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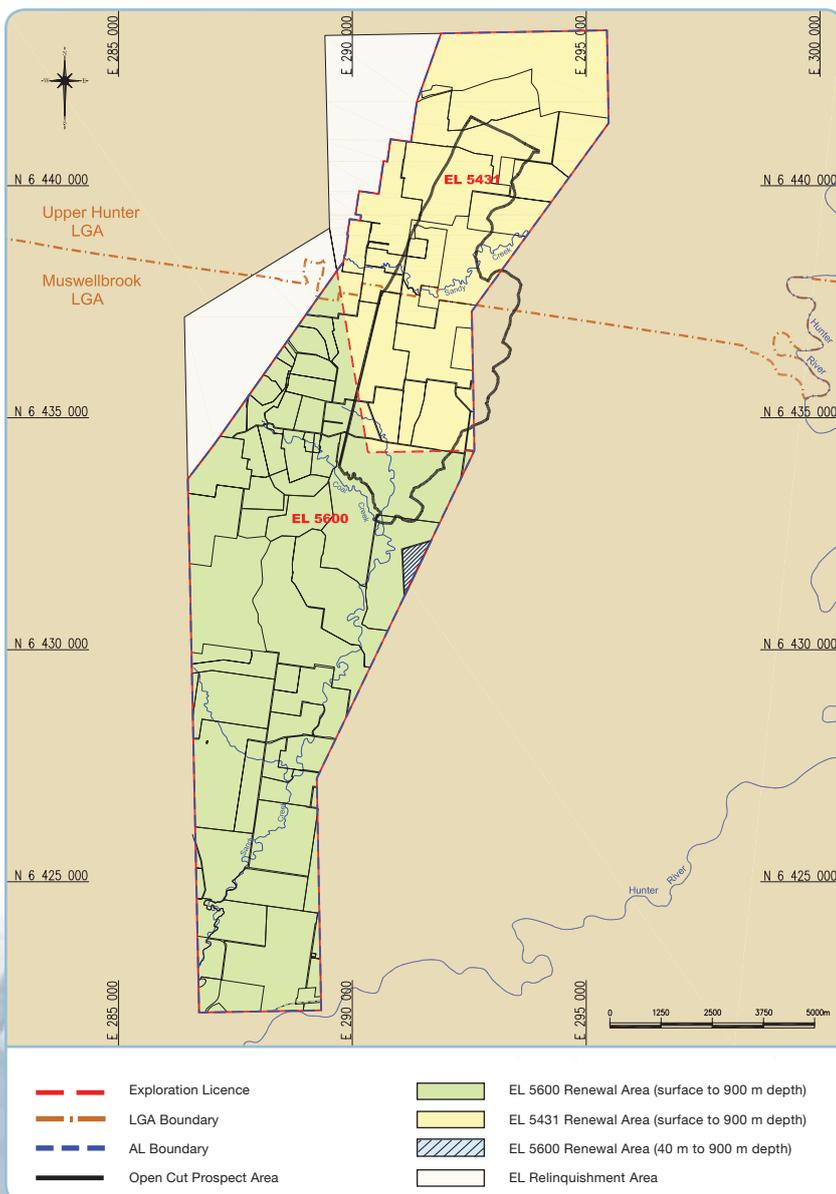
West Muswellbrook Exploration Project

Community Newsletter

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Muswellbrook Coal Company (MCC) currently holds Exploration Licences (EL) for the Rosehill (EL 5431) and Castlerock (EL 5600) areas west of Muswellbrook. A Pre-Feasibility Study (PFS) investigating the option of developing an open-cut coal mine within the two EL areas has recently been completed. Following this study, MCC has applied this week to the Department of Primary Industries – Mineral Resources (DPI-MR) for an Assessment Lease (AL) over an area of ongoing interest (see Figure 1). MCC has requested that its ELs be extended until an AL is granted over the area.

FIGURE 1
APPLICATION FOR MINING AUTHORITIES



What is an AL

The Mining Act explains the purpose of granting an AL as follows:

“An assessment lease is designed to allow retention of rights over an area in which a significant mineral deposit has been identified, if mining the deposit is not commercially viable in the short term but there is a reasonable prospect that it will be in the longer term. The holder is allowed to continue prospecting operations and to recover minerals in the course of assessing the viability of commercial mining”.

MCC is seeking the grant of an AL over its area of ongoing interest for a five year period in which time it will undertake further exploration, marketing, financial and environmental studies.

What Does This Mean For Residents

In recognition of the ongoing uncertainty for residents which have properties which fall within MCC’s mining authority boundaries, MCC has requested that the DPI-MR include in their conditions of granting an AL, a requirement that provides affected land owners within the proposed AL boundary the opportunity, under certain circumstances to be acquired by MCC at a fair and reasonable, independently determined market-value at any time whilst the authority is held.

To this end, in good faith (and prior to the AL application being determined), MCC commits to the following:

“Upon written request, where a landholder’s property falls either partly or wholly within the proposed AL boundary and the owner is unable to sell their property on the open market at a fair and reasonable market value, MCC is prepared to acquire the said property at an independently determined, unaffected market value.”

The above offer will remain in place whilst ever MCC maintains any form of mining authority over the area in question.

FIGURE 2
ASSESSMENT LEASE APPLICATION BOUNDARY

Moving Forward

In order to progress the West Muswellbrook Project towards becoming a commercially viable open cut mine, a staged Works Program will be followed during the five year term after the grant of the AL. This works program will include:

- Some additional core drilling to further confirm coal structure and quality;
- Further pre-feasibility studies to establish the optimum mining option;
- Further pre-feasibility studies to establish the optimum required access to rail infrastructure;
- A review of Newcastle Port access possibilities;
- A detailed Feasibility Study to confirm project viability under prevailing market conditions;
- The finalisation of a conceptual mine plan;
- An Environmental Assessment to support an application for Project Approval under Planning Law; and
- The development of a land acquisition program and other land access arrangements.

Due to the uncertainty over the outcome of several stages in the above works program, some may only be executed following the successful completion of a preceding stage.

Assuming the above works program is achieved and an open cut mine is deemed to be commercially viable then this would lead to Project Approval and Mining Lease applications with the earliest time for a mine start up being 2015.

Hansen Bailey Environmental Consultants will continue as Environmental Advisor & Stakeholder Consultation Co-ordinator. Further, any requests for acquisition under the conditions described in this newsletter should be directed to Hansen Bailey.

Environmental Monitoring

Environmental monitoring studies will continue within and surrounding the AL application boundary to collate background data for the evaluation of any environmental factors in relation to the potential development of a mine in the area. This monitoring program includes the ongoing assessment of:

- Air quality;
- Meteorological conditions;
- Surface water; and
- Groundwater.



Contacts and Further Information

An attempt will be made in the near future to contact all landholders within the West Muswellbrook Exploration Project area to offer a face to face meeting to answer any questions that individuals may have in relation to this Newsletter.

In the meantime, if you have any enquiries you would like to make regarding the ongoing Exploration Project works, please contact either:

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