

MINYANGO PROJECT

INITIAL ADVICE STATEMENT

for
Blackwater Coal Pty Ltd
May 2011

Hansen Bailey



MINYANGO PROJECT

INITIAL ADVICE STATEMENT

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1 INTRODUCTION

1.1 OVERVIEW

The Minyango Project (the project) involves the development of a Greenfield underground coal mine with two target coal seams. The project site is located south of Blackwater township in Central Queensland (Figure 1). The project will have a Run of Mine (ROM) production rate of up to 9 Million tonnes per annum (Mtpa) yielding up to 7.5 Mtpa of product coal (metallurgical and thermal) for the export market. The project will utilise the longwall mining method and will have a mine life of approximately 20 to 40 years depending on the mining schedule for the second coal seam.

The proponent is Blackwater Coal Pty Ltd (BCPL). BCPL is a wholly owned subsidiary of Caledon Resources pie, a public company listed on the Australian (ASX) and London (AIM) stock exchanges. The adjoining Cook Colliery is operated by Caledon Coal Pty Ltd, which is also a wholly owned subsidiary of Caledon Resources pie.

On 20 December 2010, the Mining Lease Application (MLA 80173), the Environmental Authority application for the project and an application for a voluntary Environmental Impact Statement (EIS) were lodged with the Department of Employment, Economic Development and Innovation (DEEDI) and the Department of Environment and Resource Management (DERM). DERM granted approval for the voluntary EIS process on 24 December 2010. The boundary of MLA 80173 is shown in Figure 2.

This project was referred to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC) for assessment under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). The DSEWPaC declared the project not a Controlled Action under the EPBC Act on 15 February 2011.

1.2 PURPOSE

This Initial Advice Statement (IAS) provides introductory information about the project. The IAS was prepared for submission to the DERM to aid the development of the EIS Terms of Reference (ToR) for the project.

2 PROJECT DESCRIPTION

2.1 DESCRIPTION OF THE PROJECT SITE

The project site is located immediately south of Blackwater township in Central Queensland (Figures 1 and 2). The project site is defined by the boundary of MLA 80173 and covers an area of approximately 3,325 ha. It is located within the Central Highlands Regional Council area.

The topography of the site has a gentle north to south rise in the central area that falls gently to the south-east and west. The project site is traversed by the Blackwater Rolleston Road and South Blackwater Mine Railway. Blackwater Creek and its tributaries traverse the south-east corner of the site and flows along the eastern boundary. Sagittarius Creek runs along the western border of the project site.

The majority of the project site is owned by two private landowners and is currently used for grazing. The site also contains the Blackwater Lawn Cemetery and a Blackwater Landfill area. Bow Blackwater CSG PL Pty Ltd has applied for an overlapping petroleum lease to extract the coal seam gas from the site. Numerous power transmission lines and water pipelines also traverse the project site. The project site adjoins the southern boundary of Blackwater township and is surrounded by grazing land to the immediate south, east and west.

Large areas of the site have been cleared in the past for grazing and there is no Commonwealth or Queensland listed remnant vegetation remaining. The project site does contain a small amount of Queensland listed Of Concern and Least Concern regulated regrowth vegetation.

2.2 PROJECT DESCRIPTION

The project involves the development of a Greenfield underground coal mine with two target coal seams. The project will have a ROM production rate of up to 9 Mtpa yielding up to 7.5 Mtpa of product coal (metallurgical and thermal) for the export market. The project will utilise the longwall mining method and will have a mine life of between approximately 20 to 40 years depending on the mining schedule for the second coal seam. The potential underground mining area is shown in Figure 2.

The mine surface infrastructure will be located at the northern end of the site. Infrastructure on the project site will include:

- Coal Handling and Preparation Plant (CHPP);
- Rejects Co-disposal Area (CDA);
- ROM and product coal stockpiles;

- Surface conveyors;
- Underground mine access drift portals;
- Rail loop and train loading facilities;
- Various sediment, raw and mine water dams;
- Administration building and bath house; and
- Workshop, warehouse and vehicle servicing facilities.

