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27<sup>th</sup> August 2010

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**SUMMARY OF INDEPENDENT VALUATION REPORTS ON THE COAL ASSETS  
 OF THE  
 SEKOKO COAL - FIRESTONE JV  
 AT THE  
 WATERBERG COAL PROJECT**

Venmyn was commissioned by the directors of Lexshell 126 General Trading (Pty) Ltd (Lexshell) to conduct an independent valuation of certain of the coal assets (contributing properties) of the Joint Venture (JV) between Sekoko Coal (Pty) Limited (Sekoko Coal) and Firestone Energy Limited (Firestone) at their Waterberg Coal Project (Sekoko Coal – Firestone JV), located in the Limpopo Province, South Africa (Figure 1).

This letter is a summary of Venmyn's full Valuation Reports which have been prepared for Lexshell in compliance with, and to the extent required by, the Australian Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (Valmin Code, 2005). The reader is referred to the full Valuation Reports (to be made available on Firestone's web site or at Firestone's offices) for more detail.

The Sekoko Coal - Firestone JV encompasses three separate joint venture agreements (T1, T2 and T3) between Sekoko Coal and Firestone, as summarized in the table below and illustrated in Figure 2.

**Table 1: Sekoko Coal-Firestone JV Agreements**

AGREEMENT	SIGNATURE DATE	PROPERTIES	SEKOKO COAL CURRENT EFFECTIVE INTEREST	FIRESTONE CURRENT EFFECTIVE INTEREST
T1	12/06/2008	Olieboomsfontein 220LQ	65%	35%
		Vetleegte 304LQ		
T2	01/03/2009	Minnasvlakte 258LQ	40%	60%
		Smitspan 306LQ		
		Massenberg 305LQ		
		Hooikraal 315LQ		
T3	02/02/2010	Duikerfontein 263LQ	40%	60%
		Swanepoelpan 262LQ		

The contributing properties cover a surface area of ~7,980 hectares (ha).

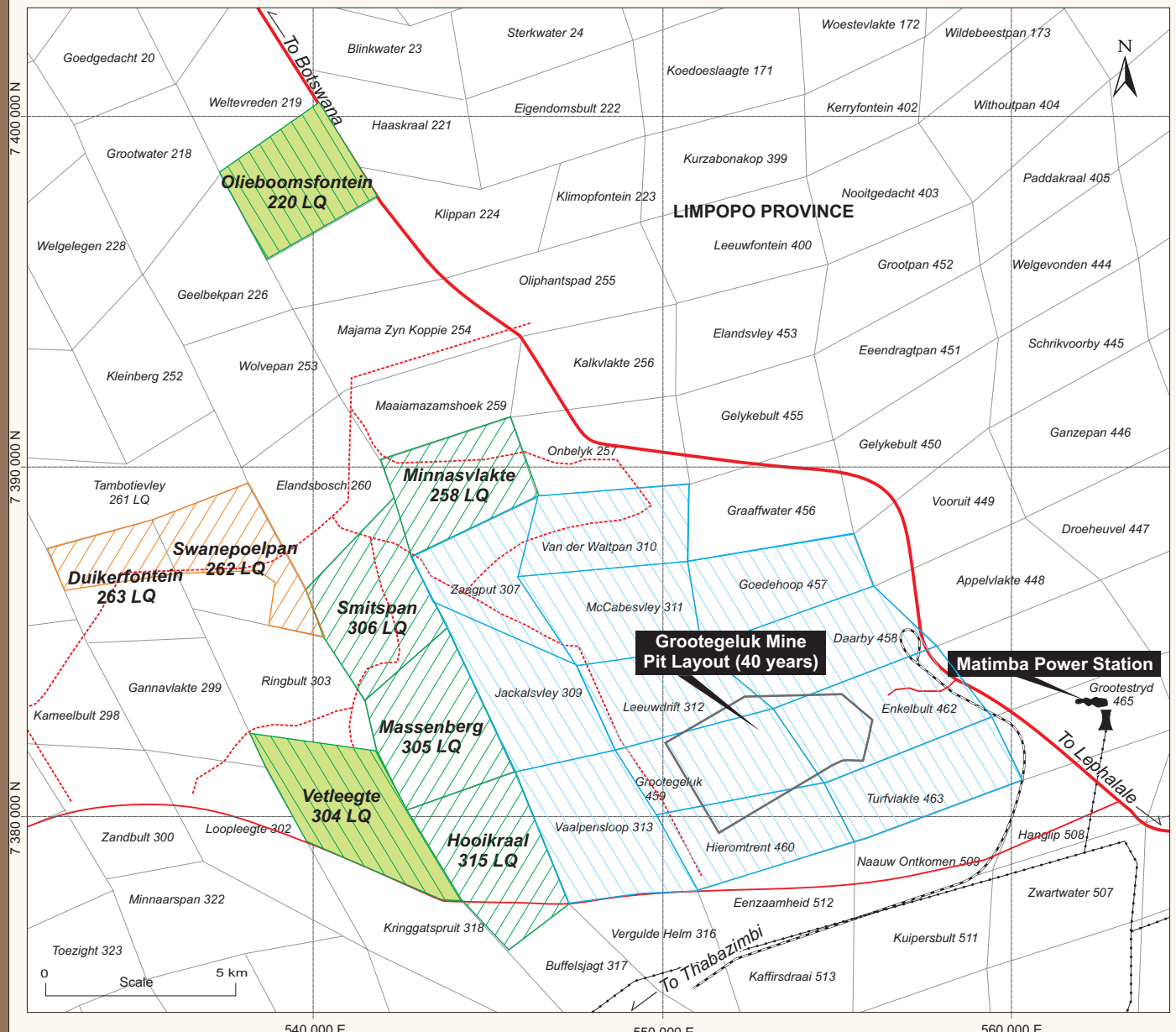
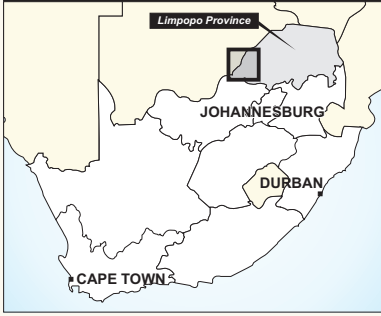
Venmyn's valuation considered the full Fair Value of the coal assets of the various joint venture agreements, at the effective date (31<sup>st</sup> July 2010).

