Carabella Resources Limited

HELMSEC GLOBAL SECURITIES

BUY

VALUATION: A$3.74/share

6 February 2012

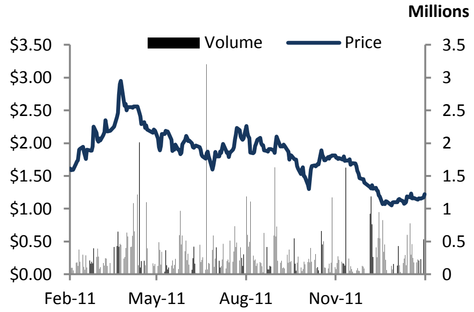
Company Data

ASX Code	CLR
Market Cap (fully diluted, A$M)	205.3
Share Price (A$)	1.18
Shares on Issue (m)	152.4
Options on Issue (m)	21.6
52 Week Hi Lo (A$)	1.04-3.01
Cash at Bank (est, A$M)	36
Net Debt	Nil

Valuation

at Forecast Coal/FX	$m	$/Share
Grosvenor West	500.0	3.28
Resources	14.0	0.09
Cash (est)	36.0	0.24
Debt/Contingency (est)	-	-
Exploration	20.0	0.13
Total Valuation	570.0	3.74
Share Premium/(Discount) to valuation		-68.5%
at Spot Coal/FX*		
Total Valuation	428.1	2.81
Share Premium/(Discount) to valuation		-58.0%
*Spot Benchmark Coking Coal Price (US$/t)		231
Spot A$/US$ Xrate		1.050
Spot Benchmark Coking Coal Price (A$/t)		220

Share Price Performance



Board

Andrew Amer	Non-Executive Chairman
Anthony Quin	Managing Director
Michael Addison	Non-Executive Director
Simon Kidston	Non-Executive Director

Major Shareholders

Wavenet	11.3%
Colonial First State	8.0%
Republic Investment management	7.2%

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Carabella Resources Limited (ASX:CLR) is an Australian based coal development company. Carabella's main focus is on the development of its Grosvenor West Project, where a concept study has recently been completed on a 145Mt high quality coal resource, as well as exploration of its Mabbin Creek and Bluff tenements.

RECOMMENDATION: BUY

- We value the Grosvenor West Project at A$500m or $3.28 per share. This is based on an underground operation producing approximately 3.5Mtpa of saleable coal over a 14 year life, long term hard coking and thermal coal prices of US$200/t and US$95/t respectively and an A$/US$ exchange rate of 0.85. This valuation excludes any exploration upside from the company's other coal tenements.
- Carabella is trading at a significant discount to our valuation and we retain our **BUY** recommendation.

KEY POINTS

- The recently completed concept study concluded that Grosvenor West has strong development potential for either an open cut or underground operation. In both cases, ROM production is expected to be at least 5Mtpa, with saleable production of at least 3.5Mtpa when the mine reaches design capacity.
- Total capital costs for the open cut option, assuming an owner-operated mining operation, are estimated at A$1,032m. The study indicated FOB (C1) cash costs of A$107 per sales tonne. State royalties would add approximately A$20/t to this cost.
- For the underground longwall mining operation, 5Mtpa of raw coal is expected to be produced over a 14 year mine life from a mineable resource of up to 60Mt. Both the estimated capital cost of $830m and the FOB (C1) cash costs of A$88/t are considerably lower than the open cut option.
- Apart from the fact that the underground option is less capital intensive and has lower operating costs, it achieves full production sooner and allows a more consistent production rate. Other advantages are a smaller environmental footprint (and therefore likely to face lower hurdles from an approvals perspective) and less exposure to wet weather production losses.
- Of the 3.5Mtpa saleable coal production, approximately two thirds is expected to be high quality coking coal and one third export thermal coal. The washed 10% ash product is expected to sell at a price close to the hard coking benchmark price while the thermal co-product is export quality and is saleable as a single or blend component. Washability tests indicate two-product yields of about 70%.
- Confirmation of the mining option, which will form the front end of the feasibility study, is expected in mid-2012. The feasibility study is expected to be completed by September 2013. Concurrently, Carabella intends to progress the environmental approval process, mining lease application, and infrastructure planning.

