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Mr Ray Ramage
Subsidence Engineer
PO Box 344
Hunter Regional Mail Centre
NSW, 2310

8 July 2009

Dear Ray,

RE: PROGRESS OF A3 LONGWALL AND RESULTS OF MONITORING FOR JUNE 2009

PURPOSE

This brief report is to keep stakeholders involved with Stage 2 mining, and in particular current mining operations in A3 longwall panel at Austar Coal Mine, up to date with mining progress and results of monitoring obtained in the past month.

Past Month Longwall Mining Progress

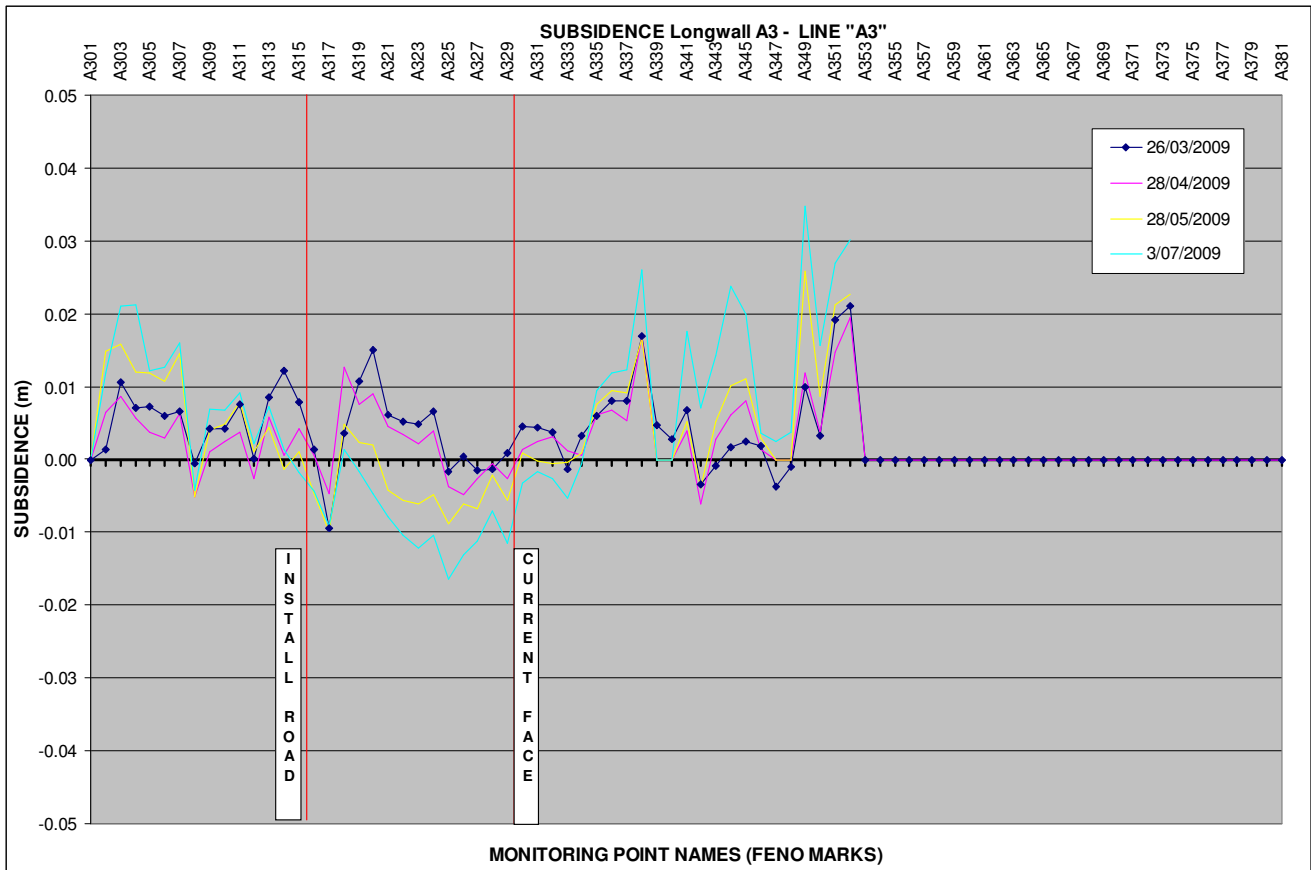
Longwall mining in panel A3 retreated 100m for the month of June.

