

EL 6467 NYMBOIDA

1.0 OVERVIEW

EL 6467 Nymboida is held under title by Waratah Coal Pty Ltd. The lease is located some 35km south-west of Grafton in northern New South Wales and covers an area of 59sq km, roughly centred about the old Nymboida Colliery.

Waratah Coal's primary objective is the review and examination of the region for the development of commercially viable natural resources of high-value coking coal. The prospect has recently been reassessed to have the potential to produce high quality coking coal by modern underground mining methods. A recent report by independent consultants SRK has highlighted the potential for a resource in the order of 10 million tonnes of coking quality coal.

Waratah Coal has recently completed its first year of exploratory drilling with seven boreholes drilled (including two cored holes) and the results have been very encouraging, confirming the existence of deposits of hard coking coal. Waratah Coal will now focus on a drilling program of large diameter boreholes to allow for comprehensive sampling and analysis of results.

2.0 LOCATION AND ACCESS

2.1 Topography & Climate

The lease is on the eastern side of the mountain range known as The Great Dividing Range, which runs parallel to the east coast of Australia. There is high relief in the area, with some mountains reaching heights of 1,000m above sea level. The vegetation is typical Australian bush, with moderately dense trees covering the majority of the mountainous relief. Some grazing pastures exist on limited flat areas.