HELMSEC GLOBAL SECURITIES

RISKS & SENSITIVITY

Cash flow and NPV are highly sensitive to coal prices and exchange rates. We estimate the impact of a 10% change in coal prices on the Grosvenor West valuation to be around $224m or $1.47 per share.

Grosvenor West is still at a relatively early stage in the production cycle and is therefore subject to all the technical, regulatory and financial risks associated with project development, as well as coal price and exchange rate risk.

CARABELLA RESOURCES LTD (CLR) Recommendation: Buy

Issued Capital: 152.4m | Share price: $1.180 | Market Cap: $180m | Y/E June, A$m

Assumptions	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22-34F	Spot
Hard Coking Coal Price (US$/t)	203	200	200	200	200	200	200	200	231
A$/US$ Exchange Rate	0.875	0.850	0.850	0.850	0.850	0.850	0.850	0.850	1.050
Hard Coking Coal Price (A$/t)	231	235	235	235	235	235	235	235	220

Open Cut	FY14-15F	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22-34F	LOM*
Waste/Ore Ratio		12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4
Raw Coal (Mt)		3.000	2.400	5.900	5.900	5.900	6.000	4.7	89.9
Saleable Coal (Mt)		2.100	1.680	4.130	4.130	4.130	4.200	3.3	62.940
Cash Cost (incl royalties, A$/t)		142.65	142.65	126.58	126.58	126.58	126.58	126.58	127.55
Cash Cost (incl royalties, US$/t)		121.26	121.26	107.60	107.60	107.60	107.60	107.60	108.42
Sales Revenue (A$m)		408.5	326.8	803.4	803.4	803.4	817.0	637.0	10,619
Operating Costs (A$m)		(249.0)	(199.2)	(522.8)	(522.8)	(522.8)	(531.7)	(414.5)	(6,880)
Operational Cash Flow (A$m)		159.5	127.6	280.6	280.6	280.6	285.4	222.5	3,739
Capital/Development (A$m)	(826)	(134.0)	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)	(9.1)	(1,210)
Pre-Tax Cash Flow (A$m)		25.5	115.6	268.6	268.6	268.6	273.4	213.4	2,529

Underground	FY14-15F	FY16F	FY17F	FY18F	FY19F	FY20F	FY21F	FY22-28F	LOM*
Raw Coal (Mt)		0.750	5.000	5.000	5.000	5.000	5.000	4.9	60.0
Saleable Coal (Mt)		0.525	3.500	3.500	3.500	3.500	3.500	3.4	42.0
Cash Cost (incl royalties, A$/t)		123.57	112.83	107.45	107.45	107.45	107.45	107.45	108.10
Cash Cost (incl royalties, US$/t)		105.04	95.90	91.34	91.34	91.34	91.34	91.34	91.89
Sales Revenue (A$m)	-	102.1	680.8	680.8	680.8	680.8	680.8	667.0	8,175
Operating Costs (A$m)	-	(64.9)	(394.9)	(376.1)	(376.1)	(376.1)	(376.1)	(368.4)	(4,543)
Operational Cash Flow (A$m)	-	37.3	286.0	304.8	304.8	304.8	304.8	298.5	3,632
Capital/Development (A$m)	(664)	(108.0)	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(12.0)	(994)
Pre-Tax Cash Flow (A$m)		(70.7)	270.0	288.8	288.8	288.8	288.8	286.5	2,638

Resources (Mt)	Measured	Indicated	Inferred	Total	Reserves (Mt)	Proven	Probable	Total
Grosvenor West	41.5	36.1	68.2	145.8				
Total	**41.5**	**36.1**	**68.2**	**145.8**		-	-	-
EV/t Reserve		na			Reserve/Resource (%)		na	
EV/t Resource		A$0.99/t						

Valuation	$m	$/share	Discount Rate Assumptions	
Grosvenor West	500.0	3.28	Risk Free Rate	5.5%
Resources	14.0	0.09	Market Risk Premium	6.0%
Cash (est)	36.0	0.24	Beta	1.10
Debt/Contingency (est)	-	-	Cost of Equity (after tax)	12.1%
Hedging			Cost of Equity (pre tax)	17.3%
Exploration	20.0	0.13	Cost of Debt	8.0%
Investments/Other	-	-	Debt	80.0%
Total	**569.9**	**3.74**	Equity	20.0%
Premium/(Discount)		-68.5%	WACC (pre-tax)	9.9%
Valuation at Spot	**428.1**	**2.81**	WACC (after-tax)	8.8%
Premium/(Discount)		-58.0%	Tax Rate	30.0%

Valuation Sensitivities		$m	$/share	% change		$m	$/share
Coal Price	+/-10%	223.9	1.47	44.8	per 1%	22.4	0.147
Exchange Rate	+/- 5c	132.2	0.87	27.6	per 1c	26.4	0.174

VALUATION

The majority of our valuation parameters are set out in the Table on page 2 and are broadly in line with the results of the Concept Study.

