

TAROOM COAL PROPRIETARY LIMITED ABN 16 079 251 442

ELIMATTA PROJECT

MINING LEASE APPLICATION

over part of the AREA of EPC 1171 and PP 50815

CSG STATEMENT AND CSG ASSESSMENT CRITERIA

PART 15.3 OF APPLICATION

CHECKLIST OF LEGISLATIVE REQUIREMENTS

| Document | Section (MRA) | Requirement | Section ref |
|-------------------------|-----------------|--|---|
| CSG Statement | 318AP(1)(a)(i) | CSG Statement must assess the likely effect of proposed coal mining on the future development of petroleum production from the land | Section 1.1 of this part 15.3 |
| | 318AP(1)(a)(ii) | CSG Statement must assess the technical and commercial feasibility of coordinated petroleum production and coal mining from the land | Section 1.2 of this part 15.3 |
| CSG Assessment Criteria | 318AP(2)(a) | the initial development plan requirements | Section 2.1 of this part and the Initial Development Plan in this application |
| | 318AP(2)(b) | legitimate business interests of the applicant and the ATP holder (eg. contractual obligations, effect on and use of existing infrastructure or mining or production facilities, exploration expenditure on relevant overlapping tenures) | Section 2.2 of this part 15.3 |
| | 318AP(2)(c) | the effect of the proposed mining lease on the future development of petroleum resources in the land, including: | Section 2.3 of this part 15.3 |
| | | (i) the proposed timing and rate of coal mining and the development of petroleum on the land | Section 2.4 of this part 15.3 |
| | | (ii) the potential for the parties to make a coordination arrangement about: <ul style="list-style-type: none"> coal and any incidental CSG mining under the proposed mining lease, and petroleum production under any future petroleum lease over the land. | Section 2.5 of this part 15.3 |
| | | (iii) the attempts required under section 318AT(b) and any change of the type mentioned in section 318AT(1)(c) | Section 2.6 of this part 15.3 |
| | | (iv) the economic and technical viability of the concurrent or coordinated coal mining and the development of any petroleum from the land | Section 2.7 of this part 15.3 |
| | | (v) the extent, nature and value of coal mining and the development of any petroleum in the land | Section 2.8 of this part 15.3 |
| | 318AP(2)(d) | The public interest in coal mining and petroleum production from the land. That is: <ul style="list-style-type: none"> government policy | Section 3 of this part 15.3 |
| | | <ul style="list-style-type: none"> value of commodity production (including time value) | Section 3.2 of this part 15.3 |
| | | <ul style="list-style-type: none"> employment creation | Section 3.3 of this part 15.3 |

| Document | Section (MRA) | Requirement | Section ref |
|----------|---------------|---|-------------------------------|
| | | <ul style="list-style-type: none"> total return to the State and to Australia (including royalty and rent) assessed on both a direct and indirect basis, so that, for example, downstream value adding is included | Section 3.4 of this part 15.3 |
| | | <ul style="list-style-type: none"> social impacts | Section 3.5 of this part 15.3 |
| | | <ul style="list-style-type: none"> overall economic benefit for the State, or a part of the State, in the short and long term | Section 3.6 of this part 15.3 |

In this part 15.3 of this application, **MR Act** means *Mineral Resources Act 1989 (Qld)*

INTRODUCTION

Part 15.1 of this application (Part 15.1, Supporting Information) describes the Elimatta coal project (the **Project**), of which any mining lease that is granted pursuant to this application will form part. Taroom Coal repeats and relies on the statements and other matters in part 15.1 of this application (including section 6.0, Public Interest Statement) for the purpose of this part 15.3, and the contents of part 15.1 are adopted in this part 15.3 by reference.