Minor surface infrastructure will be located above the underground mine workings. These will include ventilation shafts, water management infrastructure, gas drainage boreholes, underground communication cables, services and boreholes for supply of materials from the surface.

Product coal from the project will be transported by train to the new Wiggins Island Coal Export Terminal for export.

Longwall mining will result in subsidence of overlying surface areas. Subsidence results in the progressive formation of gentle trough-like depressions on the surface relative to the natural topography. Subsidence may result in surface cracking. The EIS will specify rehabilitation strategies for subsidence cracks and mitigation and management measures for other subsidence impacts.

Subsidence of the Blackwater Rolleston Road and South Blackwater Mine Railway may require permanent relocation of the road and railway lines (Figure 2) from above the proposed longwall mining area, subject to agreement from the Department of Transport and Main Roads and Queensland Rail. The EIS will include an assessment of the potential impacts associated with the relocation of the rail line and road.

2.3 ENVIRONMENTAL IMPACT ASSESSMENT

An EIS will be prepared for the Minyango Project. The EIS will address the DERM's EIS ToR for the project. The EIS will include an environmental impact assessment of the surface facilities and underground mining and associated activities within the proposed longwall mining area, as shown in Figure 2. The EIS will consider the impacts from the construction, operation and decommissioning stages of the project.

The key areas that will be studied during preparation of the EIS include the following:

- Noise and vibration;
- Air quality;
- Greenhouse gas issues;
- Terrestrial and aquatic flora and fauna;
- Soils and land capability;

- Co-disposal area study and geochemistry of mine wastes;
- Traffic and transportation;
- Surface water;
- Mine water management;
- Groundwater;
- Subsidence and rehabilitation;
- Waste management;
- Scenic Values;
- Cultural heritage; and
- Social and economic impact assessment.

The EIS will also include an Environmental Management Plan (EM Plan) for the project.

3 STAKEHOLDER CONSULTATION

3.1 STAKEHOLDER CONSULTATION PROGRAM

A comprehensive stakeholder consultation program will be conducted for the Minyango Project. The program will be conducted throughout the EIS preparation phase and will be integrated with environmental impact assessment and project planning. The program will include consultation with all affected and interested persons listed in Sections 3.2 and 3.3, and any other relevant stakeholders identified during the consultation program.

The objectives of the stakeholder consultation program will be to:

- Establish open communication with all stakeholders;
- Identify stakeholder issues and concerns with the project;
- Respond to stakeholder issues through environmental impact assessment, project planning or communication;
- Provide feedback to stakeholders in relation to their issues and how they have been addressed; and
- Facilitate stakeholder understanding of the project.

