Taroom Coal Propriety limited
Elimatta Project

COAL SEAM GAS STATEMENT
AND
INITIAL DEVELOPMENT PLAN

Mining Lease Application

May 2009
1.0 COAL SEAM GAS STATEMENT

1.1 Introduction

This preliminary Coal Seam Gas Statement is made to support a Mining Lease Application (MLA) made by Taroom Coal Proprietary Limited over Exploration Permit Coal 650. This is a preliminary Statement as project studies are in progress to complete a full Project Feasibility Study in the early part of calendar year 2010. At that time this Coal Seam Gas Statement will be updated with will information generated as part of the feasibility study works. This Statement is made to assist the Mining Lease Application and the Application for an Environmental Authority for the Elimatta Project.

1.2 Company Details

The Mining Lease Application applicant for the Elimatta Project is Taroom Coal Proprietary Limited (Taroom Coal), ACN 079 251 443. Taroom Coal is a wholly owned subsidiary of Northern Energy Corporation Limited (NEC), ABN 90 081 244 395. NEC manages the business of Taroom Coal, including work on the Taroom Coal mining tenures and takes full responsibility for Taroom Coal. NEC will be responsible for funding the Elimatta Project and for the obligations under the Mineral Resources Act and the Environmental Protection Act pertaining to the Elimatta Project.

NEC is a Brisbane based coal exploration and development company which listed on the Australian Stock exchange in February, 2009 – ASX Company Code NEC. NEC has numerous granted exploration tenements in Queensland and northern New South Wales which contain both thermal and coking coals. The Elimatta project is one of four projects that NEC is actively progressing from resource identification and proving through to mine development and operation.

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Website: www.northernenergy.com.au

1.3 Project Name

The Elimatta Project consists of the development of a +250 Million tonne (Mt) thermal coal deposit of the Juandah formation in the Surat Basin, South East Queensland, Australia. The project is planned to mine up to 8.0 Mt of Run-of-Mine (ROM) coal per annum (pa) – averaging ~7.5 Mtpa, by open pit mining methods to produce on average 5.0 Mtpa of product coal for export. Project production “life” is anticipated to be more than 25 years based on current economic assessment of the resource. The project location is as shown in Figure 1.

1.4 Tenures

The tenement covered by this Coal Seam Gas Statement is Exploration Permit Coal – EPC 650. This tenure has overlapping Authority to Prospect 852 (ATP 852) currently registered to Pure Energy Resources Limited.
1.5 Exploration Background

The Elimatta Project area had been regionally explored by previous exploration tenement holders in the 1970’s and 1980’s. The project area was first granted to Taroom Coal from 5 March, 2006 for a term of three years and a Renewal Application has been lodged. The area has been under an exploration tenure since at least 2000. Taroom Coal lodged Mineral Development Licence Application 373 in March 2007 after identifying a significant resource of high quality thermal suitable for extraction by open cut mining methods.

NEC commenced exploration activities on site in November, 2006 following inclusion of a previously exclude Reserve Area – Native Title claim area. Using the results from the first field program NEC was able to determine to JORC reporting standards an Indicated Resource of 22Mt and an Inferred Resource of 200Mt with all but 4mt at in situ strip ration less than 10. Following the mid 2007 field program, NEC announced in October 2007 that Indicated Resource at Elimatta had been increased to 155Mt (from 22Mt) and Total Resource to 285Mt (JORC Standard). Coal quality testing was continuing to confirm the thermal coal as suitable for the export market.

Ongoing exploration and coal analysis work culminated in NEC announcing in February, 2008

- Initial Measured Resource of 35Mt
- Confirmation of an Indicated Resource of 135Mt
- Improvement in Raw Coal Quality – raw ash reduced by 35 and in situ moisture by 1%
- Extensive laboratory and preparation plant simulation modelling identified the project as producing a single washed thermal coal product at 9.8% ash
- Incorporation of an raw and washed coal analysis into the geological model has increased confidence in the size and quality of the resource, and
- Mining and coal preparation studies indicated the potential to establish a 4 – mtpa product coal open cut mining operation on based on the resource.