1.0 CSG Statement

1.1 *s 318AP(1)(a)(i) MR Act: the likely effect of proposed coal mining on the future development of petroleum production from the land*

No coal mining is proposed on this application area as Taroom Coal considers that the area is not prospective for open pit coal mining and thus its designated purpose is for infrastructure to support mining operations on ML 50254 (presently under application). Individual elements of infrastructure do not necessarily have large footprints - other than the waste storage facilities which over time could occupy up to 500 ha on this ML area. The interconnections between parts of the infrastructure, for example by conveyors, means these parts are widely spaced. As part of the MLA area is also within the Q100 flood plain of Horse Creek the remaining land for the infrastructure is constrained. The proposed layout (shown in Figure 1) represents a compromise between capital and operation cost efficiency and land access restraints.

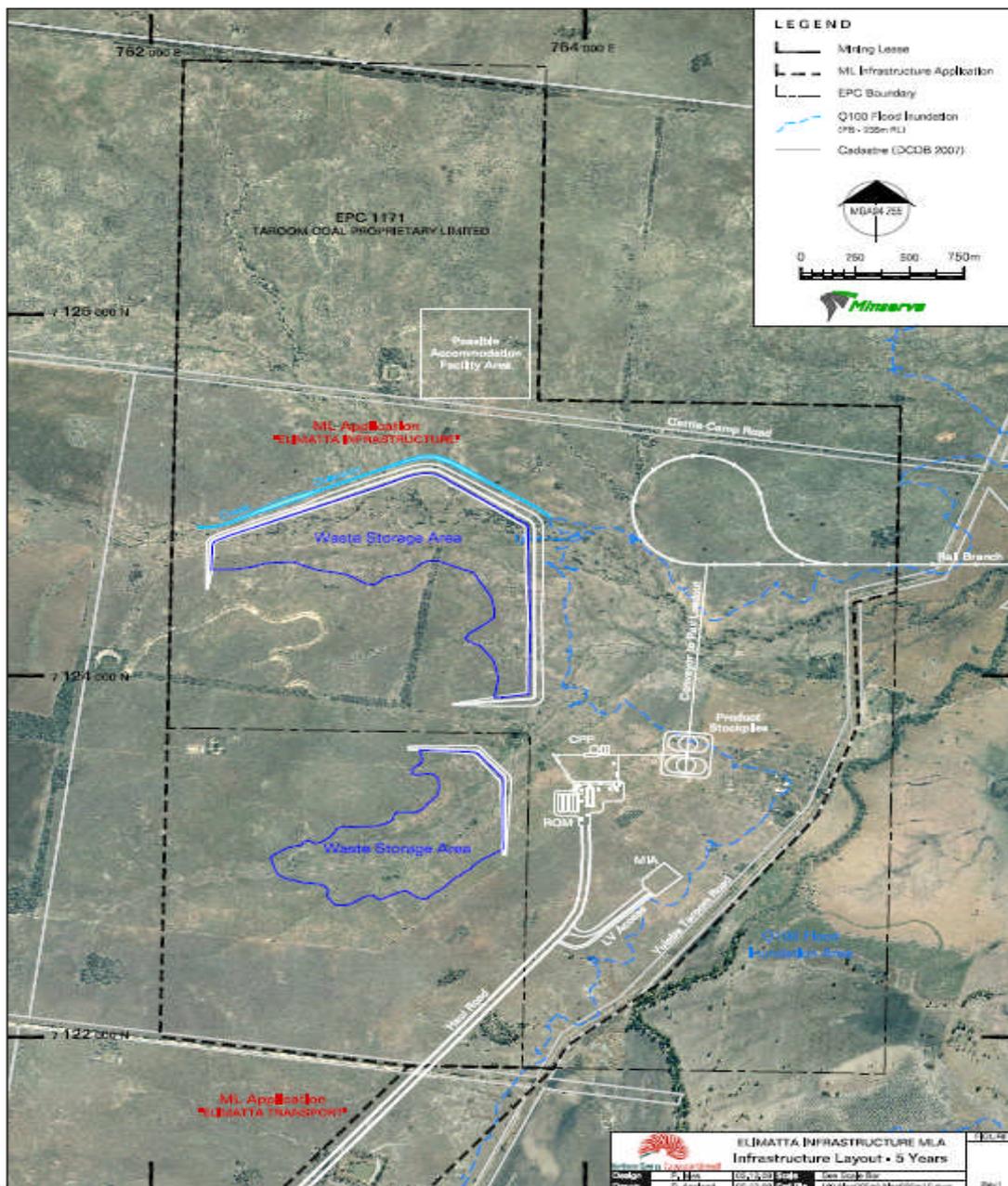
As items such as ROM bin, coal processing plant, stockpiles and train loader are dimensionally much smaller than is the typical spacing for coal seam gas (**CSG**) extraction and de-watering wells, which Taroom Coal has been advised by Queensland Gas Company Limited is of the order of 750 metres centers, it is Taroom Coal's considered view that its infrastructure units should not materially impede CSG extraction activities and therefore is not expected to materially adversely affect the future development of petroleum production from the land, provided that the CSG producer is willing to work co-operatively with Taroom Coal. However, it needs to be understood by any potential CSG producer that actual location of the coal mine infrastructure is not readily flexible – once located and then constructed it stays put until the end of the Project. Therefore CSG well locations will need to be considered in light of the fixed nature of the mine infrastructure.

