

Project Update



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INDUSTRY FACTS

Did you know that in 2012/13 the Queensland resources industry directly contributed around \$7 billion in wages, directly employing around 43,000 workers and provided over \$6 billion in taxes and royalties to the people of Queensland and Australia.

In addition, the industry also invested around \$31 billion in purchases from related sectors such as construction, rail transport, utilities, professional services, and manufacturing.

Alpha Coal Project receives Environmental Authority

After over 6 years of detailed planning and comprehensive environmental assessments GVK Hancock has been granted an Environmental Authority for its planned Alpha Coal Mine in the Galilee Basin in Central Queensland.

The grant of our Environmental Authority is recognition of the extensive environmental scientific rigour that went into the environmental assessment of our proposed Alpha mine, which included around 300 collaborative scientific studies, involving over 500 specialists.

The range of indepth scientific studies included assessments into:

- terrestrial ecology
- aquatic ecology
- groundwater
- surface water
- air quality
- greenhouse gas emissions & climate change
- soils & topography
- geology
- land character & tenure
- indigenous & non-indigenous cultural heritage
- transport
- waste
- noise and vibration
- economic & social impact
- visual amenity
- health & safety
- sustainability
- decommissioning & rehabilitation



We've invested tens of millions of dollars and thousands of man hours assessing, planning and engaging with communities to reach this point.

The comprehensive and extensive nature of our environmental assessments for the Alpha coal mine has guided approval from the State and Federal governments, laying the foundations for well over 200 approval conditions across our projects and associated infrastructure

We plan on meeting every environmental condition that has been set by regulatory authorities, which is a key focus of the environmental management plans, monitoring programs, and social and community programs. These programs that we will

implement are designed to manage, mitigate and offset any project-related impacts and in many cases go well beyond regulatory requirements.

Receiving an Environmental Authority is one of the most significant milestones in the development of our Galilee Basin coal projects and an essential step towards attaining a Mining Lease and ultimately commencing mining operations.

Upon completion of our operations we will look to decommission the mine in line with all conditioned obligations.

Now that we have our Environmental Authority for our Alpha coal mine, our key focus is to continue advancing the project to a point where construction can commence.

GVK Hancock advances Galilee Basin rail line development

GVK Hancock has commenced a 'Material Change of Use' application for the 300 kilometre first stage of its rail corridor, from the proposed Alpha mine to existing Aurizon rail infrastructure.

This 'Material Change of Use' (MCU) application is effectively a development application to change the land use for the corridor from agricultural use to rail infrastructure use.

This application is the next step in finalising planning for this significant rail infrastructure development and follows years of extensive planning and hydrological assessments, which formed the groundwork for State environmental approval in May 2012, Federal environmental approval in August 2012.

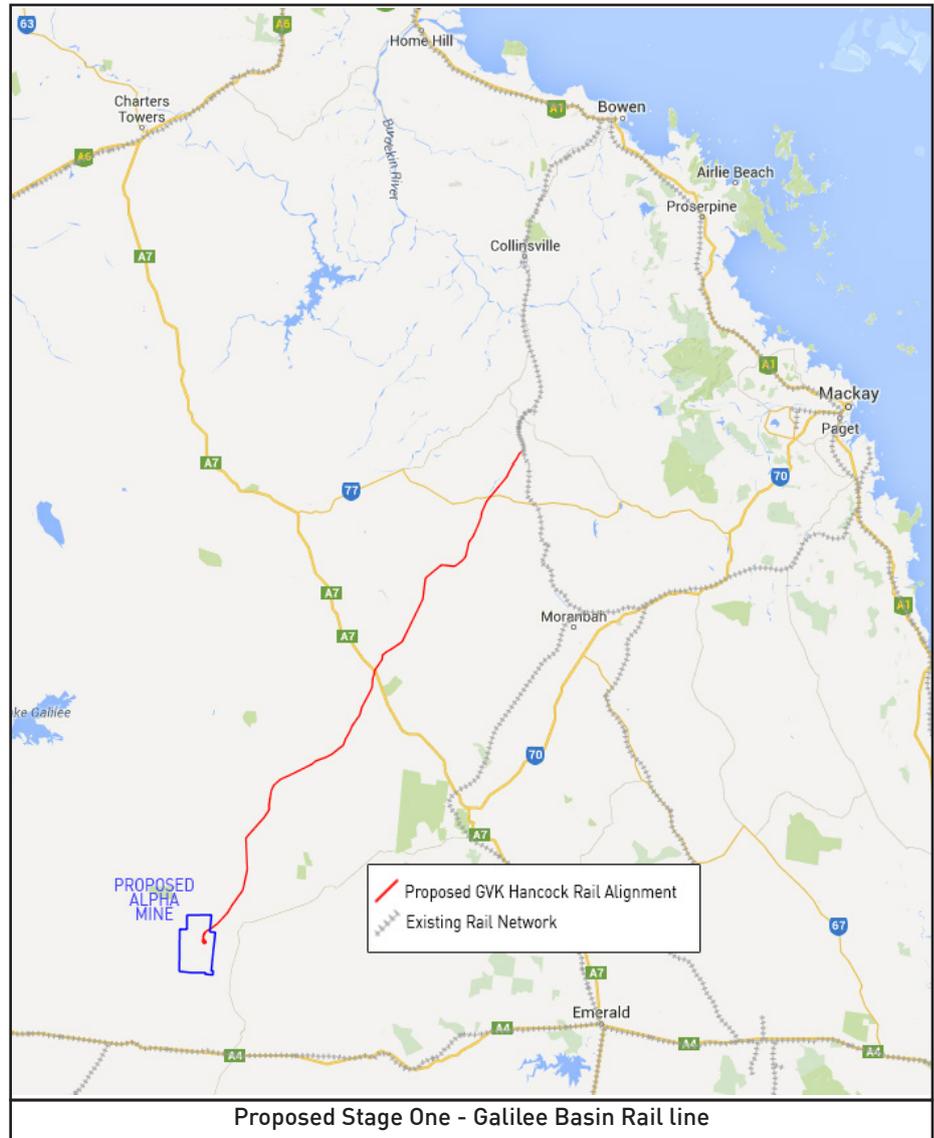
As part of the MCU application we will be continuing to work with landholders to reassure them that the detailed planning, which has been presented to each specific property in the past, continues to allow access to homesteads, stock feeding areas and water supply.

