

The Arckaringa Project

South Australia's Energy Bank



The Arckaringa CTL and Power Project

Presentation

May 2009



Chris Schrape
Managing Director, Altona Energy Plc



Important Notice

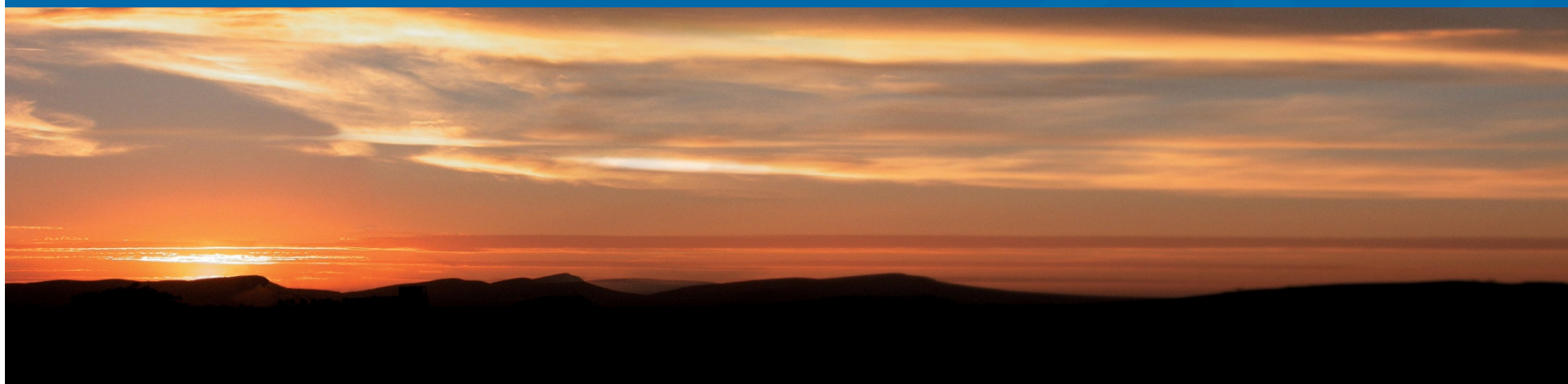


Statements in this presentation, to the extent not based on historical events, constitute forward-looking statements. Forward-looking statements include, without limitation, statements evaluating market and general economic conditions in the preceding sections, and statements regarding future-oriented costs and expenditures. Investors are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date thereof. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially. Such risks and uncertainties with respect to the company include the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, industry supply levels, competitive pricing pressures and misjudgments in the course of preparing forward-looking statements.

