to 10 million tonnes per annum of coal from the prospecting and mining rights that Sekoko owns in the Waterberg Coal Project (further details of the MOU are set out in Section 6.6).
- (e) The Company has an experienced board and management team (further details are set out in Section 4.13).

4.3 Key Risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 7.

Given the size and scale of the Waterberg Coal Project and the necessary time it takes for various approvals to be processed and assessed in the normal course, at the date of this Prospectus, there are still some works in progress in relation to title matters which are referred to in the specific risk factors below. These title matters are in the process of being addressed by the Company in cooperation with the relevant Rights holders and regulatory bodies. However, the resolution and outcomes in relation to these matters is subject to normal processing timetables in South Africa, which are beyond the Company's immediate control.

(a) Re-Quotation of Shares on ASX

Completion of the Acquisition and Takeover Offer constitutes a significant change in the nature and scale of the Company's activities and, as a result, the Company must re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all.

Whilst this is not a risk for new investors in so far as their funds will be returned should the Company not successfully re-comply, it is a risk for existing Shareholders in the Company who may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(b) Quotation of Shares on JSE

The Company is in the process of applying for a quotation of its Shares on the Alternate Exchange (**AltX**) division of the JSE (**JSE Listing**). There is a risk that the Company may not be able to meet the JSE listing requirements and that this application will be unsuccessful.

Should permission for quotation of the Shares on the JSE not be granted before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

In addition, the Takeover Offer remains conditional upon the Company successfully completing the quotation of its Shares on JSE. In the event that the JSE Listing is unsuccessful, the Company will be required to unwind all of the acceptances received under the Takeover Offer resulting in the Company holding only 480,000,000 FSE Shares and therefore holding a less significant interest in the Waterberg Coal Project.

(c) **Risks Relating to the Takeover Offer**

If the Company does not acquire more than a 90% interest in the FSE Shares on issue at the end of the Takeover Offer, then the related party provisions of the Corporations Act (and the ASX Listing Rules) will apply to the two companies which may limit activities between the companies or increase regulatory compliance for undertaking certain activities between the companies.

(d) **Additional Requirements for Capital**

Following the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, further future funding will be required to support the Company's stated objectives in respect of the Waterberg Coal Project (including completing a BFS). There can be no assurance that such funding will be available on satisfactory terms or at all.

The Company's capital requirements depend on numerous factors. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issues and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

(e) **Eskom MOU**

Sekoko has entered into the MOU with Eskom Holdings Limited (**Eskom**) for the supply of coal from the Waterberg Coal Project for the life of the power station. The MOU is conditional and subject to formal agreement between Sekoko and Eskom. As such, the Company cannot guarantee that a formal agreement in respect of the MOU will eventuate.

Further, the Directors are unable to predict the risk of:

- (i) financial failure or default of the contractor or any other third party to a contract for which the Company is a party; or
- (ii) insolvency or other managerial failure by any of the operators and contractors used the Company in its exploration activities; or
- (iii) insolvency or other managerial failure by any of the other service providers used by the Company or operators for any activity.

(f) **Sovereign Risk**

The Waterberg Coal Project is subject to the risks associated in operating in South Africa. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects that affect foreign ownership, exploration, development or activities of companies involved in coal exploration and production, may affect the viability and profitability of the Company.

(g) **Formation of Waterberg JV**

The Company's interest in the Waterberg Coal Project is held through a joint venture of which the Company will hold:

- (i) a 60% indirect interest through its shareholding in FSE assuming 100% acquisition of the FSE Shares under the Takeover Offer (which holds a 60% interest in the Waterberg JV); and
- (ii) a further 10% indirect interest through its 25% shareholding in Sekoko (which holds a 40% interest in the Waterberg JV).

The Company currently has a relevant interest in 44.42% of FSE. Assuming no further acceptances are received under the Takeover Offer, the Company will hold an indirect interest in the Waterberg Coal Project of 26.65% rather than a 60% indirect interest as a result of holding a lesser interest in FSE plus its 10% indirect interest through its 25% shareholding in Sekoko giving it a total indirect interest of 36.65%. The Company intends to extend the offer period under the Takeover Offer which may result in further acceptances being received. The Company's relevant interest in FSE may therefore increase.

Development and management of mining operations will be conducted through a company which is 60% owned by FSE and 40% by Sekoko. Decision making within this company will be subject to the usual

protocols relating to the convening of meetings and maintenance of corporate governance standards across several time zones.

The mining and prospecting rights granted pursuant to the MPRDA which make up the Waterberg Coal Project (**Rights**) are summarised in the South African Title Report in Section 11.

The MPRDA provides that in certain circumstances Ministerial consent is required prior to a transfer of an interest in mineral rights. Upon formation of the Waterberg JV, Ministerial approval was not sought. The Company is of the view that the entering into of the Waterberg JV agreements did not breach the provisions of the MPRDA. This view is confirmed in the South African Title Report in Section 11.

The MPRDA gives the Minister a general authority to suspend or cancel a prospecting or mining right, in case of a breach of a material term of the right. Prior to exercising such authority, the Minister must give the holder the right to make representations and give the holder an opportunity to remedy the breach. The holders of the Rights have not received any such correspondence from the DMR. Two shareholders of Uzalile have asserted that the contribution by Uzalile and Sekoko Resources (**Uzalile Joint Venture**) (which holds the Vetleegte Prospecting Right) of the Vetleegte Prospecting Right to the Waterberg JV was invalid on the basis that Uzalile did not have the requisite authority to do so. If this position is correct, the result would be that FSE would have no security of tenure in respect of the Vetleegte Prospecting Right. However, it would retain an entitlement to reclaim payments made by it in respect of the Vetleegte Prospecting Right. The Company maintains that the above assertions are baseless. Furthermore, if such a claim was successful, the Company considers that it would not have a material effect on the Company because the Vetleegte Prospecting Right is not presently of a significant value nor does it not form part of its near or medium term prospects.

(h) **Status of Vetleegte Prospecting Right**

The Vetleegte Prospecting Right (which is held by the Uzalile Joint Venture) expired on 12 November 2011. The Uzalile Joint Venture made a renewal application in respect of the Vetleegte Prospecting Right prior to its expiry and, as such, the Vetleegte Prospecting Right remains current until such time as that application has been determined.

In this regard, the Uzalile Joint Venture received a request from the DMR to provide further information regarding rehabilitation costs in respect of the Vetleegte Prospecting Right. Failure to comply with such a request may have an adverse effect on the renewal application or result in a notice that the DMR is seeking to have the Vetleegte Prospecting Right suspended or cancelled. The Minister does not have an automatic right to suspend or cancel, and must afford the holder a reasonable opportunity to give representations. No such notice has been received from the DMR.

The Vetleegte Prospecting Right does not form part of the MOU with Eskom and does not form part of the BFS being prepared in respect of the Waterberg Coal Project.

(i) **Status of the Mining Right**

Pursuant to the terms of the MPRDA, the holder of a Mining Right must commence mining activities (or activities directly incidental to mining) within 1 year of grant of a Mining Right. In this regard, mining operations on the Mining Right should have commenced by 17 August 2012. Sekoko has requested the DMR's permission to commence mining activities outside of the prescribed 1 year period, which permission has not yet been granted.

Regardless of the above, the Company is of the opinion that Sekoko has commenced mining operations in the wider sense of its definition by commencing the BFS, procuring the Eskom MOU and negotiating and concluding acquisitions of surface rights in respect of the areas covered by the Mining Right. This view has been confirmed in the South African Title Report in Section 11.

We refer to the Minister's general authority to suspend or cancel a Right on breach of a material term thereof, as referred to in paragraph (g) above. No such notice has been received by Sekoko.

Further, the Mining Right contains a clause (clause 9.1) which prevents the Mining Right, or *"an equity, an interest or a participation in the right or joint venture, or a controlling interest in a company, close corporation or joint venture, may not be encumbered, ceded, transferred, mortgaged, let, sub-let, assigned, alienated or otherwise disposed of without the written consent of the Minister, except in the case of a change of controlling interest in a listed company"*.

It is the view of the South African Legal Advisers that clause 9.1 of the Mining Right does not apply to the joint venture agreement entered into between FSE, Lexshell and Sekoko and, therefore, ministerial consent was not required. In the event that this view is incorrect and the Minister's consent is required, the joint venture agreement may be invalid and of no force or effect. The effect on the Company will be that Sekoko will be deemed to be the 100% holder of the Mining Right and WCC would end up having a 25% indirect interest in the Mining Right and not a 10% indirect interest. Please refer to paragraph 8.7 of the South African Title Report in Section 11 for further information in this respect.

(j) **Requirement for Environmental Management Plans**

In order to undertake mining and prospecting activities on the Rights, an approved environmental management plan (**EMP**) must be in place. As at the date of this Prospectus, a valid EMP is in place in respect of:

- (i) 4 of the 7 farms covered by the Duikerfontein Prospecting Right;
- (ii) the 4 farms covered by the Mining Right; and
- (iii) the whole of the Vetleegte Prospecting Right.

Sekoko has made application to amend the approved EMP in respect of the Mining Right to include the additional activities relating to the proposed mine expansion including the 3 farms covered by the Duikerfontein Prospecting Right. No such mining activities can take place on those 3 farms until the amendment has been granted to the EMP to include those three farms.

In addition, under the approved EMPs, the holders are required to lodge financial guarantees in respect of any rehabilitation obligations under the EMPs. If the DMR's Regional Manager is not satisfied with the extent of the pecuniary provision, he can call upon the holder to make additional payments. No such request has been received from the Regional Manager.

(k) **Surface Rights**

The holder of the Rights must consult with landowners in regard to the use of the land covered by the Rights for mining purposes and must pay compensation for loss or damage suffered in respect of that land. As such, there is a risk that activities in respect of the Rights may cause damage to the land over which those Rights are granted, resulting in compensation being payable to the relevant landowners.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by our Company and you should refer to the additional risk factors in Section 7 of this Prospectus before deciding whether to apply for Securities pursuant to this Prospectus.

4.4 The Offer

The Company invites applications for up to 50,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$10,000,000 with one (1) free attaching Option for every two (2) Shares applied for. The key information relating to the Offer and references to further details are set out below.

Indicative timetable*

Lodgement of Prospectus with the ASIC	12 July 2013
Opening Date	26 July 2013
Closing Date	23 August 2013
Despatch of holding statements	26 August 2013
Expected date for quotation on ASX	29 August 2013

** The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.*

4.5 Purpose of the Offer

The purpose of the Offer is to facilitate an application by the Company for re-admission of the Company to the official list on the ASX and position the Company to seek to achieve the following objectives:

- (a) to obtain a secondary listing on the AltX division of JSE;
- (b) to conduct exploration activities on the Company's interests in the Waterberg JV in accordance with the use of funds set out in Section 4.6;
- (c) to continue to explore its existing assets in South Australia; and
- (d) to review additional project opportunities if and when they arise.

4.6 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, in the next two years following re-compliance for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities as follows:

Funds available	Use of Funds (Minimum Subscription)	Percentage of Funds (Minimum Subscription)	Use of Funds (Full Subscription)	Percentage of Funds (Full Subscription)
Existing cash reserves ¹	7,900,000	84.04%	7,900,000	44.13%
Funds raised from the Offer	1,500,000	15.96%	10,000,000	55.87%
Total	9,400,000	100%	17,900,000	100%
Allocation of funds				
Expenses of the Offer ²	310,695	3.31%	774,389	4.33%
JSE Listing Expenses	510,000	5.43%	510,000	2.85%
Exploration Expenditure ³	4,630,437	49.26%	8,880,279	49.61%
Repayment of loan to Celtic Capital ⁴	1,500,000	15.96%	1,500,000	8.38%
Corporate Advisory Fees relating to the Takeover Offer	150,000	1.60%	150,000	0.84%
Salaries and Wages of WCC	800,000	8.51%	800,000	4.47%
Corporate administration costs	700,000	7.45%	700,000	3.91%
Working capital	798,868	8.50%	4,585,332	25.62%
TOTAL	9,400,000	100%	17,900,000	100%

Notes:

1. Based on unaudited cash balance as of 25 June 2013.
2. Refer to Section 14.9 of this Prospectus for further details.
3. The following table contains a further breakdown of the exploration expenditure.

Item	Minimum Subscription	Full Subscription
Drilling (Phase 1 Smitspan/Massenberg to complete BFS)	913,139	913,139
Additional drilling (Massenberg and other extensional exploration)	2,417,298	5,567,140
Completion of BFS including resource modelling, mine design	700,000	700,000
Metallurgical testing and coal marketing studies	-	1,000,000
Tenement & Tenement administration in relation to the South Australian Tenements	600,000	700,000
TOTAL	4,630,437	8,880,279

4. Refer to Section 6.4 for further details.

In the event the Company raises more than the minimum subscription of \$1,500,000, the additional funds (after additional expenses of the Offer) raised will be applied towards exploration costs and then to working capital. On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

The above tables are statements of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis. Further, the second phase exploration budget will not be determined until the results from the above exploration have been completed and analysed. This analysis will form the basis for the exploration expenditure budget for the second phase of exploration expenditure and the Company will need to raise additional funds in order to complete the second phase exploration program.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Sections 4.3 and 7).

As set out in Section 6.4, the Company will seek to enter into project financing arrangements with SBSA and other strategic investors to further fund the development of the Waterberg Coal Project. Accordingly, in the event that such financing is made available, the additional funds will be aggregated with the expenditure set out above to expedite future development of the Waterberg Coal Project.

4.7 Capital Structure

The capital structure of the Company following completion of the Offer (assuming full subscription) is summarised below. Refer to the Independent Accountant's Report set out in Section 8 of this Prospectus for further details.

Shares

Shares	Number (Full Subscription)
Current ¹	244,620,587
Issue Shares pursuant to this Prospectus	50,000,000
Issue Shares under the Takeover Offer ²	124,240,706
Issue Shares pursuant to the Convertible Facility Agreement ³	459,375,000
TOTAL	878,236,293

Notes:

1. Assuming no further Shares are issued and no Options are exercised.
2. Assumes acquisition of 100% of FSE which cannot be guaranteed. Please note that this figure will increase if any further shares are issued by FSE, or any FSE options are exercised, between the date of this Prospectus and the date the Takeover Offer closes. This amount is subject to rounding.
3. Assuming all of the Loan under the Convertible Facility Agreement is converted based on a 20% discount to a 5 day average price of Shares at \$0.20. The Company guarantees the SBSA Consortium a minimum conversion value of \$73,500,000 and this value includes the LIBOR plus 12% to be converted into Shares. Please refer to the summary of the Convertible Facility Agreement set out in Section 14.2.1 for further details. The total amount of Shares to be issued will depend on the VWAP at the time of any conversion and as such the amount above may increase or decrease accordingly. Below sets out a worked example of the total number of Shares that can be issued upon conversion of the Loan based on different 5 day average prices. The issue of Shares pursuant to the Convertible Facility Agreement is subject to the takeovers provisions of the Corporations Act.

Average	20% discount to 5-day average	Shares issued upon conversion of Facility
\$0.01	\$0.008	9,187,500,000
\$0.03	\$0.024	3,062,500,000
\$0.05	\$0.04	1,837,500,000
\$0.10	\$0.08	918,750,000
\$0.20	\$0.16	459,375,000
\$0.30	\$0.24	306,250,000
\$0.45	\$0.36	204,166,667
\$0.60	\$0.48	153,125,000
\$0.75	\$0.60	122,500,000
\$0.90	\$0.72	102,083,333

Options

Options	Number (Full Subscription)
Current	
Unlisted Options exercisable at \$12 expiring 31 March 2014	68,712

Options	Number (Full Subscription)
Unlisted Options exercisable at \$0.20 expiring 31 December 2014	23,187,500
Unlisted Options exercisable at \$0.20 expiring 31 December 2016	25,000,000
TOTAL	48,256,212
To be issued	
Listed Options to be issued pursuant to this Prospectus	25,000,000
TOTAL	25,000,000

4.8 Substantial Shareholders

Set out below are the persons with Substantial Holdings in the Company::

Shareholder	Number of Shares	% of issued capital
Sekoko Resources (Proprietary) Limited	32,500,000	13.29
Vincenzo Falbo ¹	36,375,000	15.058
Stephen Miller ³	27,203,125	11.26
G.L. Mackintosh ²	20,000,000	8.28
Richard MacLellan ⁴	15,000,000	6.24

Notes:

1. Shares are held by Jarvest Finance Ltd and Vernon Finance which are both entities controlled by Vincenzo Falbo. Jarvest Finance Ltd and Vernon Finance are investment holding companies. Mr Falbo is the Investment Manager of Jarvest Finance Ltd and Vernon Finance and by virtue of this position has the power to control the disposal of securities held by those entities.
2. Shares are held by Baldragon Holdings Ltd. Baldragon Holdings Limited is an investment holding company. Mr G L Mackintosh is the Chief Executive Officer of Baldragon Holdings Ltd and by virtue of this position has the power to control the disposal of securities held by Baldragon Holdings Ltd.
3. Shares are held by Clearview Asset Pty Ltd, Clearview Asset Pty Ltd as trustee of The Clearview Asset Trust and Evening Star Enterprises Pty Ltd as trustee of the Millcorp Super Fund (by virtue of Mr Miller being the sole director/secretary and sole shareholder, Resource Venture Capital Partners Pty Ltd (by virtue of being the sole director/secretary, Millcorp Securities Pty Ltd as trustee of Millcorp Securities Trust and Millcorp Securities Pty Ltd as trustee of Millcorp Super Fund which are entities controlled by Stephen Miller. By virtue of having the positions described above, Mr Miller has the power to control the disposal of securities held by those entities.
4. Shares are held by Haworth Finance Ltd, an entity controlled by Mr R MacLellan which holds Shares on behalf of Richmond Capital LLP, sole director and shareholder and also an investment manager on behalf of investors that are not known to the Company or any of its Directors. Mr MacLellan has the power to control the disposal of securities held by Haworth Finance Ltd by virtue of these positions with Haworth Finance Ltd.

The Company will announce to the ASX details of its top 20 Shareholders (following completion of the Offer) prior to the Shares commencing trading on ASX.

4.9 Restricted Securities

Subject to the Company being re-admitted to the Official List, certain Shares and Options on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the Shares and Options required to be held in escrow prior to the Shares commencing trading on ASX.

4.10 Financial Information

Following the change in the nature of its activities, the Company will focus on the exploration of its coal Projects in South Africa and its existing Tenements. Therefore, the Company's past operational and financial historical performance will not be of significant relevance to the Company's future activities.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is set out in Section 9. Investors should read the Independent Accountant's Report set out in Section 8, together with the pro-forma balance sheet set out in Section 9 in full.

The funding for the Company's short to medium term activities will be generated from the offer of Shares pursuant to this Prospectus. The Company expects to raise further funding from the issue of securities in the future. If the Company's proposed exploration is successful and the Company chooses to develop its projects, then the Company may also consider debt funding.

4.11 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

4.12 Dividend Policy

It is anticipated that significant expenditure will be incurred in the evaluation and development of the Company's projects. These activities, together with the possible acquisition of interests in other projects, are expected to dominate the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment

of dividends or franking credits attaching to dividends can be given by the Company.

4.13 Directors and Key Personnel

Mr Brian McMaster – Executive Chairman

Mr McMaster's role as the Executive Chairman of the Company historically includes negotiating and facilitating the proposed Acquisition of Ariona, including overseeing the due diligence process and coordinating the implementation of the Takeover Offer, including assisting in the preparation of this Prospectus. Moving forward, post the Company's Acquisition of Ariona and completion of the Takeover Offer, Mr McMaster will continue to manage the promotion of the Company's interests in Ariona and the Waterberg Coal Project.

Mr McMaster is a Chartered Accountant and has almost 20 years' experience in the area of corporate reconstruction, and turnaround/performance improvement. Mr McMaster's experience includes numerous reorganizations and turnarounds including being instrumental in the recapitalisation and listing of 12 Australian listed companies. Mr McMaster's experience includes significant working periods in the United States, South America, Asia and India.

Mr McMaster is currently a director of the following ASX listed entities, Caravel Energy Limited, Lindian Resources Limited, Paradigm Metals Limited, Wolf Petroleum Ltd and Black Star Petroleum Limited. Mr McMaster is also a director in venture capital and advisory firm Garrison Capital Pty Ltd. Mr McMaster is currently a director of Firestone Energy Limited.

Mr McMaster does not expect that his directorships with any other company will interfere with his ability to act as the Executive Chairman of the Company.

As at the date of this Prospectus, Mr McMaster is not a nominee or a representative of a substantial Shareholder in the Company.

Stephen Miller – Executive Director

Mr Miller has 25 years' experience investing and executing corporate finance, mergers and acquisitions opportunities in the resources sector.

Mr Miller established Resource Venture Capital Partners (**RVCP**) which is dedicated to investment opportunities in the natural resources sector. RVCP specialises in corporate reorganizations and restructurings, direct investments plus substantial debt and equity capital raisings for project start-ups, developments, and corporate takeovers.

Mr Miller is a member of the Institute of Chartered Accountants Australia, a Fellow of the Australian Institute of Company Directors and previously a Director on the Australian Gold Council.

Mr Miller's qualifications include a CA, BBus and FAICD.

Mr Miller has also been a director, founder and chief executive officer of a number of resource companies listed in the Australian and North American exchanges including East Africa Gold Corporation, Western Metals Limited and Defiance Mining Corporation. Mr Miller is currently a director of Firestone Energy Limited.

Mr Miller does not expect that his directorship with Firestone Energy Limited will interfere with his ability to act as a Director of the Company.

Mr Jonathan Hart – Executive Director

Mr Hart previously worked at Perth based law firm, Steinepreis Paganin. Mr Hart's experience includes due diligence investigations, general corporate and commercial drafting, public and private mergers and acquisitions, general corporate advice in relation to capital raisings, Corporations Act and ASX compliance, Australian Financial Services Licenses, managed investment schemes and anti-money laundering compliance.

Mr Hart has a bachelor of laws and commerce from Murdoch University in Western Australia.

Mr Hart is currently an Executive Director of ASX listed Caravel Energy Limited.

Mr Hart does not expect that his directorship with Caravel Energy Limited will interfere with his ability to act as an Executive Director of the Company.

As at the date of this Prospectus, Mr Hart is not a nominee or a representative of a substantial Shareholder in the Company.

Mr Daniel Crennan – Non-Executive Director

Mr Crennan completed his Articles at Griffith Hack Patent and Trade Mark Attorneys, Lawyers. He also completed a research internship at the International Criminal Tribunal for former Yugoslavia in The Hague under Judge Richard May. Mr Crennan co-authored the Law Council of Australia submission to the Joint Standing Committee on Treaties in relation to the establishment of the International Criminal Court. Whilst undertaking his law degree, Mr Crennan studied Public International Law at Leiden University, the Netherlands. Mr Crennan appears primarily in major commercial disputes or prosecutions conducted by regulators.

Mr Crennan is a barrister who practices primarily in Melbourne and Perth. Mr. Crennan's areas of expertise include Corporations Law, Commercial Law, Trade Practices and Intellectual Property.

Mr Crennan is a former non-executive director of Mongolian coal explorer Hunnu Coal Limited and is a current director of Castillo Copper Limited and Haranga Resources Limited.

Mr Crennan does not expect that his directorships with any other company will interfere with his ability to act as a Director of the Company.

As at the date of this Prospectus, Mr Crennan is not a nominee or a representative of a substantial Shareholder in the Company.

Scott Funston – Executive Finance Director

Mr Funston is a qualified Chartered Accountant and Company Secretary with more than 10 years' experience in the mining industry and the accounting profession. His expertise is financial management, regulatory compliance and corporate advice. Mr Funston possesses a strong knowledge of the ASX requirements and currently assists or has previously assisted a number of resources companies operating throughout Australia, South America, Asia, USA and Canada with financial accounting, stock exchange compliance and regulatory activities.

Mr Funston is currently a director of Lindian Resources Limited, Highfield Resources Limited, Castillo Copper Limited and Avanco Resources Limited. Mr

Funston is also a director in venture capital and advisory firm Garrison Capital Pty Ltd.

Mr Funston does not expect that his directorships with any other company will interfere with his ability to act as a Director of the Company.

As at the date of this Prospectus, Mr Funston is not a nominee or a representative of a substantial Shareholder in the Company.

Bruce Tinney – Technical Consultant to Ariona

Mr Tinney has 17 years' mining investment experience, including 8 years as a mining analyst in Sydney and Johannesburg.

Mr Tinney is the founding member of the Spyglass Resources Hedge Fund, investing in South African listed resource companies. The fund had exposure across the commodity spectrum (precious metals, base metals, bulk materials, steel, pulp and paper, chemicals) and along the value curve. Over the three years to February 2010, Spyglass returned +23%. Over the same period, the JSE Resources Top 20 Index returned 2% and the JSE's Junior Mining Index returned a loss of 45%.

Mr Tinney previously spent nine years as a specialist resources fund manager, including co-fund manager of a ZAR55 billion private client equity portfolio which returned 68% over three years.

Mr Tinney's qualifications include:

- (a) B.Sc. Geology, Chemistry, B.Sc. (Honours) Geology (Natal University);
- (b) M.Sc. Mineral Exploration (Rhodes University); and
- (c) Graduate Diploma of Engineering (Mineral Economics) (University of the Witwatersrand).

Chris Goodale – Technical Consultant to Ariona

Mr Goodale has more than 40 years' experience in African mining. Mr Goodale's experience includes six years in exploration with De Beers followed by 30 years' experience with the Anglo American Corporation.

Most recently Mr Goodale held the position of Head of Geology and Mine Planning at Anglo Coal responsible for greenfields and brownfields exploration projects, project planning, budgeting, borehole drilling, logging, sampling, resource analysis, modelling and estimation, mine planning and reporting.

Mr Goodale was also lead geologist for the New Denmark Colliery Eskom power station tender tasked with obtaining geological data and compiling geological tender reports. Consulting work clients have included Sekoko, FSE, Miranda Minerals, Keaton Energy, USA coal companies and Anglo Energy, particularly on the Waterberg Project. Mr Goodale's clients have also included Witbank and Natal coalfields, relating to geological, mine planning and beneficiation issues.

Mr Goodale's qualifications include:

- (a) Bachelor Science, University of Cape Town, South Africa;
- (b) Management Development Programme, UNISA; and

- (c) PSciNat (registered professional natural scientist-geology).

Rob Bennett – Technical Consultant to Ariona

Rob has been employed in the minerals processing and project industries for over 20 years. He has a broad experience base including operations management, project management, business development, project financing, metallurgical design, plant commissioning, plant engineering and financial and project contract negotiations.

Whilst working for and on behalf of De Beers, ALROSA, Trans-Hex and other independent and publicly listed diamond operators, Rob has been involved in many projects around the globe including South Africa, Botswana, Russia, Canada, Angola, Sierra Leone, Australia, Venezuela and China. His experience stretches from kimberlite and alluvial treatment through to marine diamond mining, including feasibility and due diligence as well as prospecting, exploration and project design and execution and plant operations.

Rob worked for the Bateman Group and reached the position of General Manager – Diamonds, reporting to the Managing Director. In this role he was responsible for identifying and securing project work and filling in the important project sponsor role between it and the particular project client. He previously played the Lead Process Engineer and consulting role on projects for De Beers, Debswana, NamDeb, TransHex and ALROSA.

Prior to Bateman, Rob worked for Debswana Diamonds (1988-1996) in Operations Management and was involved in the growth of the Jwaneng Mine which turned it into the world-class operation that it is today.

Mr Bennett's qualifications include:

- (a) NHD Extract Metallurgy;
- (b) Management Development Programme, UNISA; and
- (c) HBA, University of Stellenbosch Business School.

4.14 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 13.2 of this Prospectus. In addition, the Company's full Corporate Governance Plan is available from the Company's website www.waterbergcoal.com.au.

4.15 Disclosure of Interests

As at the date of this Prospectus, the Directors have relevant interests in Shares and Options as set out in the table below:

Director	Shares	Options
Brian McMaster ¹	2,318,143	25,500,000
Jonathan Hart	250,000	300,000 ³
Daniel Crennan	100,000	Nil
Stephen Miller ²	27,203,125	Nil
Scott Funston	200,000	200,000 ³

Notes:

1. 2,318,143 Shares held by Reeve Ventures Pty Ltd as trustee for the Vega Trust. 500,000 unlisted options exercisable at \$0.20 on or before 31 December 2014 held by Reeve Ventures Pty Ltd as trustee for the Vega Trust and 25,000,000 unlisted options exercisable at \$0.20 on or before 31 December 2016 held by Hudson Bay Investments Pty Ltd as trustee of the Hudson Bay Investment Trust.
2. 16,762,500 held by Clearview Asset Pty Limited as trustee for the Clearview Asset Trust, 2,362,500 held by Resource Venture Capital Partners Pty Ltd, 4,500,000 held by Evening Star Enterprises Pty Ltd as trustee for the Millcorp Super Fund, 156,250 held by Clearview Asset Pty Ltd, 2,500,000 held by Millcorp Securities Pty Ltd as trustee of the Millcorp Securities Pty Ltd and 921,875 held by Millcorp Securities Pty Ltd as trustee of Millcorp Super Fund.
3. Unlisted exercisable at \$0.20 on or before 31 December 2014.

4.16 Remuneration

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting, to be divided among the Directors and in default of agreement then in equal shares. The annual remuneration (inclusive of superannuation) of the Directors for the last two financial years and the current financial year is as follows:

Director	2011 Financial Year	2012 Financial Year	2013 Financial Year (proposed)
Brian McMaster	Nil	Nil	\$72,500
Jonathan Hart	Nil	Nil	\$73,500
Daniel Crennan	Nil	Nil	\$36,000
Stephen Miller	Nil	Nil	\$15,000
Scott Funston	Nil	Nil	\$9,000

4.17 Agreements with Directors or Related Parties

The Company's policy in respect of related party arrangements is:

- a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

Corporate Advisory Agreement – Garrison Capital

The Company has entered into an agreement with Garrison Capital Pty Ltd (**Garrison Capital**) whereby Garrison Capital has agreed to provide ongoing corporate advisory services to the Company (**Corporate Advisory Agreement**).

The Company will pay Garrison Capital \$60,000 per annum (plus GST) for the provision of the retainer services. The term of the agreement is from 1 August 2012 until on or before 1 August 2014, unless extended by the parties.

In the view of the Directors not associated with Garrison Capital, the Corporate Advisory Agreement is on arm's length and commercial terms. Therefore Shareholder Approval was not required to enter into the Corporate Advisory Agreement.

Services Agreement – Garrison Capital

The Company has entered into an agreement with Garrison Capital to provide administrative services and office space to the Company in Perth (**Services Agreement**). This will include the use of the office and office equipment, services of an office manager and secretary and maintenance of the office computer equipment. The Company will pay Garrison Capital \$120,000 per annum (plus GST) for the provision of these services. The term of the agreement is from 1 August 2012 until on or before 1 August 2014, unless extended by the parties.

In the view of Directors not associated with Garrison Capital, the Services Agreement is on arm's length and commercial terms. Therefore Shareholder approval was not required to enter into the Services Agreement.

Mandate Agreement – Garrison Capital

The Company has entered into an agreement with Garrison Capital whereby Garrison Capital has agreed to provide corporate advisory services to the Company In connection with the Takeover Offer under which the Company:

- (a) has paid Garrison Capital \$150,000 of a \$300,000 fee (plus GST); and
- (b) issued 25,000,000 unlisted Options to Garrison Capital (or its nominees),

for corporate advisory services.

Shareholder approval was obtained for the grant of the above Options to Garrison Capital at the General Meeting. Brian McMaster and Scott Funston are each directors and shareholders of Garrison Capital.

5. DETAILS OF THE OFFER

5.1 The Offer

Pursuant to this Prospectus, the Company invites applications for up to 50,000,000 Shares at an issue price of \$0.20 per Share to raise \$10,000,000 together with one (1) free attaching Option for every two (2) Shares applied for.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

All of the Options offered under this Prospectus will be issued on the terms and conditions set out in Section 14.4. All Shares issued on conversion of the Options issued under the Prospectus will rank equally with the Shares on issue at the date of this Prospectus.

5.2 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company has historically focused solely on its projects in South Australia. As a result of the Acquisition, the Company also intends to become a coal explorer and developer in South Africa. The Company sought and received Shareholder approval for the change in the nature and scale of the Company's activities at the Company's General Meeting held on 27 March 2013.

In order for the Company's Shares to be re-instated to trading on the ASX following this change in nature and scale, the Company must re-comply with Chapters 1 and 2 of the ASX Listing Rules and obtain ASX approval for re-instatement to trading of its Shares on the ASX. This Prospectus is being issued as part of satisfying those requirements.

5.3 Minimum subscription

If the minimum subscription to the Offer of \$1,500,000 has not been raised within four (4) months after the date of this Prospectus, the Company will not issue any Shares or grant any Options and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

5.4 Applications

Applications for Shares and Options under the Offer must be made using the Application Form.

Completed Application Forms and accompanying cheques, made payable to **"The Waterberg Coal Company Limited"** and crossed **"Not Negotiable"**, must be mailed or delivered to the address set out on the Application Form by no later than the Closing Date.

The Company reserves the right to close the Offer early.

5.5 ASX listing

The Company's Shares were suspended from trading on the ASX on 15 March 2013 and will not be re-instated to trading until the Company re-complies with Chapters 1 and 2 of ASX Listing Rules.

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

5.6 JSE Listing

The Company has appointed South African advisers to commence steps necessary for the Company to obtain a secondary listing on the AltX division of JSE. This will enable South African FSE Shareholders to accept Shares as consideration for their FSE Shares if they accept the Takeover Offer.

The Company does not currently intend to issue any further Securities in connection with its proposed listing on AltX.

If the Shares are not admitted to the JSE before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

5.7 Issue of Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, issue of the Securities offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of all the Securities offered by this Prospectus in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Securities than the number applied for. Where the number of Securities issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

5.8 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia

should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.9 Oversubscriptions

No oversubscriptions will be accepted by the Company.

5.10 Commissions payable

The Company reserves the right to pay a commission of 5% (exclusive of goods and services tax) of amounts subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

5.11 Underwritten

The Offer is not underwritten.

6. COMPANY AND PROJECT OVERVIEW

6.1 Overview of the Company and its Activities

This Section contains a summary of the Company's activities. Further information can be found on the Company's website, www.waterbergcoal.com.au.

6.2 The Takeover Offer

The Company is in the process of completing the Takeover Offer which is being effected by an off-market takeover bid for all of the ordinary shares in FSE. The terms of the Takeover Offer are that FSE Shareholders will receive 1.25 Shares for every 20 FSE Shares held.

The Company has waived all defeating conditions under the Takeover Offer and is providing accelerated settlement to FSE shareholders who have accepted the Takeover Offer. In this regard, FSE shareholders who have accepted the Takeover Offer will receive the consideration Shares under the Takeover Offer within 3 days of the Company receiving the acceptance of the Takeover Offer.

In the event that the Company does not receive conditional approval for re-quotation on ASX or approval from JSE for the JSE Listing, it will not proceed with the Takeover Offer and will unwind all acceptances received under the Takeover Offer. Should this occur, the change to the nature and scale of the Company's activities will not eventuate and the Company's securities may remain suspended from quotation on ASX.

6.3 Firestone Energy Limited

FSE is a Perth based coal exploration company with a primary listing on the ASX and a secondary listing on the JSE. FSE was incorporated on 11 January 1993 and listed on the ASX on 24 June 1993. FSE's head office is situated in Subiaco, Western Australia.

On 18 June 2008, FSE announced that it had agreed with Sekoko to acquire an interest in a coal project in the Waterberg Coalfield of South Africa. Shareholder approval was granted for the transaction on 18 September 2008 and the Waterberg Joint Venture Agreement was finalised on 24 October 2008 (**Waterberg JV**).

During October 2010, an addendum to the Waterberg JV agreement was signed giving FSE the opportunity to increase its potential interest in the Waterberg JV from 55% to a maximum of 60%. To do so, FSE agreed to pay Sekoko a production royalty fee of ZAR0.50 per tonne of coal sold from the Waterberg JV up to a maximum aggregate amount of ZAR45 million.

6.4 The Ariona Acquisition

On 2 April 2013, the Company announced that it had completed the Acquisition of Ariona in consideration for the issue of 125,000,000 Shares to Ariona's sole shareholder, Haworth Finance Limited (**Haworth**) (or its nominees).

Ariona is a company incorporated in the Republic of Seychelles and is a special purpose vehicle representing a consortium of international institutional and private investors focusing on investing in the Waterberg Coal Project.

Haworth is the trustee company for a discretionary trust, the beneficiaries of which are entities and individuals which have provided financial or other support to Haworth's former wholly owned subsidiary, Ariona. It is registered in the British Virgin Islands and its sole director and shareholder is Mr Richard MacLellan. Mr

MacLellan makes all decisions in relation to the discretionary trust, including as to allocations and distributions of trust property. Mr MacLellan is qualified as a Chartered Accountant and has more than 20 years' experience in the provision of high level business and corporate advisory services in an international context.

At completion of the Acquisition, Haworth directed the Company to issue the Shares to beneficiaries of a discretionary trust of which Haworth was the trustee (**Haworth Trust**). The beneficiaries of the Haworth Trust include entities and individuals which have provided financial or other support to Ariona.

Ariona was party to several agreements pursuant to which it:

- (a) acquired 480,000,000 FSE Shares from Sekoko and Sekoko Resources in consideration of \$4,800,000 pursuant to the Share Purchase Agreement;
- (b) acquired a 10% interest in the Waterberg Coal Project from Sekoko indirectly through the subscription for a 25% interest in Sekoko (Sekoko currently holds a 40% interest in the Waterberg JV) in consideration for \$21,700,000 pursuant to the Share Purchase Agreement; and
- (c) subscribed for convertible notes in FSE valuing \$5,000,000 which are convertible into a maximum of 200,000,000 FSE Shares upon conversion (including conversion of capitalised interest) pursuant to the Investment Agreement.

Finally, Ariona also entered into a loan agreement with Celtic Capital Pty Ltd (**Celtic Capital**) on or about 28 January 2013, whereby Celtic Capital agreed to loan A\$2,500,000 (**Loan Amount**) to Ariona on customary commercial terms. As at the date of this Prospectus, Ariona has repaid \$1,000,000 to Celtic Capital.

6.5 Facility

On 26 March 2013, the Company executed the Convertible Facility Agreement, the terms of which are summarised in Section 14.2.1. On or about 10 April 2013, WCC drew down the entire \$35,000,000 Facility the subject of the Convertible Facility Agreement. The Facility was used to complete the transactions detailed in Section 6.4(a) and 6.4(b) above. The surplus of \$8,500,000 has been allocated to the expenses of the Offer, working capital and funds on deposit.

SBSA is the arranger, facility agent, lender, security trustee and security agent under the Convertible Facility Agreement. SBSA is South Africa's leading project finance bank.

As at the date of this Prospectus, the Company understands that the total \$35 million Facility is apportioned as follows:

- (a) SBSA – \$15 million;
- (b) a Middle Eastern sovereign wealth fund – \$20 million.

The Company considers it is unlikely that any lender would be in any substantial holding position in relation to WCC on the basis of conversion of its loans under the Convertible Facility Agreement for the following reasons:

- (a) the Company will need to raise additional capital (up to \$400 million, a significant portion of which would be in equity estimated to be up to \$150 million) in order to continue its operations and develop the Waterberg Coal Project. This additional equity would significantly dilute

any interest acquired on conversion of any principal amount under the Convertible Facility Agreement;

- (b) while SBSA leads the SBSA consortium, the individual lenders may exercise the right to convert their respective proportion of the loan at any time during the term of the loan. The Company is not aware of any current intention of any of the lenders to convert their portion of the loan into WCC shares.

However, notwithstanding the above, it is possible that a lender could become a substantial shareholder if the Company fails to raise a significant portion of required funds in equity and the lender was to then convert the facility.

To the extent a consortium member exercises a right to be issued with Shares, the Company will make the customary disclosure associated with the issue of those Shares at the relevant time. Additionally, the relevant lender will be obliged to disclose if its conversion of its portion of the loan results in it holding a relevant interest in more than 5% of WCC.

The Company has been granted a waiver from ASX Listing Rule 7.3.2 in order to allow it to issue Shares pursuant to the terms of the Convertible Facility Agreement outside of the 3 month period otherwise required by the ASX Listing Rules. Under the waiver, any Shares must be issued by 27 March 2015.

6.6 The Waterberg Coal Project

The Waterberg Coal Project comprises eight titles in the Waterberg coalfield (see Figure 1 below) totalling some 7,979 hectares.

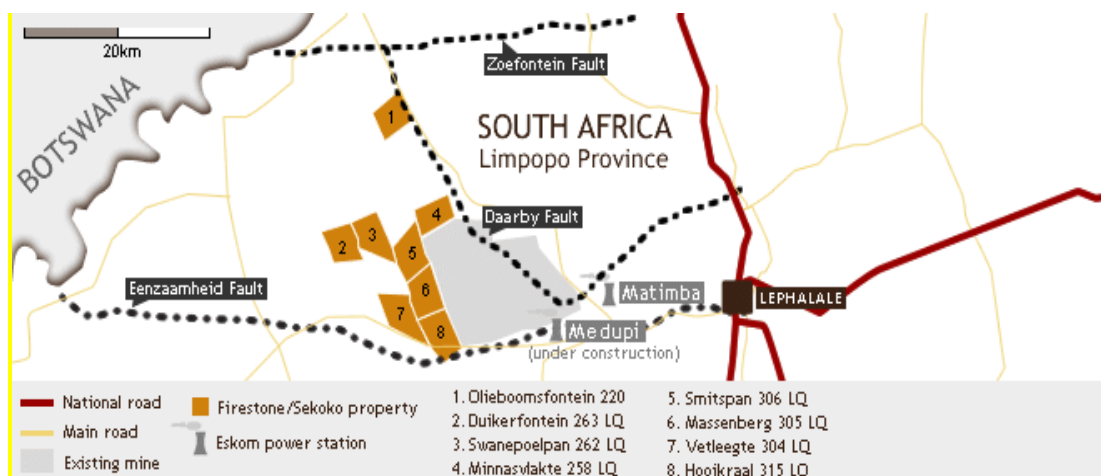


Figure 1: Waterberg Coal Project Titles

The Company currently holds its interests in the Waterberg JV as set out below:

- (a) its first interest is held through its interest in FSE (who holds an indirect 60% interest in the Waterberg JV) which will be acquired through the Company's shareholding in FSE by virtue of the Takeover Offer and acquisition of FSE Shares by Ariona pursuant to the Share Purchase Agreement; and
- (b) its second interest is held through Ariona's recent acquisition of 25% of the issued share capital of Sekoko (who is the black economic empowerment partner in the Waterberg Coal Project, the owner of the mineral rights required for the Waterberg Coal Project and the holder of a 40% interest in the Waterberg JV).

