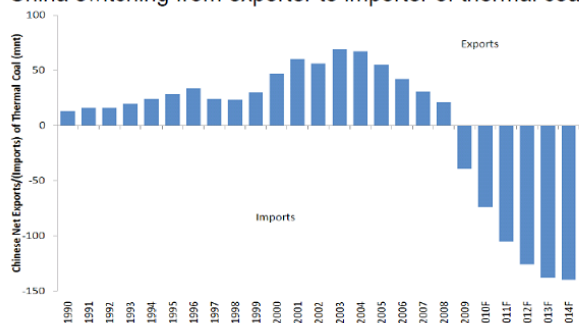


Escalating demand for all types of coal within China over the next ten years



The Company is of the view that with the escalating demand for all types of coal within China over the next ten years, high quality coal assets located close to infrastructure and within transport distance to market will become increasingly valuable.

China switching from exporter to importer of thermal coal



Source: McCloskey Group, TEV Report, VTB Capital Research

The Company's broad strategy is to target and acquire high quality coal assets located in Western China, Southern Mongolia and Indonesia.

As part of this strategy the Company has made applications for a large area of exploration licenses in the Gobi Altai region of South West Mongolia.

The licences totaling an area of 2,664 km² which the Company's geologists consider to be highly prospective for high quality coals including hard coking and semi soft coking coals as well as high energy thermal coals.

The licences lie between 35 to 100 kilometers from a recently re-established Mongolia/China border crossing at Laoyemiao, giving direct access to the rapidly expanding major steel producing centres of northern China.

The Company is actively reviewing large scale thermal coal projects in Western China and seaborne thermal coal projects in East Kalimantan, Indonesia.

The Chinese Ministry of Railways is constructing dedicated coal freight lines with a design capacity of 800 million tonnes per year to haul coal from the West to the demand centres of Southern China. China is also making major investments in Indonesian seaborne coal capacity.



The Company expects that the Western Chinese Province of Xinjiang and Indonesia will be the two main sources of coal to meet China's future demand increases.