Approximately 1,420.84 million TTIS of coal has been classified into the Measured, Indicated and Inferred categories for the contributing properties (Table 2). These JORC compliant Coal Resources form the basis of the valuation of these properties, reported herein.

The mineral assets of the contributing properties of the Waterberg Coal Project were valued on the basis of available historical and recent exploration data and current Coal Resources, using methods appropriate for the development status of the project.

**LOCATION OF THE CONTRIBUTING PROPERTIES OF THE WATERBERG COAL PROJECT**

**LOCALITY WITHIN SOUTH AFRICA**

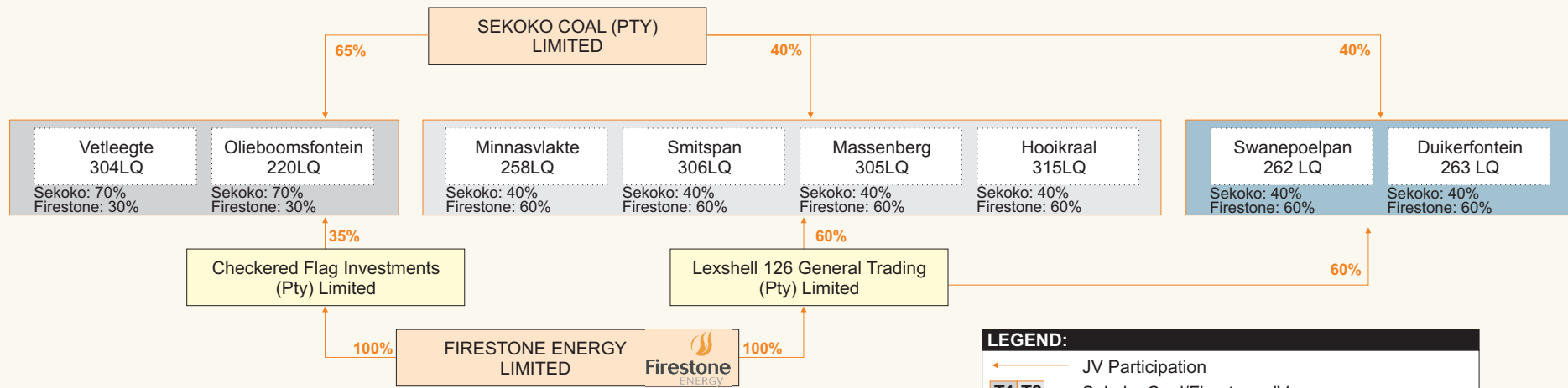


**LEGEND:**

— Farm Boundary	□ Grootegeluk Mine
— Main Road	▨ Grootegeluk Colliery Mining Lease
— Secondary Road	
— Farm Road	<b>Contributing Properties at the Waterberg Coal Project</b>
— Railway	▨ T1
— Powerline	▨ T2 } Sekoko Coal/Firestone JV
	▨ T3

Source: Barker's Coalfields Map of SA

CORPORATE STRUCTURE AND PARTICIPATION INTERESTS OF THE JOINT VENTURE



**LEGEND:**

- ← JV Participation
- T1 T2 Sekoko Coal/Firestone JV
- T3

\*Subject to various conditions

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**Table 2: Summary Resource Statement as at 31<sup>st</sup> July 2010**

FARM NAME & NO.	RESOURCE CATEGORY	ZONE	COAL TOTAL TONNES IN SITU
Minnasvlakte 258 LQ	Indicated	All	21,201,000
	Inferred	All	173,012,000
<b>TOTAL / AVE RESOURCE MINNASVLAKTE</b>			<b>194,213,000</b>
Smitspan 306 LQ	Measured	All	214,800,600
	Indicated	All	380,671,000
<b>TOTAL / AVE RESOURCE SMITSPAN</b>			<b>595,471,600</b>
Massenberg 305 LQ	Indicated	All	16,635,000
	Inferred	All	82,148,000
<b>TOTAL / AVE RESOURCE MASSENBERG</b>			<b>98,783,000</b>
Hooikraal 315 LQ	Indicated	All	4,366,000
	Inferred	All	77,742,000
<b>TOTAL / AVE RESOURCE HOOIKRAAL</b>			<b>82,108,000</b>
Vetleegte 315 LQ	Measured	All	1,040,300
	Indicated	All	143,146,000
	Inferred	All	11,090,000
<b>TOTAL / AVE RESOURCE VETLEEGTE</b>			<b>155,276,300</b>
Swanepoelpan 262 LQ	Indicated	All	853,000
	Inferred	All	283,666,000
<b>TOTAL / AVE RESOURCE SWANEPOELPAN</b>			<b>284,519,000</b>
Duikerfontein 263 LQ	Inferred	All	10,457,000
<b>TOTAL / AVE RESOURCE DUIKERFONTEIN</b>			<b>10,457,000</b>
<b>GRAND TOTAL / AVE</b>			<b>1,420,827,900</b>

Venmyn's valuation considered the prospectivity of the projects and attached value ranges consistent with that assessment. The methods applied are accepted industry methods which aim to reduce subjectivity by assessing the relevance and effectiveness of exploration work.