While the company continues to evaluate both open cut and underground options prior to making a decision on which route to follow, we are inclined towards the underground option, provided no geotechnical issues emerge during the current studies.

Our NPV valuation for the underground option, based on coking and thermal coal prices of US$200/t and US$95/t respectively and an A$/US$ exchange rate of 0.85, is A$500m or $3.28 per share. By contrast, we value the open cut option at $405m or $2.66 per share. At higher coal prices (US$220/t and above, by our estimates), the open cut option looks more attractive on a DCF basis.

The major advantages of the underground option are that the estimated capital cost of $830m is more than $200m lower than the open cut option ($1,032m) and has a cash operating cost advantage of around $19/t ($88/t vs $107/t). Apart from the fact that the underground option is less capital intensive and has lower operating costs, it achieves full production sooner and allows a more consistent production rate. Other advantages are a smaller environmental footprint (and therefore likely to face lower hurdles from an approvals perspective) and less exposure to wet weather production losses. At a considerably lower operating cost, underground mining is also more likely to remain cash flow positive should the coal price retract sharply. Its major disadvantage is the lower level of extraction (~60Mt compared to ~90Mt for an open cut) and therefore a shorter mine life.

We have made the assumption that of the 3.5Mtpa saleable coal production, approximately two thirds will be a high quality coking coal and one third export thermal coal. The washed 10% ash product is expected to sell at a price close to the hard coking coal benchmark price while the thermal co-product is expected to be saleable as a single export product or a blend component. In both cases, the raw coal would be processed through a two stage wash plant producing separate coking and thermal coals. We have also assumed wash recovery of 70% for both options.

Underground

The underground valuation is based on average annual ROM production of approximately 4.9Mt for a twelve year period starting FY2017. While there is a possibility of producing a small amount of coal in FY2015, first production of 750,000 ROM tonnes is likely to occur in FY2016, building up to full production in FY2017. Approximately two thirds of the capital cost of A$830m is expected to occur in FY2015. Ongoing capital costs of $16m per annum have been assumed.

We have used the concept study unit cash cost (F1) estimates of A$88/t of product, broken down into mining and associated cost ($34/ROM t, $48.60/sales tonne), wash plant and surface ($6.40/sales tonne) and rail and port ($33/sales tonne). Modelling is based on this average cash cost; in reality costs will be variable.

Open Cut

For the open cut option, we have assumed approximately 90Mt of ROM coal being mined over a 19 year mine life. The open cut would be expected to reach the 5Mtpa/3.5Mtpa raw/product coal production level by FY2018, and average just below 5Mtpa ROM and 3.5Mtpa product coal from that date. Annual production from the open cut would be variable. Production peaks between 5.5Mtpa and 6Mtpa for ten years after initial ramp up and a significant ramp down period occurs towards the end of the mine life. Our modelling assumes ROM production of close to 6Mtpa for the first 9 years of full production.

A total capital cost of A$1,032m has been used in our assessment, with approximately $680m spent in FY2015. Ongoing capital costs of $12m per annum have been assumed. Like the underground, average cash costs have been used in modelling; variability would be even greater than for the underground.

DCF Valuation

For both the underground and open cut options, we have run discounted cash flows on both a pre-tax and after-tax position, using a WACC of 9.9% and 8.8% respectively. We have adopted the after-tax NPV, with no tax relief in the earlier years but also without any MRRT (which we believe to be premature for such an early stage assessment).

Based on the above, our valuations for the underground and open cut options are $500m ($3.28 per share) and $405m ($2.66 per share) respectively. As we favour the underground option, all references to Grosvenor West valuation in this report will therefore be based on the underground option.

It must be stressed that the valuations are very sensitive to coal price and exchange rate movements. For the underground option, a 10% movement in both coking and steaming coal prices will have a $224m or $1.47 per share impact on the value i.e. $22m for each 1% change in the coal price. A 5c change in the A$/US$ exchange rate will have an average $132m ($0.87 per share) impact on the valuation.