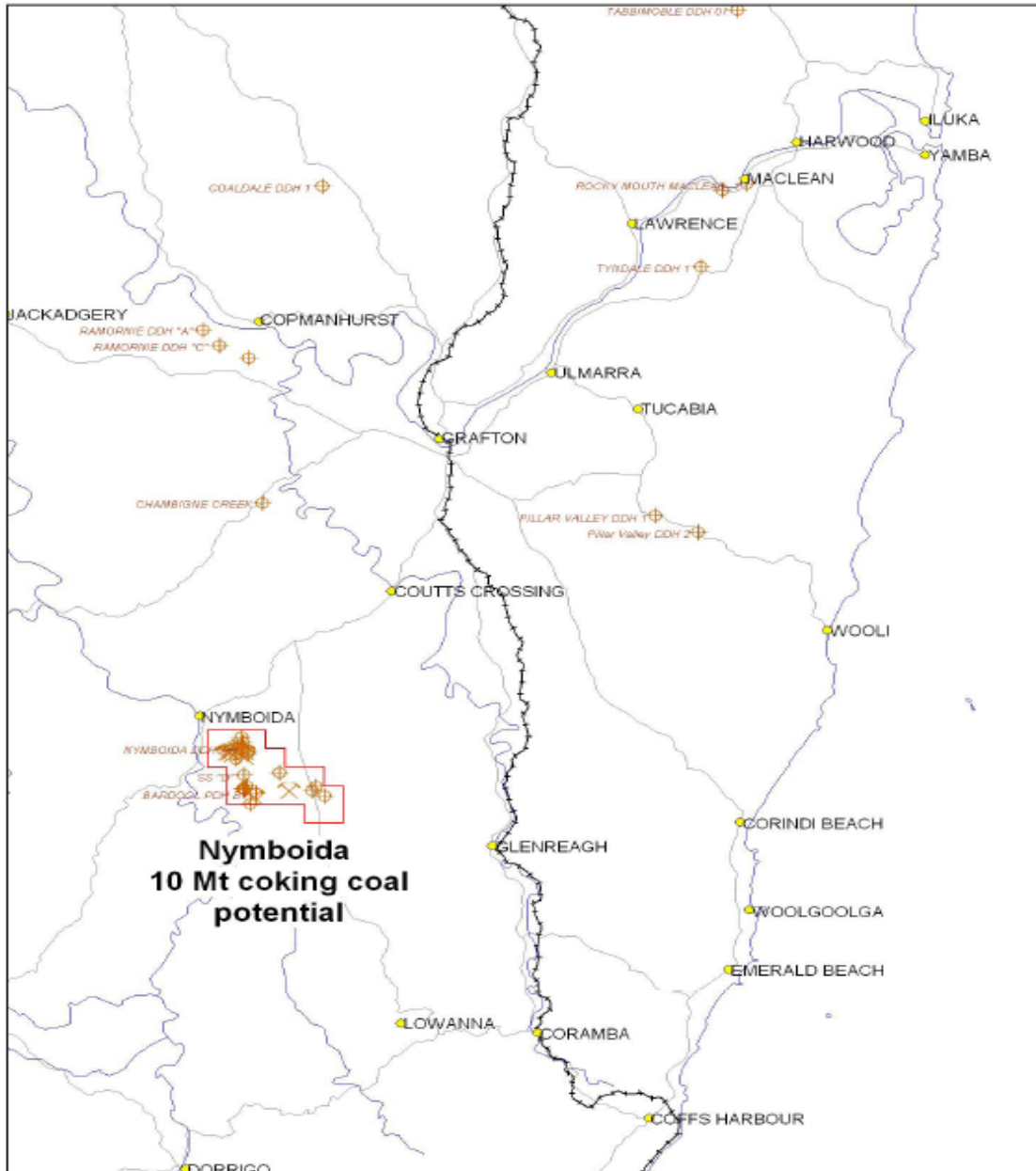


Figure 1: Location of EL 6467

Being elevated, the temperatures range from 0 degrees Celsius in the winter to 30 degrees Celsius in the summer months (December through to February). Moderate rain tends to fall during the winter months (200-300mm in total) with occasional heavy falls (100-200mm) during the summer storms.



