

Media Release

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Queensland leads economic recovery with \$US5.15 billion project

THE Board of Waratah Coal Pty Ltd announced in Brisbane today that its group will be proceeding with the development of Australia's largest thermal coal mine in the Galilee Basin.

The venture will include 490kms of standard gauge, heavy haul railway line and a 40 million tonne per annum, two-berth export terminal at Abbot Point near Bowen.

A key feature of the project is a right to mine 1.4 billion tonnes of coal which now forms the new project known as 'China First'.

The China First project will create approximately 6,000 direct jobs during construction and 1,500 during operation. The impact on the Australian economy overall is estimated at an additional 45,000 jobs.

Chairman of Waratah Coal Pty Ltd, Professor Clive F Palmer, returned to Brisbane from China this week and announced that the group had entered into a memorandum of understanding with one of China's leading industrial companies, Metallurgical Corporation of China Ltd (MCC), to develop the project.

The recent study of the project by the company found that total capital costs were to be \$US5.15 billion, with a net present value at 8% discount rate of \$US8.669 billion in year one of the project.

"MCC has agreed to be the engineering, procurement and civil (EPC) contractor of the project by providing a fixed price, lump sum construction price for the entire project," Prof Palmer said.

"They have also agreed to arrange debt funding of up to 60% of the total capital cost, estimated at \$US3.1 billion from Chinese banks.

"MCC will provide or arrange, from Chinese sources, 10% of the estimated capital cost, around \$US515 million for 10% of the project.

"100% of the project will be contracted by MCC as the EPC main contractor and MCC is responsible to procure all the engineering equipment for the project.

“MCC has guaranteed that it will purchase 30 million tonnes of coal per annum, estimated at \$3 billion (per annum) and \$70 billion (estimated) over the life of the project.”

Professor Palmer stated that the venture will greatly assist the economic recovery of the state.

“This project will assist the Queensland Government in regaining their AAA credit rating once it is operational and will provide great support for the people of Queensland. It is creating billions of dollars in exports and thousands of jobs for Queenslanders.

“This is the project of the century as it will open up all the wealth of the Galilee Basin - wealth that can be deployed for the benefit of Queenslanders and Australians,” Prof Palmer said.

CEO of Waratah Coal, Mr Peter Lynch, applauded Prof Palmer’s pursuit of the project, saying the company had moved from strength to strength, despite gloomy economic predictions.

“This is one of the biggest entrepreneurial deals in the history of Australia,” said Mr Lynch.

“Within just six months a relatively small company like Waratah Coal, who previously had a modest capital base, has acquired funding and has sales in place for a project that has a net present value of more than \$US8 billion.

“Professor Palmer acquired Waratah Coal late last year and we’ve had no redundancies. In fact, we’ve moved forward in a positive manner and this announcement today, along with the sheer scale of this development, demonstrates that in amongst the doom and gloom of the global financial crisis there are still great opportunities.”

BACKGROUND

About China Metallurgical Construction (Group) Corporation

China Metallurgical Group Corporation (MCC) is China’s leading multidisciplinary multinational company that is well known for its rewarding experience and strengths in scientific research, industrial engineering practice and international trading capabilities.

MCC is mainly engaged in engineering, procurement and construction (EPC business), natural resources exploitation, papermaking business, equipment fabrication, real estate development and provision of related services. MCC is a major driving force behind the growth of China’s steel industry, and a reputable contractor of a number of key projects both in China and abroad.

MCC is 100% owned by the government of the People’s Republic of China. The company is a leading investor licensed by China’s government in natural resources exploitation businesses. MCC is a major investor and constructor of mining resources internationally, and owns many production facilities, and claims of resources including iron ores, copper, gold, nickel, cobalt, zinc, lead and aluminium, etc.

MCC is one of the largest equipment manufacturers in China, registering revenues of over RMB 18 billion in 2006. It is also the only central enterprise that is authorized to run pulp-making and papermaking businesses in and outside of the country. The company is a key property developer claiming an increasingly recognized brand – MCC Real Estate.

MCC owns total assets of RMB 83 billion and has over 50,000 technical and managerial talents. The company stood No. 22 and 35 on the central enterprises list in 2006 respectively in terms of its total operating revenues and profitability

As one of the large state-owned enterprise complexes, MCC Group has been persistently devoted to renovating the business structure, reforming the operational system and highlighting the internal reshuffling, so as to keep progressing

with each passing day and to ensure a dynamic impetus to the corporate mechanism. As a result, MCC Group has made a record of steadily mounting competence and sustainable growth.

About Waratah Coal

Waratah Coal is a progressive coal exploration company with a strategy of building shareholder value through forward-thinking acquisition, exploration and development of coal projects in Australia.

This strategy is implemented through the skill, experience and expertise of Waratah's executives and management team. The capabilities of its people, combined with an efficient corporate structure, provide a business edge in the coal sector.

Waratah Coal has secured a world-class thermal coal resource that offers potential for long-term supply into the next era of power generation in Australasia. With this resource comes the advantage of low sovereign risk in Australia.

In addition, Waratah commands a suite of other coal exploration tenements where innovative exploration techniques will be used to best advantage.

About China First

China First will utilise a right to mine 1.4 billion tonnes of raw coal from tenements EPC 1040 and 1079, over a period of 25 years. It is seeking to establish an integrated project to develop a new coal mine (combined with a high capacity heavy duty standard gauge rail system and coal export facilities to export high volatile, low sulphur, steaming coal to international markets.

Coal will be sourced from the Exploration Permit for Coal tenement EPC 1040 and EPC 1079 near Alpha in the Galilee Basin, 160km West of Emerald. The annual ROM coal production will be 56 Million tonnes per annum (Mtpa) to produce 40 Mtpa of saleable export product coal. Product coal will then be transported via a new heavy-haul standard gauge rail system to the North Queensland Coal Port of Abbot Point ready for export.

About Mineralogy Pty Ltd

For over 20 years Mineralogy has been engaged in the exploration and development of mineral resources.

The company's activities have focused predominantly on the delineation and development of prospects from within its world class iron ore portfolio estimated to be in excess of 160 billion tonnes of magnetite ore resource, located 80 km south of Dampier in Western Australia's Pilbara region.

All of Mineralogy's projects are being developed under the ratified Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002 and the Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2008. Mineralogy has the support of the Western Australia Government to develop multiple projects under these Acts.

All projects will be world-class, Citic's \$5 billion Sino Iron Ore Project which is currently in its construction phase and Australasian Resources \$2 billion Balmoral South are located on the company's Balmoral tenements, just south of the company's Northern Block.

The company is further well advanced to establish additional projects with its current exploration and development activities of its remaining iron ore deposits in the Pilbara.

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