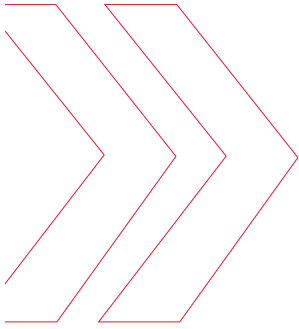




**Delmas and Sterkfontein Projects:  
Coal Resource and Reserve Statement  
May 2009**

**KeatonEnergy»**  
Keaton Energy Holdings Limited

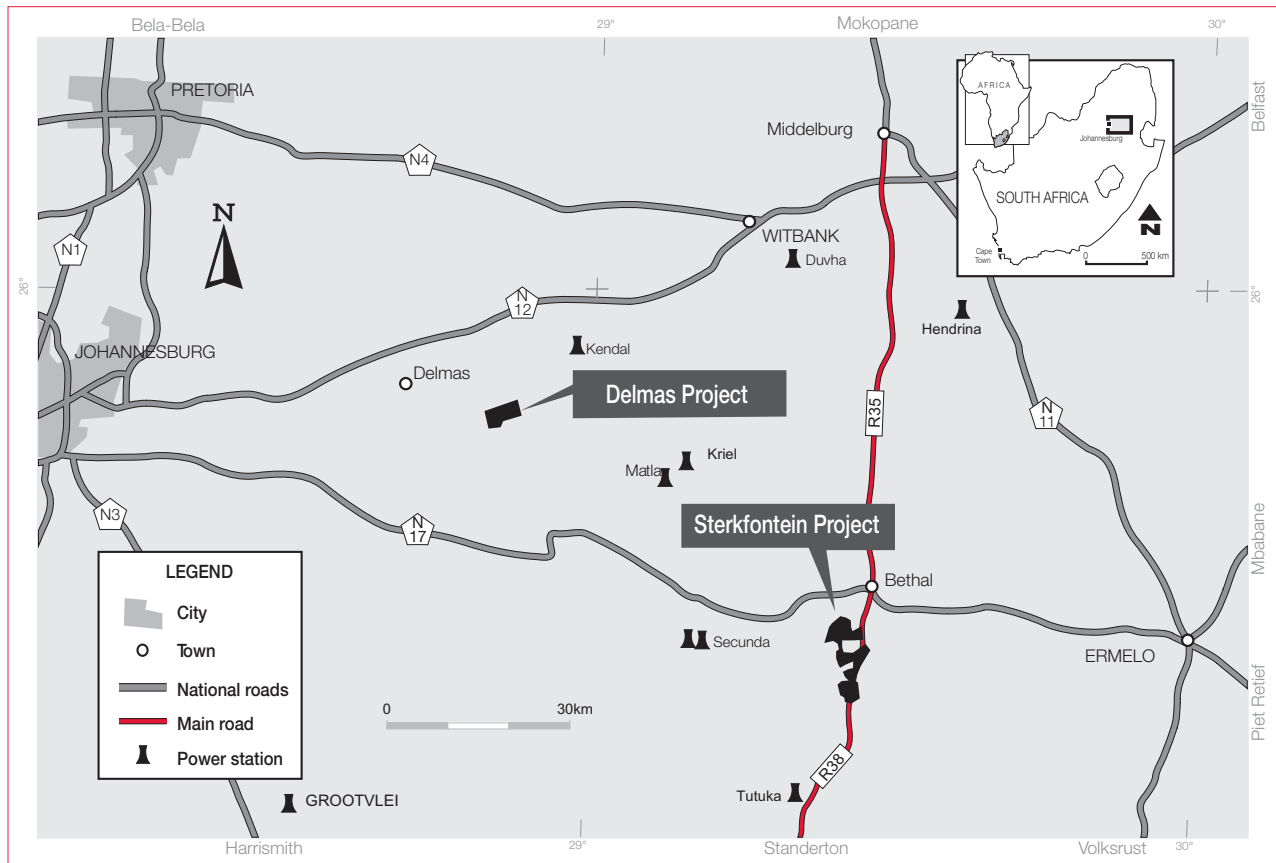


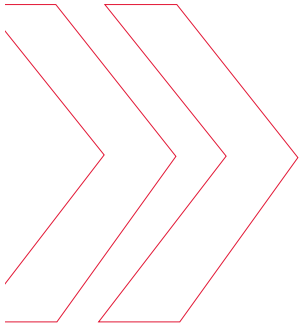
# Coal Resource and Reserve Statement

Coffey Mining (South Africa) (Pty) Limited ("Coffey Mining") was appointed by Keaton Mining (Pty) Limited ("Keaton Mining"), a 74% subsidiary of Keaton Energy Holdings Limited, to complete the March 2008 Independent Competent Person's Report ("CPR") of the coal bearing potential of the Delmas and Sterkfontein Project areas. Subsequent to the CPR and May 2008 Coal Resource Statement, further drilling was conducted on the Delmas Project with the updated Coal Resource estimation and classification on the Delmas Project area being prepared by Mr David van Wyk of GeoCoal Services.

The areas under consideration in this Coal Resource and Reserve Statement for Keaton Mining consist of two properties in the Delmas and Bethal districts of Mpumalanga, South Africa, separated by a distance of 68km. These properties are referred to respectively as the Delmas and Sterkfontein Project areas. The Delmas Project area is located 80km due east of the centre of Johannesburg and the Sterkfontein Project area is located 143km east-southeast of the centre of Johannesburg.

Map showing the relative geographic location of the Delmas and Sterkfontein Project areas





## Coal Resource and Reserve Statement *cont.*

The classification of the Coal Resources of the Delmas and Sterkfontein Projects is based on the South African Code for Reporting of Mineral Resources and Mineral Reserves (“the SAMREC Code”) prepared by the South African Mineral Resource Committee (“SAMREC”) under the auspices of The South African Institute of Mining and Metallurgy (2007). Under the SAMREC Code particular reference is taken of the South African National Standard (SANS 10320:2004), the South African guide to the systematic evaluation of coal resources.

