



**HODGES**  
Resources Limited

An Emerging Coal Company



**APRIL 2011**

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# Company overview



***Hodges resources (HDG) is an ASX listed company focused on exploring for energy and precious metals resources.***

Current Capital structure		Proposed Capital Structure after Raise	
Shares issued	47.3M	Shares issued	76.3M
<i>Fully diluted</i>	<i>50.1M</i>	<i>Fully diluted</i>	<i>85.3M</i>
Share Price as at	\$0.40	Share Price at	\$0.40
Market Capitalization	\$18.9M	Market Capitalization	\$30.5M
Cash on Hand	\$2.3M	Cash on Hand	\$9.8M

# Board Of Directors



## **Chairman – Peter Mullens** *Bsc(Hons Geol)*

Involved in the mining industry for 27 years, in numerous roles – among them mine geology and exploration geology. Has also worked in corporate roles with several public companies, both within Australia and overseas.

## **Managing Director – Mark Major** *BSc (Geol), MBA*

More than 17 years' experience in mining, both within Australia and overseas and brings to the Company, operational and international mineral development experience. Mark has held senior management positions and been extensively involved with many mine development project studies, as well as being directly involved in several project acquisitions.

## **Non-executive director – Bryan Dixon** *BComm, CA ACIS*

Mr Dixon has substantial experience in the mining sector and in the management of public and listed companies. He currently holds management and director positions with other mining companies. Mr Dixon has been employed by KPMG, Resolute Samantha Limited, Société Générale and Archipelago Resources Plc. Bryan brings project acquisition, financing and corporate skills to the Company.

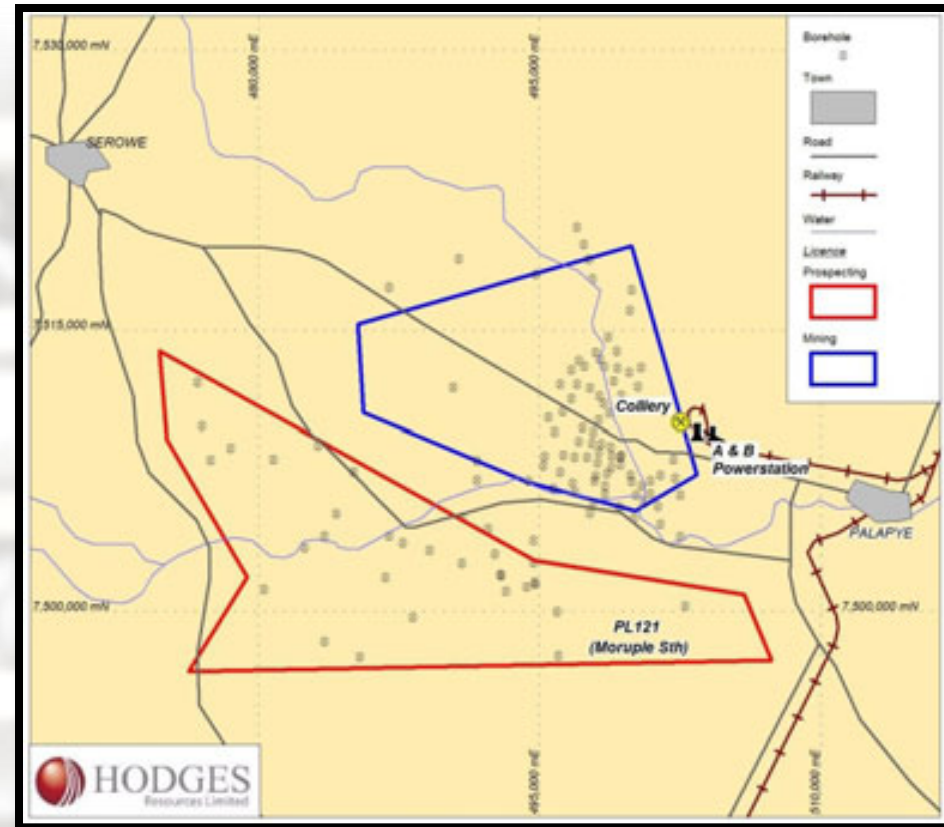
## **Non-executive director – Nathan McMahon** *BComm*

More than 15 years' experience in the Australian resources sector. Joint Managing Director of Cazaly Resources Limited. He is a director of other mining companies with interests in PGE, base metals, and industrial minerals. Specialises in native title, joint venture negotiations and project acquisition due diligence.



