

Update Bulletin



The Arckaringa Project - South Australia's Energy Bank

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The Bankable Feasibility Study ('BFS'), which is the subject of the funding commitment of CNOOC NEIA under its JV with Arckaringa Energy, commenced in the fourth quarter of 2010 with a number of technical studies. These studies are part of the Priority Early Works which need to be completed during Stage 1 of the BFS. The scope of Stage 1, which is anticipated to be concluded in 2012 and within a budget of AU\$12 million, is set out below:

BFS STAGE 1 Indicative Scope

JV Office establishment (Adelaide)
Priority Early Works Plan
Geology and Coal Resources
Groundwater Management
Environmental baseline studies
Mine Output and Design Options
Product Market Research
Detailed Works
Mine Approvals process/ Environmental Impact Assessment
Long term mine and groundwater management plan
Infrastructure and Transport
First Stage Cost Estimation
Processing and Utilisation selection

Stage 2 of the BFS, which has a AU\$28 million budget and will follow (and may overlap with) Stage 1, will cover the following work and should be concluded in 2013:

BFS STAGE 2 Indicative Scope

Detailed engineering and design of selected processing plant option (integrated with mine)

Detailed engineering and design of transport and support infrastructure

Environmental Impact Assessment and Approvals

Construction and financing plans

The specific studies which have been approved by the Joint Venture under the Priority Early Works programme include:

- Detailed review of coal deposit geology and consideration of supplemental drilling;
- Groundwater investigation and verification;
- Groundwater management research and design;
- Environmental baseline studies;
- Open cut coal mining methodology options; and
- Product market evaluation

These studies will help form the basis for the Detailed Works under BFS Stage 1, including the design for an open cut mine and the selection of coal processing options (including CTL and power) for the planned mining capacity of 15 mtpa.

The General Prospecting Institute of the China National Administration for Coal Geology ('CNACG') CNACG has been appointed under a contract approved by Altona and its Joint Venture partner CNOOC-NEIA to cover the first three of the studies, namely:

- Detailed review of coal deposit geology and consideration of supplemental drilling;
- Groundwater investigation and verification;
- Groundwater management research and design;

A technical team from CNACG visited South Australia from 19-27 January 2011. During this time they held a series of technical data review sessions with the JV Operating Team and met local hydrogeological and other consultants, including those employed during the Altona Pre Feasibility Study ('PFS') work. The team also visited the site and confirmed the parameters for the existing geological database and the physical conditions governing the location of the Wintinna mine and supporting infrastructure, including the transport corridor options to link into the nearby national rail and road network.

To date, CNACG has reviewed and consolidated all original technical data concerning the Wintinna deposit, including Altona's PFS work and historical data. CNACG is now focussed on a Geological Report on licence EL4512 to assist the development of the long term plan for the Wintinna Coal Mine, which it aims to complete during March 2011. It also aims to complete comprehensive geological and hydro-geological research reports by April 2011 to underpin the design of the field drilling programmes that will provide the detailed information needed for mine design and the groundwater management programme.

In anticipation of the completion of the CNACG reports, the JV partners are preparing documentation to gain the required Exploration Work Approval ('EWA') from the South Australian Government and to select the local drilling and hydro-geological companies for the field programmes, which are scheduled to commence in mid 2011. Further details on the field programmes, including their scope and duration, will be announced when the EWA is in place.