

The Arckaringa Project

South Australia's Energy Bank



Altona Energy Plc
Investor Presentation
February 2010





Important Notice

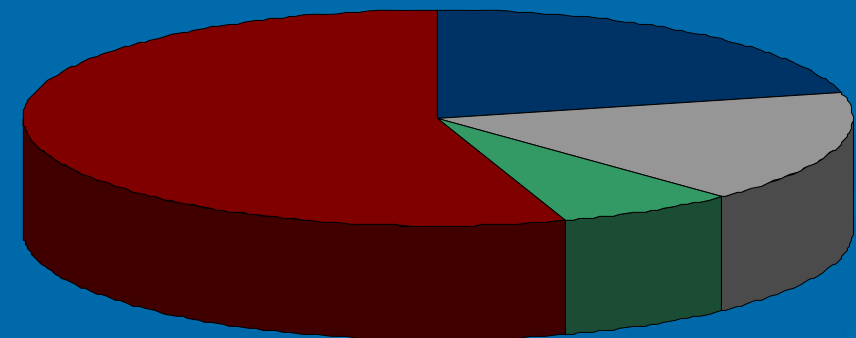
Statements in this presentation, to the extent not based on historical events, constitute forward-looking statements. Forward-looking statements include, without limitation, statements evaluating market and general economic conditions in the preceding sections, and statements regarding future-oriented costs and expenditures. Investors are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date thereof. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially. Such risks and uncertainties with respect to the company include the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, industry supply levels, competitive pricing pressures and misjudgments in the course of preparing forward-looking statements.

Company Key Data

- **Market** AIM
- **Ticker** ANR
- **Share Price (17 Feb)** 9.0p
- **Shares in Issue** 374,754,609
- **Market Cap** £33.25 m
- **Nom Advisor/Broker** Evolution



Share Structure
(25th January 2010)



- Tongjiang International Energy Co. Limited
- Invesco
- Management
- Other



Overview

- Altona Energy Plc is an Australia-based energy company listed on AIM
- Principal asset is an estimated 7.8 billion tonne coal resource (non-JORC) in the Arckaringa Basin of South Australia - 1.287 billion tonnes at Wintinna is JORC - Considered to be one of the world's largest untapped energy banks
- Focus initially on Bankable Feasibility Study ('BFS') for the Arckaringa Project:
 - Base case 10m barrel per year coal to liquid ('CTL') plant
 - 560MW co-generation power facility
- Joint Venture with Chinese major CNOOC provides funding for rapid development of the project, opens additional projects and significantly de-risks the investment opportunity
- Highly experienced management team and partner framework being utilised to crystallise project potential
- Invesco a strong and highly supportive institutional investor – 18.14%
- High value re-rating potential



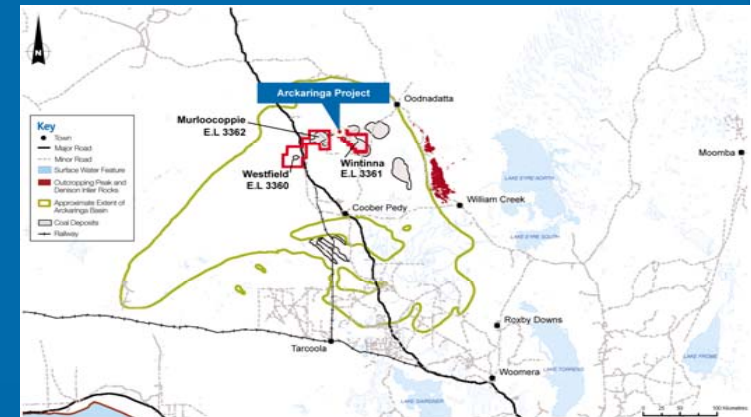
Achievements

- **Pre-Feasibility Study ('PFS') completed in 2007 in conjunction with Jacobs Engineering & RBS**
- **Proven JORC compliant reserve of 1.287 bt (additional 6.5 bt non-JORC)**
- **Established a solid platform with a major international JV partner to:**
 - **Evaluate integrated mining and high value coal conversion facilities based on the Arckaringa coal deposits**
 - **Develop new projects, such as CTL and Co-generation Power, that reach bankable standard**
- **JV secures funding and reduces risk to Altona shareholders**
- **Tender process completed in 2009 with leading international engineering companies for the role of BFS Study Engineer, appointment will add value to project and is pending formal approval by the new JV**
- **Built relationships with the South & National Australian Government, particularly the Department of Primary Industries and Resources of SA (PIRSA)**
- **Accepted as a Foundation Member of the Global Carbon Capture and Storage Institute**