# Morupule South Project

- Located directly south of the Morupule mine and colliery. Colliery is currently undergoing expansion.
- PL covers approximately 250km<sup>2</sup>.
- Previous exploration by Shell Coal Botswana in 70's.



# Morupule South Project



- JORC inferred 414Mt resource and 700 to 800Mt target (estimated by GEMECS), from the “Morupule Main” seam – other seams do occur above this seam.

## Raw Coal Quality of JORC resource

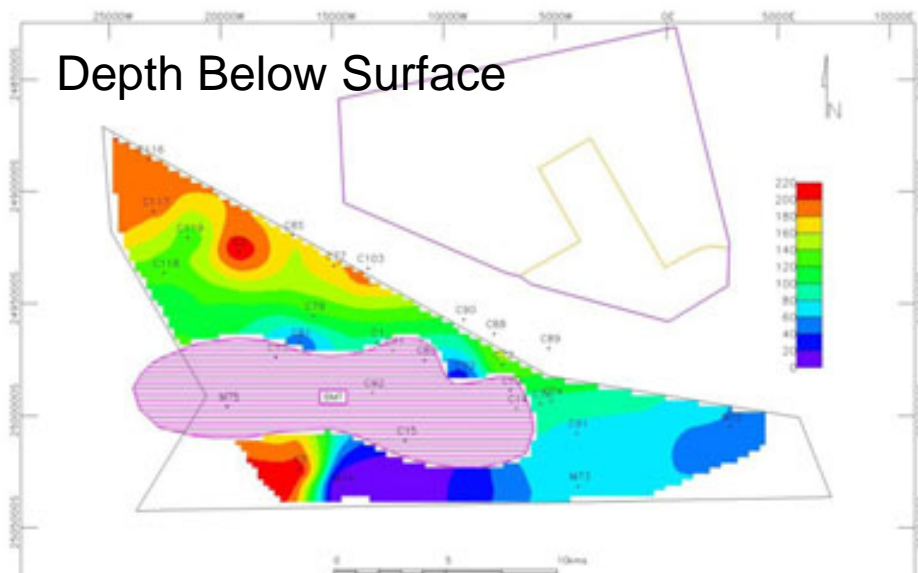
Gross Insitu Tonnes (Mt)	Geological losses (%)	Insitu Tonnes (Mt)	Ave Seam Thickness (m)	RD of Coal	Raw coal quality (air-dry basis)					
					CV (MJ/kg)	Ash (%)	IM (%)	Vols (%)	FC (%)	Total S (%)
487.4	15	414.3	5.50	1.61	20.9	29.7	3.4	20.0	46.8	1.20