Monitoring and Inspection Results

Below is a graph of the subsidence over longwall A3 from the survey conducted at the end of June. As can be seen a small amount of subsidence is now developing behind the face position as the longwall retreats. In the past month this subsidence has developed from less than 10mm to a maximum of 16mm. Total predicted subsidence in this area after the extraction of A3 is anticipated to be between 100-200mm. Tilts and strains are also less than predicted at less than 1mm/m. Continued monitoring will occur to compare these predicted levels against actual.

Visual inspections of the area during the subsidence survey yielded no signs of tension cracks or bulging (compression) of the lands surface due to the mining operations. The subsidence monitoring indicates some upward movements ahead of the longwall face which is typical but as expected due to the low magnitude of the movement is not manifesting as anything visual.

Monitoring of surface water flows and bank stability in the creek systems is occurring to capture baseline data. As the subsidence zone has not reached these areas as yet there has been no change related in mining activities.



Mining Activities for Next Month

For the month of June 2009 the A3 longwall is expected to progress another 90-95m. This can be seen in Figure 3 including the anticipated “active” zone of subsidence during the month of June 2009. This zone will now include a section of Nash Lane, so some caution should be taken when travelling along this road. However with the current minimal amounts of subsidence the road is anticipated to remain serviceable without the need for any remediation.

Subsidence Management Actions

Nil

Conclusion

Monitoring results are showing the initial subsidence development but at levels that would not be creating any observable changes. All management processes are currently adequate. If you have any questions or observations in relation to the subsidence in the area please contact myself on (02) 4993 7293.

Adrian Moodie
 Technical Services Manger
 Austar Coal Mine .

