



Terminal 4 Industry Communication: Quarter 1 2011

INTRODUCTION

In September 2009, the Hunter Valley Coal Industry and the NSW Government entered into a historic Long Term Commercial Framework (LTCF) for access to and expansion of coal terminal capacity in the Port of Newcastle. Under the LTCF, PWCS has a legal requirement to ensure sufficient terminal capacity to meet the long term contracts of coal producers.

The LTCF was overseen by the NSW Government and authorised by the Australian Competition and Consumer Commission. Its primary function is to address capacity bottlenecks that have hindered the Hunter Valley coal chain over recent years and enable timely infrastructure investment decisions to be made, underpinned by ten year ship-or-pay contracts.

The LTCF has resulted in unique access arrangements at PWCS to support the development of new coal mines which means that:

- PWCS is obligated to expand to meet contracted demand
- No upfront funding contributions are required from new or expanding producers
- A common pricing model applies
- There is a well established capacity transfer system in place, with producers entitled to transfer allocations.

The plan came into effect in January 2010.

PWCS' current expansion plans will lift capacity to its operating consent limit of 145 Mtpa by the end of 2012. Contracted allocations with producers total 147.6 Mt in 2015 and there are also a number of parties with projects at various stages of development that have indicated a need for future terminal access.

It is expected that the aggregate contracted allocations will increase as PWCS conducts the annual demand assessment process each year. The Terminal 4 (T4) project aims to meet this long term contracted demand for terminal capacity.

In summary the T4 project will involve:

- the development of approximately 200ha of industrial zoned land, located west of the existing PWCS facilities
- the construction and operation of coal stock yards, rail facilities, marine side infrastructure (e.g. wharves) and ship loading facilities.



T4 PROJECT UPDATE

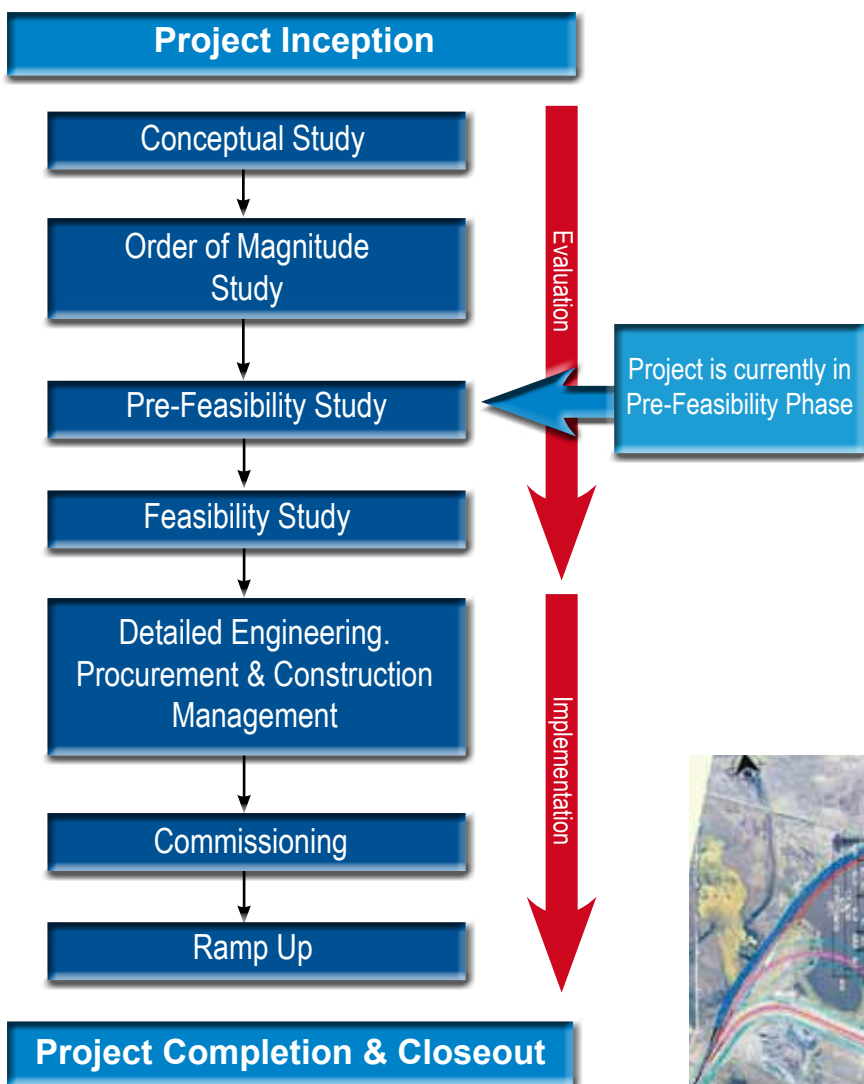
T4 Board Sub Committee

In late 2009, PWCS established a PWCS Board Sub Committee as required under the LTCF. The purpose of the Sub Committee is to consult with producers about the design, construction and mode of operation of T4. The Sub Committee comprises an independent Chairperson, five producer members and three PWCS members. The producer members represent a cross section of producer sizes and regions and are tasked with representing the best interests of all producers. Meetings of the Sub Committee are held regularly.