## Raw Coal Quality of Exploration Target

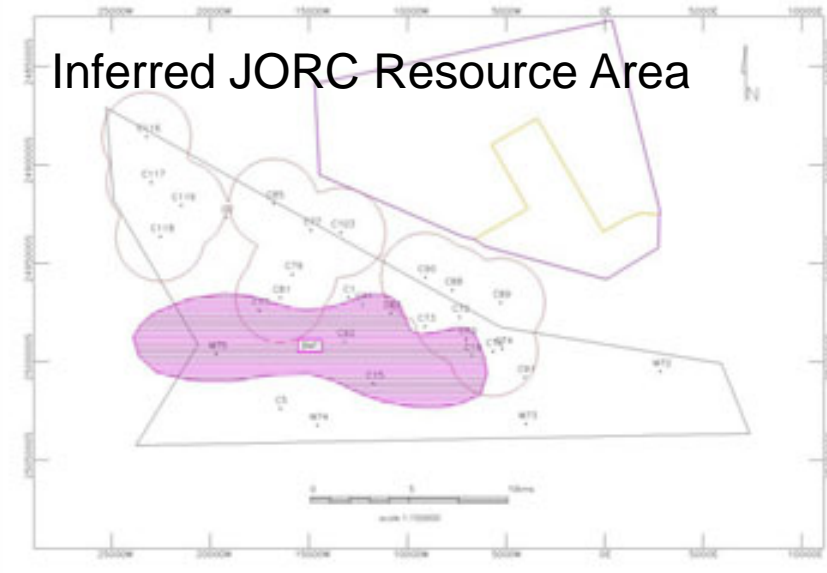
	“Seam” Thickness (m)	RD of Coal	Raw coal quality (air-dry basis)					
			CV (MJ/kg)	Ash (%)	H2O (%)	Vols (%)	FC (%)	Total S (%)
High	17.88	2.49	24.5	39.1	4.6	24.5	54.2	1.38
Low	2.72	1.36	17.4	28.5	1.7	17.4	38.3	0.31
Mid	7.77	1.64	19.6	33.2	3.7	19.3	44.0	0.86