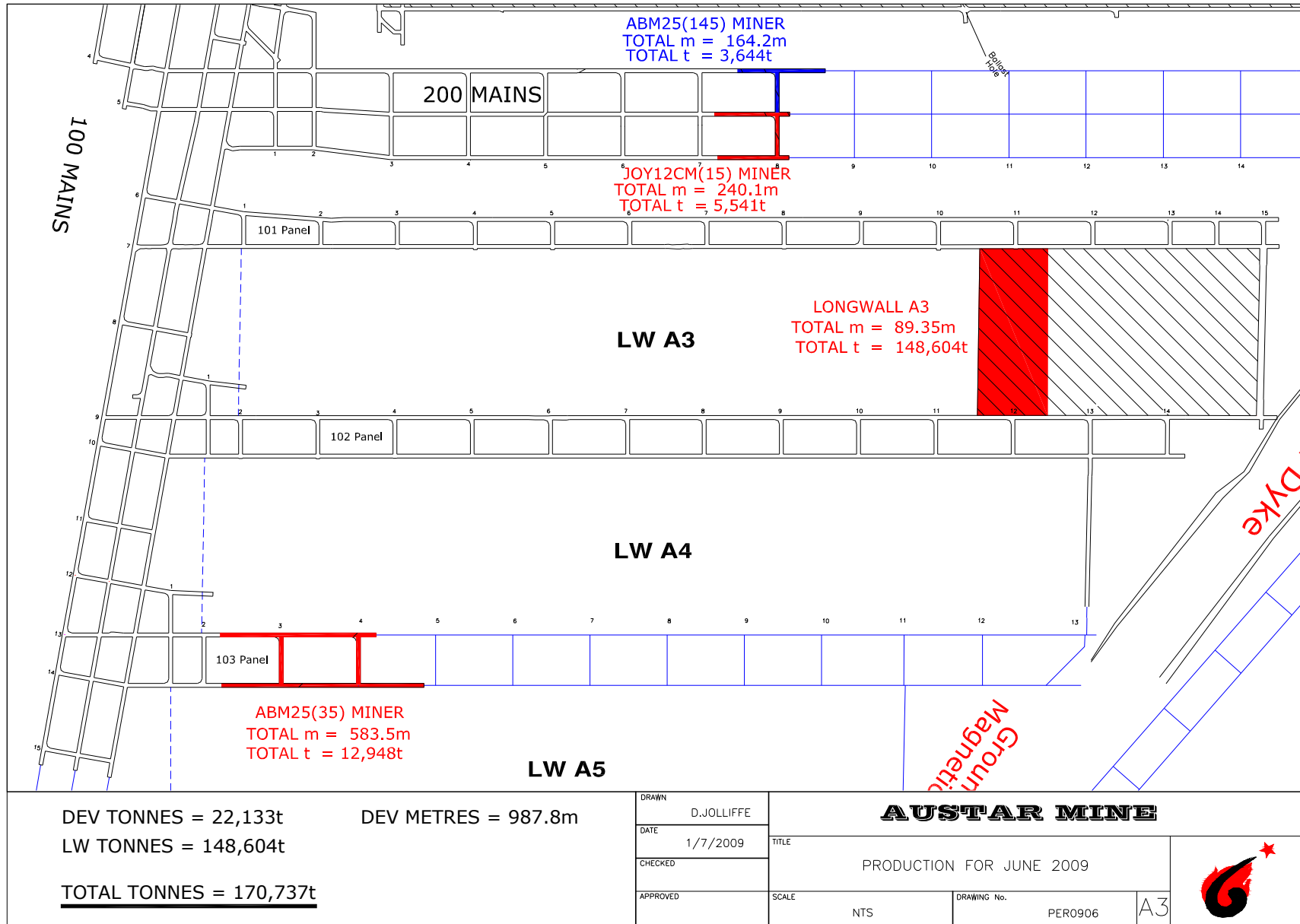


Figure 1- Longwall A3 Mining Progress to end June 2009

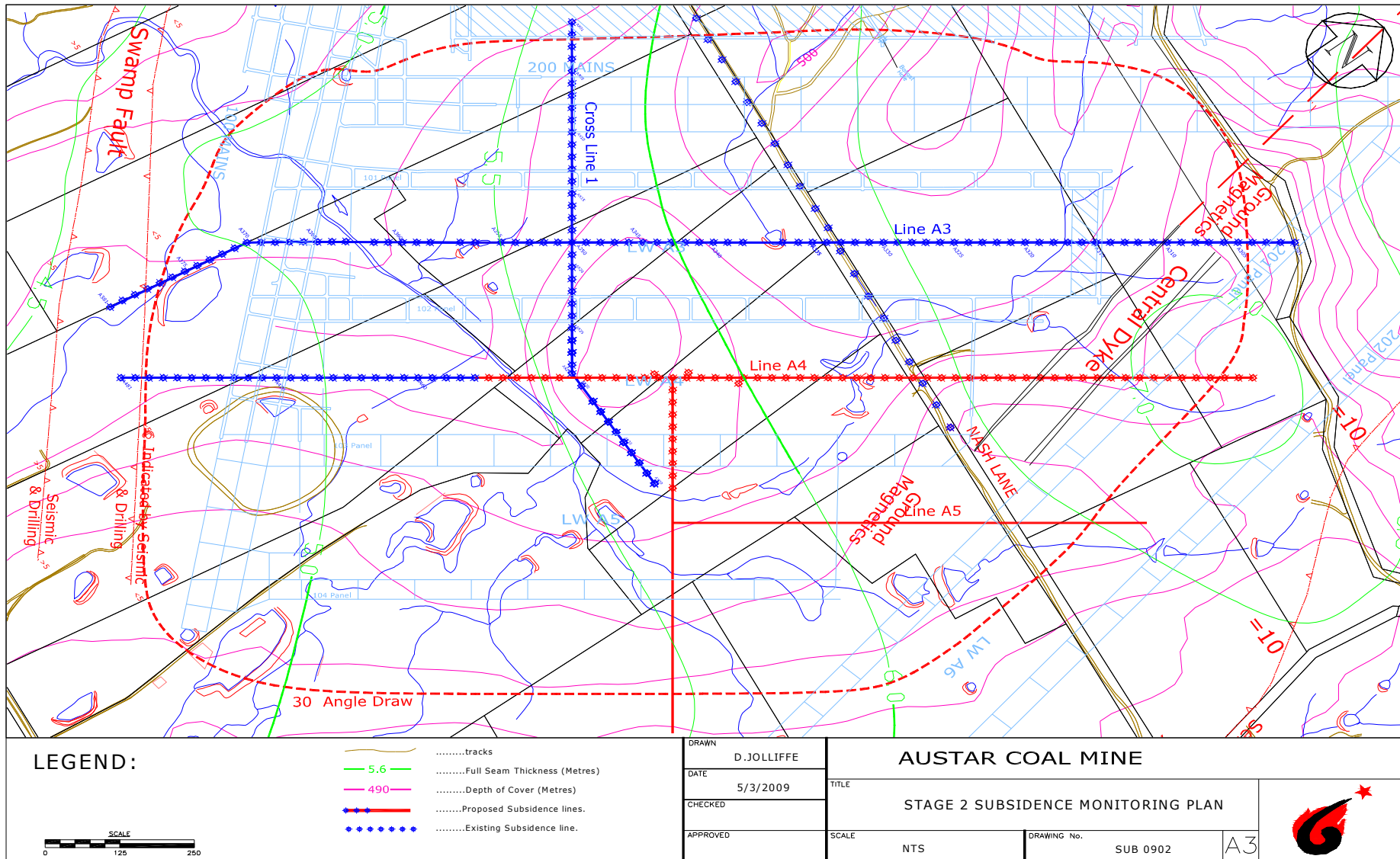


