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EXPRESSION OF INTEREST

NSW COAL RELEASE AREA

SPUR HILL – HUNTER COALFIELD

Dated: 10/10/2008

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1. OVERVIEW

1.1 Introduction

The Spur Hill area is located in the Hunter Coalfield and covers an area of 33 km^2. It is the third largest of the release areas and is favorably located in terms of infrastructure and transport. The following text and illustrations have been extracted directly from a report compiled by A Moore, 2003.

1.2 Location and Setting of Release Area

The Spur Hill area is located on the northern side of the Hunter River, approximately 15kms west of the village of Jerrys Plains and 10kms east of the township of Denman. The area covers approximately 34kms^2 and has been identified as containing possible open cut and underground resources. Surrounding coal leases include Anglo Coal (Saddlers Creek) and Mt Arthur Coal (Mt Ogilvie Bayswater Extension) to the east, and Centennial Hunter (Anvil Hill) to the north west.

1.3 Mining History

No mining has occurred within the area of interest.

1.4 Previous Exploration

Scout drilling by the Joint Coal Board (JCB) was undertaken in 1949 and involved the drilling of a series of approximately 17 holes called the Ellis Program in the south eastern corner of the area.

The area was previously covered by EPTA2 and in part by Authorisation 209, which was granted to Carpentaria Exploration Company (CEC) on 28/07/1978. CEC undertook active exploration of the area during the period 1978 to 1983. Their activities included the drilling of approximately 25 holes as part of their Denman Program. This licence was relinquished in the mid 1990's.

Drillhole spacing in the Spur Hill area is currently at approximately 2km centres in the area west of the MOFS and approximately 1km centres in the area east of the MOFS.