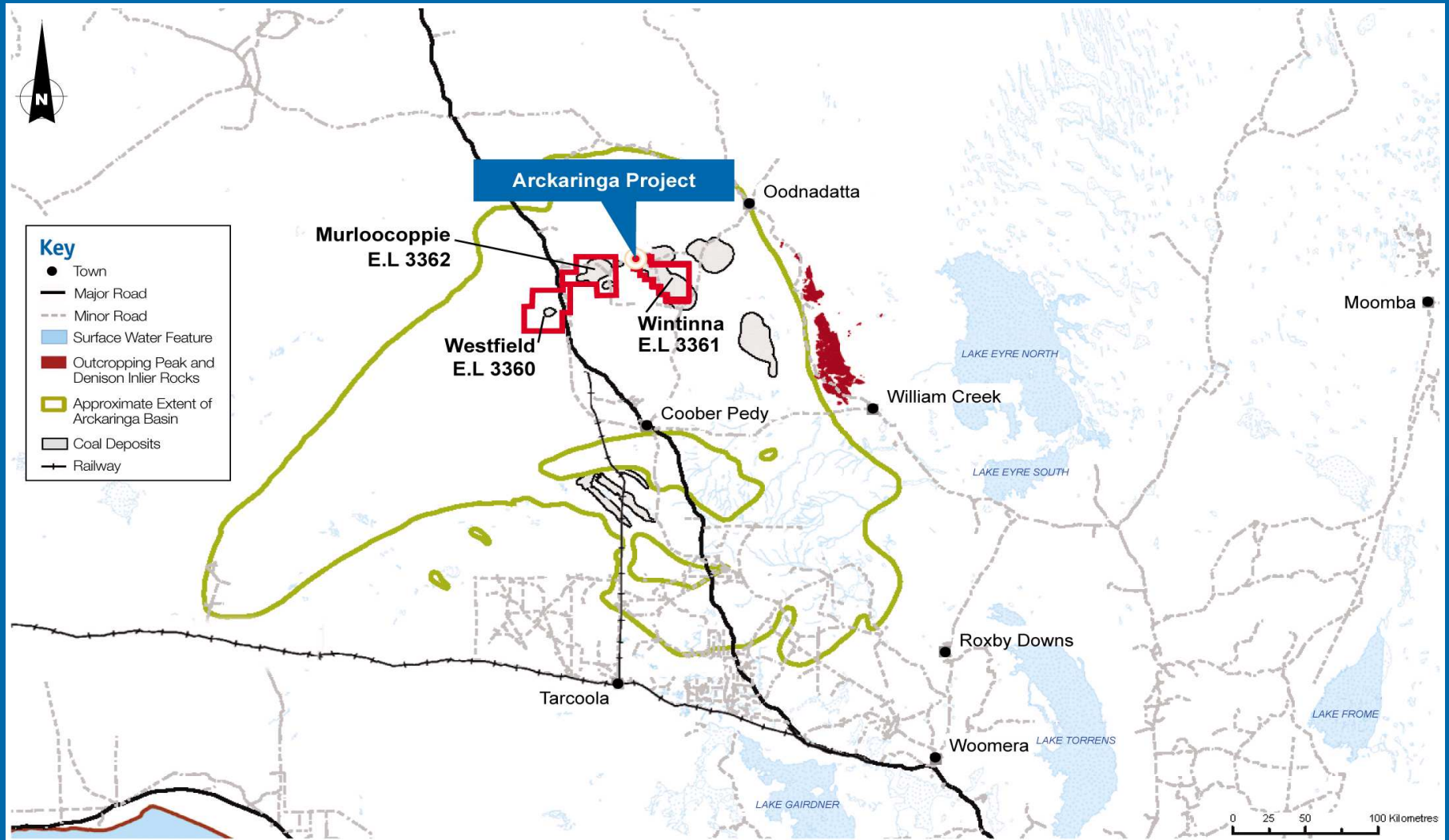
Company and Project Overview



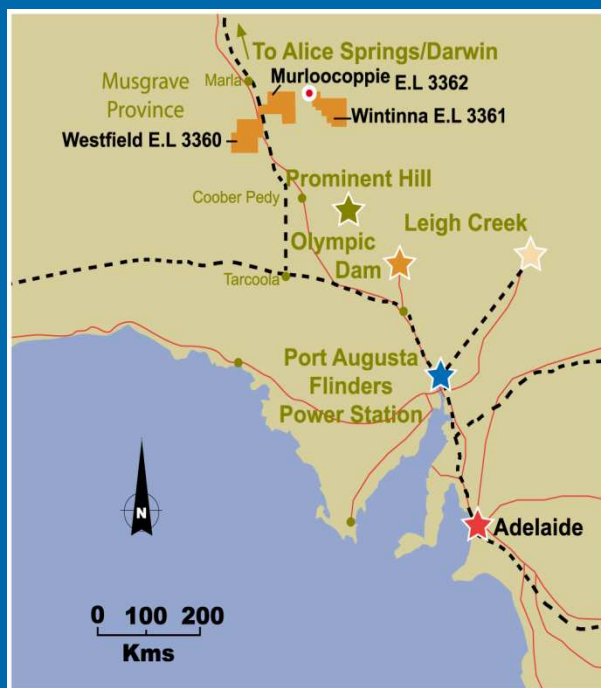
- Altona Energy is an AIM listed energy company targeting Coal to Liquids (“CTL”) and Integrated Power Generation
- 7.8 billion tonne sub-bituminous coal resource in the Arckaringa Basin - one of the World’s largest undeveloped Energy Banks
- Key focus is the Arckaringa Project, which is ideally situated to tackle SA’s looming power and fuel shortages



The Arckaringa Project Location



Highlights 2008 - 2009



- Signed a share subscription agreement with Tongjiang International Energy to raise funds towards progression of Bankable Feasibility Study (BFS) for the Arckaringa Project and assist in building links in China
- Completed field work and a JORC Resource Estimate of 1.287 billion tonnes for part of the Wintinna Deposit
- Completed Pre-Feasibility Studies for an Integrated Mine, CTL and Power Project
- Appointed Owners Team and selected (but not yet appointed) the Project Engineer for the Final Feasibility Stage of the BFS
- Key Final Feasibility studies commenced, including final CTL technology selection and Groundwater Management Plan

Scope of Project



Base Case - US\$3 Billion Investment

- Open Cut Mine at Wintinna 10 MTPA coal
- 10 MBPA Liquid fuels (mainly zero sulphur diesel)
- 1140 MW of Power - 560 MW for export to the SA market

The Plant can be built and expanded in 5 MBPA Modular Phases, either sequentially or in combination

A World Scale Energy Project

- coal mine 3 times the output of Leigh Creek
- Petrochemical complex with the footprint of Moomba
- Power Plant larger than Port Augusta
- Water production greater than rest of Far North combined

Coal Resources – Wintinna Deposit



JORC Resource Estimate for Wintinna incorporates data from the 2007/08 field program and past exploration

Area of Resource Estimate covers only 25% of the known area of the Wintinna deposit

Deposit	Million Tonnes			
	Measured	Indicated	Inferred	Total
Wintinna	187	650	450	1,287

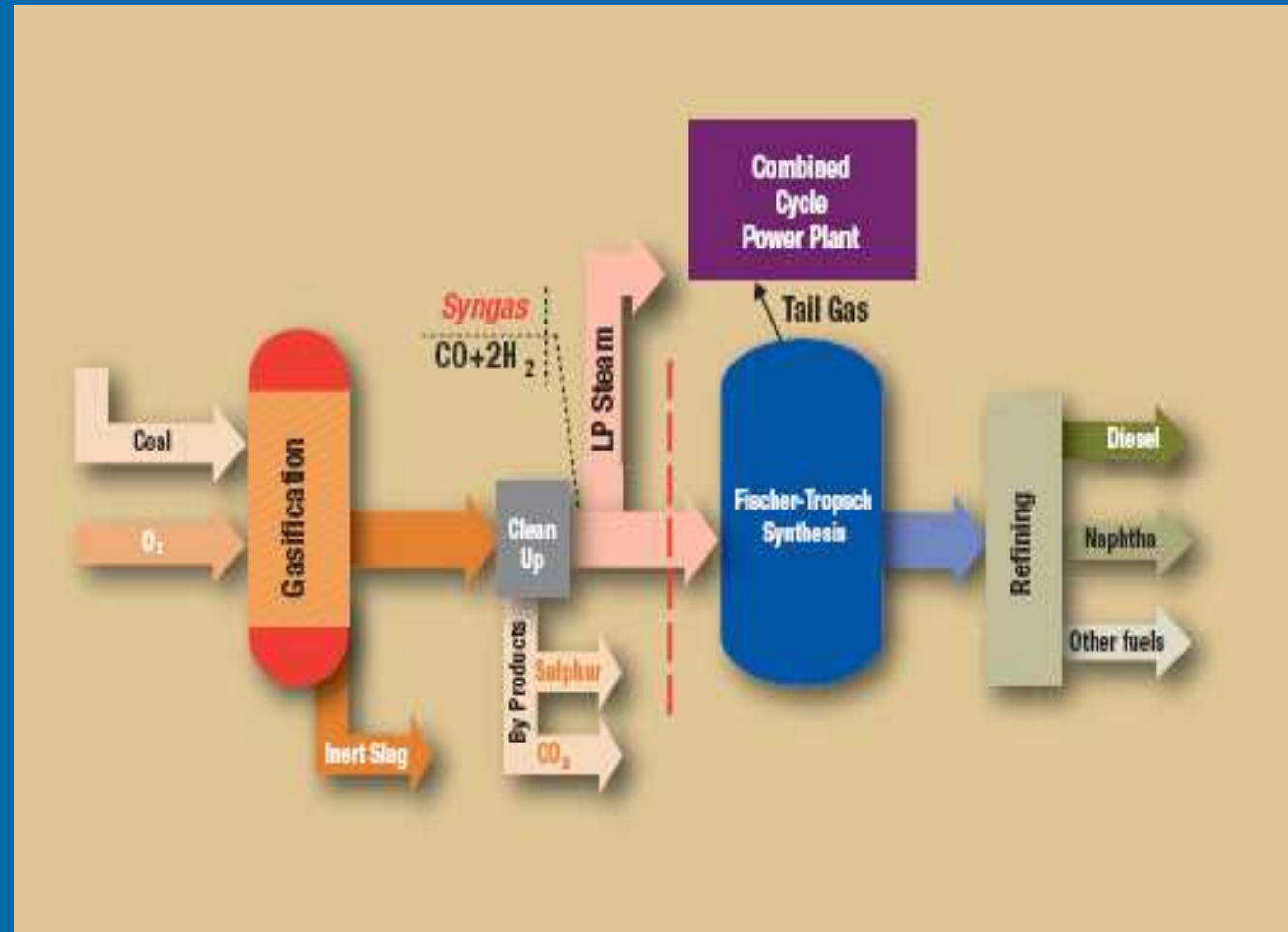
Source:

