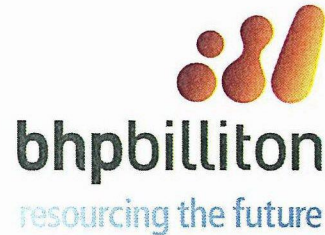
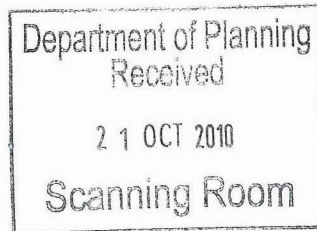


Illawarra Coal



19 October 2010

Director-General
Department of Planning
23-33 Bridge Street
SYDNEY NSW 2000



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Attention: Mr Richard Pearson

Dear Mr Pearson,

**Bulli Seam Operations Project (MP 08_0150)
Preferred Project Report – Supplementary Information**

As requested at the meeting between BHP Billiton Illawarra Coal (ICHPL) and the Department of Planning on 6 October 2010, this letter and its attachments provide supplementary information to the Preferred Project Report (PPR) (dated 24 September 2010) in respect of the Bulli Seam Operations Project (MP 08_0150) (the Project). In particular, please find below supplementary information to further define the Preferred Project.

For the purpose of this letter and its attachments, the Project as described in the *Bulli Seam Operations Environmental Assessment* (ICHPL, 2009) is referred to as the EA Project and the Project as described in the PPR is referred to as the Modified Project.

The excision of domains (or parts thereof) as described in the PPR will not change several aspects of the EA Project, including:

- The Project Application Area.
- Maximum annual ROM coal production rate at 10.5 Million tonnes per annum (Mtpa).
- Maximum annual product coal transport rate at 9.3 Mtpa.
- Project life of approximately 30 years. This period of project life is required to be retained because the excision of mining domains (or parts thereof) reduces operational flexibility meaning that the 10.5 Mtpa ROM coal production rate will not be achieved in all years.
- At full development, the Modified Project would employ in the order of 1,170 people (including a mixture of Illawarra Coal staff and on-site contractor's personnel).

The Modified Project would also retain the undertaking of minor activities (i.e. ecological research and monitoring) within the Dharawal State Conservation Area and the Metropolitan, O'Hares and Woronora Special Areas. These activities form part of ICHPL's commitment to ongoing ecological research. These activities would be undertaken to avoid impacts to Aboriginal sites and in accordance with access agreements with the Department of Environment, Climate Change and Water and/or the Sydney Catchment Authority.

Illawarra Coal Holdings Pty Ltd
ABN 69 093 857 286

The excision of domains (or parts thereof) as described in the PPR consequently results in the following for the Modified Project:

- Reduction in the total recoverable coal reserve from approximately 306 Million tonnes (Mt) to approximately 209 Mt¹ of ROM coal.
- Reduction in the quantity of coal wash requiring emplacement in the Stage 4 Coal Wash Emplacement (Stage 4 emplacement) from 40Mt to 26Mt.
- Reduction in the Stage 4 emplacement height from 365 m AHD to 331 m AHD.
- Reduction of the Stage 4 emplacement footprint to retain the existing Brennans Creek Dam storage capacity and stockpile areas (refer Figure 1 attached).
- Reduction in the area of vegetation clearance required for the Stage 4 emplacement from 65 ha to 60 ha.

An indicative mine schedule for the Modified Project is presented in Enclosure 1.

The revised Stage 4 emplacement design remains the most viable coal wash management option for the following reasons (Cardno Forbes Rigby, 2009):

- The Stage 4 emplacement is located entirely within the West Cliff Colliery surface lease, the conditions of which state that surface emplacement of coal wash is a permitted land use.
- The Stage 4 emplacement is close to the existing washery on-site at the West Cliff pit top.

In consideration of all the above, Gillespie Economics has recalculated the social and economic benefits of the Modified Project, as provided in Table 1.

