



Hon Andrew Fraser MP
Member for Mount Coot-tha



Queensland
Government

Treasurer of Queensland
Minister for State Development
and Trade

- 6 JUN 2011

COPY

Dr Ray Shaw
Managing Director
Bandanna Energy
Level 12, 410 Queen Street
BRISBANE QLD 4001

Rea Ar Shaw

I refer to our recent meeting and your letter of 2 June 2011 to the Honourable Anna Bligh MP, Premier concerning Bandanna Energy's Springsure Creek and Arcturus projects and the release of the Government's Strategic Cropping Land framework on Tuesday, 31 May 2011.

Following consultation within Government, this reply represents the Queensland Government's response to Bandanna Energy's similar representations with a number of other portfolio Ministers and departments.

The Government has given appropriate consideration to the following matters:

- Bandanna Energy has advised that it remains committed to the protection of strategic cropping land in the development of its projects and in your letter to the Premier you state that Bandanna Energy believes that Arcturus and Springsure Creek should not permanently alienate Strategic Cropping Land.
- Bandanna Energy advises that reasonable certainty is required as to the statutory implications of the forthcoming Strategic Cropping Land legislation in order to maintain its consideration of substantial take-or-pay commitments to the Wiggins Island Coal Export Terminal Stage 1 project in coming weeks.
- The Government accepts that, while the Terms of Reference for the Environmental Impact Study (EIS) for Springsure Creek and Arcturus projects were not executed by the Department of Environment and Resource Management until Thursday 2 June 2011, they had been practically completed and prepared for consideration by Tuesday, 31 May 2011, when the Strategic Cropping Land framework was announced by the Government.

Level 9 Executive Building
100 George Street Brisbane
GPO Box 611 Brisbane
Queensland 4001 Australia
Telephone +61 7 3224 6900
Facsimile +61 7 3229 0642
Email treasurer@ministerial.qld.gov.au
ABN 65 959 415 158

COPY

I note that your Chairman provided a proposed way forward during discussions with the Director-General of the Department of Environment and Resource Management and senior officers of Queensland Treasury and Department of Employment, Economic Development and Innovation. Mr Barlow proposed that the Arcturus Project would be subject to the Strategic Cropping Land framework without any transitional provisions, while the Springsure Creek project would be subject to transitional provisions.

In view of the particular circumstances surrounding the timing and transition framework, the Government is prepared to consider an altered transitional framework specifically for Bandanna Energy, which would be given effect in forthcoming legislation, on the condition that the fundamental objectives of the legislation are achieved.

In this regard the Government's objective is to maintain the protection for strategic cropping land while providing sufficient certainty for Bandanna and its investors to proceed.

Therefore I propose to recommend that a specific legislated transitional framework for Bandanna Energy be included in legislation to be introduced, which would provide that

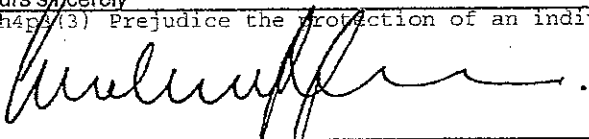
- Bandanna Energy's Springsure Creek project will be conditioned such that it must be implemented as underground coal project without scope for future consideration of development of open-cut operations.
- Bandanna Energy must use all reasonable endeavours, including if necessary contouring and laser levelling, to rehabilitate the effects of any impact of the underground coal project at Springsure Creek on Strategic Cropping Land, such as through subsidence; and
- Bandanna Energy's Arcturus project will be subject to the requirements of the Strategic Cropping Legislation in full, outside of the transitional framework.

I trust this course of action will provide a practical outcome which recognises the imminent financial commitments of Bandanna Energy, while still protecting the fundamental objectives of the Strategic Cropping Land framework announced on Tuesday, 31 May 2011.

Officers of the Department of Environment and Resource Management are available to discuss the appropriate implementation arrangements with you further. Please do not hesitate to contact Mr Chris Robson, Assistant Director-General of DERM on (07) 3330 6230.

Yours sincerely

sch4p/13) Prejudice the protection of an individuals rig



ANDREW FRASER