As such, the Company has the capacity to hold an indirect 70% interest in the Waterberg JV (assuming acquisition of 100% of the FSE Shares under the Takeover Offer), with Sekoko holding the remaining 30% interest.

Below is a JORC resources tables in respect of the Waterberg Coal Project:

Gross in-situ tonnage of coal	Measured	Indicated	Inferred	Total
Smitspan	239,000,000	476,000,000	-	715,000,000
Hooikraal	-	7,000,000	155,000,000	163,000,000
Minnasvlakte	-	27,000,000	231,000,000	257,000,000
Massenberg	-	21,000,000	110,000,000	130,000,000
Vetleegte	1,000,000	204,000,000	18,000,000	224,000,000
Swanepoelpan	-	1,000,000	378,000,000	379,000,000
Duikerfontein	-	-	14,000,000	14,000,000
TOTAL	240,000,000	736,000,000	906,000,000	1,882,000,000

The parties involved in the Waterberg JV propose the construction of an open cut coal mine on the Smitspan title together with infrastructure linking the mine to the Transnet rail system which is approximately seven kilometres from the proposed mine site. The parties to the Waterberg JV have commissioned a formal BFS in relation to the proposed development and operation of the project. The BFS, and the results thereof, are expected to be completed and delivered to the market shortly.

Sekoko signed a conditional memorandum of understanding in relation to negotiating and entering into a coal supply agreement with Africa's largest power utility, Eskom Holdings Limited, to supply thermal coal from the Waterberg Coal Project to Eskom, subject to entry into a formal coal supply agreement. The formal coal supply agreement will be subject to a number of conditions precedent including, but not limited to:

- (a) Eskom obtaining all internal approvals to sign the agreement prior to 31 March 2014;
- (b) Sekoko obtaining registration of a mining right in respect of certain farms comprising the Waterberg Coal Project prior to 28 February 2014;
- (c) Eskom completing due diligence queries on the Waterberg Coal Project prior to 30 June 2013;
- (d) Sekoko obtaining all relevant statutory approvals to carry out its obligations under the agreement;
- (e) Sekoko obtaining funding to fund coal supply agreement and infrastructure of an amount not less than 499,964,747 Rand (approximately A\$55,656,768 based on \$1AUD/ 8.983 ZAR);
- (f) Sekoko establishing and commissioning:

- (i) all necessary infrastructure to ensure adequate water supply for the coal beneficiation operations at the Waterberg Coal Project by 30 September 2014; and
- (ii) all necessary load out facilities in relation to the Waterberg Coal Project by 30 September 2014.

Further details in respect of the Waterberg Coal Project are set out in the Independent Geologist's Report and South African Title Report included in Sections 10 and 11 of this Prospectus respectively.

6.7 South Australian Mining Interests

In addition to the Waterberg JV, the Company holds the Tenements located in South Australia.

The Company is currently compiling all historical geological, geochemical and drilling data from the Tenements. It is anticipated that the data compilation will be completed shortly, allowing the Company to undertake a target generation exercise and critically evaluate the potential of the Tenements.

Further details in respect of the Tenements are set out in the Solicitor's Report on Australian Tenements included in Section 12.

6.8 Competent Person's Statement

The information in this Prospectus which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow member of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associates and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including coal and iron ore mineralisation. Mr Varndell has sufficient experience which is 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, Exploration Targets, Mineral Resources and Ore Reserves". Mr Varndell consents to inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this Prospectus which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is 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, Exploration Targets, Mineral Resources and Ore Reserves". (JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

7. RISK FACTORS

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the business. In particular, the specific risks include risks associated with the successful completion of the Ariona Acquisition and the Takeover Offer.

In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

Please refer to Section 4.3 of this Prospectus.

7.3 South Africa specific

(a) Government, regulatory and sovereign risks

The current and any proposed operations of the Company require government approvals in the form of the grant of mining leases, miscellaneous licences and environmental approvals. There is a risk that onerous conditions may be attached to the approvals or that the grant of approvals may be delayed or not granted. It is also possible that government action, policy change and new legislation in Australia, the Republic of South Africa and other jurisdictions may have a material adverse effect on the Company's current and future business, operations and financial performance.

For example, current laws may be amended or new laws established to address concerns relating to the use, mining and transportation of mineral resources, the treatment of lands and infrastructure, the production of carbon dioxide, the remediation of mines, tax, royalty and environmental conservation.

The future viability and profitability of the Company is also dependent on a number of other factors affecting performance of all industries in Australia and the Republic of South Africa and not just the exploration and mining industries, including, but not limited to, the following:

- (i) general currency exchange rate fluctuations;
- (ii) the strength of the equity and share markets in Australia and throughout the world;

- (iii) general economic conditions in Australia and the Republic of South Africa and their major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- (iv) financial failure or default by a participant in any of the Company projects or other contractual relationships to which the Company is, or may become, a party;
- (v) insolvency or other managerial failure by any of the contractors used by the Company in its activities;
- (vi) political and environmental considerations, as well as the social and economic processes under way in the Republic of South Africa that may adversely impact business operations; and
- (vii) industrial disputation or social unrest in the Republic of South Africa, Australia and overseas.

(b) **Black Economic Empowerment and Social Development**

The Company and its joint venture partners (assuming completion of the Takeover Offer) must comply and remain compliant with the South African Mining Charter, the Mining Codes and the black economic empowerment participation requirements and the approved social and labour plan in order to retain prospecting and mining rights. Any failure to satisfy and to continue to satisfy the black economic empowerment requirements of the MPRDA, the Charter, the approved social and labour plan and/or the Mining Codes could jeopardise any prospecting rights held and impede the Company's and its joint venture partners' ability to acquire, develop or maintain any additional prospecting and mining rights.

(c) **Competition for Mining Rights**

There is generally competition for prospecting and mining rights in South Africa. The MPRDA provides that applications for mining rights and/or prospecting rights must be dealt with in the order of receipt (save for applications for the same mineral and land received on the same date, in which case preference must be given to applications from historically disadvantaged persons). In respect of new applications for prospecting rights and mining rights which the Company may wish to bring, as part of the Company's future growth strategy, there is a risk that such applications may not be successful if other applicants have already applied for such minerals and land. There is also no guarantee that suitable deposits will be available in future.

(d) **HIV/AIDS**

South Africa has one of the highest HIV infection rates in the world. The exact impact of increased mortality rates due to HIV/AIDS related deaths on the cost of doing business in South Africa and the potential growth in the economy is unclear at this time although employee related costs in South Africa could increase as a result of the HIV/AIDS epidemic. Results may be adversely affected by the loss of productivity and increased costs arising from any effect of HIV/AIDS on the Company's and its joint venture partners' workforce.

(e) **Mining and Prospecting Rights**

Acquisition and retention of prospecting rights and mining rights in South Africa is a detailed and time-consuming process. There is no guarantee the joint venture entity in which the Company is acquiring an interest will be granted the mining rights necessary to develop the prospecting rights on acceptable terms in a timely manner or at all. A wide range of factors and principles must be taken into account by the South African Minister of Mineral Resources when considering applications for mining rights.

The factors taken into account include the applicant's access to financial resources, the applicant's technical ability to conduct the proposed mining operation optimally in accordance with the mining work programme, the mining must not result in unacceptable pollution, ecological degradation or damage to the environment, the applicant must provide financially and otherwise for the prescribed social and labour plan, the applicant must have the ability to comply with the relevant provisions of the Mine Health and Safety Act (South Africa) and the granting of the application must substantially and meaningfully expand opportunities for historically disadvantaged South Africans (including women) to enter the mineral and petroleum industry and to benefit from the exploitation of the nation's mineral resources, promote employment and advance the social and economic welfare of all South Africans in accordance with the approved social and labour plan. In addition, the grant of a mining or prospecting right may be disputed or challenged by third parties in the event that the correct procedures were not followed.

7.4 Industry specific

(a) **Exploration and mining**

Mining exploration is an inherently speculative endeavour and associated with various risks. There can be no assurance that exploration of tenements will result in the discovery of recoverable resources.

Even if resources are identified, there is no guarantee that those resources can be economically exploited. Other factors such as adverse weather conditions, operational and technical difficulties, geological conditions, lack of sufficient water or power sources, industrial and environmental accidents, occupational health or safety issues, labour disputes, lack of access to key infrastructure such as railway and port facilities, adverse changes in government policy or legislation or a lack of access to sufficient funding may mean that any resources discovered are not economically recoverable or may otherwise preclude the Company from successfully mining and exploiting those resources.

(b) **Exploration and mining tenements**

There are also risks relating to having an interest in exploration and mining tenements. Tenements located in the Republic of South Africa are subject to certain legislative conditions, periodic renewal, environmental laws, landowner access negotiation and agreement and other regulations across multiple regulatory bodies who may act at their sole discretion.

The tenements are also subject to meeting certain annual expenditure commitments imposed from time to time to keep them in good standing and any failure to meet such commitments can result in forfeiture of any such tenement(s).

(c) **Resources and reserves estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans that may, in turn, adversely affect the Company's operations.

(d) **Coal price volatility**

If the Company achieves success leading to mineral production, a significant proportion of the Company's revenues and cash flows are likely to be derived from the sale of coal. In this event, it is likely that the financial performance of the Company will be sensitive to coal prices. Coal prices are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, demand for the commodity, and forward selling and costs of production by other coal producers.

Commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates, currency exchange rates (particularly the strength of the US dollar) as well as general global economic conditions and political trends.

If coal prices should fall below or remain below the Company's costs of production for any sustained period due to these or other factors and events, the Company's exploration and production could be delayed or even abandoned. A delay in exploration or production or the abandonment of one or more of the Company's projects may require the Company to revise downwards its coal resources and will have a material adverse effect on the Company's financial position.

It is difficult to predict accurately future demand and price movements and how such movements may adversely impact the Company's profitability, financial position and performance, prospects, future development and any future production.

(e) **Environmental risk**

Mining operations have inherent risks and liabilities associated with pollution of the environment and disposal of waste products. The Company's activities in the Republic of South Africa will be subject to various laws and regulations regarding environmental matters and the discharge of hazardous waste and materials. Development of any coal resources will be dependent on the project meeting environmental guidelines and gaining approvals from the relevant government authorities. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the

environment, particularly if advanced exploration or mine development proceeds. Despite the Company's best intentions and best efforts to conduct its activities in an environmentally responsible manner, there remains a risk that environmental and/or community incidents may occur that may negatively impact on the Company's reputation or licence to operate.

(f) **Competition Risk**

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(g) **Title Risk**

The Company cannot give any assurance that title to the Waterberg Coal Project will not be challenged or impugned for various reasons, including that they may be subject to prior unregistered agreements or transfers or title may be affected by undetected defects.

7.5 General risks

(a) **Retention of key business relationships**

The Company's business relies on several contracts and business alliances. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Company, its business, operating results or prospects.

(b) **Ability to attract personnel**

The Company's success depends, in part, on its ability to identify, attract, motivate and retain additional suitably qualified management. Competition for suitably qualified staff is strong. The inability to access and retain the services of a sufficient number of qualified staff could be disruptive to the Company's development efforts or business development and could materially adversely affect its prospects.

(c) **War and terrorist attacks**

War or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. There could also be a resultant material adverse effect on the business, financial condition and financial performance of the Company.

(d) **Foreign currency exchange rate fluctuations**

The Company's business is conducted outside Australia and in currencies other than the Australian dollar. The Company's income from, and the value of, those businesses will be affected by fluctuations in the rates by which those currencies are exchanged with Australian dollars.

(e) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(f) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(g) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(h) **Force Majeure**

Both, the Company, FSE and their respective projects, now or in the future may be adversely affected by risks outside the control of the Company and FSE including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(i) **Litigation Risks**

The Company and FSE are exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, the Company and FSE may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's and FSE's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(j) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

For personal use only

25 July 2013

Board of Directors
The Waterberg Coal Company Limited (formerly Range River Gold Limited)
Level 1, 33 Richardson Street
WEST PERTH WA 6005

Dear Sirs,

Independent Accountant's Report

Introduction

We have prepared this Independent Accountant's Report ("Report") at the request of the Directors of The Waterberg Coal Company Limited, formerly Range River Gold Limited (referred to as "Waterberg" or "the Company") for inclusion in the Replacement Prospectus ("the Prospectus") relating to the offer by the Company to raise up to \$10 million ("the Offer"), before the costs of the Prospectus by issuing 50 million fully paid ordinary shares in the Company at a price of 20 cents per share.

The purpose of the Prospectus is to raise capital to fund the development of the Waterberg Coal project and to enable the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change to the nature and scale of the Company's activities.

References to The Waterberg Coal Company Limited, formerly known as Range River Gold Limited, WCC, the Company, and other terminology used in this Report have the same meaning as defined in the Glossary of the Prospectus in which this Report appears.

Scope of Report

You have requested that HLB Mann Judd undertake a review of the Historical Financial Information of the Company and the Proforma Consolidated Financial Information of the Consolidated Entity comprising the Company and its subsidiary (referred to as "the Group") as at 31 December 2012 in order to express a conclusion on the Historical and Proforma Consolidated Financial Information as set out in Section 9 of the Prospectus, in accordance with ASRE 2405 *Review of Historical Financial Information Other Than A Financial Report*.

The Historical Financial Information comprises the reviewed Statement of Financial Position as at 31 December 2012 and the reviewed Statement of Comprehensive Income for the period ended on that date, extracted from the Company's reviewed 31 December 2012 interim accounts. The Proforma Consolidated Financial Information has been prepared using the reviewed Historical Financial Information and reflects completion of a series of actual and pro-forma transactions as at 31 December 2012 as outlined in Section 9 of the Prospectus.

Except for the effects of the actual and pro-forma transactions outlined in Section 9 of the Prospectus, the Proforma Consolidated Financial Information do not take into account other events or transactions (including operating costs incurred by the Company) since 31 December 2012.

The Directors of the Company are responsible for the preparation of the Historical and the Proforma Consolidated Financial Information (including the related notes), including the determination of the

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actual and pro-forma transactions and/or adjustments. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Historical and Proforma Consolidated Financial Information.

The Historical and Proforma Consolidated Financial Information are presented in an abbreviated form in so far as they do not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the *Corporations Act 2001* ("the Act").

The interim financial accounts of the Company for the period ended 31 December 2012 were reviewed by HLB Mann Judd in accordance with Australian Auditing Standards *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily require corroboration of the information obtained. The scope of a review of a financial report is substantially less than the scope of an audit conducted in accordance with Auditing Standards whose objective is the expression of an opinion regarding the financial report and accordingly, we did not express an opinion.

HLB Mann Judd's review conclusion on the Company's Interim Financial Report for the 6 months ended 31 December 2012, was issued on 21 February 2013. It was an unmodified conclusion.

Scope of Review – Historical and Proforma Consolidated Financial Information

We have reviewed the Company's Historical Statement of Financial Position as at 31 December 2012 and its Historical Statement of Comprehensive Income for the 6 months ended on that date, in order to state whether, anything has come to our attention which causes us to believe that they were not presented fairly in accordance with the requirements *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

We have reviewed the proforma Consolidated Statement of Financial Position as at 31 December 2012 and the Consolidated Statement of Comprehensive Income for the 6 months ended on that date, which assumed completion of the actual and pro-forma transactions identified in Section 9 of the Prospectus, in order to state whether, anything has come to our attention which causes us to believe that the pro-forma consolidated financial position of the Group as at 31 December 2012, the pro-forma consolidated financial performance of the Group for the 6 months ended on that date, including the transactions were not presented fairly in accordance with the accounting policies adopted by the Company in preparing its 31 December 2012 Reviewed Interim Financial Report.

Our review of the Historical and Proforma Consolidated Financial Information has been conducted in accordance with Australian Auditing Standard *ASRE 2405 Review of Historical Financial Information Other than a Financial Report* and other relevant assurance and professional standards. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances for the purposes of this Report.

The review procedures undertaken by HLB Mann Judd in our role as Independent Accountant were substantially less in scope than that of an audit examination conducted in accordance with generally

accepted auditing standards. Our review was limited primarily to an examination of the historical financial information, analytical review procedures and discussions with senior management.

A review of this nature will provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the Historical and Proforma Consolidated Financial Information included in the Prospectus.

Review Statement – Historical and Proforma Consolidated Financial Information

Based on our review, which is not an audit, nothing has come to our attention which would cause us to believe that:

- a) the historical Statement of Financial Position of the Company does not present fairly the financial position of the Company as at 31 December 2012, the Historical Statement of Comprehensive Income does not present fairly the financial results of operations of the Company for the 6 months ended 31 December 2012; and
- b) the proforma Consolidated Statement of Financial Position of the Group as at 31 December 2012 and the proforma Consolidated Statement of Comprehensive Income for the 6 months ended 31 December 2012, which assumes completion of the actual and pro-forma transactions set out in Section 9 of the Prospectus, do not present fairly the proforma consolidated financial position of the Group as at 31 December 2012 and the proforma consolidated financial performance of the Group for the 6 months ended 31 December 2012, including the transactions.

Events Subsequent to Reporting Date

Subsequent to 31 December 2012, those transactions referred to as events subsequent to reporting date in Section 9 of the Prospectus have been reflected in the Proforma Consolidated Financial Information.

Apart from the matters disclosed above and those dealt with in this Report and the Prospectus, and having regard to the Scope of our Report, to the best of our knowledge and belief no other material transactions or events outside of the ordinary business of the Group have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Sources of Information

We have made enquiries of the Directors of the Company and other parties, as considered necessary during the course of our analysis. We have also referred to the Prospectus and material documents which relate to the operations of the Company and its subsidiary. We have no reason to believe the information supplied is not reliable.

Independence and Disclosure of Interests

No partners in HLB Mann Judd have any interest in the outcome of the Offer other than the preparation of this Report for which normal professional fees will be received. HLB Mann Judd is the auditor of the Company.

Declarations

HLB Mann Judd has consented to the inclusion of this Independent Accountant's Report in the Prospectus in the form and context in which it is so included. As at the date of this Report, consent has not been withdrawn. The inclusion of this Report should not be taken as an endorsement of the



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Company or a recommendation by HLB Mann Judd of any participation in the Company by an intending subscriber.

Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB Mann Judd was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB Mann Judd makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

Yours faithfully,
HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink, appearing to be 'Jude Lau', written over a faint circular watermark.

Jude Lau
Partner

9. HISTORICAL PRO FORMA AND CONSOLIDATED FINANCIAL INFORMATION

The information as reflected in Column A below has been extracted from the Company's reviewed interim accounts for the 6 months ended 31 December 2012.

The Pro-forma Financial Consolidated Information (including the related notes) as set out in Column B, has been prepared using the reviewed Historical Financial Information as noted in Column A and reflects completion of the following assumptions and actual transactions which have occurred subsequent to 1 January 2013 and up to the date of this Prospectus.

The Pro-Forma Consolidated Financial Statements have been prepared in accordance with the same accounting policies used to prepare the Company's Annual Financial Report for the year ended 30 June 2012 and its Interim Financial Report for the 6 months ended 31 December 2012.

The Accounting policies used were in accordance with the requirements of Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act.

It is recommended that this Historical and Pro-forma Consolidated Financial Information be read in conjunction with the Annual Financial Report for the year ended 30 June 2012, the Company's Interim Financial Report for the 6 month period ended 31 December 2012 and any public announcements made by the Company in accordance with the continuous disclosure requirements arising under the Corporations Act, since 1 January 2013 and up to date of this Prospectus.

Actual and pro-forma transactions

The unaudited Pro-Forma Consolidated Statement of Financial Position, Pro-Forma Consolidated Statement of Comprehensive Income have been prepared based on the Reviewed Historical Statement of Financial Position as 31 December 2012 and the Reviewed Historical Statement of Comprehensive Income for the period ended on 31 December 2012, adjusted for the following pro-forma transactions.

The Company

- (a) In March and April 2013, raising \$1.8 million by issuing 81,575,305 pre-Consolidation Shares (1:10) at \$0.02 per Share and 842,470 post-Consolidation shares at \$0.20 per Share under a placement, before costs.
- (b) Settling on the acquisition of Ariona by issuing 125 million post-Consolidation Shares, at a deemed issue price of \$0.20 per Share (deemed purchase consideration of \$25 million). By this transaction, the Company acquired Ariona.
- (c) On 11 April 2013, raising an additional \$2.075 million, before costs via the second placement by issuing 10,375,000 Shares at \$0.20 per Share.
- (d) Paying fees to Garrison Capital of \$300,000 and issuing 25 million unlisted Options (with an approximate value of \$3,471,264 million) for corporate advisory services in respect of the Takeover Offer, as set out in Section 4.17 of this Prospectus.
- (e) As noted in Section 6.5, on or about 10 April 2013, WCC drew down the entire \$35,000,000 Facility the subject of the Convertible Facility Agreement. Assuming the entire Loan under the Convertible Facility Agreement is converted based on a 20% discount to a 5 day average

price of Shares at \$0.20. The Company guarantees the SBSA Consortium a minimum conversion value of \$73,500,000 and this value includes the LIBOR plus 12% to be converted into Shares (which reflects a premium of \$30,117,231 which has been expensed. Please refer to the summary of the Convertible Facility Agreement set out in Section 14.2.1 for further details.

- (f) The Company advancing \$28.6 million to Ariona to enable Ariona to settle debt totalling the same amount.
- (g) Recording the Company's shareholding in FSE of 1,096,808,318 FSE Shares, as at 23 July 2013 acquired via the Takeover Offer by issuing approximately 68,550,520 post-Consolidation Shares at \$0.20 per Share.
- (h) On consolidating Ariona, the Company equity accounting for its holding of 44.42% in FSE (using FSE's reviewed interim accounts for the 6 months ended 31 December 2012) and then recorded its holding in FSE to its fair value, with reference to FSE's quoted price as at 23 July 2013. This resulted in an impairment adjustment of approximately \$9,049,254.
- (i) Raising a minimum of \$1,500,000 and up to a maximum \$10,000,000 by issuing a minimum of 7,500,000 and up to a maximum 50,000,000 Shares at an issue price of \$0.20 per Share together with 1 free attaching Option exercisable at \$0.20 for every 2 Shares subscribed for. The estimated fees relating to the Offer range between \$310,695 and \$774,389. The fees relating to WCC listing on the JSE total approximately \$510,000.

Ariona

The following transactions were processed to the audited financial statements of Ariona for the year ended 31 December 2012.

- (a) Ariona having reached first stage completion with FSE, subscribed for \$27.145 million of new notes. \$22.145 million of the new notes were sold to BBY Nominees Pty Ltd (**BBY**).
- (b) Under the Share Purchase Agreement, Ariona acquired 480 million FSE Shares at the consideration of \$0.01 per FSE Share and a 10% indirect interest in the Waterberg JV through the subscription for a 25% interest in Sekoko for a purchase consideration of \$21.7 million.
- (c) On or about 13 January 2013, Ariona entered into loan agreements with Celtic Capital and entities associated with Celtic Capital and borrowed a total of \$3 million of which \$1.5 million was subsequently repaid.
- (d) Further to (f) (company) above, Ariona settled debt totalling \$28.6 million.
- (e) Application of equity accounting to account for its stake in Sekoko.

No adjustments have been made to reflect any operating costs incurred by the Company and Ariona between 31 December 2012 and to the date of this prospectus.

Unless otherwise stated, for the purposes of this Prospectus, actual and proforma transactions (a) to (g) (Company) and (a) to (d) (Ariona) are transactions which have occurred since 31 December 2012 and up to the date of this Prospectus and will be referred to events subsequent to reporting date.

The remaining transactions being (h) to (i) and settlement of the \$150,000 still owing to Garrison Capital as outlined in (d) (Company) and (e) (Ariona) are pro-forma transactions.

	Column A Company 31-Dec-12	Column B Proforma - consolidated entity \$1,500,000	\$10,000,000
Statement of Comprehensive Income *			
Interest revenue	21,597	21,597	21,597
Gain of settlement of DOCA	22,442,511	22,442,511	22,442,511
Other income	-	401,999	401,999
Total Revenue	22,464,108	22,866,107	22,866,107
Administration expense	-	(20,715)	(20,715)
Directors fees	-	-	-
Employee benefits expenses	(3,655)	(3,655)	(3,655)
Accounting and audit fees	(36,365)	(36,365)	(36,365)
Public company costs	(72,266)	(72,266)	(72,266)
Consultants and directors fees	(103,500)	(3,874,764)	(3,874,764)
Legal fees	(60,631)	(60,631)	(60,631)
Administrators costs	(72,004)	(72,004)	(72,004)
Finance costs	-	(30,300,981)	(30,300,981)
Non-capital exploration expenses	-	(2,536,350)	(2,536,350)
Share of profit/(loss) from associate	-	-	-
Impairment	(600)	(9,049,254)	(9,049,254)
Other expenses	-	-	-
Profit/(loss) before income tax	22,115,087	(23,160,878)	(23,160,878)
<i>Other comprehensive income:</i>			
Movement in foreign currency translation reserve	-	-	-
Other comprehensive income/ (expenses) for the year	-	-	-
Total comprehensive income/ (expenses) for the year	22,115,087	(23,160,878)	(23,160,878)

* represent the standalone statement for the Company and consolidated statement for the consolidated entity on preparing the pro-forma

Statement of Financial Position*	Notes	Column A	Column B	
		Company	Proforma Consolidated	entity
		31-Dec-12	\$1.5 Million	10 Million
Current Assets				
Cash and cash equivalents	1	691,225	11,555,530	19,591,836
Trade and other receivables		50,084	50,084	50,084
Loan receivable	2	750,000	-	-
Total current assets		1,491,309	11,605,614	19,641,920
Non Current Assets				
Trade and other receivables		-	-	-
Interest in associate - Sekoko	3.1	-	21,950,000	21,950,000
Investment in FSE	3.2	-	9,460,850	9,460,850
Intangible	3.3	-	27,318,798	27,318,798
Capitalised exploration costs		5,838	5,838	5,838
Convertible note - FSE	3.4	-	5,000,000	5,000,000
Total non current assets		5,838	63,735,486	63,735,486
Total assets		1,497,147	75,341,100	83,377,406
Current Liabilities				
Trade and other payables	4	406,095	1,008,374	1,008,374
Payables to:		-	-	-
- Resource Venture Capital Partners	5.1	-	237,099	237,099
- Celtic Capital (Nominees)	5.2	-	1,500,000	1,500,000
- Haworth Finance Limited	5.3	-	500,000	500,000
- Richmond Capital (Equity Loan)	5.4	-	2,089,420	2,089,420
Total current liabilities		406,095	5,334,893	5,334,893
Non-Current Liabilities				
Borrowings	6	-	65,117,231	65,117,231
Total non-current liabilities		-	65,117,231	65,117,231
Total liabilities		406,095	70,452,124	70,452,124
Net assets		1,091,052	4,888,976	12,925,282
Equity				
Contributed equity	7	3,429,207	46,693,616	54,729,922
Reserves	8	1,264,000	4,735,264	4,735,264
Accumulated losses		(3,602,155)	(46,539,904)	(46,539,904)
Total equity		1,091,052	4,888,976	12,925,282

* represent the standalone statement for the Company and consolidated statement for the consolidated entity on preparing the pro-forma

Notes:

Consolidated Statement of Financial Position	Notes	Proforma - consolidated	
		entity	
		\$1.5 Million	10 Million
Note 1:			
Cash and cash equivalents			
Opening balance as at 31/12/12		691,225	691,225
Receipt of the remaining \$1.5 mil in respect of the \$1.8 mil placement (\$0.3 mil had been received as at 31/12/12)	7	1,500,000	1,500,000
Raising a minimum of \$1.5 mil and up to \$10 mil under the prospectus, net of transaction costs \$310,695 and \$774,389.	7	1,189,305	9,225,611
Raising \$2.075 mil before costs via the 2nd placement	7	2,075,000	2,075,000
Payment of Garrison Capital fees		(300,000)	(300,000)
Draw down under the Convertible Facility Agreement	6	35,000,000	35,000,000

Consolidated Statement of Financial Position

Proforma - consolidated entity

\$1.5 Million 10 Million

Advance funds to Ariona of \$26.5 mil, which in turn used the proceeds to settle on the acquisition of the 10% in Sekoko and 480 mil shares in FSE	2	(26,500,000)	(26,500,000)
Advance funds of \$1.5 mil to Ariona, which in turn used the proceeds to settle loans owing to Celtic Capital (Nominees) of \$1.5 mil	2	(1,500,000)	(1,500,000)
Advance funds of \$0.6 mil to Ariona, which in turn used the proceeds to acquire convertible notes in FSE		(600,000)	(600,000)
Total		11,555,530	19,591,836

Note 2:

Loan receivable

Opening balance as at 31/12/12		750,000	750,000
Advance funds of \$0.6 mil to Ariona, which in turn used the proceeds to acquire convertible notes in FSE		600,000	600,000
Advance funds of \$1.5 mil to Ariona, which in turn used the proceeds to settle loans owing to Celtic Capital and entities associated with Celtic Capital of \$1.5 mil	1	1,500,000	1,500,000
Advance funds to Ariona of \$26.5 mil, which in turn used the proceeds to settle on the acquisition of the 10% in Sekoko and 480 mil shares in FSE	1	26,500,000	26,500,000
Elimination of the outstanding amount on consolidation of Ariona		(29,350,000)	(29,350,000)
Total		-	-

Note 3.1:

Interest in associate - Sekoko

Opening balance as at 31/12/12		-	-
Recognition of investments in Sekoko on consolidation of Ariona		21,950,000	21,950,000
Total		21,950,000	21,950,000

Note 3.2:

Investment in FSE

Opening balance as at 31/12/12			
Recognition of investments in FSE on consolidation of Ariona		4,800,000	4,800,000
Record WCC's holding of 1,096,808,318 FSE shares as at 23/7/13		13,710,104	13,710,104
Impairment adjustment based on FSE's quoted price as at 23/7/13		(9,049,254)	(9,049,254)
Total		9,460,850	9,460,850

Note 3.3:

Intangible

Opening balance as at 31/12/12		-	-
Recognition of intangible on consolidation of Ariona		27,318,798	27,318,798
Total		27,318,798	27,318,798

Note 3.4:

Convertible note – FSE

Opening balance as at 31/12/12		-	-
--------------------------------	--	---	---

Consolidated Statement of Financial Position

Proforma - consolidated entity

	\$1.5 Million	10 Million
Recognition of FSE convertible notes on consolidation of Ariona	5,000,000	5,000,000
Total	5,000,000	5,000,000

Note 4:

Trade and other payables

Opening balance as at 31/12/12	406,095	406,095
Reduce balance by \$0.3 mil as it related to funds received by 31/12/12 related to the \$1.8 mil placement	(300,000)	(300,000)
Record the accrued costs related to the JSE listing of \$0.51 mil	510,000	10,000
Recognition of Ariona's accounts payable balance on consolidation	392,279	392,279
Total	1,008,374	1,008,374

Note 5.1:

Payable to Resource Venture Capital Partners

Opening balance as at 31/12/12	-	-
Recognition of liability on consolidation of Ariona	237,099	237,099
Total	237,099	237,099

Note 5.2:

Payable to Celtic Capital (Nominees)

Opening balance as at 31/12/12	-	-
Recognition of liability on consolidation of Ariona	1,500,000	1,500,000
Total	1,500,000	1,500,000

Note 5.3:

Payable to Haworth Finance Limited

Opening balance as at 31/12/12	-	-
Recognition of liability on consolidation of Ariona	500,000	500,000
Total	500,000	500,000

Note 5.4:

Payable to Richmond Capital (Equity Loan)

Opening balance as at 31/12/12	-	-
Recognition of liability on consolidation of Ariona	2,089,420	2,089,420
Total	2,089,420	2,089,420

Note 6:

Borrowings

Opening balance as at 31/12/12	-	-
Draw down under the Convertible Facility Agreement	35,000,000	35,000,000
Record premium payable to the lender via profit or loss	30,117,231	30,117,231
Total	65,117,231	65,117,231

Note 7:

Contributed equity

Opening balance as at 31/12/12	3,429,207	3,429,207
Receipt of the remaining \$1.5 mil in respect of the \$1.8 mil placement (\$0.3 mil had been received as at 31/12/12)	1,500,000	1,500,000
Transfer of the \$0.3 mil already receipted by	300,000	300,000

Consolidated Statement of Financial Position

Proforma - consolidated entity

31/12/12

Raising a minimum of \$1.5 mil and up to \$10 mil under the prospectus, net of transaction costs \$310,695 and \$774,389.

Raising \$2.075 mil before costs via the 2nd placement

Issue of 125 mil shares to settle on the acquisition of Ariona

Offset the costs related to the JSE listing of \$0.51 mil against issued capital

Record WCC's holding of 1,096,808,318 FSE shares as at 23/7/13

Total

\$1.5 Million	10 Million
1,189,305	9,225,611
2,075,000	2,075,000
25,000,000	25,000,000
(510,000)	(510,000)
13,710,104	13,710,104
46,693,616	54,729,922

Note 8:

Reserves

Opening balance as at 31/12/12

Record the issue of options to Garrison Capital

Total

1,264,000	1,264,000
3,471,264	3,471,264
4,735,264	4,735,264

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Australia

Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT GEOLOGICAL REPORT

ON THE WATERBERG COALFIELD

for

The Waterberg Coal Company Limited

Authors: Brian J Varndell BSc(SpecHonsGeol), FAusIMM.
Allen J Maynard BAppSc(Geol), MAIG, MAusIMM. Lead CPR
Company; Al Maynard & Associates Pty Ltd
Date 11th July 2013

Executive Summary

This Executive Summary reflects the full contents of the report presented below.

The Waterberg Coalfield is becoming increasingly important as coal reserves in the Witbank, Highveld and Ermelo coalfields of the Mpumalanga Province, which currently supply the majority of Eskom's coal power stations, become depleted over the next 20 to 30 years.

Coal was discovered in the Waterberg area in 1922 during water drilling 25km west of the town of Ellisras. The coal measures of the Waterberg Coalfield occur in the Volksrust and Vryheid Formations of the Karoo Supergroup and all the classical subdivisions of the sequence are encountered (Fig 1 & 2, Tables 1 & 2).

The coal is thought to have originated in a fluvial environment and is of late Palaeozoic to early Mesozoic age. Numerous coal zones with multiple seams occur, varying in thickness from millimetres to more than 8m over an interval of 120m.

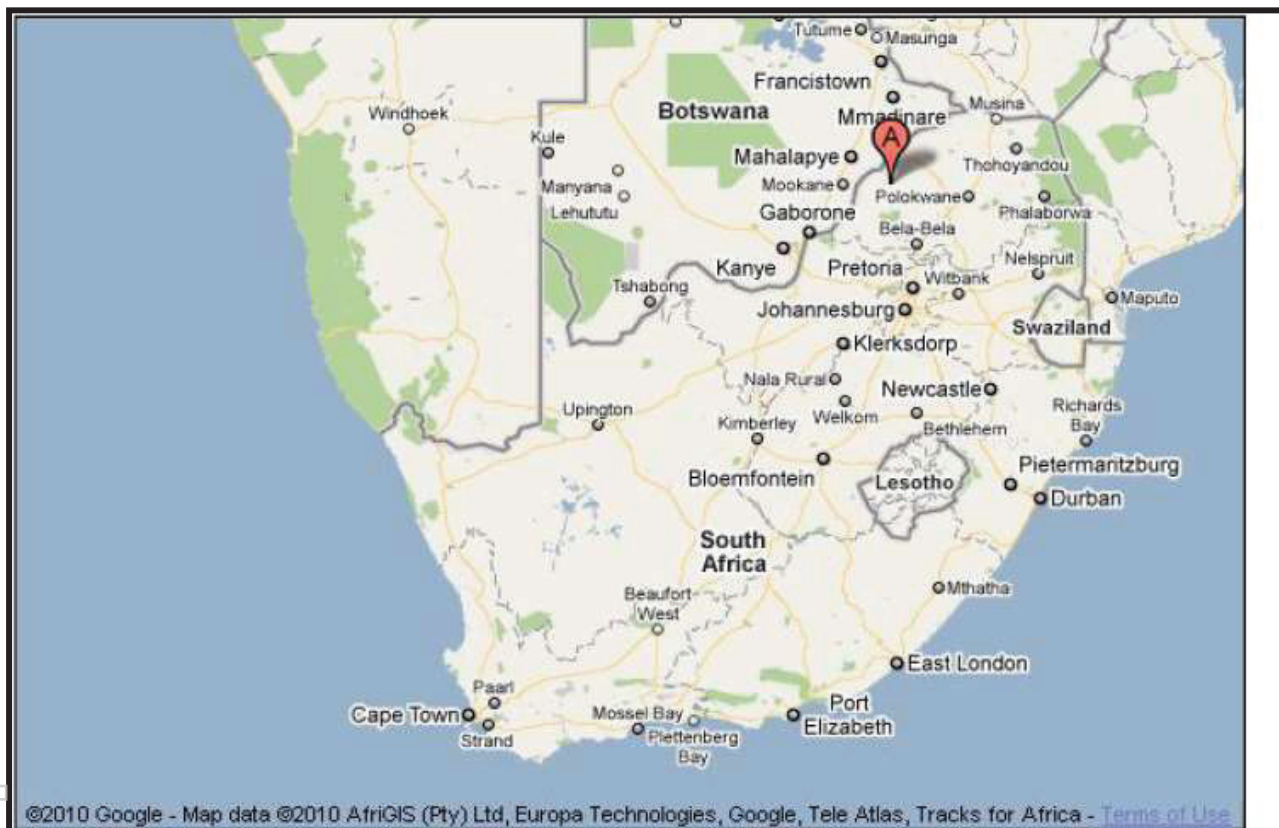


Figure 1: Relative position of Waterberg Project within the Republic of South Africa

Figure 1: Location of Waterberg Project within the Republic of South Africa.

Exxaro owns and operates the nearby Grooteegeluk Colliery which mines coal from an opencast operation. It produces semi-soft coking coal and steam coal for the inland and export market and has a 14Mtpa coal supply agreement with Eskom's nearby Matimba power station.

Production will rise significantly as Eskom brings on-stream the Medupi (Matimba II) power station adjacent to Matimba. It has recently been reported that a 600MW Independent Power

Plant (“IPP”) is being negotiated and a third Eskom 3,600MW power plant is on the drawing board.

The coalfield is also being investigated by State owned Sasol and PetroSA to supply potential coal-to-liquids and gas-to-liquids projects; while Anglo Coal over the last 15 years has established considerable resources of coal bed methane gas. Anglo Coal has undertaken some limited methane production and is currently flaring gas on one of their sites.

This report covers eight farms in the Matimba power station environs. Prior to 2007, the Council for Geoscience drilled 19 holes on the Smitspan, Swanepoelpan, Massenberg and Vetleegte Farms that outlined the presence of the full coal measures sequence in the area.

Recent exploration since 2007 included 133 holes drilled with 87 on Smitspan Farm, 22 on Vetleegte Farm and 13 on Massenberg Farm with full details of this exploration drilling are detailed in the exploration history section and Table 4. The Smitspan Farm forms the core of the project area where holes were initially spaced on a 500m grid which was later reduced to 250m in order to increase confidence in the resource estimates. The density of drilling generally decreases away from Smitspan Farm.

An independent valuation of the contributing properties was conducted by Venmyn Deloitte (Pty) Ltd in February 2013 (“the Venmyn Deloitte 2013 report”). The Venmyn Deloitte 2013 report was based upon resource estimates reported from ore body modelling carried out by Sound Mining Solutions (Pty) Ltd (“SMS”) under the direct guidance of Venmyn Deloitte as outlined below. Venmyn Deloitte identified a total of approximately 1,421Mt of Resources in the project area subset into 638.1Mt of Inferred Resources, 566.9Mt of Indicated Resources and 215.8Mt of Measured Resources (Table 5). All the standard risk, modifying factors and attention to potential environmental issues as required by the JORC Code were honoured. A copy of the Venmyn Deloitte 2013 report can be obtained from Firestone Energy Limited’s ASX Market Announcements Platform (ASX:FSE).

The company has instructed Werksmans, a legal firm in South Africa, to prepare a limited title report in respect of the mineral rights in respect of the contributing properties, and this report is dated 9 July 2013 (“the Werksmans Title Report”). AM&A has accepted the contents of the Werksmans Title Report and will not comment on legal tenure in respect of the eight farms.

To date exploration expenditure has been incurred by the company since 2007 and now totals ZAR82.7M (~A\$8.8M at current exchange rates of ZAR9.4=A\$1). This expenditure has essentially been incurred in order to complete the drilling, its interpretation, resource and reserve estimates, valuation and a BFS. Details of key expenditure functions are available upon request to WCC.

The ongoing outline for the project is for the Company to further fully explore the project area by drilling 55 additional boreholes to raise the confidence level of the remaining farms to Inferred or Indicated Resource status. Thirty of the holes are planned for Hooikraal Farm with the remainder at Massenberg, Swanepoelpan and Vetleegte Farms.

An exploration program and budget is planned and fully described below. Exploration budgets are set at \$9.4M and \$17.9M for minimum and full listing raisings respectively.

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The Directors,
The Waterberg Coal Company Limited,
Level 1, 33 Richardson Street,
West Perth,
WA 6005

11th July, 2013

Dear Sirs,

Preamble

At your request Al Maynard and Associates (“AM&A”) has prepared this Independent Geological Report (“IGR”) on the mineral assets that the Waterberg Coal Company Limited (“WCC”) holds an interest in South Africa. The tenements are located within the Waterberg District, Limpopo Province of the northwest region of the Republic of South Africa.

This IGR has been prepared in accordance with the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (“Valmin Code”), the Joint Ore Resources Committee (“JORC”) Code and Guidelines for reporting on mineral exploration results and ore resources and the rules and guidelines relating to Independent Expert Reports set by the Australian Securities and Investments Commission (“ASIC”) and the ASX.

This report has been prepared for inclusion in a Prospectus to be issued by WCC dated on or about 2nd July, 2013 offering for subscription up to 50,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$10,000,000 together with one (1) free attaching option exercisable at \$0.20 for every two (2) Shares subscribed for. WCC has existing cash reserves of A\$7.9 million.

This report has been prepared by Allen J. Maynard and Brian J. Varndell.