1.2 *S 318AP(1)(a)(ii) MR Act: the technical and commercial feasibility of coordinated petroleum production and coal or oil shale mining from the land*

The Project tenures overlap with CSG exploration tenure ATP 852P currently held by Pure Energy Resources Pty Ltd (**Pure Energy**). MLA 50254 for coal mining purposes overlaps with Pure Energy's PLA 299. Taroom Coal has attempted to negotiate with Pure Energy for a coordination arrangement regarding MLA 50254 and PLA 299.

For the reasons described in section 2, Taroom Coal considers that (within the constraints imposed by fixed coal mine infrastructure such as dams, stockpiles, rail facilities and coal handling and preparation plant) there are no insurmountable impediments to the technical and commercial feasibility of coordinated petroleum production and coal or oil shale mining (or the activities intended for this MLA area) from the land. Taroom Coal proposes (where required) to negotiate for a coordination arrangement with Pure Energy that provides for efficient and expedited processes under which the parties obtain further petroleum tenements and mining tenements and undertake activities in the areas where these tenements overlap.

Figure 1: Proposed Layout – Elimatta Project Major Infrastructure



Taroom Coal is not planning for coal mining within this MLA area as its designated purpose is for infrastructure to support mining operations within MLA 50254. Therefore there are no coal extraction activities that would interact with coal seams that may be of interest for CSG extraction activities. Taroom Coal plans to locate fixed infrastructure on the land and once constructed its location will be constant for the duration of production activities. Once the infrastructure locations have been determined then any CSG wells can readily be placed around the infrastructure, with due regard to ensuring safe operations of both the coal mining and the CSG activities.

Taroom Coal has no plans to test for any near surface CSG as a fugitive emission as part of any additional exploration activity within EPC 1171 as it does not plan for excavations within the tenure to depths that may release fugitive gas. There will be surface earthworks to make construction area and isolated excavations for infrastructure foundations. Neither of these activities is likely to be more than 10 metres below original surface.

Taroom Coal has no plans to explore for deeper occurrence of CSG because it does not hold the tenure to do so.

2.0 CSG ASSESSMENT CRITERIA

2.1 *S 318AP(2)(a) the initial development plan requirements*

These are addressed in the Initial Development Plan in this application.

2.2 *S 318AP(2)(b) the legitimate business interests of the applicant and the authority to prospect holder*

Taroom Coal's plans for the Project are for the construction and operation of a 5.0 Mtpa thermal coal mine to service expanding export markets in, for example, India and China. As is common in the development of coal resources, at this stage of the development of the Project Taroom Coal does not have contractual commitments to specific coal customers. However, it has received substantial expressions of interest from potential investors in the Project and users of the Project's product such that it is confident that buyers for the Project coal will be readily acquired as the Project is developed.