Figure 2- Subsidence Monitoring Stage 2 Mining Area

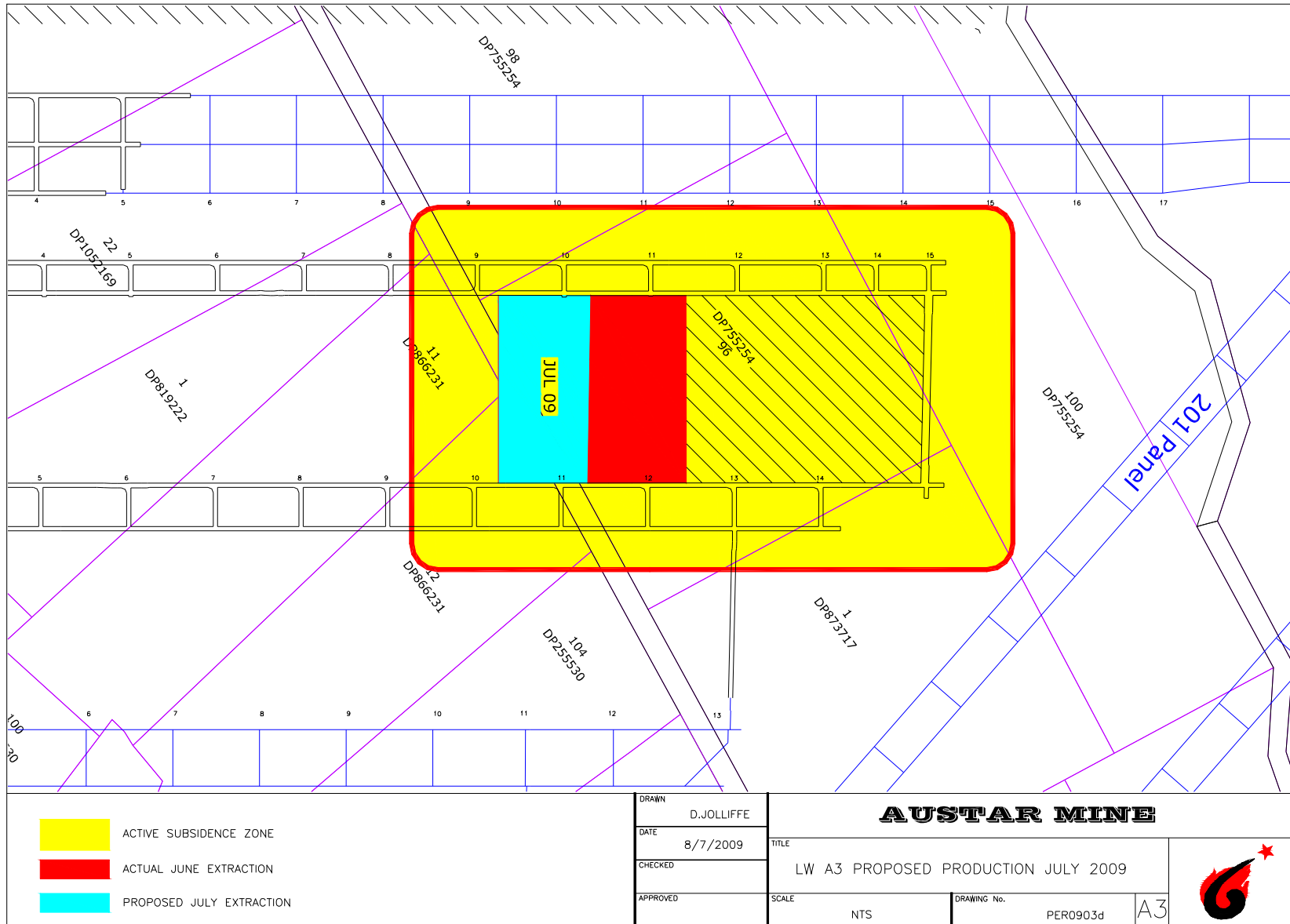


Figure 3- July 09 Planned Mining retreat and “Active subsidence Zone”