*No wash tests have been carried out on this coal*

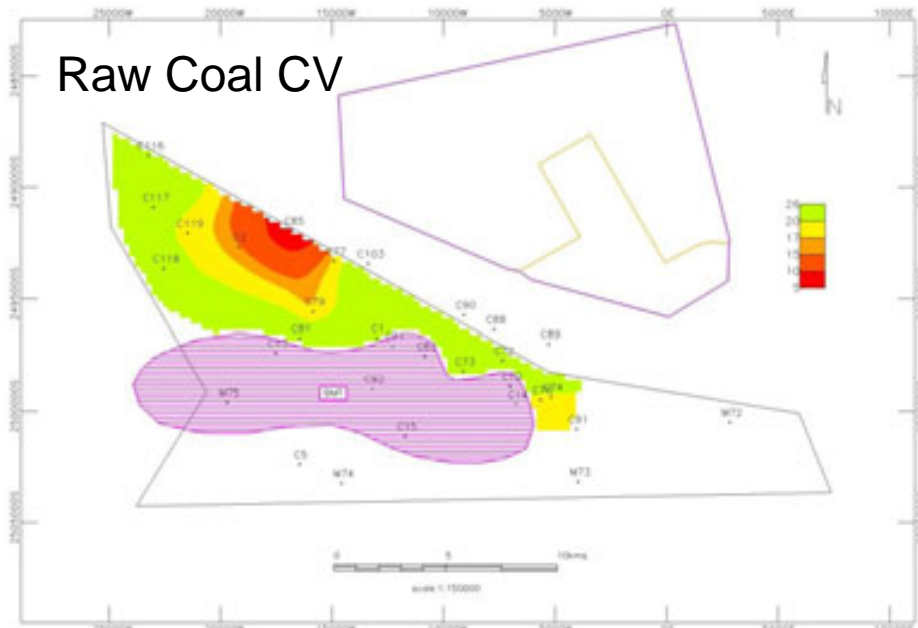
### Depth Below Surface



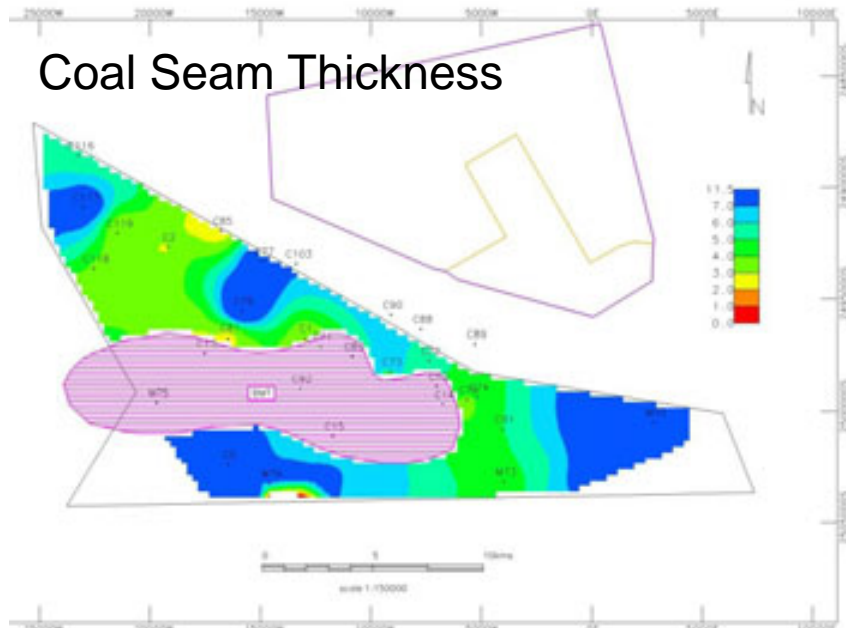
### Inferred JORC Resource Area



### Raw Coal CV



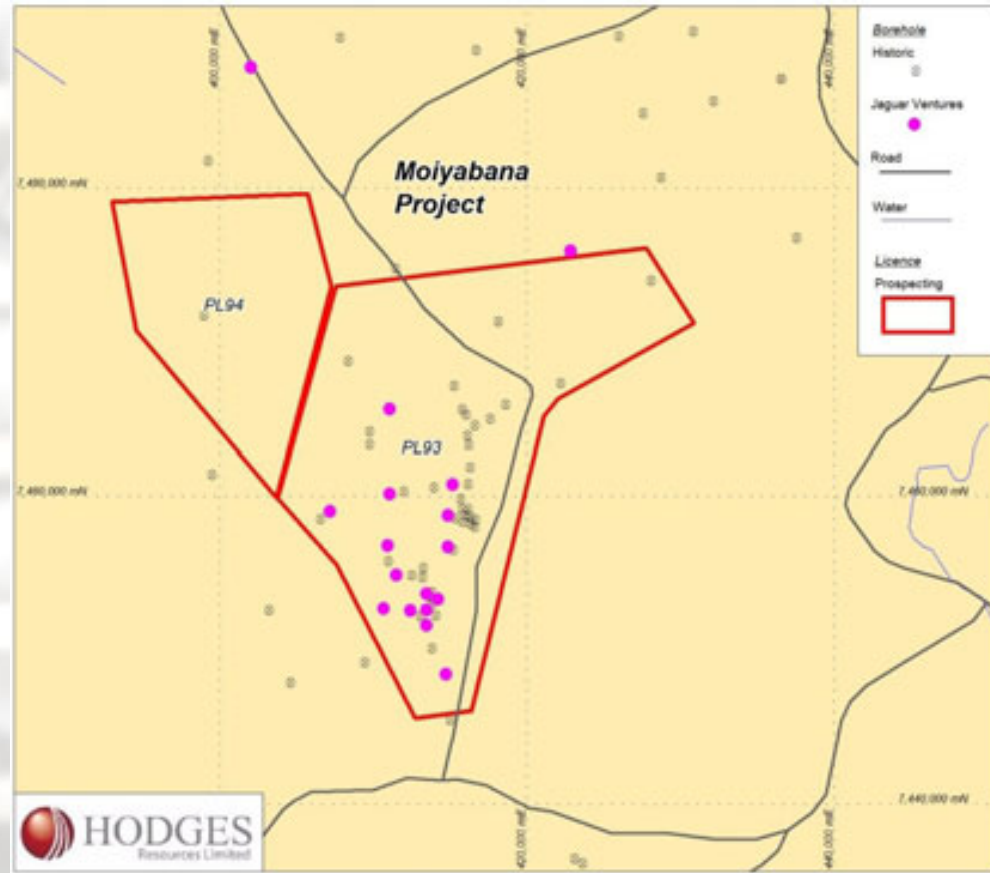
### Coal Seam Thickness



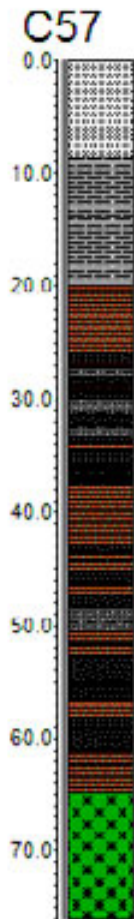
# Moiyabana Coal Project



- Located 70km from Morupule area and 50km to the railway line.
- Has historical drilling and 14 new holes, with limited wash test analyses.
- Recent work has focused on a 50km<sup>2</sup> area of the entire 590km<sup>2</sup> Prospecting License area.
