

Southern Mongolian coal boom

Robert Friedland of Ivanhoe Mines has described Mongolia as “the Saudi Arabia of steam and coking coal.” Certainly his company and QGX are looking to develop some very big projects in the south of the country.

QGX has received its second NI 43-101 compliant resource estimate for its 100%-owned Baruun Naran coal project in southern Mongolia. The estimate, independently prepared by McElroy Bryan Geological Service, delineated 252.9 Mt of Measured and Indicated coal resources, more than doubling the previous amount last reported June 7, 2006.

Paul Zweng, President and CEO of QGX: “The new estimate contains nearly 100 Mt of additional coal compared to the June 2006 estimate (47.5 Mt of Measured, 60 Mt of Indicated, and 48 Mt of Inferred resources). The tonnage of measured and indicated resources has more than doubled to 252.9 Mt from 107.5 Mt. Much of this additional tonnage has been derived from coal which had been intersected in previous drilling but had insufficient intersections or associated coal-quality data to be included in the previous resource estimation. The size of the resource is expected to expand somewhat beyond the above reported

coking and thermal coal to the market for 20 to 30 (or more) years in the near future.”

The Baruun Naran property is in the Aimag (province) of Umnogovi ~500 km south of Ulaanbaatar, the capital of Mongolia. The deposit is hosted in a thick sequence of Upper Permian sedimentary rocks known as the Tavan Tolgoi Formation. This same formation also hosts the large Tavan Tolgoi coal deposit, located ~20 km to the northeast of Baruun Naran. The Tavan Tolgoi Formation within the Baruun Naran valley has a stratigraphic thickness of at least 800 m, and drilling to date has defined multiple thick (2 to 18 m true thickness) seams of coking and thermal coal.

Barlow Jonker is conducting a marketing study to determine the demand (tonnage) and prices for coals specific to Baruun Naran within the Chinese and seaborne markets. Barlow Jonker will also conduct a cost-competitive analysis for various Chinese producers supplying coal similar to Baruun Naran into these markets. These studies are expected to be completed by the end of June.

Sandwell Engineering is undertaking a conceptual transportation study for building, operating, and maintaining railway and road

exploration programme on several known aquifers in the area is scheduled to commence during the third quarter of this year.

Meanwhile, SouthGobi Energy Resources (formerly Asia Gold) has Ivanhoe Mines as its largest shareholder, currently owning approximately 90% of the issued and outstanding shares. SouthGobi Energy Resources now controls 55 coal exploration licences covering Permian-age metallurgical and thermal coal deposits over more than 20,700 km in southern Mongolia.

The company's coal portfolio includes the Ovoot Tolgoi (formerly Nariin Sukhait) mine development and five other exploration and development projects. Exploration work to date at Ovoot Tolgoi has discovered coal resources totalling some 150 Mt in the Measured and Indicated categories and an additional 29 Mt in the Inferred category. The resources estimate was independently prepared by Norwest Corp.

SouthGobi Energy aims to supply a wide range of coal products and electricity to markets in Mongolia and China. It is investigating the implementation of clean coal technologies in the development of a coal generating power plant to benefit all of its stakeholders. As the company increases its resource base, SouthGobi Energy Resources plans to pursue the potential application of Coal-to-Liquids (CTL) technology to convert a portion of its resources into low-sulphur diesel, gasoline and naphtha.

SouthGobi Energy is also eyeing the export potential, such as the new 400-km railway from Juiquan steel mill in China to the Mongolian border, which has a capacity of 8 Mt/y of coal. It is just 40 km from Nariin Sukhait to the Mongolia-China border.



figures as there are additional inferred resources that will be reported at a later date.

“We believe that Baruun Naran represents a significant greenfield coking-thermal coal project. Our belief is bolstered by the sheer size of this new resource as well as its exceptional coal quality. We are doing all we can to advance the project to production as rapidly as possible. To this end, several studies are ongoing, and we will be striving to complete the prefeasibility study before year end. QGX looks forward to supplying both premium

between Baruun Naran and Ganqimaodao (border crossing point at the Mongolian-Chinese international border). This work is expected to be finished in early July. Minarco-Mineconsult is scheduled by July to complete a preliminary economic assessment based on the new NI 43-101 resource outlined above to evaluate the economic potential for Baruun Naran. Once the preliminary economic assessment is finalized, QGX will commence a prefeasibility study starting in July and finishing in December. In addition, a water

Much interest in Moolarben

Felix Resources has received proposals from a number of large Japanese Corporations looking to purchase a 10% equity stake in its world class Moolarben coal project located near Mudgee in New South Wales, Australia, with Sojitz Corp emerging as the successful participant. Sojitz has a significant shareholding in Rio Tinto subsidiary Coal And Allied Industries and has several direct equity interests in coal mines in Queensland and NSW including a 45% equity in Felix's Minerva mine.

Sojitz will pay Felix A\$90 million for the 10% interest plus contribute its pro-rata share of the capital cost to develop the Moolarben mine. Felix is in discussions with financiers to arrange the balance of the funds required to develop the project once regulatory approvals have been received. The Sojitz transaction will assist Felix in completing the financing. Sojitz will be the



Surface water sampling at Moolarben

exclusive marketing agent for Moolarben coal exported to Japan.

Felix Managing Director Brian Flannery said the company had an "excellent working relationship" with Sojitz in the Minerva Mine joint venture and

"looked forward to working with Sojitz to expand our sales profile in Japan with coal from the Moolarben Mine which has a life of some 25 to 30 years".