The multiples of exploration expenditure (MEE) valuation method or Cost Approach was used in the first instance to value the mineral assets of the contributing properties on the basis that recent expenditures have contributed to its present value. Through the introduction of a prospectivity enhancement multiplier (PEM), a premium (or discount) multiplier can be applied to the total cost of exploration to date, depending on whether the exploration expenses being considered have relatively enhanced the prospectivity of the target or not. The table below summarises the results from this valuation approach:-

**Table 3: Summary Dynamics and Results of the MEE/Cost Approach**

JV	FARM	TOTAL EXPLORATION EXPENDITURE (ZARm)	LOWER PEM	UPPER PEM	FAIR PEM	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	FAIR PROJECT VALUE (ZARm)
T1	Olieboomsfontein 220 LQ	0.54	1	2	2	0.54	1.08	1.08
	Vetleegte 304 LQ	11.72	6	12	9	70.32	140.64	105.48
<b>TOTAL/ WT. AVE T1</b>		<b>12.26</b>	<b>6</b>	<b>12</b>	<b>9</b>	<b>70.86</b>	<b>141.72</b>	<b>106.56</b>
T2	Minnasvlakte 258 LQ	1.47	5	11	8	7.37	16.21	11.79
	Smitspan 306 LQ	56.19	20	30	25	1,123.76	1,685.64	1,404.70
	Massenberg 305 LQ	4.11	5	11	8	20.55	45.20	32.87
	Hooikraal 315 LQ	2.10	5	11	8	10.50	23.10	16.80
<b>TOTAL/ WT. AVE T2</b>		<b>63.87</b>	<b>18</b>	<b>28</b>	<b>23</b>	<b>1,162.18</b>	<b>1,770.15</b>	<b>1,466.16</b>
T3	Swanepoelpan 262LQ	2.75	5	11	8	13.74	30.22	21.98
	Duikerfontein 263LQ	0.00	2	5	4	-	-	-
<b>TOTAL/ WT. AVE T3</b>		<b>2.75</b>	<b>5</b>	<b>11</b>	<b>8</b>	<b>13.74</b>	<b>30.22</b>	<b>21.98</b>
<b>GRAND TOTAL/ WT. AVE</b>		<b>78.88</b>	<b>16</b>	<b>25</b>	<b>20</b>	<b>1,246.77</b>	<b>1,942.10</b>	<b>1,594.70</b>

As Coal Resources were classified for the projects, it was appropriate to attach a comparable unit market value to those resources. In order to arrive at reasonable market comparisons, appropriate recent and similar transactions were identified.

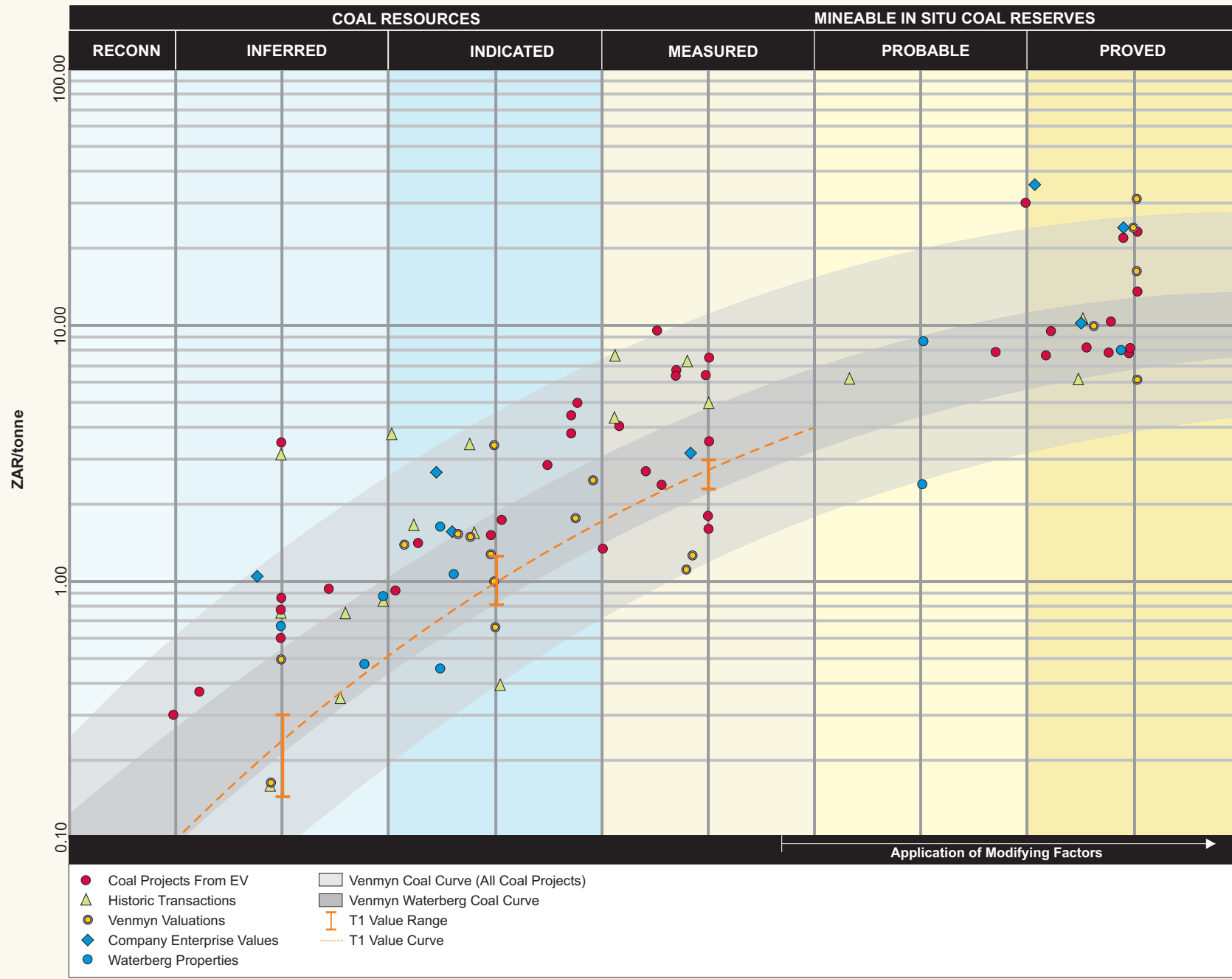
While Venmyn has considered the entire transaction database to derive an appropriate comparable transaction value, the valuation specifically took into account recent transactions/valuations within the Waterberg Coalfield that were considered to represent recent transactions of a similar nature, and have been used to define a Waterberg Coal Valuation Curve.