Exploration and coal analysis activities continued through 2008 such that in September NEC advised

- Increased Measured Resource to 129Mt
- Total resource of 244mt including 40Mt Inferred status with all but 5mt at insitu strip ratio less than 10:1
- In addition an Exploration target of 30 – 50Mt has been identified

1.6 Project Scope and Objectives

Elimatta Project:

- Open cut coal resource of +250Mt at less than 100m below surface
- Production rate of ~ 7.5 Mtpa ROM coal for +25 years (current economic assessment of the project at pre-feasibility study level)
- Conventional open cut mining using trucks and excavators (dragline assist to be investigated)
- Mine related infrastructure including workshop, offices, coal handling and preparation plant
- Product hauled some 400 km by rail to the Wiggins Island Coal terminal at Gladstone.

1.7 Project Milestones

- Mining Lease Application May 2009
- Environmental Authority Application May 2009
- Commence site construction Quarter 3 calendar year 2011
- Commence production Quarter 4 calendar year 2012
- Finish mine production By 2040
- Mine closure within 40 years of grant of mining lease

1.8 General Geology

The EPC650 is in the Surat Basin and the target sequence is the Juandah Coal Measures, part of the Injune Creek Group. The Juandah and underlying Taroom Coal measures combined form a comparable section to the Walloon Coal Measures of the Moreton Basin to the east. The Juandah Coal Measures are middle Jurassic in age. Ongoing exploration and collation of data has resulted in an updated stratigraphy from that previously reported. The Juandah coal measures in EPC650 are now reported to be comprised of 5 main seam groups. The main seam groups are named UG, Y, A, B and C and are based primarily on old Brigalow Mines (former tenure holders) nomenclature. The seams are separated by interbedded to massive sandstones, siltstones and mudstones. The non-coal units are only moderately well lithified and tend to be reasonably soft. The coal typically has a vitreous lustre.

1.9 Coal Seam Gas Occurrence

The Project tenure(s) overlap with coal seam gas exploration tenure Authority to Prospect 852 (ATP 852) currently registered to Pure Energy Resources Limited. The tenure was granted from 20 April, 2007 for an initial term to 30 April, 2011. NEC had commenced negotiations with Pure Energy but this company was recently taken over by the BG Group. NEC has initiated discussions with BG Group towards making a Co-Development Agreement. NEC wishes to negotiate a Co-Development Agreement that provides for efficient and expedited processes under which the parties may obtain and undertake further petroleum tenements and mining tenements in the co-development area.

NEC plans to test for coal seam gas as part of the additional exploration activity necessary to support the Project Feasibility Study. This testing will inform an update to the Coal Seam Gas Statement attached with this application. However, published information in the Environmental Impact Statement for the nearby Wandoan Coal Project indicates that whilst coal seam gas will be present in the Wandoan Coal Project open pit mine workings as a fugitive emission, the concentration of gas is well below levels that would make it suitable for commercial extraction. Given the very similar geology of the coal occurrences within the Wandoan Coal Project area and at the Project and NEC’s experience gained during the resource definition drilling there is every reason to expect that testing at the Project will provide a similar result. Exploration results to date indicate that there is no economic gas resource at depths that will be impacted by open cut mining although economic quantities of gas may be available at depth under the open pit workings.
1.10 Project Viability

- Proven Reserves of 82.3Mt and Probable Reserves of 23.5Mt;
- Reserves based on an open cut mining operation with a nominal 5Mtpa output
- Defined reserve able to be economically extracted by opencut methods
- Marketable product suitable for power generation (or conversion to liquids)

1.12 Project Benefits

The Elimatta Project will have a positive impact on the Wandoan Taroom area within the Dalby Regional Council for many years through the provision of jobs and the requirement for services in the area. The workforce for both construction and operations is projected to be approximately 300 directly associated with the mine project plus additional employment in services and support industries.

Coal is Queensland’s highest value export and the coal industry provides significant value to the State by way of direct and indirect employment, purchase of goods and services and payment of taxes and royalties. The Elimatta Project provides an opportunity to add to the contribution the industry makes to the State with its development.