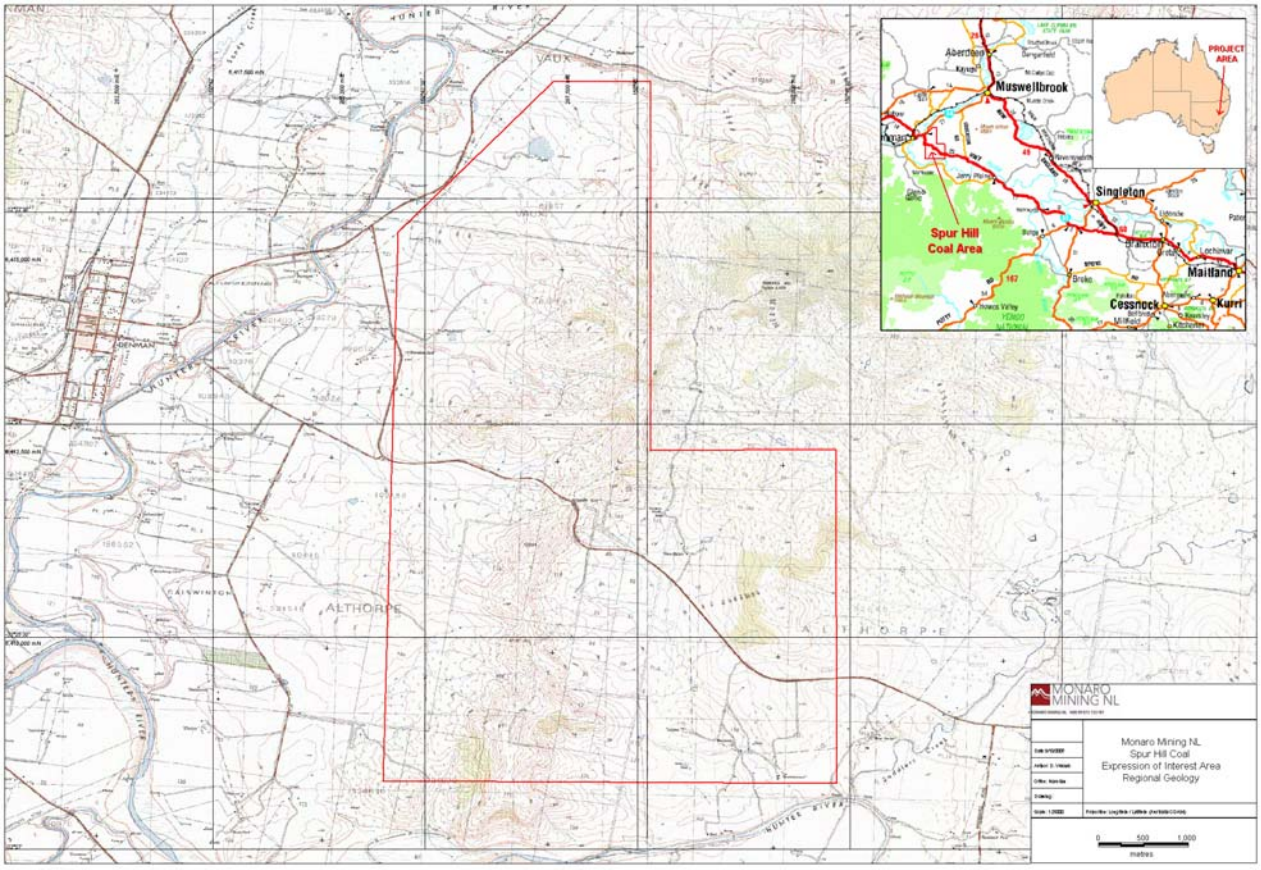


Figure 1: Location and setting of the Spur Hill area