“Statement of Coal Resources Wintinna (EL3361) 31 July 2008”
McElroy Bryan Geological Services, Sydney, NSW, July 2008

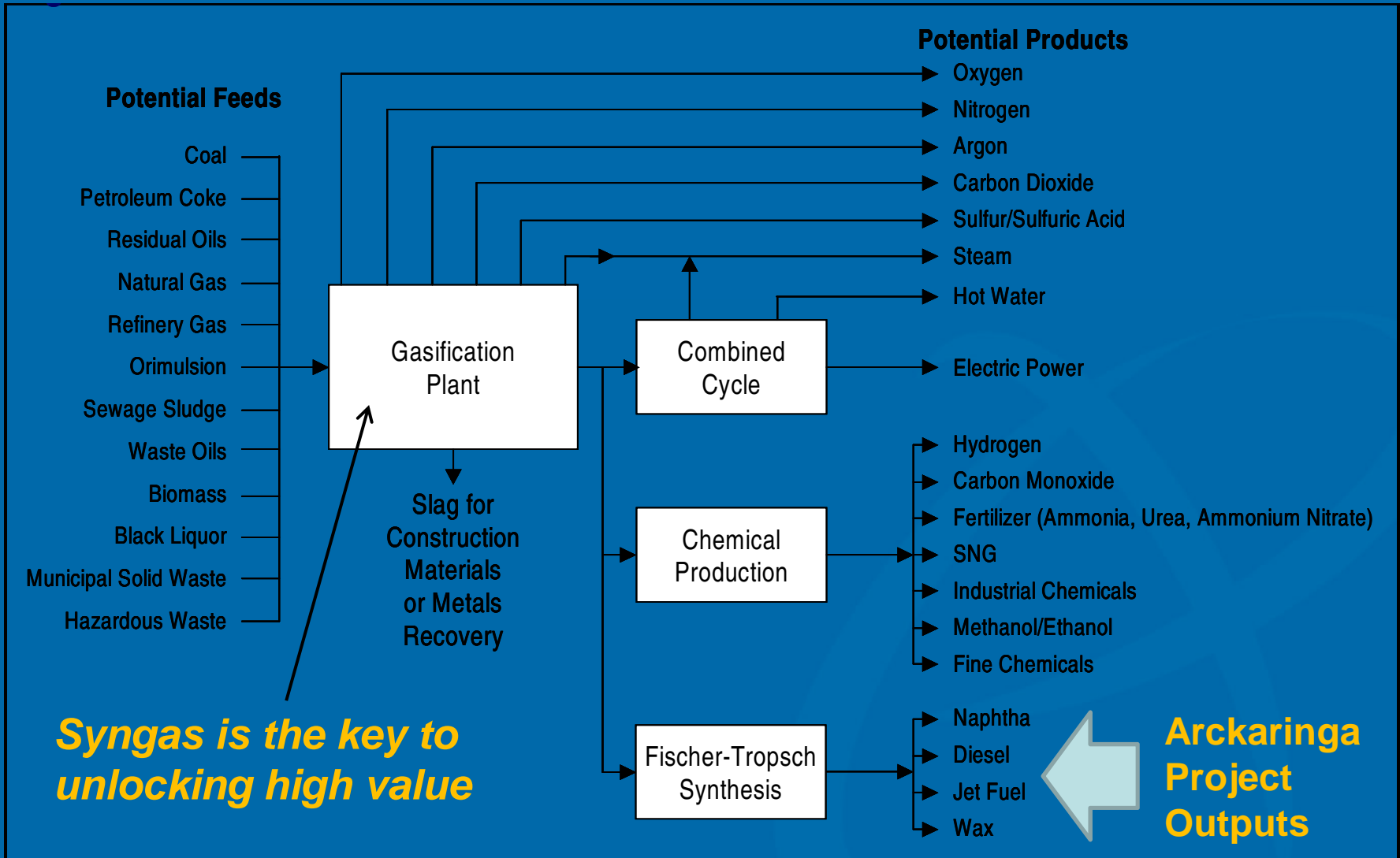
Technology for CTL, Power and Feedstocks



With CO₂ extraction and storage capability, the process is “Sequestration ready” and a prime example of clean coal technology



Product Options



Arckaringa Project Rationale



Altona's rationale for developing the vast coal deposits in its Arckaringa Basin tenements remains as strong as ever

- South Australia faces a shortage of base load power, fuel and water, both generally and especially for the Mining sector
- the Arckaringa Project is ideally located to help meet these needs
- the Project shapes as cost competitive and environmentally sustainable