The Project will also provide benefit to the country on a national scale. This is achieved through increased foreign revenue from the export of coal and general economic stimulus through increased employment and the purchase of goods and services.

NEC has identified a resource of some 250Mt within EPC 650 of which at least 170Mt can be economically extracted using today’s evaluation standards by efficient open cut mining methods to generate 106Mt product coal suitable for the international market for thermal coals. The project is anticipated to have a production ‘life’ in excess of 20 years.

At prices ruling today the project will generate on average $500M revenue per year and make royalty and tax payments in excess of $80M per year to Federal and State and Local Governments.

The Project will generate approximately 300 full time equivalent jobs during construction and then during production to generate spending potential in the regional area where the workforce is located of approximately $18M each year.

The Project will have a positive impact on the economy of the region and the State through ongoing expenditures for materials and services, payment of rates, purchase of infrastructure, plant and consumables, use of service industries and payment of taxes.
2.0 INITIAL DEVELOPMENT PLAN

2.1 Term

The term of this Initial Development Plan as lodged with the Mining Lease Application over EPC 650 is proposed as five (5) years from 1 January, 2012. When an actual start date for mine operations is known this plan will be updated to reflect that start time.

Pre-feasibility studies have modelled a mine project with a production ‘life’ in excess of 20 years. For purposes of this preliminary Initial Development Plan these studies have been used with the production starting date aligned with currently published information about the availability of the transport chain for the project. The transport chain projects comprise the Surat Basin Rail Project, The Moura Rail System Upgrade Project and the Wiggins Island Coal Terminal Project at Gladstone. NEC is working closely with the proponents of these projects to ensure that Elimatta production is available as the transport chain becomes operational.

2.2 Description of Mining Activities

Pre-feasibility study mine plans have shown that all but a fault disturbed part in the centre of the area and the diversion of Horse Creek is amenable to open cut mining. The construction of the mine, coal handling and preparation plant, stockpiling and transportation facilities is part of the proposal to develop the Elimatta Project. The main elements of the proposed development are:

- Clearing of vegetation ahead of construction and mining and selective stripping of available topsoil to be stockpiled for later use in the rehabilitation program
- Development of a conventional truck excavator open pit mine
- Suitable overburden will be initially used to form flood levees, a mine water pond, road pavements and building hardstands and subsequently a spoil dump located outside pit limits in between the northern and southern pits. Some backfilling of the final void is planned late in the mining program
- Mining of coal from up to five seam groups
- Processing of ROM coal through a Coal Handling and Preparation Plant
- Reshaping of spoil dumps, replacement of topsoil and revegetation of the mined out and backfilled areas
- Transport of coal approximately 400km by rail to the Wiggins Island Coal terminal at Gladstone for export.
- Diversion of Horse Creek and construction of water management structures
- Establishment of support infrastructure facilities including office, workshop, etc

2.3 Resources

NEC has undertaken three significant exploration programs within EPC 650 since it obtained the tenure in 2006 with the work culminating in NEC reporting to the ASX in September, 2008, that, 129Mt of Measured resources, 75Mt of Indicated resources plus 40Mt of Inferred resources are estimated to occur in EPC650. The following tables 2.1 and 2.2 show the breakdown of these resources.
Table 2.1
Summary of Elimatta Resource by Seam September 2008

<table>
<thead>
<tr>
<th>Horizon</th>
<th>Total Resource Area (ha)</th>
<th>In situ Density (g/cc)</th>
<th>Thickness Range (m)</th>
<th>Measured Tonnage ($10^6$)</th>
<th>Indicated Tonnage ($10^6$)</th>
<th>Inferred Tonnage ($10^6$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UG</td>
<td>1800</td>
<td>1.47</td>
<td>1.2-2.2</td>
<td>11</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Y</td>
<td>2090</td>
<td>1.43</td>
<td>0.5-2.0</td>
<td>15</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>A</td>
<td>2535</td>
<td>1.41</td>
<td>1.0-3.0</td>
<td>55</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>B</td>
<td>2550</td>
<td>1.38</td>
<td>1.8-2.9</td>
<td>48</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>C</td>
<td>490</td>
<td>1.42</td>
<td>2.5-3.5</td>
<td>0</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Sub total</td>
<td></td>
<td></td>
<td></td>
<td>129</td>
<td>75</td>
<td>45</td>
</tr>
<tr>
<td>Grand Total (rounded)</td>
<td></td>
<td></td>
<td></td>
<td>129</td>
<td>75</td>
<td>40</td>
</tr>
</tbody>
</table>

In addition to the Resource an Exploration Target of an additional 30Mt to 50Mt has been identified within EPC650.