It has been a common practice for decades for a coal mine development to seek customers for its output under firm contractual arrangements during the mine construction period when both the mine developer and the potential customer can "see the light at the end of the tunnel" as far as production is concerned. It has generally been the exception rather than the rule that customers sign up when a project is at exploration and feasibility study stage.

The Walloon coals of which the Project product is a fine example have been extensively tested and evaluated by, for example, Queensland Mines and Energy – see www.dme.qld.gov.au/mines/publications_list for reference to a number of technical papers prepared about the Walloon coals and their combustion characteristics. Taroom Coal considers that its product will be similar in quality to those tested and be readily accepted by customers.

There is at present no infrastructure suitable for mine processing activities located within the area of EPC 1171 (the greater part of which is in this MLA area). Taroom Coal intends to construct the full suite of infrastructure, including coal handling and processing, stockpiling, administration and maintenance facilities and train loading at an estimated capital cost of \$220–250 million and a rail connection to the Surat Basin Rail at an estimated additional cost of \$180 million. Additionally an option for an accommodation facility within the area of this MLA is under active investigation. Capital expenditures on the mine itself which will be located within MLA 50254 and other expenditures associated with developing the Project will bring the estimate Project total initial capital investment to ~\$600 million (2010 dollars).

Taroom Coal has no knowledge as at the date of this application of the plans or contractual commitments of the overlapping ATP 852P tenure holder for the area of this application. Taroom Coal is aware, however, of the aspirations of the BG Group, the ultimate owners of Pure Energy to develop a substantial CSG extraction and liquefied natural gas export industry based in part on CSG resources that may be contained within ATP 852P and other tenures it holds.

Taroom Coal understands from the public record that the BG Group through its various acquisitions of companies holding CSG tenures in Queensland has access to more than 40,000 sq km of exploration land. The land area represented by the Project is less than one-thousandth of that area. It is reasonable to conclude that unfettered access to CSG resource within the MLA area is not a make or break situation for the BG Group LNG business, whereas for the Project lack of or fettered access to the land comprising the Project, including for infrastructure, significantly adversely affects the ability of Taroom Coal to firstly construct and then maintain the Elimatta Coal Project in production.

The nature of open pit coal mining is such that the mining operation progresses across the ground in a logical fashion as the coal seams are extracted from shallow occurrence to deep occurrence and this is certainly the case for the Project. Further, infrastructure that supports the mining operations is typically constructed in the main at the beginning of the project and remains in use (and in place) through to the end.

2.3 *S 318AP(2)(c) development of petroleum resources in the land, including for example, each of the following*

Taroom Coal considers that paragraphs 2.4 to 2.8 address all matters that are relevant to a consideration of development of petroleum resources in the land the subject of this application.

2.4 *S 318AP(2)(c)(i) the proposed timing and rate of coal or oil shale mining and the development of petroleum from the land*

No coal mining is planned for the land that is the subject of this application. Its purpose is to provide land for infrastructure to support coal mining operations within MLA 50254. Site development and construction is targeted to commence from January, 2012 once the Project MLs and EA have been granted, with coal product available for rail and export from mid 2013. Once the infrastructure is constructed its location is fixed within the tenure area and it remains fixed until production ceases and the area rehabilitated as per the expected terms of

the ML and EA. On the basis of today's economic assessment of the project this will be in approximately 2037 with site reparation activities continuing to closure.

As of the date of this application Taroom Coal is not aware of any plans of Pure Energy to explore for or develop CSG resources specifically within this tenure area.

2.5 S 318AP(2)(c)(ii) the potential for the parties to make a coordination arrangement about—

(A) coal or oil shale mining and any incidental coal seam gas mining under the proposed mining lease; and

(B) petroleum production under any future petroleum lease over the land

A coordination arrangement should be readily achievable between the two overlapping tenure holders for the construction and operation of the coal mining infrastructure and for the development of any petroleum resources. The mine infrastructure components individually do not cover large areas and their interrelationships mean that they are widely spread. Taroom Coal is prepared to consider and develop in cooperation with Pure Energy or any other petroleum resources developer a coordination arrangement to enable the subsequent grant of a petroleum lease and the location of petroleum infrastructure around the mine infrastructure.