Consultation with landholders along the proposed rail corridor has been a central element of planning for the rail line and will continue to be a central focus in our process.

This consultation has helped us to successfully incorporate design features that limit impacts to existing properties.

This consultation was also a key element of allowing us to successfully negotiate contracts and term sheets with landholders for around 75% of the rail corridor to date.

All contracts that have been put in place for land along the rail corridor have included premiums above market value and we are committed to continuing this precedent in all voluntary negotiations, as well as paying compensation for a range of relevant items, including dams,



pumps, fences etc along with where necessary any deemed decrease in valuations as a consequence of the rail line.

We have made contact with all landholders that we have agreed term sheets with, to reassure them that even though the term sheets are non-binding documents, we will be honouring all of the landholders' well negotiated deals.

The next steps in this MCU process entail working with those freehold properties that we have not yet finalised voluntary agreements with to seek consent for our application.

In relation to our proposed rail line more generally, we are continuing to finalise our joint venture with Aurizon to jointly develop the rail and port infrastructure to connect our Galilee Basin coal assets to export markets.

We fully understand the benefits our projects will bring to the region and we plan to continue working cooperatively with landholders, the community and all levels of government as we advance our projects to a point where construction can commence.

Legal challenges delay Regional Development

The development of the Galilee Basin will create one of the most significant pieces of regional and economic development our state has seen for decades.

Studies show that just our projects alone will create a consistent value-add to business in the region of over \$1 billion annually for decades, which will create flow-on growth to other industries.

It will see the creation of better quality infrastructure; improved community services; lower unemployment through a growing number of jobs; rising average wealth; and improved quality of life for the region.

Despite GVK Hancock investing tens of millions of dollars on some of the most comprehensive environmental assessments, which guided approvals from State and Federal government bodies, this significant regional

development is being delayed by a range of anti-mining activist groups taking our approvals through court processes designed to hold up development.

At present, there are a number of legal challenges across State and Federal courts brought by anti-mining activist groups such as the Mackay Conservation Group, North Queensland Conservation Council and the Coast and Country Association of Queensland Inc.

Only one case currently involves landholders in the region and we anticipate finalising Make Good Agreements with those landholders shortly, with agreements presented to those parties. Make Good Agreements are legally binding contracts that hold us responsible for restoring any unduly affected water supplies to meet the requirements of the landholders.

These remaining agreements will be in addition to the 11 agreements that we have successfully put in place with the large-scale agricultural properties around our proposed mining operations.

We fully understand that the Galilee Basin poses significant advantages to the local region, by supplying a global demand that will continue to grow.

Apart from resolving the legal challenges, the next steps for our projects include finalising our proposed joint venture with Aurizon, before executing coal off-take agreements and finalising financing arrangements.

We will continue to work diligently through this legal process as quickly as possible to bring our projects to a point where construction can commence and the benefits can flow to the local regions.

Galilee Basin rail line sets flood mitigation standards

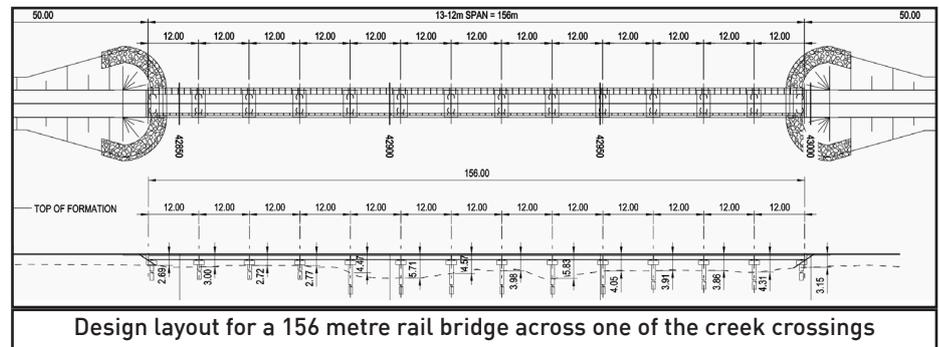
Developing a rail line from the southern end of the Galilee Basin to export markets is a significant piece of infrastructure in more ways than one.