**NONE OF THESE PROJECTS WILL HAPPEN
WITHOUT POWER, FUEL AND WATER**

Fuel for Australia and the World



Clean CTL fuels (diesel, jet fuel) are in demand and free of refinery product margins



The Arckaringa Project will

- provide a secure source of supply for Australia in an era of volatile world markets
- boost Australia's exports to Asia
- help make SA and NT self sufficient in diesel fuel

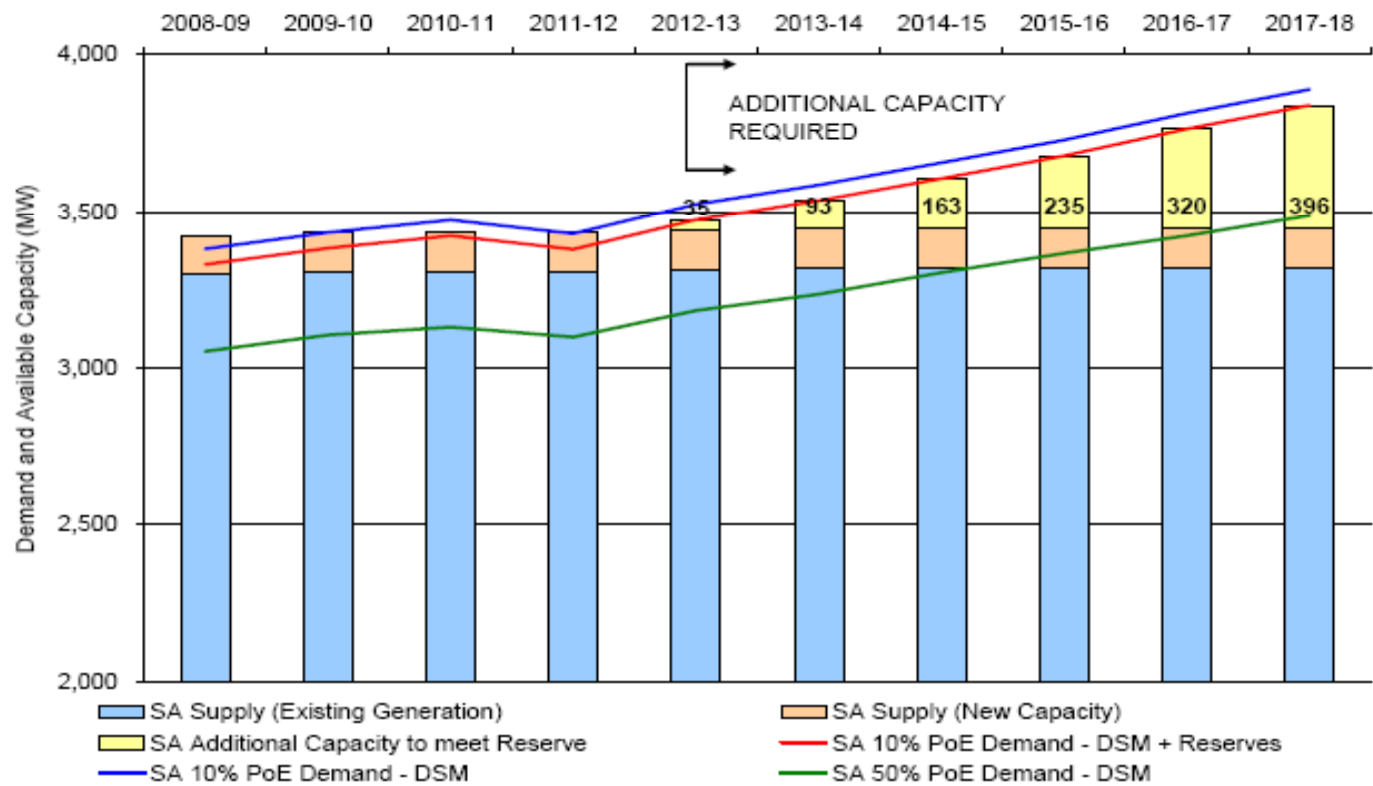


first time SA has had diesel fuel security since the closure of the Port Stanvac refinery

The Electricity Market in South Australia



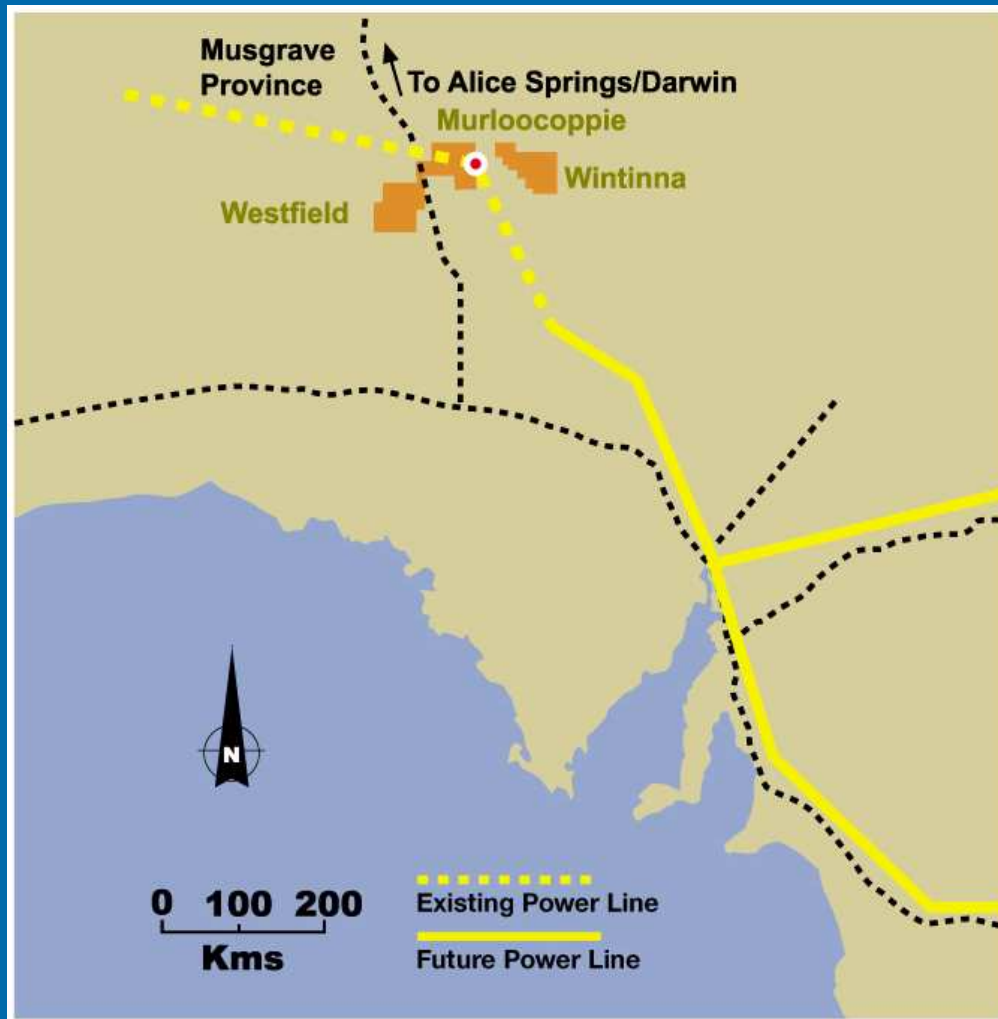
Figure 1-1 – Forecast Supply-Demand Balance for South Australia



