

Project Update



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Galilee Basin - subject of extensive groundwater assessments

To date, GVK Hancock has invested tens of millions of dollars on some of the most extensive and rigorous environmental assessments for its Galilee Basin projects.

As part of our environmental assessments, we have undertaken an extensive hydrogeological assessment of groundwater in the region, which formed the basis of environmental approvals from State and Federal governments.



The modelling undertaken during our environmental assessments provided a detailed understanding of potential localised impacts from pit dewatering, which is an essential part of any mining activities.

Pit dewatering involves drawing water from around the pit to ensure coal can be accessed, with the drawn water to be stored onsite aboveground.

Based on results from these studies, we will have in place a vast array of environmental and groundwater management plans and procedures in accordance with our strict environmental conditions set by the Queensland Government.

These environmental management plans and

procedures will ensure that any groundwater impacts from our mining operations will be localised and well managed.

During the modelling process, an assessment of neighbouring bores, which it was deemed may be impacted from Alpha mine dewatering was conducted and all information from these studies made available to the relevant properties and broader local properties.

This process guided discussions in relation to 'Make Good Agreements' with the focus of ensuring that all parties were aware of any potential impacts and, where necessary, agreements could be put in place.

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INDUSTRY FACTS

Did you know that in 2012/13 the Queensland resources industry directly contributed around \$7 billion in wages, directly employing around 43,000 workers and provided over \$6 billion in taxes and royalties to the people of Queensland and Australia.

In addition, the industry also invested around \$31 billion in purchases from related sectors such as construction, rail transport, utilities, professional services, and manufacturing.

Regional Numerical Model allowed for a preliminary assessment of potential impacts of mine dewatering on the regional groundwater regime;

Refined predictive groundwater model allowed for an accurate estimate of groundwater ingress over the life of the mine and facilitated mine water management; and

Integrated surface water-groundwater model allowed for a more detailed and accurate simulation and assessment of potential long-term groundwater impacts.

Galilee Basin - subject of extensive groundwater assessment - cont'd

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As a result of our consultation throughout the assessments process, we have 'Make Good Agreements' in place with neighbouring large agricultural businesses around our proposed mining operations. 'Make Good Agreements' are legally binding contracts that hold us responsible for restoring any unduly affected water supplies on surrounding properties.

In addition, the hydrogeological assessment showed extensive groundwater well below the pit depth of the Alpha coal mine, which will not be intersected or impacted by our proposed mining activities or mine dewatering over the life of the mine. This deeper water access, along with drawn water stored aboveground onsite, are among a range of solutions that will be available to supplement neighbouring properties should our mine unduly affect water supplies on surrounding properties.

