

REPORT FOR THE QUARTER ENDED 30 JUNE 2012

**Key Points:**

- **Memorandum of Understanding signed with Thebe Mining Resources to become cornerstone investor and invest A\$11m into development of the Moabsvelden thermal coal project.**
- **Indicative, non-binding project development funding offers covering 60% of the capital costs for Moabsvelden received from banks.**
- **Moabsvelden Environmental Impact Assessment and Management Plan finalised and submitted.**
- **Maiden resource of 29 million tonnes established at Roodepoort project.**
- **Geological modeling of Bankfontein project advanced**

**Moabsvelden**

Following the completion of the Moabsvelden bankable feasibility study in the March quarter, the primary focus of the Company during the June quarter has been to advance the process of obtaining funding for the development of the Moabsvelden colliery.

This process, which involved the Company undertaking a series of technical briefings to potential debt and equity providers, has resulted in the signing of a Memorandum of Understanding with a proposed cornerstone equity investor, Thebe Mining Resources Pty Ltd (**TMR**), and the short listing of two potential debt providers, Rand Merchant Bank and Standard Bank. Details of these developments were announced to the market on 11 July 2012.

*Thebe Mining Resources*

The proposed TMR investment amounts to ZAR90m (A\$11m) of which approximately two-thirds will be invested directly into Neosho Trading 86 (Pty) Ltd (**Neosho**), the operating company which holds the Moabsvelden project, and one-third is to be invested in Xceed.

TMR will replace the Company's existing BEE partners, whose equity interest will be bought back by Neosho for a deferred consideration payable from future mine cashflow. This buy back of the existing BEE shareholding will enable TMR to subscribe for a 30% equity interest in the Moabsvelden project whilst the Company's interest in Moabsvelden will be diluted from 74% to 70%.

<p><b>ASX Code:</b> XCD  <b>Ord Shares on Issue:</b> 115,500,436</p>
<p><b>Chairman:</b> Patrick O'Connor  <b>Managing Director:</b> Ian Culbert  <b>Finance Director:</b> Stephen Belben  <b>Company Secretary:</b> Fiona Taylor</p> <p><b>Registered Office</b></p> <p>Level 9, 105 St Georges Terrace Perth WA 6000</p> <p>Postal: GPO Box 2575 Perth WA 6001</p> <p>T: +61 (8) 9226 0326 F: +61 (8) 9226 0327</p>
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<p>ABN: 79 009 181 006  <a href="http://www.xceedresources.com.au">www.xceedresources.com.au</a></p>
<p><i>Xceed Resources Limited is an Australian based public company engaged in the acquisition of mineral projects in Southern Africa. The Company's primary focus is the development of coal projects located within South Africa's premier coal fields, which are supported by established infrastructure and are readily capable of reaching their markets.</i></p> <p><i>The Company's first project is the Moabsvelden thermal coal project situated in the Witbank coal field. Subject to regulatory approval, Moabsvelden is expected to have a mine life in excess of 14 years with the potential to produce export quality as well as domestic quality thermal coal from an open-cast, low strip mine.</i></p>

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TMR is a wholly owned subsidiary of Thebe Investment Corporation, one of the largest and most respected empowerment corporations in South Africa. The involvement of TMR brings many advantages including;

- the injection of a substantial portion of the equity funding needed to develop Moabsvelden in a manner that has minimal dilution for existing Xceed shareholders;
- enhancing the Company's status as a sponsor of the project in its dealings with the banks, regulators and utility providers; and
- significantly adding to the Company's potential to identify and secure new growth opportunities.

The TMR proposal is conditional upon a number of substantive conditions being satisfied. These include:

- a. Receipt by Neosho of a credit approved offer of project development finance (see below).
- b. Execution of binding legal agreements covering the subscription for Neosho shares by TMR, and the buy back by Neosho of the existing BEE partners' 26% shareholding in Neosho.
- c. Obtaining the required regulatory approvals.

It is expected that the execution of these agreements will occur before the end of August 2012, with the satisfaction of the remaining substantive conditions expected to occur on or before 30 November 2012.

#### *Project Development Loans*

During the June quarter, the Company held discussions with a select number of South African commercial banks. Following this process, two banks, Rand Merchant Bank and Standard Bank, have been short listed, to advance their indicative, non-binding offers of finance to credit approved status. These offers of finance each account for approximately 60% of the forecast development cost of ZAR266m (A\$33m) for Moabsvelden and in addition, include offers of working capital facilities of ZAR50m (A\$6m).

An independent technical review of the Moabsvelden feasibility study on behalf of the shortlisted banks is scheduled to be completed during the September quarter. A successful outcome of this review will enable the banks to present credit approved offers of finance to the Company, which is expected to occur during the third quarter this year. The introduction of TMR as a financially capable shareholder, which has established relationships with a wide range of South African financial institutions, is expected to greatly assist the process of obtaining final credit approvals.

#### *Environmental Impact Assessment / Environmental Management Plan*

The Company has completed the preparation of an Environmental Impact Assessment and Environmental Management Plan for the Moabsvelden project and has lodged these documents with the Department of Mineral Resources in South Africa.

