REPORT FOR THE QUARTER ENDED 30 JUNE 2011

Key Points:

- Xceed re-listed on ASX as Xceed Resources Limited and completes $9m capital raising.
- Planning of drilling programme on Moabsvelden thermal coal project completed, drilling contractor appointed and drill rigs mobilized to site.
- Airborne magnetic survey of Moabsvelden undertaken.
- Preparation for mining right application commenced with appointment of key environmental and social & labour consultants.
- Rights to acquire two new coal projects, Roodepoort and Bankfontein, obtained.

Re-Listing and Capital Raising

The June quarter of 2011 was an important period for the Company as it took a major step in its transition to becoming a Southern African coal mining company by completing a A$9 million capital raising and the re-listing on 13 April 2011 of its securities on the Australian Securities Exchange (ASX).

The Prospectus under which the capital raising was conducted closed fully subscribed.

Xceed Resources will use the proceeds of the raising, which saw it place 45 million shares at $0.20 each, plus its existing cash reserves of $3 million, to begin building a multi-project coal business in Southern Africa, commencing with the flagship Moabsvelden Project.

As at 30 June 2011 the Company had $10.6 in cash and no debt.
Moabsvelden (XCD 74%)

Summary

During the Quarter, the Company engaged independent consulting geologists, Gemecs (Pty) Ltd (‘Gemecs’) to plan a drilling programme for the Moabsvelden project. Following the completion of this exercise, the proposed drill hole locations were surveyed in and a compensation package agreed with the land owner which has enabled the Company to commence the drilling programme ahead of the harvest. The appointed drilling contractor has mobilized to site and the drilling commenced shortly before the end of the Quarter.

Objectives of Programme

A JORC compliant resource of 55.38 million tonnes (Indicated 54,533,363 tonnes, Inferred 847,276 tonnes) exists with an average drill hole spacing of between 500 and 600m. The current drilling programme will reduce this average spacing to < 350m. The expectation is that this tighter drill spacing, together with the geophysical data to be collected, will enable the resource to be reclassified to predominately Measured, the highest level of geological confidence.

In addition to upgrading geological confidence in the Moabsvelden resource, the programme is intended to establish a more complete understanding of localized doleretic intrusions and other geological features, so as to enable mine planning to be undertaken. Mine planning will be used to develop a Mining Work Programme, which will be a key element of the Company’s proposed application for a mining licence.

The samples collected from the drilling will be subjected to a washability testwork programme over a range of parameters; with the intention that data will be collected to enable various processing options can be considered as part of a feasibility study.

Drilling Programme

A total of 29 boreholes for a combined 2,000m of diamond drilling are planned to be drilled. A plan showing the location of the proposed holes is given in Figure 1 below.

Moabsvelden 248 IR – Existing and Planned Boreholes

Figure 1: Proposed Drillhole Positions
All drilling will be vertical narrow diameter (NQ) drilling. The deepest hole will be 93m from surface with an average depth of 70m. Previous drilling by the Company has established the existence on the project site of the 4U, 4L, 2A, 2U and 2L seams, with an average combined coal column of 19m. The existing average ratio of overburden (cubic metres) to coal (tonnes) is less than 2:1.

It is expected that the drilling programme will be completed at the end of July and thereafter washability testwork and geological modeling will follow.
Airborne and down-hole Geophysical Logging

During the Quarter Xcalibur Airborne Geophysics (Pty) Ltd undertook an airborne magnetic survey of the Moabsvelden project. The survey, which as approximately 100 line-kms in extent, was carried out to provide a detailed understanding of the structural geology and associated features. Data processing and interpretation is in progress.

As with the earlier drilling carried out by Neosho, all boreholes are to be subjected to down-hole geophysical logging. In addition to providing an accurate indication of coal, dolerite and weathering depth, the logging is especially useful in core sample selection and preparation.

Washability Testwork and Modelling

Washability testwork and modeling will only follow upon completion of the drilling programme.