Arckaringa Project



- Coal quality ideal for conversion to Syngas using existing commercial technologies
 - high value fuels and chemical feedstocks
 - low cost and low emission power
- South Australia faces a shortage of base load power, fuel and water
 - Would make SA and NT self sufficient in diesel
 - SA will need > 1000 MW of additional base load power over the next 10 years
- CNOOC-NEI enables the targeting of coal and liquids exports to China and other Asian destinations





Arckaringa Basin Coal Resources

– a world scale *Energy Bank*

Deposit	Million Tonnes			
	Measured ²	Indicated ²	Inferred ²	Total
Wintinna ¹	1,150	750	2,000	3,900
Westfield	100	200	500	800
Murloocoppie	250	300	2,600	3,150
				7,850

[1] Not current JORC standard, based on SA Dept. of Minerals & Energy standards of the day

[2] Based on SA Dept. of Minerals & Energy standards of the day

Assuming 50:50 ratio of Coal converted through existing technologies to Liquid Fuels and SNG, the Arckaringa coal resources are respectively 28% and 29% of North Sea proven reserves

Feedstock	Transportation Fuel (Million Barrels)	Gas (Billion Standard Cubic Feet)
North Sea Proven Reserves [1]	8,720	114,800
Wintinna JORC	419	5,341
Wintinna Total (non-JORC)	1,268	12,865
Arckaringa Total (non-JORC)	2,535	32,370

[1] 'BP North Sea Production Statistics for UK / Norwegian Sector (published June 2009), combined oil and gas proven reserves'

Source: Jacobs Engineering Process & Technology, Nov 2009



Arckaringa Basin Coal Resources

– a world scale *Energy Bank*

Potential Value Of Production (US\$)

[Assuming current SA price of
US\$120/barrel for diesel]

Wintinna JORC	\$100bn
Wintinna Total (non-JORC)	\$304bn
Arckaringa Total (non-JORC)	\$608bn

Summary

- *The Wintinna JORC Coal asset can sustain 30,800 barrels per day of diesel and 0.39 billion cubic feet per day of SNG for 40 years*
- *At Q4 2009 diesel price, the value of the Wintinna JORC Coal asset is estimated at US\$100 billion*
- *The Wintinna JORC Coal asset and its conversion to SNG production both comply with P90 categorisation*

Our Partner - CNOOC and CNOOC-NEI



- **China National Offshore Oil Corporation ('CNOOC')**

- One of the three major oil companies in China, China's largest offshore oil and gas producer
- Established 1982, Headquarters in Beijing
- 55,000 employees worldwide
- Holds a 5.3% interest in Australia's North West Shelf Project
- Active in oil and gas exploration in WA



www.cnooltd.com

- **CNOOC New Energy Investment Co. Ltd ('CNOOC-NEI')**

- Established 2005, Headquarters in Beijing
- Evaluates and develops new & alternate energy projects
- Special focus on innovative clean technologies
- Concentrates on large and strategic energy resources in secure environments to underpin profitable long term investments
- Planning several multi billion dollar investments worldwide over the next five years.

Results 2008	Billion RMB	£Billion
Sales	198.3	18.0
Profit	67.7	6.2
Total Assets	428.5	39.0



Standard & Poor's and Moody give CNOOC, CNOOC Ltd. and CNOOC Finance A+/stable and A1/stable, equivalent to China's sovereign ratings.

