

INITIAL ADVICE STATEMENT

for

GROSVENOR WEST PROJECT

27th FEBRUARY 2012

This report has been prepared solely for the benefit of Carabella Resources Limited. MET Serve Pty Ltd accepts no liability for the use or interpretation of any information contained in this report for any other purpose other than intended, or for its use by any party other than the above named Client.

Document History and Status

Issue	Revision	Issued to	Qty	Date	Reviewed by
1	1 (Draft)	Dave Moss	1	21-2-12	Dave Moss
2	2 (Draft)	John Merritt	1	21-2-12	John Merritt
3	3 (Final draft)	John Merritt and Jeff Beatty	1	23-2-12	John Merritt and Jeff Beatty
4	4 (Final)	Dave Moss	1	24-2-12	Dave Moss

MET Serve Project Delivery System

Printed: 11 July 2012
Last saved: 11 July 2012
File ID: 00190861.docx
Project Manager: JONATHAN EVERS
Name of Organisation: CARABELLA RESOURCES LIMITED
Name of Project: GROSVENOR WEST PROJECT
Name of Document: INITIAL ADVICE STATEMENT
Document Version: VERSION 1 - DRAFT
Project Number: CR001

TABLE OF CONTENTS

1	INTRODUCTION	1
1.1	THE PROPONENT	1
1.2	BACKGROUND	1
1.3	PURPOSE OF THIS DOCUMENT	1
2	PROJECT DESCRIPTION	3
2.1	PROJECT AREA	3
2.2	TWO OPTIONS	3
2.2.1	Open cut mine option.....	3
2.2.2	Underground mine option	5
2.2.3	Access to both options	7
2.3	ENVIRONMENTAL IMPACT ASSESSMENT	7
2.4	ENVIRONMENTALLY RELEVANT ACTIVITIES	7
3	STAKEHOLDER CONSULTATION.....	8
3.1	STAKEHOLDER CONSULTATION PROGRAM.....	8
3.2	AFFECTED PERSONS	9
3.3	LAND ACCESS	10
3.3.1	Easements	10
3.3.2	Native title and cultural heritage.....	10
4	EXTERNAL WATER SUPPLY	11
5	POST MINING REHABILITATION.....	12

FIGURES

Figure 1:	Project Location Plan.....	2
Figure 2:	Proposed site layout for open cut mining option	4
Figure 3:	Proposed site layout for underground mining option.....	6

1 INTRODUCTION

1.1 THE PROPONENT

Carabella Resources Limited (CLR) is a coal exploration and development company. It currently holds interests in a portfolio of 10 coal exploration tenements covering a total exploration area of approximately 4,400km² in the Bowen, Mulgildie, Clarence-Moreton and Eromanga Basins in Queensland, Australia.

The proposed Grosvenor West Project (GWP) is located approximately 160 kilometres (km) south-west of Mackay in Central Queensland. The GWP is located 15 km north-west of Moranbah and 60 km south of Glenden (as shown in **Figure 1**).

1.2 BACKGROUND

The GWP includes a resource suitable for extraction by either open cut or underground mining options. Supporting either option the associated infrastructure will include administration and maintenance buildings, a Coal Handling and Preparation Plant (CHPP), transport infrastructure, water storage facilities, CHPP waste storage facilities and waste rock emplacements. The GWP will access existing power and water infrastructure that run through or adjacent to the proposed mine site area.