Table 2.2
Coal Resources within EPC650 by Vertical Overburden Ratio February 2008

<table>
<thead>
<tr>
<th>Horizon</th>
<th>Cumulative Tonnes (x 10)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;3:1</td>
</tr>
<tr>
<td>UG</td>
<td>0</td>
</tr>
<tr>
<td>Y</td>
<td>&lt;1</td>
</tr>
<tr>
<td>A</td>
<td>9</td>
</tr>
<tr>
<td>B</td>
<td>8</td>
</tr>
<tr>
<td>C</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
</tr>
</tbody>
</table>

Totals within resource categories have been rounded down reflecting the confidence of the respective resource type. Density is estimated in situ based on borecore quality data inputted to the Secondary Model 1 from Meyers et al, 2004 (ACARP project C1 0042). Category based rounding cuts around 5Mt out of the UG seam resources. Raw ash ranges from 18% to 30% adf with high volatile matter (33% to 39%) reflecting the rank of the Jurassic coal present. Vitrinite reflectance R$_{max}$ of 0.42 has been determined for the Elimatta Deposit. Raw total sulphur is low with a maximum of 0.33% adf. In situ moisture of the coal is estimated at high levels of 13% to 15%; this level is expected from Surat/Moreton coals of this rank. Resources have been made with densities of in situ coal based on the methodology of Meyers et al, 2004 (ACARP project C1 0042).

Float sink on 4” Elimatta borecore dating back to 2004 show 60-80% mass yield with a low ash product in the 9% to 11% range. The simulation yield based on the LIMN simulation of the 1.60 cutpoint DMC plant returns predicted plant yields (including a factor for organic efficiency) of 55-70% assuming a 16% moisture product. The simulation provides a product with 9.6% ash.

The Elimatta coal has a Hardgrove Index of 31-33. Ash fusion temperatures are good with spherical temperatures all >1350ºC. Empirical slagging indices (e.g. 0.8*IT+0.2*HT >1340) show low potential for slagging. Fouling is not anticipated with good ash chemistry base/acid ratios and low Na$_2$O in ash.

Note: The BC seam has density of coal quality and geophysically logged points of observation to support Indicated and Inferred resources. Due to the thin total coal in the 3 BC plies (BC1, BC2 and BC3), resource totals for the BC seam do not exceed the rounding threshold therefore it reports no tonnage.
Figure 2.1
Elimatta Coal Seam Nomenclature
Data and Modelling

Minescape 4.116 Stratmodel stratigraphic modelling system has been used to construct the model. This model has been used to generate volumes for the resource estimate. Coal quality has been composited against seam intervals into Minescape tables and queried during volume calculation.

Extrapolation, Points of Observation Density, Resource Categorisation

Measured resources have been estimated using cored coal quality data (minimum proximate, density and moisture analysis) with a maximum point of observation spacing of 250m with extrapolation radius of 250m on the quality point plus intervening structural points of observation at 125m radius. A structural point of observation is a borehole fully corrected to its downhole geophysical log. This density of data gives the confidence to report measured resources where the seams split and wedge as is well known in the Surat type coal measures.

Indicated resources have been estimated using cored coal quality data (minimum proximate, density and moisture analysis) with a maximum point of observation spacing of 500m with extrapolation radius of 500m on the quality point plus intervening structural points of observation at 250m radius.

Inferred resources have been estimated using cored coal quality data (minimum proximate, density and moisture analysis) with a maximum point of observation spacing of 1000m with extrapolation radius of 1,000m. These data requirements are conservative but deemed prudent given the nature of the Juandah Coal Measures reported.