Table 4 and Figures 3 – 5 summarise the results from the comparable transaction valuation method.

Table 4: Summary Dynamics of the Comparative Valuation Method/Market Approach

JV	FARM	INFERRED COAL RESOURCE				INDICATED COAL RESOURCE				MEASURED COAL RESOURCE				PROJECT MARKET VALUE		
		TOTAL INFERRED RESOURCE (Total Tonnes in- situ) (Mt)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MEAN VALUE (ZARm)	TOTAL INDICATED RESOURCE (Total Tonnes in- situ) (Mt)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MEAN VALUE (ZARm)	TOTAL MEASURED RESOURCE (Total Tonnes in- situ) (Mt)	LOWER UNIT VALUE (ZAR/t)	UPPER UNIT VALUE (ZAR/t)	MEAN VALUE (ZARm)	MIN PROJECT VALUE (ZARm)	MAX PROJECT VALUE (ZARm)	FAIR PROJECT VALUE (ZARm)
T1	Olieboomsfontein 220 LQ	-	0.15	0.30	-	-	0.80	1.20	-	-	2.50	3.00	-	-	-	-
	Vetleegte 304 LQ	11.09	0.15	0.30	2.50	143.15	0.80	1.20	143.15	1.04	2.50	3.00	2.86	118.78	178.22	148.50
T2	Minnasvlakte 258 LQ	173.01	0.15	0.30	38.93	21.20	0.80	1.20	21.20	-	2.50	3.00	-	42.91	77.34	60.13
	Smitspan 306 LQ	0.00	0.20	0.40	-	380.67	1.10	1.50	494.87	214.80	3.00	3.50	698.10	1,063.14	1,322.81	1,192.97
	Massenberg 305 LQ	82.15	0.10	0.20	12.32	16.64	0.60	0.90	12.48	-	1.50	2.00	-	18.20	31.40	24.80
	Hooikraal 315 LQ	77.74	0.10	0.20	11.66	4.37	0.60	0.90	3.27	-	1.50	2.00	-	10.39	19.48	14.94
T3	Swanepoelpan 262LQ	283.67	0.15	0.30	63.82	0.85	0.80	1.20	0.85	-	1.50	2.50	-	43.23	86.12	64.68
	Duikerfontein 263LQ	10.46	0.15	0.30	2.35	-	0.80	1.20	-	-	1.50	2.50	-	1.57	3.14	2.35
<b>TOTAL/ WT. AVE</b>		<b>638.12</b>	<b>0.22</b>	<b>0.30</b>	<b>131.58</b>	<b>567</b>	<b>0.98</b>	<b>1.20</b>	<b>675.82</b>	<b>215.84</b>	<b>2.38</b>	<b>3.00</b>	<b>700.96</b>	<b>1,298.22</b>	<b>1,718.52</b>	<b>1,508.37</b>