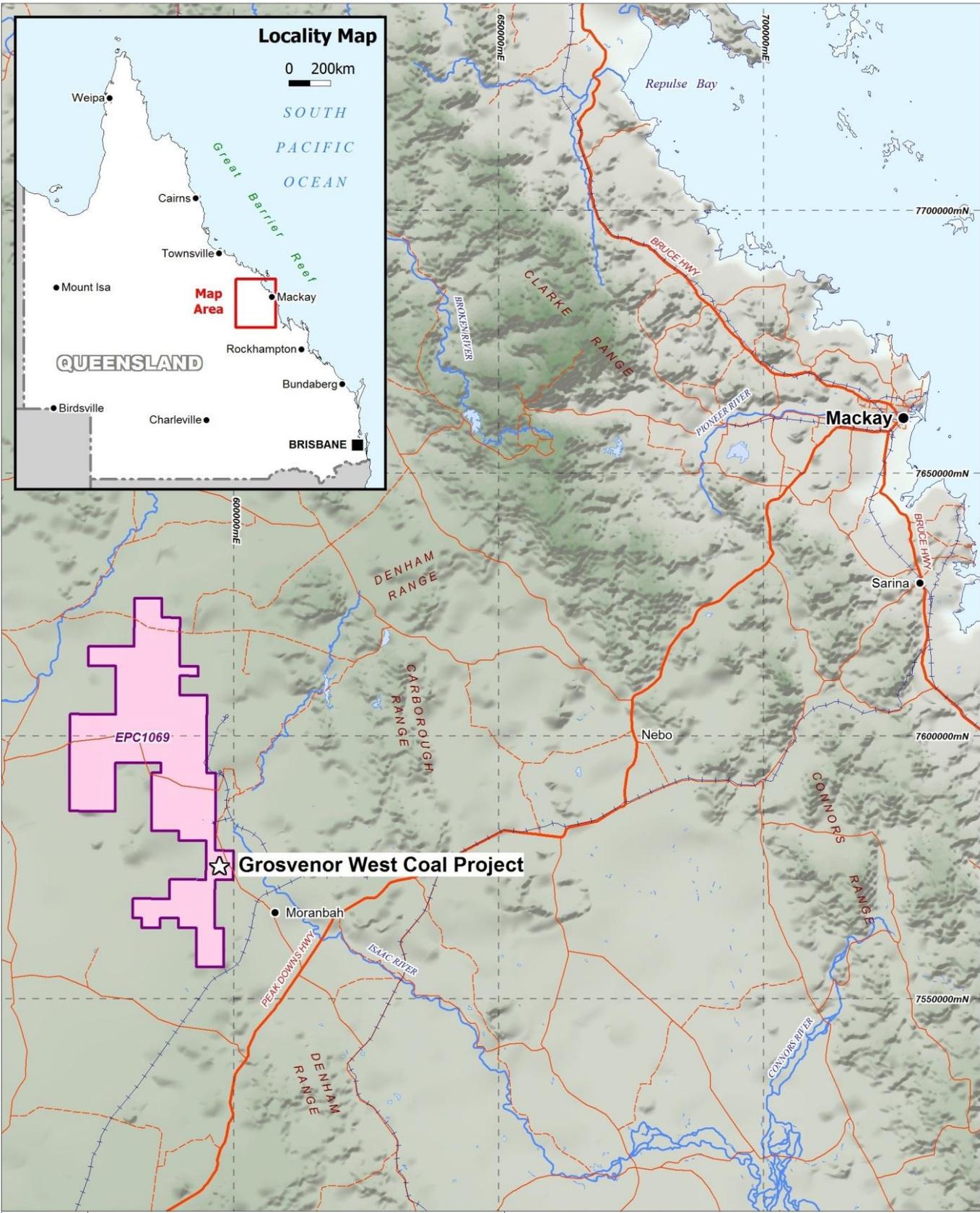
The planned approval process will further explore the options for rail access from the CHPP to the existing rail infrastructure. Potential transport corridors exist to the north and south of the proposed GWP Mining Lease application area (MLA), consisting of rail loops, access tracks and maintenance roads.

Open cut and underground coal mining options were assessed as part of the GWP Concept Study and both were shown to be attractive development options. Either option allows the development of a significant mining operation producing approximately 5Mtpa run-of-mine (ROM) coal (3.5Mtpa product coal). Total mine life is expected to be 20 years with first coal targeted from late 2015.

CLR will decide which option, open-cut mine or underground mine, prior to the detailed EIS studies commencing.

1.3 PURPOSE OF THIS DOCUMENT

This Initial Advice Statement (IAS) provides introductory project information on the GWP. It has been prepared for submission to Department of Environment and Resource Management (DERM) to accompany an application to voluntarily submit an Environmental Impact Assessment (EIS) for the GWP.