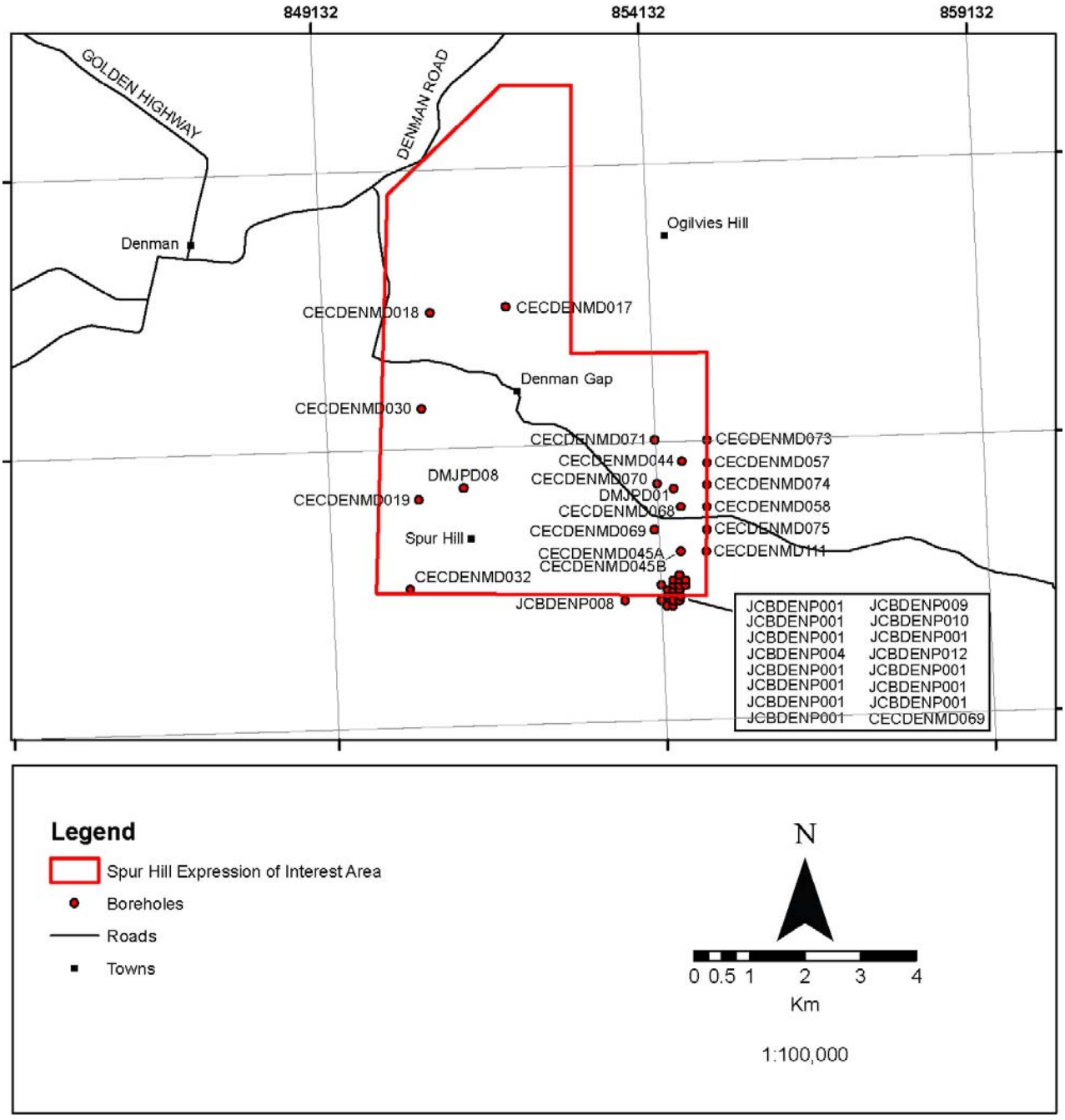


Figure 2: The extent of drilling data within the Spur Hill area.