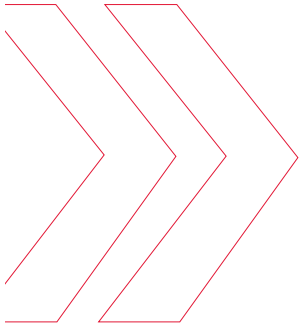
The Coal Resource estimations and classifications for the Delmas and Sterkfontein Project areas were prepared by Mr David van Wyk, a registered natural scientist with the South African Council for Natural Scientific Professions (“SACNASP”) (Reg. No. 401964/83), 280 Pretoria Street, Silverton which is a recognised body by SAMREC of which he is a member. Mr van Wyk is a “Competent Person” as defined in the 2007 edition of the SAMREC Code. Mr van Wyk has more than 25 years’ experience in the South African Coal industry and is also familiar with and adheres to the new South African Minerals and Petroleum Resources Development Act of 2002 (ACT No. 28 of 2002) (“MPRDA”) and the SAMREC code; namely SANS 10320:2004. Mr van Wyk resides at 26 Croyden Circle, Port Alfred.

The Coal Reserve estimation and classification for the Delmas Project area was prepared by Mr Vaughn Duke, a registered professional engineer with Engineering Council of South Africa (“ECSA”) (Reg. No. 940314), which is a recognised body by SAMREC of which he is a member. Mr Duke is a “Competent Person” as defined in the 2007 edition of the SAMREC Code. Mr Duke has more than 25 years’ experience in the South African mining industry and is also familiar with and adheres to the new South African MPRDA and the SAMREC code; namely SANS 10320:2004. Mr Duke’s offices are at Dawwal Square, 2a Fifth Avenue, Rivonia.

Mr David van Wyk and Mr Vaughn Duke have given their consent to the public reporting of the Coal Resource and Reserve Statement.