FORTUNE GLOBAL 500



Ranking 80 among FT
Global 500 in 2009

Our Partner – CNOOC and CNOOC-NEI



CNOOC-NEI's objectives

- Build a global coal resource base
- Develop coal mines to feed 'Transformation' projects
- World leader in Clean Coal Energy, including SNG and CTL



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- Altona developed relationship with CNOOC from summer of 2008 onwards
 - MOU signed in August 2008
- Term Sheet signed Feb 2009 after a rigorous 6 month due diligence review by CNOOC for joint venture to develop & commercialise the Arckaringa Project
- Joint Venture Agreement with CNOOC-NEI signed Nov 2009
- Held first JV meeting in Sydney 7 Dec 2009



Joint Venture - Investment

Phase	Corporate Entity	Purpose	Participants	Share	Contribution
ONE	Arckaringa Evaluation Joint Venture (Unincorporated)	Bankable Feasibility Study	CNOOC – NEI (Australian Subsidiary)	51%	<ul style="list-style-type: none"> • Full funding of BFS • Representatives for the Management Committee (4) and Operating Team
			Altona Energy (Australian Subsidiary)	49%	<ul style="list-style-type: none"> • 3 Arckaringa EL's • Project Pre-Feasibility Study • Representatives for the Management Committee (3) and Operating Team
TWO	Project Joint Venture (s)	Project Construction /Operations	CNOOC – NEI (Australian Subsidiary)	70% min	<ul style="list-style-type: none"> • Debt and equity funding share (<i>CNOOC procures all project debt funding if development decision is made before BFS is completed</i>) • Management/Operations staff
			Altona Energy (Australian Subsidiary)	30% max	<ul style="list-style-type: none"> • Debt and equity funding share (<i>CNOOC will assist Altona if not otherwise procuring all project debt</i>) • Management