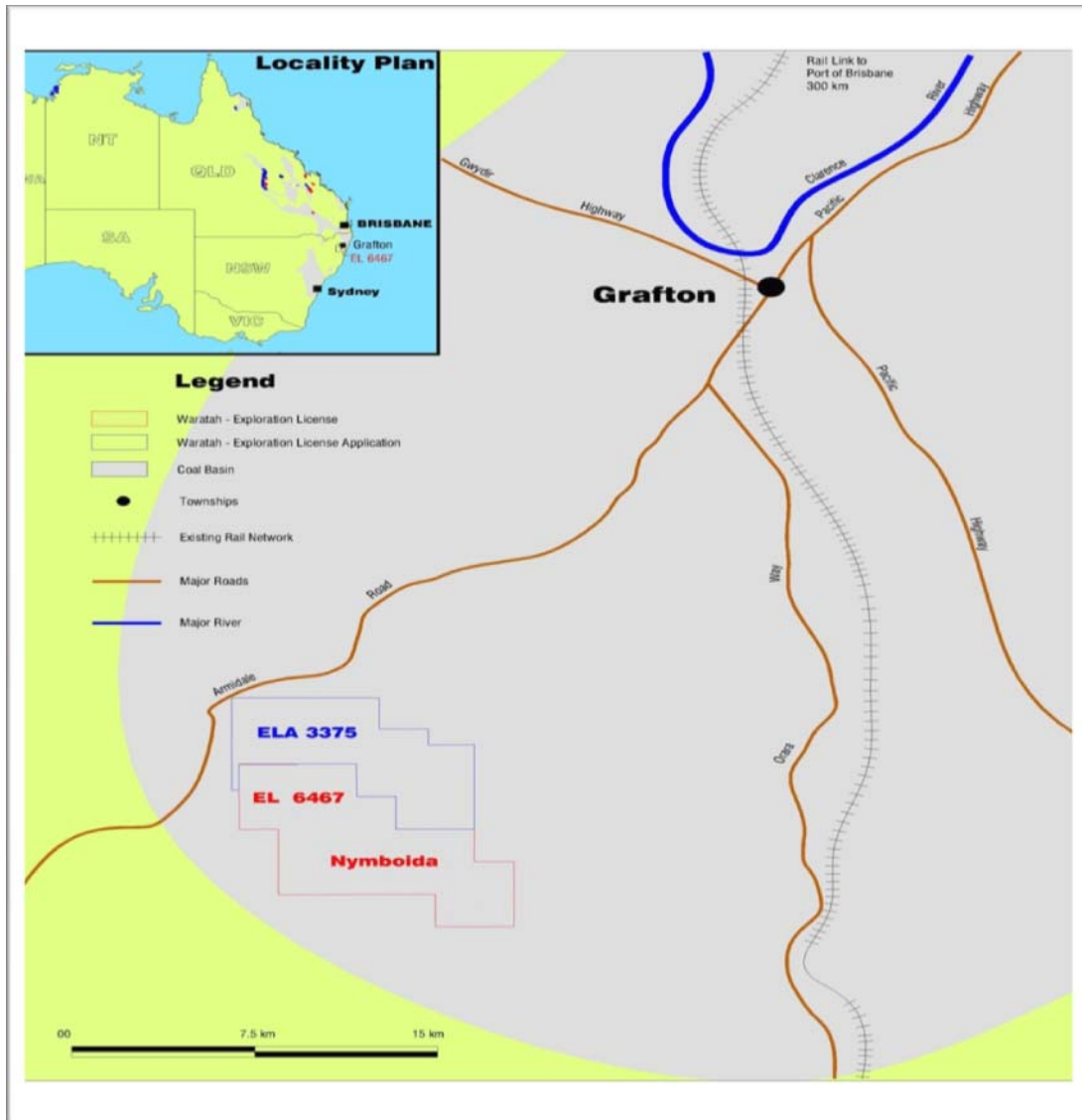


Figure 1a: Layout showing location of EL 6467

2.2 Economy & Transport Infrastructure

The economy is basically rural, with a number sugar cane plantations and dairy farms established in the lower-lying areas. Grafton is the nearest town, an inland rural centre situated along the Clarence River.

EL 6467 is located 35km south-west of Grafton in northern New South Wales (please refer to Figure 1), approximately 300km south of Brisbane. Grafton is a regional township of 16,000 through which passes Australia's national highway (the Pacific Highway) and the main northern railway line from Sydney to Brisbane.

The lease is situated 3.5km from Highway 78 (the Armidale-Grafton Road), which is a sealed regional highway connecting Grafton to Armidale.



This highway gives access to the major towns in the district and connects with the Gwydir Highway that connects Grafton to Glen Innes.

Access to the lease from the sealed Route 78 (Armidale-Grafton Road) is by Coal Mine Road, a gazetted council road to the old colliery. From the colliery, the rest of the lease is easily accessed by property and logging tracks.

3.0 HISTORY OF MINING IN THE REGION

3.1 General History of Mining at Nymboida

The Nymboida coal deposits were discovered in 1880, with production commencing by 1909. The principal operation commenced in 1948 and won a contract to supply coal to the Koolkhan power station at Grafton. The mine was only closed in 1979 when the aging power station was decommissioned. It is estimated that the total resource extracted from mining operations was approximately 200,000 tonnes.

A Joint Coal Board report in 1945 noted that the Nymboida seam then being worked was of superior quality to any other seam on the Far North Coast. In order to ascertain whether sufficient reserves existed to supply a proposed power station, an initial two boreholes were drilled down-dip of the mine. This drilling closed off the down-dip extension of the resource and a resource of approximately 200,000 tonnes of extractable coal (in an average 1.2m seam excluding bands) was estimated at the time in the immediate vicinity of the mine, assuming about 66% recovery (this calculation is non-JORC-compliant).