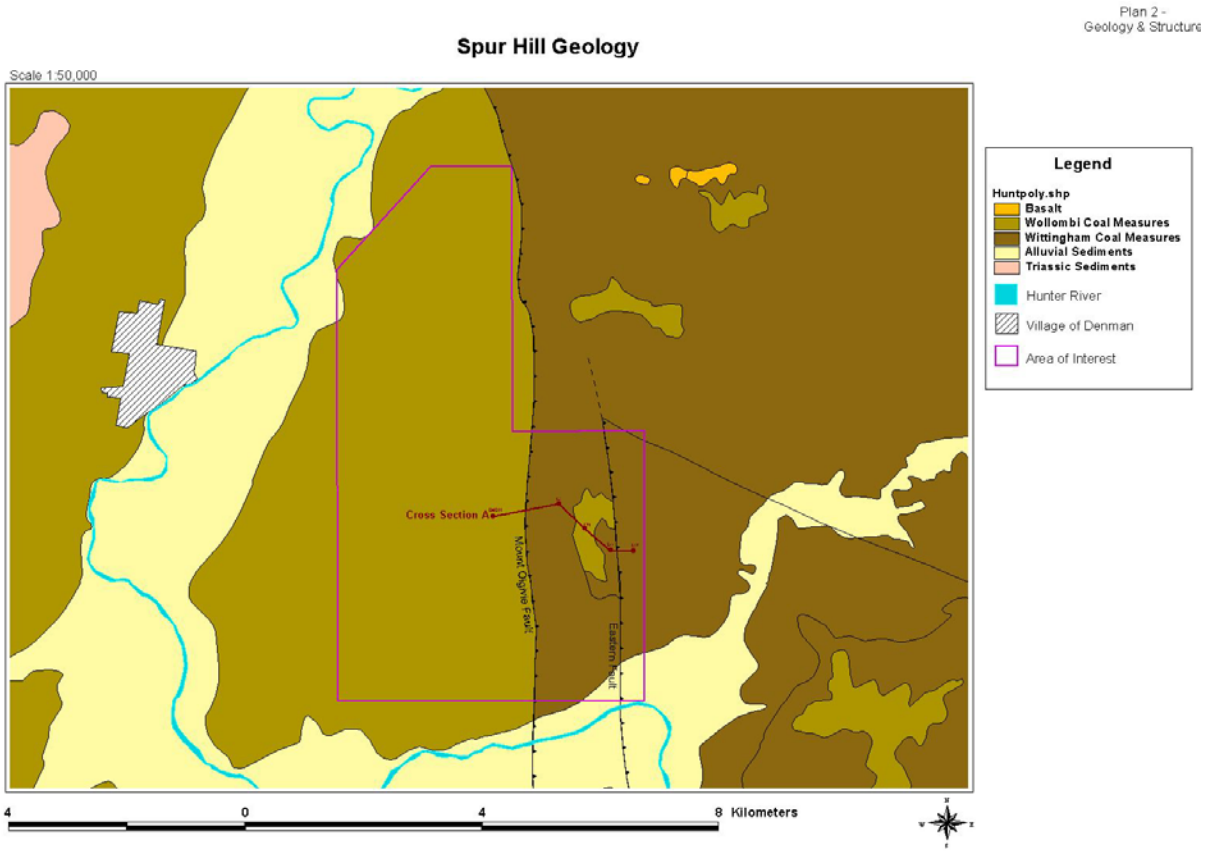
1.5 Geology

The subject area overlies the Mount Olgilvie Thrust Fault System (MOFS), which effectively divides the area into two (2) structural domains (See Figures 2 and 3). Sediments from the Wollombi and Wittingham Coal Measures outcrop in the area. Table 1 represents the general stratigraphy found in the Spur Hill resource area.

In the east, the seams of the Wittingham Coal Measures subcrop in a region that contains two (2) major, parallel, north-south trending faults of the MOFS (refer plan 2). These faults are called the Mount Olgilvie Fault and the Eastern Fault and have east side up throws of between 50-70m each.

The area between these two (2) major faults is believed to contain several smaller faults of which one (1) has been identified (refer figure 1 and plan 2) These structures may preclude the potential for underground mining in the area but have brought several groups of coal seams closer to the surface so that narrow north-south trending strips may contain possible small open cut coal resources.

To the west of the MOFS, coal seams of the lower part of the Wollombi Coal Measures (WCM) dip gently to the west and south west and subcrop on the flanks of the north-south trending ridgelines. The area is free of any known major structural disturbance and is also believed to contain potential underground coal resources in the upper Wittingham Coal Measures at depth.