According to the ESIPC 2008 Annual Planning Report, South Australia has a growing gap between electricity supply and demand

The projected deficit *excludes* the Olympic Dam Expansion and other new mine project demand (an extra 500 MW plus)

Connecting to the Electricity Market



The Project can generate competitive base load power, plus some peak power, and will sell via a new national grid connection and regional links

The Final Feasibility Study will identify the optimum solutions in regard to

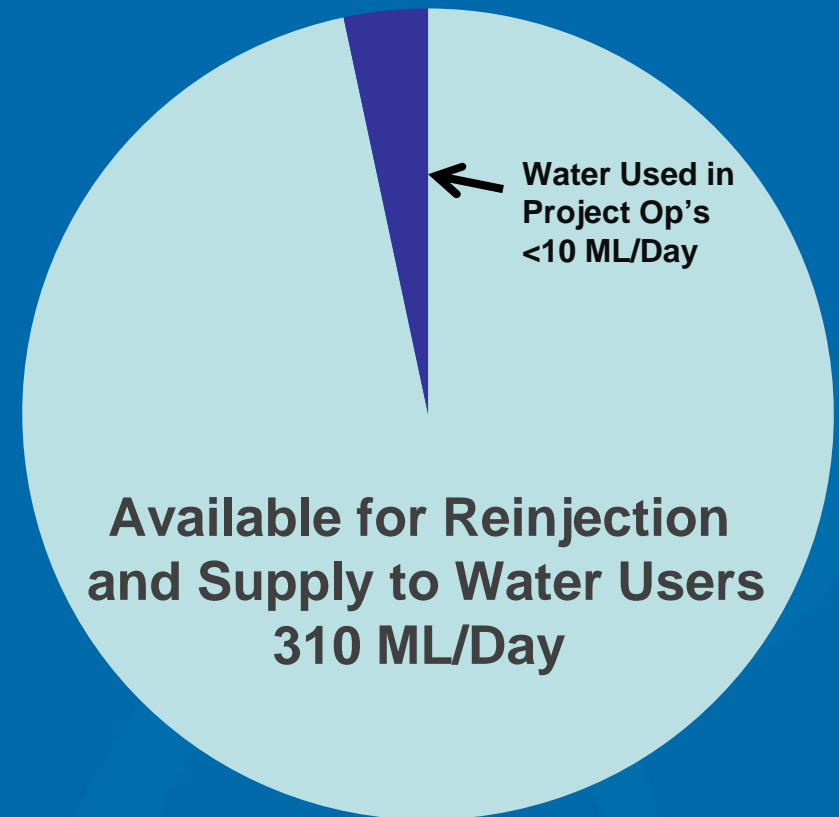
- Transmission line routing*
- System Capacity*
- Financing of line construction*

Sustainable Water Management



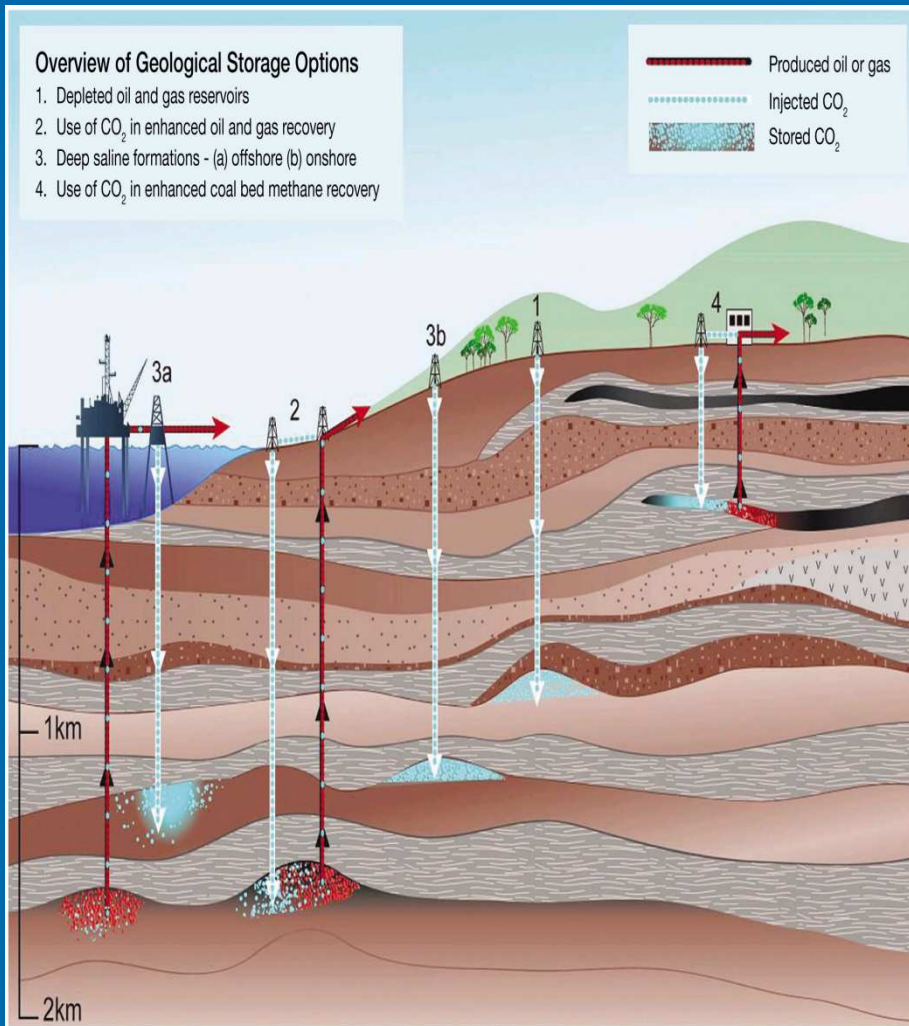
The Arckaringa project will not be approved and will not receive a Water Allocation Licence without a sustainable Groundwater Management Plan (GMP)