2.6 S 318AP(2)(c)(iii) the attempts required of the applicant under section 318AT(1)(b) and any change of the type mentioned in section 318AT(1)(c)

Taroom Coal will comply with its obligations under s 318AT(1)(b) and (c) when this application is made, and therefore cannot comment on that matter in the application itself. Taroom Coal has initiated discussions with Pure Energy with a view to completing a coordination arrangement for Taroom Coal's mining activities proposed for MLA 50254. Pure Energy has said that it is not presently ready to discuss coal/CSG coordination with Taroom Coal.

2.7 S 318AP(2)(c)(iv) the economic and technical viability of the concurrent or coordinated coal or oil shale mining and the development of any petroleum from the land

No coal mining is planned within the area of this application as its designated purpose is to provide land to locate infrastructure to support mining activities within MLA 50254. The nature of the infrastructure is such that, once constructed, it is fixed for the duration of the Project. Therefore it is entirely feasible for the petroleum tenure holder to locate its production activities around Taroom Coal's fixed infrastructure in such a way that neither party is disadvantaged.

As of the date of this application Taroom Coal is not aware of any technical issues that would impede viability of coordinated use of the application area for Taroom Coal's intended use under the mining lease applied for in this application, and petroleum production from the land.

2.8 S 318AP(2)(c)(v) the extent, nature and value of coal or oil shale mining and the development of any petroleum in the land

No coal mining is planned within the area of this application as its designated purpose is to provide land to locate infrastructure to support mining activities within MLA 50254.

Pure Energy as the holder of the co-located petroleum tenure, ATP 852, has not made available publicly any substantive information concerning either the potential of the land the subject of this application for petroleum production or its plans, if any, for such a development. In the absence of any such information Taroom Energy is unable to comment further on the extent, nature and value of the development of any petroleum in the land other than to repeat that it is willing to negotiate a coordination arrangement with any future intending developer of CSG resources in the land the subject of this application to permit the development of such CSG resources (if any) as may be present.

3.0 The Public Interest

S 318AP(2)(d) the public interest in coal or oil shale mining and petroleum production from the land, having regard to the public interest

The term “public interest” for this section is defined in Schedule, Dictionary in the MR Act as:

“a consideration of each of the following—

- (a) government policy;
- (b) value of commodity production (including time value);
- (c) employment creation;
- (d) total return to the State and to Australia (including royalty and rent), assessed on both a direct and indirect basis, so that, for example, downstream value adding is included;
- (e) social impacts;
- (f) the overall economic benefit for the State, or a part of the State, in the short and long term.”

Taroom Coal's interests strongly support and align with the public interest as defined, and the objectives of Part 7AA of the MR Act, including optimising the development and use of the State's resources to maximise the benefit for all Queenslanders. This is achieved by the alignment of coal production with State and Federal Government policies, the value of the commodity, the associated employment creation, returns to the State and to Australia, the social impacts and the long and short term benefits to the State.

Taroom Coal acknowledges the role that energy, particularly renewable energy and also including CSG and energy produced from CSG will play in Queensland's future. That role is not to the exclusion of coal, but rather is complementary to it.

3.1 **S 318AK(a) government policy**

The Queensland government has consistently maintained its strong commitment to supporting the mining industry in Queensland. The mining industry (of which coal represents a large proportion) makes a substantial and growing contribution to the State of Queensland:

- Total export sales of Queensland coal for the year ended June 2009 exceeded \$41 billion (source: DME Monthly Coal Statistics for 12 months ended June 2009);
- Approximately 21,500 people were **directly** employed in the coal industry according to DME statistics; although no specific number is available for indirect employees it is noted that approximately 1 in 4 jobs are indirectly attributed to the coal mining industry;
- In 2008-2009, coal royalties accounted for approximately 92.5% of all mining royalties in Queensland being \$3,102.5 million of total royalties of \$3,341.5 million; and
- Mining is responsible for more than 60% of State exports.

