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Yalourn Energy Ltd
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2 June 1995

ATTENTION: MR K.GARDNER

General Manager Mineral Operations
Department of Agriculture, Energy & Minerals
PO Box 2145
MDC Fitzroy VIC 3065

Dear Sir,

YALLOURN ENERGY LTD
MINING LAND REHABILITATION BOND PROPOSAL

Following the recent discussions between your Messrs Sceney, Sleziak and Yalourn Mine personnel, I submit Yalourn Energy's proposal for the structuring of a Land Rehabilitation Bond to be established once Yalourn Energy Ltd is privatised.

The attached document describes the proposal to base the Bond on the cost of works required to complete full restoration of the disturbed mining land upon Mine closure. This cost is currently assessed at \$7.0 million.

Yours faithfully,

C.J.Fraser
GENERAL MANAGER MINING

att.

Inquiries: Mr C.Fraser
Telephone 051 35 2510

P I O N E E R S I N P O W E R

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YALLOURN ENERGY LTD

MINING LAND REHABILITATION BOND PROPOSAL

2 June 1995

Yallourn Energy's policy for land rehabilitation is to progressively and at the earliest opportunity appropriately shape, landscape, revegetate and return disturbed land to an appropriate agricultural or silvicultural use.

The policy is implemented through a 5 year rolling works program linked to a long term master plan, which involves a vision of final flooding of the mine areas to form a deep lake (see attached Final Rehabilitation Concept Plan).

The detailed basis of costing the full minesite rehabilitation to the proposed flooding option is provided in Schedule 1.

Financial provision for site restoration has been included in our accounts to provide for the obligation to restore the Mine site to an acceptable standard at the end of it's operating life. This is integrated into the Mine Business Plan and is reviewed annually.

The model currently projects a total cost (in 1995 \$) of \$16.5 million, made up of two components as per the attached Schedule 2 spreadsheet :

* Progressive works to be completed over the remaining 29 year Mine life as completed mining areas become available, at a total cost of \$9.5 million. These works are paid for in the year of provision.

* Works required at Mine closure to complete land rehabilitation and remove infrastructure, at a total cost of \$7.0 million. The funds for these works are placed in the balance sheet provisional account.

The Land Rehabilitation Bond is to be lodged with the Department of Agriculture, Energy and Minerals (DAEM) and it is proposed that the Bond be based on the estimated cost of works at Mine closure, currently costed at \$7.0 million. The Bond is to be in the form of a bank undertaking.

Through the Business Plan and the rolling works program Yallourn Energy Ltd will continue to set a prudent land rehabilitation program to demonstrate control of it's long term liability. The annual works program for rehabilitation works completed as part of the annual accounts are shown in the attached plan for the next three years.

YALLOURN MINE - SITE RESTORATION COST MODEL - COST DETAILS

	December 1994 dollars (000's)
1. Progressive annual works	
Steep batters	6900
Perimeter areas	2300
Mine Floor areas	<u>300</u>
Sub total	9500
2. Provision for final works	
Removal of infrastructure, buildings and plant.	<u>7000</u>
Grand total	16500

3. Assumptions:

- Estimate is for the implementation of the Yallourn Master Rehabilitation Plan flooding proposal.
- Mine offices and currently used workshops are assumed to be retained for commercial use at end of life of mine.
- Raw Coal Bunker, electrical facilities, stores and other minor buildings are to be removed.
- Mine plant, infrastructure and services are to be removed at net zero cost at end of life of mine.

YALLOURN MINE - SITE RESTORATION COST MODEL

1 June 1995

(December 1994 dollars)

Year ended 30 June	Progressive Annual Expenditure (\$ 000's)	Annual Provision for Final Expenditure (\$ 000's)
1996	330	240
1997	330	240
1998	330	240
1999	330	240
2000	330	240
2001	330	240
2002	330	240
2003	330	240
2004	330	240
2005	330	240
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2009	330	240
2010	330	240
2011	330	240
2012	330	240
2013	330	240
2014	330	240
2015	330	240
2016	330	240
2017	330	240
2018	320	240
2019	320	240
2020	320	240
2021	320	240
2022	320	240
2023	320	240
2024	<u>320</u>	<u>280</u>
Subtotals	9500	7000
2025	2000	← - Final works to complete site restoration from provision.
2026	3000	
2027	<u>2000</u>	
Total Expenditure (\$ 000's)	<u>16500</u>	