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WEEDINA COAL RESOURCE JORC ANNOUNCEMENT

Geos Mining project 2157-1

Project commissioned by SAPEX Limited

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Disclaimer

While every effort has been made, within the time constraints of this assignment, to ensure the accuracy of this report, Geos Mining accepts no liability for any error or omission. Geos Mining can take no responsibility if the conclusions of this report are based on incomplete or misleading data.

Geos Mining and the author is independent of SAPEX Limited, and have no financial interests in SAPEX Limited or any associated companies. Geos Mining is being remunerated for this report on a standard fee for time basis, with no success incentives.

Public statement

SAPEX Limited holds EL3326 Weedina of 303.9 km² area and this covers part of the Permian Arckaringa coal basin. It is located 91 km north of Coober Pedy and 260 km north west of Olympic Dam.

The Weedina Permian coal deposit lies within the north west trending Boorthanna Trough which is part of the Arckaringa Basin. EL 3326 is covered by the Cretaceous marine Bulldog Shale followed by an average 70 metres of Mesozoic Cadna-Owie and Algebuckina Sandstone Formations.

The base of the sandstone unconformably overlies the 120 metre thick Permian Mount Toodina Formation which contains 5 to 9 coal seams with a cumulative thickness of 5 to 31 metres, with an average thickness of 15 metres in this EL area.

72 drillholes have been drilled in the vicinity of the EL and these were drilled by Cyprus Australia Coal Company and Getty Australian Coal Company during 1984 to 1986. Seven of these holes were core drillholes located in the south-central part of the EL, while the other 65 are rotary mud drillholes. Of these holes, 22 holes are located outside the EL area but close to EL border.

The hole spacing is irregular (see Figure 1) with the 7 core holes being spaced at around 1.5 to 5.5 km in the south-central part of the EL, while the other 52 holes are spaced further apart. Useful coal quality tests are recorded for the 7 core drill holes in the south-central part of the EL. Geos Mining considers this area (area of interest) as a more reliable area for inferred resource estimation (Figure 2). Due to wide drillhole spacing the rest of the EL is considered as an exploration target.

Geos Mining has prepared a model of each seam and estimated volumes using Gemcom software based on previous available data. The drilling and core data have been audited, plotted and correlated to confirm the continuity and quality of coal seams.

The coal quality of the major seams has been assessed for the 7 core holes and has been classified as sub-bituminous steaming coal. Geos Mining has estimated an **inferred resource** totalling **1.0 Gt of sub-bituminous coal** in 6 seams (H to M) in the south-central area. Details are listed in Table 1 along with the characteristics of the major seams (one giga tonne (Gt) = 1,000 million tonne or a billion tonne).

Outside of the inferred resource, Geos Mining estimates an **exploration target** of around **2.0 Gt of sub-bituminous coal** within the EL area. Of this exploration target, **950 Mt** exists in three additional seams, - seams N, O and P, at the bottom of the sequence within the EL. These seams are less continuous compared to the above inferred resource seams. They are expected to be at similar qualities to the inferred resource above. The details of these seams are presented in table 3.

Table 4 presents the average depth and thickness of the seams within the EL.

Table 1: Brief Characteristics of the coal seams within central-south area at Weedina EL3326

SEAM	TONNAGE WITHIN SOUTH-CENTRAL AREA	ESTIMATED MOISTURE %	RELATIVE DENSITY	ASH CONTENT %	VOLATILE MATTER %	FIXED C %	SPECIFIC ENERGY MJ/KG	TOTAL S
H	139,219,772	19.18	1.41	10.25	29.08	41.50	21.20	0.82
I	159,158,061	18.2	1.42	12.03	29.50	40.28	21.12	0.59
J	147,317,490	15.71	1.46	12.94	29.63	41.71	21.77	0.71
K	152,795,212	15.4	1.41	7.42	32.23	44.95	23.67	0.45
L	211,815,864	17.36	1.37	7.16	31.52	43.96	23.31	0.49
M	216,412,224	16.12	1.41	11.91	28.20	43.77	21.99	0.52

N A.: Not Available

An average in-situ bulk density has been used for each seam based on the average measured air dried moisture (A.D.) content of the seam.

Table 2: Brief Characteristics of the coal seams in the rest of the EL3326 at Weedina

SEAM	TONNAGE WITHIN EL EXCEPT SOUTH-CENTRAL AREA	ESTIMATED MOISTURE %	RELATIVE DENSITY	ASH CONTENT %	VOLATILE MATTER %	FIXED C %	SPECIFIC ENERGY MJ/KG	TOTAL S
I	129,980,219	18.2	1.42	12.03	29.50	40.28	21.12	0.59
J	216,874,372	15.71	1.46	12.94	29.63	41.71	21.77	0.71
K	342,573,920	15.4	1.41	7.42	32.23	44.95	23.67	0.45
L	386,355,828	17.36	1.37	7.16	31.52	43.96	23.31	0.49
M	4,466,299	16.12	1.41	11.91	28.20	43.77	21.99	0.52

N A.: Not Available

An average in-situ bulk density has been used for each seam based on the average measured air dried moisture (A.D.) content of the seam.