The State's support for and encouragement of the mining sector recognises the pivotal role that mining plays in the State's economy and the lives and prosperity of its people.

The Government's Smart Industry Policy: Mining:

www.industry.qld.gov.au/dsdweb/v4/apps/web/content.cfm?id=7857

states, together with other information:

Queensland mining and resources sector action plan

The Queensland Government, through the Queensland Mining and Resources Sector Action Plan:

- Facilitates national and international collaboration on exploration innovation
- Supports innovative exploration projects and research programs
- Funds the development of clean coal and renewable energy technologies
- Helps build a skilled workforce
- Supports emerging sector industries

and:

The Government aims for Queensland to continue to be internationally recognised as the location of choice for mining and petroleum investment by:

- Providing a highly competitive business environment
- Facilitating a doubling of mining and petroleum exploration investment by 2010

- Promoting excellence in safety and health
- Encouraging sustainable exploration and resource production practices
- Promoting diversification in the energy mix.

Further, the State government has released its Smart Industries Policy: Environmental and Mining Technologies, affirming the role that mining will continue to play in Queensland's economy.

For example, although Queensland's State budget for 2009-2010 announced State investments across a range of initiatives including a climate change strategy and support for renewable energy, it also placed emphasis on jobs growth and services to the regions (a very significant proportion of which is delivered by the mining industry) and provided support for the expansion of the coal terminal at Abbot Point, a \$900 million joint investment with the State's black coal mining industry for the accelerated development and deployment of low-emissions coal technologies in Queensland. Voluntary contributions to be made by the Queensland black coal mining industry will total \$600 million over 10 years.

The State's ongoing support for the coal export industry is exemplified by its support for the private sector development of a new 75 Mtpa coal export terminal at Wiggings Island at Gladstone.

Taroom Coal notes that the State also supports the development of Queensland's CSG resources, for example in several State Government policy initiatives:

- Queensland Energy Policy (2002) – a Cleaner Energy Strategy;
- Smart Energy Policy (ClimateSmart 2050);
- the blueprint for Queensland's LNG Industry, which includes alternative energy sources to the generation of electricity by coal fired technology, implementation of greenhouse gas mitigation measures;
- consultation paper recommendations for a minimum 15% of Queensland's CSG resources to be reserved for domestic use; and
- the Clean Energy Act 2008 (Qld).

These policies should be considered to be complementary, not as fostering competition for resources and their development. In this application area as in MLA 50254, the co-development of CSG with Taroom Coal's intended ML activities is perfectly feasible, as is the co-operative development of a coordination arrangement for the parties' respective mining and CSG activities.

3.2 S 318AK(b) value of commodity production (including time value)

The Project will contribute essential infrastructure to the development of a 250 Mt thermal coal resource located within MLA 50254 and process the mined coal to export product specification through infrastructure located on this application area. The Project is located in the Surat Basin near the regional communities of Wandoan and Taroom. The Project is planned to mine

on average 7.5 Mtpa ROM coal by open cut methods. The mine will produce an average of 5.0 Mtpa of coal for export. The coal will be exported through the Wiggins Island Coal Terminal at Gladstone.

Project production 'life' is anticipated to be more than 20 years based on current economic assessment of the resource (current mine plan shows 29 years of operation).

The value of coal production from the Project at today's coal prices would be in the order of \$500 million per annum, for total coal production of in the order of \$10 billion over the life of the project in today's dollars. That represents the true value of the Elimatta Project to the State.

No information is available from Pure Energy that enables Taroom Coal to comment on the potential of the area of this application for CSG production or its value.

3.3 S 318AK(c) employment creation

The main impacts of the Project, in particular employment impacts, will be felt in the town of Wandoan, where some of the employees of the mine and its service providers are expected to reside.

Wandoan is located in the Western Downs Regional Council area (as is the Project itself). The regional economy has a population of approximately 2,400 (2006 census). The project will add to the regional population on a permanent basis as a portion of employees are expected to decide to reside permanently in the area with the balance electing to "fly-in fly-out".