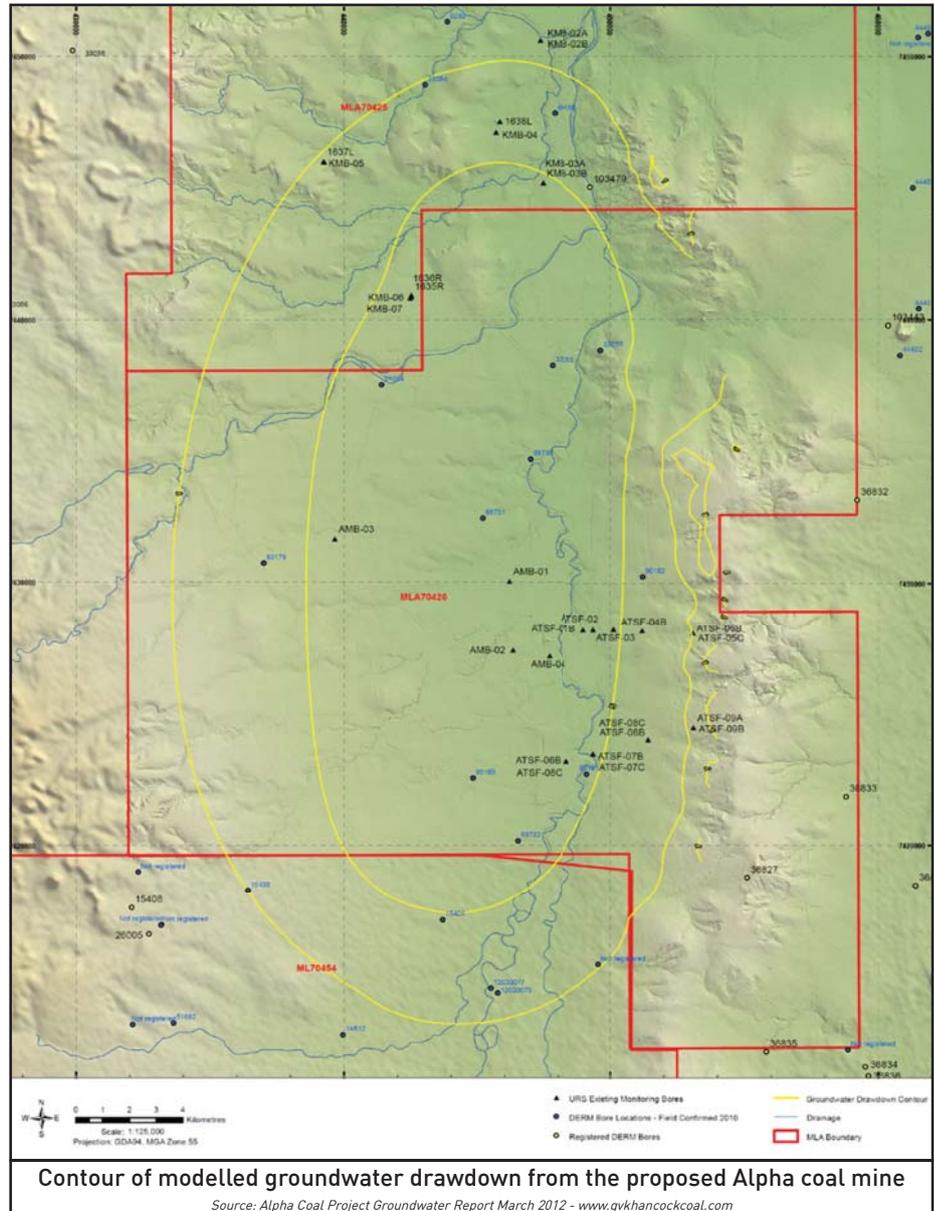
It is important to understand that water supply for our operations will be from a number of sources including off-stream storage via water harvesting during high flow periods, existing site dams, pit dewatering and supplemented from pipeline via the Nogoia Mackenzie water supply scheme.

We will continue to work with the Queensland Government to develop the necessary infrastructure to secure a regional water supply for our operations in line with the Galilee Basin Development Strategy.

We will also continue working cooperatively with landholders, the local community and other levels of Government as we progress our projects to a point where construction can commence.

All information pertaining to our Environmental Impact Statement and associated studies is available at:

www.gvkhancockcoal.com



Land Court endorses comprehensive EIS assessments

On 8 April 2014, the Queensland Land Court recommended that the Environmental Authority and Mining Lease for our proposed Alpha coal mine be granted subject to conditions.

We fully understand the significant benefits our projects will bring to the region and will continue to work with the environmental regulators in relation to these recommendations.

During the case, objections were heard in

relation to climate change, economics, surface water, groundwater, land use, public interest and greenhouse gas emissions.

In its judgment the Land Court clearly confirmed that GVK Hancock's comprehensive range of assessments addressed all the objections raised with no recommendation for further conditions, apart from groundwater.

It is important to understand that the groundwater recommendations would not raise any new environmental obligations under

the project's existing environmental approvals.

This recommendation to grant the mining lease and environmental authority endorses the comprehensive environmental assessments of our Galilee Basin projects, which was approved by State and Federal governments.

We will continue working cooperatively with landholders, the local community and Governments as we progress our projects to a point where construction can commence.

Qld Government declares rail line State Development Area

On 13 June 2014, the Queensland Government announced the declaration of the Galilee Basin State Development Area (GBSDA), with the southern designated allocation along GVK Hancock's proposed rail line from its Galilee Basin coal projects to the existing Abbot Point coal port.

The declaration of the GBSDA followed consultation with landowners along the proposed rail line and provides guidance and development certainty to access the geographic area of the proposed rail infrastructure enabling a coordinated approach to the development of the rail corridors.

To date, we have undertaken over seven years of detailed planning and analysis for Galilee Basin projects, including for our associated infrastructure along the rail corridor and port expansion.

Any rail line from the southern end of the Galilee Basin to the coast must traverse the flood plains of the Belyando and its tributaries at some stage. The detailed planning and design work for our rail line goes far beyond the level completed for any earlier project in Queensland and has met all of the hydrological requirements of the government's stringent regulations for crossing such terrain.