- Coal know to exist in other areas from the historical holes.



# Moiyabana Coal Project



- Open pit exploration target of 500 to 800Mt.
- Raw Coal quality is around 20MJ/kg (4,780kcal), ash 25%, with initial wash test work indicating potential for upgrading to >25MJ/kg (5,970kcal) and <20% ash.

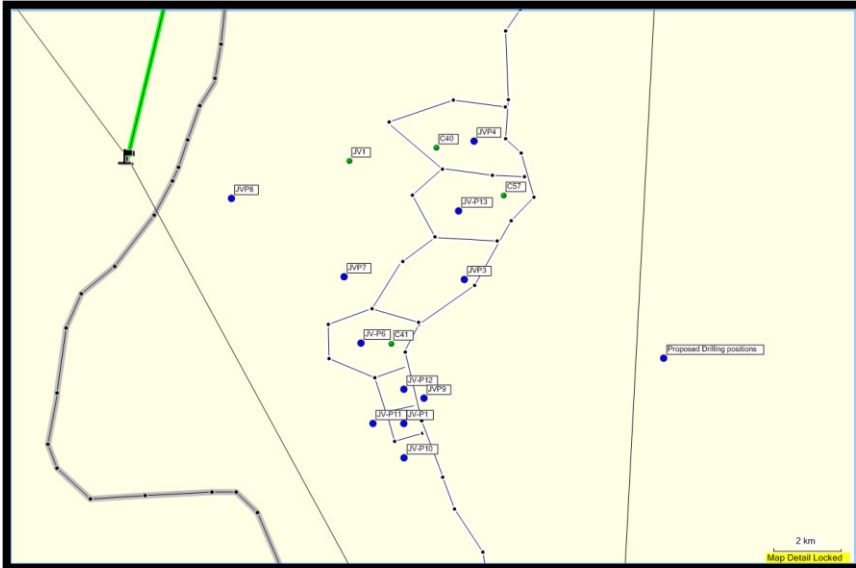
## Raw Coal Quality of Exploration Target

Seam Thickness (m)	CV (MJ/kg)	Ash (%)	H2O (%)	Vols (%)	Total S (%)
Upper seam 4.7 to 23.7 Lower seam 2.5 to 8.4	19.82 -25.24	22.86-33.72	4.5 – 6.6	23.44 – 34.43	0.29 – 0.61