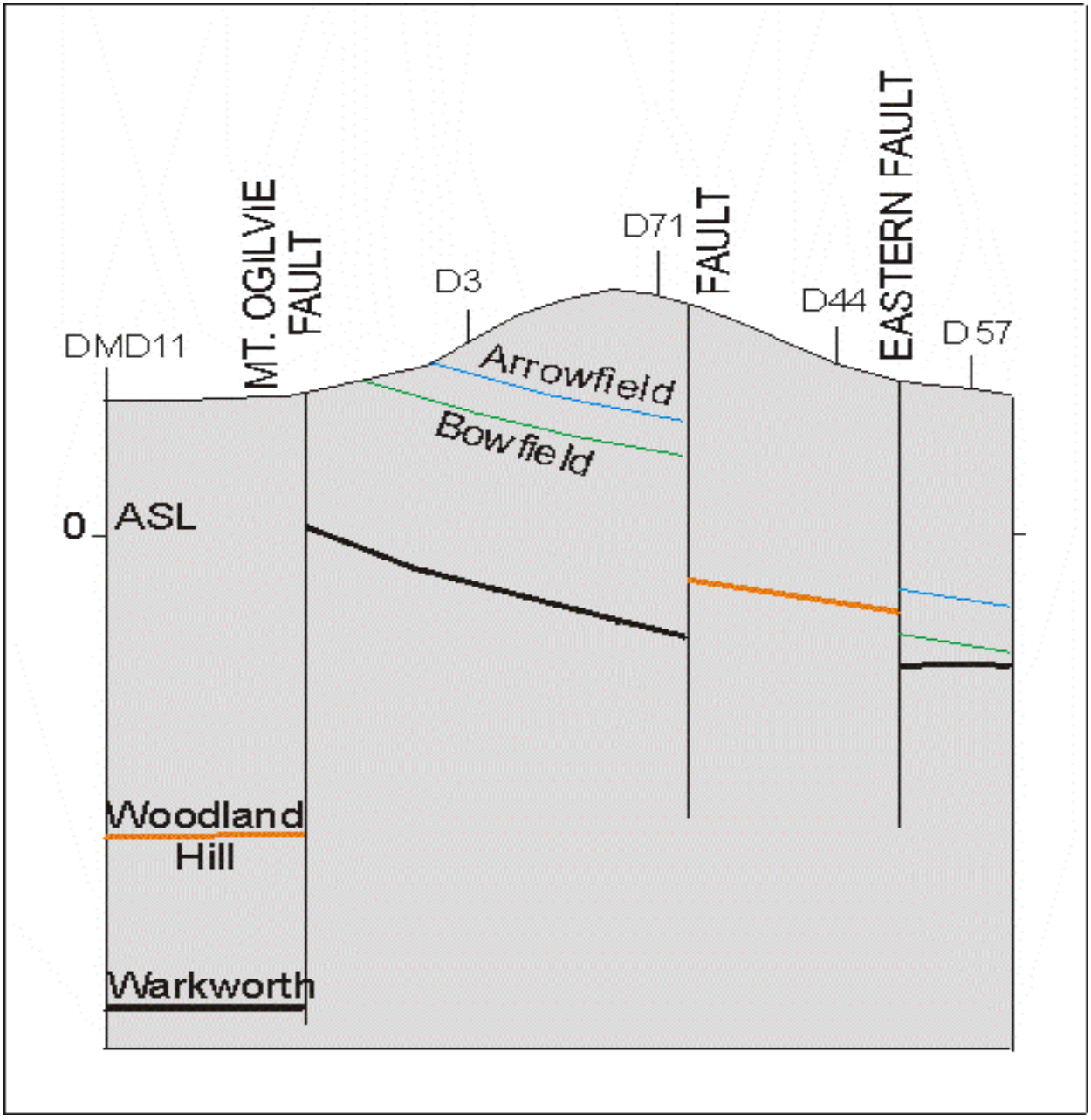


Figure 4: Cross-section (from Figure 3)

<table>
<tr><td rowspan="2">WOLLOMBI COAL MEASURES</td><td colspan="2">(a) Appletree Flat Subgroup</td><td>Abbey Green Seam</td></tr>
<tr><td colspan="3">(i) Watts Sandstone</td></tr>
<tr><td rowspan="19">WITTINGHAM COAL MEASURES</td><td colspan="3">Denman Formation</td></tr>
<tr><td rowspan="19">JERRYS PLAINS SUBGROUP</td><td>Mt Leonard Formation</td><td>Whybrow seam</td></tr>
<tr><td colspan="2">Awthorpe Formation</td></tr>
<tr><td rowspan="4">Malabar Formation</td><td>Redbank Creek Seam</td></tr>
<tr><td>Wambo Seam</td></tr>
<tr><td>Whynot Seam</td></tr>
<tr><td>Blakefield Seam</td></tr>
<tr><td rowspan="2">Mt Ogilvie Formation</td><td>Glen Munro Seam</td></tr>
<tr><td>Woodlands Hill Seam</td></tr>
<tr><td colspan="2">(ii) Milbrodale Formation</td></tr>
<tr><td rowspan="3">Mt Thorley Formation</td><td>Arrowfield Seam</td></tr>
<tr><td>Bowfield Seam</td></tr>
<tr><td>Warkworth Seam</td></tr>
<tr><td colspan="2">Fairford Formation</td></tr>
<tr><td rowspan="5">Burnamwood Formation</td><td>Mt Arthur Seam</td></tr>
<tr><td>Piercefield Seam</td></tr>
<tr><td>Vaux Seam</td></tr>
<tr><td>Broonie Seam</td></tr>
<tr><td>Bayswater Seam</td></tr>
</table>

Table 1: General Stratigraphy of the Spur Hill area

Coal Quality

Lower Wollombi Coal Measures:

(Abbey Green Seam)

There is currently no quality data available for this sequence within the Spur Hill area. This sequence is typically highly banded and as a consequence earlier drilling deemed it undesirable and thus the seam was not a target of exploration. The Abbey Green seam coal is expected to have a high raw ash content due to the high number of stone bands.