In addition to the Grosvenor West DCF, we have included a fairly nominal ($14m) value for inferred resources not included in the mining plan and a conservative value of $20m (target of 100Mt at $0.25 per tonne) for the company's other exploration tenements. The current cash balance is estimated at $36m) and the company is debt free.

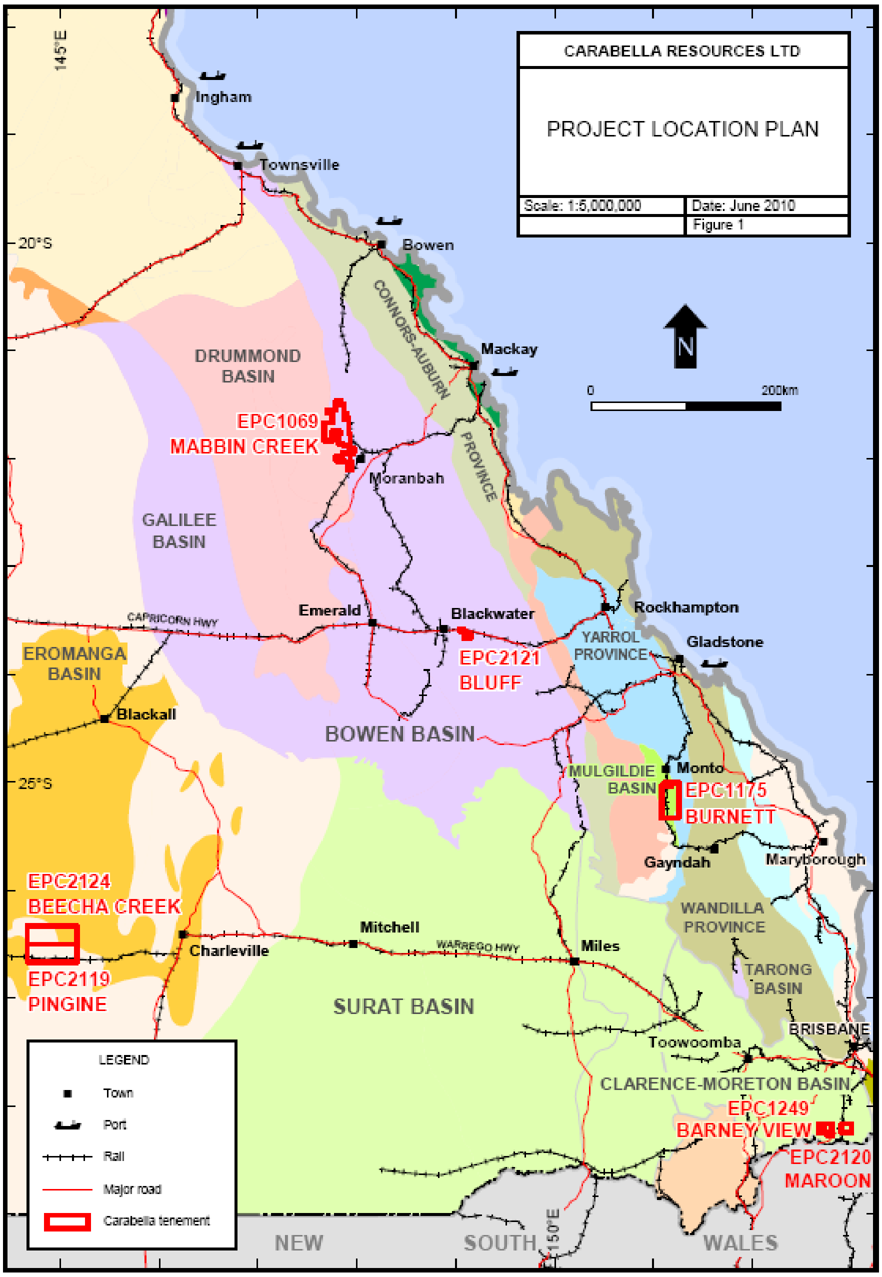
Total value for Carabella is therefore estimated at $570m or $3.74 per share on an undiluted basis.

BACKGROUND

Carabella listed on the ASX in December 2010, raising $12m through the issue of 30m shares at $0.40 per share. The company has subsequently raised two tranches of equity capital at prices of $1.80 and $1.30 per share.