Restrictions Applied to Resources

Only coal units within seams have been reported as resources. Non-coal units within seams are not included in the resource quantities. Plies less than 100mm thick have also not been included in the resource estimate.

The EPC boundary is applied as the absolute limit to resource calculations. The upper seams subcrop and splitting limits their resource areas. Because the UG and Y are close to the surface, the undulatory topography causes many weathering 'windows' in these seams and they have complex limit geometry.

Exclusion of the C Seam due to Depth

The C Seam resource is limited to an area defined by the 10:1 incremental overburden ratio (bcm waste : coal tonnes) to the C from the B seam floor. Only the C Seam has a ratio limit to resources. Both the variable separation from the B seam and dispersive character of the C mean large portions of the C occurrence sits at high incremental ratio. Application of the 10:1 limit restrains the resource to the area deemed at present to have the greatest mining potential. There is future potential to expand this resource area as C Seam data is increased and the relationship to the B seam is better defined.

Seam Sections

Figures 2.1 to 2.7 show longitudinal and cross sections through the Elimatta Deposit with the cross sections located as per Figure 2.8.
Figure 1.1
Resource Areas and Boreholes – UG Seam
Figure 1.2
Resource Areas and Boreholes – Y Seam
Figure 1.3
Resource Areas and Boreholes – A Seam
Figure 1.4
Resource Areas and Boreholes – B Seam
Figure 1.5
Resource Areas and Boreholes – C Seam

Key:
- green cross: model borehole containing seam
- green plus: corehole coal quality data for seam
- yellow: exploration target
- orange: inferred resource
- red: indicated resource
- brown: measured resource
- light grey: exclusion zone

EPC650 ELIMATTA
Resource areas and boreholes
September 2008

Northern Energy Corporation Limited

Date: 19/09/08  Drawn: ADH

Scale: 1:20,000
Projection: MGA94 Zone 55J

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Figure 2.6
Long Sections NS_1 and NS_2
Figure 2.7
Cross-Sections WE_1 to WE_4
Quality data obtained from exploration cores has been composited and reported at a common moisture basis of 8% (the average air dried moisture of the samples) with a Preston and Sanders density correction being applied from the as reported data.
Three quality sub-models are contained within the Elimatta model - Raw, Wash and Product. The raw model values include Ash, CV, FC, SE, Moisture, VM, Hardgrove and CSN. The Wash sub-model includes bore core yield and ash for F1.35 to F1.55 and F2.7 density washes. The product sub-model is based on data derived from testing CF1.55 product and contains Ash, VM, FC, TS, SE, Hardgrove, ash fusion, ash chemistry and ultimate analysis.

Washplant pre-feasibility design, with input from pre-treated and extensively washability tested 4" core (2007 drilling) has been used to generate a washplant simulation of the Elimatta Deposit. A relationship between raw ash and predicted washplant yield has been derived on a suite of LIMN simulations at 1.60 DMC cutpoint producing an export thermal coal. This simulated yield is modelled in addition to the bore core mass yield and product ash.

In situ density has been estimated using the Secondary Model 1 from Meyers et al, 2004 (ACARP project C10042). In situ moisture has also been estimated using the in situ moisture model from the same study (ACARP project C10042, Meyers et al, 2004).

Table 2.3 shows raw ash quality and float sink results; ash and high volatiles are predicted.

