

EPC 1073 BINGAREE

1.0 INTRODUCTION

The licence was acquired to explore for discrete Upper Permian basins hosting coal resources and test the eastwards extent of the Baralaba Coal Measures. The area of the present EPC, "Bingaree", comprises 298 sub-blocks and was chosen based on available information including regional GSQ geological mapping, GSQ studies, historical exploration data in the general region and geophysical data.

EPC 1073 was granted on November 29, 2006. The lease is valid for five years and comprises 298 sub-blocks covering a large area (about 895sq km) roughly 10km west of Wowan and 15km east of Baralaba. Rockhampton, with a population of about 60,000, is the nearest major regional city and is 50km north-east of the EPC.

2.0 GENERAL BACKGROUND INFORMATION

2.1 Infrastructure

Infrastructure in the region is good. The Leichhardt Highway (which runs north from Dululu to the Capricorn Highway) crosses the south-eastern portion of the EPC and the Baralaba Rannes Road crosses through the central area (running west from Baralaba to Rannes). Numerous secondary roads and property tracks cover the area within the EPC.

Additionally, the Dawson Valley coal haulage railway line passes through the central portion of the EPC, while the Baralaba–Moura coal haulage line runs south along the western flank of the EPC. Rockhampton, the nearest city, is 50km to the north-east and offers a fully operational modern regional airport.

Gladstone, 80km to the east, is a very important industrial centre and port facility. Please refer to *Figure One* for general details of lease location and major infrastructure.

2.2

Topography & Access

The topography is varied, ranging from the rugged hills of the Gogango Ranges in the north-east of the lease (elevation greater than 460m) to areas of low relief along the banks of the Dawson River in the north-west of the lease. However, the majority of the lease could be characterised by areas of moderate relief (ranges from 200m to 400 m in elevation).

The eastern side of the EPC is drained mainly by the Dawson River system. Floodplain areas are found along the Dawson River on the western edges of the EPC. The Dee and Don rivers with their tributaries provide the major drainage systems within the lease area. Floodplain areas are characterised by Quaternary alluvium (sand, silts, soils and gravels).

2.4

Local Climate

The area has a subtropical, subhumid climate. The annual rainfall is 700-800mm, of which 70-75% falls in the warm months from October to March. The mean summer maximum temperature is 28-32 degrees Celsius and the mean winter minimum is 12-16 degrees Celsius.

3.0 GEOLOGY

3.1

Regional Structure

The Baralaba area, located near the eastern flank of the Bowen Basin, occurs on the eastern limits of the Mimosa Syncline and within the Folded Zone (of the Bowen Basin). The major structural features in the region are the Mimosa Syncline in the west and the Eungella-Cracow Mobile Belt to the east (on the western margin of the Dawson tectonic Zone).

The ***Folded Zone*** (which structurally parallels the north-northwest trending Anakie Inlier) is one of severe faulting and passes through Banana and Baralaba. This Folded Zone appears to have gradationally metamorphosed the Upper Permian coals from low-rank, high-volatile, non-coking (in the undisturbed area around Theodore in the south) to semi-anthracite rank at Baralaba in the north.