The company currently holds a 100% interest in 6 'granted' and 3 'application stage' coal exploration tenements located in Queensland's highly prospective Bowen, Mulgildie (thermal), Clarence-Moreton (thermal) and Eromanga (thermal) coal basins. The company also has a 50% interest in the Pretoria Hill JV in the Bowen Basin with Endocoal Limited.

Carabella's strategic focus is on Mabbin Creek (EPC 1069). In addition to the Grosvenor West Project, the company has identified 6 prospective exploration targets.



GROSVENOR WEST PROJECT

Location

The Grosvenor West Project is located 10km northwest of Moranbah in the northern Bowen Basin, Queensland. The project is situated on the eastern border of Mabbin Creek EPC 1069. The project lies immediately west of Anglo Coal's Grosvenor Coal Project and adjacent to the south of its Moranbah North underground mine. Both of these operations host coking coal resources in the Moranbah Coal Measures. Furthermore, the project is positioned adjacent to the Goonyella rail systems and the Northern Rail Link, providing rail options to ports.

Geology

Carabella has drilled coal seams in the Moranbah Coal Measures and the Exmoor Formation. The deposits comprise five coal seams: the Dysart Rider seam (DYR), the Goonyella Lower seam (GL), the Goonyella Lower Lower seam (GLL), the Goonyella Lower B seam (GLB) and the Exmoor 2 seam (EX2). The average total coal thickness is approximately 10m, and the seams range in depth from 95m to 230m. For further geological details, see 'Mabbin Creek'.

Exploration and Resources

Carabella completed a preliminary drilling programme at Grosvenor West in October 2010. The drilling program achieved multiple seam intersections of up to 12.1m and averaging 8.6m thickness from a minimum depth of 106m. Following completion of the drilling program, a maiden JORC coking coal resource of 92Mt was reported. The resource was upgraded in July 2011 to a total of 95.3Mt, of which 13.6Mt were in the measured category and 18.5Mt in the indicated category.

In early November, Carabella announced that the total resource at Grosvenor West had increased by 53% to 145.8Mt. This included a substantial increase in the confidence of the resource, with measured resources increasing 205% to 41.5Mt and indicated resources by 95% to 36.1Mt.

	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Grosvenor West	41.5	36.1	68.2	**145.8**

Infrastructure

Grosvenor West is well served by surface infrastructure, given the number of major operations in the immediate vicinity. Existing rail loops from the Goonyella and Moranbah North mines are within 6km of the eastern boundary of the tenement, whilst the Peak Downs Highway passes to the south of the tenement. The rail distance to the Dalrymple Bay Coal Terminal is approximately 200km via the existing Goonyella rail line. The Port of Abbot Point is approximately 250km by rail from the tenement via the Newlands Rail System. New rail lines to Abbot Point to be constructed from the Galilee Basin provide further opportunities.

The company has been active in securing rail and port facilities. In early December 2011, Carabella announced that the North Queensland Coal Terminal (NQCT) consortium, in which Carabella is a 6.67% shareholder, had been awarded Preferred Respondent Status for one tranche of the 30Mtpa Abbot Point Coal Terminal expansion. The other members are Peabody Energy, Macarthur Coal, New Hope Corporation and Middlemount Coal. NQCT must now negotiate commercial terms with the state-owned North Queensland Bulk Ports Corporation to develop the terminal.

Once an agreement has been finalised, NQCT will commence feasibility studies on the port. These studies are expected to be completed in 18 months. Construction of the terminal should be completed by 2017, by which time Carabella should be ramping up to full production. The NQCT consortium agreement secures 2Mtpa of port capacity for Carabella.

Carabella is also progressing options to secure additional port capacity at Abbot Point and Dudgeon Point.

Carabella has also secured water rights for an allocation of up to 500ML per annum from the nearby Connors River Dam Project as a foundation customer. It is anticipated that this allocation would be used for initial mining activities at Grosvenor West.

Concept Study

A range of mining methods were considered in the Concept Study. The study concluded that the project has strong development potential for either an open cut or an underground operation. In both cases, ROM production is expected to be at least 5Mtpa, with saleable production of at least 3.5Mtpa, when the mine reaches design capacity. Quality analysis indicates that product coal could be sold as a washed 10% ash metallurgical coal product with a thermal coal co-product.