Mapping in the region by the NSW Geological Survey in 1954 suggested that the Nymboida coal seams are also observed in the Kangaroo Creek area some 7km east of the colliery. Conclusions from this mapping suggest that the coal-bearing section of the basin is developed at between 50m to 85m beneath the base of the Kangaroo Creek Sandstone.

Prior to Waratah Coal, there has been no modern exploration activity completed on the Nymboida region since the closure of the mine in 1979.

3.2 Geological Mapping and Analysis of Old Workings

In April 2007, a trip was made to DPI Maitland where record tracings of the old Nymboida Colliery were retrieved from archives and digitally copied for analysis and integration into the MapInfo mapping model.



All old workings were accurately recorded but were on a local grid with references to long lost survey points. New coordinates of identifiable existing structures were determined by GPS and allowed an accurate match with the existing present topographic and cadastral layers.

The production of a new integrated field plan mapping of outcrops and coal intersections with dip and strike information is complete. This, combined with drill-hole intersection data, will provide an accurate geological model to further assist borehole planning.

4.0 GEOLOGY

4.1 Regional Geology

The **Nymboida Coal Measures** are located in the Clarence Moreton Basin, as is shown in Figure 2 below. In outcrop, the Nymboida Coal Measures underlie the Ipswich Coal Measures time-equivalent rocks. This suggests that, rather than belonging to the late Triassic Ipswich Coal Measures, Nymboida coals are early-to-mid Triassic (Bowen Basin equivalent) rocks representing a southern extension of the Southeast Queensland Esk Trough. The Nymboida Coal Measures appear to be an erosional remnant, protected from late Triassic uplift and erosion by the down-faulting of the Shannon half-graben.