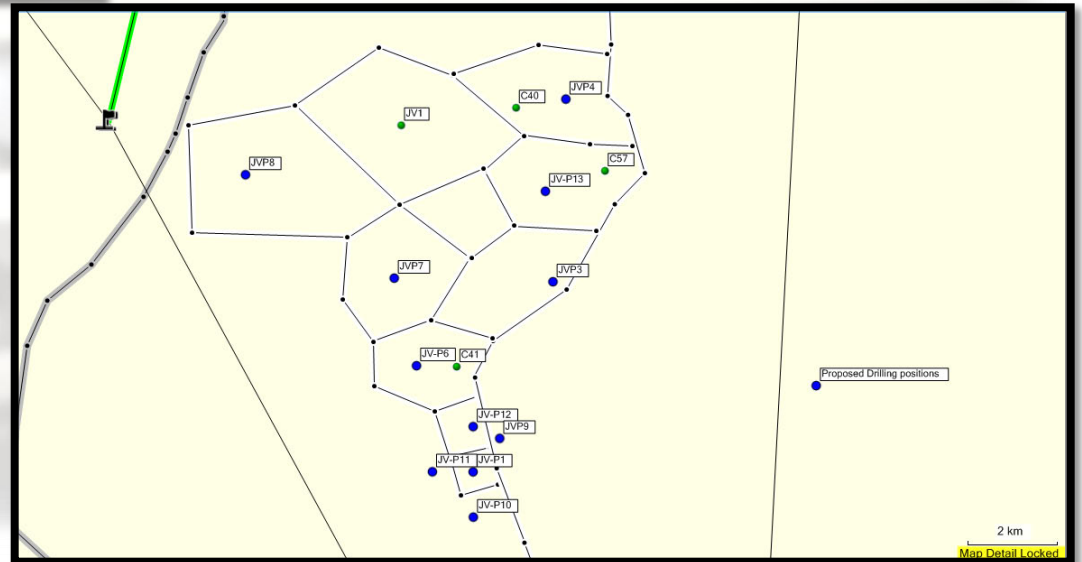
- Underground potentially much more.

# PL93 - Targets

Location boreholes and areas used in evaluating the target with coal indications close to surface and showing indications for open cast mining techniques.



Location of boreholes and areas used in evaluating the target with coal indications in a deep seam and showing indications for underground mining techniques.



# Terms of Agreements



**Morupule** - \$3M spend to get 75% (form a JVCo).

- Option to take extra 24% (99%) on payment of JORC M&I at US\$0.10/t, plus commitment of another \$2M on exploration and another 2Yr anniversary payment on additional JORC M&I at US\$0.08/t.
- Vendor gets free carry to decision to mine.

**Moiyabana** – Share sale for 90% of company. 18mth option period. Total purchase price is US\$70M due at month 24.

- Money spent in option period is deducted from the US\$70, as well as milestone payment of M&I resource (US\$9M Cap).
- HDG will earn shares in company on a staged subscription as money is spent.