Locality Map

0 200km



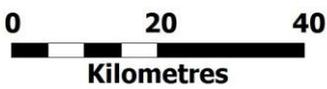
LEGEND

- EPC Area
- Principal road
- Road (sealed)
- Road (unsealed)
- Railway
- River
- Town

Data Source:
Tenement - EEDI. Topography (250k) - Geoscience Australia.

**Carabella Resources
Grosvenor West Project**

Regional Location Map



Scale: 1:1,000,000 (A4)

04/07/2011

Datum: GDA94
Projection: MGA55

FIGURE 1

2 PROJECT DESCRIPTION

The GWP is proposed to be an open-cut coal mine or an underground coal mine operation. The mine will commence operations in Quarter 1 2015 producing approximately 5 (Mtpa) ROM coal. To maximise the effective utilisation of the coal resources, an assessment of reserves has resulted in a Life of Mine (LOM) plan incorporating the development of a large portion of the proposed MLA and operational for approximately 20 years.

2.1 PROJECT AREA

The GWP is located adjacent to the Goonyella/Riverside/Broadmeadow, Goonyella North/Eaglefield and Moranbah North coking coal mines. The existing Grosvenor coking coal mine site is also located in close proximity to the GWP.

The GWP is positioned within close proximity to existing rail, road and power infrastructure supporting adjacent operations. The eastern boundary of the GWP is situated within 3km of each of the Goonyella/Riverside and Moranbah North rail loops while the southern boundary is also situated approximately 18kms to the Clermont Blair Athol rail line. The GWP is approximately 238km from the Abbott Point Coal Terminal via the Newlands rail line (Northern Link) and 197km to the Dalrymple Bay Coal Terminal near Mackay.

The entirety of the proposed MLA and surrounds has historically been used for low intensity cattle grazing. Current land uses include grazing and resource exploration and development activities across the EPC.

2.2 TWO OPTIONS

2.2.1 Open cut mine option

An open cut mining option for the development of the GWP has been considered viable, by virtue of the thickness, consistency and accessibility to the Goonyella coal measures within the proposed MLA. ROM coal will be washed to produce a high quality coking coal product together with a thermal by product.

The open cut operation will require a Coal Handling Preparation Plant (CHPP), product coal and ROM stockpiles, CHPP waste storage facilities, rail loop and rail load-out facility, administration facilities, maintenance facilities, and other associated infrastructure.

The GWP waste rock emplacement will be located in close proximity to the mine along with the CHPP waste storage facility. The ROM stockpile, product coal stockpile, CHPP, administration and workshop areas will be located in the infrastructure area. Other ancillary infrastructure required will include topsoil stockpiles, water pipeline route, car parks and other hardstand areas. An integrated water management system will comprise of worked water storages for the management of worked water from the CHPP and mining operations, raw water holding dam and structures for the management of sediment.

The GWP access road dissects the proposed MLA, running north to south through its centre. The electricity transmission line will run parallel to the southern side of the road.