Geological data indicates that the Clarence-Moreton Basin is an extensive intra-cratonic Mesozoic sedimentary basin located primarily onshore in north-eastern New South Wales and southern Queensland (and possibly eastwards offshore across the adjacent continental shelf). In Queensland, the basin merges with the Surat Basin.



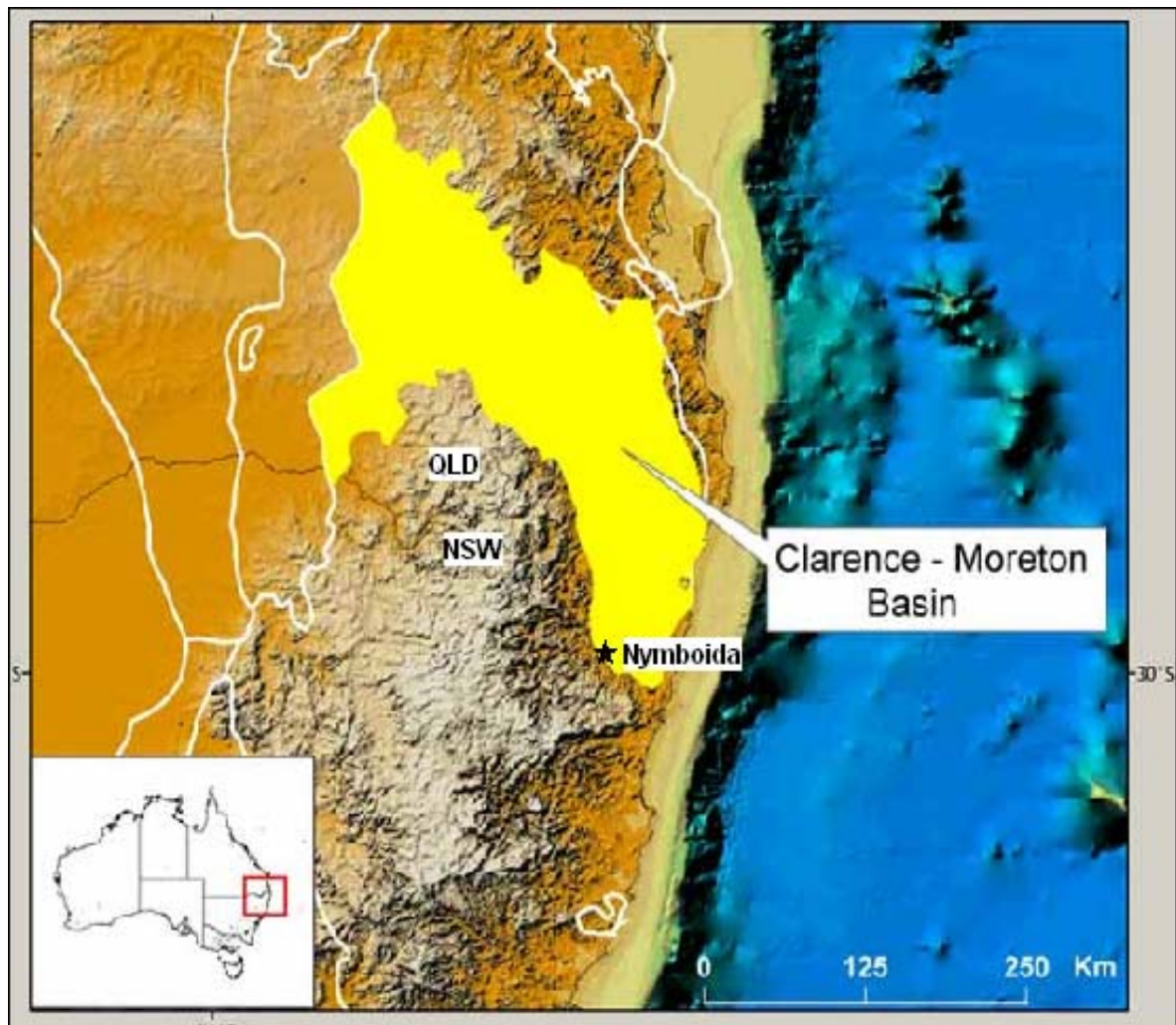


Figure 2: Outline of the distribution of the Clarence Moreton Basin

The tectonic history of basin formation in the region can be summarised as follows:

Late Permian dextral transtension on the West Ipswich Fault formed a basin beneath the Laidley Sub-basin.