# VALUATION CURVE FOR SOUTH AFRICAN COAL PROJECTS SHOWING T1 VALUE RANGES AND CURVES

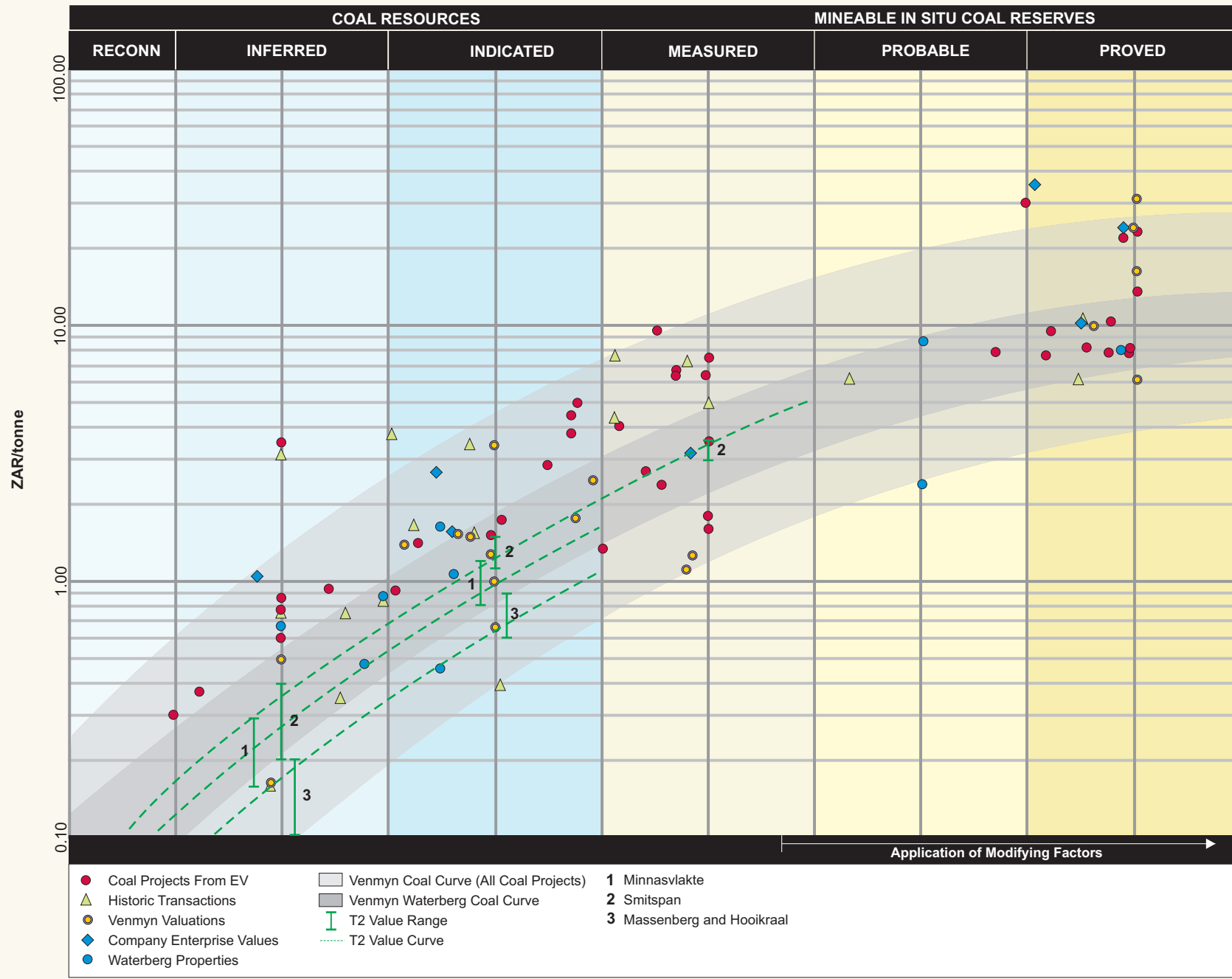


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Source: Venmyn

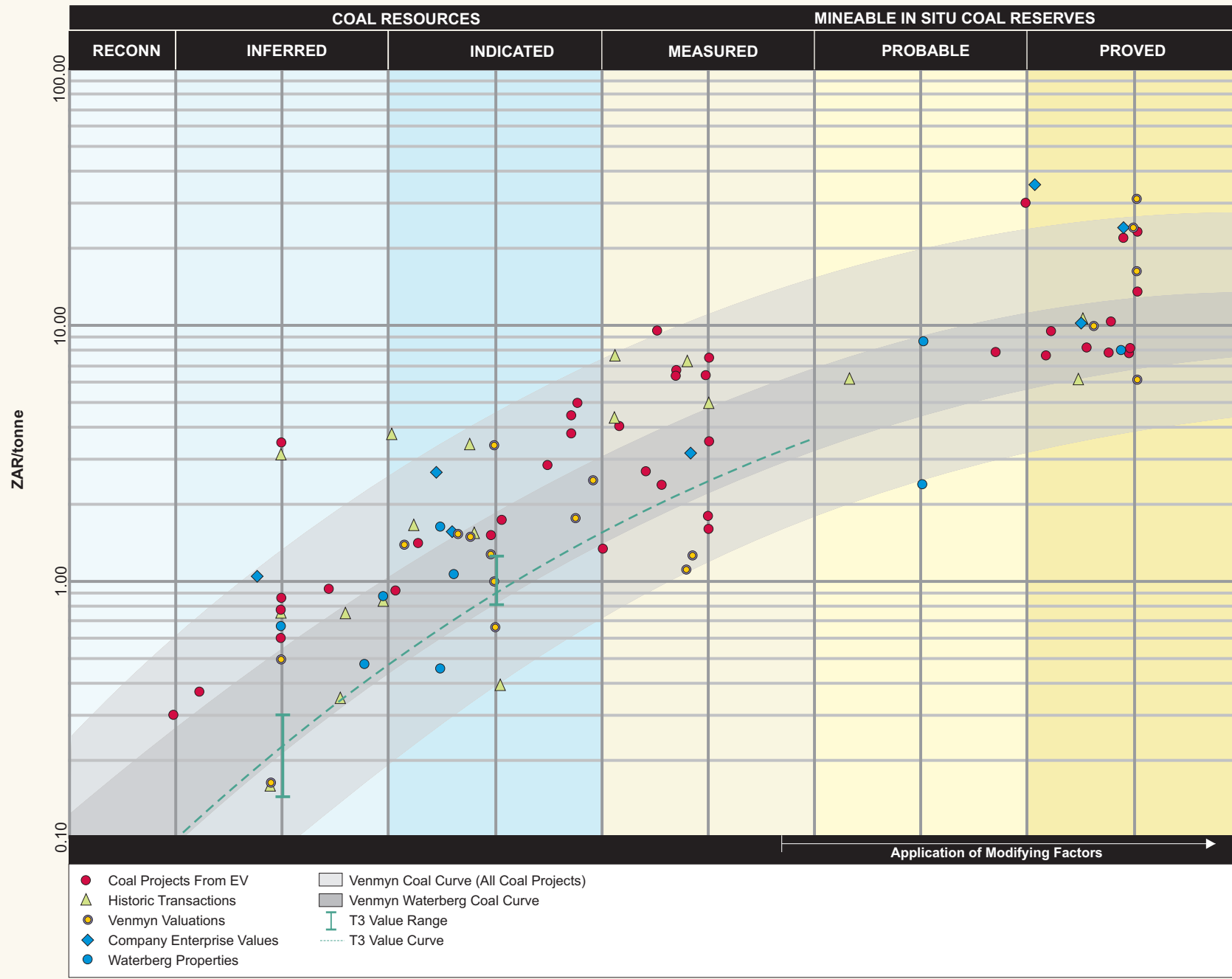
# VALUATION CURVE FOR SOUTH AFRICAN COAL PROJECTS SHOWING T2 VALUE RANGES AND CURVES