- Allen J. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) and a Member of the Australian Institute of Geoscientists (“AIG”). He has over 35 years’ experience in mineral exploration and evaluation and more than 30 years’ experience in mineral asset valuation and acts as the lead CP.
- Brian J. Varndell B.Sc.(Spec Hons Geol) is an associate of AM&A, a qualified geologist and a Fellow of the AusIMM. He has more than 40 years’ experience in mineral exploration, resource and reserve calculation and the evaluation of mineral properties.

Neither the authors of this report nor any of their associates or employees have any material interest either direct, indirect or contingent in WCC nor in any of the mineral assets included in this report nor in any other WCC asset nor has any such interest existed previously. No commercial relationship has existed between AM&A and WCC prior to their appointment to prepare this Report. AM&A has had no input into the formulation of any of the mineral tenements under review. This geological report has been prepared by AM&A strictly in the role of an independent consulting geologist.

The present status of tenements listed in this report is based on information provided by WCC and the report has been prepared on the assumption that the tenements will prove lawfully accessible for evaluation and development.

WCC has warranted to AM&A that full disclosure has been made of all material information in its possession or knowledge and that such information is complete, accurate and true. None of the information provided by WCC has been specified as being confidential and not to be disclosed in our reports. As recommended by the Valmin Code, WCC has indemnified AM&A for any liability that may arise from AM&A's reliance on information provided by WCC. By the acceptance and use of this report WCC agrees to such indemnity.

Fees for the preparation of this report are being charged at normal commercial rates with expenses being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions of these documents, nor on the outcome of the proposed listing of WCC.

Information used in the preparation of this report has been derived from technical information provided by WCC, the Venmyn Deloitte 2013 report, the WerksmansTitle Report and other publicly available data. The authors are generally familiar with the various geological settings and styles of mineralisation and combined with the technical data available are able to make informed comments on the project areas.

For the purpose of Sections 731 to 733 of the Australian Corporations Law, AM&A were involved in the preparation of the IGR included in this Prospectus, and have authorised or caused the issue of this part of the Prospectus only. AM&A has given consent in writing to the issue of the Prospectus with IGR included in the form and context it was provided and has not withdrawn that consent before the lodgement of the Prospectus with ASIC.

We are of the opinion that:

- WCC has satisfactory and clearly defined exploration and expenditure programs which are reasonable having regard to the stated objectives of the Company; and
- Sufficient exploration work has taken place in the past two years to justify the budgeted exploration and expenditure program.

WCC's exploration programs are included in this report and have been phased over two years, but they may be altered in view of results gained which could revise the emphasis of current priorities.

AM&A observes Section 947B of the *Corporations Act 2001 (Cwlth)*. In accordance with *Corporations Regulation 7.6.01(1)(u)* and *Corporations Amendment Regulations 2003 (No. 7) 2003 No. 202*, this IGR is not financial product advice but is intended to provide investors with expert opinion on matters relevant to an investment in the Company. Allen J Maynard and AM&A are not operating under an Australian financial services licence and the advice in this IGR is an opinion on matters other than financial products and does not include advice on a financial product.

1.0 Introduction

The following report is compiled from information provided by WCC and other publicly available data.

The first stage of the project is to develop the Smitspan Mine which has a substantial measured thermal coal resource and to develop the Vetleegte Mine which has a substantial metallurgical coal deposit.

1.1 Tenement Details

1.1.1 Mineral Rights

The company has instructed Werksmans, a legal firm in South Africa, to prepare a limited title report in respect of the mineral rights in respect of the contributing properties (“the Werksmans Title Report”). AM&A has accepted the contents of the Werksmans Title Report and will not comment on legal tenure in respect of the eight farms.

The contributing properties are illustrated in Figure 2.

Other legal aspects regarding tenure, including any disputes, risks or impediments, including any possible environmental issues are covered elsewhere in the Prospectus and the Werksmans Title Report.

1.2 Location and Access

The Waterberg Project is located within the Limpopo Province in the northwest of the Republic of South Africa, approximately 20km from the town of Lephalale. The Grootegeeluk Coal Mine supplying Mittal and Eskom is about 10km from the Project area.

The properties are situated less than 5km west of Exxaro’s Grootegeeluk Mine boundary, 240km northwest of Pretoria and 70km south of the border with Botswana (Fig 1).

The properties are well placed with regards to the local infrastructure, located approximately 20km from the railway line that runs from Lephalale to Pretoria, and extends to Maputo, Richards Bay and Saldana Bay. The railway line terminates immediately north of the Grootegeeluk Mine.

The road network in the area is well established, with the tarred D1675 within 10km of the contributing properties.

The nearest town is that of Lephalale (Fig 2), which is located approximately 40km east of the contributing properties. The town is a regional centre and provides modern conveniences, including accommodation and services. The town is also a source of fuel and labour. The town services Eskom’s Matimba Power Station as well as Exxaro’s Grootegeeluk Coal Mine among other industries.

Lephalale is approximately 3.5 hour’s drive from Pretoria and Johannesburg (South Africa’s economic hub) on good bitumen roads and is also connected to a well-established rail system.

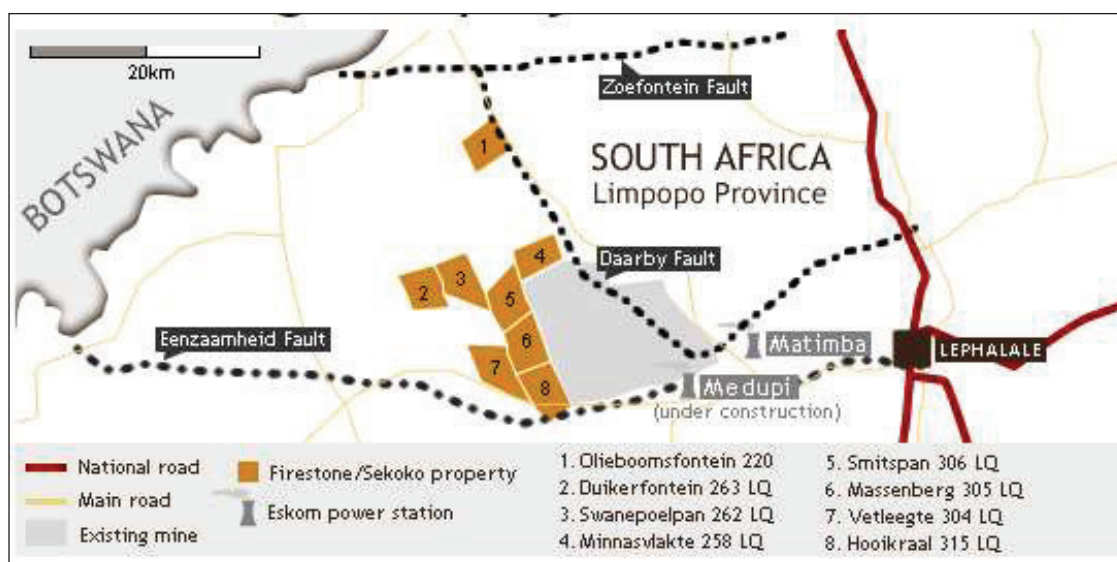


Figure 2: Limpopo Province showing JV properties, including Smitspan.

1.3 Topography

The topography of the contributing properties is generally a flat plain, with small undulations over the project area. The elevation varies between ~860m above mean sea level (“amsl”) to ~900mamsl. The topography dips gently to the north and west towards the Limpopo River valley.

The Limpopo River, which forms the border between South Africa and Botswana in this area, is a perennial river, and is located approximately 15km from the contributing properties.

1.4 Infrastructure

National infrastructure, including the Transnet Railway line that terminates at the Grooteegeluk Mine, and Eskom’s power distribution network lie within 20km southwest of the contributing properties.

Eskom’s existing 3,900MW Matimba Power Station is located adjacent to the Grooteegeluk Mine, approximately 15km west of the contributing properties. Eskom’s planned 4,800MW Medupi Power Station is located approximately 10km south of the Waterberg Coal Project properties, and is expected to be commissioned during 2014.

Eskom plans to build at least one additional power station in the Waterberg. This together with Medupi will require an additional 30mtpa of coal.

In 2012, the South African government made a number of pronouncements on infrastructure improvements, particularly water (Fig. 4) and rail, in the Waterberg Coalfield region of South Africa.

The rail division of Transnet has undertaken to spend ZAR7B on rail upgrades in the next five years to increase coal exports from Limpopo as well as to ensure that coal from the region can reach South Africa’s existing power stations in Mpumalanga, before their traditional feeder mines in Mpumalanga are depleted.

Phase one includes an upgrade of the existing route from the Waterberg to Ermelo via Rustenburg and Pyramid South and includes the construction of passing loops and the increase in the axle load capacity (Smith, 2012). Phase two of the investment program is not on the capital expenditure schedule for the next seven years.

1.5 Climate and Vegetation

The climate of the area is warm, which ensures that exploration and mining can take place throughout the year. Summers are hot (averaging highs of 35°C) with occasional thunder storm activity. The winters are mild (averaging highs of approximately 20°C) and generally dry.

The Waterberg is generally dry, with an annual average rainfall of 450mm, and prone to drought.

The vegetation of the area consists of sparse Bushveld, with the main land use being for game farming. The Waterberg Coal Project properties are all currently being utilised as game farms.

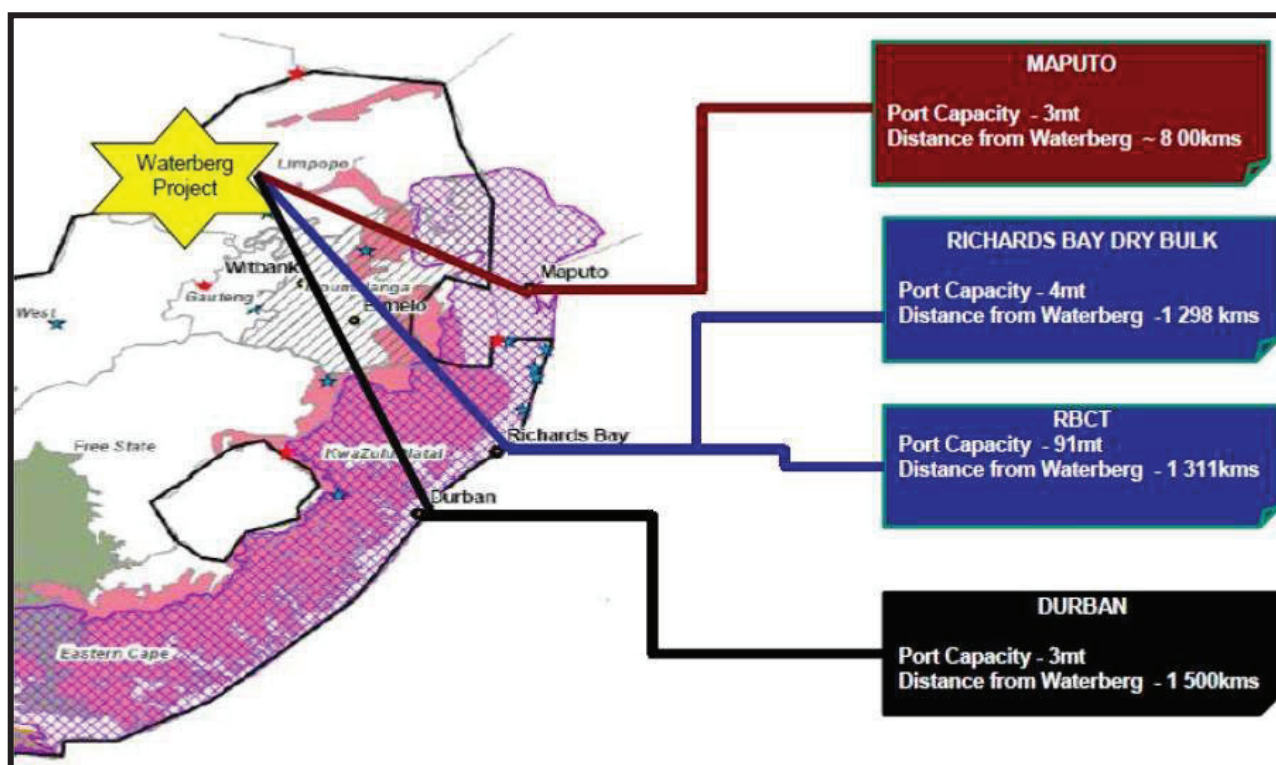


Figure 3: Waterberg Project in Relation to Ports.

2.0 Geological Setting

2.1 Introduction

The Waterberg coalfield is located in the Limpopo Province, South Africa. It extends approximately 85km east-west and 40km north-south and contacts the border with Botswana to the northwest, where it becomes the Mmamabula coalfield. It is bounded by two major east-west striking faults: the Zoetfontein to the north and the Eenzaamheid to the south. The partly uplifted block between is itself intersected by the Daarby fault which has a varying strike orientation and is downthrown to the east. The tectonic disturbance, which produced the faults, occurred at least 150 million years ago, simultaneously tilting local lithologies to the north.

The major coal deposits of the Waterberg coalfield form part of the Eccra Group. The Eccra Group is contained within the Karoo Supergroup that dominates lithology in southern Africa. It is a Permian sedimentary sequence of dark grey shales and interbedded sandstones and comprises two main local units: the Volksrust and Vryheid Formations.

The upper Volksrust (or Grootegeluk) Formation is locally ~70m thick and contains alternating mudstone and coal units (so called “bar-code” coals). The lower Vryheid Formation is locally ~60m thick and comprises mostly light grey sandstones, punctuated by distinct coal horizons.

The Eccra Group was deposited approximately 300 million years ago in coastal swamp and beach environments.

The Daarby fault, with a vertical displacement of around 250m - 400m, separates the coalfield into uplifted, shallow (generally <200m) and therefore open-pit deposits to the southwest, and deeper units to the northeast that are generally only extractable by underground mining.

2.2 Regional Geological Setting

The Waterberg Coalfield reportedly accounts for a substantial portion of South Africa's unmined coal inventory. It is considered a strategic coalfield in light of South Africa's (and southern Africa's) current energy crisis, with Eskom as well as mining and exploration companies presently investing heavily in this coalfield.

The Waterberg Coalfield is rapidly becoming as important as the better known Witbank, Highveld and Ermelo Coalfields which currently supply the vast majority of Eskom's coal power stations.

Its importance is set to surpass these other coalfields within the next 20 to 30 years as many of the more established coalfields become progressively more depleted, and as Eskom begins to increase its footprint in the Waterberg, away from the concentration of power stations in Mpumalanga in a bid to redistribute their impact on the environment and to satisfy the developmental needs of the Limpopo Province.

The Waterberg Coalfield extends for approximately 85km in a westerly direction from Lephalale and has a 40km north-south extent (Fig. 5). The coalfield extends westward into Botswana where it is known as the Mmamabula Coalfield.

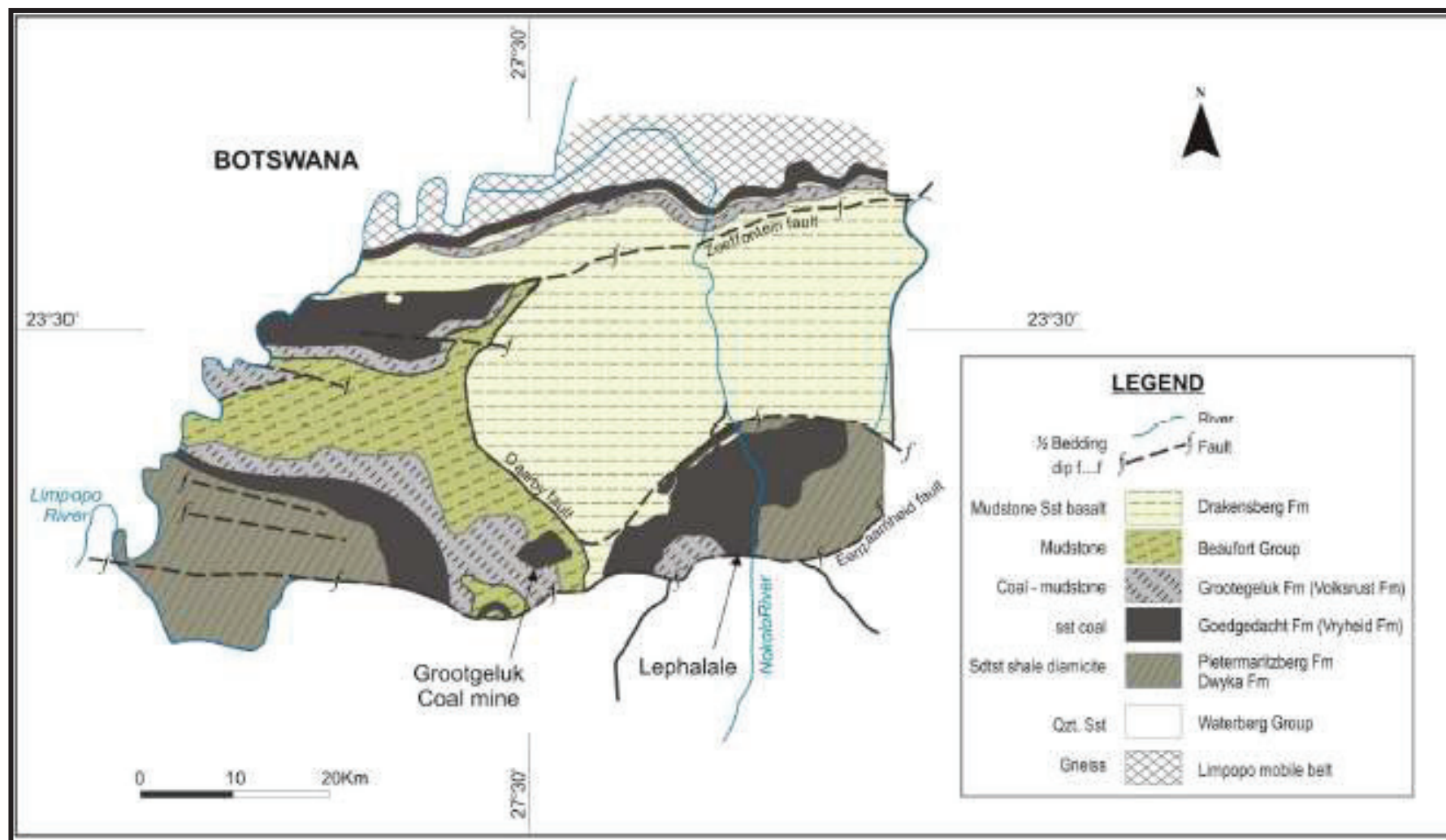


Figure 4: Geology of the Waterberg Coalfield (Faure et al, 1996).

The coalfield is fault-bounded along the southern and northern margins by the Eenzaamheid and Zoetfontein faults respectively creating a 'horst' structure (Fig. 5). The Daarby fault, with a displacement of between 250m and 400m, divides the coalfield into a shallow open pit western area and a deep northeastern area, where coal occurs at a depth of between 200m and 400m below surface and may only be extracted by underground mining.

The coal measures of the Waterberg Coalfield occur in the Volksrust and Vryheid Formations of the Karoo Supergroup and all the classical subdivisions of the sequence are encountered. Local stratigraphy is summarised in Tables 1 & 2).

Group	Formation SACS (1980)	Formation JFCililers (1951)	Representative Rocks	Average thickness (m)
STORMBERG GROUP	Drakensberg Basalt	Drakensberg	Lava - purplish to red, amygdaloidal	95
	Clarens Sandstone	Cave Sandstone	Sandstone, fine grained, white, yellow brown reddish	60
BEAUFORT GROUP	Elliot	Red Beds	Mudstone, red to chocolate brown, clayey	90
	Molteno	Molteno	Sandstone, white, medium to coarse grained, scattered pebbles	15
	Beaufort	Beaufort	Mudstone, purple, and greenish grey, alternating at top, light grey at base	90
ECCA GROUP	Volksrust	Upper Eccla	Intercalated shale and bright coal	60
	Vryheid	Middle Eccla	Sandstone and grit, intercalated carbonate, shale, siltstone, few thick coal seams, mainly dull	55
	Pietermaritz- burg	Lower Eccla	Shale and sandstone, grit in lower portions	150
DWYKA	Dwyka	Dwyka	Tillite	3

Table 1: Waterberg Area Stratigraphic Column Description.

Grootegeluk Formation	VOLKSRUST FORMATION	UPPER ECCA					
			ZONE AND SAMPLE Nos	1:500	AV. THICK-NESS (m)	% COAL (mass)	LITHOLOGY
			ZONE 11		7,56	38,33	Bright coal (without siderite) intercalated with grey mudstone, carbonate lenses $\pm$ 50 cm x 3 m.
			Samples Nos. 1A-1D				
			ZONE 10		9,37	53,86	Bright coal with little siderite intercalated with carbonaceous shale; carbonate lenses $\pm$ 50 cm x 3 m; thick coal bands in lower half.
			Sample Nos. 2-6				
			ZONE 9		6,53	48,34	Bright coal with prominent siderite at base intercalated with carbonaceous shale; thick coal band in lower half.
			Samples Nos. 7-9				
			ZONE 8		9,04	42,82	Bright coal; prominent siderite at base; intercalated with carbonaceous shale; thick coal bands in lower half.
			Samples Nos. 10-14				
ZONE 7		10,15	39,94	Bright coal sideritic throughout, intercalated as numerous thin bands with carbonaceous shale; prominent sideritic band at base.			
Samples Nos. 15-18							
Goedgedacht Formation	VRYHEID FORMATION	MIDDLE ECCA	ZONE 6		6,54	32,17	Bright coal, very sideritic in lower half, intercalated as numerous thin bands with carbonaceous shale.
			Samples Nos. 19-21				
			ZONE 5		13,54	21,97	Carbonaceous shale with coal bands in lower two thirds; siderite less prominent.
			Samples Nos. 22A-22E				
			Interbeds				
			Interbeds				
			ZONE 4		4,02	99,13	Coal, dull, heavy, some bright coal in lower half and at top, few thin shale bands; yields coking fraction.
			Sample No. 23				
			Interbeds		4,28	96,37	Shale, black to dark grey, carbonaceous, 1 m fossiliferous siltstone at base
			ZONE 4A				
Sample No. 24		4,28	96,41	Coal, dull, few bright stringers, thin shale bands			
Interbeds							
ZONE 3		7,82	96,41	Coal, dull bright laminae in lower 1,8 m which yields low ash slightly coking coal, few thin shale bands			
Samples Nos. 25-29							
Interbeds		4,54	98,22	Sandstone with shale bands			
ZONE 2							
Samples Nos. 30-31		3,73	98,22	Coal, dull, bright laminae in lower 2 m which yields lower ash slightly coking coal; thin shale bands			
Interbeds							
Interbeds		13,85	—	Sandstone, medium to coarse grained, few thin shale bands, thin coal band near top			
ZONE 1							
Sample No. 32		1,55	98,54	Coal, dull, very few bright laminae, thin shale bands			

Table 2: Waterberg Stratigraphy with detailed 11 Coal Zones Lithology.

Only a few dolerite dykes outcrop in the southeastern portion of the Waterberg Coalfield and no sill features have, to-date, been encountered in any exploration borehole.

2.2.1 The Volksrust Formation

The Volksrust Formation differs from that of the main Karoo Basin by being dominantly carbonaceous where it is represented by intercalated carbonaceous shale and mudstone, and bright coal. The Volksrust Formation consists of cyclical repetitions of mudstone and coal with an average thickness of approximately 60m, and comprises the upper seven zones (identified as Zones 5 to 11) that can be correlated across the coalfield.

The Volksrust Formation coals are classified as thick interbedded seam type deposits in terms of the SANS 10320:2004 guidelines.

There is a decreasing ratio of bright to dull coal from the top to the bottom of the succession, with the proportion of semi-soft coking coal greatest in Zones 6 to 11. The best quality coals are within Zones 8 to 11 over the majority of the coalfield. These zones are characterised by the highest yields and the presence of both bright and vitrinite coals.

The vitrinite content of the coal towards the top of the Volksrust Formation leads to the upper zones having a semi-soft coking coal yield as well as thermal coal. The remainder of the Volksrust Formation yields low grade thermal coal for power station consumption.

Each zone is typically characterised with bright coal at its base, with the ratio of coal to shale decreasing from the base in an upward direction. It follows therefore that the ash content of the zones increases upwards from approximately 20% to 45%.

The coal succession requires beneficiation or up-grading, to produce an acceptable coal quality for the market, which varies from semi-soft coking coals to internationally traded and local power station coals.

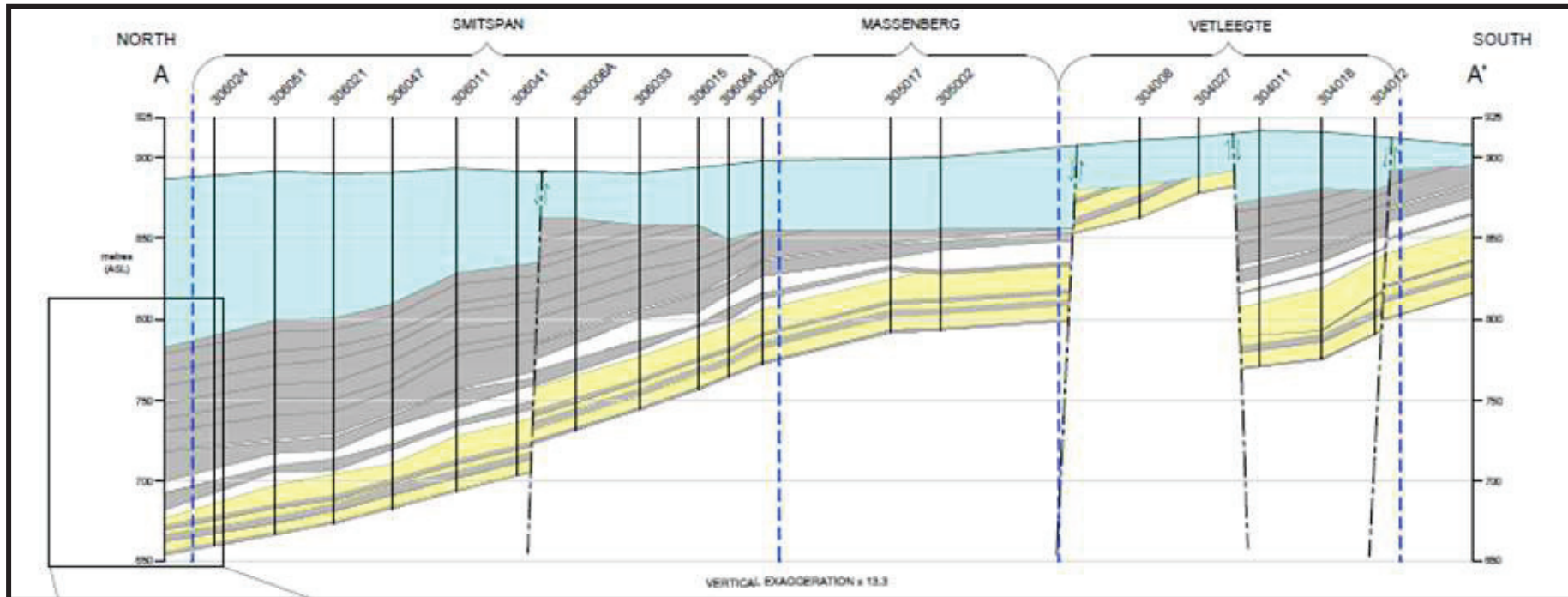


Figure 5: Typical Geological Cross Section across the Waterberg Coalfield.

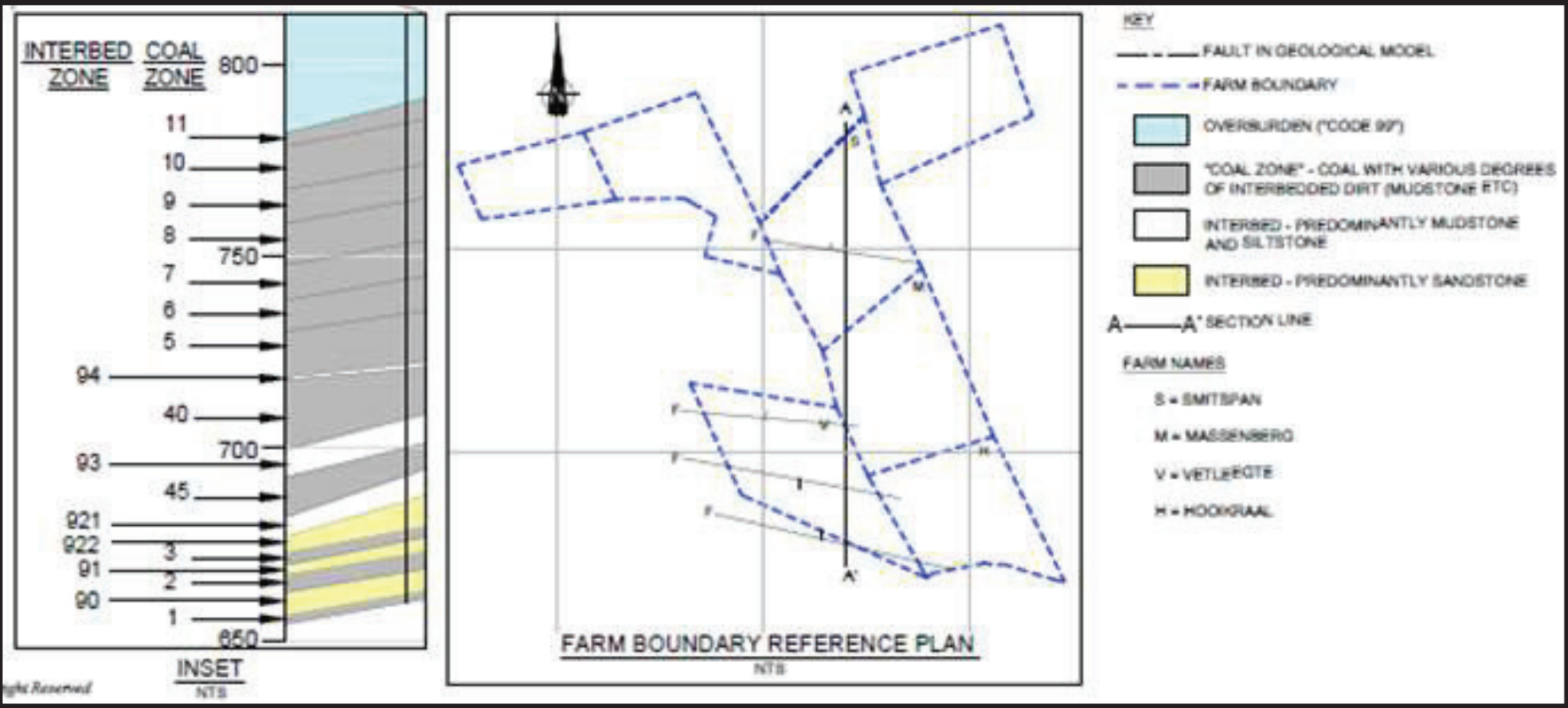


Figure 6: Plan view of the Waterberg Coalfield.

2.2.2 The Vryheid Formation

The Vryheid Formation coal seams are composed of predominantly dull coal with minor carbonaceous mudstone intercalations, mined as thermal coals. The coal seams are identified as Zones 1 to 4 from the base of the Formation. These coal seams occur over a stratigraphic interval of approximately 40m where the coal seams vary in thickness between 1.5m and 9m.

The Vryheid Formation coals are classified a multiple seam deposit type according to the SANS 10320:2004 guidelines. These are similar to the coalfields in Mpumalanga.

While the majority of the coal seams or zones consist mainly of dull coal or inertinite-rich coal, some bright coal is developed at the base of zones 2, 3 and 4. This coal is suitable for steam-raising, gasification or as a direct-injection coal in the metallurgical industry. It is sold “as is” or after only minor beneficiation to up-grade its coal quality parameters.

Due to lateral facies changes and changes in the depositional environment, these zones are characterised by a large variation in thickness and quality.

Zone 3 is the best-developed dull coal zone and reaches a maximum thickness of 9m. The basal portion yields a small fraction with semi-soft coking coal properties. Zone 2 is on average 4m thick and reaches a maximum thickness of 6m in the Grootegeeluk lease area. The basal portion also yields a fraction with semi-soft coking coal properties. Zone 1, the basal Vryheid coal zone, has an average thickness of 1.5m.

2.3 Local Geology

The contributing properties are shown superimposed over the regional geology of the western half of the Limpopo Province (Fig 4). The Goedgezicht/Swartrand, Endragtpan and Greenwich Formations form part of the Karoo Sequence and consist of shales, sandstones, mudstones and coal occurrences. Both the Upper and Lower Coal Sequences are present within the Waterberg Coal Project area.

Structurally, the stratigraphy, especially in the area of the contributing properties appears to be significantly faulted, generally in an east-west orientation, and increasing in intensity to the south. There is a dominant east-west fault direction with fault throws varying from 10m in the north to as much as 130m in the south (Figs. 6 & 7).

Understanding the structural-geological environment is, arguably, more important than understanding the distribution of the coal quality characteristics. The presence of the various coal zones is directly related to the faulting and subsequent erosion of the upper zones in the southern properties.

While the northern properties comprise all the coal zones (Zones 1 – 11), Massenberg 305LQ only has Zones 1 -9 in the north and Zones 1 – 4 in the south, and Hooikraal 315LQ only has Zones 1 – 4.

It is generally believed that the geological and structural environment, due to its relatively close proximity to Grootegeluk, should be similar to the geological and mining-geological conditions encountered at that mine. However, since Grootegeluk was established in the most favourable mining-geological environment, areas in close proximity to the mine may not necessarily experience such favourable conditions, due to the presence of fault structures (Figs. 8-10).

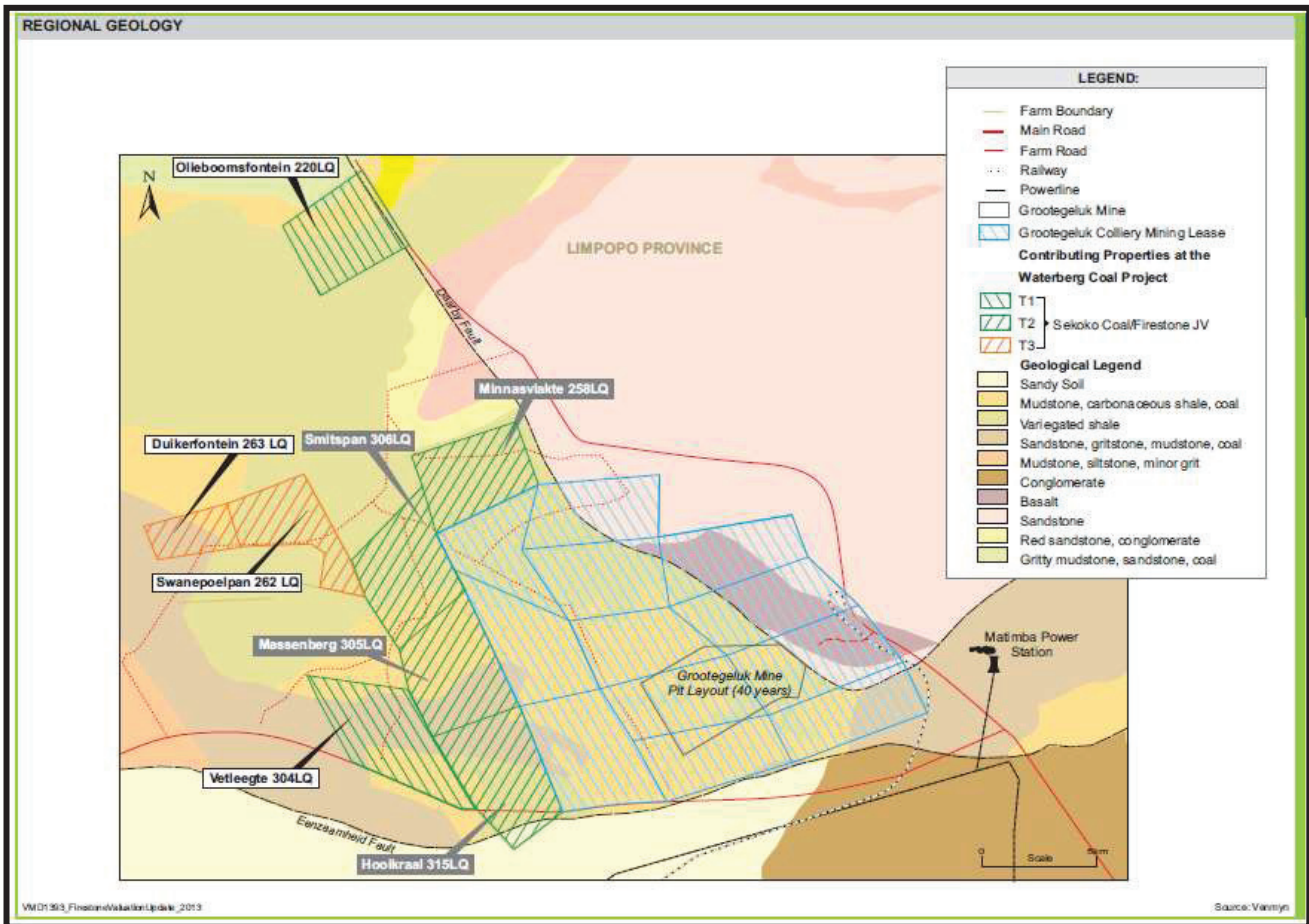


Figure 7: Matimba Power Station Environs Local Geology with Tenement Boundaries. (Source: Venmyn Deloitte)

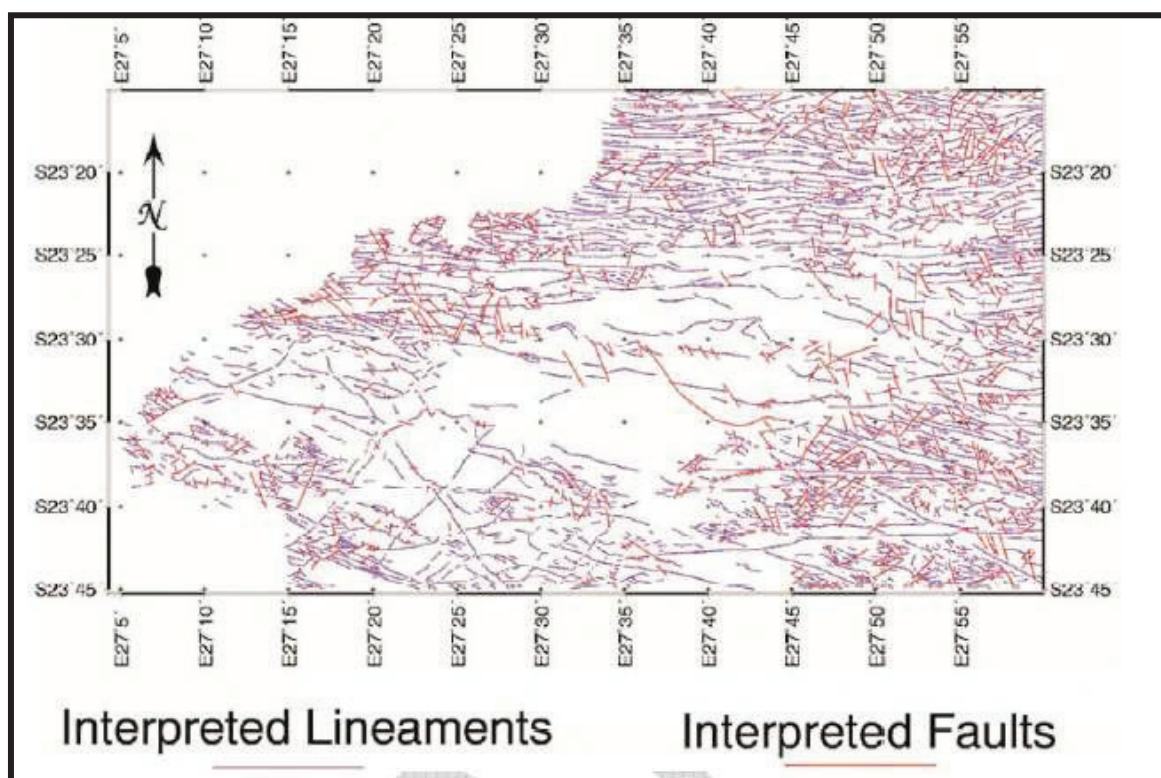


Figure 8: Interpreted Structures in the Waterberg Coalfield (Coaltech).

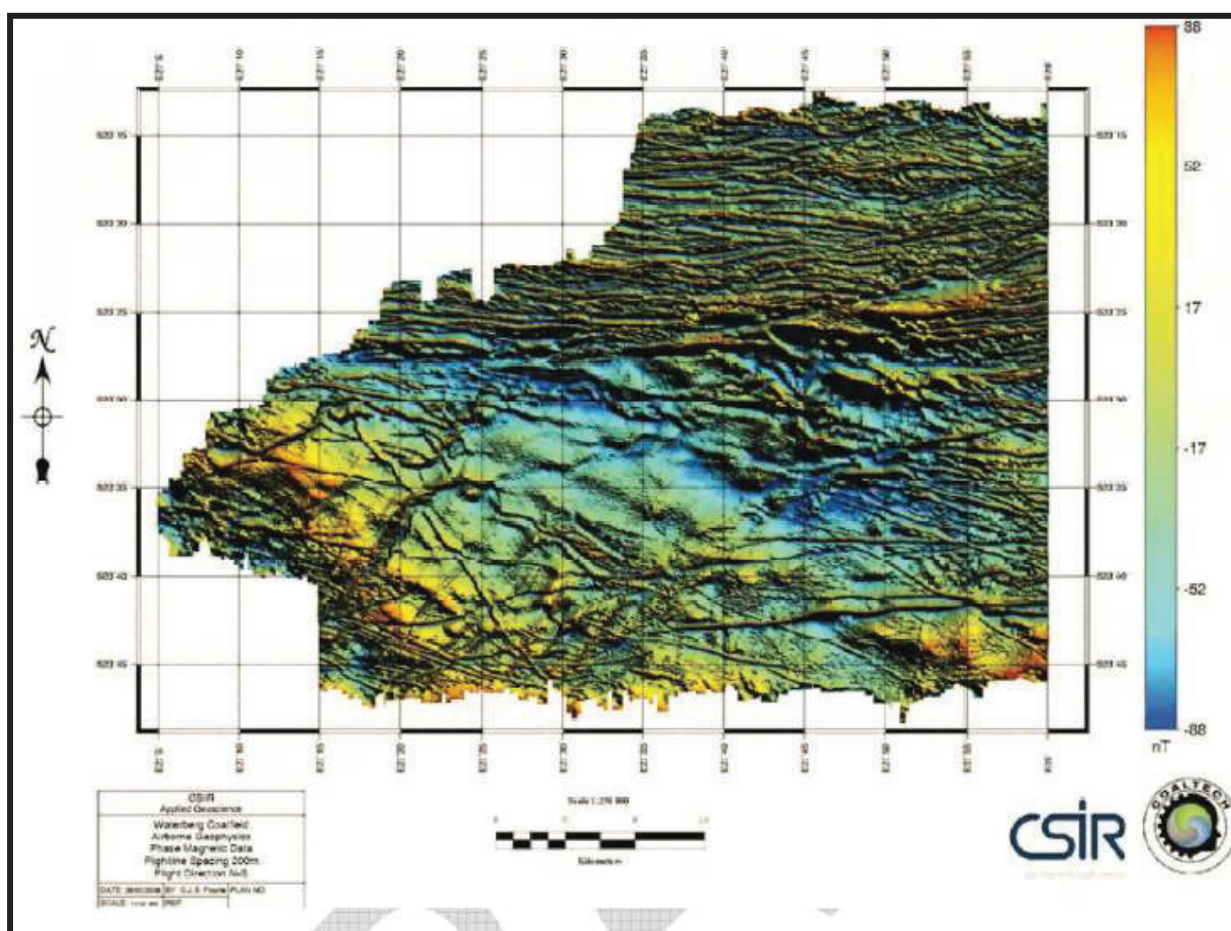


Figure 9: Airborne Magnetic Data, for the Waterberg Coalfield (CSIR).