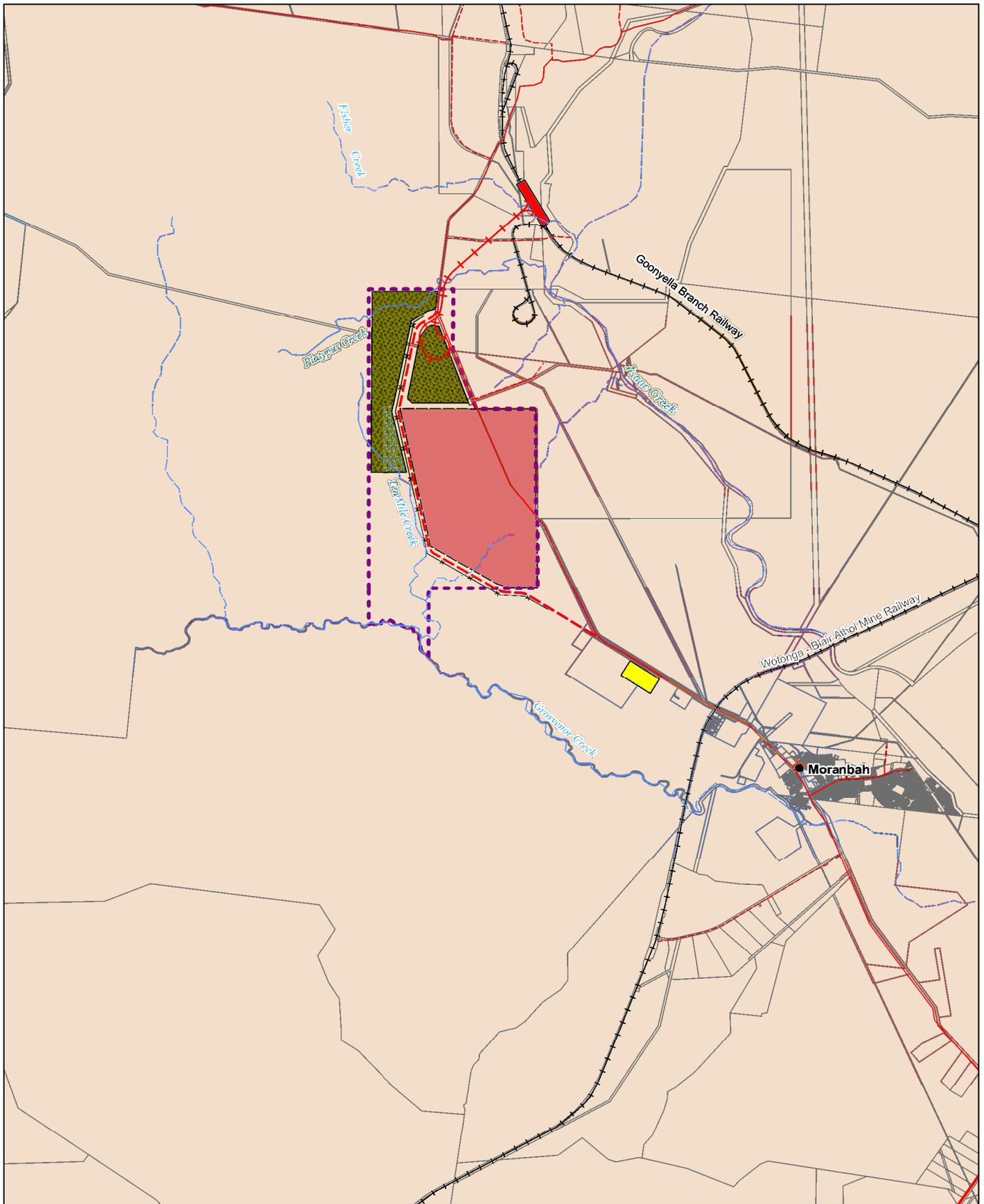
An established power network exists in the Moranbah area and CLR is in discussions with a number of suppliers to secure the power supply requirements of the GWP.

Accommodation is a key aspect of the GWP. The proposed strategy involves a combination of fly-in-fly-out and local accommodation. An onsite facility will be built for the construction phase only.

A workforce of 100 personnel will be on-site for the construction phase of GWP. During the operational phase the workforce will be 400 personnel.

Capital expenditure for the open cut option is expected to be \$1 Billion.

The proposed site layout for the open cut mining option is provided in **Figure 2**.



S:\Projects\G001_Grosvenor West EIS_Planning\Workspaces\G001_001.dwg

METSERVE
 Mining & Energy Technical Services Pty Ltd



CARABELLA
 RESOURCES LIMITED

LEGEND	
	Proposed Mining Lease Area
	Proposed Minesite
	Internal Proposed Infrastructures
	Rail Loop Tie-in
	Dyno-Nobel Plant
	Primary Road
	Minor Road
	Proposed Internal Road
	Rivers
	Existing Railway
	Proposed Gas Line
	Proposed Rail Loop

Data Source:
 Cadastral (Isaac Jan2012) - DERM, Topography (250k raster) - Geoscience Australia.

Carabella Resources Ltd
Grosvenor West Project
 Open-Cut Option

 Kilometres Scale: 1:150,000 (A4)	11/07/2012  Datum: GDA94 Projection: MGA55 FIGURE 2
--	--

2.2.2 Underground mine option

An underground mining option for development of the GWP is considered viable, by virtue of the thickness and consistency of two seams. ROM coal will be washed to produce a high quality coking coal product together with a thermal product.