*The table below lists the prospecting rights of the Sterkfontein and Delmas Project areas held by Keaton Mining*

Keaton Mining Coal Projects Summary of prospecting rights held			
Property	Area (hectares)	Prospecting right number	Expiry date
<b>Sterkfontein Project area</b>			
Palmietfontein 307 IS, Portion 3			
Sterkfontein 299 IS, Portion 1	932.87	MP/30/5/1/1/2/443PR	18/12/2011
148 IS, RE of Portion 3, Remaining Extent			
Wildan 577 IS, Remaining Extent			
Sterkfontein 299 IS, Portion 20, 21, 25, 26, 34 and RE Portion 4			
Goedehoop 301 IS, Portion 4	3,076	MP/30/5/1/1/2/444PR	09/11/2011
<b>Delmas Project Area</b>			
Vanggatfontein 251 IR	1,634.87	MP/30/5/1/1/2/1/416PR	08/11/2010



## Coal Resource and Reserve Statement *cont.*

Keaton Mining has incurred exploration expenditure of R14.94 million to date (R5.86 million for the year ended 31 March 2009) at the Delmas Project area and R15.38 million to date (R0.27 million for the year ended 31 March 2009) at the Sterkfontein Project area. Keaton Mining intends to drill some 93 boreholes to expand the Sterkfontein Project area resource base, as well as to increase confidence levels of the current resource estimates. As at 31 March 2009 no mining activities have taken place and therefore no environmental liabilities have been incurred other than the guarantees made for exploration purposes.

*The table below summarises the expected expenditure for the Sterkfontein Project area for the next two years.*

Keaton Mining Coal Projects Prospecting budget 2009/10			
Project area	Activity	Planned holes	Cost (R'million)
Sterkfontein	Infill and exploration drilling	93	8.8

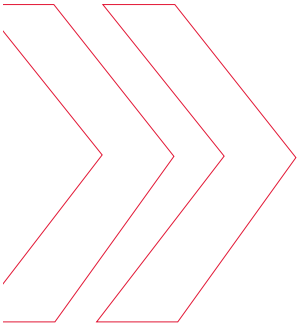
Keaton Mining, to the best of its knowledge, is unaware of any land claims over any parts of the project areas and is unaware of any outstanding legal proceedings that could prevent any prospecting and mining activities planned on the properties listed above.

### COAL RESOURCES AND RESERVES

#### Delmas Project area

In terms of the SANS 10320:2004 definition, the Delmas Project area may be classified as a multiple seam deposit type and hosts the complete sequence of Witbank Coalfield coal seams, namely the No's. 1, 2, 3, 4 and 5 Seams, with the No. 3 Seam not developed in certain localities. Within the project area the No. 2 Seam, No. 4 Seam and No. 5 Seam are of economic interest. The No. 2 Seam is well-developed over much of the project area and consists of a number of zones of alternating bright and dull coal that average 5.94m in thickness. The sedimentary sequence (interburden) between the No. 2 Seam and No. 4 Seam averages 8.5m in thickness in the project area. The No. 4 Seam consists of a mixture of bright and dull coal with occasional shaley coal intra-seam partings and averages 6.1m thick. The interburden between the No. 4 Seam and No. 5 Seam is typically formed by a silty-sandstone and is on average 14.41m thick. Dolerite sills are also commonly found in between the No. 4 Seam and No. 5 Seam and above the No. 5 Seam. The No. 5 Seam is only present in the north of the property, where the recent erosional surface has not affected this seam. The No. 5 Seam averages 1.36m thick. The coal is dominantly bright and of a good quality.

All exploration resource drilling undertaken by Keaton Mining to date has been vertically orientated diamond drilling using conventional equipment and TNW (60mm), or NQ (47.6mm) core size. Boreholes drilled for the second and third phase of exploration were drilled using NQ (47.6mm) core size only. Core recoveries were at levels considered acceptable by the industry and the quality of the drilling was acceptable. Coal samples were analysed at Inspectorate M&L (Pty) Limited ("Inspectorate M&L"), an ISO/IEC 17025:2005 accredited laboratory.