In the Early Triassic, transtension stepped eastward to the Logan Sub-basin and the Esk Trough formed by thermal relaxation subsidence.

Thermal subsidence and continued minor strike slip faulting formed the Ipswich Basin in the east and the Horrane Trough in the west. The area of the Esk Trough-Laidley Sub-basin was a region of non-deposition.

From the Late Triassic to probably the Cretaceous, thermal subsidence high across the region saw deposition of the Clarence-Moreton Basin. Minor dextral strike slip movements along the basin-forming faults produced locally enhanced subsidence or uplift.



Compression or transpression during the Late Cretaceous formed minor thrusts with hanging wall anticlines and flower structures, and inverted some normal faults.

Initiation of rifting and sea floor spreading along the eastern Australian continental margin in the palaeogene saw heating and uplift of the eastern part of the Clarence-Moreton Basin and the end of dextral transpression.

Intermediate to basic volcanics and intrusions produced extensive heating and disruption of parts of basins during the Miocene.

A tectonic map for the Clarence Moreton basin is shown below:



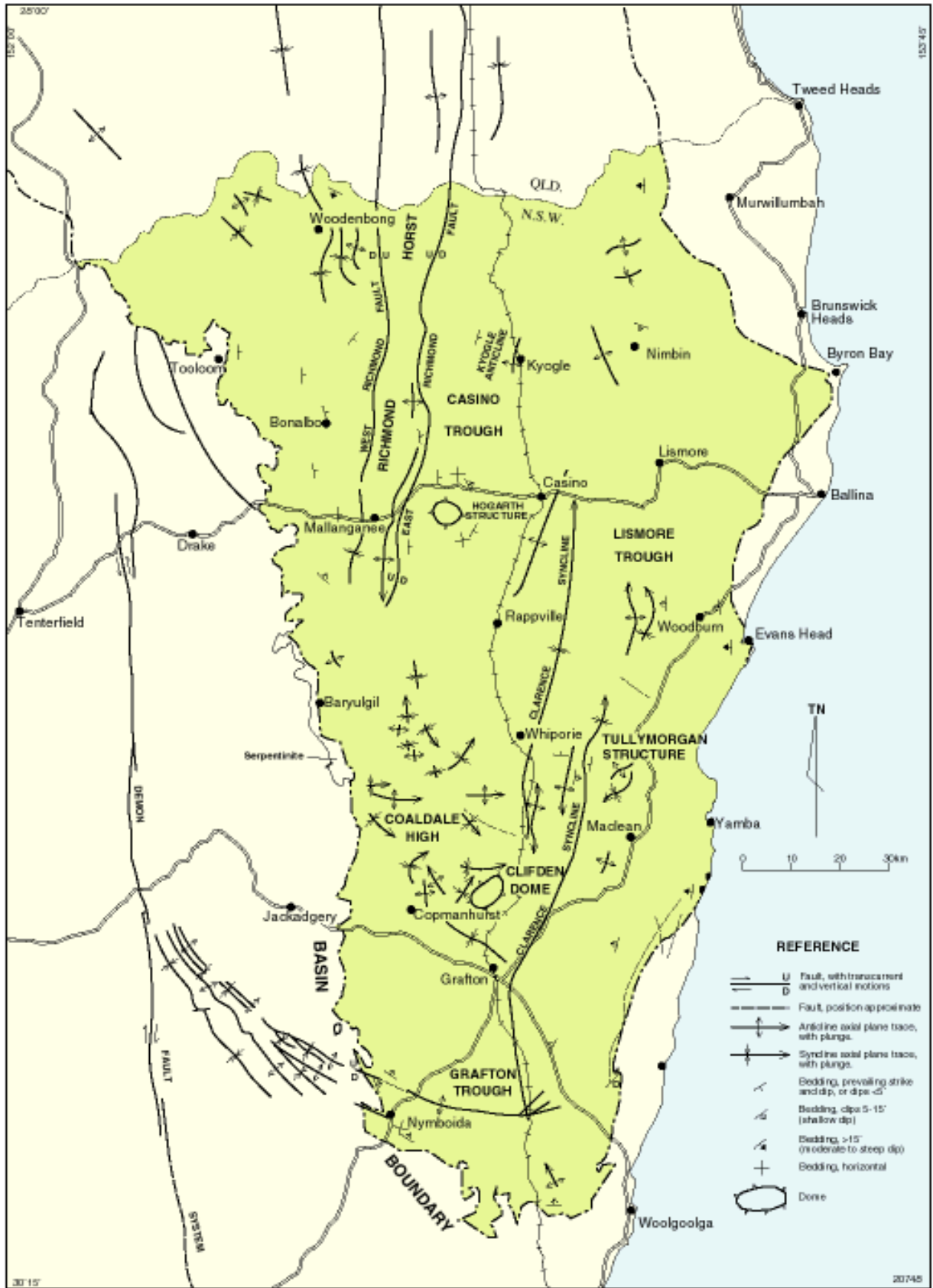


Figure 3: Tectonic Map of the Clarence Moreton Basin



4.2

Local Geology

The Nymboida Coal Measures are truncated by the Shannon Fault and are situated within a half-graben dipping at 7 to 8 degrees to the north-east towards the fault. The mid-Triassic section to the north of the Shannon Fault has been eroded off and covered by latest Triassic to earliest Jurassic rocks of the Clarence Moreton Basin.

Two seams are found in the **Nymboida Coal Measures**. The **Farquhar Creek Seam**, the upper seam, is stratigraphically some 600m above the **Bardool Seam**. The geology of the Nymboida area with respect to EL 6467 is shown below in Figure 4.

The Farquhar Creek Seam was primarily used as thermal coal for the local power station. Where the seam is found to have lower ash content, a good coking coal product was indicated.

4.3

Coal Quality

Of principal interest to Waratah Coal is the Farquhar Creek Seam. The Bardool seam is generally a high ash coal and is considered only suitable for thermal coal products. Coal quality information has been sourced from the coals extracted in the old mines:

Farquhar Creek Seam:

Inherent Moisture – <2%
Volatile Matter (ad) – 23%
Ash (ar) – 11 to 20%
Density (ad) – 1.36g/cc
Calorific Value (ad) – 32MJ/kg
Total Sulphur (ad) – 0.5%
Coke Strength – weak to strong

Bardool Seam:

Inherent Moisture – 12%
Volatile Matter (ad) – 18%
Ash (ar) – 17%
Density (ad) – 1.46g/cc
Calorific Value (ad) – 22MJ/kg