Table 1
Summary of Modified Project Social and Economic Benefits

Approximate Social and Economic Benefits	EA Project	Modified Project
Net Production Benefit	\$10.3 Billion	\$6.9 Billion
Net Benefit	\$8.3 Billion	\$5.5 Billion
Contribution to the State of NSW¹		
• Royalties	\$3 Billion	\$2 Billion
• Employee and Contractor Payroll Tax	\$274M	\$205M
Contribution to the Regional Economy		
• Annual Direct and Indirect regional Output or Business Turnover	\$2,074M	\$1,581M
• Annual Direct and Indirect Regional Value Added	\$1,197M	\$861M
• Annual Household Income	\$298M	\$236M
• Direct and Indirect Jobs	3,296	2,639
Contribution to the NSW Economy		
• Annual Direct and Indirect regional Output or Business Turnover	\$2,822M	\$2,192M
• Annual Direct and Indirect Regional Value Added	\$1,615M	\$1,202M
• Annual Household Income	\$516M	\$415M
• Direct and Indirect Jobs	5,791	4,676

¹ Estimated total over 30 years.

¹ Accounting for coal sterilisation associated with potential geological structures and anomalies (based on historical coal sterilisation analysis and ongoing exploration programmes).

As described in the PPR, the Modified Project results in significantly reduced mining within the Dharawal State Conservation Area and Sydney Catchment Authority controlled catchments. As a consequence, ICHPL proposes a revised commitment in regard to implementing research, offset and compensatory measures. ICHPL's revised commitment is provided in Table 2. In particular, ICHPL has:

- Removed the swamp-related commitments (as there are no swamps located within the Modified Project extent of longwall mining area or within 600 m) – \$250,000 removed.
- Reduced the catchment condition work commitment to reflect the significantly reduced timing associated with longwall mining within Sydney Catchment Authority controlled catchments and Dharawal State Conservation Area – reduced from 17 years to two years.
- The above changes reduce the total commitment from \$1,775,000 to \$400,000.

Table 2
Summary of Modified Project Research, Offset and Compensatory Measures

Activity	Financial Contribution
Research Programmes	
Streams: <ul style="list-style-type: none"> • Non-conventional subsidence effects and associated environmental consequences in significant watercourses. • Techniques for remediating stream bed cracking. 	\$250,000
Catchment Condition Work	
<ul style="list-style-type: none"> • Financial contribution towards rehabilitation and revegetation works within the Dharawal State Conservation Area or Sydney Catchment Authority controlled catchments. 	\$50,000/year of longwall mining in the relevant domains
<ul style="list-style-type: none"> • Financial contribution to management within the Dharawal State Conservation Area or Sydney Catchment Authority controlled catchments: <ul style="list-style-type: none"> – Pest Control - pest control programmes for pests such as the Red Fox, European Rabbit, Feral Deer, Feral Pig and Feral Cat. – Weed Control - weed control programmes for weeds such as Pampas Grass, African Love Grass, Lantana, African Boxthorn, Bridal Veil Creeper, Prickly Pear, Onion Grass and Blackberry. – Fire Management - fire management programmes. 	\$25,000/year of longwall mining in the relevant domains
Total	\$400,000

The Bulli Seam Project Approval is a condition precedent to internal company investment approval for the establishment of operations in Area 9 and as this decision is currently pending, we therefore seek your urgent attention to our PPR and Project Application.

