

Middlemount Coal Project – Custom Mining

Comments by Ray Smith 21 June 2007

The Middlemount coal deposit lies to the east and adjacent to north eastern boundary of the German Creek mining lease (ML 1831) in the Bowen Basin in central Queensland. The deposit contains relatively small resources (in the order of about 30 million tonnes) of lower volatile coal that are amenable to open cut mining, in seams within the Rangal Coal Measures. The coal resources extend to the east at depth and could have some potential for extraction by underground mining however have not yet been fully evaluated.

It is expected that products would include a coking fraction with the remainder being marketed as coal for pulverised coal injection into the iron making blast furnace (PCI coal) and /or low volatile, high energy thermal coal.

As the deposit is nearby the existing German Creek and Foxleigh mines, it lies in relatively close proximity to the township of Middlemount and the rail connection that links to the coal export terminals in the northeast at Hay Point and also to the Port of Gladstone in the southeast.

The Middlemount coal deposit is currently held as Mineral Development Licence 282 by Ribfield Pty Ltd (95%) and DJB Coal Pty Ltd (5%). A small part of the deposit extends into the north eastern corner of the German Creek mining lease – ML 1831.

Ribfield is an indirectly wholly owned subsidiary of Sennen Resources of Canada. Sennen also controls the Collingwood and Ownaview high volatile thermal coal deposits in the Surat and Clarence Moreton basins in southern Queensland which are currently in the process of sale to Anglo Coal the subject.

Sennen reports on its web site (<http://www.sennenresources.com/s/Home.asp>) that in November 2004 it entered into a series of agreements with DJB Coal Pty Ltd of New South Wales, diluting its interests in the projects to a 95% interest in Middlemount and a 90% interest in the Collingwood and Ownaview coal projects. DJB Coal Pty Ltd is controlled by David Mathew, formerly the head of BHP's coal exploration team and Jeremy Barlow, chairman of the international coal consulting company, Barlow Jonker Pty Ltd.

Officers of the Department, Russell D'Arcy, Ray Smith and Mark Thornton, first met with Messrs Tinkler and Higgins of Custom Mining (CM) in December 2004. CM were seeking information to assist them to identify opportunities to take an equity position in a coal project in Queensland. The Department advised CM that Queensland's coal resources were tightly held with few available opportunities and that new entrants would most likely have to buy into a project. The Department also provided information on the Interactive Resources and Tenure Maps and QDEX web based information systems.

CM returned to the Department in May 2006 having identified the Middlemount coal deposit as a prime target and had already commenced negotiations with Sennen to buy into the project. The Department advised CM that a mining lease is required prior to commencement of any mining development and that this process including obtaining the various statutory approvals etc would most likely take approximately 12 months, or longer depending on site specific factors, from the date of application.

Sennen announced in November 2006 (see Sennen web site) that it had reached agreement to sell its interest in the Middlemount coal deposit (MDL 282) for A\$15 million through a share sale agreement to Custom Mining (Middlemount) Pty Ltd (CMM), a subsidiary of Custom Mining.

Under the terms of the Agreement CMM will acquire all the issued shares of Ribfield Pty Ltd. The deal is subject to a number of conditions including government approval for the transfer of MDL 283 (Ownaview) and EPC 640 (Collingwood) to another entity owned by Sennen and also on DJB Coal obtaining approval for the transfer of its 5% interest in MDL 282 to CMM.

Following completion, Sennen will retain its interest in MDL 283 (Ownaview) and EPC 640 (Collingwood), two coal deposits also located in Queensland and have already announced its intention to sell its interests in these deposits to Anglo Coal.

CM appear to have significant coal mining experience through its operations as mining consultants to some of the major producers in New South Wales.

CM has undertaken feasibility studies, including field drilling operations, costing in excess of \$5 million exploration work and this would presumably form the basis of its proposals for obtaining finance for the project.

The company has indicated its intent to lodge an application for a mining lease for a 2 million tonne per annum mine in June 2007 however as at 20 June 2007 this had not been received by the Department of Mines and Energy. CM will not be in a position to make this application until it acquires control of Ribfield. This has not yet been confirmed.