2.4 Grootegeeluk Colliery

Exxaro's Grootegeeluk Colliery is the only presently operating mine in the Waterberg Coalfield. This opencast mine commenced production in 1980 primarily as a source of coking coal for the Iscor steel-works with a middlings fraction from the beneficiation process suited to power station consumption.

Saleable products currently include semi-soft coking coal, metallurgical coal and thermal coal, with the latter predominating as a dedicated supply to the Matimba Power Station. Metallurgical coal is primarily supplied to Arcelor-Mittal Steel, with semi-soft coking coal exported via the Durban and Richards Bay ports. Grootegeeluk currently has a 14Mtpa supply agreement with Eskom's neighbouring Matimba Power Station.

The coal strata extracted at Grootegeeluk is roughly 110m thick. The upper 60m consists of intercalated bright coal and carbonaceous shale of the Volksrust Formation, whilst the bottom 50m consists of well-defined dull coal seams separated by shale and sandstone interburden of the Volksrust Formation.

The deposit is mined selectively using a parallel bench advance approach, with benches extracted individually or in planned combination to satisfy specific end- product specifications. In addition, run-of-mine ('ROM') from the various benches is blended to allow the washing plants, in turn, to supply a consistent product to the end-user (Table 3).

Grootegeeluk's export coal is railed via Thabazimbi to Rustenburg and on to the Gauteng area. From there it is railed on the general-freight lines to destinations such as Saldanha or Durban. Some export coal is railed via general freight to Middelburg and onto the coal link line to the Richards Bay Coal Terminal ('RBCT').

Exxaro's Grootegeeluk Coal Mine produces Eskom coal, soft coking coal and export steam coal.

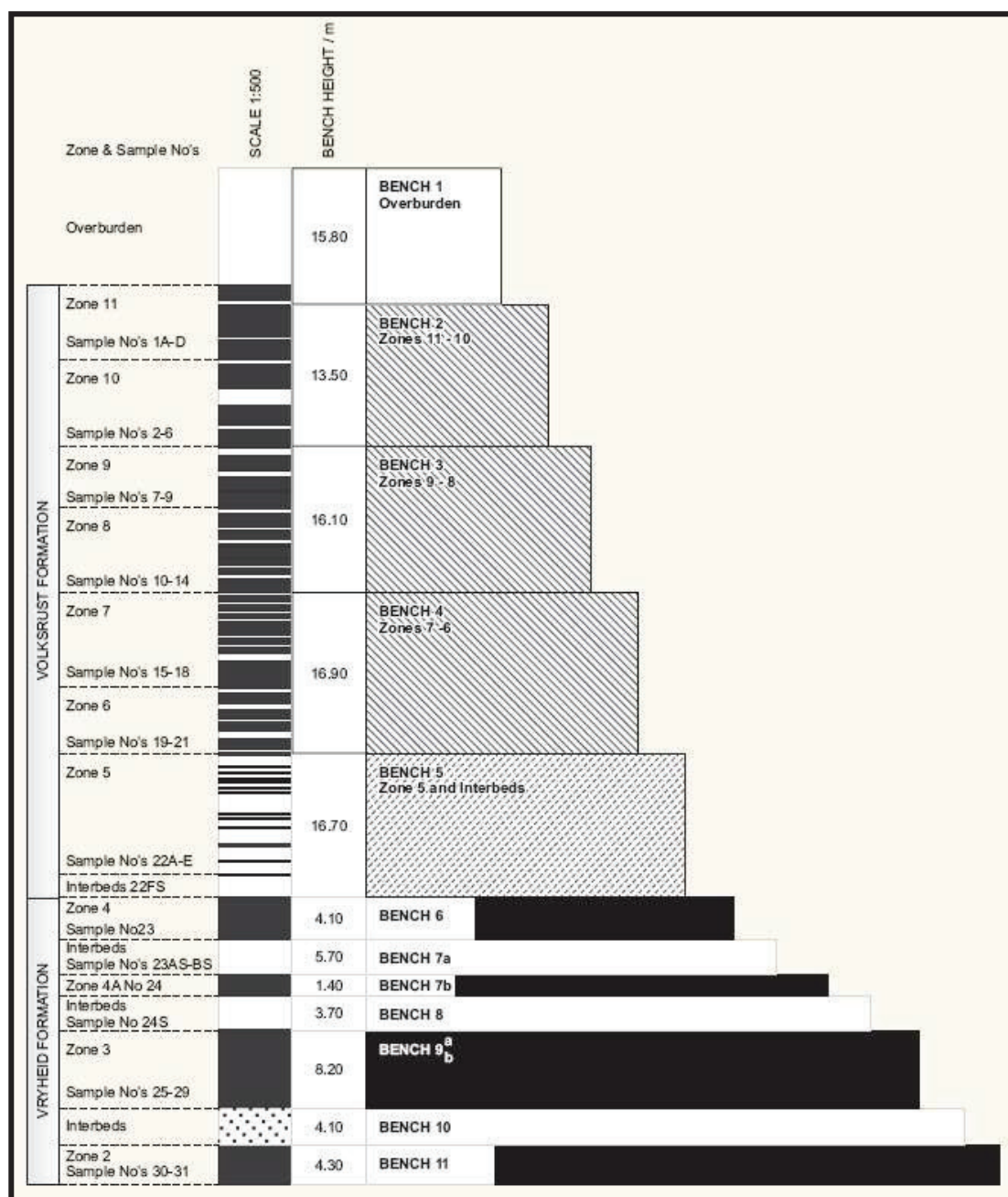


Table 3: Grootegeluk Coal Zones and Mining Benches.

3.0 Exploration History

Since the initial Coal Resource classifications and estimates undertaken by Venmyn Deloitte in March 2009 were based exclusively on available historical data, it is necessary to summarise the nature of this historical data in this section.

Various phases of exploration have been carried out in the Waterberg since the 1940s. Between 1941 and 1946 the South African Irrigation Department drilled a total of 143 boreholes in the Waterberg Coalfield on behalf of the Department of Mines for the Geological Survey of South Africa (now the Council for Geosciences ('CGS')).

The borehole logs and analyses of these holes were published in Bulletins 15, 16, 21 and 23 of the Geological Survey Division and were made available by the CGS.

The objective of the historical drilling programs was mainly to establish the coalfield's value as a future source of coking coal. To this end the CGS collaborated with the Fuel Research Institute of South Africa to carry out the necessary sampling and analysis which provided valuable information with respect to:-

- the number of coal seams present;
- the correlation of the various coal seams;
- determining the position of major faults; and
- the potential of the coal seams to provide an economic source of coking coal.

The presence and occurrence of the various coal zones was previously not well understood. It was assumed that a beneficiated coal product would be either used for steam-raising or gasification.

During the 1950s and 1960s Sasol Mining was also responsible for undertaking exploration drilling in the Waterberg region. In the 1980s a joint exploration program was conducted by Sasol Mining and Iscor. Detailed geological descriptions on the occurrence and presence of coal were observed in the borehole logs. This information can be used to identify and characterize the major coal zones. In some cases, a wide range of float and sink data analyses are available.

3.1 Recent Exploration

Since the inception of the Waterberg Coal Project a significant amount of additional drilling and sampling has been undertaken on the contributing properties. This drilling has been initiated in order to improve the resource estimates over the properties and to form the basis of a "Bankable Feasibility Study" for the near term exploitation of the coal. Figure 11 and Table 4 summarise the drillholes that have been conducted over the properties of interest.

This report covers eight farms in the Matimba power station environs. Prior to 2007, the Council for Geoscience drilled 19 holes on the Smitspan, Swanepoelpan, Massenberg and Vetleegte Farms. Recent exploration since 2007 included 133 holes drilled with 87 on Smitspan Farm, 22 on Vetleegte Farm and 13 on Massenberg Farm. The Smitspan holes were initially on a 500m grid which spacing was later reduced to 250m in order to increase confidence in the geological resource estimates.

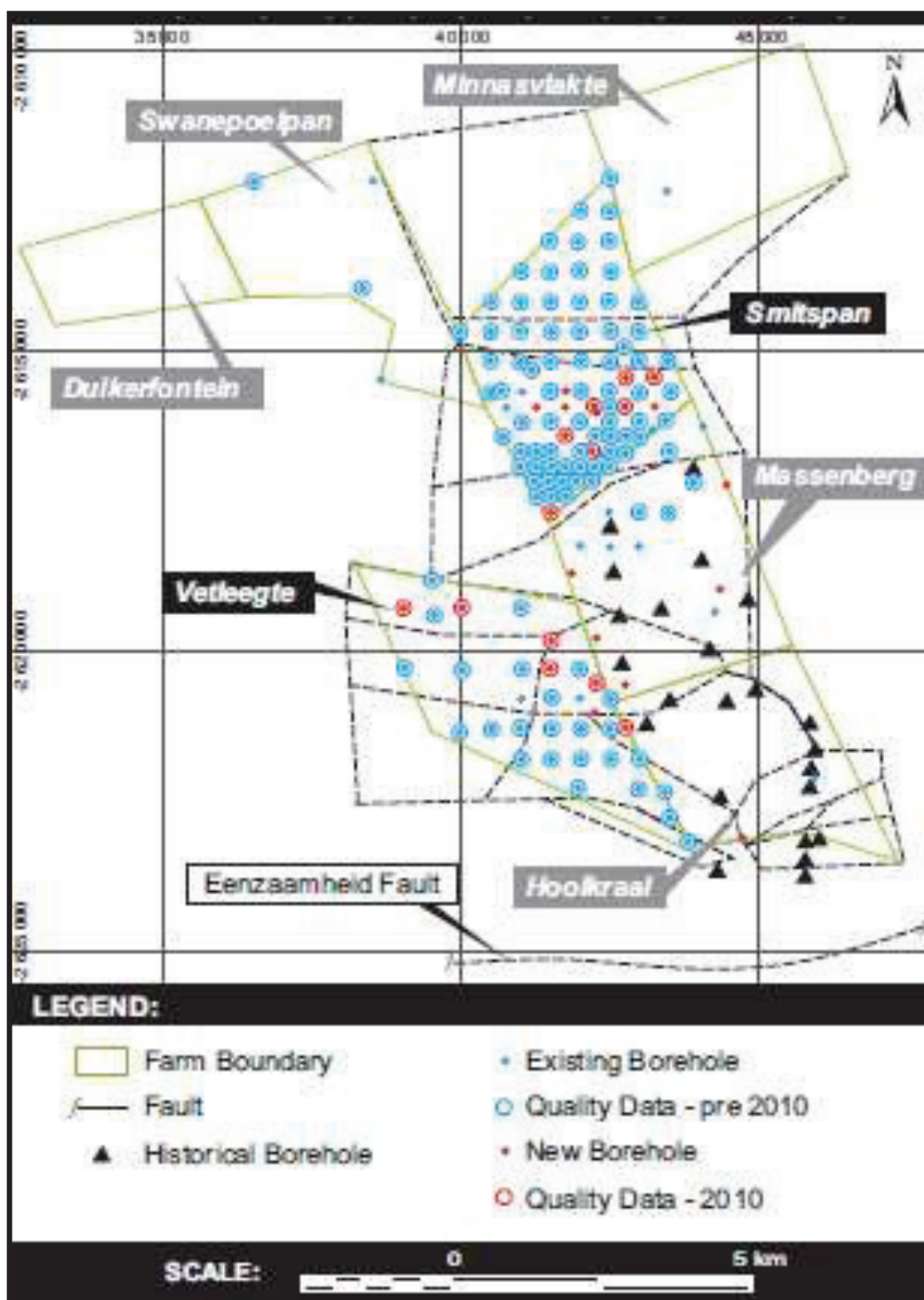


Figure 10: Location of Major Boreholes and Faults. (Source: Venmyn Deloitte)

Prospect	Holes Completed	Year	Company
Smitspan	4	<2007	Council for Geoscience
	Phase One = 87	2007 - 2008	Sekoko / Firestone
	Phase Two = 12	2009	Sekoko / Firestone - Large diameter for Eskom
	Phase Three = 7	2010	Sekoko / Firestone - Large diameter for Eskom
	Phase Four = 27	2012 - 2013	Sekoko / Firestone - for BFS
Minnasvlakte	2	2008	Sekoko / Firestone
Swanepoelpan	4	<2007	Council for Geoscience
Massenberg	4	2008	Sekoko / Firestone
	8	<2007	Council for Geoscience
	13	2007 - 2008	Sekoko / Firestone
	33	2013	Sekoko / Firestone - for BFS
Hooikraal	4	2007 - 2008	Sekoko / Firestone
Vetleegte	3	<2007	Council for Geoscience
	22	2007 - 2008	Sekoko / Firestone
	5	2009	Sekoko / Firestone
Duikerfontein	0		
Olieboomsfontein	1	2007 - 2008	Sekoko / Firestone

Table 4: Waterberg Coal Project Drilling History.

3.1.1 Smitspan Farm

Smitspan 306LQ is the primary property and is considered highly prospective in terms of its level of exploration and development relative to the other properties.

Site exploration can be divided into three distinct phases:

Phase 1: Historical exploration (pre-Sekoko)

Four historical boreholes sited within the farm. These have been disregarded for the purposes of this report since they have inconsistent sampling and coding, lack coal quality information and are in many cases somewhat anomalous.

Phase 2: Sekoko exploration (main)

In 2007-2008 a new period of exploration commenced, during which 77 new boreholes were drilled within Smitspan. Core was logged and sampled in accordance with the Grootegeeluk Model in preparation for coal testing down to the base of coal.

Zone 1 is to an average depth of around 180m. The boreholes were initially sited with 500m spacings, as part of an arbitrary N-S, E-W oriented grid. Later a period of 250m in-filling was initiated towards the south, although this extends only around 1km northwards into the farm.

Phase 3: Sekoko exploration (infill)

In 2009-2010 a second phase of drilling was devised by Sekoko to upgrade the Resource classification and gather more data to assist with designing a potential mine plan. The exploration therefore focused on a central region of the farm, predominantly targeting the upper 22 samples (or Zones 7-11) identified as higher quality coal zones.

Nine new holes were drilled, sited primarily at the centre of the existing 500m by 500m exploration grid and thereby increasing the proportion for Measured Resources within the farm. In addition one hole was drilled as a re-drill on the same site as an earlier hole (PS306005) and two large diameter holes were outlined alongside “standard” holes for bulk sampling. Out of these 12 holes 6 were drilled as PQ holes (core diameter 85mm). The remaining 6 holes were large diameter holes – two at T6146 size (123mm) and four at ZWF size (153mm core diameter).

3.1.2 Olieboomsfontein Farm

Very limited exploration work and an absence of declared Coal Resources exist over this property.

The Olieboomsfontein Property is located within 10km of the Grooteegeluk Colliery mining lease boundary. The property is accessed via a gravel road running in a north-westerly direction from Lephalale for a distance of approximately 50km. A rail line from Thabazimbi terminates immediately north of Grooteegeluk Colliery and power lines from the Matimba Power Station traverse the area.

Very little information could be obtained on the local geology due to the lack of exploration drilling. The effect of the Daarby Fault and other east-west orientated faulting is not clear. However, it is expected that the farm is situated on the right side of the Daarby Fault. The coal intercepts obtained from the single borehole drilled support this viewpoint.

Insufficient geological information has been gathered thus far on the Olieboomsfontein prospect. Borehole data from other properties in the Waterberg Coal Field have allowed a certain amount of information to be inferred to Olieboomsfontein. The coal deposit can be assumed to consist of thick successions of multiple, thinly interbedded coal and non-coal layers.

Iscor Ltd drilled one borehole on the Farm Olieboomsfontein in March 1982, the results of which with the Venmyn Deloitte interpretation are illustrated in Fig 12.

Only raw coal intercept data without interpretation was supplied so Venmyn Deloitte identified the seams from the log related to the coal zones known within the Waterberg area. No information was received regarding any sampling undertaken from this drilling, therefore no coal quality data is available.

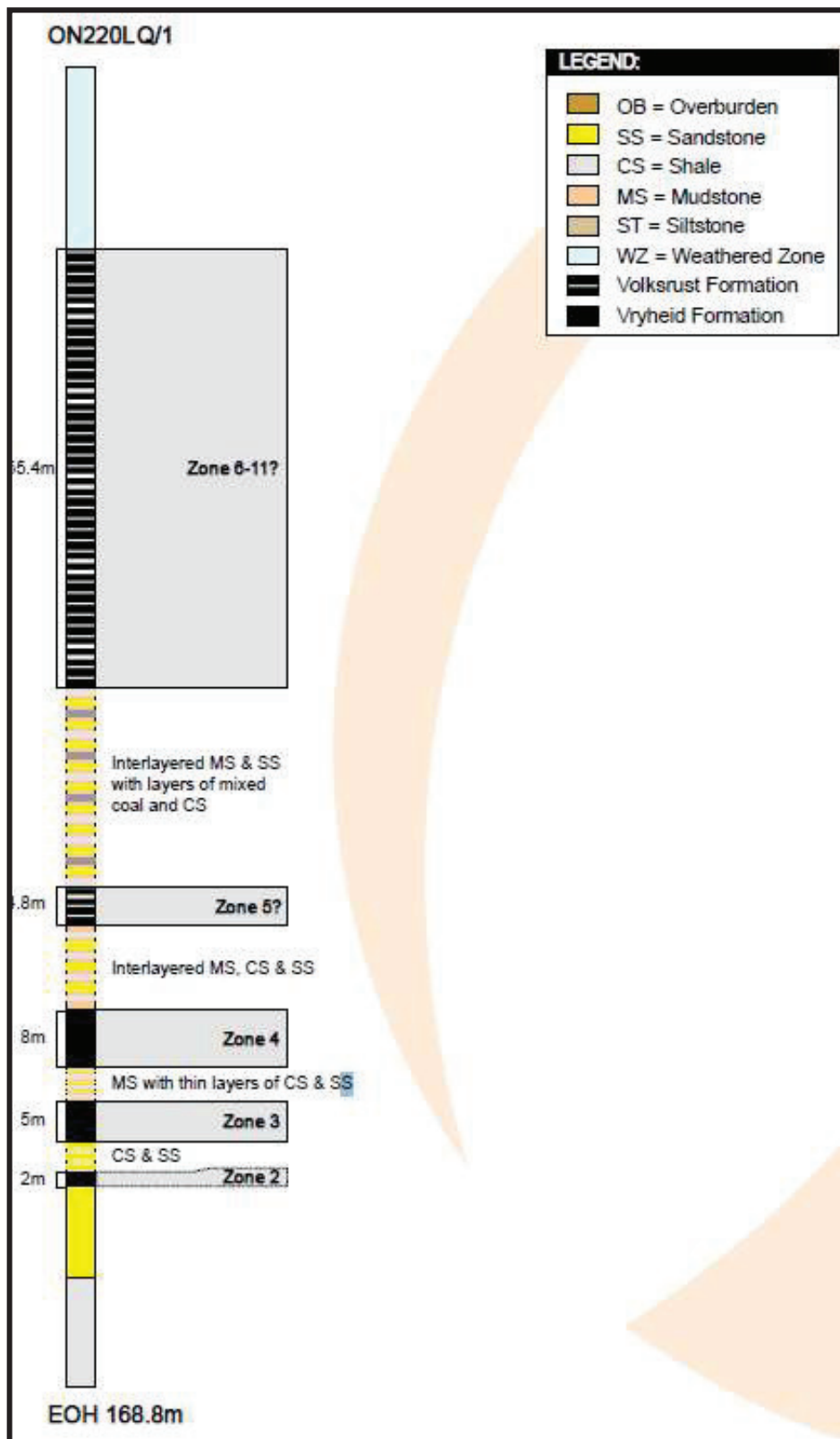


Figure 11: Olieboomsfontein Farm Bore-Hole Log Interpretation.

3.1.3 Vetleegte Farm

While significant drilling and sampling has been conducted and Measured Resources classified, this property has not undergone the same level of technical investigation and economic studies as Smitspan 306LQ.

3.1.4 Swanepoelpan Farm

This farm is relatively undrilled with 4 holes and is located directly west and adjacent to the Smitspan large proposed open cast and creates the potential to dramatically extend the DFS open cast design to the west and northwest.

3.1.5 Duikerfontein Farm

Very limited exploration work, and very limited coal resources exist at low levels of confidence over this property.

3.1.6 Minnasvlakte, Massenberg and Hooikraal Farms

Limited drilling has occurred on these three properties.

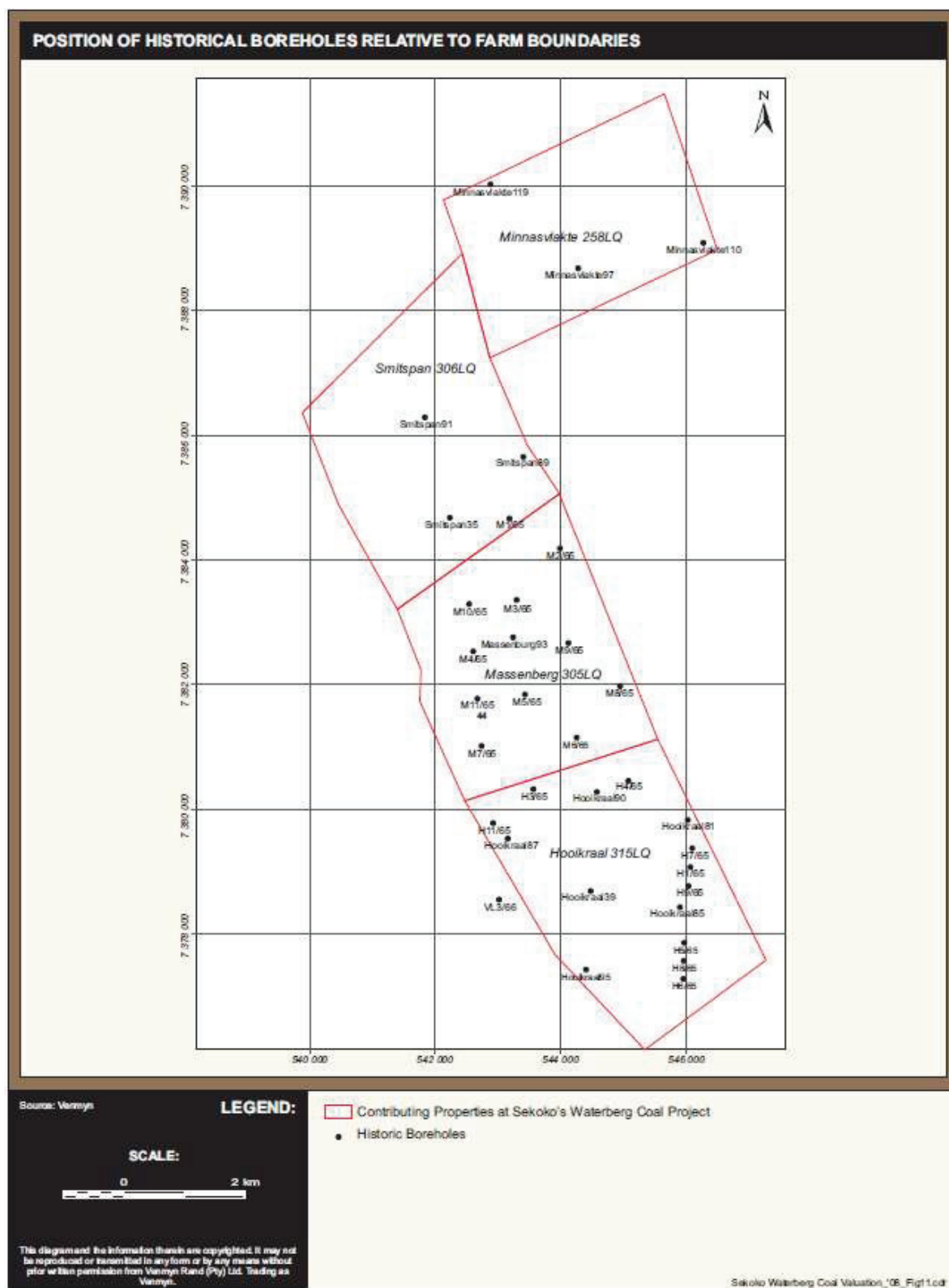


Figure 12: Major Historical (Pre- 2007) Boreholes over four of the Waterberg Properties. (Source: Venmyn Deloitte)

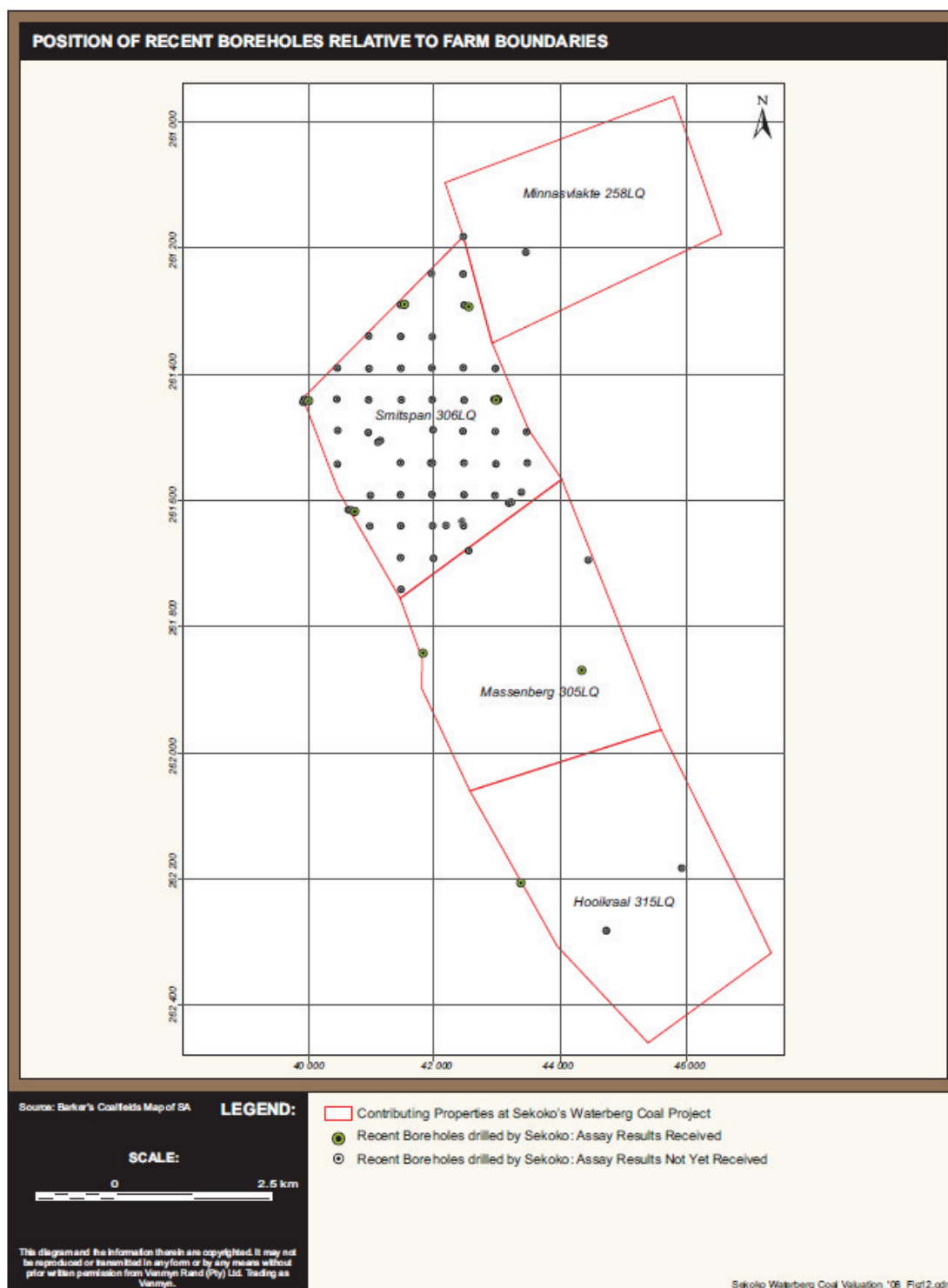


Figure 13: Recent Boreholes drilled between 2007 and 2012 over four of the Waterberg Properties. (Venmyn Deloitte).

4.0 Ore body Modelling

Ore body modelling was carried out by Venmyn Deloitte. Modelling was carried out using the volumes, densities (at a wash of RD=1.9) and quality data (at a wash of RD=1.9) modelled across five farms, using the inverse distance squared method (ID^2) of estimation.

Additional boreholes situated outside the farms were also included for modelling purposes. Recent and historical boreholes were used to derive the 3D geological and structural model (Figs. 13 & 14).

The full additional information enabled Venmyn Deloitte to carry out the modelling of Zones 6-11 in the south to be carried out separately. AM&A did not independently validate this report and its data as quoted in the Venmyn Deloitte 2013 report.

Multigrade estimations were performed on un-faulted blocks in Datamine, using a process called Estima, using all the boreholes with quality data. The only cut-off applied to the coal was 0.5m minimum thickness limit, as required by SANS. A wireframe for each zone was created and in-filled in Datamine to form a block model as represented in Figures 15 to 21 and details summarised in Tables 5 and 6. The block size was set at a maximum of 100m x 100m x zone height.

The Venmyn Deloitte 2013 report identified a total of 1,421Mt of Resources in the project area broken down into 638.1Mt of Inferred Resources, 566.9Mt of Indicated Resources and 215.8Mt of Measured Resources (Table 5). All the standard risk, modifying factors and attention to potential environmental issues as required by the JORC Code were honoured.

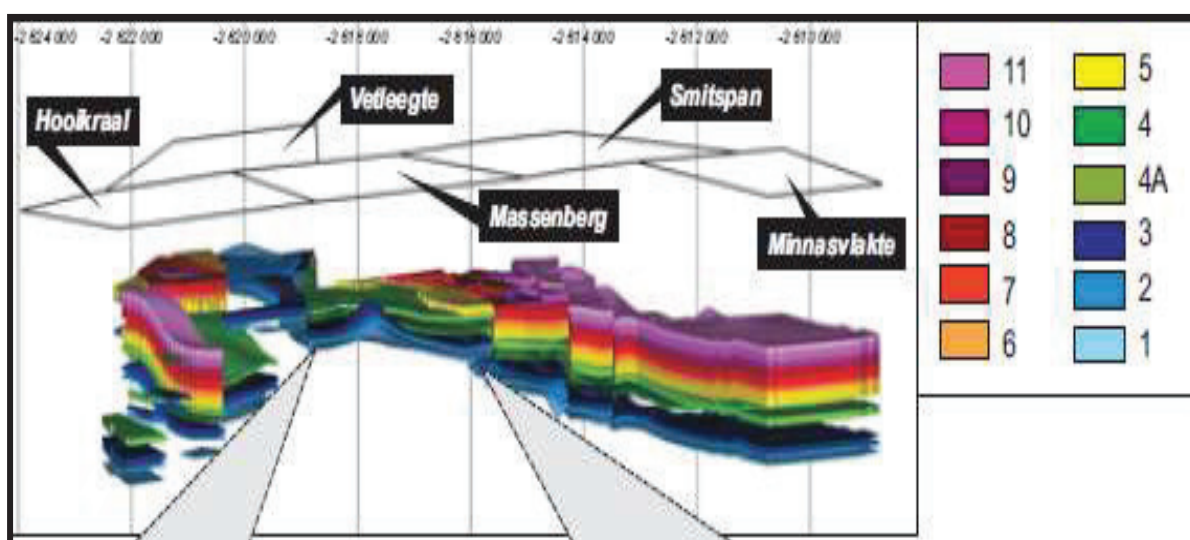


Figure 14: 3D Modelling for 5 Zones. (Source: Venmyn Deloitte)

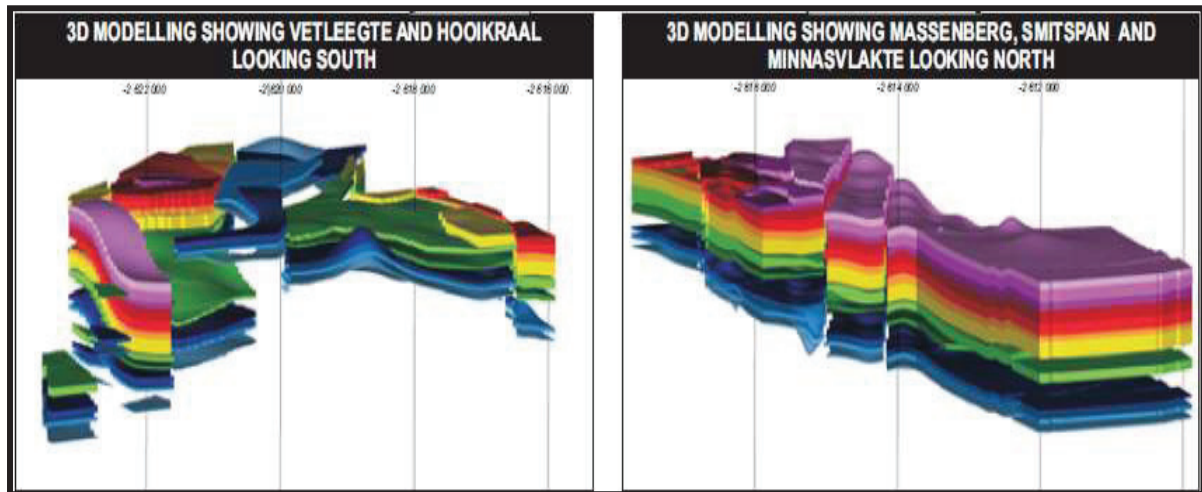


Figure 15: 3D Modelling. (Source: Venmyn Deloitte).

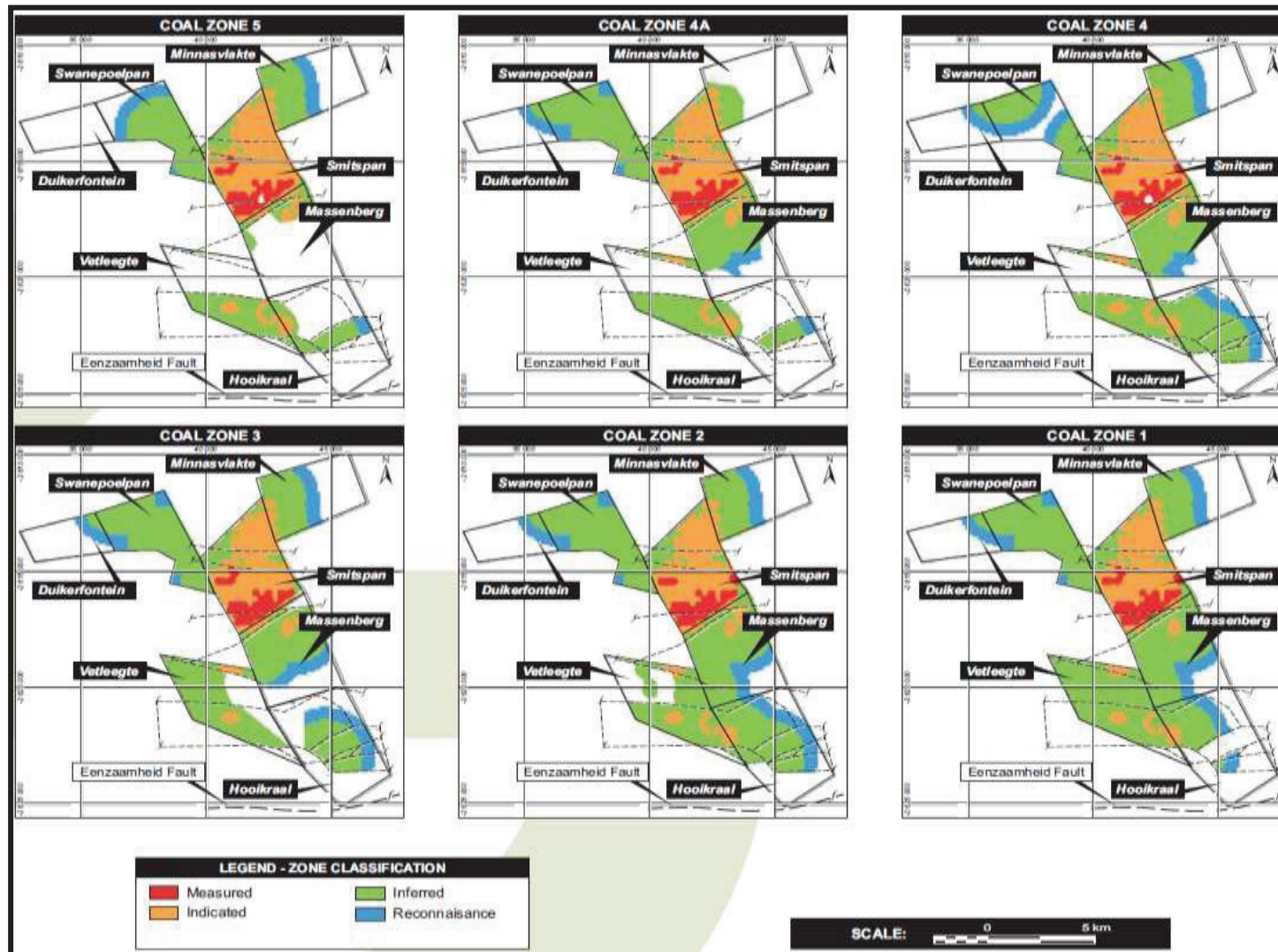


Figure 16: Modelled Coal Classification for zones 1-5. (Source: Venmyn Deloitte).

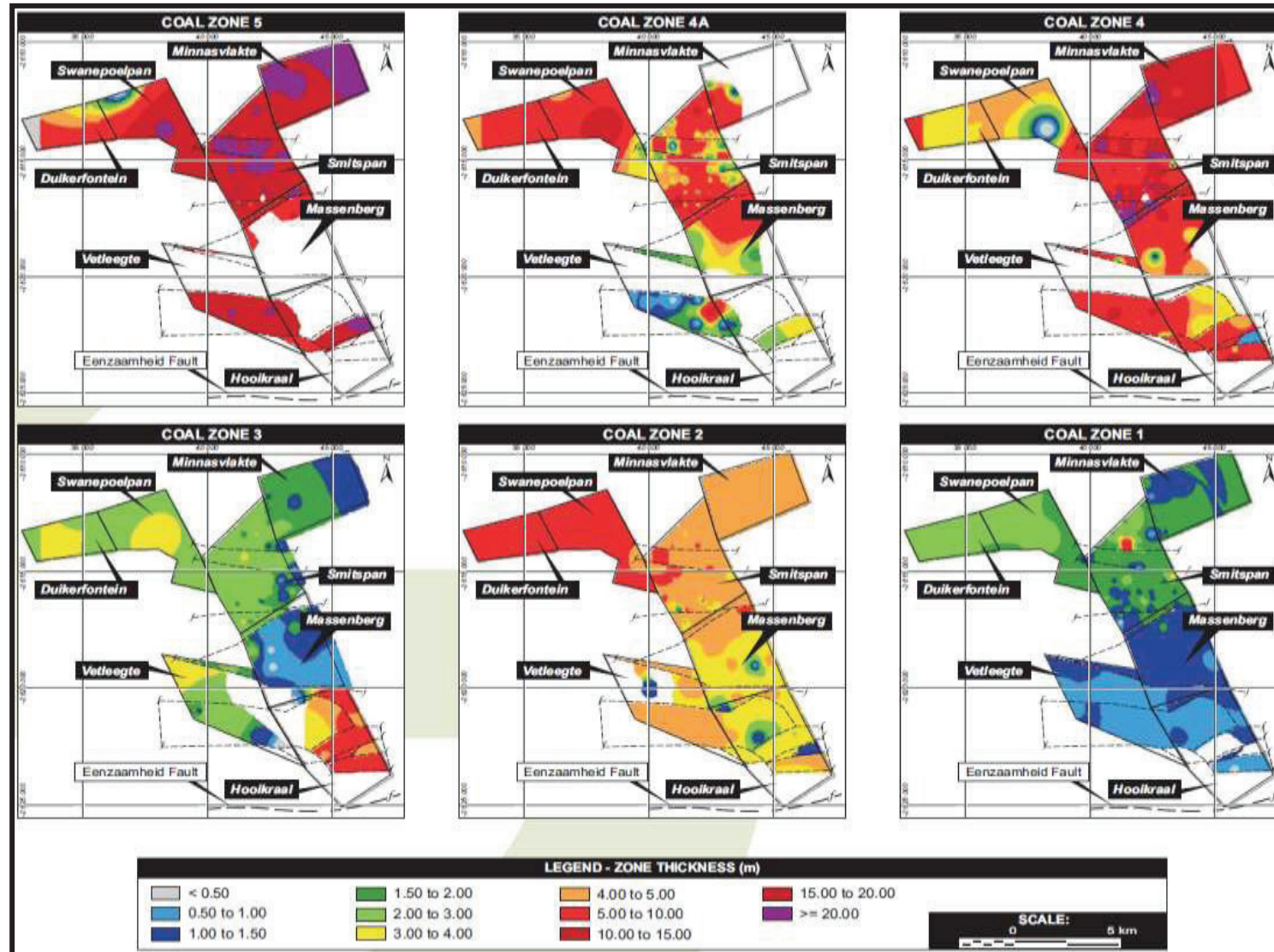


Figure 17: Coal Thickness for Zones 1- 5. (Source: Venmyn Deloitte).