## Coal Resource and Reserve Statement *cont.*

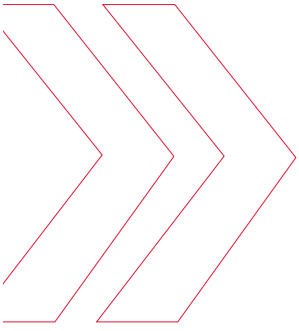
In March 2008 a geological model and CPR were generated based on a thorough assessment of the historical data (30 historical holes) pertaining to the Delmas Project, as well as the 86 new boreholes that were drilled on the project area during the first phase of exploration. In the concluding remarks of the March 2008 CPR, it was recommended that Keaton Mining conduct further in-fill drilling to improve confidence in the Coal Resource to the measured category for the potential opencast areas of the project. Based on the findings of the first phase of exploration, a second phase of diamond drilling was therefore planned to improve the understanding of the geology and an updated May 2008 Coal Resource was issued based on 149 boreholes. To further increase the confidence in and level of the Coal Resource, and to determine the potential for the No. 5 Seam resources and the No. 4 and No. 2 Seam open pit operation on the project area a third phase of resource exploration was undertaken and a further 53 boreholes were drilled in the second half of 2008.

This data materially changed the understanding of the geology of the project, particularly in terms of the impact that various geological controls will have on mining, leading to an updated resource base and a new geological model being created by Sound Mining Solution (Pty) Limited. ("SMS").

For the Coal Resource estimate, a minimum seam thickness of between 0.5m and 2.0m has been considered. In order to convert Gross In-Situ Tonnes ("GTIS") to Mineable In-Situ Tonnes ("MTIS") geological losses of between 10% and 15% have been applied to different areas of the properties, dependent on continuity of coal, drill hole density and geological structure and complexity.

The May 2009 updated Coal Resource for the Delmas Project area is now based on 202 boreholes versus 149 boreholes in the May 2008 Coal Resource estimate. There has been an increase (2.2 million tonnes) in the GTIS No. 5 Seam resource due to the increase in drilling and improvement of core recoveries. The GTIS No. 4 Seam bituminous Coal Resource has decreased by some 9.3 million tonnes, while the overall GTIS No. 2 Seam bituminous coal tonnage has decreased 20.7 million tonnes. In regard to low volatile coal, the GTIS No 4 Seam low volatile coal tonnage has increased by 6.8 million tonnes while the GTIS No. 2 Seam low volatile coal has decreased by 10.5 million tonnes. The changes in the No. 4 Seam and No. 2 Seam resource estimate are based largely on the improved borehole density and geological modelling. The first major change has been the incorporation of the Dwyka which is the bottom contact point for the period of coal deposition. Incorporation of this new information has led to large areas of the No. 2 Seam being pinched out against paleo-high elevations, and it is in these paleo-high areas that a loss in the No. 2 Seam resource occurs. The second change in the resource estimate from previous estimates is that a coal quality cut-off in regard to ash has been introduced. A maximum ash (dry basis) content of 50% has been used as a cut-off with both the No. 4 and the No. 2 Seams coal tonnages being reduced by the ash cut-off criterion.

The May 2009 Coal Resource Statement for GTIS estimated for the Delmas Project area is 184.9 million tonnes (May 2008: 216.4 million tonnes), of which 51.8 million tonnes (May 2008: 55.5 million tonnes) is low volatile or pseudo anthracite.



## Coal Resource and Reserve Statement *cont.*

The GTIS for the No. 5 Seam in the Delmas Project area was estimated using 0.5m as a minimum width for opencast, 1.1m minimum width for underground and a minimum cut-off for dry ash free (“DAF”) volatiles of 30%. The GTIS for the No. 4 Seam and No. 2 Seam bituminous coal in the Delmas Project area were estimated using a minimum width of 1.0m and a minimum cut-off for DAF volatiles of 26%. While the GTIS for the No. 4 Seam and No. 2 Seam low volatile (pseudo anthracite) coal were estimated using a 2.0m minimum width and a minimum cut-off for DAF volatiles of 24%. No material risks factors have been identified that could impact on the Coal Resource Statement.