The underground operation will require a CHPP, product coal and ROM stockpiles, CHPP waste storage facilities, rail loop and rail load-out facility, administration facilities, maintenance facilities, and associated infrastructure. Other ancillary infrastructure required will include topsoil stockpiles, water pipeline route, car parks and other hardstand areas.

An integrated water management system will comprise of worked water storages for the management of worked water from the CHPP and mining operations, raw water holding dam and structures for the management of sediment.

The GWP access road dissects the proposed MLA, running north to south through its centre. The electricity transmission line runs parallel to the southern side of the road.

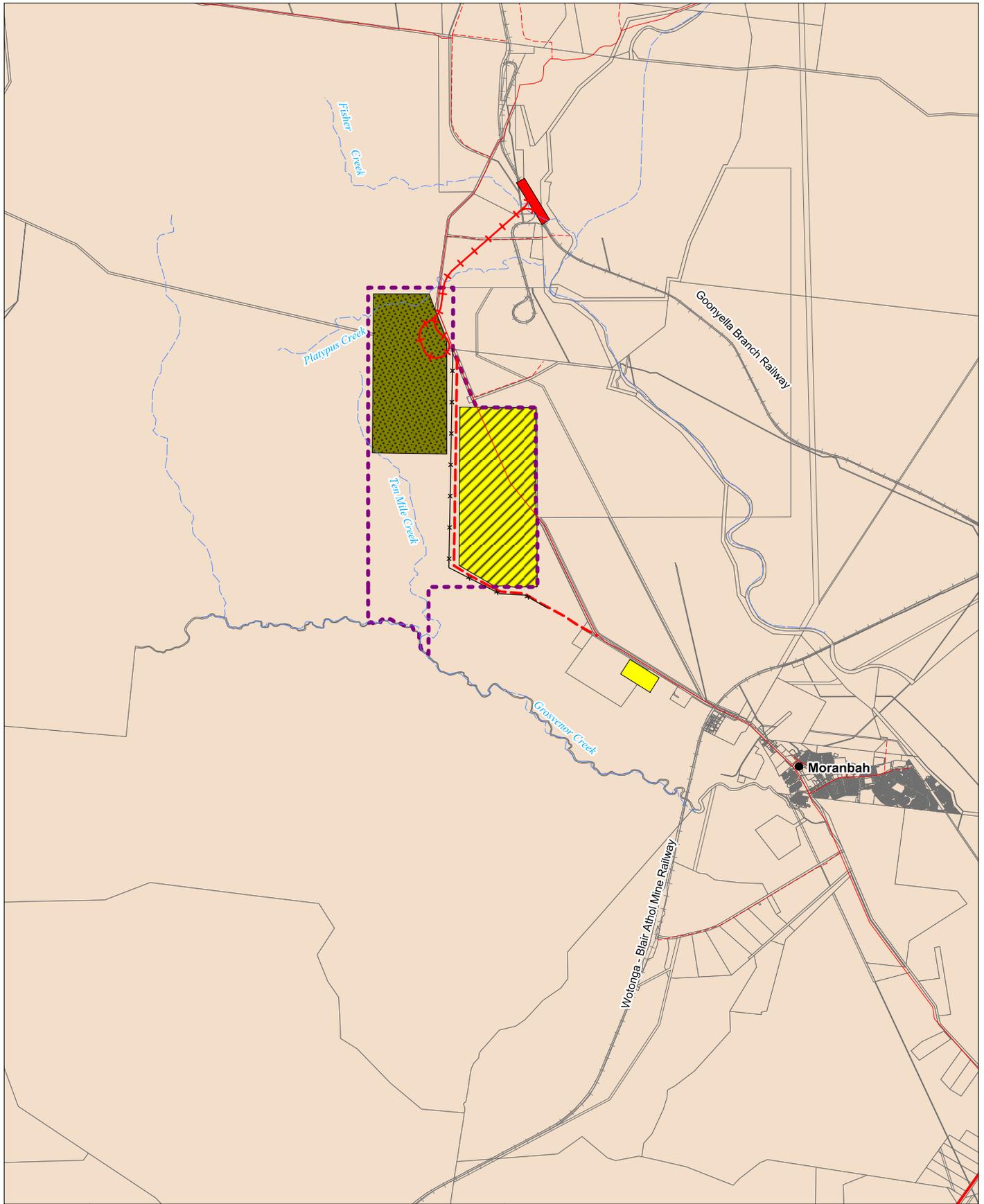
An established power network exists in the Moranbah area and CLR is in discussions with a number of suppliers to secure the power supply requirements of the GWP.