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Source: Venmyn

# VALUATION CURVE FOR SOUTH AFRICAN COAL PROJECTS SHOWING T3 VALUE RANGES AND CURVES



- Coal Projects From EV
- ▲ Historic Transactions
- Venmyn Valuations
- ◆ Company Enterprise Values
- Waterberg Properties
- Venmyn Coal Curve (All Coal Projects)
- Venmyn Waterberg Coal Curve
- I T3 Value Range
- T3 Value Curve

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Source: Venmyn

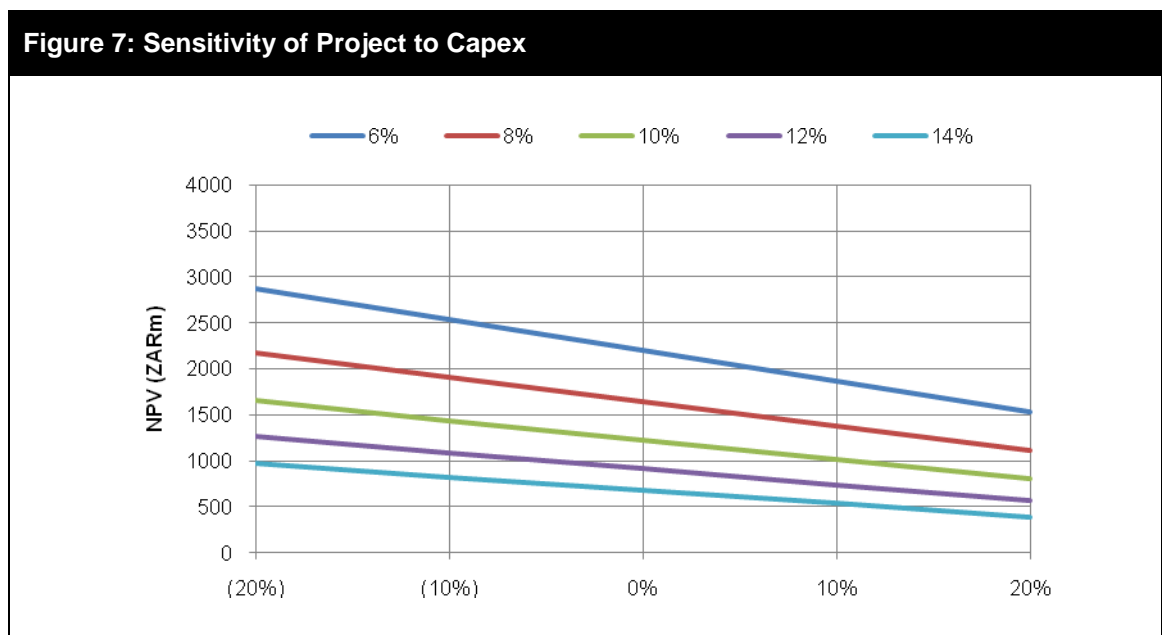
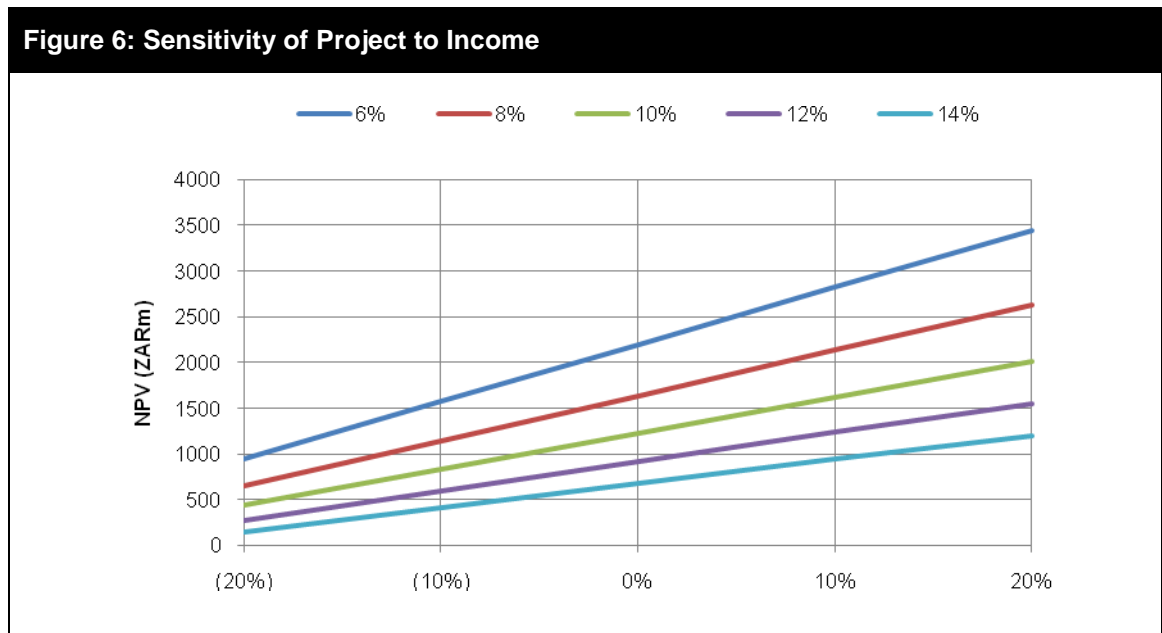


