



Leeufontein Project: Coal Resource Statement
May 2009

KeatonEnergy»
Keaton Energy Holdings Limited

Coal Resource Statement

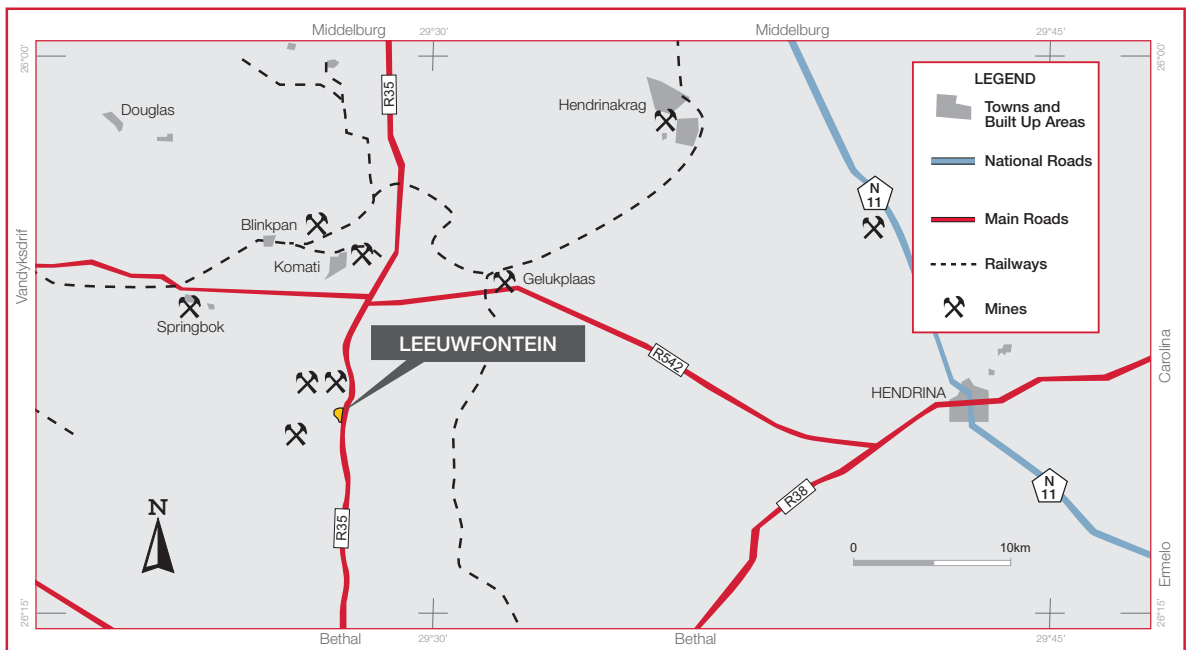
Amalahle Exploration (Pty) Limited

Coffey Mining (South Africa) (Pty) Limited was appointed by Amalahle Exploration (Pty) Limited ("Amalahle"), a 74% subsidiary of Keaton Energy Holdings Limited, to complete a Coal Resource estimation on the Leeuwfontein Project area.

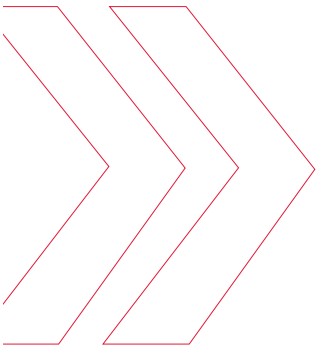
In terms of the SANS 10320:2004 definition, the Leeuwfontein Project area may be classified as a multiple seam deposit. The Leeuwfontein Project area is located within the Witbank Coalfield, and the complete coal sequence has been identified, namely the Nos. 1, 2, 3, 4 and 5 Seams. Within the project area the parting between the No. 1 and No. 2 Seams is consistently less than 20cm thick and thus has been included into the seam labeled the No. 1/2 Seam.

The Leeuwfontein Project area is located 31km north of Bethal and 25km west of Hendrina. The property is approximately 9ha in extent with the R35 tarred road positioned along the eastern boundary, linking Bethal and Middelburg.

Locality Map of the Leeuwfontein Project Area



The Coal Resource estimation and classification was 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) and the SAMREC code; namely SANS 10320:2004, the South African Guide to the systematic evaluation of coal resources and coal reserves. Mr van Wyk resides at 26 Croyden Circle, Port Alfred.



Within the Leeuwfontein Project area 10 boreholes have been drilled within an area of approximately 9ha (0.9ha per borehole). Based on the guidelines summarised within the SAMREC Code requirements, this is sufficient for the resource estimate to be classified as Measured. The core was logged and sampled as per recognised industry standards and described as required in SANS 10320:2004. The logged core was analysed at Inspectorate M&L an accredited laboratory. The assay data for coal qualities were compiled and composited using the proprietary Washproduct Software®. In estimating the Gross Tonnes In-Situ (“GTIS”) for each seam a minimum thickness of 1m and a minimum dry ash free (“DAF”) volatile value of 26% were applied. The compositing algorithms standardise wash fractions, calculated raw relative density (“RD”) from the proportion of raw ash in the samples as well as using standard methodologies for compositing samples using thickness and raw RD. For the purpose of resource estimation, modeling of the geometry and coal qualities were completed using Surfer Software®. The roof and floor elevations were gridded using a normalised kriging algorithm. A grid size of 5m by 5m was produced. The volume within a seam was calculated by subtracting the elevation of the floor grid from the elevation of the roof grid.

The composite densities were derived from the raw RDs reported by the laboratory. All the samples that make up a seam were composited for each seam and for each borehole. Where there were missing RD values, the densities were derived from the washing algorithms that were used to calculate the percentage raw ash in the seam. The volume was then multiplied by the average length weighted raw RD of the specific seam to estimate the GTIS.

The geometry and coal qualities of No. 4 and No. 1/2 Seams were modelled using Surfer® software, while the volume within each seam was determined from the floor and roof models. The GTIS was determined utilising the volume and average weighted raw RD. All tonnages and qualities are quoted as air dry.

The GTIS estimated for the Leeuwfontein Project is 1,086,000 tonnes. This Coal Resource comprises of the No. 4 Seam with a GTIS resource of 342,000 tonnes; and the No. 1/2 Seam with a GTIS resource of 744,000 tonnes.

The Mineable In-situ Tonnage (“MTIS”) for the Leeuwfontein Project area is estimated at 922,000 tonnes. The No. 4 Seam MTIS is estimated at 290,000 tonnes and the No.1/2 Seam is estimated at 632,000 tonnes after applying geological losses of 15%. Extraction of the coal at Leeuwfontein will be by open pit mining methods with the average stripping ratio over the entire project area at 2.69:1 (bcm waste:tonne coal). No material risks factors have been identified that could impact on the Coal Resource Statement.

The table below summarises the estimated GTIS and MTIS for the various seams on the Leeuwfontein Project.

Leeuwfontein Project Coal Resource Statement (May 2009) Air Dried Basis							
Seam	Density	Average Width (m)	Volume (m ³)	Tonnage (GTIS) ('000 t)	Geological Losses (%)	Tonnage (MTIS) ('000 t)	Category
4	1.69	2.64	201,828	342	15	290	Measured
1/2	1.59	5.80	467,084	744	15	632	Measured
Total			668,912	1,086		922	Measured

For further detailed information regarding the Leeuwfontein Project, the reader is referred to the Keaton Energy website: www.keatonenergy.co.za.