### Sterkfontein Project area

Based on a thorough assessment of the historical data pertaining to the Sterkfontein Project area, some 125 new boreholes were drilled on the Sterkfontein Project area and 119 boreholes were used for geological modelling. A few boreholes in the north were discarded because of obvious data errors. All boreholes were drilled vertically by means of diamond drilling using TNW (60mm) or NQ (47.6mm) core size. Core recoveries were good and the quality of the drilling was acceptable. Coal samples were analysed at Inspectorate M&L.

In the Sterkfontein Project area the No. 4 Seam is the only coal seam of economic interest. The No. 5 Seam is present in most of the holes at an average depth of 132m and forms a thin (usually less than 30cm) dull coal seam, which is a prominent marker horizon, between 15m to 60m above the No. 4 Seam. The No. 4 Seam occurs as a composite seam with a number of different coal zones identified. In places the No. 4 Seam is split by a sandstone or siltstone parting, creating No. 4 Upper and No. 4 Lower Seam. Typically the quality of the No. 4 Lower Seam is better than that of the No. 4 Upper Seam. The No. 4 Seam is on average 1.87m thick across the project area. In the south (Sterkfontein portion 1 and Palmietfontein portion 3) the No. 4 Seam is thicker, with an average thickness of 3.04m. Intra-seam partings are common, although are mostly of insignificant thickness (<0.30cm), apart from in the southeast of Palmietfontein, where the parting reaches a maximum thickness of 2.45m.

The coal qualities in the Sterkfontein Project area indicate that the raw coal is suitable as a feed stock for local power generation. The coal, once beneficiated, could produce an export quality prime product at an average theoretical yield of 50% with a middlings product at a theoretical yield of 33% that is suitable for local power stations.

As at May 2008, the GTIS (39.8 million tonnes) for the No. 4 Seam in the Sterkfontein Project area were estimated using 1.40m as a minimum seam width. Geological losses ranging from 10% to 15% were assumed depending on the density of geological data and a MTIS Coal Resource of 34.8 million has been estimated for the Sterkfontein Project area. No material risks factors have been identified that could impact on the Coal Resource Statement.

At the date of this report there is no change to the May 2008 Sterkfontein Coal Resource Statement.

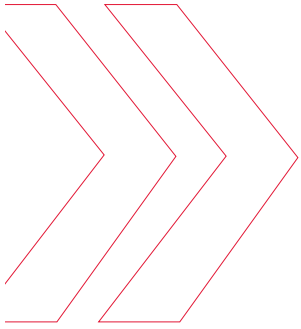


## Coal Resource and Reserve Statement *cont.*

The two tables below summarise the estimated GTIS and MTIS for the various seams on Keaton Mining's two coal projects

Keaton Coal Projects				
Gross In-Situ Tonnage and Mineable In-Situ Tonnage for The Delmas Project Area (May 2009)				
Air dried basis				
Resource area	Tonnage GTIS ( <sup>'000 t</sup> )	Geological loss (%)	Tonnage MTIS ( <sup>'000 t</sup> )	Category
<b>Delmas Project area</b>				
<b>Bituminous</b>				
<b>No. 5 Seam – West</b>	1 995	15	1 696	Measured
– Middle	5 413	15	4 601	Measured
– East	431	15	366	Measured
<b>No. 5 Seam Bituminous</b>	<b>7 839</b>	15	<b>6 663</b>	Measured
<b>No. 4 Seam – Middle</b>	45 292	10	40 763	Measured
– East	3 584	10	3 226	Measured
– West	31 295	10	28 165	Measured
<b>No. 4 Seam Bituminous</b>	<b>80 171</b>	10	<b>72 154</b>	Measured
<b>No. 2 Seam – Middle</b>	38 105	10	34 294	Measured
– East	2 545	10	2 290	Measured
– West	4 460	10	4 014	Measured
<b>No. 2 Seam Bituminous</b>	<b>45 110</b>	10	<b>40 599</b>	Measured
<b>Subtotal Bituminous</b>	<b>133 120</b>	<b>10</b>	<b>119 416</b>	<b>Measured</b>
<b>Low Volatile</b>				
<b>No. 4 Seam – Middle</b>	5 441	15	4 625	Measured
– East	1 260	15	1 071	Measured
– West	19 460	15	16 541	Measured
<b>No. 4 Seam Low Volatile</b>	<b>26 161</b>	15	<b>22 237</b>	Measured
<b>No. 2 Seam – Middle</b>	8 633	15	7 338	Measured
– East	234	15	199	Measured
– West	16 758	15	14 244	Measured
<b>No. 2 Seam Low Volatile</b>	<b>25 625</b>	15	<b>21 781</b>	Measured
<b>Subtotal Low Volatile</b>	<b>51 786</b>	<b>15</b>	<b>44 018</b>	<b>Measured</b>
<b>Total Delmas Project area</b>	<b>184 906</b>		<b>163 434</b>	