Grant of the required mining lease will be the rate determining step for this project to proceed to full scale mining and is likely to take longer than the company's expectations.

In the present market, it appears that the metallurgical coal products from Middlemount would be readily accepted by the international iron and steel industry.

CM has indicated its intent to export its coal through Gladstone. Advice from Central Queensland Ports Authority confirms that preliminary discussions have taken place but no firm arrangements have been settled to date.

Ray Smith
Senior Project Officer, Industry Development
Mining and Petroleum
Department of Mines and Energy
Level 3, Mineral House
41 George Street
Brisbane Qld 4000
Tel: +61 7 3237 1480
Fax: +61 7 3237 1534
Email: ray.smith@dme.qld.gov.au

From: O'flynn Mick
Sent: Wednesday, 20 June 2007 12:23 PM
To: Smith Ray
Cc: Kumar Parmila
Subject: FW: URGENT - New coal mine.
Importance: High

[Ray Could you please comment on this one.](#)

[Custom mining are still not listed as holding Middlemount are they.](#)

[Cheers](#)
[Mick](#)

From: John Brad
Sent: Wednesday, 20 June 2007 11:55 AM
To: O'flynn Mick

Subject: URGENT - New coal mine.
Importance: High

Mick

As soon as possible could you please comment on the information contained in this attachment.

Thanks
Brad

Brad John
Director, Exploration & Industry Support
Industry Development
Mining & Petroleum
Department of Mines & Energy

Ph: +61 7 3237 1406
Mob: s.49
Fax: +61 7 3237 1534
Email: brad.john@dme.qld.gov.au
Office: Level 3, 41 George St, Brisbane QLD 4000
Postal: PO Box 15216, City East QLD 4002

From: Graham Perrett [mailto:graham.perrett@ministerial.qld.gov.au]
Sent: Wednesday, 20 June 2007 11:50 AM
To: John Brad
Subject: FW: new coal mine.
Importance: High

From: Murray Daniel
Sent: Wednesday, 20 June 2007 9:31 AM
To: Graham Perrett
Subject: FW: new coal mine.
Importance: High

Did I flick this one to you?

From: Marty Mayhew
Sent: Tuesday, 19 June 2007 5:45 PM
To: Murray Daniel
Subject: new coal mine.
Importance: High

Murray

Can you pls call me about this mines issue - could look to announce it later in the week if it stacks up. Am unsure if your office is aware of it.

Marty

Marty Mayhew | Senior Policy Advisor

Office of the Hon Peter Beattie MP

Premier & Minister for Trade

+61 7 3224 4500 | +61 7 3221 3631 | Marty.Mayhew@ministerial.qld.gov.au

From: Williams, Leo [<mailto:Leo.Williams@freehills.com>]

Sent: Monday, 18 June 2007 12:29 PM

To: Marty Mayhew

Subject: Middlemount Coal

Dear Marty

As advised, at my last meeting with the Premier, I mentioned the Middlemount Project to him which has apparently now been signed off and is ready to go. The parties are anxious for the Premier to make the announcement and he indicated to me that he would like to do so subject the usual checks.

I am attaching the press release prepared by the parties who are anxious to go public in the next few days. If the Premier would like to make the announcement, my suggestion would be to have his media people contact either Philip Christensen or Nathan Tinkler whose contact details are set out hereunder:

Mr Philip Christensen

Partner

Freehills

Direct line: 07 3258 6461

Mobile:

Email: philip.christensen@freehills.com

Central Plaza 1

345 Queen Street

BRISBANE QLD 4000

Mr Nathan Tinkler

Custom Mining

Office: 02 4907-4700

Mobile:

Email: ntinkler@custommining.com.au

Unit C8 No. 1

Honeysuckle Drive

The Boardwalk

NEWCASTLE NSW 2300

I will leave it to you to notify the appropriate people.