Accommodation is a key aspect of the GWP. The proposed strategy involves a combination of fly-in-fly-out and local accommodation. An onsite facility will be built for the construction phase only.

A workforce of 100 personnel will be on-site for the construction phase of GWP. During the operational phase the workforce will be 315 personnel.

Capital expenditure for the underground option is expected to be \$800 Million.

The proposed layout for the underground mining option is provided in **Figure 3**.



S:\Projects\CR001_Grosvenor West_EIS_MapInfo\Workspaces\CR001_M01_01.dwg

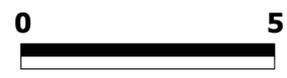


LEGEND

- Proposed Mining Lease Area
- Proposed Minesite
- Internal Proposed Infrastructures
- Rail Loop Tie-in
- Dyno-Nobel Plant
- Primary Road
- Minor Road
- Proposed Internal Road
- Rivers
- Existing Railway
- Proposed Gas Line
- Proposed Rail Loop

Data Source:
Cadastral (Barcaldine May2010) - DERM. Topography (250k raster) - Geoscience Australia.

Carabella Resources Ltd
Grosvenor West Project
Underground Option



Kilometres
Scale: 1:150,000 (A4)

11/07/2012

Datum: GDA94
Projection: MGA55

FIGURE 3

2.2.3 Access to both options

It is envisaged that the product coal from either the open cut option or the underground option will be transported by rail to the Abbott Point Coal Terminal for export. There is the ability to either link in from the Northern boundary of the proposed MLA to the Goonyella/Riverside or Moranbah North rail loops. There is also the ability to link in through the southern boundary of the proposed MLA to the Clermont Blair Athol rail line.

The potential tie-in areas for either the northern rail loop or the southern rail loop to the existing lines are clearly indicated in **Figure 2** and **Figure 3**.

2.3 ENVIRONMENTAL IMPACT ASSESSMENT

CLR has decided to apply to prepare a voluntary EIS for the GWP in accordance with Chapter 3 of the Environmental Protection Act 94. The EIS will address the DERMs EIS terms of reference for the GWP. The key areas that will be studied during the preparation of the EIS will include:

- Waste management;
- Rehabilitation/Decommissioning;
- Climate;
- Soils and land use suitability;
- Visual amenity;
- Transport;
- Greenhouse gas abatement/Climate change adaptation;
- Noise and vibration;
- Economics;
- Air quality;
- Flora and Fauna;
- Aquatic Ecology;
- Surface water and mine water management;
- Groundwater; and
- Social impact assessment.

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

2.4 ENVIRONMENTALLY RELEVANT ACTIVITIES

The following Level 1 Environmentally Relevant Activities (ERAs) are proposed to be carried out for the GWP:

- ERA 8 - Chemical Storage;
- ERA 11 - Petroleum Product Storage;
- ERA 15 - Fuel Burning;
- ERA 17 - Abrasive blasting;
- ERA 18 - Boiler making or Engineering;
- ERA 21 - Motor vehicle workshop;
- ERA 31 - Mineral processing;
- ERA 56 - Regulated waste storage;
- ERA 63 - Sewage treatment; and
- ERA 64 - Water treatment.

3 STAKEHOLDER CONSULTATION

3.1 STAKEHOLDER CONSULTATION PROGRAM

A comprehensive stakeholder consultation program will be conducted for the GWP. The program will be conducted throughout the EIS preparation phase and will be integrated with EIS and GWP planning. The program will include consultation with all affected persons listed in Sections 3.2, and any other relevant stakeholders identified during the consultation program.

The objectives of the stakeholder consultation program will be:

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

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 GWP; the EIS and GWP approval process; and the consultation program.

A GWP 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.