<table>
<thead>
<tr>
<th>Quality</th>
<th>UG Seam</th>
<th>Y Seam</th>
<th>A Seam</th>
<th>B Seam</th>
<th>C Seam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Quality (8% adm basis)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw Ash %</td>
<td>29.69</td>
<td>25.08</td>
<td>22.8</td>
<td>17.9</td>
<td>25.92</td>
</tr>
<tr>
<td>SE MJ/kg</td>
<td>19.59</td>
<td>21.43</td>
<td>22.1</td>
<td>23.97</td>
<td>21.31</td>
</tr>
<tr>
<td>VM%</td>
<td>32.77</td>
<td>35.04</td>
<td>36.2</td>
<td>38.64</td>
<td>35.86</td>
</tr>
<tr>
<td>TS%</td>
<td>0.3</td>
<td>0.33</td>
<td>0.3</td>
<td>0.31</td>
<td>0.29</td>
</tr>
<tr>
<td>HGI</td>
<td>41</td>
<td>42</td>
<td>40</td>
<td>38</td>
<td>40</td>
</tr>
<tr>
<td>Coal Prep Simulation Yield*</td>
<td>65.15</td>
<td>71.1</td>
<td>75.9</td>
<td>80.3</td>
<td>70.6</td>
</tr>
<tr>
<td>[65% moisture]</td>
<td>[60]</td>
<td>[64]</td>
<td>[67]</td>
<td>[60]</td>
<td></td>
</tr>
<tr>
<td>Product Quality (8% adm basis)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ash %</td>
<td>9.21</td>
<td>8.01</td>
<td>9.21</td>
<td>8.6</td>
<td>9.39</td>
</tr>
<tr>
<td>SE MJ/kg</td>
<td>26.5</td>
<td>27.35</td>
<td>27.03</td>
<td>27.27</td>
<td>27.26</td>
</tr>
<tr>
<td>VM%</td>
<td>41.58</td>
<td>42.6</td>
<td>42.35</td>
<td>42.73</td>
<td>42.83</td>
</tr>
<tr>
<td>TS%</td>
<td>0.40</td>
<td>0.35</td>
<td>0.34</td>
<td>0.33</td>
<td>0.35</td>
</tr>
<tr>
<td>HGI</td>
<td>32</td>
<td>31</td>
<td>32</td>
<td>32</td>
<td>33</td>
</tr>
</tbody>
</table>

Corrected to an assumed product moisture of 16%.

2.4 Resource Utilisation

In mining a deposit like Elimatta with its lensing thin seams of variable thickness the current mining operators in the Surat Basin mine “working sections”. Each working section is calculated inclusive of coal and waste to be at an ash level suitable for transport to the CHPP and subsequent washing. In respect of establishing the mining schedule therefore a number of iterations are required to arrive at the correct working sections with the appropriate cut-offs.

The scheduling process to convert the geological model to a ROM coal model is:

```
GEOLOGICAL MODEL
╲
INTERROGATED WITH MINING BLOCKS (Figure 2.9) OVERLAID ON EACH PLY
╲
* IN SITU COAL VOLUME & TONNAGE CALCULATED
╲
```
ROM METHODOLOGY ⇒ STEP 1. WASTE SPLIT THICKNESS
If the waste interval between the plys is less than the minimum split, then the plys are combined to form a working section.

STEP 2. LOSS & DILUTION
- Roof: The coal loss and dilution is applied to the working sections
- Floor
- Edge
- Fault

STEP 3. ASH CHECK
Check that the ROM ash of the working section is less than 50% (>50% = waste)

STEP 4. ROM
The moisture is adjusted to give ROM tonnes

Table 2.4 shows that the average coal thickness model within each seam group as taken from the geological is less than half the total seam thickness including partings.

<table>
<thead>
<tr>
<th>Seam Plies</th>
<th>Thickness Range (m)</th>
<th>Average Thickness (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Top to Bottom Plies</td>
<td>Coal Only (m)</td>
</tr>
<tr>
<td>UG</td>
<td>4.0 – 7.0</td>
<td>0.5 – 2.5</td>
</tr>
<tr>
<td>Y</td>
<td>1.5 – 3.0</td>
<td>0.3 – 1.2</td>
</tr>
<tr>
<td>A</td>
<td>4.5 – 10.0</td>
<td>3.0 – 5.0</td>
</tr>
<tr>
<td>B</td>
<td>5.0 – 7.0</td>
<td>2.5 – 4.0</td>
</tr>
</tbody>
</table>

The Elimatta mine plan has been evolved using the resources within the mine layout shown in Figure 2.9. In situ resources have been converted to ROM coal using the coal loss and dilution assumptions in Table 2.5.