The employment profile as taken from the census information shows the region has a low unemployment rate of 1.5%. In addition the majority of jobs in the region are full-time jobs. However it should be noted that these statistics may have been impacted by recent economic conditions. Against a backdrop of approximately 1,000 full time jobs in the regional economy, the creation of an additional 300 full time jobs by the Project would mark a significant increase in employment opportunities in the region.

Project construction is expected to require approximately 300 site employees, as well as additional employment supporting off site and on site fabrication and manufacture of components. The Project is estimated to directly employ up to 300 full time staff at full production, with additional staff required for periodic large maintenance tasks and for special projects. The Project is proposed as a contractor operation with NEC providing an owner's representative team on site and with the Contractor providing all operating and maintenance and administration and systems support staff.

An indicative distribution of the workforce by function is as shown in the following Table.

Mine Site Employment by Work Category

| Unit | Personnel |
|-----------------------------|------------|
| Owners Site Representatives | 10 |
| Contractors Site Workforce | |
| Maintenance | 80 |
| Operations | 180 |
| Management and Support | 30 |
| Total Site Workforce | 300 |

Accommodation for mine staff and contractors will be provided by local service providers in Wandoan and Taroom and/or, possibly, at a specially constructed accommodation facility near to the mine.

No information is available from Pure Energy that enables Taroom Coal to comment on the potential of the area of this application for CSG production or employment creation.

3.4 S 2318AK(d) total return to the State and to Australia (including royalty and rent), assessed on both a direct and indirect basis, so that, for example, downstream value adding is included

Direct return

The project will pay significant on-going revenue to the State Government through royalty and payroll tax obligations. Without the mine these payments will not be received.

The annual royalty payment to the State is projected to be \$37.5 million from 2014 based on current coal pricing.

Annual payroll taxes will increase throughout the life of the Project with full year payments to the State commencing in excess of \$1 million per annum.

The present value of revenue payments to the State over the life of the mine will be \$417 million for royalties and \$16 million in payroll tax (2012 dollars).

None of the value of potential CSG production from the land the subject of this application is jeopardised by Taroom Coal's plans for infrastructure on this MLA.

Indirect return

The indirect impacts of the Project have been estimated for Taroom Coal by Synergies Economic Consulting using an input-output model with non-linear properties developed by the Centre of Policy Modelling at the University of Queensland.

This modeling demonstrated a short-term increase of \$840 million in GSP and the creation of an additional 323 full time equivalent jobs which would flow from the construction of the mine. Construction impacts are not permanent, but they do exert significant long-term impacts in terms of maintaining and growing construction and construction-related industries, generating large amounts of disposable income and as a prerequisite for on-going operational impacts.

The indirect impacts from the operation of the mine have also been modelled in this assessment which shows an annual increase in GSP of \$539 million and the creation of 316 flow-on jobs during the operational phase of the mine.

No information is available from Pure Energy that enables Taroom Coal to comment on the potential of the area for CSG production or the total return to the State and to Australia from CSG production.

3.5 S 2318AK(e) social impacts

The value of direct investment in construction of the Project is estimated to be \$600 million. Although many of the mining inputs will be imported into the regional economy, accommodation will be sourced from local service providers in Wandoan and Taroom.

It is expected that about \$450 million of construction expenditures will be sourced from domestic suppliers and \$150 million will be spent on imports. The wage costs during construction are estimated to be \$240 million, most of which will be Queensland based.

In terms of on-going impacts from operations, the major direct regional impact will occur through the expenditure of income. The annual wage bill is expected to be around \$20 million when the project commences. This will result in a significant increase in regional consumption.

A range of operational expenditures will be sourced from Queensland based firms including rail services, port services, water and plant maintenance. Full year expenditures on rail and port services are expected to exceed \$125 million per annum.