Malabar Formation:

(Whybrow, Redbank Creek, Wambo and Whynot Seams)

The seams of the Malabar Formation present within the Spur Hill area have an average raw ash content of between 7% and 30%, but generally between 15% to 25%. At float F1.60, seams produce a yield of between 62% to 96% for a product of 5% to 15% ash, (Redbank Creek between 9% to 14%; Whynot between 5% to 6%; Whybrow between 7% to 14%; Wambo between 4.5% to 8.5%).

Raw coal Crucible Swell Number (CSN) ranges from 3 to 6 for the Wambo seam and generally between 1 to 3 for the Redbank Creek, Whynot and Whybrow seams. Coal produced would be suitable for the export semi-soft coking market (Wambo) and the domestic thermal market (all seams).

At float F1.60, CSN ranges from 2 to 2.5 for the Redbank Creek and Whybrow seams and from 3 to 5 for the Whynot and Wambo seams. Coal produced would be suitable for the export semi-soft coking market and export thermal market (Wambo and Whynot seams with yields of between 75% to 90%) and the domestic thermal market (Redbank Creek and Whybrow seams with yields of between 55% to 75%).

Mt Ogilvie Formation:

(Woodlands Hill Seam)

The Woodlands Hill seam is the only seam of this formation identified and sampled within the Spur Hill area. It should be noted that borehole data points for this seam is rare as in most boreholes this sequence was not sampled.

The seam has an average raw ash content of between 26% to >35%. At float F1.60, the seam produces a yield of between 54% to 66% for a product of 8% to 13.5% ash.

Raw coal CSN ranges from 0 to 1. Coal produced would be suitable for the domestic thermal market only. At float F1.60, CSN can reach 4.5 and coal produced could potentially be suitable for the export semi-soft coking or thermal markets however yields are low (between 55% to 65%).

Mt Thorley Formation:

(Arrowfield, Bowfield and Warkworth Seams)

Previous exploration has not identified the Arrowfield or Bowfield seams, however an Unnamed seam A and seam B are identified directly above the Warkworth seam in many boreholes. These two (2) unnamed seams have been included here as part of the Mt Thorley Formation.

Seams of the Mt Thorley Formation within the Spur Hill area have an average raw ash content of between 9.0% to 17%. At float F1.60, seams produce a yield of between 76% to 93% for a product of 6.5% to 9.0% ash.

Raw coal CSN ranges from 2.5 to 4.5. Coal produced would be suitable for the export semi-soft coking market (Unnamed A and Unnamed B seams) and the domestic thermal market (Warkworth seam).

At float F1.60, CSN ranges from 4 to 5.5. All seams would be suitable for the export thermal or export semi-soft coking markets with yields of between 80% to 90%.

Burnamwood Formation:

(Mt Arthur, Piercefield, Vaux, Broonie and Bayswater Seams)

The seams of the Burnamwood Formation present within the Spur Hill area have an average raw ash content of between 18% to >35%, but generally between 20% to 28%. At float F1.60, seams produce a yield of between 65% to 85% for a product of 9.5% to 18% ash (Mt Arthur – sampled only once – 16.4% ash; Vaux 9.5% to 10.5% ash; Broonie 12.5% to 13.5% ash; Bayswater 17% to 19% ash and Piercefield was not sampled).

Raw coal CSN ranges between 0.5 to 1.5 for the Mt Arthur, Broonie and Bayswater seams, and from 2.5 to 3 for the Vaux seam. Coal produced would be suitable for the export semi-soft coking market (Vaux) and the domestic thermal market (Mt Arthur, Broonie and Bayswater).