Kind regards

Leo Williams AO

Consultant

Freehills

FREEHILLS

This email is confidential. If you are not the intended recipient you must not disclose or use the information contained in it. If you have received this email in error please notify us immediately by return email and delete the document. Freehills is not responsible for any changes made to a document other than those made by Freehills or for the effect of the changes on the document's meaning. Freehills

accepts no liability for any damage caused by this email or its attachments due to viruses interference interception corruption or unauthorised access.

This email, together with any attachments, is intended for the named recipient(s) only; and may contain privileged and confidential information. If received in error, you are asked to inform the sender as quickly as possible and delete this email and any copies of this from your computer system network.

If not an intended recipient of this email, you must not copy, distribute or take any action(s) that relies on it; any form of disclosure, modification, distribution and/or publication of this email is also prohibited.

Unless stated otherwise, this email represents only the views of the sender and not the views of the Queensland Government.

DEWS RTI DL Release

Pages 6 through 9 redacted for the following reasons:

s.49 - Commercial Information

DEWS RTI DL Release

Tenure	Granted	Non-Current	Date of Report	Reports	Status	
EPC 6	22-OCT-1964	01-JUN-1969	01/01/1966	1833	Confidential	
			01/01/1965	1536	Confidential	
EPC 470	17-SEP-1987	06-SEP-1991	01/02/1992	25335	Open	
EPC 315	07-AUG-1980	17-SEP-1987	01/02/1988	17986	Confidential	
			01/01/1988	17869	Open	
			01/10/1983	12448	Confidential	
			01/10/1983	12409	Open	
			01/01/1983	12065	Confidential	
			01/03/1982	10364	Confidential	
			01/06/1980	9902	Confidential	Combined report with EPC 206 Non-Current & ML 1306 Non-Current.
			01/06/1979	9901	Confidential	Combined report with EPC 206 Non-Current & ML 1306 Non-Current.
			01/09/1981	9393	Confidential	
			01/02/1981	8575	Confidential	
EPC 597	08-MAR-1996	10-APR-2003	14/10/2003	36531	Open	
			03/04/1997	31560	Confidential	
			07/03/2001	T-63075	Left on File	Not held on QDEX
			07/03/2000	T-60367	Left on File	Not held on QDEX
			07/03/1999	T-60366	Left on File	Not held on QDEX
			07/03/1998	T-59095	Left on File	Not held on QDEX
EPC 855	20-OCT-2003	19-OCT-2017	19/11/2012	74206	Confidential	Combined report with EPC 726 Current tenure 19-MAR-2001 to 18-MAR-2016
CURRENT			17/11/2011	68905	Confidential	Combined report with EPC 726 Current tenure 19-MAR-2001 to 18-MAR-2016
			16/11/2010	65226	Confidential	Combined report with EPC 726 Current tenure 19-MAR-2001 to 18-MAR-2016
			25/06/2010	63508	Open	Partial Relinquishment Report
			22/09/2009	58665	Confidential	Combined report with EPC 726 Current tenure 19-MAR-2001 to 18-MAR-2016
			31/10/2008	54221	Open	Partial Relinquishment Report
			28/10/2008	53724	Confidential	Combined report with EPC 726 Current tenure 19-MAR-2001 to 18-MAR-2016
			15/02/2008	50601	Open	Partial Relinquishment Report
			16/11/2007	49434	Confidential	Combined report with EPC 726 Current tenure 19-MAR-2001 to 18-MAR-2016
			06/11/2006	44742	Confidential	Combined report with EPC 726 Current tenure 19-MAR-2001 to 18-MAR-2016
						19/10/2005
			20/10/2004	T-64782	Left on File	Not held on QDEX
MDL 282	10-APR-2002	RENEWAL	20/05/2013	77610	Confidential	
			01/06/2012	71304	Confidential	
			11/11/2011	68825	Confidential	
			28/06/2010	63487	Confidential	
			30/04/2009	57783	Confidential	
			30/06/2009	57782	Confidential	
			30/04/2007	47053	Confidential	