Note: Coal Resources are reported inclusive of the Coal Reserves



## Coal Resource and Reserve Statement *cont.*

Air dried basis				
Resource area	Tonnage GTIS (‘000 t)	Geological loss (%)	Tonnage MTIS (‘000 t)	Category
<b>Sterkfontein Project area</b>				
No. 4 South	19,200	10	17,280	Measured
No. 4 North 1	4,000	15	3,400	Indicated
No. 4 North 2	16,600	15	14,110	Indicated
<b>Total Sterkfontein Project area</b>	<b>39,800</b>		<b>34,790</b>	

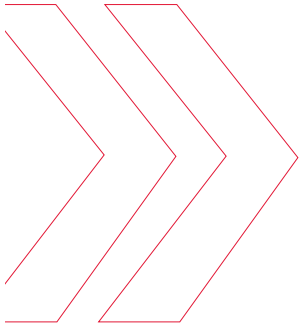
The Coal Resource Statement for GTIS estimated for the two projects are 224.7 million tonnes, of which 51.8 million tonnes is low volatile or pseudo anthracite at the Delmas Project. Of the 172.9 million tonnes bituminous coal, the Delmas Project accounts for 77%. The coal at the Sterkfontein Project area is however of a better quality.

In regard to estimating coal tonnages for the Coal Reserve Statement for the Delmas Project area, a number of factors were considered as cut-off criteria. These modifying factors, as shown below, have been determined from the mine design and layout as presented in the feasibility study.

Keaton Mining Modifying Factors			
Parameters	No.5 Seam	No.4 Seam	No.2 Seam
Practical mining cut underground	1.1 metres	N/A	N/A
Practical mining cut opencast	0.5 metres	1.0 metres	1.0 metres
Maximum depth opencast	35.0 metres	N/A	60.0 metres
Mining losses	5%	5%	5%
Dilution/contamination	10%	5%	5%
Moisture	5%	5%	5%

A cashflow model based on the feasibility study plan demonstrates that the majority of the shallow bituminous coal of the No. 5 Seam, No. 4 Seam and No. 2 Seam Delmas coal resources can be converted to Coal Reserves and that the feasibility of the mine is robust.





## Coal Resource and Reserve Statement *cont.*

Keaton Mining Coal Reserve Statement (May 2009) Delmas Project										
Commodity deposit	Mining method	Coal type	Proved Coal Reserves Millions of tonnes(AR)	Probable Coal Reserves Millions of tonnes(AR)	Total Coal Reserves Millions of tonnes(AR)	Total Marketable Reserves Millions of tonnes(AD)	Ash (per-cent)	VM (per-cent)	S (per-cent)	CV (MJ/kilogram)
Delmas Project area	Opencast	Power station	22.5		22.5	15.7	28.5	20.1	1.0	20.5
Delmas Project area	Opencast	Metallurgical	1.8		1.8	0.9	15.0	28.8	0.8	26.5
Delmas Project area	Underground	Metallurgical		1.6	1.6	0.7	15.0	27.5	0.8	26.6
<b>Total</b>			<b>24.3</b>	<b>1.6</b>	<b>25.9</b>	<b>17.3</b>				

AR = As Received

AD = Air Dried

For further detailed information regarding the Delmas and Sterkfontein Project areas, the reader is referred to the Keaton Energy website: [www.keatonenergy.co.za](http://www.keatonenergy.co.za).