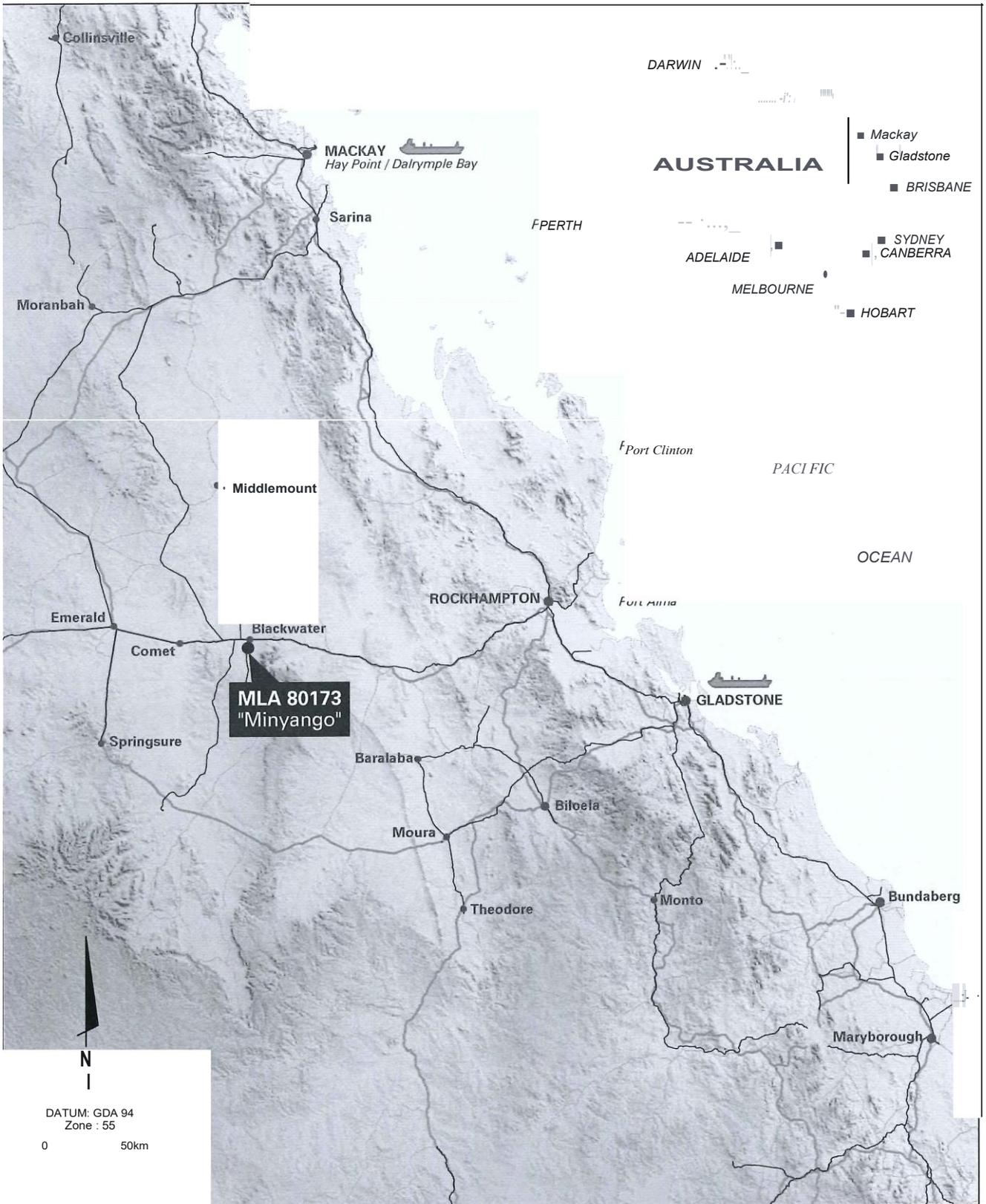
The initial phase of the stakeholder consultation program will involve the identification of stakeholder issues. This phase will involve individual semi-structured interviews with individual stakeholders. The interviews will include provision of an overview of the project, the EIS and project approval process, and the consultation program. A project information sheet will be provided to stakeholders to assist with this phase.

Once the initial phase has been completed, strategies will be developed to address stakeholders' issues. The methods used during subsequent consultation and feedback phases will be dependent on the stakeholder, the issues raised and the proposed response strategies. It is anticipated that a range of methods may be used, including individual meetings, group presentations and distribution of information sheets.

3.1.1 Aboriginal Group Consultation

Consultation with the registered Native Title claimants will be conducted in relation to Native Title issues in accordance with the requirements of the *Native Title Act 1993*. Consultation in relation to Aboriginal cultural heritage will be conducted with the relevant Aboriginal party in accordance with the requirements of the *Aboriginal Cultural Heritage Act 2003*.