- The GMP will involve
 - control of mine dewatering volumes (average 320 ML/day)
 - aquifer re-injection
 - water distribution to local users
 - Final mine void management (avoid loss of water to evaporation)
- The Plan *must* protect
 - GAB Spring flows and associated flora species
 - Aboriginal Heritage values
 - Pastoral and other regional water supplies



The Arckaringa Project is virtually self sufficient in water via moisture released from coal gasification

CO₂ Mitigation Strategy



<i>Steps</i>	<i>Status</i>
Company Philosophy	Altona is committed to minimising CO₂ emissions where practical and effective
Mitigation Options	Geo-sequestration (Carbon Capture & Storage - CCS) is potentially the most effective option
Initial CCS Assessment	Prospective deep, long term CCS site identified
Gas Storage Licence	Altona will pursue a GSL under recent changes to the SA Petroleum Act
Investigating future CCS	Work program to be incorporated into the Final Feasibility Studies

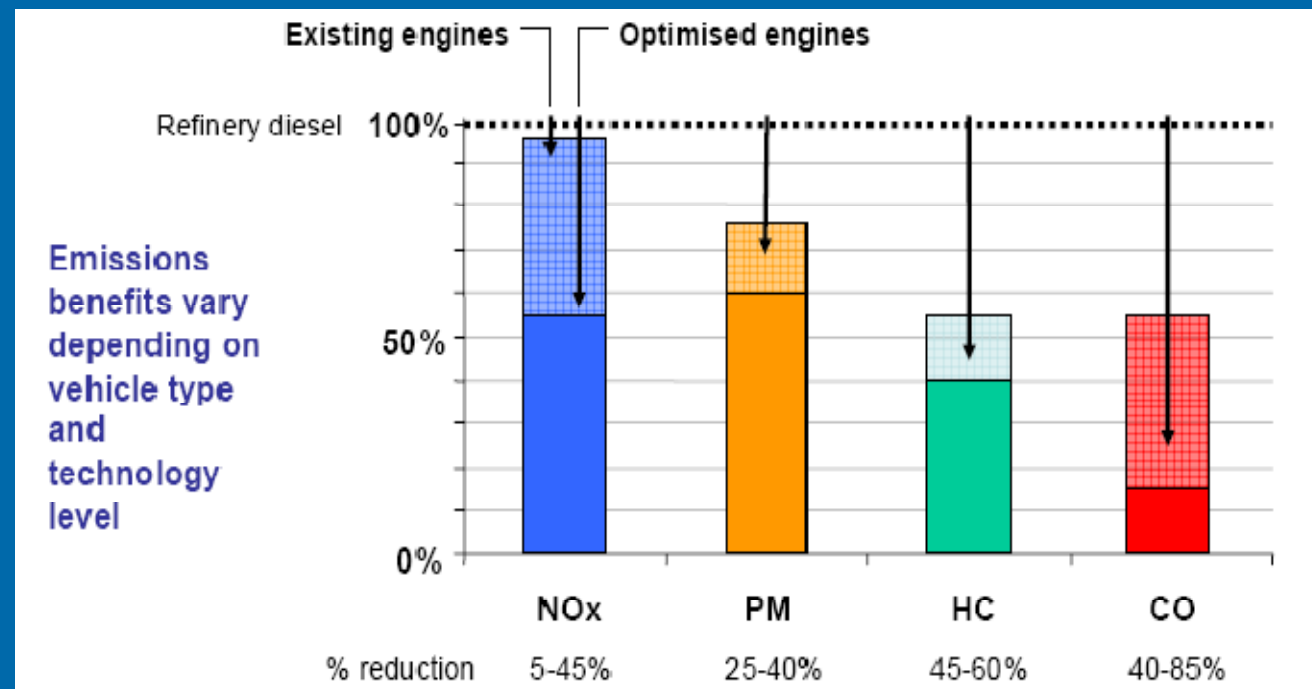
CTL Fuel Products are Environmentally Clean



Example: Ultra Clean Diesel Fuel

- Can be used in existing diesel engines
- High Cetane and low aromatics increase engine efficiency and decrease maintenance costs
- Zero Sulphur and lower emissions than conventional diesel

Combined with carbon capture and storage, using CTL fuels will, on a well to wheel basis, produce a lower emissions footprint than conventional refinery fuels



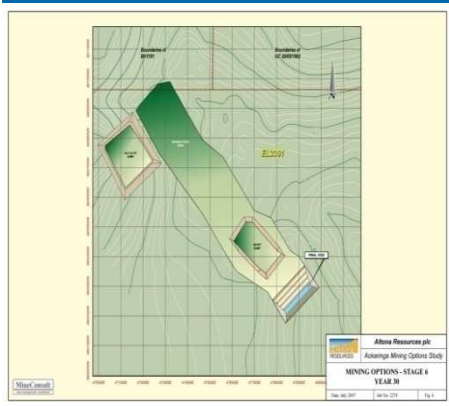
Source: Shell

Community Engagement



This is a commercial project but social obligations form an integral part of the proposal, which means:

- *Identifying Stakeholders, communities and interested parties*
- *Establishing an engagement action plan in tandem with project development*
- *Informing all at an early stage, which may include*
 - *Industry Forums*
 - *Media articles*
 - *Website*
 - *Community Consultative Committees*
 - *Public displays, briefings with key groups and individuals, public meetings*
 - *Other measures that will develop with the project, to meet the needs of communities and other stakeholders*



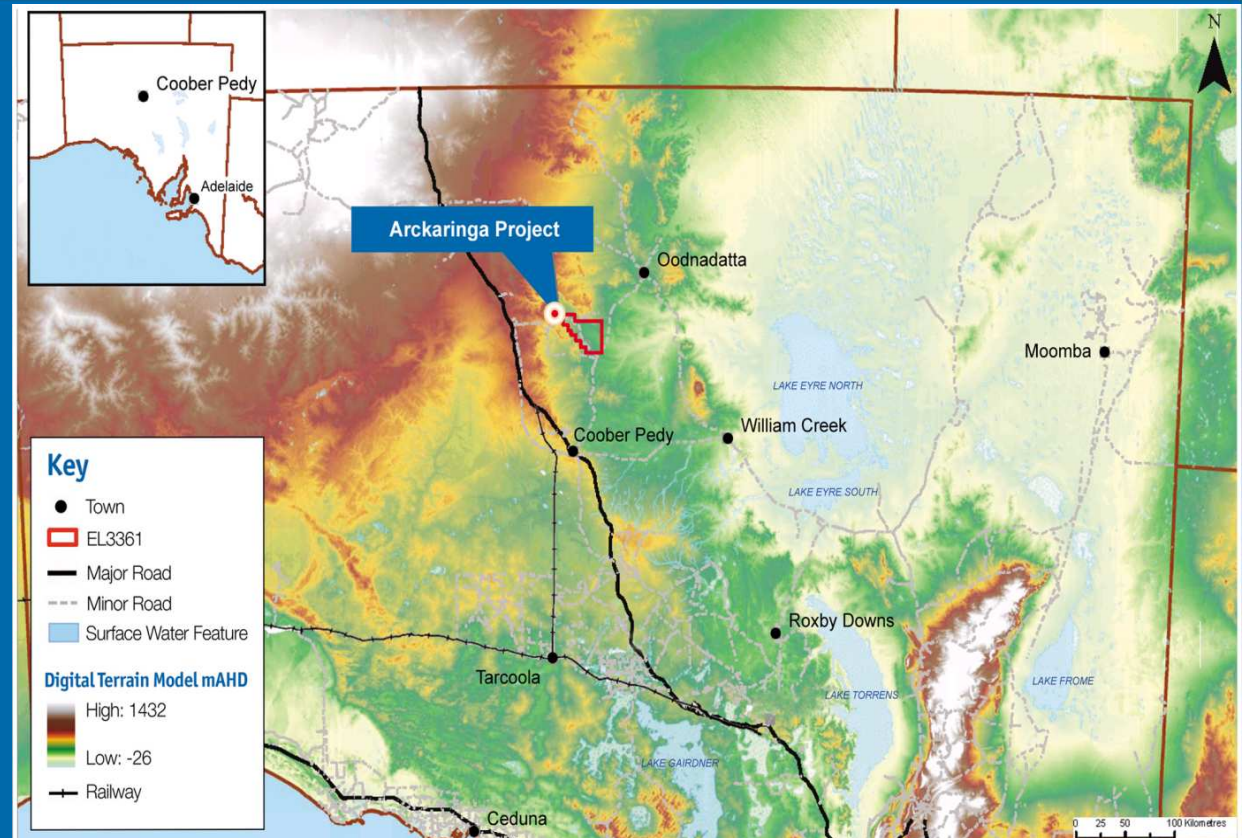
“Accessibility, Transparency, Trust”

Economic Impacts



The Arckaringa Project is likely to receive “Major Development” status in South Australia, with significant regional impacts via

- ❑ *Jobs*
- ❑ *Local fuel supply*
- ❑ *Expanded and upgraded electricity supply network*
- ❑ *Enhanced Water Supply to regional towns and Mine sites (subject to approvals)*



Employment Impacts

- ***780 direct jobs 550 in mining, 230 in the CTL/power plant***
- ***Potentially another 2000 or more jobs in support industries with flow on benefits to the Far North Region and the State***

Project Development Timetable



Key Milestones	Timing
Final Feasibility Study – Project Engineer/Study Contractor appointed	Q2 2009
FFS Report completed	Q1 2011
Board Approval for Project	Q2 2011
Government Approval for Project	Q3 2011
Funding Closure	Q3 2011
<i>Project Go Ahead</i>	<i>2011</i>
Commence Mine Dewatering	Q3 2011
Commence Site Construction	Q4 2011
Commence Mining	Q2 2013
Commence CTL Plant Commissioning	Q4 2014
Commissioning completed	Q1 2015
<i>Project Commercial Start up</i>	<i>2015</i>