Environmental Baseline Assessment

During the Quarter, the Company commenced an environmental baseline assessment of the Moabsvelden project with the appointment of a specialist environmental consultancy, Jaco-K Consulting of Middelburg, South Africa. Later this year, the Company proposes to submit an application for a mining right in respect of its Moabsvelden project. Acceptance of this application by the Department of Mineral Resources (‘DMR’) will require the Company to undertake a comprehensive environmental assessment as preparation for the submission of an Environmental Scoping Report, an Environmental Impact Assessment, Environmental Management Programme, and an application for a Water Use Licence. The Company has contracted Jaco-K Consulting to undertake this work. Jaco-K Consulting has considerable experience of the Witbank coalfield.

The baseline environmental impact assessment requires a series of specialist studies to be undertaken, including soil and ground water assessments in addition to air quality, noise, traffic and social impact assessment. The largest component of these is the groundwater assessment which will involve the drilling of a number of monitoring holes together with the development of a comprehensive hydrological model of the ground water and surface water implications of the mine development. This work is continuing.
Social and Labour Plan

In addition to a Mining Work Programme, an application for a Mining Right in South Africa requires the submission of a Social and Labour Plan (‘SLP’) which details the Company’s recruitment and training commitments as well as its contribution to the local community. The Company has engaged EVA Solutions, a specialist consultancy based in Johannesburg, to assist with the formulation and preparation of this plan. During the Quarter work on the SLP commenced with the objective of it being completed and ready for submission by the end of the third quarter 2011.

New Properties

In June, the Company’s wholly owned subsidiary, Focus Coal Investments Pty Ltd (FCI), entered into a binding heads of agreement with a local South African company, Hampfuna Mining & Exploration Pty Limited (HMPL), the holder of two coal prospecting rights; Roodepoort 40, in the Witbank coal field and Bankfontein 215 in the Ermelo coal field.

The heads of agreement provides for FCI to acquire up to 70% in two new companies to be established to hold each of the prospecting rights.

The heads of agreement is subject to two suspensive conditions; the first being completion of FCI’s technical and legal due diligence and the second being the consent of the relevant Government Minister to the transaction in accordance with Section 11 of the Mineral and Petroleum Resources Development Act (MPRDA). An application for Section 11 approval will be submitted shortly.

Satisfaction of these suspensive conditions will mean that the Company will have rights to four properties located across the Witbank and Ermelo coal fields.
The Roodepoort 40 prospecting right covers an area of 1,120 ha. The project site is approximately 120kms to the east of Johannesburg and 60kms east of the Company’s Moabsvelden project. The project is located within twenty kilometers of Eskom’s Kreil and Matla coal fired power stations and is approximately three kilometers from Exxaro’s New Clydesdale Colliery.

A total of 11 boreholes have been drilled within or on the border of the property. The results of this drilling confirm that coal is present over at least half of the property and that these seams may be amenable to open pit extraction. Selected holes include:

<table>
<thead>
<tr>
<th>Hole #</th>
<th>Thickness</th>
<th>Seam</th>
<th>From</th>
</tr>
</thead>
<tbody>
<tr>
<td>205</td>
<td>6.65m</td>
<td>2</td>
<td>25.53m</td>
</tr>
<tr>
<td>208</td>
<td>5.61m</td>
<td>4</td>
<td>12.17m</td>
</tr>
<tr>
<td>261</td>
<td>4.01m</td>
<td>2</td>
<td>22.42m</td>
</tr>
<tr>
<td>419</td>
<td>4.70m</td>
<td>1</td>
<td>38.12m</td>
</tr>
<tr>
<td>445</td>
<td>4.39m</td>
<td>2</td>
<td>20.31m</td>
</tr>
</tbody>
</table>