FIGURES



HB 1051-FOI-Minyango-LOC-Cirun.dwg

Legend

- Export Port
- Railway
- Roads

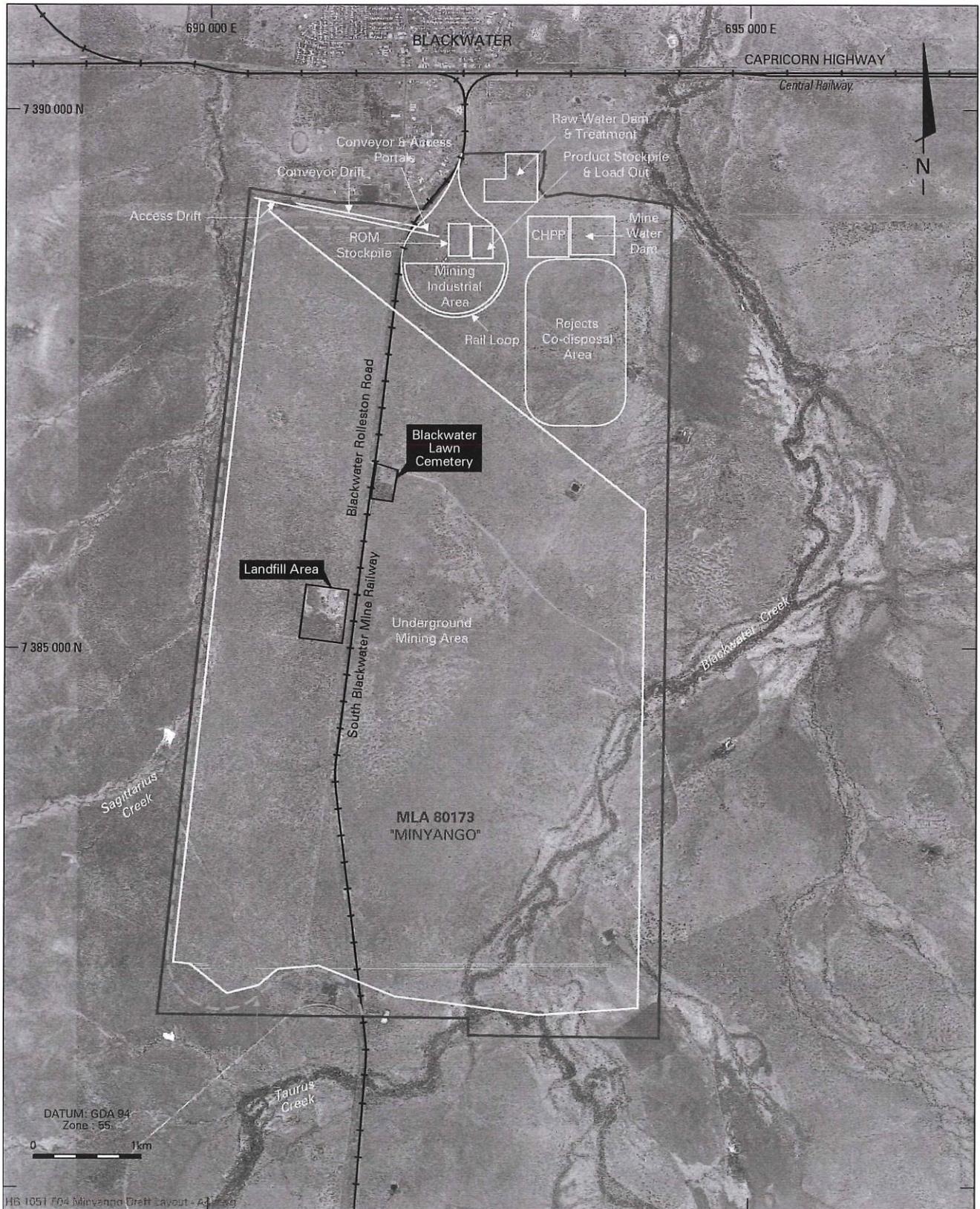


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MINYANGO PROJECT

Project Location

FIGURE 1



- Legend**
- Project Area
 - ++++- Rail Line
 - Proposed Infrastructure
 - UG Mine Layout Outline
 - Proposed Rail / Road Relocation



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Conceptual Project Layout

FIGURE 2