Yours Sincerely



John Brannon

General Manager
Sustainable Development and External Affairs

BHP Billiton Illawarra Coal

Enclosure 1

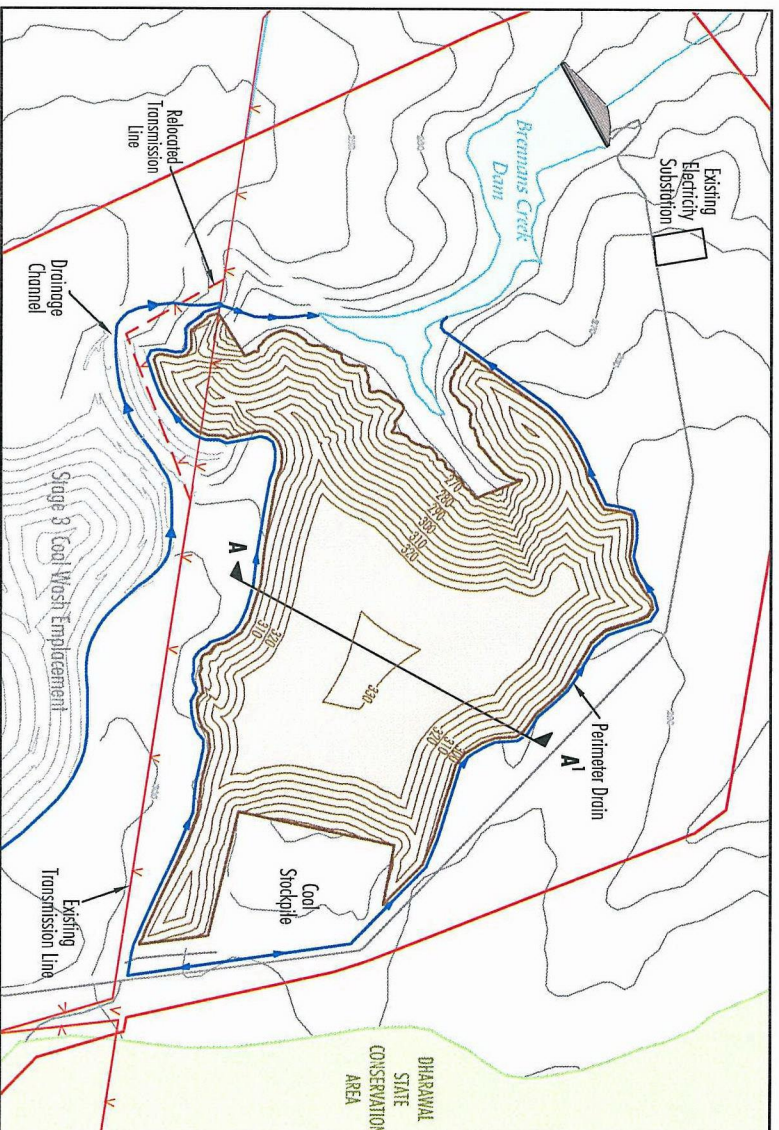
Modified Project – Mine Schedule

Table 1
Indicative Mine Schedule – Modified Project

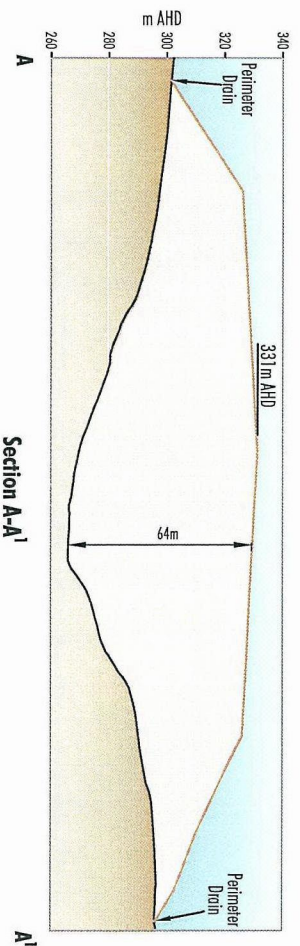
Year	Total ROM Coal (Mtpa) ¹	Total Product Coal (Mtpa)
1	7.5	6.3
2	7.5	6.3
3	10.5	8.9
4	10.5	8.9
5	10.5	9.3
6	7.5	6.3
7	7.5	6.3
8	7.5	6.4
9	7.5	6.3
10	7.5	6.3
11	7.5	6.3
12	7.5	6.3
13	7.5	6.3
14	7.5	6.3
15	6.5	5.5
16	6.5	5.5
17	6.5	5.5
18	6.5	5.5
19	6.5	5.5
20	6.5	5.5
21	6.5	5.5
22	5.5	4.7
23	5.5	4.7
24	5.5	4.6
25	5.5	4.6
26	5.5	4.6
27	5.5	4.6
28	5.5	4.6
29	5.5	4.6
30	5.5	4.6
Total	209.0	176.6

¹ The total ROM coal quantities include ROM coal associated with development and longwall extraction and accounts for sterilisation of the coal resource (based on historic coal sterilisation analysis).

The indicative mine schedule for the Modified Project presented in Table 1 is based on the planned maximum ROM coal production rate of up to 10.5 Mtpa. The actual timing and mining sequence however may vary to take account of: localised geological features; coal quality characteristics; detailed mine design; mine economics; market volume requirements, and/or adaptive management requirements.



Plan View - Stage 4 Coal Wash Emplacement



Source: After Cardno (2010)