It is unquestionable that connecting the invaluable untapped resources of the Galilee Basin with export markets will bring about one of the most significant pieces of regional and economic development Queensland has seen for decades. But it is the often overlooked feat of engineering, which really deserves to be applauded in this rail line proposal.

Engineering works for the rail line have included detailed planning and designs and geological assessments for 18 bridges, road crossings, stock/animal underpasses, 5141 culverts and passing loops.

The detailed planning and design work for our rail line goes far beyond the level completed for any earlier project in Queensland and has met all of the government's stringent regulations.

The engineering also addresses the unavoidable fact that any rail line from the southern end of the Galilee Basin to



the coast must traverse the flood plains of the Belyando River and its tributaries at some stage.

The requirements of river crossings in this rail line development are so stringent that the Coordinator General has set conditions that mean the rail infrastructure cannot cause an increase of any more than 10 centimetres to a flood level at any installed infrastructure to limit impacts to surrounding properties.

To achieve such an outcome, the project team undertook detailed flood modelling, which incorporated rainfall data from a number of sources and included data provided from landholders along the rail corridor.

Conditions such as that outlined above have guided design works that limit impacts to surrounding properties.

In addition to this, our rail corridor will be fenced to avoid impacts to livestock and will incorporate the latest rail line design, engine and wagon technology, and will use preventative management measures to limit any risk posed in relation to fire originating from the railway with stringent fire management practices to be in place along the corridor.

Extensive environmental assessments meet protocols for financial markets

To date, GVK Hancock has invested tens of millions of dollars on some of the most extensive environmental assessments for its coal projects and proposed rail line and expansion to the existing Abbot Point port, which have guided a range of approvals from all levels of government.

The next major steps in the development of our projects includes finalising our proposed joint venture with Aurizon to develop the rail and port infrastructure, before finalising all approvals - including all litigious challenges to them, and then executing all coal off-take agreements and completing all financing arrangements.

In light of the next steps for our projects, it is important to understand the

environmental protocols that financial markets have in place and how our environmental assessments and the broader approval processes in Australia meet and exceed these requirements.

In broad terms, global financial institutions have adopted guidelines referred to as the 'Equator Principles', which is a framework for determining, assessing and managing environmental and social risk in projects. These protocols are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

In general, the Equator Principles are designed to help financial institutions in areas, countries and regions that have far

less stringent social and environmental approval frameworks than those in place in Australia.

Australia has in place some of the most stringent and comprehensive environmental and social regulations, which more than exceed the requirements outlined in the Equator Principles.

Our projects have met, and will continue to meet every environmental regulatory obligation that is required of it. In fact, in many instances our projects have exceeded their environmental regulatory obligations and is therefore well and truly on track to exceed any environmental and social requirement outlined by financial institutions.

Geology & Quality - Key to the Galilee

There has been much said over the past few years about the development of the Galilee Basin. Irrespective of any positive or negative commentary, it is important to understand that the unique geology of this undeveloped greenfield basin differentiates it from other basins and plays a key role in its low production cost structures.

The volume and magnitude of our Galilee Basin coal deposits, which are large and shallow with a very flat delineation, lend themselves to large-scale mining techniques that aren't otherwise available to smaller mines with more geologically challenging deposits.

The geology in the Galilee Basin also features relatively low strength overburden compared to other basins, which further enhances the ability to use large-scale mining techniques that reduce production costs.

The combination of large-scale mining techniques, along with other advantages will deliver a production cost that ensures our mine is comparatively immune to the volatility of cyclical coal prices.

In addition, the beneficial quality and attributes of our coal assets with low

sulphur and low ash, position our high quality product very favourably in the market compared to significant volumes of lower quality coal that is currently being imported by Asian economies. As an added benefit, the attributes of our coal will also offer the ability to lower global emissions from coal-fired power generation.

In terms of the market conditions, the medium to long-term prospects of coal demand remain strong and will create a global supply shortfall in the coming years with our coal assets uniquely positioned to deliver such new supply.

But even in the current market conditions, our Galilee Basin coal assets are differentiated from other mines due to their projected low production costs, sought after coal quality, advanced stage of approvals, advanced stage of construction readiness and access to a proposed viable transport solution connecting our assets to export markets.

We remain firmly committed to the development of our Galilee Basin coal assets and are continuing to develop our projects to a point where construction can commence.



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