Typical of this area, coal qualities range from export quality to domestic power station coal, with most of the coal expected to be suitable for local consumption. Of particular interest, however, is the existence of the Number 1 seam which was encountered in hole # 419 (4.70m from 38.12m), #205 (0.76m from 41.68m) and #208 (0.94m from 46.28m). This seam is known to contain high value metallurgical grade coal. Wash tests previously carried out on core collected from these holes have returned high grade coal with low phosphorous content, which indicates the presence of this premium grade coal. An objective of the Company’s exploration programme will be to establish the extent and quality of the 1 seam present on the property.
The Bankfontein 215 Prospecting Right covers an area of 913 ha. It is located approximately 40 kms north of the town of Ermelo and is 210 kms east of Johannesburg. Xstrata’s Spitzkop and Tselentis collieries are located within five kilometers of Bankfontein, as is a spur rail line connected to the main Richards Bay dedicated coal line at Ermelo. A further benefit arising from the location of the Bankfontein Project is that it is only seven kilometers from the Vogelfontein property, over which Xceed has an option to acquire. Vogelfontein is the subject of an accepted Prospecting Right Application, which is expected to be approved once the current moratorium on issuing new Prospecting Rights in Mpumalanga Province is lifted in September.

Twenty one bore holes have been drilled either within or on the border of the Bankfontein property. The drilling has demonstrated that all of the Ermelo coal seams [ A (uppermost) to E (lowermost)] are present in one or other of the holes, and that whilst potential future mining would predominately be by underground means, there is coal which may be amenable to open cut mining. Open cut mining could potentially allow for low cost access to any underground production through the pit high wall.

Examples of these shallower intersections are:

<table>
<thead>
<tr>
<th>Hole #</th>
<th>Thickness</th>
<th>Seam</th>
<th>Starting</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>3.18m</td>
<td>B</td>
<td>20.54m</td>
</tr>
<tr>
<td></td>
<td>1.40m</td>
<td>CU</td>
<td>25.01m</td>
</tr>
<tr>
<td></td>
<td>0.76m</td>
<td>CL</td>
<td>29.26m</td>
</tr>
<tr>
<td>68</td>
<td>2.89m</td>
<td>CU</td>
<td>11.71m</td>
</tr>
<tr>
<td>78</td>
<td>3.00m</td>
<td>CU</td>
<td>17.60m</td>
</tr>
</tbody>
</table>
Coal qualities in certain seams are particularly good. Examples include:
Hole #20 0.60m of D Seam starting from 10.9m – Raw coal for a 100% Yield: 28.78 CV, and Ash 12.6%.
Hole # 21 0.76m of CL Seam starting from 29.26m - Washed coal for a 92.6% Yield: 30.38 CV and Ash 12.1%.
Hole # 73 0.55 of A Seam starting from 26m – Washed coal for a 90.5% Yield: 29.52 CV and Ash 8%
Hole # 79 0.75m of A Seam starting from 24.65m – Washed coal for a 74.7% Yield: 28.94% CV and Ash 10.5%

Vogelfontien (74%)
Ermelo Coal Field

The moratorium on new prospecting rights remains in force in Mpumalanga Province but is expected to be lifted in September, at which time it is hoped that the application by the Company’s local partner for a prospecting right in respect of this property will be approved.

Plans for September Quarter

The September Quarter is expected to be extremely busy for the Company. During the quarter it is planned to:
- Complete the drilling programme on Moabsvelden and thereafter undertake the washability test work programme and updated resource modeling.
- Complete the Social and Labour Plan for the Moabsvelden Project
- Continue with the Environmental Impact Study
- Commence and largely complete the preliminary mine planning and financial modeling required for the Company to make an application for a Mining Right in respect of Moabsvelden
- Complete the legal and technical due diligence of the Roodepoort and Bankfontein properties, as well execute definitive legal agreements and submit Section 11 approvals in respect of these properties.

For further information regarding the Company, please contact the Company on +61 8 9226 0329 or refer to www.xceedresources.com.au

For and on behalf of the Board of
Xceed Resources Limited

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Ian Culbert
Managing Director
20 July 2011

Competent Persons Statement:

Information in this announcement that relates to exploration results, mineral resources or ore reserves in respect of the Moabsvelden Thermal Coal project is based on information compiled by Mr Kobus Dippenaar, Pr.Sci.Nat, B.Sc Hons (Geology), GSSA, who is a senior coal geologist at Gemecs (Pty) Ltd who have consulted to the Company. Gemecs is a recognised Overseas Professional Organisation. Mr Dippenaar 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, Mineral Resources and Ore Reserves’. Mr Dippenaar consents to the inclusion in the presentation of the matters based on his information in the form and context in which it appears.