At float F1.60, CSN ranges from 1 to 3 for the Mt Arthur, Broonie and Bayswater seams and from 6 to 6.5 for the Vaux seam. Coal produced would be suitable for the export semi-soft coking market (Vaux seam with yields of between 66% to 75%), the export thermal market (Broonie seam with yields of between 70% to 85%) and the domestic thermal market (Mt Arthur seam with a yield of 65% and the Bayswater seam with yields of between 70% to 80%).

1.6 Geophysics

No geophysical prospecting has been assessed.

1.7 Environmental Constraints

- Landuse pressure from agricultural developments such as vineyards and horse studs.
- Proximity to the major rural arteries of the Golden Highway and Jerry's Plains Road.

1.8 Potential Resources

The Spur Hill area contains both open cut and underground coal resource potential. Open cut target areas have simply been defined by the location of boreholes, which intersect the identified resource sequence, overburden to coal strip ratios and topography.

Plan 4 -
Resource Blocks

Spur Hill Resource Blocks

Scale 1:50,000

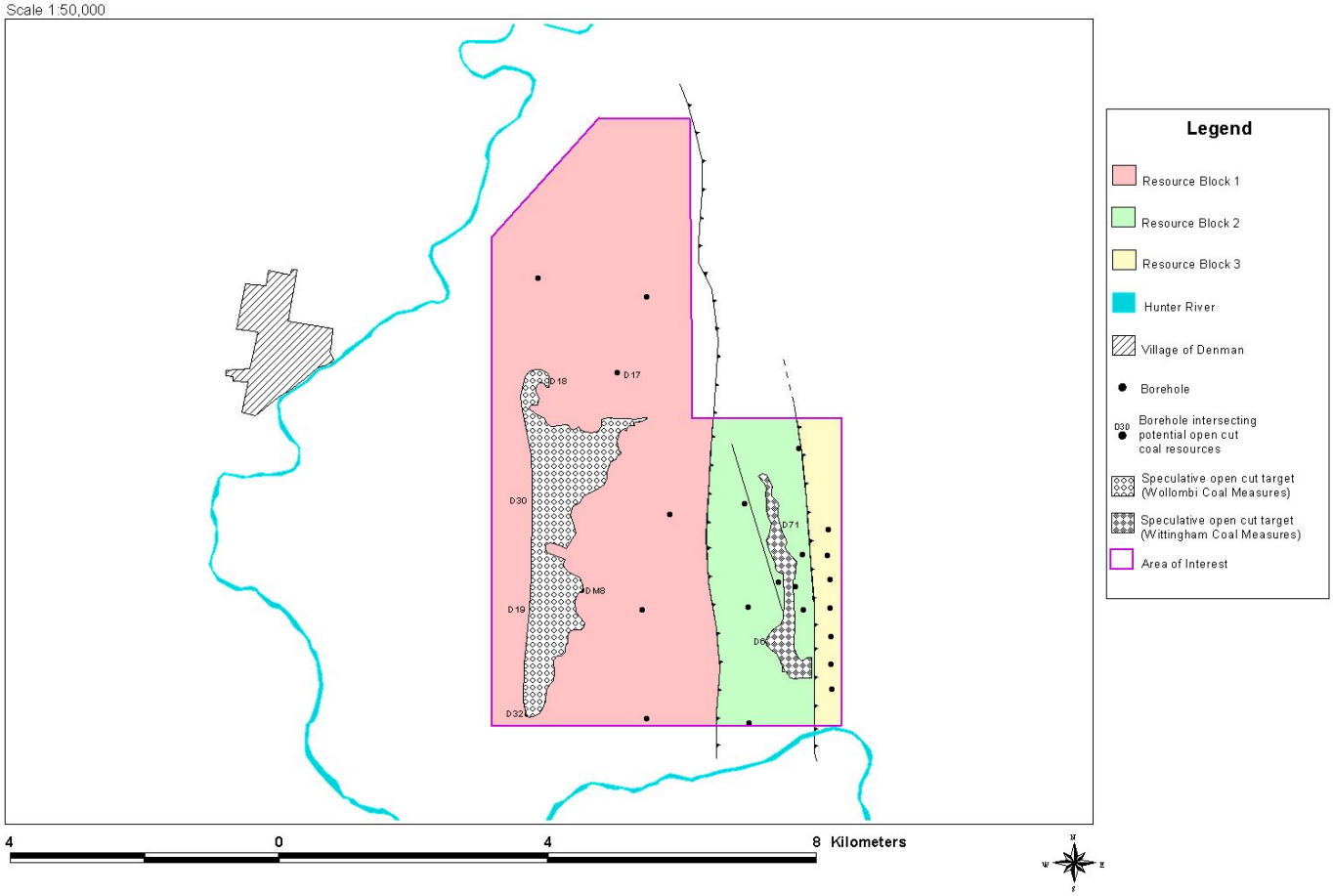


Figure 5: Resource Blocks

Resource Block 1

The western Resource Block 1 contains potential open cut and underground coal resources.

Open cut coal resources are primarily contained within the lower Wollombi Coal Measures, which subcrop upon the flanks of the north-south trending ridgelines. The sequence is interpreted to be the Abbey Green Seam and is typically spread out over a 5m to 10m interval. This seam is highly banded and has not been a target of previous drilling; therefore little to no data is available on this sequence or the coal it contains.

Tentative insitu coal resources are estimated to be between 10–15Mt, with overburden to coal strip ratios of <10:1 linear. However, due to a lack of borehole and coal quality data these calculations are considered highly speculative.

Underground coal resources are primarily based on the extraction of the Whynot seam. This seam has an average thickness of 2.5m across the western block at depths ranging from 180m to 220m. Calculated insitu coal resources are tentatively estimated to be between 70-80Mt, however these calculations again are considered highly speculative.

Resource Block 1 is interpreted as having little or no geological disturbance within it. Any variation to this interpretation is likely to reduce the underground resource estimate.