Our planning also incorporates our respective parent companies' own extensive infrastructure experience to ensure the rail line enables both water to flow in extreme flood events, and to minimise damage to infrastructure. Our rail corridor is designed to a 1 in 100 year flood immunity level and all drainage structures and rail formations are designed accordingly.

Consultation with local landowners was a central element of planning for the proposed rail line. As part of the Environmental Impact Statement (EIS) and Supplementary Environmental Impact Statement (SEIS) process for the rail line, an independent hydrogeological consultant was appointed to examine the extensive modelling and information was provided to affected landholders.

All questions raised in this process were answered in a close out report to Queensland's Coordinator General. In addition, affected landholders in the flood plain areas were provided with the opportunity to have this information explained to them by a well-respected



local expert consultant.

To date, our GVK Hancock project team have successfully negotiated termsheets with landholders for around 75% of the rail corridor, which outline the commercially agreed terms for the acquisition and compensation of land.

Irrespective of this GBSDA declaration, which incorporates land acquisition powers, we aim to continue working cooperatively with, and negotiate with remaining landholders in good faith and

not rely upon the use of any compulsory acquisition powers.

At this stage, GVK Hancock plans to recommence negotiations with the remaining landholders along the rail line route once it has finalised the proposed joint venture with Aurizon, Australia's largest rail freight operator. This joint venture with Aurizon will develop the rail and port solution connecting the southern end of the Galilee Basin to export markets with the joint venture agreement currently in the process of being finalised.

Alpha mine planning refinement to improve environmental and cost outcomes

GVK has always believed that large greenfield projects such as the Alpha Coal Project and its associated transport infrastructure can successfully be developed by delivering world leading cost and quality benchmarks.

Applying this approach, GVK Hancock has consistently focused on optimising the mine, rail and port project in order to bring the projects on-stream in the lowest global cost quartile.

As part of an ongoing planning refinement process, the GVK Hancock project team has now refined the infrastructure and operational planning for its Alpha Coal Project, achieving significant cost savings and reducing environmental impacts.

The impending environmental improvements

are the result of a better alignment of infrastructure requirements without impacting the mine's 32 mtpa production capacity over 30 plus years.

Amendments to the project's infrastructure and operational plan incorporate a range of cost reductions and reflect further advances in equipment usage, product handling strategies, infrastructure placement, land use improvements and mine lease optimisation.

These refinements have also resulted in reduced water allocation needs. In the past we had secured allocations of excess water supply in the region, but through ongoing planning refinement we have significantly reduced the amount of water we will now require. As a result, we will now only be continuing with contracts for the water allocations that are

required.

These planning advances not only reduce environmental impacts, but ensure that our proposed Alpha coal mine continues to remain cost competitive in the current market conditions.

As we continue to advance our projects to a point where construction can commence, we remain committed to continue working with landowners, the community and all levels of government.

We also continue to have compensation agreements in place with all properties in the area of our Alpha mining lease and the amendments to mine planning will be reflected in these ongoing agreements.

Geology & Quality - Key to the Galilee

There has been much said over the past few years about the development of the Galilee Basin. Irrespective of any positive or negative commentary, it is important to understand that the unique geology of this undeveloped greenfield basin differentiates it from other basins and plays a key role in its low production cost structures.

The volume and magnitude of our Galilee Basin coal deposits, which are large and shallow with a very flat delineation, lend themselves to large-scale mining techniques that aren't otherwise available to smaller mines with more geologically challenging deposits.

The geology in the Galilee Basin also features relatively low strength overburden compared to other basins, which further enhances the ability to use large-scale mining techniques that reduce production costs.

The combination of large-scale mining techniques, along with other advantages will deliver a production cost that ensures our mine is comparatively immune to the volatility of cyclical coal prices.

In addition, the beneficial quality and attributes of our coal assets with low sulphur and low ash, position our high quality product very favourably in the market compared to significant volumes of lower quality coal that is currently being imported by Asian economies. As an added benefit, the attributes

of our coal will also offer the ability to lower global emissions from global coal fire power generation.

In terms of the market conditions, the medium to long-term prospects of coal demand remain strong and will create a global supply shortfall in the coming years with our coal assets uniquely positioned to deliver such new supply.

But even in the current market conditions, our Galilee Basin coal assets are differentiated

from other mines due to their projected low production costs, sought after coal quality, advanced stage of approvals, advanced stage of construction readiness and access to a proposed viable transport solution connecting our assets to export markets.

We remain firmly committed to the development of our Galilee Basin coal assets and are continuing to develop our projects to a point where construction can commence.



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