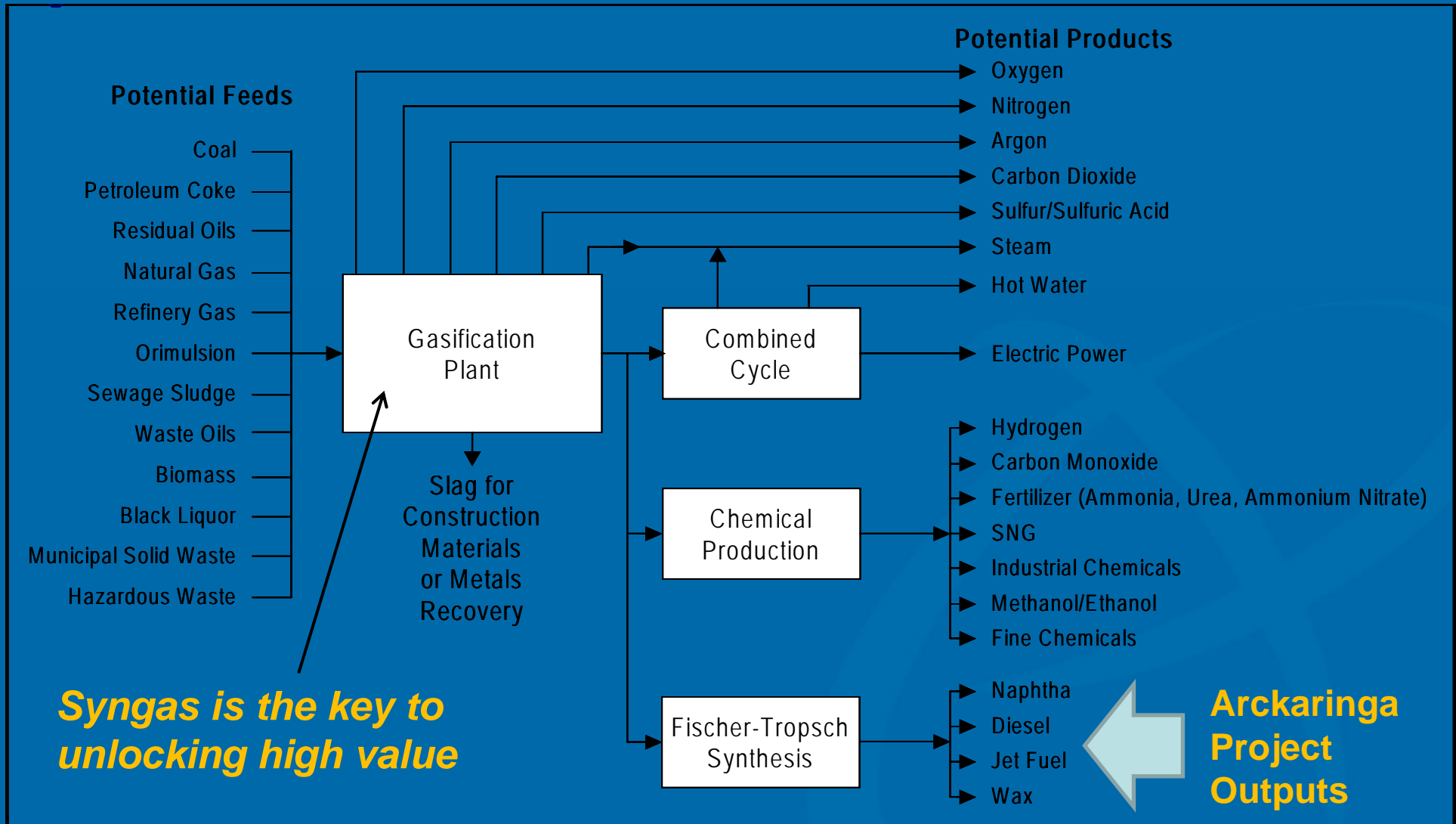


Pathway to Development

- CNOOC-NEI regards the Arckaringa Joint Venture as a Strategic Partnership with Altona
- The JV Agreement evaluating the development schedule
 - *Significant due diligence completed by CNOOC-NEI on both Altona and the Arckaringa project*
 - *Major de-risking for Altona*
 - *CNOOC-NEI has already nominated its project team and work has commenced*
- CNOOC-NEI's expertise, resources and financial stature will be instrumental in commercialising the project
- CNOOC-NEI will fund and lead the management of the BFS
 - With responsibility for assessing the full potential of the total coal resource and bringing projects to development
 - In return for a 51% interest in Arckaringa Energy's exploration licences
- The JV team will evaluate progressively:
 - Coal mining, CTL and/or Synthetic Natural Gas, power co-generation and a range of other potential clean energy projects that will benefit South Australia
- CNOOC-NEI's interest can increase to 70% in each project developed, however...



Numerous Product Options





Revenue Modelling

- **Base Case scenario completed in 2007**
- **Energy prices have risen significantly**
- **Engineering costs have fallen**
- **Commodity prices have fallen**
- **CNOOC lowers construction costs & timescales**

Cost per Barrel*	Phase 1 & 2 – 10 MBPA	After Phase 3 – 15 MBPA	Industry Benchmarks for new plants
Total Project expenditure US\$/bbl diesel	35	<35	35-65
Opex US\$/bbl diesel	20	<20	25-50

*After power sales revenue credit, assumes oil price of US\$85/bbl

2007 – Super Upside Case	IRR%	NPV @10% US\$m	Payback – years from 1 st production
50% diesel & 50% jet fuel			
Diesel @US\$100/bbl, Jet @US\$125/bbl, capital costs -20%	29.5	2,677	3.5
50% diesel, 50% jet fuel, & power			
Diesel @US\$100/bbl, Jet @US\$125/bbl, capital costs – 20%, power @ US\$45/MWh	30.9	2,942	3.5