Resource Block 2

Within the eastern Resource Block 2, potential open cut resources exist where the major faulting associated with the Mount Olgilvie Thrust Fault System has brought the coal seams of the Wittingham Coal Measures closer to the surface. Small coal resources may be contained within narrow north-south trending strips that may be amenable to open cut extraction.

These potential open cut resources are primarily contained within the Redbank Creek, Wambo and Whynot seams of the Malabar Formation, a stratigraphic unit of the upper Wittingham Coal Measures. Tentative calculations of insitu coal resources are estimated to be <5Mt, with overburden to coal strip ratios of <10:1 linear.

Resource Block 3

Within the eastern Resource Block 3, open cut coal resources again could potentially exist within fault controlled north-south trending strips containing the seams of the upper Wittingham Coal Measures. However, calculated overburden to coal strip ratios for the boreholes intersecting this sequence well exceed 10:1 linear. Therefore, no resource calculations have been attempted.

Resource Summary

The Spur Hill resource area contains approximately 10-20Mt of open cut resources and approximately 70-80Mt of underground resources. These resources are contained within the lower Wollombi Coal Measures and the seams of the upper Wittingham Coal Measures.

The lower Wollombi Coal Measures have not previously been a target for exploration resulting in a definitive lack of borehole and quality data. Consequently their resource potential is considered speculative at best.

The remaining resources identified are supported by a limited spread of boreholes and the figures calculated are considered speculative. Further explorative drilling is required within the Spur Hill area to further delineate both the open cut and underground resources.

Disclaimer

It should be noted that statements relating to potential quantity and quality of the coal seams is conceptual in nature as there has been insufficient exploration to define a coal resource and it is uncertain whether further exploration will result in the determination of a coal resource.
In addition, the Company has not yet taken into consideration a number of modifying factors such as mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors, any one of which may render the project in question unviable.