The Arckaringa Project

South Australia's Energy Bank



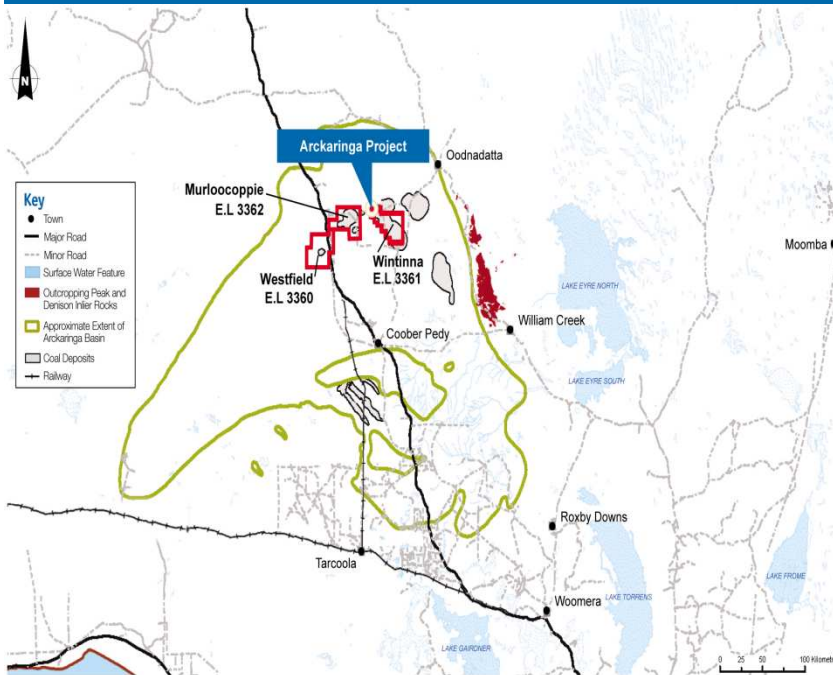
Thank you



Appendix 1 – Coal Resources *One of the World's Largest Undeveloped Energy Banks*



Huge coal resource discovered in the 1980s, with the key part of the **Wintinna** deposit now upgraded to current JORC standards

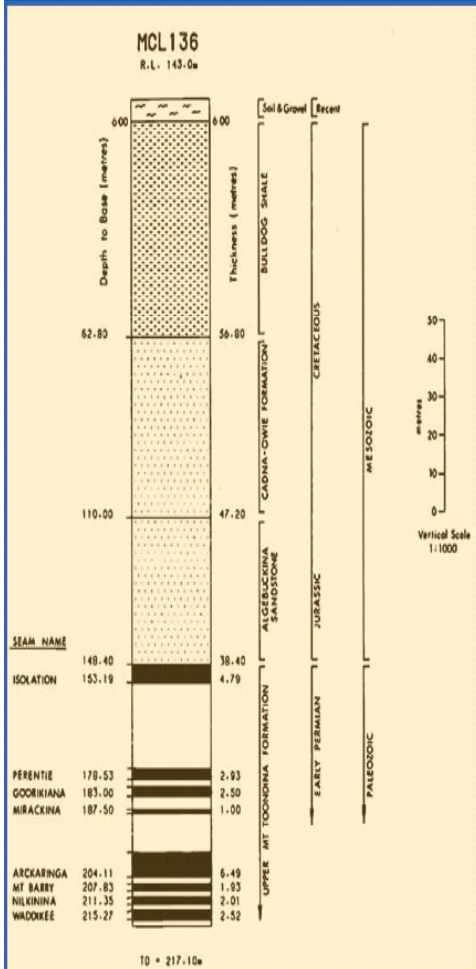


Deposit	Million Tonnes			
	Measured ²	Indicated ²	Inferred ²	Total
Wintinna¹	1,150	750	2,000	3,900
Westfield	100	200	500	800
Murloocoppie	250	300	2,600	3,150
				7,850³

Notes:

1. For Further detail on coal quality refer to Appendix 2
2. Based on SA Dept. of Minerals & Energy standards of the day
3. Equivalent to 7.8 billion barrels of petroleum products

Appendix 2 - Coal Quality



Quality Parameter (As Received Basis)	Wintinna Run of Mine Quality (for Syngas Production)	
<i>Proximate Analysis</i>	Unit	Value
Total Moisture	%	38.0
Ash	%	10.9
Volatile Matter	%	22.0
Fixed Carbon	%	29.1
Total Sulphur	%	0.98
Gross Specific Energy	GJ/tonne	16.2

Other Arckaringa deposits – Westfield and Murloocoppie – have similar energy, moisture and ash, but higher sulphur (which is extracted in the CTL process in any event)

Appendix 3 – Project Economics

Large Revenues & Low Production Costs



The Project's combination of CTL products and Power can reduce unit operating costs to the low end of the world cost curve

CTL, Power and Mine (Cumulative)	Phase 1 and 2 Combined 10 MBPA	After Phase 3 15 MBPA	Industry Benchmarks for new Plants
Capital US\$m (+ / - 30%)			
• CTL and Power	2,706	4,035	
• Mine (incl. development opex)	500	670	
Est. Annual Revenue US\$m			
- diesel @US\$75/bbl**	750	1,125	
- power @US\$30/MWh	150	225	
Costs per Barrel, after Power Sales Revenue credit			
➤ Total Project expenditure US\$/bbl	US\$35	< 35	35 – 65
➤ Opex US\$/bbl	US\$20	< 20	25 – 50

** equates to a crude oil price of approx US\$60/barrel

Appendix 4 – Board & Management



<p>Chris Lambert Chairman</p>	<ul style="list-style-type: none"> - 20 years financial background - Ex-Head of London and global trading for Elders Finance Group, The Rural and Industries Bank of Western Australia, Barclays Bank and Prudential Securities (USA)
<p>Chris Schrape Managing Director</p>	<ul style="list-style-type: none"> - 30 years experience in the global resources industry - Former CEO of Griffin Coal (W.A.) - 20 years with Rio Tinto in senior coal marketing and management roles
<p>Norm Kennedy Technical Director</p>	<ul style="list-style-type: none"> - Qualified geologist with more than 25 years experience in exploration management in both Australia and overseas - Principal of Rank Geological Services Pty Ltd (a geological services consulting firm) - Associated with Arckaringa since the early 1980's as consulting geologist -has an extensive knowledge of its geology and commercial aspects.
<p>Anthony Samaha Finance Director</p>	<ul style="list-style-type: none"> - Over 15 years experience in providing accounting and corporate advice in a range of sectors including resource development. - CA qualified
<p>Phil Sutherland Non-Exec Director</p>	<ul style="list-style-type: none"> - Former CEO of SA Chamber of Mines & Energy - Adelaide based
<p>Michael Zheng Qiang Non- Executive Director</p>	<ul style="list-style-type: none"> - Director and CEO Tongjiang International Energy Co. - Over 20 years financial experience - Former Economist at China Economic Commission