

NOTE (with altering of Mine and pits for confidentiality)
**REVIEW OF PLANNING OPTIONS TO IMPROVE BUSINESS
PERFORMANCE IN H1 2016**

1. PURPOSE

CQ mine is currently forecasting a loss of approximately A\$6M for Q1 2016, growing to >\$30M loss at the end of H1. A 2 day review was held on site with various CQ Mine technical and operational personnel, along with David O'Rourke and Senior Head Office Personnel targeting options to improve the cash position before date of June 30 2016.

2. METHODOLOGY

A range of options analysis work that had been completed by CQ Mine Tech Services was peer reviewed.

Each pit/work area was reviewed systematically looking for alternate dig locations within and external to the current pit shells targeting low strip ratio coal.

The following key areas were identified as having potential and are recommended for further analysis by the site technical team:

Key messages:

- Run EX5500 full in place of EX3600 to achieve an additional circa 1Mbcm prime capacity in H1 with existing truck fleet on short leads resulting in a target additional coal production of 150-200kt (P60).
- Focus should be on additional coal from CQ Mine West (note: this will require creek protection similar to MLX – and will provide a short dump option). Work is required to design a low ratio Main Seam focussed pit that can operate without requirement of creek diversion and road relocation in H1.
- Additional coal sources were identified in Pit1 (40kt @ P50 - excavator/truck), Pit2 (35kt @ P70 - Dozer push) and possible future Pit3 ramp coal (with additional dozer push).
- Schedule optimisation targeting transaction date of June 30 expected to deliver circa 50kt additional coal in H1.

Further detailed assessment needs to be carried out over the next 2 weeks including geophysical logging, production drilling, pit design, scheduling and truck optimisation.

More detail is included on working notes attached.

In summary, the review has indicated that with 2 weeks detailed planning work, significant upside potential is available at CQ Mine prior to an estimated sale date of June 30. In combination with cost savings this may mitigate a significant portion of the previously forecasted H1 loss.

Regards

David O'Rourke

Working Notes:

1. Outside Pit3 shell
 - a. Blk 2 – 6 5-10kt pi1b, P11, P12 P20
 - b. Pit5 Blocks 1 to 3 - 5500 for 5 months insitu tonnes 1mbcm 6:1 Strip Ratio (max) 150kt MM incremental P60, additional incremental with short dump and run 5 diggers 1mbcm 150kt incremental P20 with present data
 - c. BLK7 W P11B 25kt P80(H2 only wait for coal out below) dozer push
2. Inside Pit3 Shell
 - a. Ramps at northern end 40kt P80 (H2 only)
3. Outside Pit2 Pit Shell
 - a. Pit2 Blk 8 35kt ROM dozer operations P70
4. Pit1
 - a. Pit1 40kt short dump potential est 7:1 strip ratio P50 – quick opportunity
5. Schedule
 - a. 50kt Adjust schedule P60 around June 30?
 - b. Optimise to target finish date

Tasks (to be allocated by site management)

1. Preliminary mine plan FPW by Friday noon
2. Log FPW production drill holes by end next week if rough pit layout is positive
3. Production drill Pit2
4. Pit3 getting logged this week, create model over area, do finalized mine pit design be end Jan
5. Swap Exc1 for Exc2 in schedule to keep equipment in same area and reduce walking
6. Confirm Exc2 availability for full time operations by Friday noon
7. Need to balance the trucks to optimize the plan - target identify 2mbcm short dump including haul road Pit4
8. Need to confirm that June 30 is the target date for the schedule
9. Need to review the volumes for the creek diversion for Pit5 300kbcm available if pushed out past June . (which has an additional unscheduled 500kbcm to the design beginning digging in May to dig in the dry season)