The potential social impacts associated with the Project will include:

- A requirement for a construction and then operations workforce which is unlikely to be met from existing people in the local area. Therefore a workforce will at least in part be imported into the area.
- New people with new skills will add to the population base in the area with flow on effects to economic growth and add to the skills base.
- In the short term add to pressure on the accommodation supply which will be mitigated over time by construction of new accommodation units.
- Create job opportunities for services and support to the Project.
- Increase pressure on local infrastructure in the short term – e.g. water and sanitation services, Government provided services, traffic.

Taroom Coal intends to minimise the potential adverse social impacts resulting from the project by working with the local community and its representatives. Where possible Taroom Coal will utilise local contractors and services and actively encourage new business to establish to support the Project. Taroom Coal intends to be an active member of the Surat Basin community.

The Project will be a major user of proposed additions to Queensland's mineral export transport infrastructure and as such is a key part of supporting and - . The associated coal transport chain projects comprise the Surat Basin Rail Project (SBR), the Queensland Rail Network Moura System Upgrade Project (Moura Rail Project), the Aldoga Rail Network Project (Aldoga Project) and the Wiggins Island Coal terminal Project (WICT). Taroom is working closely with the proponents of these projects to ensure that 5.0Mt production is available as the transport chain becomes operational. These projects are symbiotic as each needs the other to succeed to ensure that itself succeeds. Therefore there is a mutual self interest amongst the proponents, including those parts that are run as arms of the Queensland Government, no matter how disguised, to see that everything occurs to a common timeframe. As a high level estimate the value of projects that comprise the transport chain that the Project needs to export its coal – these projects having much, much greater utility than just the Project – is \$5 billion.

No information is available from Pure Energy that enables Taroom Coal to comment on the potential of the area of this application for CSG production or its social impacts.

3.6 S 2318AK(f) the overall economic benefit for the State, or a part of the State, in the short and long term

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 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 250 Mt within the Project Area of which approximately 170 Mt can be economically extracted using today's evaluation standards by efficient open cut mining methods to generate 110 Mt product coal suitable for the international market for thermal coals. The Project is anticipated to have a production life in excess of 20 years.

The value of construction is estimated to be \$600 million (2010 dollars). Although many of the mining inputs will be imported into the regional economy, accommodation will be sourced from local service providers in Wandoan and Taroom.

It is expected that about \$450 million of construction expenditures will be sourced from domestic suppliers and \$150 million will be spent on imports. The wage costs during construction are estimated to be \$240 million, most of which will be Queensland based. In terms of on-going impacts from operations, the major direct regional impact will occur through

the expenditure of income. The annual wage bill is expected to be around \$20 million when the project commences. This will result in a significant increase in regional consumption.

A range of operational expenditures will be sourced from Queensland based firms including rail services, port services, water and plant maintenance. Full year expenditures on rail and port services are expected to exceed \$125 million per annum.

The Project will pay significant on-going revenue to the State Government through royalty and payroll tax obligations. Without the mine these payments will not be received. The annual royalty payment to the State resulting from sales of the product from mining operations on MLA 50254 which will be processed for sale at infrastructure constructed on this MLA area is estimated to be in the order of \$37.5 million per year at full production at today's coal pricing. The present value of revenue payments to the State over the life of the mine is estimated to be \$417 million for royalties and \$16 million in payroll tax (2012 dollars).

Annual employee payroll is expected to be more than \$36 million per year and PAYG and payroll taxes will increase throughout the life of the Project. Full year payments to the Federal, State and Local Governments as taxes and charges will be in excess of \$80 million per annum.

The Project will directly 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.

By comparison, and referencing information supplied by QGC in support of PLA 299 (and by inference assuming that the PLA 299 information is translatable to the MLA area) then the potential economic benefit of CSG production from the MLA area is small.

This MLA represents about 0.5% of the area of PLA 299. To the extent that it is valid to prorate claimed benefits from CSG activities within PLA 299 to the MLA area, given that the MLA area is for infrastructure purposes to support coal extraction activities within MLA 50254 then the CSG contribution through its entire project equates to less than one year of the value of the Project.

No information is available from Pure Energy that enables Taroom Coal to comment on the potential of the area of this application for CSG production or the overall economic benefit of CSG production for the State, or a part of the State.