The Sub Committee has developed five key objectives for T4:

- Zero harm to maximise social license to operate
- Certainty of delivery
- Maximise capacity increase
- Minimum cost to producers
- Strategic fit with Hunter Valley Coal Chain.

Project Progress



The T4 Agreement for Lease (AFL) was signed on 31 August 2009. Since this time PWCS has:

- Established a team to work on the T4 project, which is supported by a number of consulting engineers and specialists
- Purchased a key parcel of land that will form part of the T4 footprint
- Progressed through the Concept and Order of Magnitude phases of project evaluation.

PWCS is currently in the Pre-Feasibility phase of the project lifecycle and is undertaking extensive pre-feasibility assessments and investigations in a range of specialised areas, including environment, community, geotechnical, civil design, engineering and modelling. An industry update on the status of the T4 project was held on 22 February 2011.



Layout

A range of rail options and stockyard configurations have been considered. The preferred rail option is for the rail line and dump stations to be located along the northern boundary of the site.

The preferred stockyard option allows for up to 7 stockpiles utilising a combination of stacker/reclaimers and stackers to maximise flexibility. This will cater for either dedicated stockpiles or cargo assembly operations.

It is anticipated that the capacity of T4 could be in excess of 100 Mtpa, depending on planning approvals. The AFL currently includes space for two berths near Tourle Street. Other locations in the Hunter River are being considered to provide additional berth capacity to support T4.

PWCS is also developing optimal staging for T4 which will create a master plan for growth in terminal capacity for the next 20 years.

Environment

Due to the previous land use and current state of the site, PWCS' early investigations indicate some environmental issues that will require consideration as the project progresses. These include:

- the presence of industrial residues
- the presence of green and golden bell frogs
- the presence of migratory and other birds which have been recorded on water bodies on or adjacent to the site
- the presence of salt marsh and fresh water wetlands.



Community

PWCS has developed a comprehensive T4 community engagement strategy for the study phases through to the development approval stage.

Consultation with the community and a range of NSW and Commonwealth agencies has been undertaken to date and will be accelerated in the near future.



Approvals

The NSW and Commonwealth planning processes are critical for the timely progress and delivery of T4. As is the case with any development of this magnitude, PWCS is obligated to work within existing planning frameworks.

The T4 project has been granted Major Project Facilitation status by the Commonwealth Government and has also recently been declared as a Major Project by the NSW Planning Minister. PWCS submitted its first major planning documentation - the Preliminary Environmental Assessment - to the NSW Department of Planning in November 2010. A planning focus meeting was held on 9 December 2010.

The development of T4 will require dredging. There are existing consents for dredging in the South Arm of the Hunter River held by NSW Maritime. Consistent with previous projects, PWCS will seek to operate under the existing NSW Maritime consents for T4 dredging. Sea dumping permits will also be required from the Commonwealth. A sampling and analysis plan is being prepared.

In parallel with the pre-feasibility work, PWCS is preparing a Development Application to submit to Newcastle Port Corporation (NPC) for review by 30 November 2011 in accordance with the project milestone in the T4 AFL.

PWCS continues to engage with all levels of Government to ensure that there is an understanding of the importance of this significant infrastructure project.