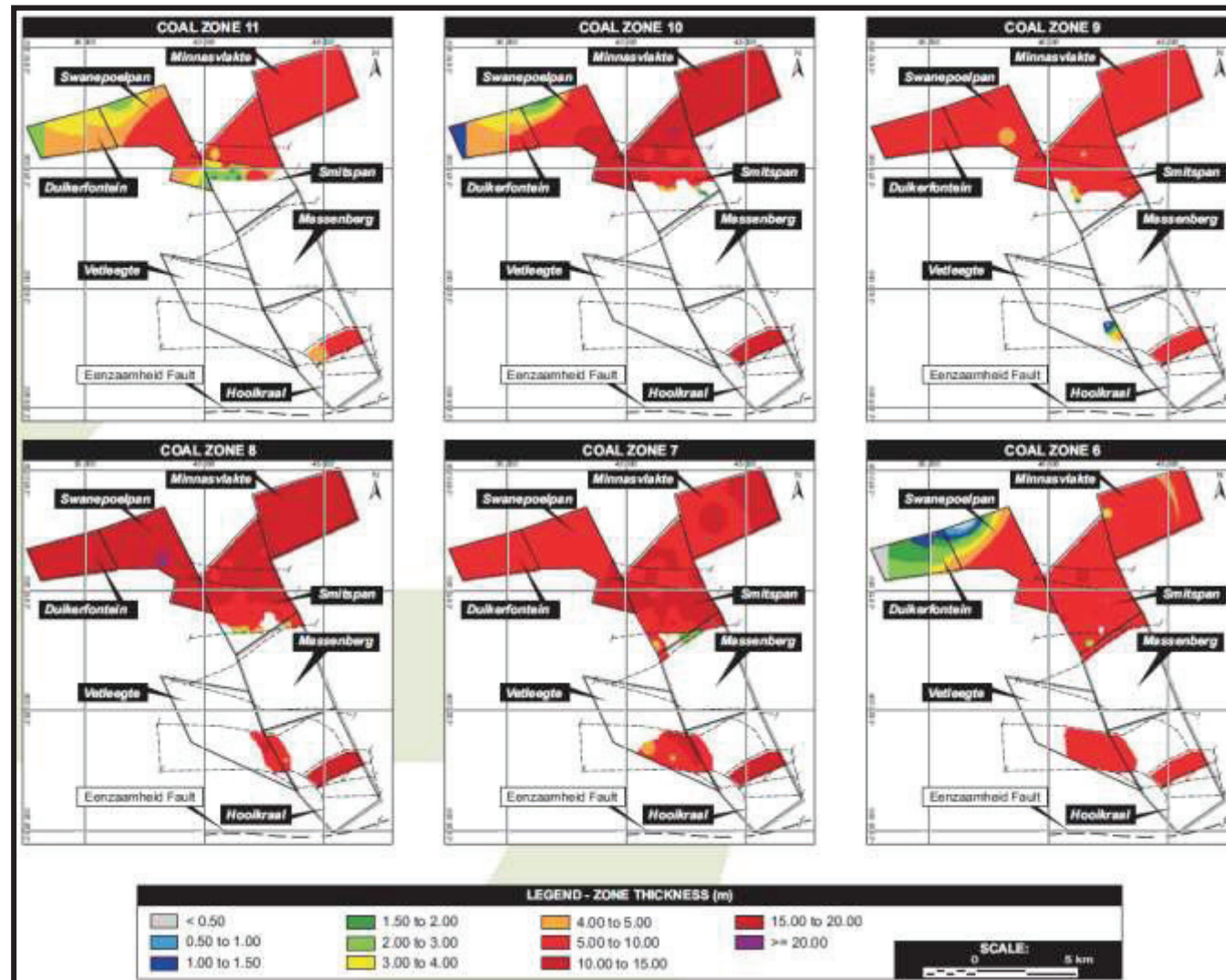


Figure 18: Modelled Coal Thickness for Zones 6-11. (Source: Venmyn Deloitte).

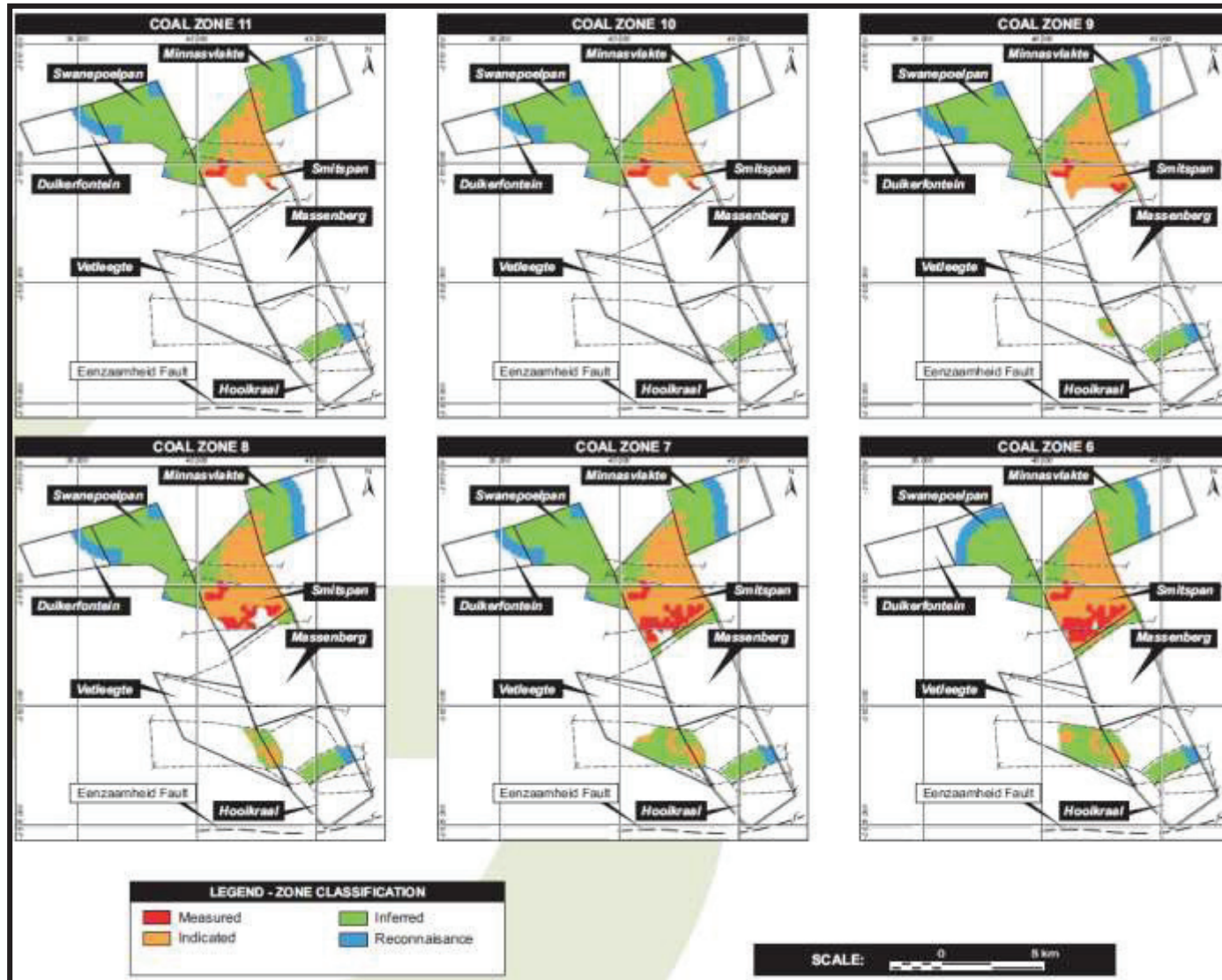


Figure 19: Coal Classification for Zones 6-11. (Source: Venmyn Deloitte).

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Farm Name & No.	Resource Category	AVE Zone Width (m)	Zone Area	Zone Volume (m³)	Zone Raw RD (t/m³)	Zone Tonnage Mt	Yield By Mass @ RD - 1.9 %	Coal Volume (Mm³)	Coal RD (t/m³) @ RD - 1.9	In Situ Mt	Losses %	Total In Situ Mt
Minnasvlakte 258 LQ	Indicated	10.32	3.93	40.61	1.99	80.81	33	15.66	1.88	26.51	20	21.21
	Inferred	10.13	33.71	341.50	1.98	676.17	34	137.07	1.88	230.69	25	173.01
Total/Ave Resource		10.15	37.65	382.11	1.98	756.58	34	152.73	1.68	257.19	24	194.22
Smitspan 306 LQ	Measured	8.60	33.91	291.63	1.93	562.85	42	140.63	1.70	238.67	10	214.80
	Indicated	9.20	73.54	676.61	1.95	1319.38	36	280.23	1.70	475.84	20	380.67
Total/Ave Resource		9.02	107.46	969.25	1.94	1880.34	38	420.86	1.70	714.51	17	595.47
Massenberg 305 LQ	Indicated	9.23	3.90	35.96	1.96	70.48	30	12.05	1.73	20.80	20	16.64
	Inferred	6.10	23.23	141.71	1.88	266.42	41	64.04	1.71	109.54	25	82.15
Total/Ave Resource		6.73	26.40	177.67	1.90	337.58	36	76.09	1.71	130.34	24	98.79
Hooikraal 315 LQ	Indicated	8.52	1.34	11.41	1.93	22.02	33	4.31	1.69	7.28	40	4.37
	Inferred	8.04	22.66	182.20	1.85	337.06	46	92.99	1.67	155.49	50	77.74
Total/Ave Resource		8.07	23.99	193.61	1.85	358.17	45	97.30	1.67	162.77	50	82.11
Vetleegte 315 LQ	Measured	3.56	296.77	1056.48	1.67	1764.33	69	728.72	1.68	1.23	15	1.04
	Indicated	8.40	32.04	269.12	1.95	524.79	39	120.34	1.70	204.50	30	143.15
	Inferred	6.78	3.49	23.64	1.89	44.68	4	10.49	1.71	17.89	38	11.09
Total/Ave Resource		8.25	35.61	293.82	1.94	570.01	39	131.57	1.70	223.62	31	155.28
Swanepoelpan 262 LQ	Indicated	8.91	184.75	1646.14	1.93	3177.05	34	156.55	1.70	1.07	21	0.85
	Inferred	8.68	70.73	613.91	2.01	1233.95	31	218.92	1.73	378.23	25	283.67
Total/Ave Resource		8.68	70.92	615.55	2.01	1237.26	31	219.08	1.73	379.29	25	284.52
Duikerfontein 263 LQ	Inferred	6.64	2.44	16.17	1.87	30.24	48	8.28	1.68	13.95	25	10.46
Totals		8.78	301.50	2647	1.95	5173	38	878.5	1.72	1882	24	1421

Table 5: Summary Total/Ave Resources* for Waterberg (excluding Reconnaissance Drilling).

**This table includes rounding errors.*

To date exploration expenditure has been incurred by the company since 2007 and now totals ZAR82.7M (~A\$8.8M at current exchange rates of ZAR9.4=A\$1). This expenditure has essentially been incurred in order to complete the drilling, its interpretation, resource and reserve estimates, valuation and a BFS.

Activity	Costs incurred to date (ZAR)
Costs incurred upto 31 December 2013 (per Deloitte Venmyn report)	72,200,000
Costs incurred during 2013:	
Aerial survey	265,000.00
BFS	3,406,441.55
Consulting	284,896.59
Drilling	2,311,878.92
Environmental costs	712,765.90
Geological services	302,388.00
Geotechnical fees	618,708.14
Laboratory	674,850.82
Logging	80,252.00
Other	500,000.00
Studies	556,709.84
Surveying Smitspan	16,716.00
Valuations	200,000.00
Water Testing	598,850.00
Total exploration expenditure incurred to date	82,729,458

Table 6: Summary of exploration expenditure incurred to-date.

5.0 SOUTH AFRICAN COAL INDUSTRY

5.1 South Africa Country Profile

5.1.1 Political and Economic

South Africa gained independence from Britain in 1910 and was declared a Republic in 1961. From 1948 successive National Party administrations formalised and extended the apartheid system of segregation and denial of human rights into the legal system that lasted until the 1990s. Increasing world opposition to apartheid in the final decades of the 20th century that included economic and cultural sanctions by the international community, helped removal of restrictions on the African National Congress (“ANC”) and the release of Nelson Mandela from detention in 1990 and signalled the beginning of a transition to democracy.

Nelson Mandela was elected President on 9 May 1994 and formed a government of national unity. In 1997, Mandela handed leadership of the ANC and Presidency to his deputy, Thabo Mbeki. Jacob Zuma replaced Mbeki as the head of the ANC in mid-2008 which precipitated the resignation of Mbeki in September 2008.

The ANC Deputy President, Kgalema Motlanthe, was sworn in as acting President until the election of Jacob Zuma as the President of South Africa in 2009. Zuma, an ethnic Zulu, is a charismatic politician with immense support

within the ANC however, his policies and strong left-wing backing are at odds to the style of leadership provided by Mbeki.

South Africa is the largest and most advanced economy in Africa. It is an emerging market underpinned by an abundant supply of natural resources; well-developed financial, legal, communications, energy (despite some difficulties which highlighted inadequacies in the system), and transport sectors; an effective and growing stock exchange and a modern infrastructure.

With a population of 47.5 million people and gross domestic product per capita estimated to be US\$5,906 in 2007, South Africa is an upper-middle income country, although there remain large disparities in income within the country.

South Africa's main long-term social and economic challenges are the high rate of unemployment estimated between 27-36% depending on definition, the HIV/AIDS pandemic and high levels of violent crime.

Mining and related activities remain at the centre of the South African economy and account for nearly 40% of earnings from merchandise exports. The manufacturing sector is largely centred on mineral processing and contributes about 18% of GDP. South Africa is one of the world's largest producers and exporters of gold and is a major player in the value-added processing of minerals. The services sector is the largest employer, with over half of total employment, and accounts for over 60% of GDP. The financial sector and institutions in South Africa are highly sophisticated and include banks and financial institutions with the ability to handle complex international financial transactions.

5.1.2 South Africa's Minerals Industry

Over the last century the mineral industry has been dominated by gold, diamond, coal and platinum group metals production. This industry is well established and a resourceful sector of the economy with a high degree of technical expertise and the ability to mobilize capital for new development.

South Africa is a leading world supplier of a range of minerals and mineral products of consistently high quality. In 2006, some 53 different minerals were produced from 1,200 mines and quarries, of which 47 (4%) produced gold, 33 (3%) produced platinum-group minerals, 89 (8%) produced coal and 240 (20%) produced diamonds, all as primary commodities.

Until recently discriminatory policies excluded a large sector of the mining industry from full participation in the South African minerals industry. The recent changes to the South African Minerals Act, addressing in particular ownership of reserves and the development of sustainable BEE initiatives in the industry, have created a window of opportunity in the mining industry. Several black-owned firms are now beginning to play an important role in the mining industry. The last few years has seen the emergence of several BEE companies of substantial size in the mining and resources sector. Mining has thus become a focus of the reconstruction and development in terms of entrepreneurial development, BEE and stimulation of employment and economic growth. New

BEE mining giants such as Exxaro Resources and the Eyesizwe Group are shaping the new South African mining landscape.

In 2006, mining contributed R120B or 7.9% to Gross Domestic Product, an increase of R20B over the previous year. This growth in the value added by mining can be attributed to the rising production of some minerals such as PGM's, manganese, iron ore and coal, and good prices for most of the minerals and metals encouraged by continuing demand from China.

The mineral industry is primarily export driven, with 72% and 74% of primary and processed mineral sales during 2006 respectively, destined for world markets. The value of exports is forecast to increase by 7% per annum. The sectors with the highest expected growth rates are coal (11%), gold (9%) and PGM's (7%).

Export revenue for coal is likely to show an increase of 11.4% per annum rising from US\$3.2B in 2006 to US\$6.1B in 2011. Europe, Pacific Rim countries and the Middle East are the major customers and coal demand in those regions is rising. This increase in forecast exports is based mainly on the increased number of exporting mines created as a result of the implementation of the Mineral and Petroleum Resources Development Act No. 28 of 2002 ("the Act or MRPDA") and the willingness of the big coal companies to allow BEE companies to mine coal blocks in their mining concession areas.

5.1.3 South African Mining Act and Charter

The new MRPDA that came into effect on 1 May 2004 legislates the official policy concerning the exploitation of the country's minerals. The re-structuring of the South African economy and changing local and international circumstances were taken into consideration by the Department of Minerals and Energy ("DME"), which drafted the new Act. The Act addresses many issues including, inter alia:

- The recognition of State custodianship of all mineral resources within South Africa,
- Provision of security of tenure in respect of existing prospecting and mining operations,
- Promotion of equitable access to South Africa's mineral resources,
- The promotion of investment in exploration, mining and mineral beneficiation, and
- The socio-economic development of South Africa.

Previously mineral rights were owned either by the State or the private sector. This dual ownership system represented a barrier to potential new investors. The government's objective is for all mineral rights to be vested in the State, with due regard to constitutional ownership rights and security of tenure. Privately held old order mineral rights were transferred to the State and, under the provisions of Schedule II of the Act, converted into new order rights to prospect and mine.

The Broad Based Socio-Economic Empowerment Charter for the South African Mining Industry ("the Charter") also addresses past inequities and discrimination;

wherein it is incumbent upon the mining industry to adopt a proactive strategy of change to foster and encourage BEE such that historically disadvantaged South Africans would control 15% of mine ownership within 5 years (2009), rising to 25% within 10 years (2014).

The Chamber of Mines of South Africa (“the Chamber”) is an association of mining companies operating in the gold, coal, diamond, platinum and mineral commodity sectors; the organisation acts as the principal advocate of the major policy positions endorsed by mining employers. The Chamber represents the formalised views of its membership to various organs and spheres of governments, and to other relevant policy-making and opinion-forming entities, both within and outside of the country.

5.1.4 Proposed Royalty

The Government plans to impose a royalty for the extraction of a non-renewable resource from 1 May 2009. The new royalty regime is based on earnings before interest and tax (“EBIT”), with 100 percent capital expensing, instead of EBITDA (earnings before interest, tax, depreciation and amortisation) as was the case in the previous draft of the bill. Under the new royalty calculation, the rate charged for coal which is deemed to be an unrefined mineral is capped at 7 percent.

5.2 Coal Price

Global seaborne thermal coal trades from Richards Bay Coal Terminal (“RBCT”), site of the world’s largest coal export terminal, advanced US\$17.80, or 11 percent, to an average of US\$177/t in mid-2008, an increase for the year of some 84%. Thereafter market sentiment forecast prices to remain robust at or above US\$200/t well into 2009 before the market correction from September 2008 onwards resulted in a sharp price decline to below US\$100/t. Current 2013 prices are in the region of US\$105.

The early 2008 price increases reflected the very tight demand-supply balance that worsened due to various transport constraints out of both RBCT and Australia compounded by Chinese export cuts with China now a net importer of thermal coal. This coincided with a number of world-wide State power utilities holding critically low inventories of coal. It is noteworthy that coal generates 40% of the world’s electricity.

The recent price corrections in the wake of the global financial crisis and fears of an economic downturn have increased speculation regarding future coal prices however, international coal prices currently appear stable with coal prices at the three major coal ports all well above US\$80/t. Forecast coal prices for 2013 from a number of sources are tabulated below (Table 8). Clearly the broad range of forecasts indicates the difficulty to gauge the impact of demand cuts, which have reduced production as a reaction to global financial woes. However, thermal coal prices are expected to hold up a little better than coking coal because demand from coal-fired power generators should prove more resilient than demand from steelmakers despite the worsening economic environment.

Negotiations for 2009-10 took place at a time when steel prices were weak, buyers were holding excess coal inventory and the trend was towards scaling

back hot metal production and controlling costs. Analysts reduced their 2009-10 contract coking coal price to around \$US120 a tonne, which was 20% above the 2007 price but 60% below the 2008 peak benchmark price of \$US300 a tonne. Prices for weaker coking coals -- semi-soft and PCI, although worse than that for hard coking coal, have recently recovered somewhat.

Source	Thermal Coal US\$/tonne	
	Previous Forecast	Current Forecast
ABN Amro	105	105
ANZ Bank	100	75
Goldman Sachs	100	70
UBS Bank	125	100
Citigroup	160	100
Deutsche Bank	144	100
Credit Suisse	160	100
Macquarie Bank	170	105
NAB Bank		120*
Merrill Lynch		130*
Median		100
High		130
Low		75

Table 7: Forecast Thermal Coal Prices for 2013.

** Forecasts are continually reviewed.*

5.3 Coal Market

In 2007 world thermal coal trade was 674Mt and was forecast to increase to 700Mt in 2008. The share from Asia was 56% that reached 60% in 2013 suggesting that the long term market maker for thermal coal will be coming out of Asia, driven by India, Korea, and China.

Global coal supplies may shrink further with Vietnam expected to cut exports to ensure domestic supplies. China, the biggest buyer of Vietnamese coal, also faces power shortages and is rationing electricity in Shanxi, its largest coal-producing province. It is forecast that China is unlikely to resume substantial net coal exports within the next several years.

India is experiencing rapid economic and industrial growth. To meet the power demand, India's top power producer, NTPC Ltd, consumes a quarter of coal production in India to produce 29GW and plans to add a further 22GW by 2013. Domestic production provides a high ash coal product that is inefficiently transported between mine and power plant. India's import demand for coal increased 21% in 2007 and was forecast to increase by the same amount in 2008.

South Korea, Taiwan and Malaysia experienced recent strong economic growth which underpins increases in power generation. Any increased power generation will be met by thermal coal imports due to the region's lack of reserves. Malaysian and Taiwanese thermal coal imports grew in 2007 by 15% and 5% respectively and were expected to grow by similar amounts in 2008.

During 2007 and 2008, ten 500MW power stations were expected to commence operation in Korea. Coal imports increased by 9% in 2007 and were forecast to increase by 9% in 2008, for a total of 71Mt. Further power generation is expected from state owned Korean Electric Power Corp, further boosting thermal coal imports which are likely to exceed ABARE forecasts.

Chinese consumption has reached a point where the world's largest user of coal has become a net importer. In 2004 China was a net exporter of 71Mt but became a net importer of some 16Mt in 2007. This net change equates to some 12% of world thermal coal trade and continues to place the largest upward pressure on thermal coal prices.

5.4 Review of the South African Domestic Market

South African coal continues to see fast demand growth from three areas:

- Eskom, the national power generator, desperately needs to bring on-stream more power generation capacity to avoid further black outs and coal is its only real option,
- Foreign buyers for South African coal as a competitive feedstock for power generation, and use in the metalliferous industry, and
- Oil companies, led by South Africa's own state company Sasol, are developing the country's coal-to-liquids industry that now has a capacity of 200,000 b/d. According to the Chamber of Mines, coal-to-liquids production has grown to supply 35% of the country's crude oil needs.

While favourable geological conditions have been important in containing mining costs, low labour costs per tonne produced have also provided a distinct advantage.

5.4.1 Domestic Market

The industry has experienced a number of changes recently; the export thermal coal price at the RBCT increased from US\$25/t FOB and remained stable at around US\$80/t after peaking in mid-2008 at close to US\$200/t, and the Bay coal line has increased from 66Mt per annum to the current 72Mt per annum, thereby ensuring that the major South African mining houses increased production to meet their entitlement through the Bay.

The focus of the South African coal industry centres on the shareholders of RBCT meeting their export commitments. This includes the major mining houses where allocations include BHP Billiton at 37.4%; Anglo Coal at 27.5% and Xstrata at 20.9%. The BEE companies were recently allocated entitlement through RBCT (Quattro consortium) for the balance of capacity. As exports through the Bay have increased, all shareholders of the RBCT have reduced the supply of coal to the inland market.

This move in the supply of high grade coal from the inland market to the export market has seen the development of a group of independent mines. These mines are all supplying additional quantities of coal to the inland market. However, the development of the BEE export group that has been allocated a further 4Mt per annum of coal through the Bay, as part of the expansion of RBCT (Phase V) to 91Mt per annum in 2009 created an additional shortage of high grade coal into the inland market.

These developments ensured that the supply of coal to inland consumers remained at a premium, notwithstanding recent announcements from South Africa's major power provider, Eskom that since domestic coal supplies would not be enough until 2012 coal destined for export could be diverted to the domestic market. Regardless, inland consumers have been paying export parity for coal as from October 2006, and this will continue as no new producers have announced plans to develop new production.

5.4.2 Export Market

In 2007 the value of South Africa's coal exports was estimated to be R23.4B, and South Africa was ranked as the fourth-largest exporter of hard coal after Australia, Indonesia and Russia. South Africa produced 247Mt of saleable coal in 2007, 26% or 66Mt of which was exported. The country's position, at the tip of southern Africa, allows easy access to both the Atlantic and Indian Oceans, making coal from RBCT an international benchmark. Durban and Maputo are the other two export ports for South African coal.

Over 80% of exports are destined for Europe, where the UK, Spain, France, the Netherlands, Italy, Germany, Denmark and Belgium are the largest customers.

While the European market remains strong, it is the Asian market where export growth occurred. In 2006, 7% of South Africa's total coal exports were to the Middle East and Asia, but exports to India surged in 2007 with over 8Mt shipped to that country, compared with 300,000 t for the whole of 2006. In addition, it was reported that India would source low-grade coal from South Africa to fuel new power stations. Additional demand for South African coal also came from Japan and South Korea, which each bought 300,000 t of coal through the RBCT in 2007.

5.4.3 Richards Bay Coal Terminal

The majority of South Africa's coal exports are shipped through the RBCT, situated on the north coast of the Province of Kwa Zulu Natal. In 2007, 66Mt were exported through the terminal, which has a design capacity of 72Mt.

Exports from the terminal were largely limited, and allocated, to shareholders of the RBCT company. Approximately 85%, or 60Mtpa, remained in the hands of just three companies:

- 24.5Mt to BHP Billiton,
- 19.8Mt to Anglo Coal, and
- 15.1Mt to Xstrata Coal South Africa.

Other shareholders include Sasol Mining, Kangra Coal, Exxaro Resources and Eyesizwe Coal.

In addition to the export allocations of the RBCT shareholders, 4Mtpa export allocation was made available, in the period 2007 to 2008, to 16 BEE companies, as part of the Coal Industry Task Team ("CITT"), or Quattro, allocations. Portions of this 4Mtpa were released by companies moving to Phase 5, from 2009, and were used for new entrants into the coal export industry.

The success of CITT export allocations, and the ongoing demand for such capacity, led to a planned increase of the export capacity of the RBCT from 72 to 91Mtpa by mid 2009. The Phase 5 expansion, as it is commonly known, was mainly launched to accommodate the new BEE coal companies.

The 19Mtpa of additional export capacity was divided into three portions which consist of:

- 9Mtpa for the RBCT which was allocated by tender to eight BEE companies,
- 6Mtpa for the South Dunes Coal Terminal (“SDCT”) shareholders who comprise Exxaro Resources, Eskom and Anker Coal and Mineral Holdings, and
- 4Mt which was allocated by the RBCT to the CITT coal exporters.

However, any increased export capacity appeared to be dependent on delivering the coal to the terminal and, therefore, railway capacity had to be increased to handle the extra tonnage. Transnet Freight Rail (“TFR”), the wholly owned rail subsidiary of transport parastatal ‘Transnet’, upgraded the Witbank–RBCT rail network but indications were that TFR would not be able to increase capacity on the line to anything near the 91Mtpa coal exporters hoped to export when the Phase 5 expansion was completed.

5.4.4 Domestic Coal Production

Some 85% of South Africa’s saleable coal production remains controlled by four companies:-

- BHP Billiton Energy Coal South Africa (formerly known as Ingwe Collieries),
- Anglo Coal,
- Sasol, and
- Exxaro Resources (the result of a merger of the coal assets of Eyesizwe and Exxaro).

BHP Billiton owns and operates five collieries of Douglas, Khutala, Klipspruit, Middelburg and Optimum in the Mpumalanga Province in South Africa.

It wholly-owns Khutala, Klipspruit and Optimum collieries while Middelburg and Douglas mines are jointly owned with Xstrata but are managed by BHP Billiton. In the financial year ending 30 June 2006, production totalled 52Mt of coal and delivered into the export coal markets of Europe, the Far East and India, and the domestic market into Eskom. BHP Billiton is Eskom’s largest supplier while relatively small quantities of coal were supplied into the local market.

Anglo Coal is the world’s sixth largest private sector coal producer and exporter. In South Africa, Anglo Coal owns and operates eight mines and has a 50% interest in the Mafube mine. Four mines are in the Witbank coalfield which supplies some 20Mtpa of thermal coals to the export and local markets and a small volume of metallurgical coal to the export market. In addition the New Vaal, New Denmark and Kriel mines supply some 35Mtpa of thermal coal to Eskom. Anglo Coal’s Isibonelo mine produces some 5Mtpa for Sasol Synthetic Fuels under a 21 year supply contract.

Sasol has developed world class technology for the commercial production of synthetic fuel, chemicals from low-grade coal, as well as the conversion of gas to fuels and chemicals. Sasol Mining delivers coal to Sasol Synfuels from four operations located close to Secunda. Over 40Mtpa of coal is produced, mostly for the syn-fuel business but also for the export and domestic markets.

Exxaro Resources operates 8 coal mines (3 as open pits and 5 underground) that produce some 41Mtpa of power station, steam and coking coal. All of the power station coal is delivered to the national power utility, Eskom. Exxaro's Grooteegeluk operation is one of the lowest-cost and most efficient mining operations in the world, and operates the world's largest coal beneficiation complex.

5.4.5 Domestic Coal Consumers

The largest consumers in the domestic market are Eskom and Sasol.

Eskom's power stations have been designed to burn low grade coals abundant in South Africa. During 2008 Eskom's coal use increased by 5% to 125Mt, and annual consumption to March 2009 was forecast to be 140Mt. Increasing demand resulted in the utility buying 79% of its coal under contract, down from 98% in 2001. Eskom's coal stocks fell below 10 days' worth of supplies in January 2008 which resulted in blackouts.

Buying more expensive coal for immediate delivery has increased Eskom's fuel and transport costs. Short term contract price for middling coal product (CV 21MJ/kg; 5,000kcal/kg) rose during 2008 from R90/t to R160/t FOT. Eskom is set to increase generation capacity by 16,000MW between 2005 and 2017, and by a further 24MW by 2026. Since 2005 Eskom has increased its generating capacity by 2,500MW.

Sasol uses most of the coal mined by Sasol Mining to produce petrol, diesel and petrochemicals and power generation at its chemical plant sites.

Other users include the local household market (3%) through coal traders in formal and informal residential areas. The metallurgical sector also consumes about 3% of the local coal production with the major players being Iscor Steel and Columbus Steel.

5.5 South African Coalfields

The Karoo Supergroup of Late Carboniferous to Middle Jurassic age hosts all the South African coal deposits and was formed in the great Gondwana basin which comprised parts of Southern Africa, India, Antarctica, Australia and South America.

South African coal, in common with other Gondwana coals, was formed in a cold to cool climate, in contrast with other Carboniferous coals that owe their origin to tropical rain forests.

Although South Africa has 19 official coal fields, 70% of recoverable reserves are in the Waterberg, Highveld and Witbank coalfields with the latter two being the most economically important producing over 80% of South Africa's saleable

coal in 2005. The Mpumalanga Province, and more particularly the Witbank area, has had accelerated industrialisation on the back of coal exploitation.

Eskom has built many of its coal fired power stations on the Witbank-Highveld coalfields due largely to its low cost of production from the shallow, 'open cast' coal seams, but also their location relative to industry and the population centres of, inter alia, Johannesburg and Pretoria.

However, the reliance on the Witbank-Highveld coalfield may soon lessen since it is recognized that almost half of South Africa's in-situ coal reserves are now situated in the Waterberg coalfield, with only 27% located in the Witbank-Highveld coalfields.

Long-term energy planning by Eskom suggests that the Witbank-Highveld coalfields will not be enough to satisfy the projected medium to long-term growth in electricity demand due to the forecast mining of most of the coal reserves by 2020, and a requirement to reduce atmospheric nitrogen dioxide levels (Lloyds Blanket), a by-product of the power generation industry, over the Provinces of Mpumalanga and Gauteng.

The Waterberg coalfield is thus being considered as an alternative to the Witbank-Highveld coalfields, in that coal resources are plentiful, the threat to the environment due to the development of additional generation capacity is much less than in the region covered by the Lloyd's Blanket, and brownfields expansion at the Matimba power plant and further greenfields expansions in the Waterberg would be economical due to the availability of low-cost coal and shared infrastructure.

6.0 Exploration Program and Budget

The ongoing outline for the project is for WCC to further fully explore the project area.

The exploration program has been designed to bring the project to production status over a two year period and includes:

- The proposed Phase 1 drilling of Smitspan and Massenberg to complete the BFS and Phase 2 to perform additional infill and exploration drilling as required.
- Completion of BFS including resource modelling and design of a development program aimed at establishing a mine.
- Tenement administration in relation to the South Australian tenements.
- Repayment of loans under Loan Agreement – Celtic Capital
- Salaries and Wages of WCC Corporate Administration Costs of WCC Expenses related to the various transactions
- Budgets include existing cash reserves of \$7,9M.
- *Note 1: WCC's subsidiary anticipates that it will enter into project financing arrangements with SBSA shortly after the date of the Prospectus to fund the development of the Waterberg Project. Accordingly, expenditure aggregated with the development of the Waterberg Project is not reflected in this amount.*

Expenses	Minimum Subscription (\$1.5M)			Maximum Subscription (\$10M)		
	Year 1 \$	Year 2 \$	Total \$	Year 1 \$	Year 2 \$	Total \$
Drilling	913,139	2,417,298	3,330,437	913,139	5,567,140	6,480,279
Completion of BFS & Mine Design	700,000	0	700,000	700,000	0	700,000
Test work and marketing studies	0	0	0	1,000,000	0	1,000,000
Tenement and Tenement Administration – South Australian Tenements	300,000	300,000	600,000	350,000	350,000	700,000
Loan Repayments	1,500,000	0	1,500,000	1,500,000	0	1,500,000
Salaries and Wages	400,000	400,000	800,000	400,000	400,000	800,000
Corporate Administration	350,000	350,000	700,000	350,000	350,000	700,000
Corporate Advisory Fees	150,000	0	150,000	150,000	0	150,000
JSE listing costs	510,000	0	510,000	510,000	0	510,000
Expenses of the Offer	310,695	0	310,695	774,389	0	774,389
Working Capital	400,000	398,868	798,868	2,292,666	2,292,666	4,585,332
TOTAL	5,533,834	3,866,166	9,400,000	8,940,194	8,959,806	17,900,000

Table 8: Proposed Exploration Budget.

Expenses associated with the raising are shown elsewhere in the Prospectus.

7.0 Conclusions

The Waterberg Coalfield is fast becoming increasingly important as the coal reserves in the Witbank, Highveld and Ermelo coalfields of the Mpumalanga Province, which currently supply the majority of Eskom's coal power stations, becomes depleted over the next 20 to 30 years.

Coal was discovered in the Waterberg area in 1922 during water drilling 25km west of the town of Ellisras. The coal measures of the Waterberg Coalfield occur in the Volksrust and Vryheid Formations of the Karoo Supergroup and all the classical subdivisions of the sequence are encountered. The coal is thought to have originated in a fluvial environment and is of late Palaeozoic to early Mesozoic age. Numerous coal zones with multiple seams occur, varying in thickness from millimetres to more than 8m over an interval of 120m.

Exxaro owns and operates the nearby Grootegeluk Colliery which mines coal from an opencast operation. It produces semi-soft coking coal and steam coal for the inland and export market and has a 14Mtpa coal supply agreement with Eskom's nearby Matimba power station. Production will rise significantly as Eskom brings on-stream the Medupi (Matimba II) power station adjacent to Matimba. It has recently been reported that a 600MW Independent Power Plant ("IPP") is being negotiated and a third Eskom 3,600MW power plant is on the drawing board.

The coalfield is also being investigated by State owned Sasol and PetroSA to supply potential coal-to-liquids and gas-to-liquids projects; while Anglo Coal over the last 15 years has established considerable resources of coal bed methane gas. Anglo Coal has undertaken some limited methane production and is currently flaring gas on one of their sites.

This report covers eight farms in the Matimba power station environs.

Exploration budgets are set at \$9.4M and \$17.9M for minimum and full listing raisings respectively.

Yours faithfully,

For and on behalf of Al Maynard & Associates



Allen J Maynard

BAppSc(Geol), MAIG. MAusIMM

8.0 References

Venmyn Deloitte, (2013): Independent Specialist Valuation Report (“the Venmyn Deloitte 2013 report”). A copy of this report can be obtained from Firestone Energy Limited’s ASX Market Announcements Platform (ASX:FSE).

Werksmans, (2013): The Waterberg Coal Company Limited: Title Report (“the Werksmans Title Report”)

9.0 Details of Competent Persons

Competent Persons Statements

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow member of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associates and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including coal and iron ore mineralisation. Mr Varndell has sufficient experience which is 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, Exploration Targets, Mineral Resources and Ore Reserves”. Mr Varndell consents to inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Persons Statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences (“AIG”), a Corporate Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is 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, Exploration Targets, Mineral Resources and Ore Reserves”. (JORC Code). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.

10.0 Definition of terms, glossary and abbreviations

Units

g	gram
ha	Hectare
k	one thousand units
kg	kilogram
km	kilometre
kt	thousand metric tonnes
m	metre
m ²	square metre – measure of area
m ³	cubic metre
mm	millimetre
M	million
Mt	million metric tonnes
Mtpa	million metric tones per annum
pa	per annum
pha	per Hectare
s	second
t	metric tonne
tpa	metric tonne per annum
tpd	metric tonne per day
tpm	metric tonne per month
tm ⁻³	density measured as metric tonnes per cubic metre
AUD	Australian Dollar
USDM	million United States Dollars
USD	United States Dollar
USD/t	United States Dollars per tonne
USc/t	United States cents per tonne
ZAR	South African Rand
ZARM	South African Rand million
ZAR/t	Rand per tonne
°	degrees
°C	degrees centigrade
%	percentage

Glossary of Terms

anticline	arch-shaped fold in rocks, closing upwards, with the oldest rocks in the core
antiformal	arch-shaped rock structure, closing upwards, but in which it may not be possible to determine the oldest rocks
assay	the chemical analysis of mineral samples to determine the elemental content
calorific value	the heat liberated by the coal's complete combustion in oxygen
capital expenditure	all other expenditures not classified as operating costs
carbonaceous	carbon rich
channel	watercourse, also in this sense sedimentary material course
chert	granular silica
composite	combining more than one sample result to give an average result over a larger distance
conglomerate	detrital sedimentary rock
cross section	a diagram or drawing that shows features transacted by a vertical plane drawn at right angles to the longer axis of a geologic feature
crushing	initial process of reducing ore particle size to render it more amenable for further processing
density	measure of the relative "heaviness" of objects with a constant volume, density = mass/volume
dilution	waste which is unavoidably mined with ore
dip	angle of inclination of a geological feature/rock from the horizontal
drill-hole	method of sampling rock that has not been exposed
dyke	thin, tabular, vertical or near vertical body of igneous rock formed by the injection of magma into planar zones of weakness
fault	the surface of a fracture along which movement has occurred
fine/s	iron ore in a powder like form
fold	plastic deformation of previously horizontal rock strata
Grootegeeluk Mine	Grootegeeluk Coal mine
Indicated Mineral Resource	that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. it is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. the locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
Inertinite	oxidized organic material or fossilized charcoal
Inferred Mineral Resource	that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. it is inferred from geological evidence and assumed but not verified geological and/or grade continuity. it is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability
Insitu tonnage	an estimated measure of mass of coal in the ground containing inherent moisture
inverse distance	interpolation method of assigning values from samples to blocks based on the distance of the samples to the block centroid
kriging	an interpolation method of assigning values from samples to blocks that minimises the estimation error
lithological	geological description pertaining to different rock types
Measured	that part of a mineral resource for which tonnage, densities, shape, physical characteristics,

Glossary of Terms

Mineral Resource	grade and mineral content can be estimated with a high level of confidence. it is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. the locations are spaced closely enough to confirm geological and grade continuity
Mineral Resource	a concentration (or occurrence) of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. the location, quantity, grade, continuity and other geological characteristics of a mineral resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well constrained and portrayed geological model. Mineral resources are sub-divided in order of increasing confidence, in respect of geoscientific evidence, into inferred, indicated and measured categories
mineral rights	a right or any share therein acquired, in terms of the Minerals Act
Minerals Act	the South African Mineral and Petroleum Resources Development Act, 28 of 2002, as amended
mining authorisation	any authorisation issued in terms of the Minerals Act
moisture	inherent water content in coal expressed as a percentage
No 1, 2 & 3 Seams	are thick medium grade coal seams in the Waterberg coalfield
normal fault	fault in which the hangingwall moves downward relative to the footwall
ordinary kriging	a common type of kriging used when sampling information is relatively dense
petrographic	systematic description and interpretation of rock textures and mineralogy in thin section
sedimentary	pertaining to rocks formed by the accumulation of sediments, formed by the erosion of other rocks
sill	a thin, tabular, horizontal to sub-horizontal body of igneous rock formed by the injection of magma into planar zones of weakness
simple kriging	a type of kriging, which uses a known area mean value as well as sample values
stratigraphy	study of stratified rocks in terms of time and space
strike	direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction
subcrop	describing a rock stratum that unconformably underlies another rock stratum
syncline	concave fold in stratified rock in which the strata dip down to meet in a trough
the Mine, Health and Safety Act	the Mine Health and Safety Act, 29 of 1996
unconformity	buried erosion surface separating two rock masses; older exposed to erosion for long interval of time before deposition of younger
vitritine	a maceral, or petrological unit of coal, analogous to a mineral in non-organic rock
Washproduct	an analytical compositing verification and simulation software program
Waterberg Coalfield	a coal bearing region in the Coal basin of the Karoo System in South Africa
yield	the actual quantity of product realised after the mining and treatment process.
Zones 6-11	composite horizons of blend of high grade coking coal, steam coal and mudstone lenses found in the Waterberg coal field

Abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
AIDS	the Acquired Immune Deficiency Syndrome
AMSL	above mean sea-level
BEE	Black Economic Empowerment
BQ	diamond drill core size 36.5mm in diameter
CITT	Coal Industry Task Team
CPI	Consumer Price Index
CPR	Competent Persons' Report
DCF	discounted cash flow
DM	dense medium
DME	Department of Minerals and Energy
DMS	Dense Medium Separation
DTM	digital terrain model
ECA	Environmental Conservation Act (South Africa)
EIA	Environmental Impact Assessment
EMP	Environmental Management Program
EMPR	Environmental Management Program Report
Eskom	Eskom Limited
FM	Financial Models
FOB	free onboard
GIS	Geographical Information System
GDP	Gross Domestic Product
GG1	Grootegeluk coal beneficiation plant No.1
GG2	Grootegeluk coal beneficiation plant No. 2
GG3	Grootegeluk coal beneficiation plant No. 3
GG4	Grootegeluk coal beneficiation plant No. 4
GG5	Grootegeluk coal beneficiation plant No. 5
GG6	Grootegeluk coal beneficiation plant No. 6
GSSA	Geological Society of South Africa
HQ	diamond drill core size 63.5mm in diameter
IRR	the Internal Rate of Return (the discount rate which applies when NPV = 0)
ISO	International Standards Organisation
JORC	Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
JSE	JSE Limited
M	Million
MEE	Multiple of Exploration Expenditures
MPRDA	Mineral and Petroleum Resources Development Act
NAR	Net As Received calorific value is the lower expected useful calorific content taking into account the latent heat of the water vapour produced
No.	Number
NPV	Net present value
NQ	diamond drill core size 47.6mm in diameter
OHS	Occupational Health and Safety
OK	ordinary kriging

Abbreviations

PCI	pulverised coal injection
PEM	Prospectivity Enhancement Multiplier
PPP	Purchase Price Parity
PQ	diamond drill core size 85mm in diameter
QA/QC	Quality Assurance and Quality Control
RoM	Run-of-Mine
SABS	South African Bureau of Standards
RBCT	Richard's Bay Coal Terminal
RC	Reverse circulation
RD	Relative density
RDs	Relative densities
RSA	Republic of South Africa
SAIMM	South African Institute of Mining and Metallurgy
SAMREC Code	South African Code for Reporting of Mineral Resources and Mineral Reserves
SANAS	South African National Accreditation System
SANS	South African National Standard
SANS 10320: 2004	the South African National Standard – South African guide to the systematic evaluation of coal resources and coal reserves
SARS	South African Revenue Services
Sasol	Sasol Limited
SHE	Safety, Health and Environment
SLP	Social Labour Plan
Transnet	Transnet Limited
US	the United States of America
USA	the United States of America

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9 July 2013

Dear Sirs

TITLE REPORT OF SEKOKO COAL PROPRIETARY LIMITED ("Sekoko Coal")

1 INTRODUCTION

- 1.1 We have acted as South African counsel to Waterberg Coal Company Limited ("**WCC**") in relation to furnishing a title report in respect of the mineral titles held and applied for by Sekoko Coal in South Africa.
- 1.2 We confirm that we were requested to provide WCC with a title report (the "**Report**") as of the date hereof on Sekoko Coal's rights to prospect and mine in respect of Sekoko Coal and its concomitant joint venture interests.
- 1.3 We have examined copies of such documents as we have considered necessary for the purposes of giving this Report as provided to us by WCC and their advisers and Sekoko Coal.
- 1.4 We have also examined such other documents, and conducted such searches and made such title investigations and other enquiries as we have considered necessary or relevant in order for us to provide this Report.