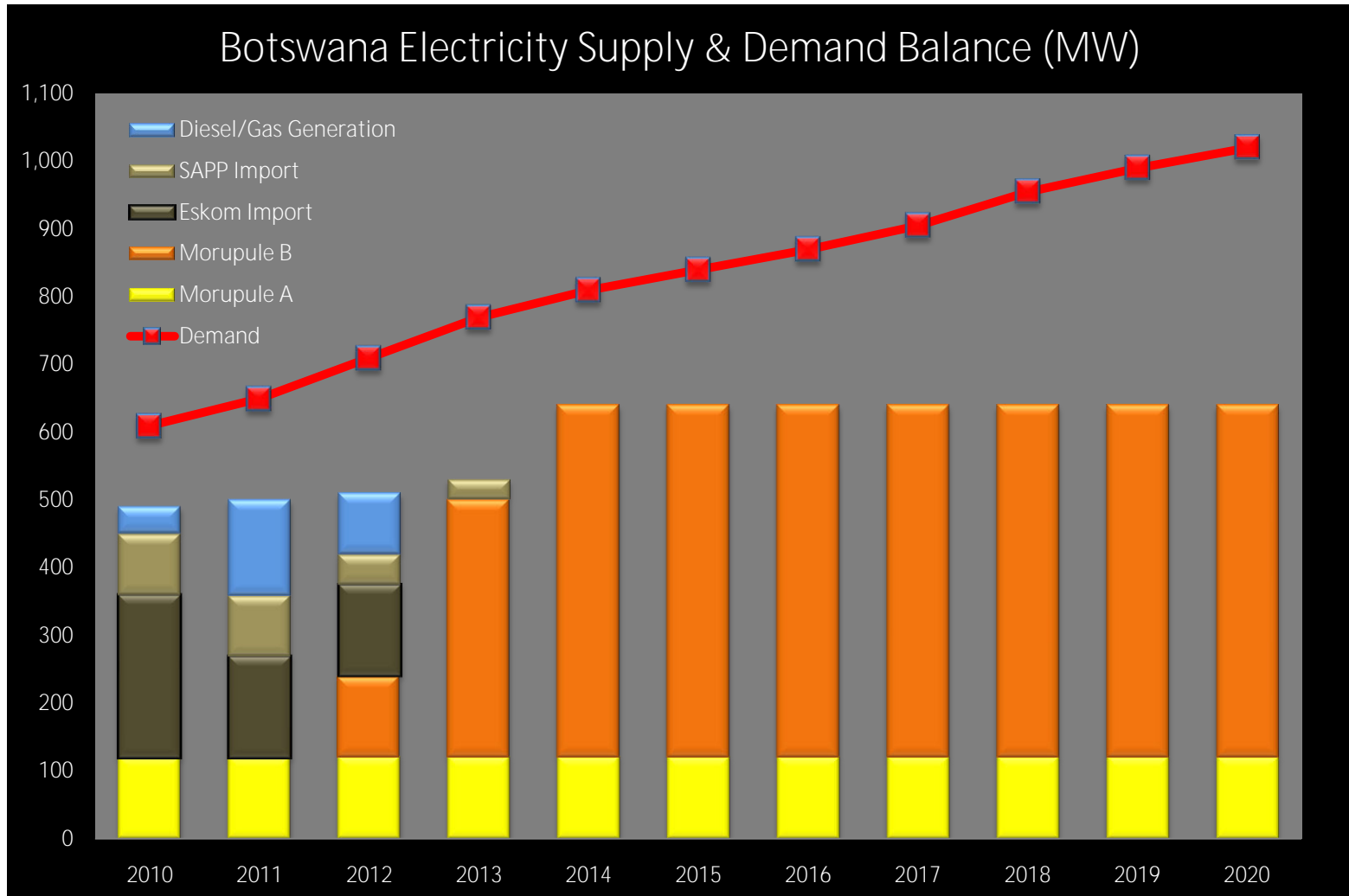
# Botswana – Country and Future of Coal



- Botswana is the most stable democracy in Africa and encourages exploration and development of mines.
- High quality export coal possible, but will require new rail/port infrastructure. Two options are being considered with aim of completion by 2015.
- Local power supply required. Current demand is greater than supply; which is 50% supplied by South African groups. These will be stopped within 2 years. Demand in 2013 is expected to be 770MW; which has around +200MW deficit. Current Morupule power station provides 80-120MW.



# Botswana – Coal Rich / Energy Poor



# Proposed Schedule of Events and Timeline



## Year 1

- April 2011 - complete DD and establish a project manager and technical team.
- May 2011 - sign definitive agreements and commence drilling at Moruplue and Moyibana.
- June 2011 - start environmental and social baseline reporting.
- August 2011 - update on drilling and start coal washability work.  
- Possible inferred JORC.
- February 2012 - scoping study on Moyiabana open pit.

## Year 2

- October 2012 - Prefeasibility on Moyiabana (option decision),  
- Scoping study on Mouruple.
- May 2013 - Prefeasibility on Moruple (option decision).