While Venmyn has considered its entire transaction database to derive an appropriate comparable transaction value, the valuation specifically took into account a number of recent transactions/valuations within the Waterberg Coalfield that were considered to represent transactions of a similar nature, and have been used to define a Waterberg Coal Valuation Curve.

Since preliminary economic studies on the Smitspan 306LQ property have been conducted, Venmyn undertook to construct independent financial models in order to verify the economic assessments made by these studies and to formulate its own opinion on the project value.

Table 5 summarizes Venmyn’s preferred Cash Flow Model which is based on selective mining and a fleet leasing option. This valuation method results in a Net Present Value of ZAR1,226.654m. The upper value for the Smitspan 306LQ is ZAR1,471.985m and the lower value is ZAR980.800m.

The sensitivity of the Venmyn model to Income, Capex and Opex is illustrated in Figure 6, Figure 7 and Figure 8, respectively



**Figure 8: Sensitivity of Project to Opex**

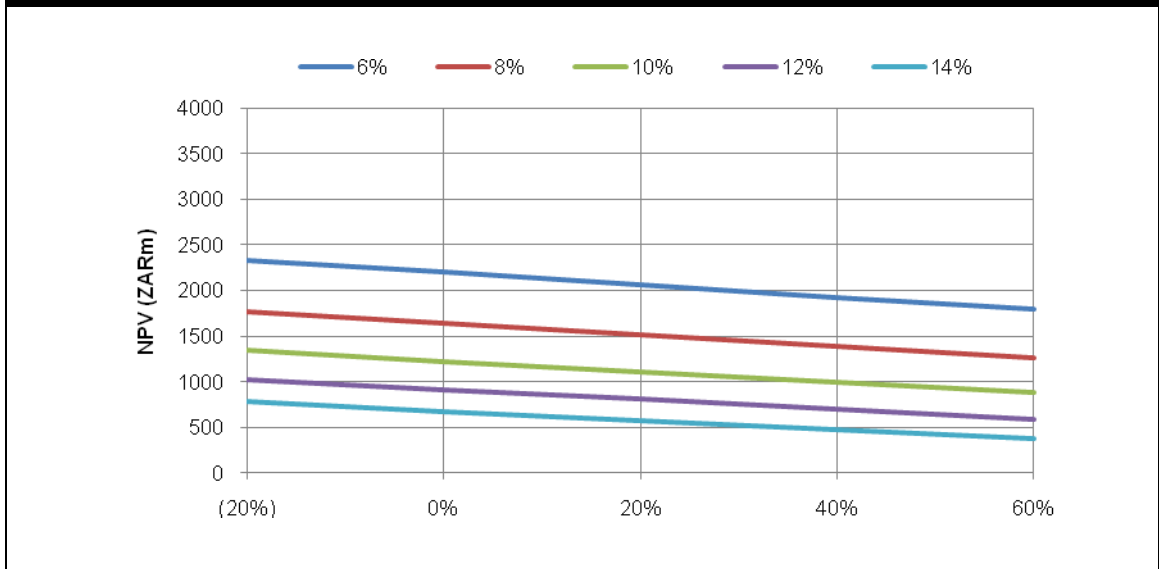


Table 5: Cash Flow Model using Updated Parameters

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	
<b>MINING</b>																							
ROM Tonnage	mt	193.582	0.743	1.470	2.046	2.036	1.959	3.950	4.086	4.388	7.583	7.404	9.702	9.771	9.844	10.053	11.655	17.077	17.805	17.805	18.000	18.000	18.205
Saleable Product	mt	119.950	0.550	0.900	1.500	1.500	1.500	3.000	3.000	3.000	5.000	5.000	7.000	7.000	7.000	7.000	7.000	10.000	10.000	10.000	10.000	10.000	10.000
<b>REVENUE</b>																							
<b>TOTAL REVENUE</b>	ZARm	21,591	99	162	270	270	270	540	540	540	900	900	1,260	1,260	1,260	1,260	1,260	1,800	1,800	1,800	1,800	1,800	1,800
<b>OPEX</b>																							
Mining Cost	ZARm	(8,633)	(113)	(100)	(98)	(84)	(79)	(145)	(166)	(180)	(332)	(328)	(426)	(409)	(418)	(428)	(543)	(796)	(834)	(834)	(856)	(856)	(610)
Processing Cost	ZARm	(2,584)	(17)	(26)	(43)	(43)	(43)	(67)	(68)	(80)	(112)	(114)	(130)	(131)	(131)	(133)	(150)	(210)	(217)	(217)	(219)	(219)	(214)
Other Cost	ZARm	(306)	(8)	(8)	(8)	(8)	(7)	(10)	(10)	(10)	(13)	(13)	(16)	(16)	(16)	(16)	(18)	(23)	(24)	(24)	(24)	(24)	(10)
<b>TOTAL OPEX</b>	ZARm	(11,524)	(138)	(134)	(148)	(134)	(129)	(221)	(244)	(271)	(457)	(455)	(572)	(556)	(566)	(578)	(711)	(1,028)	(1,074)	(1,074)	(1,099)	(1,099)	(835)
<b>CAPEX</b>																							
<b>TOTAL CAPEX</b>	ZARm	(1,185)	(366)	(18)	(18)	(3)	(99)	(29)	(6)	(307)	(9)	(122)	(24)	(35)	(11)	(11)	(12)	(27)	(47)	(13)	(13)	(10)	(5)
<b>EBIT (incl CAPEX)</b>	ZARm	8,883	(405)	10	104	133	42	290	291	(38)	434	323	664	670	683	671	536	744	679	712	688	691	960
Royalty Payment	ZARm	(1,144)	(0)	(2)	(13)	(16)	(6)	(35)	(35)	(3)	(53)	(40)	(80)	(81)	(82)	(81)	(66)	(92)	(84)	(88)	(85)	(86)	(116)