Table 2.5
Coal Loss and Dilution Assumptions

| Dilution Roof | 0.025m |
| Dilution Floor | 0.025m |
| Included Parting | ≤0.10m |
| Coal Loss Roof | 0.025m |
| Coal Loss Floor | 0.025m |
| Coal Loss across Fault | 5m |

Figure 2.9
Elimatta Mine Block Model
The pre feasibility study of the Elimatta mining operation is planned to extract 170Mt of the reserves of the UG, Y, A and B Seam groups. Further iterations of the mine plan will study in detail the viability of extraction parts of the C seam. The incremental strip ratio to the top of the C seam from the floor of
the B seam group it typically more than 10:1. This is equivalent to a product strip ratio in excess of 15:1 which in today’s mining terms is uneconomic. There will be some coal losses in mining due to the clumsiness of the mining machinery. Studies to date using methodologies consistent with other mining operations in similar geological settings in the Surat Basin indicate that these will be between 5% and 10% of the resource. Detailed mine schedules will be prepared as part of the work associated with the project feasibility study and will be reported in an update to the Initial Development Plan.

2.5 Mining Sequence

A mining schedule has been generated for production of on average 5.0 Mtpa for the life of the project. Key production parameters taken from this prefeasibility study are summarised in Table 2.6. Figure 2.10 depicts the coal mining operation sequence through the full project and figure 2.11 the state of development towards the end of the period of this Initial development Plan.

<table>
<thead>
<tr>
<th>Schedule Year</th>
<th>Overburden Mbcm</th>
<th>ROM Production Mt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 0</td>
<td>2.08</td>
<td>0.00</td>
</tr>
<tr>
<td>Year 1</td>
<td>20.58</td>
<td>3.33</td>
</tr>
<tr>
<td>Year 2</td>
<td>21.61</td>
<td>5.01</td>
</tr>
<tr>
<td>Year 3</td>
<td>21.43</td>
<td>5.01</td>
</tr>
<tr>
<td>Year 4</td>
<td>21.62</td>
<td>5.03</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87.32</strong></td>
<td><strong>18.38</strong></td>
</tr>
</tbody>
</table>
Figure 2.10
Prefeasibility Study Mining Schedule Sequence by Years
2.6 Incidental Coal Seam Gas

NEC has not carried out coal seam gas occurrence testing within EPC 650 but plans to do so as part of the additional exploration activity necessary to support the Project Feasibility Study. However, published information in the Environmental Impact Statement for the nearby Wandoan Coal Project.
indicates that whilst coal seam gas will be present in the Wandoan Coal Project open pit mine workings as a fugitive emission, the concentration of gas is well below levels that would make it suitable for commercial extraction. Given the very similar geology of the coal occurrences within the Wandoan Coal Project and at Elimatta there is every reason to expect that testing at Elimatta will have a similar result.

2.7 Coal Seam Gas Tenure Considerations

The Project tenure(s) overlap with coal seam gas exploration tenure Authority to Prospect 852 (ATP 852) currently registered to Pure Energy Resources Limited. The tenure was granted from 20 April, 2007 for an initial term to 30 April, 2011. NEC had commenced negotiations with Pure Energy but this company was recently taken over by the BG Group. NEC has initiated discussions with BG Group towards making a Co-Development Agreement. NEC wishes to negotiate a Co-Development Agreement that provides for efficient and expedited processes under which the parties may obtain and undertake further petroleum tenements and mining tenements in the co-development area.

NEC plans to test for coal seam gas as part of the additional exploration activity necessary to support the Project Feasibility Study. This testing will inform an update to the Coal Seam Gas Statement attached with this application. However, published information in the Environmental Impact Statement for the nearby Wandoan Coal Project indicates that whilst coal seam gas will be present in the Wandoan Coal Project open pit mine workings as a fugitive emission, the concentration of gas is well below levels that would make it suitable for commercial extraction. Given the very similar geology of the coal occurrences within the Wandoan Coal Project area and at the Project and NEC’s experience gained during the resource definition drilling there is every reason to expect that testing at the Project will provide a similar result. Exploration results to date indicate that there is no economic gas resource at depths that will be impacted by open cut mining although economic quantities of gas may be available at depth under the open pit workings.