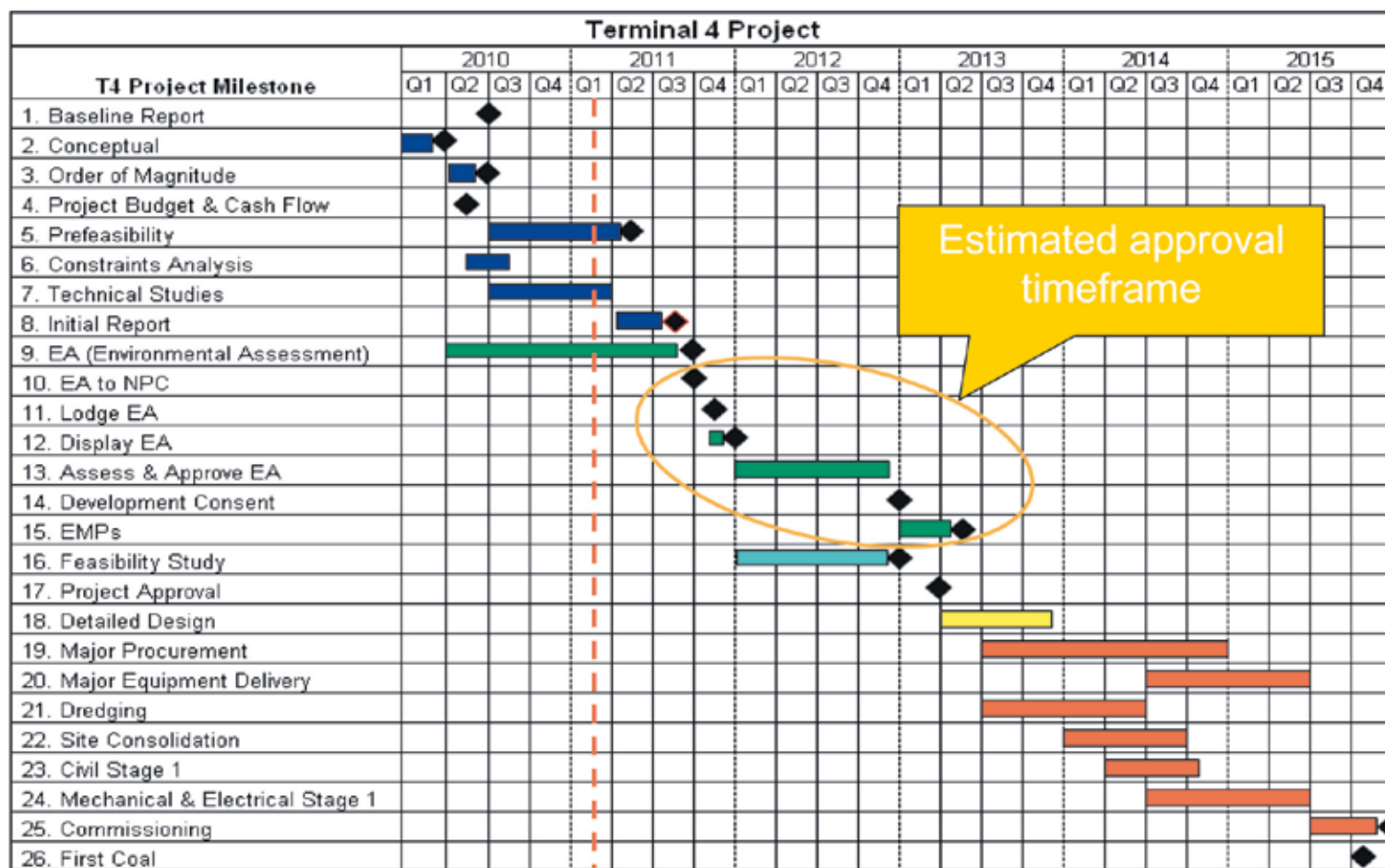
Modelling and Coal Chain

Stand-alone capacity modelling for T4 and a multi-terminal PWCS has been conducted. The Hunter Valley Coal Chain Coordinator is now incorporating T4 into the simulation model for the entire Coal Chain. PWCS continues to work closely with ARTC and NPC to ensure track and port capacity supports the potential stockyard capacity for T4.

Schedule

The following is the forecast timeline for the development of T4.

The schedule will continue to be refined as PWCS progresses further through the pre-feasibility and feasibility phases of the project. Delivering T4 in the quickest timeframe is PWCS' number one priority and PWCS will continue its endeavours to fast track the schedule.



Next Steps

PWCS is currently awaiting advice from the NSW Department of Planning, in the form of the Director General's Requirements which will shape and inform further planning and environmental considerations and the community consultation program.

Ecological fieldwork is continuing along with progress on a compensatory habitat/offset program. Further evaluation of geotechnical and site consolidation requirements is being undertaken.

A status meeting will be held with NPC in March

2011. PWCS is on track to submit its initial report to NPC by 31 August 2011 in accordance with the T4 AFL.

Contacts

PWCS appreciates the Hunter Valley Coal Industry's support for the development of T4.

If you require any further information in relation to T4 please contact Mr Lindsay Crutch, PWCS' General Manager Development, on (02) 4907 2000.