Tax Payment	ZARm	(2,278)	0	0	(26)	(33)	(10)	(71)	(72)	0	(95)	(79)	(164)	(165)	(168)	(165)	(132)	(183)	(166)	(175)	(169)	(169)	(236)
<b>Real</b>	ZARm	5,461	(405)	8	66	84	26	184	184	(40)	286	203	421	424	432	425	339	470	428	449	434	435	608
<b>Real (Discounted)</b>	ZARm	1,227	(368)	7	49	58	16	104	94	(19)	121	78	147	135	125	112	81	102	85	81	71	65	82

The table below summarises the results from the valuation methods employed:-

**Table 6: Summary of Valuation Results**

JV	FARM	COST APPROACH (ZARm)	MARKET APPROACH (ZARm)	CASH FLOW APPROACH (ZARm)	PREFERRED VALUE (ZARm)
T1	Olieboomsfontein 220 LQ	1.08	-	n/a	1.08
	Vetleegte 304 LQ	105.48	148.50	n/a	148.50
<b>TOTAL T1</b>		<b>106.56</b>	<b>148.50</b>	<b>N/A</b>	<b>149.58</b>
T2	Minnasvlakte 258 LQ	11.79	60.13	n/a	60.13
	Smitspan 306 LQ	1,404.70	1,192.97	1,226.65	1,192.97
	Massenberg 305 LQ	32.87	24.80	n/a	24.80
	Hooikraal 315 LQ	16.80	14.94	n/a	14.94
<b>TOTAL T2</b>		<b>1,466.16</b>	<b>1,292.84</b>	<b>1,226.65</b>	<b>1,292.84</b>
T3	Swanepoelpan 262LQ	21.98	64.68	n/a	64.68
	Duikerfontein 263LQ	0.00	2.35	n/a	2.35
<b>TOTAL T3</b>		<b>21.98</b>	<b>67.03</b>	<b>N/A</b>	<b>67.03</b>
<b>GRAND TOTAL</b>		<b>1,594.70</b>	<b>1,508.37</b>	<b>1,226.65</b>	<b>1,509.45</b>

Although there is general agreement between the various methods employed, Venmyn considers the comparative transaction method or Market Approach a more appropriate valuation technique as it considers more fully the actual transactions and market values, and allows for a thorough review of the logistical, infrastructural and strategic merits of projects. Therefore, Venmyn have favored the use of the comparable transaction value method in the case of the Sekoko Coal-Firestone JV Waterberg Coal Project.

Venmyn's preferred Fair Value represents the mean value achieved from the comparative valuation method. The valuation of Olieboomsfontein 220LQ is an exception, as the comparable valuation method results in a Zero value as there are currently no classifiable Coal Resources associated with this property. In this case therefore, the value estimated from the Cost Approach has been utilised.

Venmyn's full Fair Value for the contributing properties of the Sekoko Coal-Firestone JV Waterberg Coal Project is therefore considered to be **ZAR1,509.45m**.

The valuation of exploration assets is, by nature, subjective and uncertain. The placing of a specific monetary value on historical exploration can be misleading, and the reader is advised to consider the ranges in which each property has been evaluated, and to further consider the technical merits of each project area and form an opinion regarding its prospectivity on the basis of the data presented in this report.

Kind Regards,



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