Werksmans Inc. Reg. No. 1990/007215/21 Registered Office 155 5th Street Sandton 2196 South Africa

Directors DG Williams (Chairman) AL Armstrong DA Arteiro T Bata NMN Bhengu JM Bortz TK Bortz GT Bossr TJ Boswell MC Brönn W Brown PF Burger PG Cleland JG Cloete PPJ Coetser D Corbett GW Driver LJ du Preez RJ Feenstra S Fodor SJ Gardiner D Gewer H Goolam R Gootkin ID Gouws GF Griessel D Hertz J Hollesen VR Hosiosky BB Hotz HC Jacobs TL Janse van Rensburg G Johannes S July J Kallmeyer A Kenny BM Kew N Kirby HA Kotze S Krige P le Roux MM Lessing E Levenstein JS Lochner L Louw DA Loxton JS Lubbe BS Mabasa PK Mabaso PM Madala MPC Manaka G Marinus H Masondo TA Mthiyane J Nickig JJ Niemand GA Nott BPF Olivier WE Oosthuizen M Pansegrouw CP Pauw AV Pillay C Pillay BC Price AA Pyzikowski RJ Raath L Rood BR Roothman W Rosenberg LK Silberman MB Simon JA Smit CI Stevens PO Steyn J Stockwell JG Theron JJ Truter KJ Trudgeon DN van den Berg HA van Niekerk FJ van Tonder JP van Wyk A Vatalidis RN Wakefield DC Walker D Wegierski M Wiehahn DC Willans PA Winer E Wood BW Workman-Davies

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2 QUALIFICATIONS AND ASSUMPTIONS

2.1 Our Report is subject to the limitations that:

2.1.1 we are only qualified to practice law in South Africa and do not express any opinions in this Report concerning any laws other than the current laws of South Africa;

2.1.2 we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, confirmed, or photocopies of such original documents;

2.1.3 we have assumed that all agreements and other documents submitted to us have been properly executed and, other than where it is indicated in this Report that we have performed independent verification, that the signatories thereto had the necessary legal capacity to execute them;

2.1.4 we have based our report on the information as provided to us by WCC and/or Sekoko Coal;

2.1.5 we have assumed that the holders of the various rights referred to in this report are in compliance with the terms of the rights and accompanying work programmes and environmental management plans and programmes, other than where specifically identified in this Report.

3 BACKGROUND TO REPORT

3.1 Definitions

In this Report, the following terms and phrases have the following corresponding meanings:

3.1.1 **"rights to prospect"** means old order prospecting rights and unused old order rights to the extent that valid conversion applications were duly made under the MPRDA, as well as valid prospecting rights granted under the MPRDA;



3.1.2 "mining rights" means rights granted pursuant to Section 23(1) of, and/or rights converted in terms of item 7(3) of Schedule II to, the MPRDA and any renewal thereof;

3.1.3 "MPRDA" means the Mineral and Petroleum Resources Development Act, 28 of 2002;

3.1.4 "prospecting rights" means rights granted pursuant to Section 17(1) of, and/or item 6 of Schedule II to, the MPRDA and any renewal thereof;

3.1.5 "old order mining rights" has the meaning given thereto in Schedule II to the MPRDA;

3.1.6 "old order prospecting rights" has the meaning given thereto in Schedule II to the MPRDA;

3.1.7 "old order rights" has the meaning given thereto in Schedule II to the MPRDA;

3.1.8 "unused old order rights" has the meaning given thereto in Schedule II to the MPRDA; and

3.1.9 "HDSA" has the meaning ascribed thereto in terms of the Mining Charter promulgated in terms of Section 100 of the MPRDA as amended in September 2010.

3.2 **Former Rights.**

The MPRDA vests in the State custodianship of all mineral and petroleum resources. Prior to the MPRDA, some minerals were privately owned and others granted by the State; some were severed from surface rights, while others were not; some were governed by the common law, while others were governed by the Minerals Act 50 of 1991 or other statutes. This gave rise to a complex ownership of minerals within the country and required a transition process to convert these rights to rights under the MPRDA. Under the MPRDA:

3.2.1 **Former Mining Rights.**



Section 1(iii) of Schedule II defines an old order mining right as "... any mining lease, ... claim licence, mining authorisation or [other specified mining] right ... in respect of which mining operations are being conducted." The requirement for current mining operations is further coloured by the definition of unused old order right, which means "any right ... in respect of which no prospecting or mining was being conducted immediately before this Act took effect." The distinction between an old order mining right and an unused old order right is at least threefold:

- (i) The holder of an old order mining right had to apply for conversion within a period of five years from 1 May 2004; the holder of an unused old order right must have applied for a mining right or prospecting right within a period of one year from 1 May 2004.
- (ii) The holder of an old order mining right could continue to mine for a period of five years or the period of the mining authorisation, whichever is the lesser, from 1 May 2004 (the effective date of the MPRDA), while the holder of an unused old order right could only continue to mine for a period of one year from 1 May 2004 (and, indeed, may not prospect or mine at the present time, unless new order prospecting rights or mining rights have been granted under the MPRDA).
- (iii) The Minister must convert an old order into a new order mining right. It is our view that the Minister is not entitled to refuse an application for conversion, but can merely request the applicant to amend or amplify its application for conversion, whereas the Minister has an element of Ministerial discretion in deciding whether the applicant for a new mining right has fulfilled all the criteria set out in section 23 of MPRDA for the grant of a new right, including in relation to a social and labour plan and the giving effect to of the objects referred to in sections 2(d) and (f) of the Act. Furthermore, the empowerment requirements in relation to a new application have been set by government policy as reflected in the clarification document issued by the Department of Mineral Resources ("DMR") on HDSA equity participation at 26% of equity at the time of making the application. In regard to an application for conversion, the Charter predominately provides for 15% of the attributable units of production vesting in HDSA hands within a period of 5 years from 1 May 2004 and not necessarily at the date of making the application for



conversion, provided that an undertaking is lodged to procure 26% HDSA equity by May 2014.

3.2.2

Former Prospecting Rights

Section 1(iv) of Schedule II defines an old order prospecting right as "...any prospecting lease, permission, consent, permit or licence ... in respect of which prospecting is being conducted." The requirement for current prospecting operations is further coloured by the definition of unused old order right, which means "any right ... in respect of which no prospecting or mining was being conducted immediately before this Act took effect." The distinction between an old order prospecting right and an unused old order right is at least threefold:

- (i) The holder of an old order prospecting right must have applied for conversion within a period of two years of 1 May 2006; the holder of an unused old order right must have applied for a prospecting right or mining right within a period of 1 year from 1 May 2004.
- (ii) The holder of an old order prospecting right could continue to prospect for a period of two years from 1 May 2004 (the effective date of the MPRDA), while the holder of an unused old order right could only continue to prospect for a period of one year from 1 May 2004 (and, indeed, may not prospect or mine at the present time, unless new order prospecting rights or mining rights have been granted under the MPRDA).
- (iii) The Minister must convert an old order prospecting right into a new form prospecting right and does not have any discretion to refuse the application. The Minister can merely request the applicant to amplify or modify the application. In regard to an application for a new prospecting right, the Minister is entitled to refuse the application if the applicant does not satisfy the criteria set out in section 17 of MPRDA. In regard to HDSA equity participation in regard to a new application, the thresholds have been set at 26% of equity vesting in HDSA hands at the time of making the application in accordance with the clarification document issued by the DMR in relation to HDSA participation. In regard to applications for conversions of old order prospecting rights, there is no mention of HDSA participation in item 6 of Schedule II to MPRDA.



4 BACKGROUND TO PROSPECTING RIGHT 681/2007PR

4.1 General in regard to Duikerfontein prospecting right

4.1.1 Sekoko Coal is the holder of a prospecting right granted in terms of section 17(1) of the MPRDA, notarially executed on 13 October 2005 and registered in the Mineral and Petroleum Titles Registration Office ("**MPTRO**") on 18 July 2007 under number MPT681/2007PR.

4.1.2 Sekoko Coal has, in terms of the Duikerfontein prospecting right, the right to prospect for coal in respect of the farms Smitspan, Massenberg, Minnasvlakte and Hooikraal in the Magisterial District of Waterberg, measuring 4,360.6 hectares.

4.1.3 We have seen a copy of the executed Duikerfontein prospecting right. It appears to have been properly notarially executed and we have had evidence of its registration in the MPTRD.

4.1.4 The Duikerfontein prospecting right endures for a period of five years commencing on 13 October 2005 and ending on 12 October 2010.

4.1.5 A notarial deed of amendment has been executed pursuant to a consent obtained in terms of section 102 of the MPRDA to include three additional farms into the Duikerfontein prospecting right, which three additional farms are Olieboomsfontein, Duikerfontein and Swanepoelpan. We have not been given evidence of registration of the notarial deed of amendment but this does not affect the validity of the deed of amendment.

4.1.6 We have seen a copy of the prospecting work programme attached to the Duikerfontein prospecting right. The prospecting work programme duly approved has become a term and condition of the Duikerfontein prospecting right.

4.1.7 No action has been taken by the Minister of Mineral Resources ("**the Minister**") with regard to the breach of any of the terms of the Duikerfontein prospecting right and we are not aware of any breaches of this prospecting right.



- 4.1.8 The Minister has not, as at the date of this Report, imposed any additional conditions in relation to the Duikerfontein prospecting right other than in terms of the MPRDA.
- 4.1.9 There are no adverse interests such as charges or encumbrances affecting the area of the Duikerfontein prospecting right.
- 4.1.10 Other than the consent of the Minister, no consent is required from any other party in order to assign or transfer the rights and obligations of the holder under the right, and accordingly it is free to nominate any party it may so choose for the purpose of making any such assignment or transfer.
- 4.1.11 The Duikerfontein prospecting right does contain change of control provisions which could lead to the termination of an agreement providing for change of control or the licence or other adverse consequences following the completion of a transaction which triggers the disposal of control, without the consent of the Minister under section 11 of the MPRDA. This is addressed further in paragraph 9.
- 4.1.12 We have received confirmation that prospecting fees have been paid up to date in accordance with the regulations in force under the MPRDA for the payment of prospecting fees although we have not been given any confirmation that the prescribed annual prospecting reports have been submitted to the DMR.

4.2 **Renewal of Duikerfonten prospecting right**

- 4.2.1 Sekoko Coal applied for renewal of the Duikerfontein prospecting right in respect of all seven properties. However on 19 September 2011, Sekoko Coal received a letter from the DMR advising Sekoko Coal that the renewal had only been granted in respect of the first four farms which are the subject of the prospecting right and not the three farms that had been subsequently added onto the prospecting right in terms of section 102 of the MPRDA. However it must be noted that Sekoko Coal has subsequently been granted a mining right in respect of the four farms and such mining right has superseded the Duikerfontein prospecting right in respect of those four farms.
- 4.2.2 We have been given an executed notarial deed of renewal of a prospecting right executed notarially on 3 July 2013 confirming that Sekoko Coal has procured renewal of the prospecting right in respect of the three latter farms, namely



Olieboomsfontein, Duikerfontein and Swanepoelpa for a period of three years commencing on 3 July 2013 and terminating on 2 July 2016. The notarial deed of renewal appears to have been properly notari ally executed and therefore Sekoko Coal has a valid prospecting right over the three mentioned farms until 2 July 2016.

4.3

Background to surface use

4.3.1

As the holder of the Duikerfontein prospecting right, Sekoko Coal is entitled to all of the rights set out in section 5(3) of the MPRDA entitling it to prospect, use the surface necessary or incidental to prospecting operations and bring plant, property and equipment onto the prospect for prospecting purposes over the three farms that are still held under the prospecting right. It is not necessary in South African law for an exploration company to own the surface of its prospect.

4.3.2

According to our instructions, Sekoko Coal does not have any surface use rights over and above its statutory rights in respect of the three farms that are still subject to the prospecting right. However the lack of such agreements does not adversely affect Sekoko Coal. Sekoko Coal will still have to consult with the landowner and lawful occupier in regard to its prospecting activities and pay compensation for loss or damage under section 54 of the MPRDA in the case of loss or damage suffered by the landowner or lawful occupier as a result of the prospecting activities.

4.4

Background to environmental approvals

4.4.1

Sekoko Coal has an approved environmental management plan in relation to the Duikerfontein prospecting right issued to it in terms of section 39 of the MPRDA. We confirm that there are no breaches, fines, investigations or alleged breaches relating to the EMP.

4.4.2

Notwithstanding that it has been granted a prospecting right and has an approved EMP, Sekoko Coal still has to comply with the other provisions of South African mining legislation relating to the environment such as the National Environmental Management Act, 1998 ("**NEMA**") (to the extent applicable) and the National Water Act. We are not aware of any specific requirements of those Acts which are applicable to the Duikerfontein prospecting right and the activities conducted by Sekoko Coal thereunder.



4.4.3 The EMP approval letter provides that financial provision of R500,000 is required for the rehabilitation of the prospecting activity. However we have only been given a copy of an ABSA Bank Limited guarantee for R10,000 and it is not clear to us why there was a discrepancy. Notwithstanding this the EMP was approved and therefore at the time the Regional Manager must have been aware of the shortfall and, notwithstanding this, approved of the extent of the guarantee provided (as otherwise the EMP would not have been approved and neither would the renewal have been granted). If the Regional Manager is not satisfied with the extent of the pecuniary provision he can call upon Sekoko Coal to top up the amount under Section 41 of the MPRDA.

4.4.4 There was also an application for amendment of the EMP in respect of the Duikerfontein prospecting right lodged with the DMR on 11 August 2008.

4.4.5 The amendment to the EMP sought to approve a further forty prospecting boreholes for drilling on the four farms. It was estimated that R400,000 would be required to rehabilitate these additional boreholes but we have only received a copy of an ABSA Bank Limited financial guarantee of R60,000. We reiterate that the Regional Manager has the power to call upon the holder to amplify, the pecuniary provision under Section 41 of the MPRDA. We have received no confirmation as to the status of the amendment application and the shortfall in the guarantee. In any event these four farms have now been replaced by a mining right and therefore the matter is academic as the DMR would not have granted the mining right if Sekoko Coal was in breach of the provisions of the EMP, or the MPRDA or the terms of the prospecting right. We have also not been provided with a separate application to amend the EMP for the Duikerfontein prospecting right to include the three additional farms and therefore no activities in the form of prospecting can take place on the three additional farms until such stage as the environmental management plan has been amended to include these three farms.

5 MINING RIGHT

5.1 Background to mining right granted to Sekoko Coal

5.1.1 Sekoko Coal is the holder of a mining right issued in terms of section 23 of the MPRDA, notarially executed on 17 August 2011 and registered in the MPTRD on 4 July 2012 under MPT90/2012EMR. The right grants Sekoko Coal the sole and



exclusive right to mine for coal in, on or under the first four farms mentioned in paragraph 4.1 above measuring 4,360.6 hectares.

5.1.2 We have examined a copy of the mining right and it appears to be properly notarially executed and valid for a period of thirty years commencing on 17 August 2011 and ending on 16 August 2041.

5.1.3 We have been given a copy of the approved social and labour plan which forms part and parcel of the mining right. Sekoko Coal has committed to financial provision for the social and labour plan for the period 2011 to 2015 of R4,698,000 in respect of human resources development; R22,050,000 in respect of local economic development and R327,000 in respect of closure and retrenchment planning.

5.1.4 We have been given a copy of the mining work programme attached to the mining right. The duly approved mining work programme constitutes a term and condition of the mining right itself.

5.1.5 No action has been taken by the Minister with regard to the breach of any of the terms of the mining right and we are not aware of any breaches of the mining right.

5.1.6 The Minister has not, as at the date of this Report, imposed any additional conditions in relation to the mining right other than in terms of the MPRDA.

5.1.7 There are no adverse interests such as charges or encumbrances affecting the area of the mining right.

5.1.8 Other than the consent of the Minister, no consent is required from any other party in order to assign or transfer the rights and obligations of Sekoko Coal under the mining right and, accordingly, it is free to nominate any party it may so choose for the purpose of making any such assignment or transfer.

5.1.9 The mining right does contain change of control provisions which could lead to the termination of such agreement or the right itself or other adverse consequences following the completion of a transaction which triggers a disposal of a control without the consent of the Minister under section 11 of the MPRDA.



5.2 **Section 102 application**

We have been given a copy of a section 102 application which Sekoko Coal submitted to the DMR on 22 November 2011, the purpose of which was to amend the mining right to include the three additional farms which are still the subject of the Duikerfontein prospecting right. We have not seen any documentation from the DMR in regard to the processing of the application. It may well be therefore that the application will be granted but we cannot express any guarantees in this regard. Section 102 of the MPRDA currently does allow for the extension of areas to include other areas. On the basis that Sekoko Coal is the holder of a prospecting right over the three additional farms then its security of tenure is secure until the termination of the prospecting right.

5.3 **Delayed commencement of mining operations**

5.3.1 Section 25(1)(b) of the MPRDA provides that a holder of the mining right must commence mining operations within one year from the date on which the mining right becomes effective which is the date upon which the environmental management programme is approved or such extended period as the Minister may authorise. Mining operations are defined widely as any operation relating to the act of mining in matters directly incidental thereto. Legal learning in South Africa is to the effect that prospecting in connection with mining would be constituted as matters directly incidental to mining, as would development activities.

5.3.2 Sekoko Coal should have commenced mining operations by 17 August 2012. A letter was forwarded by Sekoko Coal to the Minister on 6 August 2012 requesting the DMR's permission to extend the date on which it must commence mining operations. There has been a response from the DMR dated 14 August 2012 in terms of which the DMR acknowledged receipt of Sekoko Coal's letter of 6 August 2012 and requesting Sekoko Coal to provide it with further information. Our instructions are that Sekoko Coal has not yet responded to the DMR's letter and therefore the DMR's permission to commence mining operations later has not yet been granted.

5.3.3 Notwithstanding that the DMR has not been furnished with a response to its letter of 14 August 2012 we have not been given any notices issued by the DMR to Sekoko Coal in terms of section 47 of the MPRDA threatening to suspend or cancel the right.



5.3.4 In my view sufficient activities have been conducted by Sekoko Coal in relation to constitute mining operations and the commencement of mining operations, namely the conducting of a feasibility study, procuring an Eskom supply contract, negotiating and concluding acquisitions of surface rights in respect of areas covered by the mining right and even certain development activities on the properties in question.

5.3.5 If the Minister was to refuse the section 25(1)(b) application lodged by Sekoko Coal, Sekoko Coal could appeal against the decision in terms of section 96 of the MPRDA on the basis that the Minister was wrong in refusing it or alternatively Sekoko Coal could rely on the fact that it commenced mining operations in the wide sense prior to 17 August 2012 and therefore, if a section 47 notice is ever received by Sekoko Coal it could make representations to the Minister as to what it has done so far which could constitute mining operations in the wide sense. I am also instructed that the Minister is fully aware of the developments in regard to the project and the delays occasioned and the efforts that Sekoko Coal has made to commence the development of the project and therefore the chances of the Minister ever revoking section 47 in those circumstances is remote. Even if she does so, adequate representations under Section 47 could be given to Sekoko Coal as to why the right should not be cancelled or suspended.

5.4 **Background to surface use**

5.4.1 A company known as Utafutaji Trading 75 Proprietary Limited ("**Utafutaji**") being a wholly-owned subsidiary of Firestone Energy Limited ("**FSE**"), owns the surface rights in respect of Hooikraal and Smitspan.

5.4.2 In respect of the two farms in respect of which the surface rights are not owned by Utafutaji, Sekoko Coal has all of the rights as set out in section 5(3) of the MPRA in relation to surface use and has to consult with the landowner in regard to surface use for mining purposes and pay the owner loss or damage suffered as a result of mining activities on the properties in accordance with the provisions of section 54 of the MPRDA.



5.5 Background to environmental approvals

- 5.5.1 We have seen a copy of the EMPR which has been approved in respect of all seven properties ie the four farms which are the subject of the mining right and the three farms which are still the subject of the Duikerfontein prospecting right, and we have also seen a copy of the approved environmental authorisation as contemplated in the NEMA.
- 5.5.2 In the EMPR the estimated liability for rehabilitation in respect of the mining right was calculated at R23,000,000. However we have seen a copy of a Guardrisk financial guarantee addressed to the DMR dated 12 August 2011 in terms of which provision of R34,264,697 has been made available.
- 5.5.3 Notwithstanding the grant of the environmental management programme approval and the approval in terms of NEMA of the environmental impact assessment and the grant of an environmental authorisation, it must be noted that Sekoko Coal still has to obtain an integrated water use licence in terms of the National Water Act, 1998 and a waste management licence in terms of the National Environmental Management: Waste Act, 2008 as amended, and it will not be entitled to use water for mining activities or dispose of waste until it has obtained such approvals. I know of no reason why these licences will not be granted.
- 5.5.4 As part and parcel of the section 102 application mentioned in 5.2 above, application has also been made to amend the approved EMPR to include the additional activities related to the proposed mine expansion including the three farms which are subject of the section 102 application. No such mining activities could take place on those three farms until the section 102 amendment has been granted to amend not only the mining right but also the EMP to include those three farms.
- 5.5.5 In regard to the environmental authorisation issued under NEMA referred to above we have been informed that an application process has commenced and is currently in the scoping phase for an amendment to the environmental authorisation to include NEMA listed activities in respect of the expansion area to include the three farms which are the subject of the 102 application mentioned above. In regard to the integrated water use licence in terms of the National Water Act, an application was lodged with the Department of Water Affairs on 23 February 2011. So far the integrated water use licence application relates to opencast mining operations on



Smitspan but any future activities would require amendments to the integrated water use licence application and it would also have to be amended to cater for the proposed expansion of the mining area to include additional water uses on the three additional farms.

5.5.6 Sekoko Coal would not be entitled to use water for mining purposes on the area covered by the mining right or any amended mining right to include the three additional farms until such stage as the integrated water use licence has been approved in terms of the National Water Act. We know of no reasons why such application should not be granted.

5.5.7 An application has apparently been submitted for a waste management licence under the National Environmental Management Waste Act, 2008. We have not seen a copy of that application. Apparently the application has been lodged but needs to be amended to make provisions for the proposed expansion of the mining area to include additional waste management activities over the expansion area.

5.5.8 Until such stage as the waste management licence application has been granted to Sekoko Coal it cannot engage in waste management activities without being in breach of the National Environmental Management Waste Act, its environmental authorisation as well as the approved EMP which has been granted on the basis that Sekoko Coal complies with the provisions of the National Environmental Management Waste Act.

5.5.9 In the case of *Maccsand Proprietary Limited v City of Cape Town & Others CCT 103/11 (2012) ZACC7* it was held that the holder of a mining right must still comply with relevant zoning restrictions notwithstanding the grant of the mining right. The relevant land must be subject to a zoning scheme and the zoning scheme must prohibit mining without rezoning, before zoning becomes an issue for a mining company in South Africa. We have been given no information in regard to whether the area covered by the mining right is subject to a zoning scheme and whether such zoning scheme prohibits mining without a rezoning.

5.6 **Appeals lodged in terms of section 96 of the MPRDA and in terms of Section 43 of NEMA**

ENS Attorneys ("ENS") is acting for Sekoko Coal in relation to an appeal lodged in terms of section 43 of NEMA by the Minnasvlakte Eiendom CC & Others against the approval of



the environmental authorisation in favour of Sekoko Coal referred to above, an appeal lodged in terms of section 96 on behalf of those appellants against the grant of the mining right and by certain other appellants against the decision of the Director General: Department of Mineral Resources to grant the mining right over the four farms to Sekoko Coal. We are not in a position to express any views in regard to the appeals that have been lodged and we rely on the status report, a copy of which was given to us by Sekoko Coal and WCC and we refer to the contents of annexure A hereto being the status update by ENS on the appeals. If the appellants were successful, Sekoko Coal could review the decisions on their appeals in terms of the High Court Rules if there are good grounds for setting aside the decisions to uphold the appeals.

6 BACKGROUND TO VETLEEGTE PROSPECTING RIGHT

6.1 General in regard to Vetleegte prospecting right

6.1.1 Uzalile Investments Proprietary Limited ("**Uzalile**") and Sekoko Resources Proprietary Limited ("**Sekoko Resources**") are the joint holders of the Vetleegte prospecting right in joint venture. The joint venture was created between Uzalile and Sekoko Resources in terms of a memorandum of understanding entered into between them in September 2005 ("**the Uzalile Joint Venture**").

6.1.2 The prospecting right was correctly granted in terms of section 17(1) of the MPRDA. It was notarially executed on 30 November 2006 and registered in the MPTRD on 6 December 2006 under number MPT651/2006PR. We have seen a copy of the prospecting right and it appears to have been properly notarially executed and registered.

6.1.3 The Vetleegte prospecting right has been granted for coal in respect of the farm Vetleegte in the Magisterial District of Waterberg, measuring 1,134 hectares.

6.1.4 The period of the validity of the prospecting right was from 13 November 2006 and ending five years thereafter on 12 November 2011.

6.1.5 We have seen a copy of the prospecting work programme attached to the Vetleegte prospecting right. The prospecting work programme constitutes a term and condition of the right.



- 6.1.6 No action has been taken by **the Minister** with regard to the breach of any of the terms of the Vetleegte prospecting right and we are not aware of any breaches of this prospecting right save for what is dealt with in 6.3 below.
- 6.1.7 There are no adverse interests such as charges or encumbrances affecting the area of the Vetleegte prospecting right.
- 6.1.8 The Minister has not, at the date of this Report, imposed any additional conditions in relation to the Vetleegte prospecting right other than in terms of the MPRDA.
- 6.1.9 Other than the consent of the Minister, no consent is required from any other party in order to assign or transfer the rights and obligations of the holders of the right, and accordingly they are free to nominate any party they may so choose for the purpose of making any such assignment or transfer.
- 6.1.10 The Vetleegte prospecting right does contain a change of control provision which could lead to the termination of such agreement or licence or other adverse consequence following the completion of a transaction which triggers a disposal of control or a disposal of an interest in the right, without the consent of the Minister under section 11 of the MPRDA.
- 6.1.11 We have received confirmation that prospecting fees have been paid in accordance with the regulations in force under the MPRDA for the payment of prospecting fees. However we have not been given any confirmation that the prescribed prospecting reports on an annual basis have been submitted to the DMR.

6.2 **Renewal of the Vetleegte prospecting right**

- 6.2.1 The Vetleegte prospecting right is now in force in terms of section 18(5) of the MPRDA in that a renewal application was submitted to the DMR on 19 September 2011 and thus prior to the expiry of the Vetleegte prospecting right. The Vetleegte prospecting right renewal had to, in accordance with its terms, be lodged sixty working days before the expiry of the prospecting right. It is not clear to us from the information given whether such lodgement occurred sixty working days prior to 12 November 2011, but in any event such a requirement in the prospecting right itself is ultra vires the Regional Manager in executing the



prospecting right as it contradicts section 18 of the MPRDA which merely provides that an application for renewal must be submitted prior to the expiry of the right.

6.2.2

We have reviewed a copy of the renewal application submitted by the Joint Venture partners being the holders of the right and such application appears to comply with the requirements of section 18(2) for the grant of renewals and we know of no reason why the renewal should not be granted. It must be noted that section 18(5) of the MPRDA provides that a prospecting right in respect of which an application for renewal has been lodged will, despite its state and expiry period, remain in force until such time as such renewal application has been granted or refused. Thus the Vetleegte prospecting right remains in force until such time as the Minister takes a decision on the renewal application.

6.2.3

Please take note of paragraph 6.3 below which deals with a section 93 notice and the fact that the notice states that the recommendation will be forwarded regarding a decision to be taken on the application to renew the Vetleegte prospecting right from the expiry of thirty days even if the instruction in the section 93(1)(b) notice has not been complied with.

6.3

Section 93 notice

6.3.1

A notice in terms of section 93(1)(b) of the MPRDA dated 2 November 2012 was received by the Uzalile Joint Venture from the Regional Manager: Mineral Regulation DMR (Limpopo) instructing the Joint Venture to :-

6.3.1.1

submit an itemisation of all rehabilitation costs (in respect of thirty-two prospecting boreholes which had been drilled and capped but not completely rehabilitated);

6.3.1.2

revise the financial provision for rehabilitation (as required by section 41(3) and regulation 54); and

6.3.1.3

submit the performance assessment report, as required by regulation 55, within thirty days from the date of signature of the notice. The notice goes on to state that a recommendation will be forwarded regarding a decision to be taken on the application to renew the Vetleegte prospecting right dealt with in



paragraph 6.2 above, upon the expiry of the thirty day period, even if the instruction has not been complied with.

6.3.2 We have been advised that no formal response has been given to the DMR by the Uzalile Joint Venture, although Sekoko Resources did have oral discussions with the DMR regarding the section 93 notice.

6.3.3 Section 93(2) of the MPRDA provides that the Director General must confirm or set aside any order contemplated in subsection 1(a) or (b). We have been given no information that the Director General has confirmed or set aside the section 93 order. If it has been confirmed or set aside the Director General has a period of sixty days thereafter to notify the holder, failing which the order lapses. However there are no time periods imposed upon the Director General to confirm or set aside in accordance with section 93(2). It is therefore unclear whether the provisions of section 93(3) are yet applicable if the Director General has not yet confirmed or set aside the order.

6.3.4 We have not been provided with any notices addressed to the Uzalile Joint Venture or any of the participants in the Joint Venture under section 47 regarding the suspension or cancellation of a prospecting right which is the normal procedure followed by the DMR after failure to comply with a section 93 order. It must be noted that the Minister does not have an automatic power to cancel or suspend and the holder is given reasonable opportunity to give representations as to why the right should not be suspended or cancelled after the issue of the section 47 notice.

6.4 **Background to surface use**

6.4.1 As the holder of the Vetleegte prospecting right, the Uzalile Joint Venture is entitled to all of the rights set out in section 5(3) of the MPRDA entitling it to prospect, use the surface necessary or incidental to prospecting operations and bring plant, property and equipment onto the mine for prospecting purposes. It is not necessary in a South African mining company or prospecting company to own the surface of a mine or prospect.

6.4.2 The holder of a prospecting right does have duties to consult with a landowner and/or lawful occupier and to pay compensation to the landowner or lawful occupier for losses or damage suffered as a result of the prospecting activity.



- 6.4.3 We have not been provided with any documentation to evidence the Uzalile Joint Venture or any of the parties thereto have concluded any surface access agreements with the owners of the properties over which the Vetleegte prospecting right has been granted.

6.5 **Background to environmental approvals**

- 6.5.1 The Uzalile Joint Venture has an approved environmental management plan in relation to the Vetleegte prospecting right issued to it in terms of section 39 of the MPRDA. We confirm that there are no breaches, fines, investigations or alleged breaches relating to the EMP.

- 6.5.2 The letter of approval of the EMP provides that financial provision of R10,000 was required for the rehabilitation of the prospecting activities undertaken in terms of the right pursuant to the provisions of section 41 of the MPRDA. This financial provision had to be done by way of a bank guarantee. Section 41 does provide that an applicant for a prospecting right must, before the Minister approves the EMP, make the prescribed financial provisions for the rehabilitation management of negative environmental impact. Our experience is that the Minister does not approve the EMP without that financial provision having been made. We have not been given a copy of the financial provision and we can therefore only assume it has been made as a result of the EMP having been approved by the Minister.

7 **FIRST JOINT VENTURE**

- 7.1 Notwithstanding the holding of the prospecting rights as described above, joint ventures have been established in relation to the rights described above. The first joint venture was created in terms of an agreement between FSE, Checkered Flag Investments 2 Proprietary Limited ("**Checkered Flag**") and Sekoko Coal (the latter being on behalf of Sekoko Resources and Uzalile). In terms of the joint venture agreement as amended the Uzalile joint venture contributed the use of the Vetleegte Prospecting Right and Sekoko Coal contributed the use of the Duikerfontein Prospecting Right to the first joint venture but only insofar as the Duikerfontein Prospecting Right relates to the farm Olieboomsfontein.



7.2 In terms of the first joint venture agreement Checkered Flag earned a 60% participation interest in the joint venture and this was confirmed in a confirmation agreement entered into between Sekoko Resources, Sekoko Coal, Flag, Lexshell, FSE and Utafutaji on 14 August 2012. The balance of the 40% of the joint venture is held as to 6.75% by Uzalile in terms of an agreement and an addendum thereto entered into between Sekoko Coal, Sekoko Resources and Uzalile on or about 17 June 2008 and 30 October 2008, and the balance of 33.25% by Sekoko Coal.

7.3 Thus FSE has obtained contractual rights in relation to prospecting and in exchange FSE has undertaken to make certain payment to the holders of the prospecting rights contributed to the joint venture and to fund the preparation of independent studies in respect of the viability of developing and exploiting mines on the properties.

7.4 We deal in paragraph 9 below with WCC's subscription into Sekoko Coal of 25%. The effect of this is that WCC has an indirect 8.3215% interest in the joint venture.

7.5 Section 11(1) of the MPRDA provides as follows –

"A prospecting right or mining right or an interest in any such right, or controlling interest in a company or close corporation may not be ceded, transferred, let, sub-let, assigned, alienated or otherwise disposed of without the written consent of the Minister, except in the case of a change of controlling interest in a listed company."

A question arises as to whether the entering into of the joint venture agreements itself requires ministerial consent in terms of Section 11 of the MPRDA. In Dale, South African Mineral and Petroleum Law at Page MPRDA – 168 the topic of an interest in a right is discussed and it is contended that this deals with the transfers of undivided shares in the right itself and for this reason the concept of interest was included into Section 11(1). Thus if Flag or Sekoko Coal wish to enforce their rights to take transfer of an undivided share in the Vetleegte Prospecting Right then most definitively a Section 11 consent would be required from the Minister as a pre-condition to the acquisition of the undivided share and the transfer thereof. At this stage Sekoko Coal and FSE have contractual arrangements in place but no security of title until such stage as ministerial consent is obtained. Thus the obligations under the MPRDA are still imposed upon the holders of the right, namely Uzalile and Sekoko Resources and all of the rights under the MPRDA are similarly only vested in those two companies including the ability to apply for and be



granted a mining right. In my view the contractual arrangements between the parties in the joint venture agreement are enforceable inter partes but, for example, should Uzalile for instance go into liquidation the right may lapse in accordance with Section 56 of the MPRDA and Sekoko Coal and Flag would have no security of tenure at that stage.

7.6

If it is concluded that the entering into of the joint venture agreement itself constitutes a disposal of an interest in the right and therefore Section 11 of the MPRDA then potentially the holders of the rights are in breach of the MPRDA allowing the Minister in terms of Section 47 of the MPRDA to suspend or cancel the right after representations have been given to the holders. As far as we are aware no such Section 47 notices have been received in relation to the Vetleegte Prospecting Right and in any event we do not believe Section 11 can be interpreted so widely so as to include contractual joint venture arrangements although there is no judicial learning in this regard. It should further be noted that in terms of the confirmation agreement entered into on 17 July 2012 the parties specifically recorded the Flag has as part of its participation interest in the first joint venture the right subject to any approval required at law including but not limited to approval in terms of Section 11 of the MPRDA to call for and receive a transfer or cession of an undivided legal and beneficial interest in the first joint venture rights which is equal to its participation interest in the first joint venture, which the parties acknowledge is 60%. Thus the parties to the joint venture have acknowledged all of the legal implications of Section 11 and therefore we are strongly of the view that the entering into of the joint venture itself does not constitute a breach of the MPRDA.

7.7

Furthermore on 17 May 2013 Fasken Martineau acting for and on behalf of Uzalile forwarded a letter to Webber Wentzel acting for and on behalf of WCC. More specifically Fasken Martineau were acting for and on behalf of two shareholders in Uzalile holding together 66.6% of the shareholding in that company. The letter alleges that Uzalile did not have the requisite authority to contribute the Vetleegte Prospecting Right to the first joint venture which lack of authority had the effect of making the contribution invalid and furthermore that Sekoko Resources did not have the authority to represent Uzalile in the negotiation and executed of the share purchase agreement entered between Sekoko Coal, Sekoko Resources and Ariona on or about 13 June 2012.

7.8

It is beyond the scope of this report to express opinions as to the merits of the claims by Uzalile and its majority shareholders.



7.9 If the shareholders of Uzalile are correct in their legal position and set aside the joint venture arrangements in relation to the first joint venture the consequences would be that FSE and Sekoko Coal would have no contractual rights or security of tenure in regard to the Vetleegte Prospecting Right, although FSE would be entitled to reclaim payments made and shares transferred to the Uzalile joint venture and in regard to any amounts spent by FSE with regard to feasibility studies in relation to the Vetleegte Prospecting Right.

7.10 However we have been informed in any event that the Vetleegte Prospecting Right does not form part of the current off take arrangements entered into by Sekoko Coal with Eskom and do not form part of the current bankable feasibility studies. Furthermore we are informed that WCC now owns some 45% of the shareholding of FSE and thus would benefit as to 45% of the proceeds in the event of such an enrichment claim by FSE.

8 SECOND JOINT VENTURE

8.1 Notwithstanding the holding of the rights set out above in relation to the Duikerfontein Prospecting Right and the mining right, a second joint venture agreement has been created pursuant to an agreement entered into between FSE, FSE's wholly owned subsidiary, namely Lexshell 126 General Trading Proprietary Limited ("**Lexshell**") and Sekoko Coal which agreement was entered into on 30 June 2009. In terms of the second joint venture agreement as amended Sekoko Coal has contributed the use of the mining right referred to above and the Duikerfontein Prospecting Right (excluding the farm Olieboomsfontein which is the subject of the first joint venture).

8.2 In terms of a confirmation agreement entered into between Sekoko Resources, Sekoko Coal, Flag, Lexshell, FSE and Utafutaji on or about 14 August 2012 it was confirmed that Lexshell has earned a 60% participation interest in the joint venture with the remaining 40% being held by Sekoko Coal.

8.3 Once again in order to grant FSE any contractual rights in terms of the joint venture FSE undertook to make certain payments to the holder of the right and undertook to fund the preparation of independent detailed studies in respect of viability of developing and exploiting mines on the properties which are subject of the joint venture.

8.4 In order for FSE to have acquired security of tenure in relation to the right itself it would have to acquire an undivided share in the right itself. On the analysis set out above in



relation to the Vegleegte Prospecting Right the entering into of the commercial arrangement itself does not fall foul, in our view, of Section 11(1) of the MPRDA, but in order for FSE to acquire title as to 60% of the mining right and Duikerfontein Prospecting Right (excluding Olieboomsfontein) it would have to acquire ministerial consent in terms of Section 11 of the MPRDA as a pre-condition to the transfer of such an undivided share.