This process has taken approximately 12 months to complete and involved field work and report preparation by six specialist consulting firms covering (a) soil, land use and land capability assessment (b) ecological assessment – fauna, flora and aquatic (c) surface water (d) ground water (e) traffic assessment (f) noise assessment and (g) visual impact.

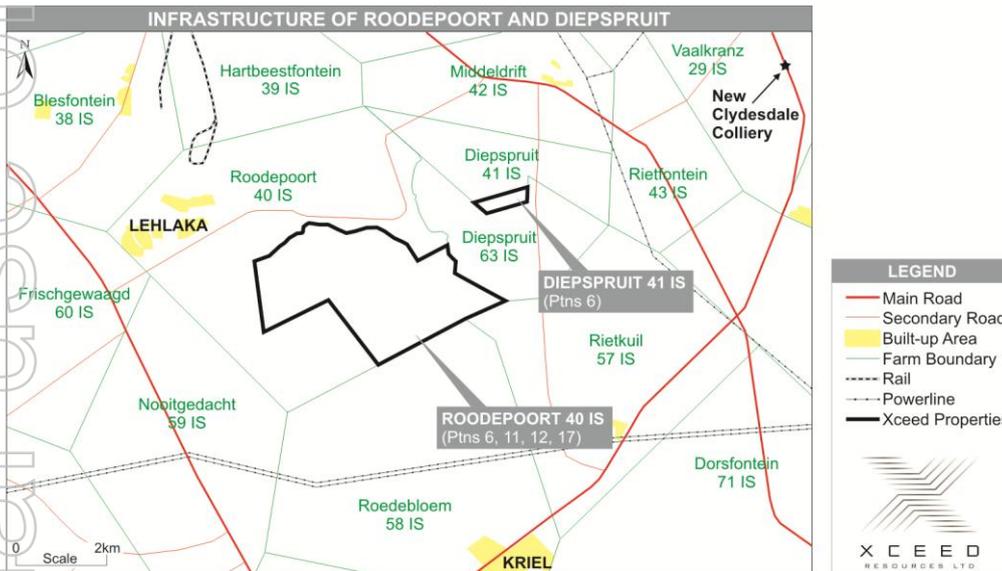
These specialist studies looked at each of the existing, commissioning, operational, decommissioning and closure phases of the project. The conclusions drawn by each specialist are that there are no fatal flaws that would militate against project development.

## Roodepoort (XCD interest: 15% - acquiring 70%)

During the March quarter the Company undertook a first phase exploration drilling programme on the Roodepoort project.

The Roodepoort project is situated in the middle of the Witbank coal field, approximately 50km east of Moabsvelden, and near the Matla and Kriel coal fired power stations. The project comprises two portions (Roodepoort 40 IS and Diepspruit 41 IS) which straddle the neighbouring Roodekop (Diepspruit 63 IS) coal project.

### Roodepoort



The Company's independent geological consultants have now modelled the results of the first phase exploration programme and have reported an in-situ coal resource of 29.3 million tonnes as follows:

### Roodepoort Maiden Resource

July 2012

Category	Gross tonnes in-situ Million tonnes	Ave Strip Ratio *	Raw Qualities (air dried)					
			RD	Ash (%)	IM (%)	CV (Mj/kg)	VM (%)	Sulphur (%)
Measured	9.86	3.54	1.78	45.9	2.6	14.1	18.0	0.6
Indicated	13.59	4.21	1.80	46.2	2.5	13.9	18.0	0.6
Inferred	5.85	9.84	1.84	47.3	2.5	14.1	17.9	0.6
Total	29.30							

\* Strip ratio is defined to be the ratio of bank cubic meters of overburden to each tonne of coal.

The raw coal qualities indicate that the coal could be suitable for the domestic market (Eskom) and will probably not be suitable for the higher value industrial and export markets, even though there are plies within the seams which contain higher quality coals.

The Company will undertake a desk top study to consider the potential development scenarios for Roodepoort as a prelude for further fieldwork.

## **Bankfontein (XCD interest: 15% - acquiring 70%)**

Geological modeling of the Bankfontein project situated in the Ermelo coal field is currently at an advanced stage and Gemecs (Pty) Ltd, the Company's consultant geologists, are expected to complete their Competent Person's Report shortly.

### **Cash on hand**

As of 30 June 2012, total cash on hand amounted to \$7.1 million.

### **Plans for September Quarter**

During the September quarter the Company intends to:

- Execute the formal legal agreements relating to the TMR investment,
- Advance indicative bank offers of finance to credit approved status,
- Advance negotiations with mining contractors and plant manufacturers,
- Continue discussions with Eskom for coal off-take and power supply agreements, and
- Undertake further exploration and evaluation studies on Roodepoort and Bankfontein projects.

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

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



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Ian Culbert  
Managing Director  
31 July 2012

### **Competent Persons Statement:**

Information in this announcement that relates to exploration results and mineral resources in respect of the Roodepoort and Bankfontein thermal coal projects 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. Mr Dippenaar is a member in good standing of the South African Council for Natural Scientific Professions (SACNASP No. 4090079/94) as well as a member of the Geological Society of South Africa. Both organisations are Recognised Overseas Professional Organisations. 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.