Results derived from Royal Bank of Scotland Project Economic Model

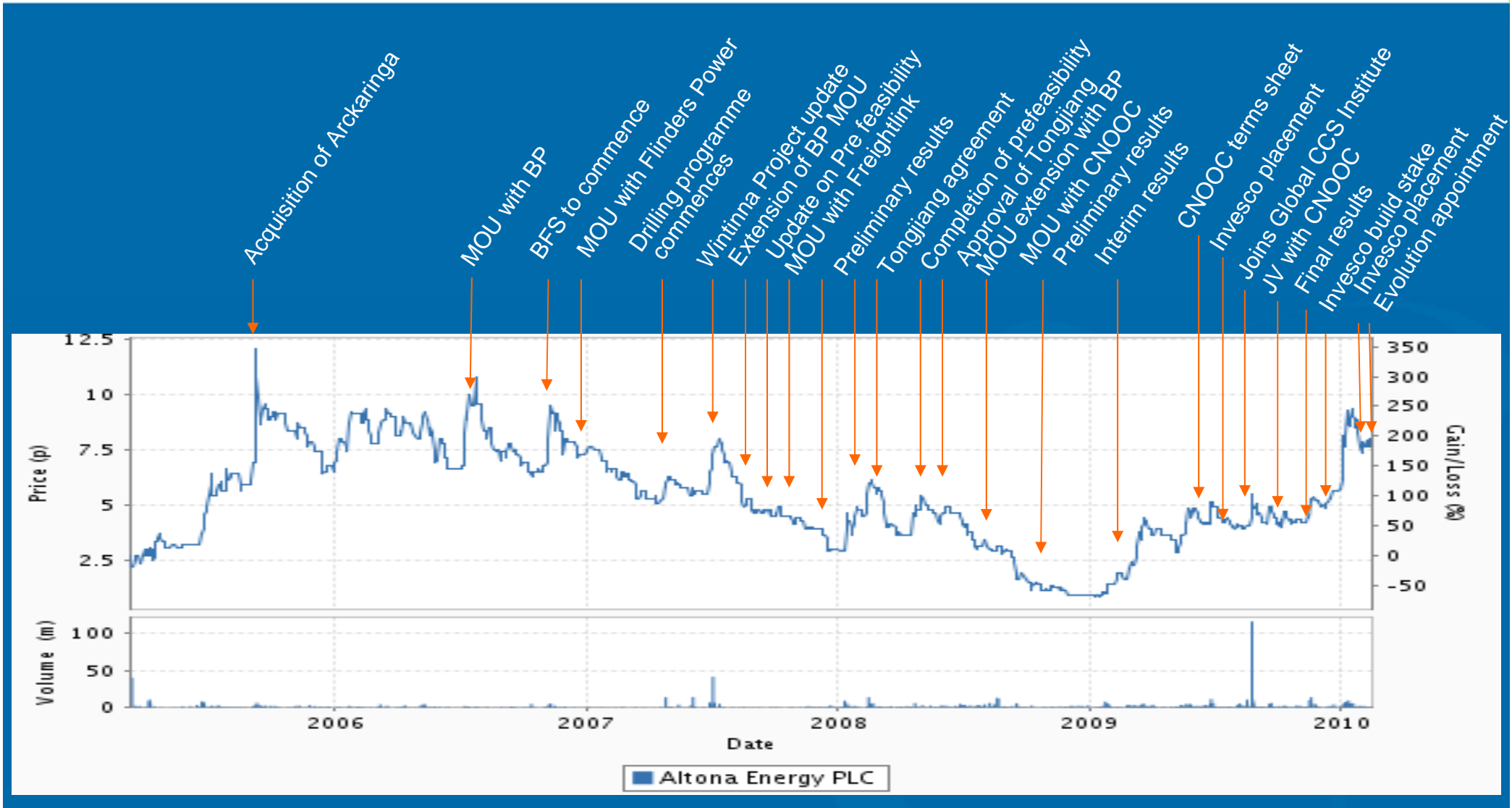


Work Programme for 2010

Milestone	Timing	Content
1	February	CNOOC NEI Australian Subsidiary Company Registration
2	February - March	Formal signing of the UEJV Agreement by Australian subsidiaries
3	February - March	Confirmation of Study Engineer
4	February - March	Application to Foreign Investment Review Board
5	March -May	Approval by FIRB Initial work programme and budget for the BFS agreed UEJV takes effect
7	March - May	Australian office established (Adelaide) Joint Operating Team starts work on BFS
8	May - December	Key mine planning, groundwater engineering and environmental studies



Arckaringa Project - Development





Summary

- **World class energy bank with major project(s) potential**
- **CNOOC-NEI joint venture is a giant step in realising the potential of Arckaringa**
 - Will fund and manage the BFS
 - Secures debt finance for project completion
 - Provides multiple project potential
 - Significantly reduces financial & operational risk
- **Defined development structure to crystallise value**
- **Strong support from SA & National Australian Government**
 - “The future of South Australia”
- **Dedicated and experienced management team, partners and advisers**
- **Support from major shareholder Invesco – 18.4%**
- **Value re-rating on numerous foreseeable events**



Appendix





Large Revenues and Low Production Costs

Results derived from Royal Bank of Scotland Project Economic Model

The Project's combination of CTL products and Power can reduce unit operating costs to the low end of the world cost curve