8.5

It should further be noted the mining right itself contains a clause reading as follows –

"This mining right, a shareholding, an equity, an interest or a participation in the right or joint venture, or a controlling interest in a company, close corporation or joint venture, may not be encumbered, ceded, transferred, mortgaged, let, sub-let, assigned, alienated or otherwise disposed of without the written consent of the Minister, except in the case of a change of controlling interest in a listed company. Any transfer, encumbrance, cession, letting, sub-letting, assigned, alienation or disposal of this right or interest therein or any share in any interest in the holder, without the consent of the Minister referred to in Section 11(1) is of no force, no effect and is invalid."

8.6

In our view Section 9.1 of the mining right itself does not apply to the entering into of the joint venture agreement. What Section 9.1 of the mining right was intended to cover was the situation where the mining right itself was granted to a joint venture and a party acquired an interest in the joint venture thus effectively acquiring an interest in the right itself. This did not happen in relation to the second joint venture. The right was issued to Sekoko Coal and Sekoko Coal has entered into a commercial arrangement with FSE. If FSE through its subsidiary Lexshell wishes to acquire an undivided share in the right equivalent to its joint venture interest then Section 11(1) of the MPRDA would apply as would clause 9.1 of the mining right itself. Even if we are wrong in this regard it is our view that clause 9.1 of the mining right is ultra vires the Minister in that extends beyond the ambit of Section 11 which governs disposals of rights and interest in rights and therefore to the extent that clause 9.1 goes further in providing for restrictions than Section 11(1) provides, such extension would be ultra vires the Minister. However once again there is no legal learning in South African law to this effect.

8.7

If it is found that the holder of the right being Sekoko Coal is in breach of the right by having entered into the joint venture the Minister could potentially invoke Section 47 of the MPRDA, but for the reasons mentioned above we do not believe that it is a breach of the right entitling the Minister to cancel and in any event the Minister would have to give



the holder the right to make representations before such cancellation and even if the Minister was to cancel the holder would be entitled to invoke remedies to take the Minister's decision to court through a review process. A further consequence, if our interpretation above is incorrect, is that the contribution is invalid, which may result in Sekoko Coal being deemed to be the 100% holder of the mining right and the contractual joint venture agreement constituted by the second joint venture held to be invalid thus leaving Lexshell with no contractual entitlement even to the 60% interest in the joint venture. This would have the effect of WCC having a 25% indirect interest in the mining right and not a 10% indirect interest.

8.8 The Duikerfontein Prospecting Right contains similar provisions in regard to disposals as set out above in relation to the mining right and the analysis set out in the paragraph above dealing with the consequences thereof apply mutatis mutandis to the Duikerfontein Prospecting Right (excluding Olieboomsfontein).

8.9 It should further be noted that in terms of the confirmation agreement entered into on 17 July 2012 it was acknowledged that Lexshell has the right as part of its participation interest in the second joint venture subject to any approval required at law including Section 11 of the MPRDA to call for and receive a transfer of cession of an undivided legal and beneficial interest in the second joint venture rights equal to its participation interest in the joint venture which is acknowledged at 60%. Therefore once again the parties fully acknowledge the legal obligations in terms of Section 11 and therefore the entering into of the joint venture agreement in my view does not constitute a breach of Section 11 of the MPRDA or the terms of the mining right or the Duikerfontein Prospecting Right. It should also be noted that in terms of the original joint venture agreement clause 15 provides for an independent contractor appointment of Lexshell by Sekoko Coal which independent contractor appointment is fully contemplated within the ambit of Section 101 of the MPRDA. Furthermore clause 18.2 of the joint venture agreement fully acknowledged the requirements of Section 11 of the MPRDA should Lexshell wish to take transfer of undivided ownership interest in the Waterberg Prospecting Right equal to Lexshell's participation interest at the time. This is further confirmation that the parties were fully aware of the implications of Section 11 of the MPRDA at the time of entering into the joint venture agreement and the entering into of the joint venture agreement itself does not constitute a breach of Section 11 of the MPRDA.



9 ACQUISITION BY WCC OF A 25% INTEREST IN SEKOKO COAL

- 9.1 WCC through its wholly owned subsidiary, Ariona Company SA had a right to subscribe for 25% in Sekoko Coal which subscription occurred in June 2013 and therefore WCC has acquired a 25% indirect shareholding in the holder of the Duikerfontein Prospecting Right and the holder of the mining right, namely Sekoko Coal.
- 9.2 As the acquisition of the interest in Sekoko Coal was not a controlling interest Section 11(1) of the MPRDA was not applicable. Furthermore clause 9.1 of the mining right and the Duikerfontein Prospecting Right does not apply once again as the disposal was not a controlling interest in a company, close corporation or joint venture. The reference to shareholding in clause 9.1 is a shareholding in the right itself and WCC did not acquire a shareholding the right itself but a shareholding in the holder of the right which does not amount to a controlling interest and therefore it does not offend the provisions of clause 9.1 of the mining right and the Duikerfontein Prospecting Right. WCC has obtained through Webber Wentzel a legal opinion from Advocate Grobler SC which confirms this view.

Yours faithfully

Werksmans Inc

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0332487/Otsile Matlou our ref
 27 May 2013 your ref

To Whom It May Concern

Dear Sir/Madam

STATUS UPDATE ON THE APPEALS LODGED IN TERMS OF SECTION 96 OF THE MINERAL AND PETROLEUM RESOURCES DEVELOPMENT ACT, 2002 AND IN TERMS OF SECTION 43 OF THE NATIONAL ENVIRONMENTAL MANAGEMENT ACT, 1998

1. Introduction

1.1. We act for Sekoko Coal (Proprietary) Limited ("Sekoko") in relation to the following matters:

1.1.1. an appeal lodged in terms of section 43 of the National Environmental Management Act, 1998 ("NEMA") on 4 May 2012 by Minnasvlakte Eiendom CC, Petrus Gerhardus Steenekamp, Steenliza CC and Gerhardus Steenekamp (the "Appellants") against the approval by the Limpopo Department of Economic Development, Environmental and Tourism ("LEDET") of an environmental authorisation in favour of Sekoko;

1.1.2. an appeal lodged in terms of section 96 of the Mineral and Petroleum Resources Development Act, 2002 ("MPRDA") but received by Sekoko on 21 September 2011 by Lategan Viljoen and Pretorius Attorneys ("LVP") on behalf of the Appellants to the Minister of Mineral Resources ("Minister")

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edward nathan sonnenbergs incorporated registration number 2006/016200/21

directors
executives
and
consultants

M.M. Katz (chairman) P.C. Faber (chief executive) M. Mgudlwa (deputy chief executive) K. Abarder A. Aguilar R.J. Alcock A.C. Alexander D.B. Allaway[†] S. Anthony C.J. Atkinson G.C. Badenhorst[†] J. Balkin D. Band F.M. Bessa[†] C. Becker[†] A.F. Bembridge A. Bennett L.J. Blichitz Z.D. Blieden L. Bignault[†] R. Boda A. Boshoff J. Brodbeck[†] T. Buchler C.M. Bull A. Camay[†] D.H. Carmichael V.O. Chaplin D. Chetty L. Christie C.L. Coles P.G.H. Colyn B.J. Croome[†] P.H. Cronin[†] P.J. Dachs C. Daniels M.S. Darsoi T.M. Desmond R. de la Harpe G.E. de Smit P. Descroizilles M.D.F.D.S. Domingos B. du Plessis[†] I. du Plessis J.C. du Preez Z. Ebrahim E. Ellis A. Erasmus[†] H. Farrand A.C. Feinstein[†] M.J. Feinstein[†] G.S. Felthun I.P. Fenyane J.B. Ferraz J.S. Ferraz-Cardoso A.F.M. Ferreira J.R. Flax[†] R.I. Forster M.R. Friedman R.M. Gad M.J. Garden C. Gelbart R. Goodman P.F.L. Geromont M.W. Graddidge C.L. Green[†] I.D. Gwaunza S.E.M. Hanif S.W. Harrison S. Hartley J.T.P. Haydock I.K. Hayes S.B. Hayes L. Helman J.D. Herbert G.R. Herholdt H.M. Herholdt E. Heystek A.C. Hoebein Prof D.B. Hutchison[†] A.V. Ismail Prof A.J. Itzikowitz[†] D. Joffe C.V. Johnson E.A. Johnson J.C. Jones D. Kamanzi[†] S. Kassen J. Katz L.C. Katz G.P.J. Kellerman[†] R.H. Kelly L. Kruger[†] E.J.P. Lal King[†] N. Lalla D.M. Lambert J.M. Langford I.B.W. Lawrence E.S. Le Grange S.C. Lederman A. Lee P.A.K. le Roux[†] W.P. le Roux S.B. Levettan S.A. Lewis N. Lopes J.D. Loubser L. Louw S.A. Mackay-Davidson D. MacRobert[†] V. Magubane K.W. Makhubele G.F. Malan K. Markman D.H. Masher M.W. Matlou S.L. Mbatha Y.A. Mendelsohn A.T. Meyerov D.B. Messerschmidt A. Minnaar M.D. Molepo C. Morgan J.C. Morrissey M.G. Morrison M.A.C. Murphy H. Murray Chinelli N.A. Napier J.S. Naude[†] J.S. Nelson[†] N.H. Nolan A.J.L. Norton C.M. Ntula G. Nyatanyi[†] G.J. Oertel J.T. Oosthuizen S.P. Osborne T. Papanikolaou T.D. Papler M. Parker[†] B.G. Patterson N. Pillay C.V. Pitman J.A. Pousson[†] J.P. Pretorius G.W. Reid P. Rayburn A.D. Richards[†] A. Rocher P. Rogers A.G. Rubin R.B. Rudolph J. Rusch M.L. Sarembock[†] G.C. Scott R.A. Scott H.B. Senekel B.J. Serebro I. Shadrach K.L. Simpson S. Singh N. Smit H.M. Snyckers S.J. Spamer R.T. Steyn M.T. Steyn V. Sliweli A.W. Symington S.P.M. Thouvenot[†] L. Tibshvany M.S. Tucker J.M. Valkin W.S.B. van der Colff V.L. van Coppenhagen L.M. van der Merwe[†] C. van Loggerenberg A. van Niekerk G.M. van Niekerk R. van Rensburg L.W. Viljoen J. Viviers G. Vogelmann[†] S.R. von Schimming L. Vorster D.A. Wanblad S. Weldeman H. Wessels P.A. Winer C.L. Wulfschlag M. Yudaken J.M. Zieff

^{*} not attorney/not director, [†] executive consultant, [‡] consultant, [§] special IP counsel

and/or the Director-General ("DG") against the granting of a mining right (DMR reference no. LP 30/5/1/2/3/2/1/184 MR) (the "Mining Right") by the Deputy Director-General in favour of Sekoko and the approval of the Environmental Management Programme ("EMP") for the Mining Right by the Regional Manager, Limpopo Region ("RM"), in respect of the farms Minnasvlakte 258 LQ, Smitspan 306 LQ, Massenberg 305 LQ and the remaining extent of Hooikraal 315 LQ situated in the magisterial district of Lephalale, Limpopo Region, in favour of Sekoko; and

1.1.3. an appeal lodged in terms of section 96 of the MPRDA by Couzyn, Hertzog and Horak Attorneys ("CHH") on behalf of Hein Boegman, Johan Burger and Willie Brits against the decision by the DG or alternatively the RM to grant the Mining Right, in respect of the farms Minnasvlakte 258 LQ, Smitspan 306 LQ, Massenberg 305 LQ and the remaining extent of Hooikraal 315 LQ, situated in the magisterial district of Lephalale, Limpopo Region, in favour of Sekoko.

1.2. We have been requested to provide a status report to be annexed to a title report that will be prepared by Webber Wentzel in relation to the application by the Waterberg Coal Company for the re-instatement of its securities for quotation on the Australian Stock Exchange.

1.3. We confirm that other than the matters discussed below, we have not been instructed by Sekoko on any appeals, reviews and the like in regard to any prospecting rights and/or mining rights. We are also not aware of any pending, actual or prospective litigation in regards hereto.

1.4. The instruction to prepare this report pertains to the Mining Right. We do not hold any instruction with regards to the prospecting right held by joint venture between Sekoko and Uzalile Investments (formerly Uzalile Property Services) over the farm Vetleegte 305 LQ and those prospecting rights which Sekoko holds over the farms Olieboomsfontein 220 LQ, Duikerfontein 263 LQ and Swanepoelpan 262 LQ, situated in the magisterial district of Lephalale, Limpopo Region. Sekoko advises that they are not aware of any pending, actual or prospective appeals, reviews and/or litigation in regards to these prospecting rights. Accordingly, we will not deal with these in this report.

2. The Appeal in terms of section 43 of NEMA against the approval of the Environmental Authorisation

An appeal was lodged by the Appellants against an environmental authorisation that was issued to Sekoko on 20 March 2012 by LEDET. A copy of this appeal was only received by Sekoko on 9 May 2012. On 4 July 2012 Sekoko submitted a responding statement with LEDET. We attach the proof of submission for your reference as annexure "A" hereto. On 27 September 2012 LEDET sent a letter

to LVP stating that their appeal has been dismissed and that the environmental authorisation issued to Sekoko on 20 March 2012 remains valid.

3. **The Appeal in terms of section 96 of the MPRDA by LVP**

- 3.1. Sekoko received an appeal dated 21 September 2011 by LVP acting on behalf of the Appellants. On Sekoko's Instructions, we drafted a responding statement and we are instructed that Sekoko lodged it at the Department of Mineral Resources ("DMR"). We understand from the legal directorate of the DMR that the DMR office in Pretoria sent the LVP appeal to the DMR Limpopo regional office and that the DMR Limpopo regional office sent their unsigned recommendations back to the DMR office in Pretoria. The unsigned recommendation was sent back to the DMR Limpopo regional office.
- 3.2. Sekoko sent us a letter from the legal directorate of the DMR dated 11 May 2013 which was addressed to Lategan, Viljoen and Pretorius Attorneys. The attachment to this letter is the Regional Manager's response to the CHH appeal discussed at paragraph 4 below. On 14 May 2013 Sekoko requested the DMR to supply them with the DMR Limpopo Region's response to the LVP appeal as soon as possible. To date, we have not received the DMR Limpopo Region's response to the LVP appeal.
- 3.3. The DMR has, to date, not decided this appeal. In our experience this is not unusual since the DMR does not normally decide appeals in terms of section 96. Despite the above we still follow up regularly with the DMR and await the DMR's decision in respect of this appeal.

4. **The Appeal in terms of section 96 of the MPRDA by CHH**

- 4.1. An appeal was lodged with the DMR by CHH on 26 September 2011. Sekoko received this appeal on 14 June 2012. We are instructed by Sekoko that they have not formally lodged any responding statement in relation to this appeal. Sekoko advises that this appeal was received approximately 9 months after it was posted to Sekoko, and for that reason, Sekoko did not lodge a responding statement.
- 4.2. On 11 May 2013 the legal directorate of the DMR sent Sekoko a copy of the Regional Manager's response to the CHH appeal, in terms of which the Regional Manager recommended that the Minister dismiss the CHH appeal and confirm the decision to grant Sekoko the Mining Right.
- 4.3. The Regional Manager's response to the CHH appeal does not constitute a decision by the Minister or the DG, as contemplated in Regulation 74(9) of the MPRDA. It is a recommendation.
- 4.4. Despite the above, we will follow up regularly with the DMR, and await the DMR's decision in respect of this appeal.

Yours faithfully,

pp 

Edward Nathan Sonnenbergs Inc

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DELIVERY NOTE

I, hereby acknowledge taking delivery of (2) copies of the document entitled:

APPEAL AGAINST THE GRANT OF ENVIRONMENTAL AUTHORISATION TO SEKOKO COAL (PTY) LTD IN RESPECT OF THE PROPOSED DEVELOPMENT OF SEKOKO WATERBERG COLLIERY ON THE FARMS SMITSPAN 306 LQ, MINNASVLAKTE 258 LQ, MASSENBERG 305 LQ ("APPEAL") BY MINNASBLAKTE EIENDOM CC, PETRUS GERHARDUS STEENKAMP, STEENLIZA CC AND GERHARDUS STEENKAMP ("THE APPELLANTS")

IN THE APPEAL IN TERMS OF SECTION 43 OF THE NATIONAL ENVIRONMENTAL MANAGEMENT ACT, 107 OF 1998 ("NEMA") AND THE ENVIRONMENTAL IMPACT ASSESSMENT REGULATIONS, 2010 AGAINST THE GRANTING OF AN ENVIRONMENTAL AUTHORISATION TO SEKOKO COAL (PTY) LTD ("SEKOKO") IN RESPECT OF THE FARMS SMITSPAN 306 LQ, MINNASVLAKTE 258 LQ, MASSENBERG 305 LQ AND HOOIKRAAL 315

JULY 2012

Name: Mr P Moloto

Date: 04-07-2012

Designation: MISC'S OFFICER

Signature: [Signature]

Delivery address

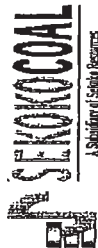
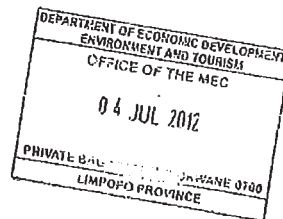
LIMPOPO PROVINCE

3RD FLOOR

EVREDIKI TOWERS

20 HANS VAN RENSBERG STREET

POLOKWANE



Sekoko Coal (Pty) Ltd
Hampton Office Park, 1st Floor Fulham House,
20 Georgian Crescent,
BRYANSTON 2041

03 July 2012

Your Reference: 12/19-7/2/- W 111

PER HAND

The Member of the Executive Council for Economic
Development Environment and Tourism – Limpopo
Provincial Government
3rd Floor, Eridiki Towers
20 Hans Van Rensberg Street
POLOKWANE

Attention: Mr P Moloto

PER EMAIL

brisa@vlp.co.za and retha@vlp.co.za

Messrs LVP Attorneys
10A Carel De Wal Road
Brils

APPEAL AGAINST THE GRANT OF ENVIRONMENTAL AUTHORISATION TO SEKOKO COAL (PTY) LTD IN RESPECT OF THE PROPOSED DEVELOPMENT OF SEKOKO WATERBERG COLLIERY ON THE FARMS SMITSPAN 306 LQ, MINNASVLAKTE 258 LQ, MASSENBERG 305 LQ ("APPEAL") BY MINNASBLAKTE EIENDOM CC, PETRUS GERHARDUS STEENKAMP, STEENLIZA CC AND GERHARDUS STEENKAMP ("THE APPELLANTS")

IN THE APPEAL IN TERMS OF SECTION 43 OF THE NATIONAL ENVIRONMENTAL MANAGEMENT ACT, 107 OF 1998 ("NEMA") AND THE ENVIRONMENTAL IMPACT ASSESSMENT REGULATIONS, 2010 AGAINST THE GRANTING OF AN ENVIRONMENTAL AUTHORISATION TO SEKOKO COAL (PTY) LTD ("SEKOKO") IN RESPECT OF THE FARMS SMITSPAN 306 LQ, MINNASVLAKTE 258 LQ, MASSENBERG 305 LQ AND HOOIKRAAL 315

We refer to the above matter.

Kindly find 2 copies of our Response to the aforementioned Appeal for submission.

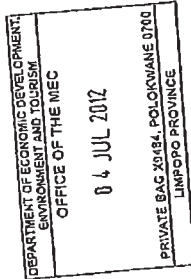
Please also find the following documents which we would be pleased if you could stamp and be returned with our driver:

1. 2 copies of the Appeal;
2. Our Delivery Note.

Finally we would be pleased if you acknowledged receipt of our Appeals at your earliest convenience.

We attach the above to be in order.

[Signature]
Mr M M Radingoana
Chief Operating Officer



Reg no. 2004/010887/07

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11 July 2013

The Waterberg Coal Company Limited
Level 1
33 Richardson Street
West Perth
WA 6005

Dear Sirs

SOLICITOR'S REPORT ON TENEMENTS

This Report is prepared for inclusion in a prospectus for the conditional offer of up to 50,000,000 shares in the capital of The Waterberg Coal Company Limited (ABN 64 065 480 453) (**Company**) at an issue price of \$0.20 cents per share (on a post-consolidation basis) to raise up to \$10,000,000 together with one (1) free attaching Option exercisable at \$0.20 for every two (2) Shares subscribed for (**Offer**) (**Prospectus**).

1. SCOPE

We have been requested to report on certain mining tenements in which the Company has an interest (the **Tenements**).

The Tenements are located in South Australia. Details of the Tenements are set out in Part I of this Report.

This Report is limited to the Searches (as defined below) set out in Section 2 of this Report.

2. SEARCHES

For the purposes of this Report, we have conducted searches and made enquiries in respect of all of the Tenements as follows (**Searches**):

- (a) we have obtained mining tenement register searches of the Tenements from the registers maintained by the South Australian Department for Manufacturing, Innovation, Trade, Resources and Energy (**DMITRE**)(**Tenement Searches**). These searches were conducted on 28 June 2013. Key details on the status of the Tenements are set out in Part I of this Report;

- (b) we have obtained results of searches of the schedule of native title applications, register of native title claims, national native title register, register of indigenous land use agreements and national land use agreements as maintained by the National Native Title Tribunal (**NNTT**) for any native title claims (registered or unregistered), native title determinations and indigenous land use agreements (**ILUAs**) that overlap or apply to the Tenements. This material was obtained on 12 June 2013. Details of any native title claims (registered or unregistered), native title determinations and ILUAs are set out in Section 6 of this Report and Part II of this Report; and
- (c) We have obtained searches from the Central Archive, including the Register of Aboriginal Sites and Objects maintained by the Department of the Premier and Cabinet-Aboriginal Affairs and Reconciliation Division (**DPC-AARD**) for any Aboriginal sites registered on the South Australian Register of Aboriginal Sites and Objects over the Tenements EL4197 and EL4445, and EL5221 (**Heritage Searches**). These searches were conducted on 27 June 2013 for EL4197 and EL4445 and 5 July 2013 for EL5221;
- (d) We have been advised by the Company that there are no material agreements with respect to the Tenements.

2. OPINION

As a result of our Searches, but subject to the assumptions and qualifications set out in this Report, we are of the view that, as at the date of the relevant Searches this Report provides an accurate statement as to:

- (a) (**Company's interest**): the Company's interest in the Tenements;
- (b) (**Good standing**): the validity and good standing of the Tenements; and
- (c) (**Third party interests**): third party interests, including encumbrances, in relation to the Tenements.

3. EXECUTIVE SUMMARY

Subject to the qualifications and assumptions in this Report, we consider the following to be material issues in relation to the Tenements:

- (a) (**Renewal Applications**): Exploration licence EL 4445 is subject to a pending renewal application. If the renewal is not granted the Company will not retain title to the tenement and it will be precluded from undertaking any exploration activities on EL4445. In respect of this exploration licence, a valid renewal application has been lodged with the DMITRE. We are not aware of any reason why a renewal of this tenement would not be granted for at least an additional 12 month term, in due course. Provided that a valid renewal application has been lodged, an expiring exploration licence continues to be a valid grant, pending processing of the renewal.
- (b) (**Native title and Aboriginal Tenements**): There are currently registered native title applications and determinations over exploration licences EL 4197, EL 4445 and EL 5221. In addition to these registered native title claims, the following Indigenous Land Use Agreements (**ILUA**) exist over:

- (i) EL 4197 (ILUA numbers SI2004/004, SI2008/016, SI2012/002 and SI2012/004);
 - (ii) EL 4445 (ILUA numbers SI2004/003, SI2011/003, SI2011/004, SI2011/011 and SI2011/017); and
 - (iii) EL5221 (ILUA numbers SI2004/003, SI2011/014, SI2011/017 and SI2011/018).
- (c) **(Encroachments and Overlapping Titles):** Two tenements, EL 5221 and EL 4445, are overlapped by petroleum exploration licences, petroleum exploration licence applications and gas storage exploration licence applications. Further details are provided in Section 7 of this Report.
- (d) **(Woomera Protection Area):** Exploration licences EL 5221 and EL 4445 are contained within the Woomera Protection Area (**WPA**). The WPA has been designated by the Federal Government for the testing of war materials under Part VII of the Defence Force Regulations. The holder of an exploration licence within the WPA must sign a deed of access with the Federal Government and request permission to access the WPA for each exploration activity. The Federal Government also prohibits exploration in some parts of the WPA. These prohibitions may be for short or indefinite periods. The conditions and prohibitions imposed by the Federal Government may constrain or prohibit current or prospective exploration activities by the Company on the Tenements in question. The Company has advised us that it is not aware of entering into a deed of access with the Federal Government.

4. DESCRIPTION OF THE TENEMENTS

The Tenements comprise exploration tenements granted under the *Mining Act 1971* (SA) (**Mining Act**). The Schedule provides a list of the Tenements. This section provides a description of the nature and key terms of these types of mining tenements as set out in the Mining Act and potential successor tenements.

4.1 South Australian Tenements

An exploration licence may be granted for an initial term not exceeding 5 years, which term may be extended at the discretion of the responsible Minister but not such that the aggregate term of the licence exceeds 5 years. If the licence is renewed, the terms and conditions may be varied, revoked or added to and the licence area may be reduced.

The area of an exploration licence must not exceed 1,000 square kilometres unless the Minister considers there are justifiable reasons to allow a larger area.

An exploration licence may be granted subject to such conditions as the Minister determines. Exploration licences are also issued subject to a standard schedule of general exclusions and conditions under the Mining Act including environmental conditions, payment of rent, compliance with minimum expenditure and reporting requirements.

An exploration licence may not be assigned, or otherwise dealt with either directly or indirectly, without the written consent of the Minister.

Exploration licence EL 4445 is subject to a pending renewal application. If the renewal is not granted the Company will not retain title to Tenement EL 4445 and it will be precluded from undertaking any exploration activities on the tenement. In respect of this exploration licence, a valid renewal application has been lodged with the SA Department. Unless the tenement holder is in breach of licence conditions, the holder has a right to a renewal of the term up to an additional of 5 years. We are not aware of any reason why a renewal of this tenement would not be granted in due course.

Provided that a valid renewal application has been lodged, an expiring exploration licence continues to be a valid grant pending processing of the renewal. Where application for a substituted tenement is made at the end of the 5 year term, the tenement is reissued as an Exploration Licence Application and rights are suspended until a fresh grant is made.

The Tenements are also subject to statutory requirements of certain other Acts including Aboriginal heritage legislation, environmental protection legislation and rights in water legislation.

Currently, exploration licence 4197 held by the Company contains provision for the mining of uranium. Section 10A of the Mining Act sets out special conditions for the mining of radioactive minerals. Under section 6 of the Mining Act the definition of "radioactive mineral" includes uranium. Section 10A of the Mining Act provides the following:

- (a) no person shall carry out mining operations (other than exploratory operations) for the recovery of any radioactive mineral unless they hold a mining lease or retention lease upon which the Minister has endorsed an authorisation to carry out mining operations for that purpose;
- (b) an authorisation to carry out mining operations for the recovery of a radioactive mineral may be granted upon such conditions as the Minister thinks fit and may be revoked upon breach of any condition;
- (c) section 10A does not prevent the recovery of any radioactive mineral in the course of mining operations carried out for the recovery of other minerals provided that the radioactive mineral:
 - (i) is stockpiled in accordance with conditions stipulated by the Minister; or
 - (ii) is of such low concentration that it may, in the opinion of the Minister, be safely discarded as waste and is in fact discarded as waste; and
- (d) notwithstanding any other provision of Mining Act, the property in any radioactive mineral:
 - (i) stockpiled in pursuance of conditions imposed by the Minister; or
 - (iii) stockpiled in pursuance of subsection (3)(a) of the Mining Act,

does not pass from the Crown unless and until the Minister, by instrument in writing, authorises the person by whom the radioactive mineral was mined to sell and dispose of the mineral.

5. ABORIGINAL HERITAGE

There may be areas or objects of Aboriginal heritage located on the Tenements.

No Aboriginal sites were identified from the Heritage Searches.

We have not obtained information from the Commonwealth in connection with any places, areas and objects, which are registered or recognised in the National Heritage List, the Commonwealth Heritage List or other heritage lists or registers maintained by the Commonwealth.

The Company must ensure that it does not breach the Commonwealth and applicable State legislation relating to Aboriginal heritage as set out below. To ensure that it does not contravene such legislation, it would be prudent for the Company (and it would accord with industry practice and Aboriginal expectations) to conduct heritage surveys to determine if any Aboriginal sites or objects exist within the area of the Tenements. Any interference with these sites or objects must be in strict conformity with the provisions of the relevant legislation. It may also be necessary for the Company to enter into separate arrangements with the traditional owners of the sites.

5.1 Commonwealth legislation

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (**Commonwealth Heritage Act**) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Tenements.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the Commonwealth Heritage Act.

5.2 South Australian Tenements

The *Aboriginal Heritage Act 1988* (SA) (**SA Heritage Act**) applies to the SA Tenements and makes it an offence to damage, disturb, remove or interfere with sites or objects of significance to Aboriginal tradition, archaeology, anthropology or history or Aboriginal remains.

Aboriginal sites may be registered under the SA Heritage Act, however all registered and unregistered sites are protected. The SA Heritage Act imposes obligations on the holder to report to the relevant Minister discovered Aboriginal sites, objects or remains.

6. NATIVE TITLE

6.1 Introduction

This section of the Report examines the effect of native title on the Tenements.

The existence of native title rights held by indigenous Australians was first recognised in Australia in 1992 by the High Court in the case *Mabo v. Queensland (no.2)* (1992) 175 CLR 1 (**Mabo no.2**).

The High Court in *Mabo no. 2* held that certain land tenure existing as at the date of that case, including mining tenements, where granted or renewed without due regard to native title rights, were invalid. The High Court concluded that:

- (a) native title has been wholly extinguished in respect of land the subject of freehold, public works or other previous "exclusive possession" acts; and
- (b) native title has been partially extinguished as a result of the grant of "non-exclusive possession" pastoral leases and mining leases, and also as a result of the creation of certain reserves.

As a result of *Mabo no. 2*, the *Native Title Act 1993* (Cth) (**NTA**) was passed to:

- (a) provide a process for indigenous people to lodge claims for native title rights over land, for those claims to be registered by the NNTT and for the Courts to assess native title claims and determine if native title rights exist. Where a Court completes the assessment of a native title claim, it will issue a native title determination that specifies whether or not native title rights exist;
- (b) provide (together with associated State legislation) that any land tenures granted or renewed before 1 January 1994 were valid despite *Mabo no. 2* (**Past Acts**). This retrospective validation of land tenure was subsequently extended by the NTA to include freehold and certain leasehold (including pastoral leases) granted or renewed before 23 December 1996 (**Intermediate Period Acts**). Broadly speaking, this means that native title is not extinguished, merely suspended, for the duration of the mining tenement; and
- (c) provide that an act that may affect native title rights (such as the grant or renewal of a mining tenement) carried out after 23 December 1996 (a **Future Act**) must comply with certain requirements for the Future Act to be valid under the NTA. These requirements are called the **Future Act Provisions**.

6.2 Future Act Provisions

The Future Act Provisions vary depending on the Future Act to be carried out. In the case of the grant of a mining tenement, typically there are four alternatives: the Right to Negotiate, an ILUA, the Infrastructure Process (defined below) and the Expedited Procedure. These are summarised below.

6.3 Right to Negotiate

The Right to Negotiate involves a formal negotiation between the State, the applicant for the tenement and any registered native title claimants and holders of native title rights. The aim is to agree the terms on which the tenement can be granted. The applicant for the tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title. The parties may also agree on conditions

that will apply to activities carried out on the tenement (eg in relation to heritage surveys). The classes of conditions typically included in a mining agreement are set out at section 6.4 below.

If agreement is not reached to enable the tenement to be granted, the matter may be referred to arbitration before the NNTT, which has six (6) months to decide whether the State, the applicant for the tenement and any registered native title claimants and holders of native title rights have negotiated in good faith (only if the issue is raised by one of the parties) and then whether the tenement can be granted and if so, on what conditions. The earliest an application for arbitration can be made to the NNTT is six (6) months after the date of notification of commencement of negotiations by the DMP.

If the Right to Negotiate procedure is not observed, the grant of the mining tenement will be invalid to the extent (if any) that it affects native title.

6.4 ILUA

An ILUA is a contractual arrangement governed by the NTA. Under the NTA, an ILUA must be negotiated with all registered native title claimants for a relevant area. The State and the applicant for the tenement are usually the other parties to the ILUA.

An ILUA must set out the terms on which a tenement can be granted. An ILUA will also specify conditions on which activities may be carried out within the tenement. The applicant for a tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title in return for the grant of the tenement being approved. These obligations pass to a transferee of the tenement.

Once an ILUA is agreed and registered, it binds the whole native title claimant group and all holders of native title in the area (including future claimants), even though they may not be parties to it.

6.5 Infrastructure Process

The NTA establishes a simplified process for the carrying out of a Future Act that is the creation of a right to mine for the sole purpose of the construction of an infrastructure facility (**Infrastructure Process**). The NTA defines infrastructure facility to include a range of transportation, marine, aeronautical, electrical, oil, gas, mineral and communication facilities. In Western Australia, DMP applies the Infrastructure Process to two classes of mining tenements:

- (a) miscellaneous licences for most purposes under the Mining Regulations 1981 (WA) that but, notably, not for a minesite administration facility or a minesite accommodation facility (both of which are dealt with under the Right to Negotiate) or for a search for groundwater (which is dealt with under the Expedited Procedure); and
- (b) most general purpose leases.

The State commences the Infrastructure Process by giving notice of the proposed grant of the tenement to any registered native title claimants or native title holders in relation to the land to be subject to the tenement. Those registered native title claimants or holders have two (2) months after the notification date to object in relation to the effect of the grant of the tenement

on any registered or determined native title rights. Any objection is lodged with DMP.

If a registered native title claimant or holder objects, the applicant for the tenement must consult with that claimant or holder about:

- (a) ways of minimising the effect of the grant of the tenement on any registered or determined native title rights;
- (b) if relevant, any access to the land; and
- (c) the way in which anything authorised by the tenement may be done.

If the registered native title claimant or holder does not subsequently withdraw their objection, the State is required to ensure that the objection is heard by an independent person (in Western Australia, this is the Chief Magistrate). The independent person must determine whether or not the registered native title claimant or holder's objection should be upheld or other conditions should be imposed on the tenement.

6.6 Expedited Procedure

The NTA and Part 9B of the Mining Act establish a simplified process for the carrying out of a Future Act that is unlikely to adversely affect native title rights (**Expedited Procedure**). The grant of a tenement can occur under the Expedited Procedure if:

- (a) the grant will not interfere directly with the carrying on of the community or social activities of the persons who are the holders of native title in relation to the land;
- (b) the grant is not likely to interfere with areas or sites of particular significance, in accordance with their traditions, to the persons who are holders of native title in relation to the land; and
- (c) the grant is not likely to involve major disturbance to any land or waters concerned or create rights whose exercise is likely to involve major disturbance to any land.

If the above criteria are satisfied, the Expedited Procedure can be commenced in accordance with the NTA or Part 9B of the Mining Act (as applicable). Persons have a period of objection after notification to take steps to become a registered native title claimant or native title holder in relation to the land to be subject to the Tenement.

If there is no objection lodged by a registered native title claimant or a native title holder, the State may grant the Tenement.

If one or more registered native title claimants or native title holders object within the notice period, the NNTT must determine whether the grant is an act attracting the Expedited Procedure. If the NNTT determines that the Expedited Procedure applies, the State may grant the Tenement. Otherwise, the Future Act Provisions (eg Right to Negotiate or ILUA) must be followed before the Tenement can be granted.

6.7 Alternative Procedure – South Australia only

Under the Mining Act, an exploration licence may be validly granted without engaging in the Right to Negotiate procedures, however, the grant does not confer a right to conduct mining operations unless (a) the operations do not affect native title, (b) a declaration has been made at law that the land is not subject to native title, (c) the explorer has entered into an agreement with all native title parties having an interest in the area or (d) a determination has been made in the Environment Resources and Development Court, authorising operations.

Where mining operations may affect native title, the right to negotiate provisions of the Mining Act operate and the proponent may seek to authorise mining operations by entering into a native title mining agreement (**NTMA**) with relevant native title parties (who are those persons who, at the end of a two month period following issue of notices under the Mining Act, are registered as holders of, or claimants to, native title in respect of the relevant land).

Alternatively, where there is a registered ILUA in place, as is the case with the Tenements, the Company may have an option of becoming a party to that existing ILUA instead of negotiating an NTMA.

6.8 Exception to requirement to comply with Future Act Provisions

The grant of a tenement does not need to comply with the Future Act Provisions if in fact native title has never existed over the land covered by the tenement, or has been validly extinguished prior to the grant of the tenement. We have not undertaken the extensive research needed to determine if in fact native title does not exist, or has been validly extinguished in relation to the Tenements.

Unless it is clear that native title does not exist (eg in relation to freehold land), the usual practice of the State is to comply with the Future Act Provisions when granting a tenement. This ensures the grant will be valid in the event a court determines that native title rights do exist over the land subject to the tenement.

Where a tenement has been retrospectively validated or validly granted under the NTA, the rights under the tenement prevail over any inconsistent native title rights.

6.9 Application to the Tenements

The following sections of the Report identify:

- (a) any native title claims (registered or unregistered), native title determinations and ILUAs in relation to the Tenements (see Section 6.10);
- (b) any Tenements which have been retrospectively validated under the NTA as being granted before 23 December 1996 (see Section 6.13);
- (c) any Tenements which have been granted after 23 December 1996 and as such will need to have been granted following compliance with the Future Act Provisions to be valid under the NTA. This Report assumes that the Future Act Provisions have been complied with in relation to these Tenements (see Section 6.13); and

- (d) any Tenements which are yet to be granted and as such may need to be granted in compliance with the Future Act Provisions in order to be valid under the NTA (see Section 6.13).

6.10 Native title claims, native title determinations and ILUAs

Our searches indicate that all of the Tenements are within the external boundaries of the native title claims and determinations specified in Part II of the Schedule.

Our searches indicate that ILUAs exist over all of the Tenements.

Registered native title claimants (and holders of native title under the determinations) are entitled to certain rights under the Future Act Provisions in respect of land in which native title may continue to subsist.

Freehold land

We have assumed that all of the freehold land the subject of the Tenements was validly granted prior to 23 December 1996 and that therefore:

- (a) native title has been extinguished in respect of that land;
- (b) registered native title claimants (and determined native title holders) are not entitled to rights under the Future Act Provisions in respect of that land.

The Company has advised us that it proposes to undertake exploration and, subject to receipt of relevant approvals, mining activities on areas designated as freehold land. On the basis that native title is extinguished over freehold land, the Company will not be required to enter into negotiations with respect to native title in order to conduct its activities.

Non-freehold land

Native title may continue to subsist in certain parcels of non-freehold land or 'Crown land', including pastoral leases, vacant/unallocated Crown land and certain Crown reserves that were not vested prior to 23 December 1996 and which have not been subsequently developed as public works.

Unless it is essential that the Company has access to any of the parcels (or any other non-freehold land), it is recommended that all parcels of non-freehold land are excised from any applications for mining leases. If the Company wishes to undertake mining activities on any parcels, we would expect the Right to Negotiate to apply.

6.11 Native title mining agreement

A typical native title mining agreement would impose obligations on the Company in relation to the matters set out below.

6.12 Validity of Tenements under the NTA

Our Searches indicate that the Tenements are within the external boundaries of the following native title claims, native title determinations and ILUAs:

Tenement	Native Title Claim	Native Title Determination	ILUA
EL5221	SC2006/001 SAD6008/1998	SCD2011/001	SI2004/003 SI2011/014 SI2011/017 SI2011/018
EL 4197	SC2006/001 SAD6008/1998	SCD2011/005 SAD6020/1998	SI2004/004 SI2008/016 SI2012/002 SI2012/004
EL4445	None	SCD2011/001 SAD6007/98	SI2004/003 SI2011/003 SI2011/004 SI2011/011 SI2011/017

The status of any native title claims, native title determinations and ILUAs is summarised in Part II of this Report.

Native title claimants, holders of native title under the determinations and native title parties under ILUAs are entitled to certain rights under the Future Act Provisions.

6.13 Validity of Tenements under the NTA

The sections below examine the validity of the Tenements under the NTA.

Tenements granted before 1 January 1994 (Past Acts)

Our Searches indicate that none of the Tenements were granted before 1 January 1994.

Tenements granted between 1 January 1994 and 23 December 1996 (Intermediate Period Acts)

Our Searches indicate that none of the Tenements were granted after January 1994 but before 23 December 1996.

Tenements granted after 23 December 1996

Our Searches indicate that the following Tenements were granted after 23 December 1996.

Tenement	Date of Grant
EL4197	03/11/2008
EL5221	03/12/2012
EL4445	15/03/2010

We have assumed that these Tenements were granted in accordance with the Future Act Provisions and as such are valid under the NTA.

Tenements renewed after 23 December 1996

Renewals of mining tenements made after 23 December 1996 must comply with the Future Act Provisions in order to be valid under the NTA.

An exception is where the renewal is the first renewal of a mining tenement that was validly granted before 23 December 1996 and the following criteria are satisfied:

- (a) the area to which the mining tenement applies is not extended;
- (b) the term of the renewed mining tenement is not longer than the term of the old mining tenement; and
- (c) the rights to be created are not greater than the rights conferred by the old mining tenement.

In such cases, the mining tenement can be renewed without complying with the Future Act Provisions. It is currently uncertain whether this exemption applies to a second or subsequent renewal of such a mining tenement.

Our Searches indicate that the following Tenements have been renewed after 23 December 1996, and as such, may need to have complied with the Future Act Provisions to be validly renewed. We have assumed that the Future Act Provisions were complied with to the extent necessary.

Tenement	Date of Grant
EL 4197	03/11/2008
EL 4445	15/03/2010

Renewals of Tenements in the future will need to comply with the Future Act Provisions in order to be valid under the NTA. The registered native title claimants and holders of native title identified in Section 6.10 of this Report will need to be involved as appropriate under the Future Act Provisions.

Valid grant of applications for Tenements

No Tenements are currently applications. The grant of a tenement would need to satisfy the Future Act Provisions in order to be valid under the NTA.

The registered native title claimants, holders of native title and native title parties to any ILUA identified in Section 6.10 of this Report will be involved in accordance with the Future Act Provisions.

7. PETROLEUM EXPLORATION PERMITS

Each of Tenements EL 4445 and EL 5221 are overlapped, to various extents, by a petroleum exploration licence application (**PELA**), a petroleum exploration licence (**PEL**) and a gas storage exploration licence application (**GSELA**). Onshore petroleum, geothermal and gas storage exploration and development are administered by the DMITRE Energy Resources Division under the *Petroleum and Geothermal Energy Act 2000 (SA)* (**Petroleum Act**) and associated *Petroleum and Geothermal Energy Regulations 2013 (SA)*.