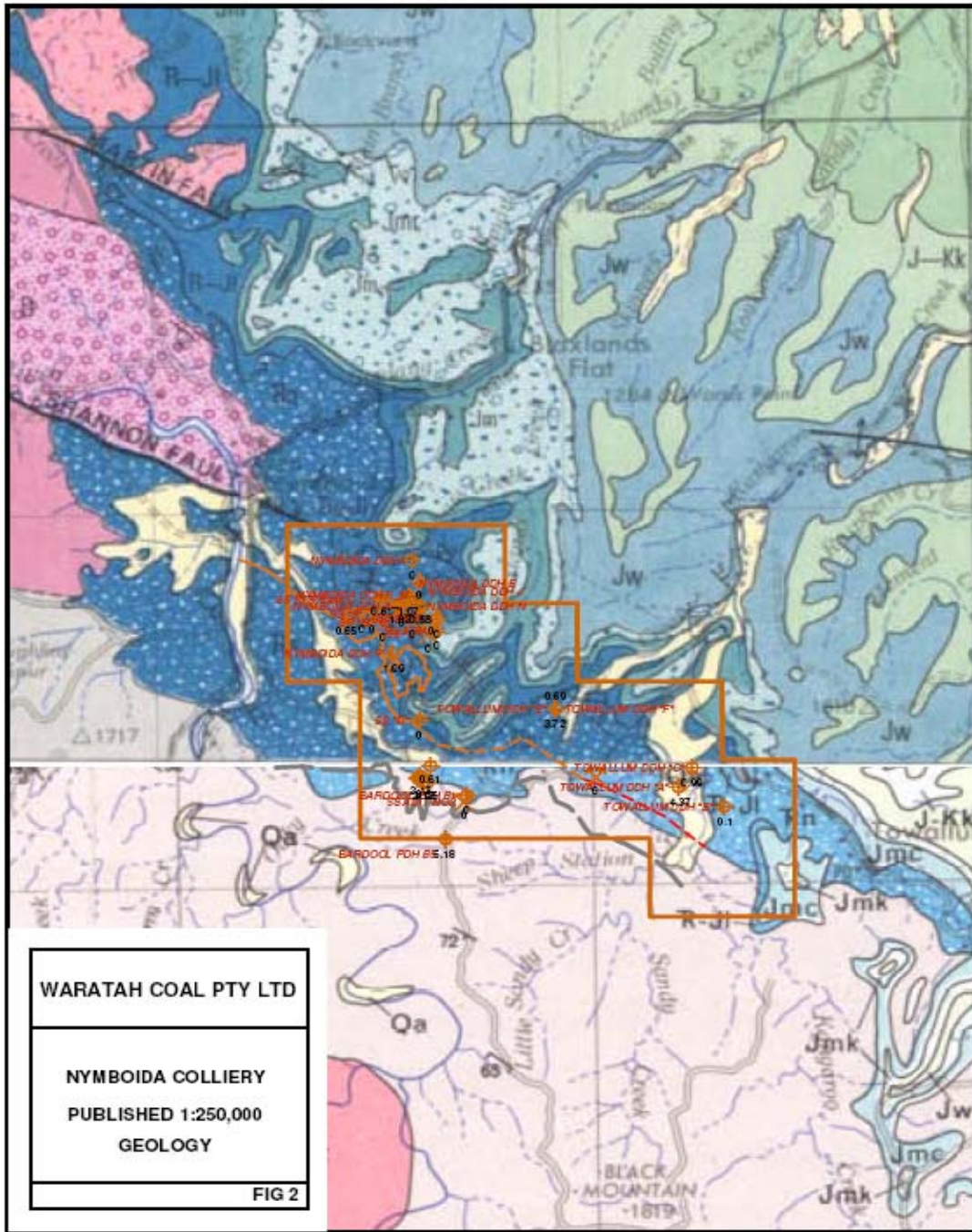


Figure 4: Geology of EL 6467



5.0 EXPLORATION

5.1 Exploration Activity

Waratah Coal exploratory drilling at the Nymboida Project commenced in early 2007 with seven boreholes completed (including two cored holes) to test the extent of the Farquhar's Seam in the south of the area. Results were very positive, proving the existence of coking coal in the underlying stratigraphy.

Exploration drilling will now move to a more advanced phase with the introduction of large diameter boreholes. This will allow for comprehensive and thorough sampling and testing of coal quality. In order to expand the resource, exploration will now target the eastern and northern areas.

A strategically planned pattern of drill holes has been designed to provide maximum coverage leading to JORC-compliant resource estimations with cores at regular intervals. Initially, only one drilling rig will be operating on the lease because the coverage area is relatively small (under 60sq km).

For all resources calculations, exploration results and updates of drilling activities please refer to the announcements page.

5.2 Related Activities

In addition to the drilling program, Waratah Coal has also completed geological mapping of the old mine workings, as well as a comprehensive examination of infrastructure issues. Stratigraphic mapping and seam correlation is on-going.

5.3 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. There have been **no** reportable or first aid incidences to date. Gas testing of holes has been routinely undertaken for safety reasons with no positive results.

6.0 SUMMARY

Scrutiny of the record tracings of the old mine workings indicate that mine operations extended further to the east than previously thought. Workings extend beyond Basin Creek and into the next eastern escarpment. It is clear from examination of the workings that topography plays an essential part in seam extent with sharp gullies exposing coal and therefore hindering development.

Potential deposits will be targeted to the southeast and northwest of the Nymboida Colliery. As northeast descending hillsides are at a low angle to seam dip, considerable potential exists for open-cut deposits, although for environmental reasons the primary focus remains on underground operations.

Additionally, the workings do show that some of the already mined deposit has not been fully extracted and some scope exists for reworking with modern plough technology. There is also the scope for the Bardool Seam to be explored in the Kangaroo Creek area.

A potential 10 Mt coking coal deposit with a 2m working seam would occupy an area only slightly larger than 3sq km. Additional drill holes 1km apart would be sufficient to locate such a target. Active drilling will thus continue on an ongoing basis in 1km spacing to prove up larger quantities of the export quality hard coking coal. JORC-compliant resources in excess of 10 million tonnes are the principal focus of exploration.

Waratah Coal is also currently conducting a development-scoping study for the Nymboida. This study will outline mining methods and production options, as well as power, rail and port infrastructure options prior to a full prefeasibility study later this year.