In both open cut and underground options, first coal is expected to be produced in 2015, with a 2-year ramp up to full production for the underground option and a three year ramp up for the open cut. Key features of the mining options are shown in the table below.

	Underground	Open cut
Mine life	14 years	20+ years
Mineable resources	Up to 60Mt	Up to 90Mt
ROM Production	5Mtpa	5Mtpa
Saleable Production	3.5Mtpa	3.5Mtpa
Coal quality	Approx two thirds HCC	Approx two thirds HCC
Mining method	Longwall	Truck / shovel
First coal	2015	2015
OPEX (A$/ prod tonne)	88	107
CAPEX (A$M)	830	1,032
Ramp up	2 years	3 years

For the open cut truck/shovel operation, 5Mtpa ROM coal (3.5Mtpa saleable coal) is expected to be produced over a 20+ year mine life from mineable resources of up to 90Mt. Up to 70Mbcm of waste are expected to be moved annually, with peak ROM coal production of 6Mtpa. The four seams have an average total coal thickness of 10m and occur at depths of between 95m and 180m.

Total capital costs, assuming an owner-operated mining operation, are estimated at A$1,030m, broadly in line with expectations. There is potential to reduce the capital costs by using contractor mining, but this generally comes at the expense of higher operating costs. This capital cost represents approximately A$206/annual ROM tonne or A$294/annual sales tonne. The Concept Study indicated FOB (C1) cash costs of A$107 per sales tonne, considerably lower than earlier indications. This cost does not include State royalties, which are likely to increase operating costs by around $20/t. Carabella believes there is potential to lower cash costs, and will pursue this as part of feasibility studies.

One of the advantages of an open cut operation is that all available coal seams in the Moranbah Coal Measures are targeted, thus recovering a greater proportion of the resource. The other advantages are a longer mine life (20+ years) and more blending flexibility for product consistency over time.

For the underground longwall mining operation, 5Mtpa of raw coal (3.5Mtpa saleable coal) is expected to be produced over a 14 year mine life from a mineable resource of up to 60Mt. Both the estimated capital cost of $830m and the FOB (C1) cash costs of A$88/t are considerably lower than the open cut option. The capital cost equates to an A$166/t annual ROM tonne and A$237/t annual sales tonne.

Apart from the fact that the underground option is less capital intensive and has lower operating costs, it achieves full production sooner and allows a more consistent production rate. Other advantages are a smaller environmental footprint (and therefore likely to face lower hurdles from an approvals perspective) and less exposure to wet weather production losses.

Of the 3.5Mtpa saleable coal production, approximately two thirds is expected to be a high quality coking coal and one third export thermal coal. The washed 10% ash product should sell at a price close to the hard coking coal benchmark price while the thermal co-product is likely to be saleable as a single export product or a blend component.

The raw coal will be processed through a two stage wash plant producing separate coking and thermal streams. The proposed technology is in common use, especially in the local region. However, flexibility will be retained to sell a higher ash product through appropriate washing and blending facilities if required. Washability tests indicate a total yield of 70%. Further coal quality analysis is planned in 2012.

Expected washed coal qualities and indicative yields are shown in the table below.

Parameter	10% Ash HCC	Thermal Co-product
Inherent Moisture (% adb)	1.5	2.0
Ash (% dab)	10.0	25
Volatile Matter (% adb)	27.5	20.5
Fixed Carbon (% adb)	61.0	52.5
Total Sulphur (% adb)	0.60	0.44
HGI	79	65
Phosphorous (% db)	0.020	-
Crucible Swelling No.	7 – 8	0 - 1
Roga Index	80	-
Maximum Fluidity (ddpm)	4,000	-
Maximum Dilatation (%)	150	-
Ro Max	1.10	-
Vitrinite (% by vol)	70	-
Calorific Value (kcal/kg GAD)	7,620	6,150

Product Ash %	Indicative Yield
10% Hard Coking Coal Product	46%
25% Thermal Product	24%
Two product total	**70%**

Confirmation of the mining option, which will form the front end of the feasibility study, is expected in mid-2012. The feasibility study is expected to be completed by September 2013. Over the next two years, Carabella intends to progress the environmental approval process, mining lease application, engineering studies, procurement and infrastructure planning, with a view to making a development decision by the end of 2013. Based on this timetable, first coal could be produced before the end of calendar 2015.