CTL, Power and Mine (Cumulative)	Phase 1 and 2 Combined 10 MBPA	After Phase 3 15 MBPA	Industry Benchmarks for new Plants
Capital US\$m (+ / - 30%)	2,706	4,035	
• CTL and Power			
• Mine (incl. development opex)	500	670	
Est. Annual Revenue US\$m			
- diesel @US\$75/bbl**	750	1,350	
- power @US\$30/MWh	150	225	
Costs per Barrel of diesel, after Power Sales Revenue credit			
➤ Total Project expenditure US\$/bbl	US\$35	< 35	35 – 65
➤ Opex US\$/bbl	US\$20	< 20	25 – 50

Project Returns - Project Financial Model



BASE CASE (No Hedging) 100% Diesel Fuel Output (0% Naptha) Power 562 MW Output @ US\$30/MWh	IRR %	NPV @10% US\$ million	PAYBACK Years from 1st Construction	PAYBACK Years from 1st Production
Fuel Product Prices**				
• Diesel US\$75/bbl (BASE CASE)	15.1	681	11.0	6.5
• Diesel US\$50/bbl	7.7	(261)	16.5	12.0
• <u>Diesel US\$100/bbl (WORKING CASE)</u>	<u>21.0</u>	<u>1,633</u>	<u>9.0</u>	<u>4.5</u>
Capital Costs				
• Base Case + 10%	13.9	551	11.5	7.0
• Base Case – 10%	16.6	811	10.5	6.0
• Base Case – 20%	18.2	940	10.0	5.5
Operating Costs				
• Base case + 10%	15.0	664	11.0	6.5
• Base Case – 10%	15.3	699	11.0	6.5
Power Prices				
• Base Case + 25% (US\$37.50/MWh)	16.0	814	10.5	6.0
• Base Case + 50% (US\$45/MWh)	16.9	946	10.5	6.0

** Diesel price = Crude oil price plus \$15/bbl

Project Returns - Project Financial Model



BASE CASE (No Hedging) 50% Diesel Fuel, 50% Jet Fuel Output Power 562 MW Output @ US\$30/MWh	IRR %	NPV @10% US\$ million	PAYBACK Years from 1st Construction	PAYBACK Years from 1st Production
Fuel Product Prices**				
• Diesel US\$75/bbl Jet Fuel US\$100/bbl (BASE CASE)	19.7	1,405	9.5	5.0
• Diesel @ US\$50/bbl, Jet Fuel @US\$85/bbl	13.0	391	12.0	7.5
• Diesel @ US\$100/bbl, Jet Fuel @US\$125/bbl	25.3	2,417	8.5	4.0
Capital Costs				
• Base Case + 10%	18.3	1,274	10.0	5.5
• Base Case – 10%	21.4	1,534	9.0	4.5
• Base Case – 20%	23.3	1,663	9.0	4.5
SUPER UPSIDE CASES				
1.Diesel @US\$100/bbl, Jet Fuel @ US\$125/bbl, Capital Costs – 20%	29.5	2,677	8.0	3.5
2.Diesel @ US\$100/bbl, Jet Fuel @ US\$125/bbl, Capital Costs – 20%, Power @ US\$45/MWh	30.9	2,942	8.0	3.5

** Diesel price = Crude oil price plus \$15/bbl, Jet Fuel price = Crude oil price plus \$40/bbl



Proven Technology

- **Rentech Inc.**
 - US-based, NYSE listed, clean energy company
 - US' first large scale synthetic fuels and power facility
 - Based on Fischer-Tropsch process
 - Jet fuel agreement with 13 air carriers

- **Sasol**
 - South African integrated energy and chemicals company
 - Listed on NYSE & JSE
 - Operates coal-based synfuels manufacturing facility
 - Based on Fischer-Tropsch process
 - 2,118 km gas pipeline & over 500 industrial & commercial customers

- **WW2**
 - Germany has an abundance of coal but could not access oil & fuels
 - German war effort dependent on fuels from Fischer-Tropsch process
 - 92% of Germany's military aviation fuel & 50% of petroleum
 - 1944 production > 124,000 barrels per day from 25 plants