Specifically:

- (a) EL 5221 overlaps:
 - (i) PELA 518; and
 - (ii) GSELA 538;
- (b) EL 4445 overlaps:
 - (i) PELA 518;
 - (ii) PEL 124; and
 - (iii) GSELA 539.

The PELA, PEL and GSELA's are all held by unrelated third parties.

The percentage overlaps of these various licences were unable to be obtained.

The Mining Act provides that if the land within the tenement boundaries is subject to a licence under the Petroleum Act, a mining operator must, at least 21 days before first entering land to carry out mining operations, serve a notice of intention to enter the land which describes the nature of the operations to be carried out on the land. The notice of entry must be served on the holder of the licence under the Petroleum Act.

The Company has advised us that it is not aware of any discussions with the licence holders as to the carrying out of activities on the relevant overlapping areas of the Tenements.

8. QUALIFICATIONS AND ASSUMPTIONS

This Report is subject to the following qualifications and assumptions:

- (a) we have assumed the accuracy and completeness of all Searches, register extracts and other information or responses which were obtained from the relevant department or authority including the NNTT;
- (b) we assume that the registered holder of a Tenement has valid legal title to the Tenement;
- (c) this Report does not cover any third party interests, including encumbrances, in relation to the Tenements that are not apparent from our Searches and the information provided to us;
- (d) we have assumed that any agreements provided to us in relation to the Tenements are authentic, were within the powers and capacity of those who executed them, were duly authorised, executed and delivered and are binding on the parties to them;
- (e) with respect to the granting of the Tenements, we have assumed that the State and the applicant for the Tenements have complied with, or will comply with, the applicable Future Act Provisions;
- (f) we have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives;

- (g) unless apparent from our Searches or the information provided to us, we have assumed compliance with the requirements necessary to maintain a Tenement in good standing;
- (h) with respect to the application for the renewal of a Tenement, we express no opinion as to whether such application will ultimately be granted and that reasonable conditions will be imposed upon grant, although we have no reason to believe that any application will be refused or that unreasonable conditions will be imposed;
- (i) references in Parts I and II of this Report to any area of land are taken from details shown on searches obtained from the relevant department. It is not possible to verify the accuracy of those areas without conducting a survey;
- (j) the information in Parts I and II of this Report is accurate as at the date the relevant Searches were obtained. We cannot comment on whether any changes have occurred in respect of the Tenements between the date of the Searches and the date of this Report;
- (k) where Ministerial consent is required in relation to the transfer of any Tenement, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we are not aware of any matter which would cause consent to be refused;
- (l) we have not conducted searches in relation to any environmental regulations which may be applicable to the Tenements;
- (m) native title may exist in the areas covered by the Tenements. Whilst we have conducted Searches to ascertain that native title claims and determinations, if any, have been lodged in the Federal Court in relation to the areas covered by the Tenements, we have not conducted any research on the likely existence or non-existence of native title rights and interests in respect of those areas. Further, the NTA contains no sunset provisions and it is possible that native title claims could be made in the future;
- (n) where native title information contained on the Tenement Searches produced different results to the schedule of native title applications, register of native title claims, national native title register, register of indigenous land use agreements and national land use agreements as maintained by the NNTT, we have relied on the information provided by the NNTT, as we have been advised that these results are updated more regularly; and
- (o) Aboriginal heritage sites or objects (as defined in the SA Heritage Act or under the Commonwealth Heritage Act) may exist in the areas covered by the Tenements regardless of whether or not that site has been entered on the Register of Aboriginal Sites established by the WA Heritage Act or is the subject of a declaration under the Commonwealth Heritage Act (other than the Heritage Searches). We have not conducted any legal, historical, anthropological or ethnographic research regarding the existence or likely existence of any such Aboriginal heritage sites or objects within the area of the Tenements.

9. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior consent.

Yours faithfully



STEINEPREIS PAGANIN

PART I – TENEMENT SCHEDULE

TENEMENT	REGISTERED HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE (Square Kilometers)	ANNUAL RENT (Next rental year)	MINIMUM ANNUAL EXPENDITURE	REGISTERED DEALINGS/ ENCUMBRANCES	NOTES	NATIVE TITLE AND ABORIGINAL HERITAGE
EL 5221	The Waterberg Coal Company Limited	100/100	03.12.2012	02.12.2014	242.00 sq km	N/A	\$220,000.00	Defence: Woomera Prohibited Area Petroleum Tenements 2	1-4, 8, 10, 13 – 19, 23, 26, 27, and 32- 42	SC2006/001: Far West Coast SCD2011/001
EL 4197	The Waterberg Coal Company Limited	100/100	03.11.2008	02.11.2013	425.00 sq km	N/A	\$140,000.00 for the period 3 November 2012 to 2 November 2013	None	1 -11, 13 – 27, 30 and 31	SC2006/001: Far West Coast SCD 2011/005: Gawler Ranges People
EL 4445	The Waterberg Coal Company Limited	100/100	15.03.2010	14.03.2013	125.00 sq km	N/A	\$90,000.00 for the period 15 March 2011 to 14 March 2013	Defence: Woomera Prohibited Area Petroleum Tenements 2	1 – 29 and 43	SCD2011/001: Antakirinja Matu-Yankunytjatjara

Key to Tenement Schedule

EL – Exploration Licence

References to numbers in the "Notes" column refers to the notes following this table.

References to letters in the "Notes" column refers to the material contracts which are summarised in Part III of this Report.

Unless otherwise indicated, capitalised terms have the same meaning given to them in the Prospectus.

Please refer to Part II of this Report for further details on native title and Aboriginal heritage matters.

Notes:

Tenement conditions and endorsements

1.	The licensee shall at all times perform and comply with: a) The provisions of the Act and any regulations from time to time in force under the Act ("the Regulations"); b) all directions given to the Licensee under the Act or the Regulations; c) the expenditure conditions set out in Schedule B, and conditions of the exploration licence prescribed in the Act and the Regulations; and d) the additional conditions determined by the Minister under Section 30 of the Act and set out in Schedule C.
2.	The Licensee is, if the Licensee has complied with the Act and the Regulations and the conditions of the Licence during the term for which the Licence was granted or last renewed, entitled to the renewal of the Licence for a further term as determined by the Minister (but not so the aggregate term of the licence exceeds 5 years) upon making application for renewal to the Minister in accordance with Section 30A of the Act.
3.	The Minister may, at any time, require the Licensee to pay to any person an amount of compensation, stipulated by the Minister, to which that person is, in the opinion of the Minister, entitled in consequence of loss or damage suffered by him as a result of operations conducted in pursuance of the Licence.
4.	The Licensee must, as soon as reasonably practicable, report to the Director the discovery on the land of minerals potentially capable of economic production.
5.	The Licensee must conduct operations under the Licence (including managing waste resulting from mining operations) in accordance with a program approved, from time to time, by the Minister designed to: a) prevent pollution to or contamination of surface or underground waters; and b) minimise surface damage to the land; and c) ensure that, in drilling or other underground investigations, no interconnection between groundwater aquifers occurs.
6.	The Licensee must obtain the approval of the Director before any of the following occurs (or begins) in connection with operations conducted under the Licence: a) construction of a major campsite or new track; or b) upgrading of a track.

7.	The Licensee must ensure that the use of vehicles in connection with operations conducted under the licence off existing roads or tracks or tracks approved by the Director, is kept to a minimum.
8.	The Licensee must give written notice of the following matters to the Director: a) a proposal to carry out an airborne survey of the land (including details of the type of survey, the area to be surveyed, flight line spacing and flight height); or b) a proposal to investigate the use of groundwater on the land for the purpose of water supplies, de-watering, in-situ leaching, waste disposal or other purpose.
9.	The Licensee must allow an inspector or authorised person under the Act, at any reasonable time, to enter and remain on the land for the purpose of surveying the land and examining the condition of the land.
10.	The licensee must within 60 days after making a request to the Minister for a reduction in the area of the land in respect of which the Licence operates submit to the Minister a technical report of the exploratory operations carried out in the area sought to be excluded from the Licence.
11.	Exploration or other reports, and geological data and samples, required to be submitted under the Act to the Minister or the Director must be submitted by times, and in a manner and form, determined by the Director.
12.	Unless the Minister directs otherwise, the Licensee must expend an amount of no less than \$45,000 on exploration in the area comprised in the Licence during the term of this licence.
13.	This Licence confers no rights on the Licensee to carry out operations on "native title land" (as defined in the Native Title (South Australia) Act 1994) within the area of this Exploration Licence other than in accordance with Part 9B of the Act.
14.	The Licensee shall conduct operations so as not to disturb the environment except in so far as this may be necessary to undertake the programme of exploration required by this Licence.
15.	The Licensee must obtain the approval of the Director of Mines before any of the following occurs in connection with operations conducted under the Licence: a) upgrading (by use of declared equipment) of any existing track; b) use of declared equipment; or c) use of drilling equipment.
16.	Requests for approval of operations must be submitted in a manner and form acceptable to the Director of Mines.

17.	The Licensee shall abide by the provisions of the Aboriginal Heritage Act, 1988.
18.	Prior to commencing construction of major campsites, intensive track networks, airstrips and other major support facilities, a Declaration of Environmental Factors shall be submitted to, and approved in writing by, the Director of Mines.
19.	In the event that the Licensee encounters significant underground water during drilling operations the Licensee shall notify the exact location of such underground water to the Director of Mines and shall, if practicable, collect samples and forward to the Director of Mines.
20.	Within thirty days after the end of each six calendar month period (commencing from the date of grant) a summary report, in the form issued by the Director of Mines, must be lodged with the Director of Mines.
21.	Within sixty days after the end of each year (a year being the period of twelve calendar months ending on the anniversary of the date upon which the Licence comes into force), the Licensee shall submit to the Director of Mines a full and complete technical report of work conducted during that year.
22.	Within sixty days of a request by the Licensee to the Minister for a reduction in the area of land in respect of which the licence operates, the Licensee shall submit a technical report of the exploratory operations carried out in the area to be excluded from the Licence.
23.	Exploration reports, data and samples required to be submitted under the Act by the Licensee must be in a manner and form acceptable to the Director of Mines.
24.	On completion of investigations, exploration drill holes may be required to be completed by the placing of appropriate cement plugs to prevent contamination or wastage of groundwater. This requirement will be advised where required at the time approval is given for proposed drilling.
25.	The Minister will endeavour to keep exploration reports, data and samples submitted in accordance with the conditions of this Licence confidential while the Licence or any flow-on title is in force except where; a) the Licensee has agreed that reports may be released; b) the reports deal with exploration conducted on areas that have ceased to be part of the licence or flow-on title under the Act; c) documents must be released pursuant to the provisions of the <i>Freedom of Information Act, 1991</i>.
26.	Where a code of practice or guidelines exist for the environmental management of mineral exploration in a given area, the company will be required to adopt them or provide an alternative document of the same standard as approved by the Director of Mines.
27.	At the planning stage of any aerial survey, the licensee shall provide details to the Director of Mines of the type of airborne survey, area to be surveyed, flight-line spacing and flight height in the manner and form approved by the Director of Mines.

28.	This Licence does not authorise the Licensee to undertake any activities which may significantly deleteriously affect the potential for coal seam methane drainage or insitu gasification of coal within any overlapping Exploration Licence under the Petroleum Act 2000, the application for which predates the application for this Licence, without the agreement of the relevant licensee under the Petroleum Act 2000 unless otherwise agreed by the Minister after consultation with the parties concerned.
29.	Prior to undertaking mineral exploration within the Woomera Prohibited Area, the Licensee must contact the Access and Security Liaison Officer, Edinburgh to address access requirements.
30.	Unless the Minister directs otherwise, the Licensee must expend an amount of no less than \$220 000 on exploration in the area comprised in the Licence during the term of this licence.
31.	Prior to commencing any exploration activity involving the intensive use of vehicles, the use of declared equipment or drilling equipment within 100 metres of Lake Gairdner National Park or Yellabinnia Regional Reserve, a Declaration of Environmental Factors shall be submitted to and approved in writing by the Director of Mines.
32.	Low impact exploration - Unless otherwise specified under conditions of this licence all low impact exploration activities must be undertaken in accordance with the Ministerial determination pursuant to Regulation 66: <i>Generic Program for Environment Protection and Rehabilitation - Low Impact Mineral Exploration in South Australia</i> (Generic Low Impact Exploration PEPR).
33.	Failure to comply with an approved program or DEF will constitute a failure to comply with the conditions of this Licence.
34.	The Director of Mines may request the Licensee to review and resubmit a revised program or DEF for further approval of the Minister (or delegate) at any time during the term of this Licence.
35.	Six-Monthly Summary Report - The Licensee must provide a Six-Monthly Summary Report to the Director of Mines within thirty (30) days after the expiry of each six (6) calendar month period from the date this Licence is granted. The Report must contain information as required by the Mineral Exploration Reporting Guidelines - A guide to the preparation and submission of technical reports for exploration in South Australia approved by the Director of Mines, or as amended from time to time.
36.	Annual Technical Report - The Licensee must provide an Annual Technical Report to the Director of Mines within sixty (60) days after the expiry of each twelve (12) calendar months from the date this Licence is granted, and a Final Annual Technical Report within sixty (60) days after the expiry or surrender of the Licence. The Reports must contain information as required by the Mineral Exploration Reporting Guidelines - A guide to the preparation and submission of technical reports for exploration in South Australia approved by the Director of Mines, or as amended from time to time.
37.	Relinquishment Report - In accordance with Regulation 47 and prescribed conditions of this Licence, in the event the Licensee requests the Minister to consider reducing the area of this Licence, the Licensee must submit a Partial Surrender Report within sixty (60) days of making its application to the Minister. The Report must contain information about exploration undertaken in the proposed exclusion area and other information as required by the Mineral Exploration Reporting Guidelines - A guide to the preparation and submission of technical reports for exploration in South Australia approved by the Director of Mines, or as amended from time to time.
38.	The Licensee must conduct exploratory operations in a manner that will prevent contamination or wastage of groundwater at all exploration drill hole sites and is required to complete all exploration drill holes in accordance with DMITRE Information Sheet M21 - Mineral Exploration Drillholes - General specification for construction and

	backfilling, approved by the Director of Mines, or as amended from time to time.
39.	The Minister will endeavour to keep exploration reports, data and samples submitted in accordance with the conditions of this Licence confidential while the Licence or any flow-on title is in force except where: a) the Licensee has agreed that reports may be released; b) the reports deal with exploration conducted on areas that have ceased to be part of the licence or flow-on title under the Act; c) the release will take place in accordance with Section 77D of the Act (for example data/samples that have been held for at least 5 years); or d) documents must be released pursuant to the provisions of the Freedom of Information Act 1991.
40.	Unless the Minister otherwise determines, if the expenditure commitment of the Licence is not satisfied, the area of land to which the current licence applies shall be reduced by at least 50% by the end of the current term. The boundaries of the reduced area must coincide with whole minutes of latitude and longitude.
41.	The Licensee must ensure that a valid WPA Deed of Access is in place with the Commonwealth of Australia prior to entering the WPA.
42.	This Licence does not authorise the Licensee to undertake any activities which may significantly deleteriously affect the potential for coal seam methane drainage or in situ gasification of coal within any overlapping Exploration Licence under the Petroleum and Geothermal Energy Act 2000, the application for which predates the application for this Licence and any former Licence, without the agreement of the relevant licensee under the Petroleum and Geothermal Energy Act 2000 unless otherwise agreed by the Minister after consultation with the parties concerned.
43.	The Company has made an application for renewal of licence EL 4445 to DMITRE. The Company has been advised that the application is pending. Upon renewal, the Company will owe rent and expenditure for the next tenement year.

PART II – NATIVE TITLE CLAIMS

TRIBUNAL NUMBER	FEDERAL COURT NUMBER	APPLICATION NAME	REGISTERED	IN MEDIATION	STATUS
SC2006/001	SAD6008/1998	Far West Coast Native Title Claim	Registered from 08/02/2006	No	Active

NATIVE TITLE DETERMINATIONS

TRIBUNAL NUMBER	FEDERAL COURT NUMBER	DETERMINATION NAME	DATE OF EFFECT	DETERMINATION OUTCOME
SCD2011/001	SAD6007/1998	Lennon on behalf of the Antakirinja Matu-Yankunytjatjara Native Title Claim Group	11/05/2011 In effect - finalised	Native Title exists in parts of the determination area
SCD2011/005	SAD6020/1998	McNamara on behalf of the Gawler Ranges People	19/12/2011 In effect - finalised	Native Title exists in parts of the determination area

ILUAs

The land under all Tenements are subject to ILUAs. Due to standard confidentiality provisions, the terms and conditions of these ILUAs are not available for public access, however an excerpt of the ILUAs is obtainable. We have obtained excerpts from the ILUAs, as detailed below.

Gawler Ranges Native Title Claim Settlement ILUA - NNTT number SI2012/004

The parties to this ILUA are:

- the Attorney-General for the State of South Australia;
- Elliot McNamara, Howard Richards, Andrew Dingaman and Ken Smith as Applicant in the Gawler Ranges Native Title Claim for and on behalf of the Gawler Ranges People;
- Gawler Ranges Aboriginal Corporation; and
- South Australian Native Title Services Ltd.

The ILUA applies to approximately 33,000 km (sq) of land. The area the subject of the ILUA is the entirety of the land and waters within the external boundaries of the Determination Area.

Antakirinja Area Minerals Exploration ILUA - NNTT number SI2004/003

The parties to this ILUA are:

- the Attorney-General for the State of South Australia;
- Minister for Mineral Resources Development;
- William Herbert Lennon Snr, Ian Crombie, Keith Smith Snr, David Brown, Herbert Joseph Lennon and Jean Wood for and on behalf of the Antakirinja native title claim group;
- Antakirinja Matu-Yankunytjatjara Aboriginal Corporation;
- Aboriginal Legal Rights Movement Inc; and
- South Australian Chamber of Mines and Energy Inc.

The area the subject of the ILUA falls within the outer boundaries of the area of the native title claim (native title determination application No SAD6007/98) excluding any portion of that area which is subject to a native title determination application of any group or person other than the native title parties.

This ILUA supersedes by way of a Deed of Variation dated 30 November 2004 the Antakirinja Area Minerals Exploration ILUA (SI2003/007) which is also currently on the ILUA Register.

Gawler Ranges Mineral Exploration ILUA - NNTT number SI2004/004

The parties to this ILUA are:

- The Honourable Michael John Atkinson, the Attorney-General for and on behalf of the Crown in right of the State of South Australia;
- Elliot McNamara, Howard Richards, Andrew Dingaman and Ken Smith as Applicant in the Gawler Ranges Native Title Claim for and on behalf of the Gawler Ranges People;
- The Honourable Paul Holloway, Minister for Mineral Resources Development;
- Aboriginal Legal Rights Movement Inc.;
- South Australian Chamber of Mines and Energy Inc..

The ILUA applies to approximately 28,560 km (sq) of land. The ILUA area covers all the land and waters of SG6020/98 Gawler Ranges Native Title Claim (SC97/7) as accepted for registration 11/08/99, excluding Lake Gairdner National Park and the township of Kingoonya.

Lake Gairdner National Park ILUA - NNTT number SI2012/002

The parties to this ILUA are:

- the Attorney-General for the State of South Australia;
- Elliot McNamara, Howard Richards, Andrew Dingaman and Ken Smith for and on behalf of the Gawler Ranges People;

- Gawler Ranges Aboriginal Corporation;
- The Minister for Sustainability, Environment and Conservation for the State of South Australia.

The ILUA Area is the Lake Gairdner National Park being:

- (a) Section 1531 Out of Hundreds (Gairdner and Yardea), Section 1533 Out of Hundreds Gairdner, Section 1534 Out of Hundreds (Childara, and Gairdner) proclaimed on 19 December 1991; and
- (b) Pieces 102 and 103 DP 67746 Out of Hundreds (Yardea) proclaimed on 18 January 2007 as shown on the plan in Schedule 1 to this ILUA.

Wilgena Pastoral ILUA (AJ & PA McBride Pty Ltd) - NNTT number SI2008/016

The parties to this ILUA are:

- the State of South Australia;
- AJ & PA McBride Pastoral Company Pty Ltd; and
- Elliot McNamara, Howard Richards, Andrew Dingaman and Ken Smith.

The ILUA applies to Pastoral Lease number 2364.

Carnding Well Pastoral ILUA - NNTT number SI2011/014

The parties to this ILUA are:

- the Attorney-General for the State of South Australia;
- AJ & PA McBride Pty Ltd;
- William Herbert Lennon Snr, Ian Crombie, David Brown and Jean Wood on behalf of the Antakirinja Matuntjara Yankunytjatjara People;
- Antakirinja Matu-Yankunytjatjara Aboriginal Corporation.

The ILUA applies to approximately 460 km (sq) over Pastoral Lease number 2375.

Muckanippie Pastoral ILUA - NNTT number SI2011/017

The parties to this ILUA are:

- the State of South Australia;
- Mulgathing Pty Ltd;
- William Herbert Lennon Snr, Ian Crombie, David Brown and Jean Wood on behalf of the Antakirinja Matuntjara Yankunytjatjara People;
- Antakirinja Matu-Yankunytjatjara Aboriginal Corporation.

The ILUA applies to approximately 3560 km (sq) over Pastoral Lease number 2154.

Malbooma (Part PE2246) Pastoral ILUA - NNTT number SI2011/018

The parties to this ILUA are:

- the State of South Australia;
- Mulgathing Pty Ltd;
- William Herbert Lennon Snr, Ian Crombie, David Brown and Jean Wood on behalf of the Antakirinja Matuntjara Yankunytjatjara People; and
- Antakirinja Matu-Yankunytjatjara Aboriginal Corporation.

The ILUA applies to approximately 120 km (sq) over Pastoral Lease number 2246.

Pt Woorong Downs (PE 2175) Pastoral ILUA - NNTT number SI2011/003

The parties to this ILUA are:

- the State of South Australia;
- Commonwealth Hill Pty Ltd;
- William Herbert Lennon Snr, Ian Crombie, David Brown and Jean Wood on behalf of the Antakirinja Matuntjara Yankunytjatjara People; and
- Antakirinja Matu-Yankunytjatjara Aboriginal Corporation.

The ILUA applies to approximately 1600 km (sq) over Pastoral Lease number 2175.

Pt Woorong Downs (PE 2178) Pastoral ILUA - NNTT number SI2011/004

The parties to this ILUA are:

- the State of South Australia;
- Commonwealth Hill Pty Ltd;
- William Herbert Lennon Snr, Ian Crombie, David Brown and Jean Wood on behalf of the Antakirinja Matuntjara Yankunytjatjara People; and
- Antakirinja Matu-Yankunytjatjara Aboriginal Corporation.

The ILUA applies to approximately 800 km (sq) over Pastoral Lease number 2178.

Bulgunnia Pastoral ILUA - NNTT number SI2011/011

The parties to this ILUA are:

- the State of South Australia;
- Commonwealth Hill Pty Ltd;
- William Herbert Lennon Snr, Ian Crombie, David Brown and Jean Wood on behalf of the Antakirinja Matuntjara Yankunytjatjara People; and
- Antakirinja Matu-Yankunytjatjara Aboriginal Corporation.

The ILUA applies to approximately 3180 km (sq) over Pastoral Lease number 2331.

ABORIGINAL HERITAGE SITES

None registered.

13. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

13.1 Directors and key personnel

Disclosure of the Directors and key personnel and their background is contained in the Investment Overview in Section 4.13 of the Prospectus.

13.2 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles and Recommendations with 2010 amendments. Given the current size and structure of the Board, the Board does not currently comply with all of the Recommendations.

Details on the Company's corporate governance procedures, policies and practices can be obtained from page 12 of the Company's 2012 Annual Report and also at www.waterbergcoal.com.au.

Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

Given the current size and structure of the Board, the Board has not established a separate nomination committee to oversee the performance evaluation of the senior executives. Until a nomination committee is established, the Board will undertake the obligations of the nomination committee in connection with evaluating the performance of senior executives.

Identification and management of risk

The entire Board is responsible for overseeing the risk management function. The Company believes that it is crucial for all board members to be a part of the process and as such has not established a risk management committee as a subset of the full board. The Board is responsible for ensuring the risks and opportunities are identified on a timely basis. To achieve this, the Board has implemented a risk system which allows for the monthly monitoring of identified risk areas and performance against the activities to minimise or control these identified risks.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The Company's Constitution provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by a general meeting, to be divided among the Directors and in default of agreement then in equal shares. The current amount has been set at an amount not to exceed \$500,000 per annum.

Directors are also entitled to be reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that before commencing to trade, an executive must first obtain the approval of the Managing Director to do so and a Director must first obtain approval of the Chairman.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

14. ADDITIONAL INFORMATION

14.1 Litigation

As at the date of this Prospectus, our Company is not involved in any material legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against our Company.

14.2 Material Contracts

14.2.1 Convertible Facility Agreement

As set out in Section 6.5 above, on 26 March 2013, the Company entered into a convertible facility agreement with SBSA (**Convertible Facility Agreement**) for funding completion under the Share Purchase Agreement. In this regard, on 10 April 2013 (**Utilisation Date**), the Company drew down the full \$35,000,000 facility (**Facility**). Further details with respect to SBSA's role are set out in Section 6.5 above. The material terms of the Convertible Facility Agreement are as follows:

- (a) (**Repayment**): the Company will repay the loan under the Convertible Facility Agreement (**Loan**) in full on the date which is 18 months after the Utilisation Date (**Repayment Date**);
- (b) (**Mandatory Prepayment**): Should the Company fail to list on the JSE within 6 months of the Utilisation Date, the Lenders, acting unanimously, shall be entitled to cancel the Facility together with interest and any amounts due under the Facility which shall be settled in cash by no later than 5 business days after receipt of the last notice from the Lenders;
- (c) (**Conversion**): at any time between the Utilisation Date and Repayment Date, each of the Lenders may independently elect to convert all or part of its portion of the Loan into Shares (**Conversion Right**) based on the following formula:

$$\begin{array}{l} \text{Number of} \\ \text{Shares to be} \\ \text{issued to the} \\ \text{Lender} \end{array} = \frac{\text{the portion of the converting Lender's commitment to be converted} \times 2.1}{\text{Discount Price Per Share}}$$

where:

Discount Price per Share is equal to 80% of the average trading price of Shares traded on the Selected Exchange for the five (5) most recent trading days immediately prior to issue of the Shares on conversion (as conclusively determined by SBSA), provided that in determining such average trades which

- (i) are effected other than through the normal trading systems of the relevant exchange, but
- (ii) are nevertheless settled through the settlement systems of the exchange, shall be disregarded.

A Lender who elects to have part of their portion of the Loan converted will only be permitted to convert in multiples of A\$1,000,000.

Commitment means:

- (i) in respect of an Original Lender, the original commitment and the amount of any other commitment transferred to it under the Convertible Facility Agreement, and
- (ii) in relation to any other Lender, the amount of any commitment transferred to it under the Convertible Facility Agreement, in each case to the extent not cancelled, reduced or transferred by it under the Convertible Facility Agreement.

Selected Exchange means either the ASX or the JSE as selected by the exercising Lender in the applicable conversion notice(s).

A Lender may elect to exercise its Conversion Rights during the term of the Convertible Facility Agreement as many times as it chooses by the delivery of multiple conversion notices.

- (d) **(Conversion Right Warranty and Indemnity):** The Company warrants and undertakes to the Lenders that all required shareholder approvals and authorisations will be obtained to allow each Lender to exercise their Conversion Rights timeously. Any breach of this warranty, including
 - (i) the Company failing to obtain approval from its shareholders for the purposes of item 7 of section 611 of the Corporations Act (if required);
 - (ii) a Lender fails to obtain approval under Australia foreign investment laws or policy; or
 - (iii) if the Company is otherwise prevented by law or the ASX Listing Rules from issuing the Shares required to be issued on exercise by a Lender of its Conversion Right),

will be an **Indemnity Event**.

On the occurrence of an Indemnity Event, SBSA as a facility agent, may issue a written notice to the Company (**Indemnity Event Notice**) and the Company must pay to each Lender who has been prevented from exercising its Conversion Right in full (**Affected Lender**) a cash indemnity amount in respect of the breach of warranty equal to the value of the Shares that the affected Lender would have been entitled to receive but did not receive on exercise of its Conversion Rights, calculated as the portion of the affected Lender's Commitment that has been prevented from being converted x 2.1.

The Company must pay, in immediately available funds, the cash indemnity amount without set-off or deductions within 20 days of the date of the Indemnity Event Notice. Such payment will settle the capital and interest in respect of such portion of the Lender's Commitment that would have been converted.

- (e) **(Interest):** interest will accrue at a rate of LIBOR plus 12% per annum for each interest period from the Utilisation Date and will be paid on the Repayment Date. Interest accrued on the Loan during a calendar month (**Interest Period**) shall be capitalised on the last day of that Interest Period and consolidated with the outstanding principal amount

of the Loan in the same proportion as each Lender's participation in the Loan;

- (f) **(Security)**: the Company will enter into a general security deed with SBSA in respect of the Facility Amount, pursuant to which the Company will grant a security interest over all of its assets to SBSA. Ariona will provide the Lenders with security over its shares in FSE, its interests in the Waterberg Coal Project and its secured convertible notes in FSE;
- (g) **(Tag Along)**: where one or more Lenders have exercised their Conversion Rights (**Converted Lenders**) and have received Shares (**Conversion Shares**), the Converted Lenders will have an independent right to "tag along" any future equity capital raising initiatives undertaken by the Company (**Capital Raising**). The Converted Lenders may elect to exercise their "tag along" right in respect of all of their Conversion Shares, or a portion of their Conversion Shares (in value no less than A\$1,000,000 or ZAR1,000,000).

Under the "tag along", the Company must either procure the offer for sale to other purchasers or buy-back from the Converted Lenders such number of Conversion Shares that are held by the participating Converted Lenders as is equal to the lesser of:

- (i) the aggregate number of Conversion Shares for sale that would enable each participating Converted Lender to receive proceeds equal to the converted portion of its Commitment under the Facility; and
- (ii) 35% of the number of new Shares that will be issued under the Capital Raising,

at the same price as the offer price for new Shares that will be issued under the Capital Raising.

The Company warrants and undertakes to the Lenders that, where one or more Converted Lenders have elected to have their Conversion Shares bought-back, all required Shareholder approvals and authorisations necessary for such buy-back will be obtained within three months of the Company notifying the Converted Lenders of the proposed Capital Raising. The Company must pay a cash indemnity amount to the Converted Lenders on any breach of that warranty.

The tag-along rights of a Converted Lender expire once it has received aggregate proceeds from the sale or buy-back of its Conversion Shares equal to its Commitment.

- (h) **(Guarantee)**: Ariona will guarantee the performance of the Company's obligations under the Convertible Facility Agreement, which guarantee shall be a continuing guarantee and will extend to the ultimate balance of sums payable by the Company and the guarantor under the Convertible Facility Agreement;
- (i) **(Restrictions on Activities)** the Company, and its subsidiaries, may only engage in activities that are not related to the Waterberg Project with the approval of SBSA;
- (j) **(Positive Undertakings)**: the Company and its subsidiaries are subject to a number of positive undertakings including an undertaking to notify

SBSA of various future matters concerning the Company and each of its subsidiaries, including new material transactions, matters requiring special resolutions and transactions with related parties;

- (k) **(Negative Undertakings):** the Company and its subsidiaries are subject to a number of negative undertakings including no amendment to its share capital, restrictions on mergers, no change of business and restrictions on joint ventures; and
- (l) **(Representations and Warranties):** the Convertible Facility Agreement contains other representations and warranties customary for an agreement of this nature.

14.3 Rights Attaching to Shares

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

Heading	Description of the right or liability
Voting rights	Subject to any special rights or restrictions attached to any class or classes of shares in the Company, at a general meeting each shareholder present in person or as a proxy, representative or attorney has one vote on a show of hands and one vote for each fully paid shares held on a poll. Voting at any general meeting of shareholders is by a show of hands unless a poll is effectively demanded (either before the vote is taken, or before or immediately after the declaration of the result of the show of hands) and that demand is not withdrawn. The quorum required for a meeting of shareholders is two members present in person or by proxy, attorney or representative of a shareholder.
General meeting and notices	Each shareholder is entitled to receive notice of and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the ASX Listing Rules. Under the Corporations Act, a notice must currently be provided to the shareholders of a listed entity at least 28 days in advance of the meeting.
Dividends	Subject to the Corporations Act, the Constitution and the rights of holders of shares issued with any special or preferential rights (as at the completion of the Offer, there will be none), the Directors may declare or determine that a dividend is payable fix the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each member entitled to that dividend. The profits of the Company, which the Directors may from time to time determine to distribute by way of dividend are divisible amongst the Shareholders in proportion to the Shares held by them respectively and will be paid in proportion to the amounts paid, or credited as paid, on the issue price of those Shares.

Heading	Description of the right or liability
Variation of class rights	Subject to the Corporations Act, whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of share may be altered with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class or with the written consent of the holders of at least three-quarters of the shares of that class on issue.
Further issue of shares and Options	Subject to any restrictions on the allotment of shares imposed by the Corporations Act, the ASX Listing Rules or any special rights of the holders of shares or a class of shares, the allotment and issue of shares is under the control of the Directors, who may issue and cancel shares in the Company. In addition, the Board has power to grant to any person an Option over unissued shares.
Transfer of Shares	Subject to the Constitution and the ASX Listing Rules, Shares may be transferred by any other method of transfer that is required or permitted by the Corporations Act and the ASX Listing Rules.
Winding up	Subject to the rights of holders of shares issued with any special or preferential rights (as at the completion of the Offer, there will be none), if the Company is wound up, the liquidator may with the authority of a special resolution divide among the shareholders in kind the whole or any part of the property of the Company and for that purpose may set such value as he or she deems fair on any property and may determine how the division is to be carried out as between shareholders or different classes of shareholders.

14.4 Terms and Conditions of Options

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.20 (**Exercise Price**)

(c) **Expiry Date**

Each Option will expire at 5.00pm (WST) on 31 December 2014 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option

certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the later of the following:

- (i) the Exercise Date; and
- (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

but in any case no later than 20 Business Days after the Exercise Date, the Company will:

- (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

If admitted to the official list of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Quoted**

The Company will apply for quotation of the Options on ASX.

(n) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

14.5 **Interests of Directors**

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or

- (b) for services provided in connection with:
- (i) the formation or promotion of the Company; or
 - (ii) the Offer.

14.6 Interests of Experts and Advisers

Please refer to Section 4.17 for a discussion on the relationship between Garrison Capital and the Company.

14.7 Other interests

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and has prepared the Solicitor's Report on Australian Tenements which is included in Section 12 of this Prospectus. The Company estimates it will pay Steinepreis Paganin \$30,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees of \$378,752 (excl GST) from the Company for legal services.

Garrison Capital Pty Ltd acted as the Company's Australian corporate advisor. The Company will pay Garrison Capital Pty Ltd the fees set out in Section 14.6 for these services. The Company also owes Garrison Capital \$150,000 for corporate advisory services in relation to the Takeover Offer as set out in Section 14.9. During the 24 months preceding lodgement of this Prospectus with the ASIC, Garrison Capital Pty Ltd has received \$399,992 from the Company for their services.

HLB Mann Judd has acted as Independent Accountant and has prepared the Independent Accountant's Report which is included in Section 8 of this Prospectus. The Company estimates it will pay HLB Mann Judd a total of \$15,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, HLB Mann Judd has received \$55,016 in fees as the Company's auditor.

Al Maynard & Associates Pty Ltd has prepared the Independent Geologist's Report which is included in Section 10 of this Prospectus. The Company estimates it will pay Al Maynard & Associates Pty Ltd a total of \$20,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Al Maynard & Associates Pty Ltd has not received any fees from the Company.

Werksman's Attorneys has prepared the South African Title Report which is included in Section 11 of this Prospectus. The Company estimates it will pay Werksman's Attorneys a total of \$18,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Werksman's Attorneys has not received any fees from the Company.

14.8 Consents

- (a) Other than as set out below, each of the parties referred to in this Section:
 - (i) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by any of those parties;
 - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of the party; and
 - (iii) did not authorise or cause the issue of all or any part of this Prospectus.
- (b) Steinepreis Paganin has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Australian lawyers to the Company in relation to the Offer in the form and context in which it is named;
- (c) Steinepreis Paganin have given their written consent to the inclusion of the Solicitor's Report on Australian Tenements in Section 12 of this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC;
- (d) Garrison Capital Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus as Australian corporate advisors to the Company in relation to the Offer in the form and context in which it is named;
- (e) HLB Mann Judd have given their written consent to the inclusion of the Independent Accountant's Report in Section 8 of this Prospectus and being named as the Company's auditor and HLB Mann Judd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC;

- (f) Al Maynard & Associates Pty Ltd have given their written consent to the inclusion of the Independent Geologist's Report in Section 10 of this Prospectus and being named as the Company's geologist and Al Maynard & Associates Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC;
- (g) Werksmans Attorneys have given their written consent to the inclusion of the South African Title Report in Section 11 of this Prospectus and Werksmans Attorneys has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC; and
- (h) Venmyn Deloitte (Pty) Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its consent to being named and to the inclusion of references to its Independent Specialist Valuation Report in the Independent Geologist's Report in Section 10 of this Prospectus in the form and context in which it is named and in which those references appear.

14.9 Expenses of the Offer

The total cash expenses of the Offer (excluding GST) are estimated to be between approximately \$310,695 and \$774,389 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription (\$)	Full Subscription (\$)
ASIC fees	2,225	2,225
ASX fees	93,024	131,718
Broker Commissions (5%)	75,000	500,000
Legal Fees – Steinepreis Paganin	30,000	30,000
Legal Fees – Werksmans Attorneys	18,000	18,000
Independent Accountant's Fees	15,500	15,500
Independent Geologist's Fees	20,000	20,000
Printing and Distribution	20,000	20,000
Miscellaneous	36,946	36,946
TOTAL	310,695	774,389

14.10 Continuous disclosure obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will continue to be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information

on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

14.11 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.waterbergcoal.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

14.12 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

14.13 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will apply to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

14.14 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

15. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Brian McMaster
Executive Chairman
For and on behalf of
The Waterberg Coal Company Limited

16. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means an Australian dollar.

Acquisition means the acquisition by the Company of all of the issued share capital in Ariona in consideration of 125,000,000 Shares pursuant to the Heads of Agreement dated 5 December 2012 (as varied on 20 February 2013 between the Company and Haworth Finance Limited (company registration number 1446121), a company registered in the British Virgin Islands.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

Ariona means Ariona Company SA.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Board means the board of Directors as constituted from time to time.

Closing Date means the closing date of the Offer as set out in the indicative timetable in the Investment Overview in Section 4 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company or **WCC** means The Waterberg Coal Company Limited (ACN 065 480 453).

Consolidation means the consolidation of Shares and Options on issue on a 1 for 10 basis.

Constitution means the constitution of the Company.

Convertible Facility Agreement means the convertible facility agreement entered into between the Company and SBSA dated 26 March 2013, the material terms of which are set out in Section 14.2.1.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

DMR means the Department of Mineral Resources in South Africa.

Duikerfontein Prospecting Right means prospecting right 681/2007PR granted to Sekoko under the MPRDA, further details of which are set out in the South African Title Report in Section 11.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Firestone or **FSE** means Firestone Energy Limited (ACN 058 436 794).

FSE Convertible Notes means convertible notes with a face value of \$1.00 each which convert at their face value plus capitalised interest (if any) into FSE Shares at a deemed issue price of \$0.025 per FSE Share.

FSE Shares means fully paid ordinary shares in the capital of FSE.

Garrison Capital means Garrison Capital Pty Ltd (ACN 132 795 941).

General Meeting means the general meeting held by the Company on 27 March 2013.

Investment Agreement means the Investment Agreement dated 23 July 2012, between Ariona, FSE, BBY Nominees Pty Ltd and Jaguar Funds Management Pty Ltd pursuant to which Ariona acquired the FSE Convertible Notes (as amended from time to time).

JSE means JSE Limited (South African registration number 2005/022939/06), or the financial market operated by it, as the context requires.

Mining Right means mining right MPT90/2012EMR granted to Sekoko under the MPRDA, further details of which are set out in the South African Title Report in Section 11.

MPRDA means the Mineral and Petroleum Resources Development Act 2002 (South Africa).

Offer means the offer of Shares pursuant to this Prospectus as set out in Section 5 of this Prospectus.

Offer Period means the period during which the Offer is open for acceptance.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this replacement prospectus.

Relevant Interest has the meaning given in Section 9 of the Corporations Act.

Rights has the meaning given in Section 4.3(g) and includes the Duikerfontein Prospecting Right, the Vetleegte Prospecting Right and the Mining Right.

Section means a section of this Prospectus.

Securities means Shares and Options.

Sekoko means Sekoko Coal (Proprietary) Limited a company incorporated in South Africa.

Sekoko Resources Sekoko Resources (Proprietary) Limited a company incorporated in South Africa.

SBSA means the Standard Bank of South Africa.

SBSA Consortium means the investment consortium led by SBSA.

Share means a fully paid ordinary share in the capital of the Company.

Share Purchase Agreement means the Share Purchase Agreement dated 13 June 2012 between Ariona, Sekoko and Sekoko Resources for the acquisition by Ariona of 480,000,000 FSE Shares and a 25% interest in Sekoko (as amended from time to time).

Shareholder means a holder of Shares.

Substantial Holding has the meaning given to that term in Section 9 of the Corporations Act.

Takeover Offer means the off-market takeover offer by the Company for all of the shares in FSE and the completion of the conditions of the Takeover Offer.

Tenements means the exploration licences EL 5221 (Lyons), EL 4197 (Glenloth) and EL 4445 (Claypan Dam).

Uzalile means Uzalile Investments Proprietary Limited.

Vetleegte Prospecting Right means prospecting right MPT651/2006PR granted to the Uzalile Joint Venture under the MPRDA, further details of which are set out in the South African Title Report in Section 11.

Waterberg JV has the meaning given to that term in section 6.3.

Waterberg Coal Project means the project the subject of the Waterberg JV that comprises eight titles in the Waterberg coalfield (see Figure 1 in Section 6.6) totalling some 7,979 hectares.

WST means Western Standard Time as observed in Perth, Western Australia.

ZAR means South African Rand.