MABBIN CREEK – EPC 1069

Mabbin Creek is located in the northern Bowen Basin immediately north west of Moranbah and covers a strategic area of approximately 930km^2.

Mabbin Creek is also immediately adjacent to a number of world class coking coal mines, including BHP Billiton Mitsubishi Alliance's Goonyella/Riverside mine, Peabody's Goonyella North mine and Anglo Coal Australia's Moranbah North underground mine and its Grosvenor Coal Project. In total, these projects represent existing and planned coking coal production in excess of 27Mtpa.

Regional Geology

Mabbin Creek is located in the structurally stable north western margin of the Bowen Basin.

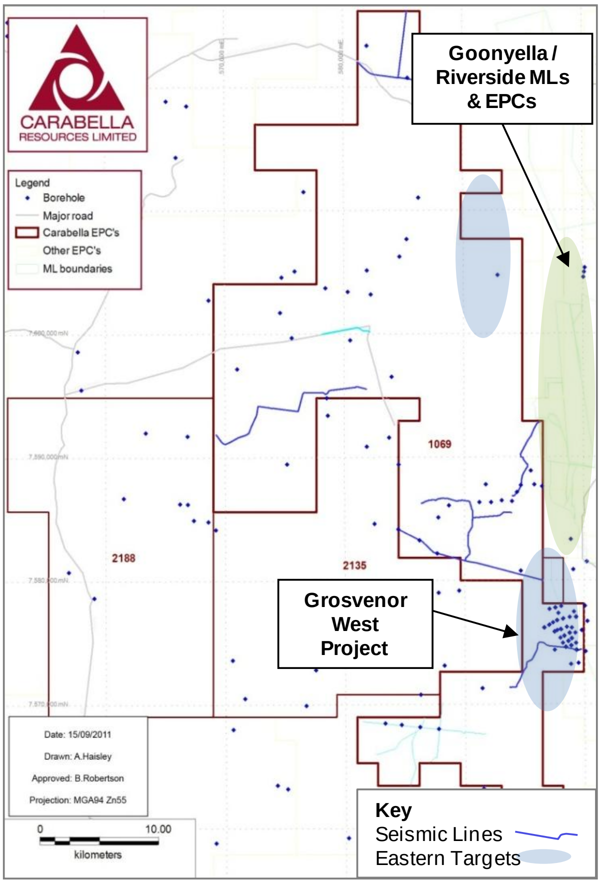
The area is underlain by rock formations of the Permian age and contains the Moranbah and Collinsville Coal Measures. The Goonyella coal seams are located in the Moranbah Coal Measures in the north, and are the benchmark for high quality hard coking coal in Australia. The Goonyella Coal Seams comprise the Upper, Middle and Lower seams. Recent and historical drilling has found the Goonyella Lower seam and its lower splits exist in the Mabbin Creek tenement at Grosvenor West.

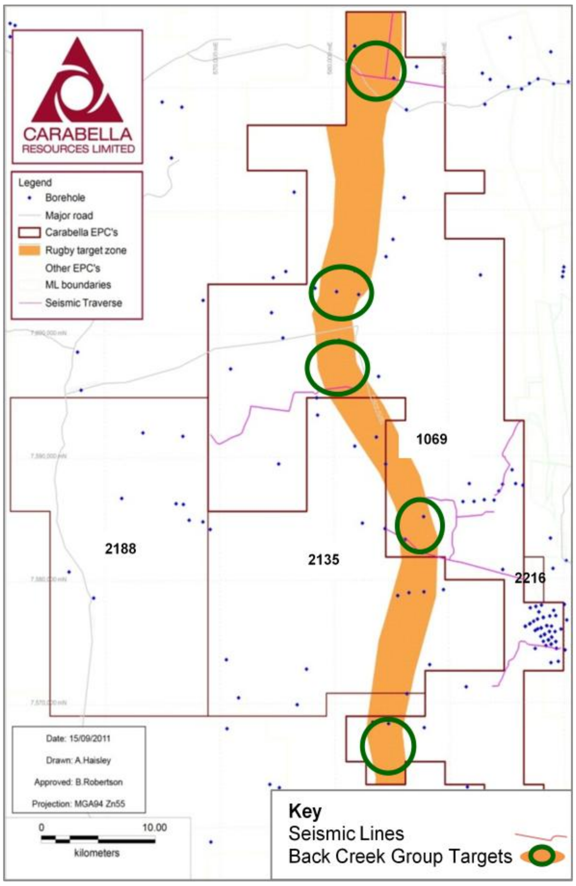
A detailed historical drilling review and modelling exercise has identified six key target areas:

- The Eastern target areas, prospective for coking coal in the Moranbah Coal Measures and Exmoor Formation
- Back Creek Group target areas, prospective for coking/thermal coals in the Rugby/Collinsville Coal Measures

Target Sites – Eastern Targets

The Lower seams of the Moranbah Coal measures have the potential to sub-outcrop along the eastern edge of the Mabbin Creek tenements. The Exmoor Formation underlies the Moranbah Coal Measures in the eastern part of Mabbin Creek; drilling at Grosvenor West has intersected Exmoor seam thicknesses of up to 2m at ~60m below the GLB seam. Modelling suggests potential sub-outcrop of Exmoor seams within Mabbin Creek. Three additional prospective targets have been identified on the eastern boundary of EPC 1069. Results from the Stage 1 2D seismic survey will be used to assess and rank targets in order of priority. A reconnaissance drilling program is in progress.





Target Sites – Back Creek Group

A detailed modelling exercise has identified that the Back Creek Group underlies the majority of the Mabbin Creek area. The Group contains the Rugby and Collinsville Coal Measures. The formations dip towards the east. Carabella is targeting 'pod style' deposits similar to the Rugby coking and thermal coal deposit along 'fairways' based on aeromagnetic and gravity survey interpretation, fault orientation and historical drilling data. Five prospective targets have been identified with potential for coking and thermal coal.

OTHER TENEMENTS

Burnett

Burnett is considered to be highly prospective for thermal coal in the Mulgildie Coal Measures. Burnett covers an exploration area of approximately 594km^2 and is located immediately south of Macarthur Coal's Monto coal project, which comprises a JORC resource of 328Mt of high quality thermal coal. An existing rail line to the Gladstone Coal Terminal runs north south through the tenement.

The tenement has been granted and has recently been transferred into the company's name. Carabella's immediate focus will be on continuing its modelling activities in order to identify preliminary target areas for geophysical surveys and to identify target sites for initial drilling.

Pretoria Hill

Pretoria Hill (EPC2135), which comprises an area of 410km^2, is a 50/50 Joint Venture with Endocoal Limited. The project lies 5-15km northwest of the town of Moranbah, adjacent to the Grosvenor West Project, and has potential for coking and thermal coal targets.

Barney View (Rathdowney) and Maroon

Barney View (Rathdowney) and Maroon comprise two adjacent tenements in the Clarence-Moreton Basin, covering a total exploration area of approximately 199km^2. The tenements have both been assessed as prospective for thermal coal in the Walloon Coal Measures.

Historical exploration in the areas has intersected coal seams with a cumulative thickness of between 2.7m and 5.9m. Coal analysis indicates a bright low ash thermal coal. Both tenements have been granted. The company does not intend to place an immediate focus on the areas.

Bluff

Bluff comprises a total exploration area of 44km^2 and is located south of the Jellinbah North mine in the central Bowen Basin. Bluff is prospective for PCI coal in blocks which may be upthrusts associated with major faults. The Blackwater rail system intersects the northern part of the tenement, with a rail distance of some 225km to the Port of Gladstone. The tenement has been granted.

Data reviews and exploration planning continued for EPC2121 (Bluff) during the quarter.

This preparation work identified the potential for up-thrown resource blocks of low volatile coal, associated with the Jellinbah fault system. A short scout drilling program is planned for the northern area of Bluff in the coming months.

Beecha Creek and Pingine

Beecha Creek and Pingine comprise two adjacent tenements covering an area of 1,800km^2 in the Eromanga Basin in south western Queensland. The areas are prospective for low quality thermal coal. Both tenements are currently at application stage, and as such the company does not intend to place any immediate focus on the areas.

DEVELOPMENT PLAN – take from ASX release

Milestones

Completion of Concept Study	Jan 2012
Submission of MLA and EA	Feb 2012
Confirmation of preferred mining option	June 2012
Complete Feasibility Study	Sep 2013
Investment decision	Dec 2013
Mining Lease approval	1H 2014
Project Execution	1H 2014
First Coal	**Late 2015**

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