# Going forward what we see



- Drilling – lots of it 20,000 to 30,000 meters in first 6-8 months.
- Define >1Bt Inferred JORC resource within 6-8 months.  
+2Bt within 2 years, with 700Mt as M&I.
- Coal testwork – characteristics and wash tests over possible mine areas.
  - Export market = 20-50% of mined coal (3-5yrs)
  - Local markets = 40-70% (3yrs)
  - Coal to Liquids ? (+5yrs)
- Prefeasibility – Feasibility – Mine within 3yrs?
- Local off takes and power agreements?
- Export off takes and rail/port agreements?

# Peer Comparison

## Resources and Quality



Company	Project	Mt	Seam Thickness	Depth to top	Raw Coal, Air Dried Basis					
					CV (MJ/kg)	Ash (%)	Volatiles (%)	Inherent Moisture (%)	Sulphur (%)	
Hodges <sup>1</sup>	Morupule Sth	inferred JORC	414	5.5m	120m	20.9	29.7	20.0	3.4	1.2
		Target	700 - 800	3 - 18m	60 - 150m	17.4-24.5	28.5-39.1	17.4-24.5	1.7 - 4.6	0.31 - 1.38
Hodges <sup>2</sup>	Moiyabana	Target	800 - 1,300	3 - 24m	20 - 103m	19.82 - 25.24	22.8-33.7	23.4 - 34.4	4.5 - 6.6	0.29 - 1.59
African Energy <sup>3</sup>	Sese	Target	1,500-2,000	6 - 25m	25-65m	19.06	26.8	20.9	4.2 - 9.4	1.78
Aviva <sup>4</sup>	Mmamantswe		895	55m*	65m	10.21	44.3 - 68.3	18.1	2.9 - 4.8	0.90
Debswana <sup>5</sup>	Morupule		2,900	7-10m	80-180m	21.50	21.0	24.0		1.10
CIC Energy <sup>6</sup>	Mmamabula		2,630	1-24m	35-90m	19.4 - 23.1	21.5 - 32.0	20.8 - 24.8	3.4 - 6.4	1.2 - 3.7
Asenjo Energy <sup>7</sup>	Dukwe		1,300	4.47m	35-190m	19.90	28.2	22.2	6.1	0.33
Asenjo Energy <sup>7</sup>	Lechana & Tshimoyapula		2,300	2.37m		17.34 - 19.73	27.8 - 34.9	20.6 - 27.8	4.5	1.7 - 2.6
Asenjo Energy <sup>7</sup>	Western Mmamabula (east & west)		6,300	1 - 6m	45-300m	19.1 - 23.3	17.0 - 31.0	22.5 - 27.6	6.3	1.1 - 2.0

1 Gemecs Coal Resource Report March 2011 – referred to in HDG press release 15<sup>th</sup> March 2011.

2 Analytika Holdings (pty) Ltd report dated December 2010 – referred to in HDG press release 15<sup>th</sup> March 2011

3 African energy web site and corporate presentation 4 Nov 2010;

4 Aviva company announcement released to ASX on 21 July 2010 and 6 May 2010 SRK technical report;

5 Debswana web site

6 CIC Energy website, corporate presentation September 2010 and 43-101 technical report 26 September 2008;

7 Asenjo website and Aquila resources website, and Indaba presentation Feb 2009

# Peer Comparison



## Company Comparison

Company	Projects	Resource	Shares on issue (M)	Market Cap (M\$)
<b>Hodges</b>	Morupule & Moiyabana	2.5Bt target	75	\$30
<b>African Energy</b>	Sese	1.5-2Bt target	294.6	\$214
<b>Aviva</b>	Mmamantswe	895Mt reserve	136.1	\$34
<b>CIC Energy</b>	Mmamabula	2.6Bt M&I resource	52.6	C\$422
<b>Asenjo Energy*</b>	Dukwe, West and East Mmamabula.	7.9Bt resource (inferred, M&I)		

\* 50% owned by Aquila Resources (ASX:AQA) market cap of \$3.5B