Table 3: Brief Characteristics of seams considered as exploration target at Weedina EL3326

SEAM	TONNAGE WITHIN WHOLE EL	ESTIMATED MOISTURE %	RELATIVE DENSITY	ASH CONTENT %	VOLATILE MATTER %	FIXED C %	SPECIFIC ENERGY MJ/KG	TOTAL S
N	251,821,407	14.57	1.35	7.13	35.53	42.77	24.45	0.49
O	440,555,322	14.3	1.37	9.90	36.20	39.60	23.58	0.64
P	257,472,000	13.4	1.49	23.60	31.30	31.70	19.32	0.59

Table 4: Average depth and thickness of the coal seams at Weedina EL3326

Seam	Average depth to top (m)	Average thickness (m)
H Seam	156.1	5.7
I Seam	170.6	3.9
J Seam	193.0	3.1
K Seam	194.3	2.8
L Seam	203.9	3.2
M Seam	207.8	4.2
N Seam	221.4	1.8
O Seam	224.6	2.0
P Seam	225.2	1.3

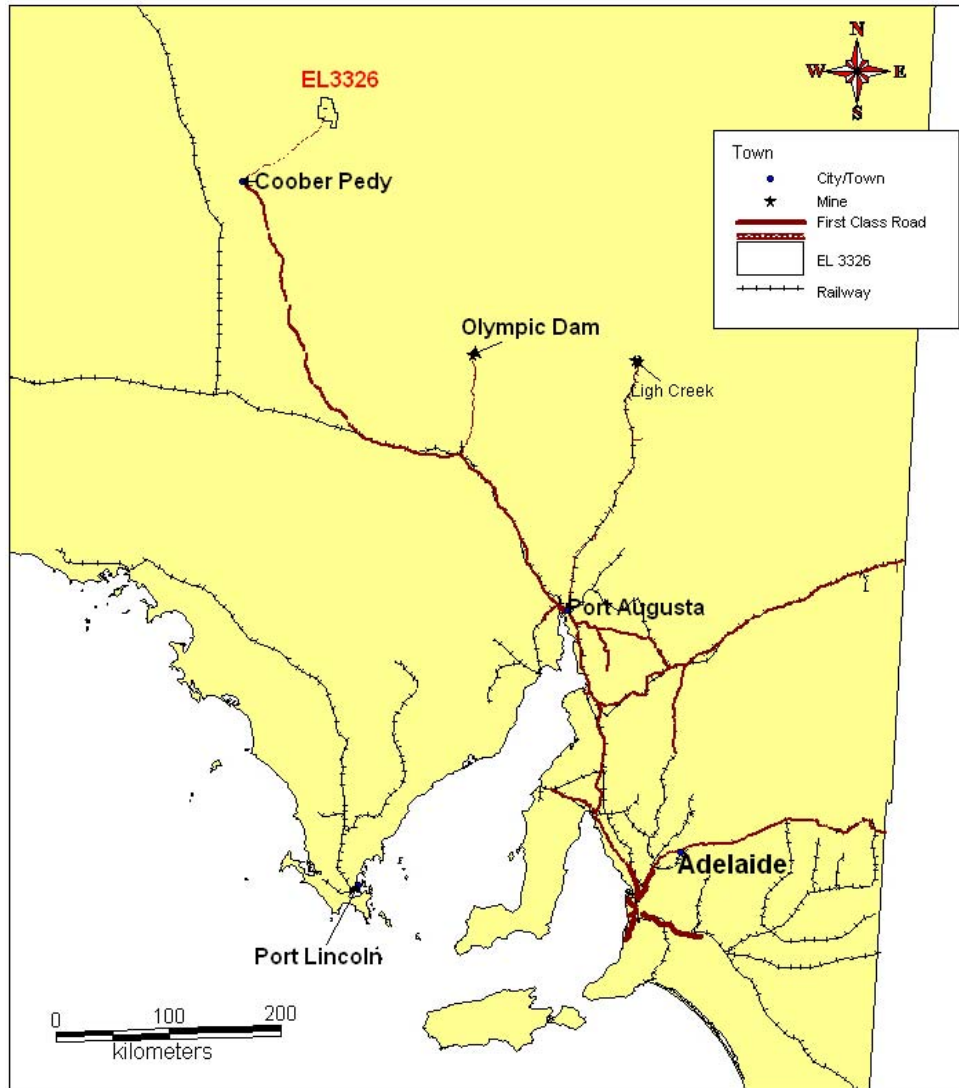


Figure 1: Location map

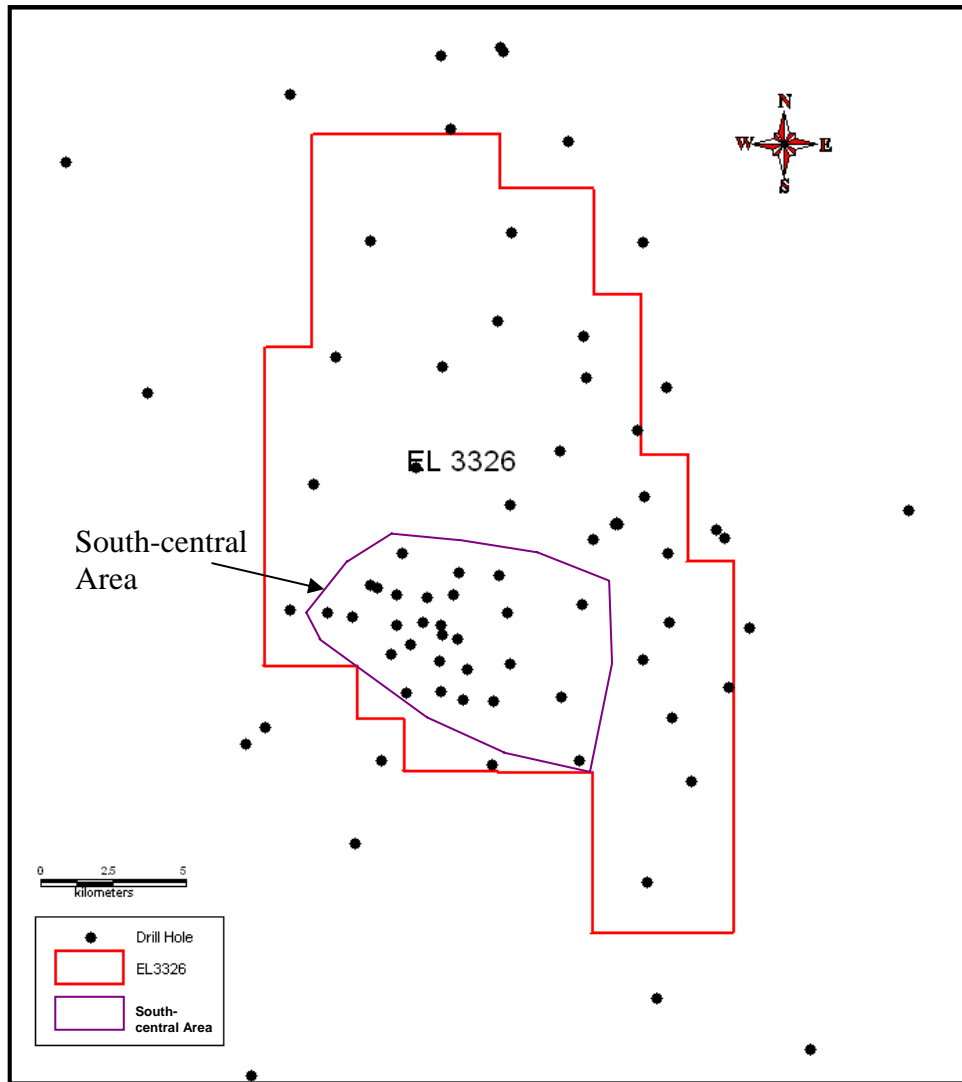


Figure 2: Exploration lease and position of drilled holes

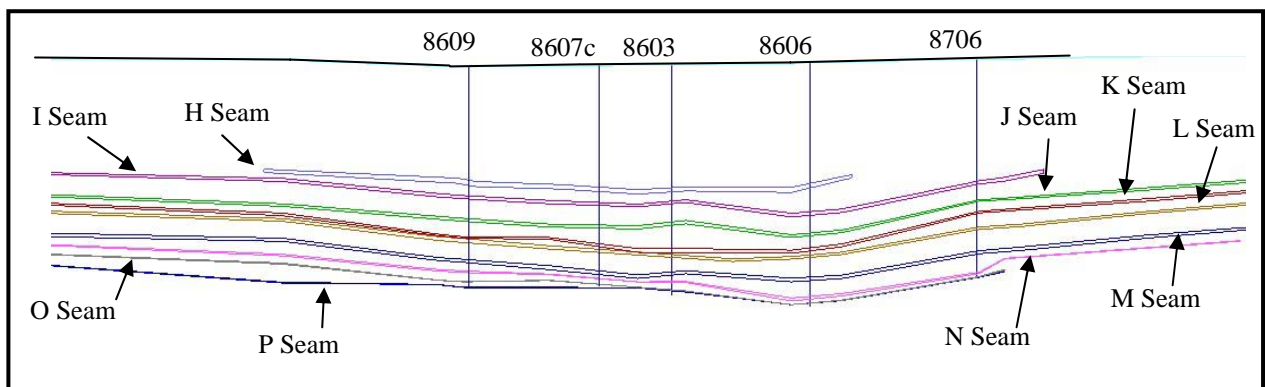


Figure 3: Cross-section of the coal seams within intensely drilled area

JORC Statement

The information in this report relating to resources is based on information compiled by Dr Morteza Jami who is a member of the Australasian Institute of Mining and Metallurgy and who is employed by Geos Mining. Morteza 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 Results, Mineral Resources and Ore Reserves.” Morteza Jami consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.”