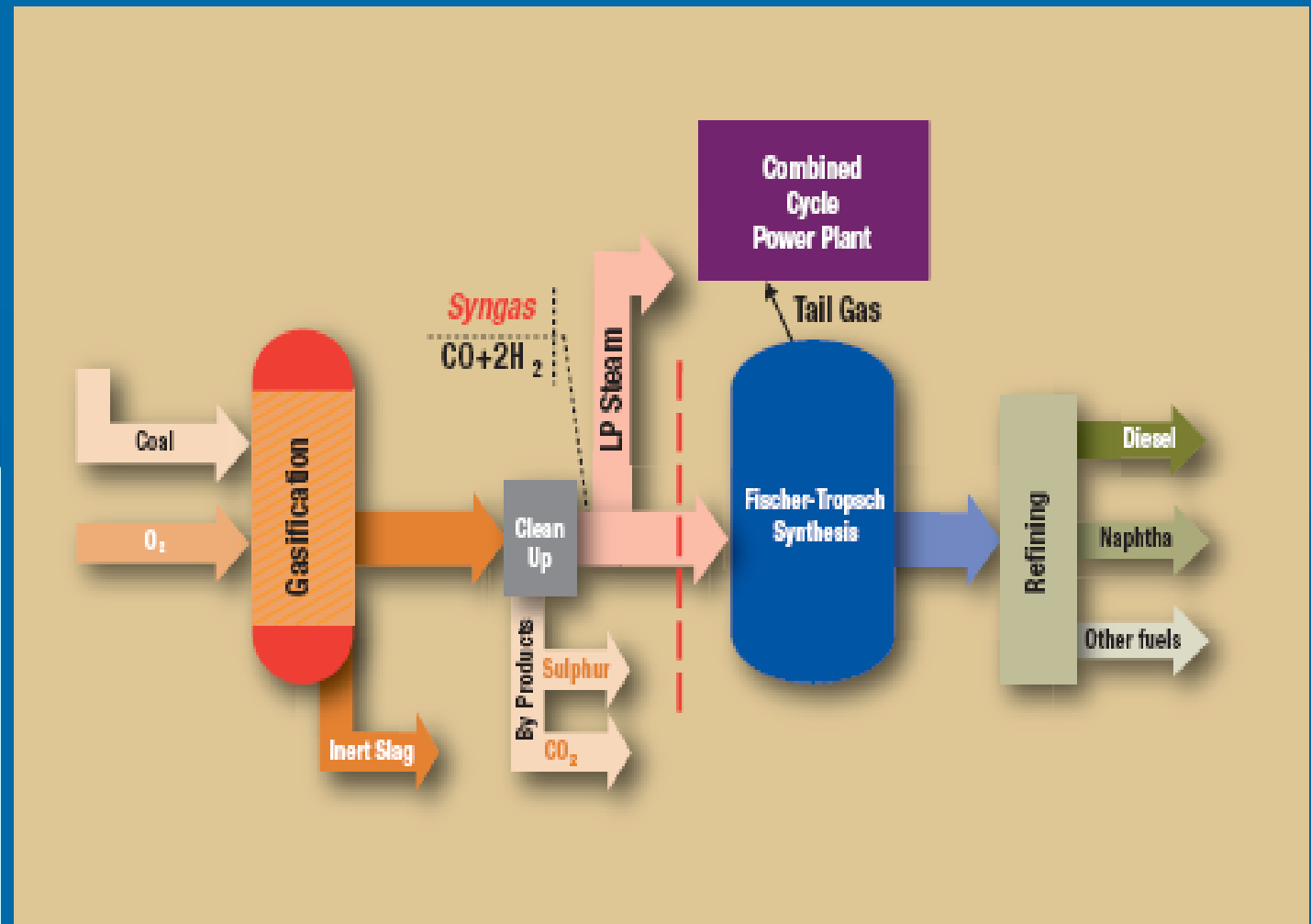


Technology Process

With CO₂ extraction and storage capability, the process is “Sequestration ready” and a prime example of Clean Coal Energy

Arckaringa CTL and Power Project

Feasibility Study Schematic For 10 million barrels CTL Fuel per annum and 560 MW Export Power





Covering the Risks - Environmental

- Water
 - All process water is sourced from water intrinsically in the coals
 - Open cut intersects the Great Artesian Basin
 - Pro-active engagement with government at technical and political level
 - Little is known about GAB flows. Altona research helping expand knowledgebase
 - Water sales to regional consumers could even replace a planned desalination plant
- Carbon Dioxide
 - Process requires CO₂ stripping from raw gas stream: intrinsically CCS ready
 - Founder member of the Global CCS Institute
 - Opportunity to create a flagship CCS model in line with Australian Government policy
 - Minimal impact of Carbon pricing



