

Significant coal potential

By **JUSTIN LEWIS**

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worked in investment banking and the equity capital markets, both as an adviser and as a director with particular experience in public companies and the alternative energy and resources sectors before joining the board of Beacon Hill Resources Plc in May 2009. He is responsible for the day to day operations of the group and is the principle architect in building up the company.

Beacon Hill Resources Plc owns and operates the Minas Moatize Coal Mine, which is one of only two operating coal mines producing and selling coal in Mozambique's Moatize Coal Basin, one of the largest developing coking coal regions in the world. In addition to Minas Moatize, Beacon Hill acquired a majority interest in the Changara Coal Project, an exploration project that is located within close proximity to its flagship Minas Moatize Coal Project.

We acquired management control of the Minas Moatize Coal Mine in May 2010. Since the acquisition the Company has focussed on continuing small scale production whilst in parallel working on the expansion and development of the Minas Moatize Coal Project.

We are currently producing an export coking coal and thermal coal from its initial open pit area. The coal mined is being processed at Minas Moatize's wash plant, which will be capable of processing approximately 600,000t ROM per annum. The coal produced is being transported by truck to the Port of Beira and being stockpiled for future coal shipments. In December 2011, Beacon Hill had its maiden export shipment of coal. This first shipment demonstrates Beacon Hill's viable operational end to end logistics solution to transport coal from mine to port and onto customers via the seaborne market. The Group is seeking to produce and export in excess of 100,000t of coal in 2012, all of which is currently anticipated to be coking coal.

In February 2012, Beacon Hill published the Definitive Feasibility Study for the expansion of the Minas Moatize Coal Project. The DFS, completed by independent consultants, TWP Australia Pty Ltd, demonstrates very strong economics for the project. Financial modelling, based on an expand 4Mtpa ROM operation producing on average 2.2Mtpa of saleable coking and thermal coal during its mine life using a 13 per cent discount rate, demonstrates a pre-tax NPV of US\$662 million and a post-tax NPV of US\$428 million.

As part of the DFS a maiden JORC compliant Coal Reserve was published for Minas Moatize. A total Mineable Reserve of 42.65Mt was reported with the potential upside of a further 7.9Mt. The Mineable Reserve represents the in situ portion of the Geological Resource that is economically mineable.

Beacon Hill has entered into an off-take agreement with its partner Global Coke Limited, an Indian metallurgical coke producer for up to 600,000t of coking

coal per annum from Minas Moatize for the life of the mine. Beacon Hill has additionally entered into a strategic marketing partnership with the Vitol Group, one of the world's largest energy trading groups. As part of the partnership the parties entered into a Coal Marketing Agreement whereby Vitol will act as agent to market export coal produced by the Minas Moatize Mine.

On 17th December 2011, Beacon Hill's first export shipment departed from the Port of Beira. The Group's first shipment of 10,650t of thermal coal produced from Minas Moatize was trucked to the Port of Beira ahead of being loaded onto the MV Aztec Maiden and shipped, marking a key milestone for the Group. The trucking solution will allow the transport of up to 0.5Mtpa to the Port of Beira for future shipments, which is more than sufficient for its planned production over the next 18 months. This solution has worked effectively and the Group intends to continue using this trucking solution pending the commencement of the transportation of coal via the Sena Rail Line, which remains the Group's longer term preferred transportation solution, due to both cost and capacity. The Company continues to work with the Government of Mozambique alongside Vale and Rio Tinto to complete the refurbishment of the Sena Rail Line to an initial capacity of 6.5Mtpa in mid-2012 and then to a fully operational capacity of 12Mtpa later in the year. These discussions are progressing well and the Group remains confident of attaining an allocation to the line in 2012 which will allow it to further ramp up coal production.

In December 2011, Beacon Hill acquired majority ownership in a joint venture to explore and develop the Changara Coal Project in the Tete Province of Mozambique. The Changara project covers a licence area of 184km², which is 70 times the size of Minas Moatize. It is located in the heart of the highly prospective coking coal basin of the Songo Area of the Tete Province, an area with proven coal reserves located within close proximity to Jindal Steel & Power Chingodzi Coal Project, which is estimated to contain a resource in excess of 700Mt of coking and thermal coal.

The Changara project is a further step in Beacon Hill's wider expansion strategy in the globally significant coking coal region of Tete and will provide the Group with an opportunity to invest in a longer term development project that has the potential to considerably enhance its resource base. **F**