Throughout the construction and operation phases of the GWP, the Proponent will seek to consult with stakeholders regarding existing infrastructure and the potential impact the GWP may cause. The GWP will initiate consultation with the relevant stakeholders regarding the local road and transmission networks, gas and water pipelines. The GWP will also consult heavily with local government and state agencies in relation to the workforce accommodation strategy.

3.2 AFFECTED PERSONS

The following table (**Table 1**) lists the Affected Persons for the GWP.

Table 1 List of Affected Persons.

Lot Plan	Landholder	Description
Pastoralists and principle land owners		
Lot 61 on SP195395	Judith Camm	Principle land area underlying the proposed MLA
Lot 18 on SP208194	Allan Williams	Land parcel underlying the far north western tip of the proposed MLA
Lot 60 on SP195395	SunWater	Water pipeline infrastructure
Lot 3 SP109690	BHP Coal Pty Ltd & QCT Resources Pty Limited & Mitsubishi Development Pty Ltd & Umal Consolidated Pty Ltd & QCT Mining Pty Ltd & BHP Queensland Coal investments Pty Ltd & QCT Investments Pty Ltd (BMA)	Goonyella Access Road
Lot 2 on CP907954	Mitsui Moranbah North Investment Pty Ltd & Moranbah North Coal Pty Ltd & JFE Mineral (Australia) Pty Ltd & Shinsho Australia Pty Ltd & NS Resources Australia Pty Ltd & Nippon Steel Australia Pty Ltd (Moranbah North Joint Venture)	Land parcel underlying the far north east tip of the proposed MLA
L1 on SP126833	JFEMA Moranbah North Pty Ltd and Mitsui Moranbah North Investment Pty Ltd	Gas pipeline
Lot A on AP11666	EnerTrade (NQ) Pipeline No. 1 Pty Ltd EnerTrade (NQ) Pipeline No. 2 Pty Ltd	Gas Pipeline
Lot T on AP20018	Sunwater Limited	Water pipeline infrastructure
Lot 4 on GV174	BMA	Goonyella Access Road
Services easements crossing the proposed MLA		
Lot EMT on GV174, Lot M on SP105029	BMA	Goonyella Road easements
Lot D on SP102358, Lot C on SP102357	SunWater Limited	Water pipeline easement
Lot CC on SP175356, Lot AA on SP175258,	EnerTrade (NQ) Pipeline No. 1 Pty Ltd EnerTrade (NQ) Pipeline No. 2 Pty Ltd	Gas pipeline easement and pipeline access
Road crossing the proposed MLA		
Road between Lots 18 SP208194 and 61 on SP195395	Isaac Regional Council	Pretoria Access Road

3.3 LAND ACCESS

CLR hold the background mining tenures to the proposed MLA in EPC 1069 and EPC 2216 (application). CLR has Conduct and Compensation Agreements ("CCA") under the Mineral Resources Act with underlying landholders allowing access to conduct the relevant studies.

3.3.1 Easements

There are several service easements within the proposed Project area including water and gas pipelines.

CLR has initiated discussions with the affected parties. These negotiations will continue throughout the EIS process.

3.3.2 Native title and cultural heritage

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 registered Native Title claimants in accordance with the requirements of the Aboriginal Cultural Heritage Act 2003.

4 EXTERNAL WATER SUPPLY

The external water supply for the Project will be obtained through SunWater's planned Connors River Dam and Pipeline project. CLR is a foundation customer for the project and has contracted for 500 MI pa of supply. CLR intends to secure a further 250 MI pa through this source to meet all of the Project's external water supply requirements. As a foundation customer, CLR has preferential rights to additional supply from the Connors River project.

5 POST MINING REHABILITATION

Rehabilitation, decommissioning and closure activities will be part of the overall rehabilitation strategy for the GWP. Strategies used to ensure closure criteria will be met include:

- Landform designs for waste rock dump, tailings storage facility and the final void (for Open Cut option);
- Revegetation trials, programs and monitoring;
- Progressive rehabilitation where possible;
- Review of contaminated land registers; and
- Annual review of disturbance footprint and liability.

The EM Plan prepared for the GWP will incorporate the relevant findings and strategies proposed in the EIS. The post mining land use proposed for the EIS for the mining areas is native bushland with the remainder being returned to grazing.