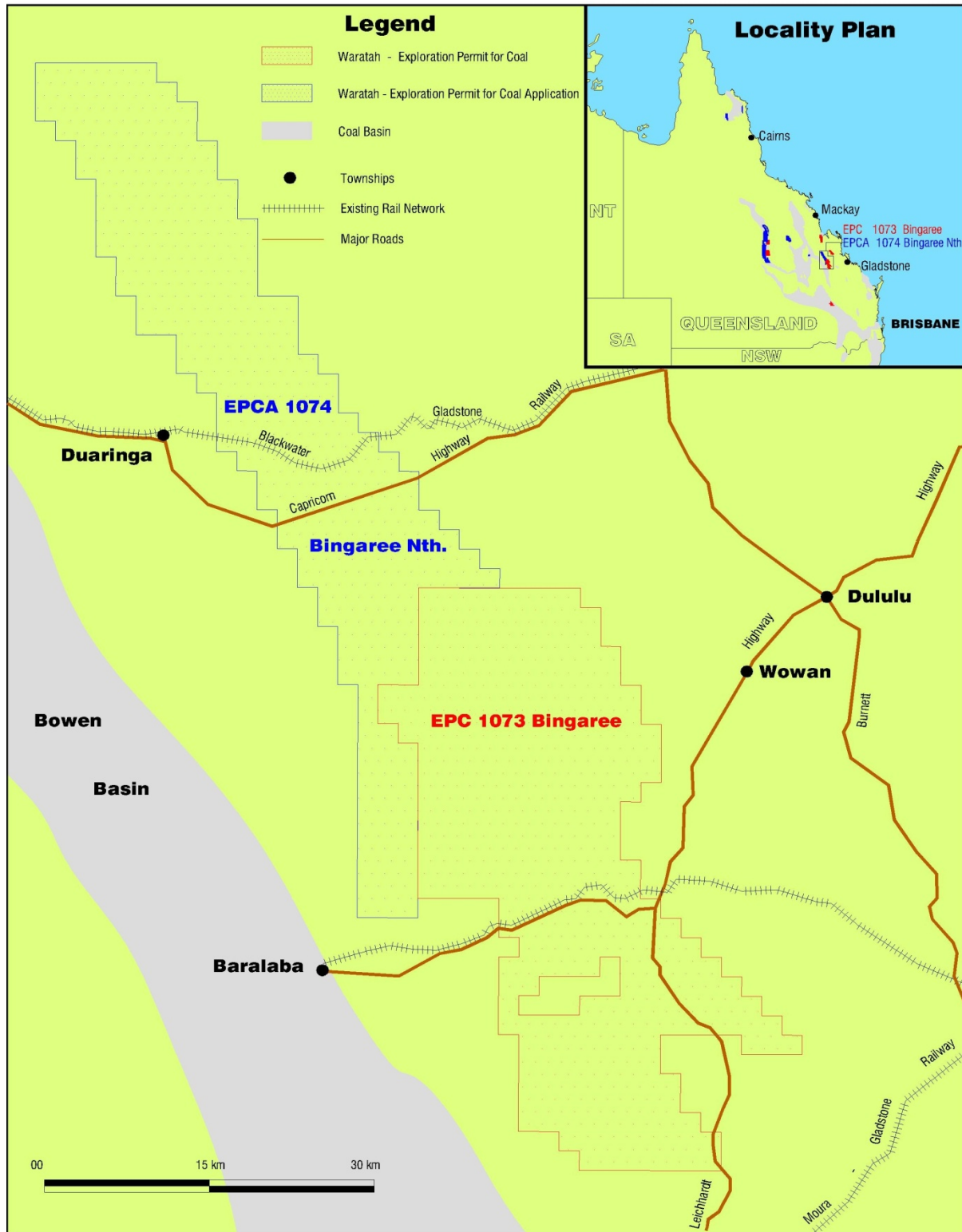


Figure 1: Location of EPC 1073



4.0

PREVIOUS EXPLORATION IN THE AREA OF EPC 1073

4.1

Historical Exploration

Although coal has been mined at Baralaba since 1921, there has been no direct coal exploration over the area of the present lease.

5.0

EXPLORATION RATIONALE AND TARGETS

5.1

Exploration Rationale

The rationale for acquiring this EPC is threefold:

- i. Firstly, to test the extent of and type of Permian deposits to the east and north-east of Kokotungo with a view to locating equivalents of the Rangal and/or German Creek Coal Measures;
- ii. Secondly, to assist in identifying coal sequences that may lie adjacent and to the north and north-west of the existing EPC where Waratah Coal is in application process for EPC 1074 – immediately to the north and north-west of EPC 1073;
- iii. Thirdly, to test the area in the south of EPC 1073 for any extension north of the four coal seams known to exist in the Moura region.

5.2

Exploration Targets

Waratah Coal will initially concentrate on a widely spaced exploration drilling program targeting the Permian formations of the area in a broad sweep of the area within EPC 1073. This will assist in a preliminary assessment of the localised Permian sequences and the extent of major faulting in the area.



Although exploration will cover the entire area of the EPC, there are three primary target regions (based principally on topography and ease of access):

- Target 1: a 7km wide corridor centred on Rannes, running east-west in the general direction, and on the southern side, of the Don and Dee Rivers respectively (approximately 100sq km);
- Target 2: a 10km wide corridor running north along the western EPC boundary from Kokotungo, up to 12 Mile Creek (approximately 140sq km);
- Target 3: This includes the entire area south of Cooper Downs, although the Wandoo Creek area at the southern most portion of the lease is also of interest.

In total, an area of approximately 300sq km has been identified for the initial exploratory program in a region where the Permian formations of the Black Creek Group sub-crop or where Cainozoic sediments and alluvium are known to overlie the Permian sequences.

No previous exploratory drilling has occurred in this region and this initial drilling program is planned to identify the potential for coal economic coal deposition.

Initially, some 15 drill holes will be strategically located in a rough grid of about 5km spacing. The scope and rollout of the exploration drilling will be modified should coal deposits be located. Where relevant, a number of the coal seam intersections will be cored for analysis.

6.0 SAFETY

All on-site activities are conducted under, and controlled by, Waratah Coal's Safety and Health Management System which has been rolled out to all participating personnel. David Campbell, Vice President – Exploration of Waratah Coal, assumes the Site Senior Executive role for these EPCs under the Queensland Mine Safety and Health Act.



7.0 SUMMARY

Given the lack of previous exploration drilling in the area of EPC 1073, it is proposed that a preliminary drilling program of 15 drill-holes is undertaken in 2008 (after the wet season) to ascertain the nature and extent of Permian deposits and to specifically attempt to locate economic coal deposits.

Although widely spaced, the drill-hole frequency should be adequate to cover the majority of the EPC and to satisfy a number of important requirements:

- Preliminary confirmation and correlation of the classification of the geological sequences that have been historically assigned to the region. Waratah Coal is most interested in the Upper Permian Baralaba Coal Measures;
- Identification of the potential for economic coal deposits;
- Identification and inference of the nature and extent of major fault zones (through correlation of sedimentary sequences) and their effect on depositional sequences in the area.

The location of the drill-holes has been planned around ease of access with regards to terrain topography and local infrastructure. It is envisaged that the drilling operations will be carried out by one mobile drilling rig and that the initial exploratory phase of should be completed within an eight to 10-week period.