Covering the Risks – Political & Social

- Government
 - Location: South Australia is a mining friendly state
 - Ranked by Fraser Institute Sovereign Risk
 - Long term and broad engagement
 - We have supportive relationships
 - South Australian Government
 - Australian Federal Government
- Community
 - Long term and extensive strategic engagement programme in place for each affected community
 - Relations with local communities are strong, with good support being given from them



Government Support

Support from South Australian Government

“The South Australian Government welcomes foreign investment in its energy sector”

(Hon. Paul Holloway, SA Minister for Mineral Resources Development, 18 Nov 2009)

Support from Australian Government

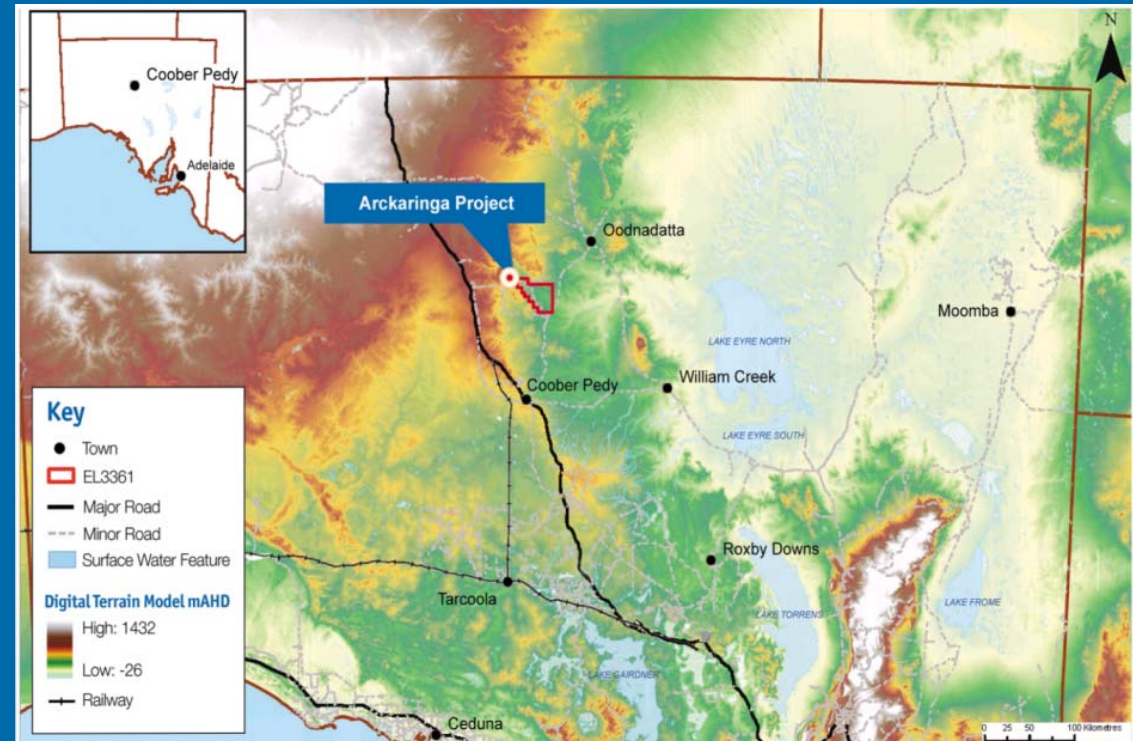
“Energy security is absolutely critical to Australia’s economic prosperity and I believe coal-to-liquids and gas-to-liquids will play a major role in Australia’s energy future.”

(Hon. Martin Ferguson, Minister for Resources and Energy, 26 February 2008)

Benefits for South Australia



- Employment potential
 - 780 direct jobs - 550 in mining, 230 in the CTL/power plant
 - Potential for another 2000 or more indirect jobs
- Clean fuel for domestic markets (mines, towns, the railway and SA/NT) and potential exports
- Expanded and upgraded electricity network for the Far North with back up to the national grid
- Increasing volumes for the Tarcoola – Darwin railway (60km from Wintinna)
- Current activity – sporadic cattle grazing on the contiguous Arckaringa Station pastoral lease



Water Supply to regional towns, pastoral leases and Mine sites (subject to approvals)