"The Moolarben open cut mine will provide approximately 222 direct jobs during the 16 month construction period and a further 317 jobs during operation of the open cut and underground mines. Construction of the mine will commence once all regulatory approvals have been completed," he said.

Discussions have commenced with several other Asian power generators for the sale of a further 10% equity provided it adds value to Felix shareholders, such as future long-term offtake agreements, according to Flannery.

Moolarben is expected to produce 9 Mt/y product coal for both the domestic power industry and the export market over a 25-year mine life. The open pit will be one of the lowest cost thermal coal producers in Australia. The subsequent development of a longwall underground is planned to start within three years of the open pit commissioning at a production rate of 4 mt/y of thermal coal the majority of which will be exported.

February 2006 and is 51% owned by African Rainbow Minerals. ARM will appoint the majority of representatives on the Goedgevonden JV management committee, in line with its majority interest. Xstrata Coal will manage the project on behalf of the Goedgevonden JV. Xstrata Coal Marketing will market all export coal produced by the mine.

Commissioning of the new mine is expected in the first half of 2009, with full production anticipated from 2011. Xstrata Coal is facilitating ARM Coal's participation in the Goedgevonden project by providing all funding required to reach commissioning. Xstrata Coal's funding will be on preferential terms through the use of interest and capital repayment holidays. ARM Coal has been successful in obtaining 3.2 Mt/y export capacity for the Goedgevonden project in the revised Phase V expansion of Richards Bay Coal Terminal.

It is anticipated the project will create over 1,100 jobs during the construction phase and 300 permanent jobs when fully operational. The Goedgevonden JV and ARM Coal will also make a significant contribution to the sustainable development of communities associated with the operation, in particular in maximizing local employment and procurement, and through supporting the development of small and medium enterprises.

Patrice Motsepe, Executive Chairman, African Rainbow Minerals: "This is a significant milestone for the ARM growth programme, particularly with respect to our recent investment into coal."

Peter Coates, Xstrata Coal Chief Executive: "The Goedgevonden mine is the first of its kind to be undertaken by a majority black-owned and controlled company, will benefit from state of the art infrastructure and be a high productivity, low operating cost business. Goedgevonden will be very competitive in the Atlantic market and is well positioned to compete in the domestic thermal market."

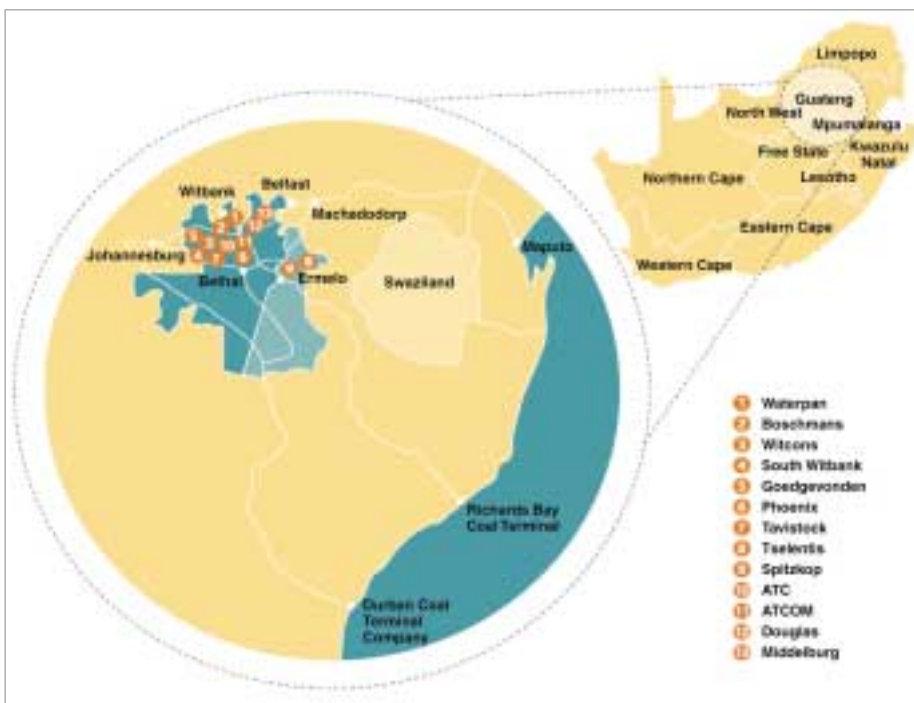
Xstrata Coal is the world's largest producer of export thermal coal and the third largest exporter of thermal coal from South Africa, producing almost 20% of all thermal coal exported. Headquartered in Sydney, Australia, Xstrata Coal has interests in 32 operating coal mines, 13 of which are located in South Africa.

Goedgevonden to be major new South African producer

African Rainbow Minerals (ARM) and Xstrata Coal are to develop a major new greenfield, open-pit, thermal coal mine, Goedgevonden, at a total investment of \$392 million. At full production, the Goedgevonden mine will produce 3.1 Mt/y of export thermal coal, 3.6 Mt/y suitable for the domestic thermal markets and will have a mine life in excess of 30 years. The

mine is located in the Witbank coalfield, in Mpumalanga province.

The mine will be developed through a majority black-owned and controlled joint venture, the Goedgevonden JV, in which ARM Coal owns a 51% share. Xstrata Coal South Africa owns the remaining 49%. ARM Coal is a black-owned and controlled coal mining company created in



ARM is a niche, diversified South African mining company that owns ferrous and base metals, platinum and coal operations and holds a significant interest in the gold mining sector through its shareholding in Harmony. ARM subsidiary, TEAL houses ARM's non-South African exploration portfolio.