

21 June 2007

The Manager Companies
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

(2 pages by email)

Dear Madam

WEST ESPONDA PRODUCTION PROGRAM

The Directors are pleased to announce the commencement of drilling of the extension of the West Esponda project with the spud of Esponda 4980-9-5. This is the first of an additional eight wells situated immediately northwest of the existing 10 well pilot production program at West Esponda.

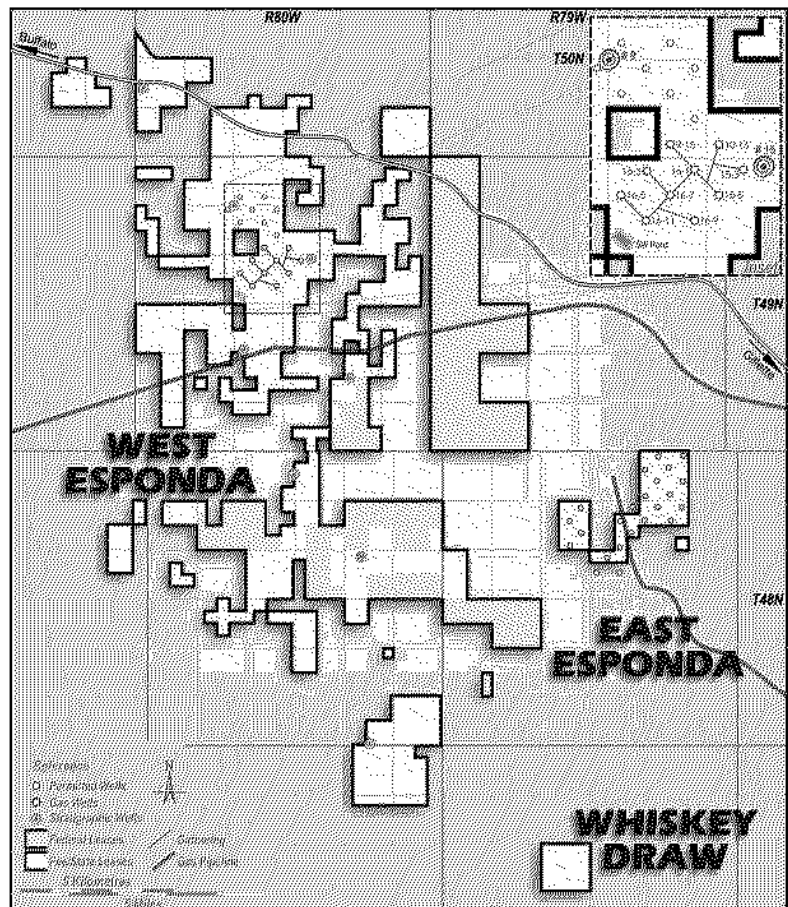
The West Esponda project totals 10,984 net hectares and has the capacity for approximately 340 wells on the state mandated 32 hectare (80 acre) drill spacing units. Geological mapping based on the Company's previous West Esponda pilot program wells and stratigraphic bores in this area of the deep Powder River Basin estimates that between 20 to 45 metres of coal is present.

The pilot extension program, which comprises eight holes drilled in a staggered offsetting pattern, will total approximately 5,500 metres of drilling. All eight wells will be drilled in a continuous program by the contractor Texas Wyoming Drilling of Gillette, Wyoming. As with our prior drilling programs, on-site supervision will be carried out by Goolsby Finley and Associates of Casper Wyoming.

All wells will be fully cased on drilling with in-field reticulation commencing thereafter. Perforating and well enhancement procedures will then be completed. The existing generator being used for the 10 well pilot production program will be used to power the in-well pumps in these new wells and the existing water discharge retention facility is capable of handling the dewatering of these new wells.

There is an under-utilised high pressure gas pipeline, operated by Western Gas Inc, passing approximately 2.5 kilometres to the south of the development area.

The wells will be drilled into the Big George formation. The Company's stratigraphic drilling has indicated that the Big George coal seam intervals are 17 to 22 metres. Additionally coals of 17 to 24 metres in total thickness overly the Big George. Whilst they are not intended to be produced from at this time, they will be 'behind pipe' so they can be readily accessed in the future.



The stratigraphic drilling program also intersected deeper coal units which will be valid targets for future development and production.

The estimated cost to drill and complete the eight wells is US\$2.0 million with a projected monthly operating cost of US\$25,000.

This northern portion of the West Esponda project has approximately 106 contiguous or near contiguous well locations. The permitting of these well locations has commenced with the field staking for State of Wyoming regulatory processing prior to permit issuance.

For further information, contact Norman Seckold, Bruce Riederer or Peter Nightingale on (61-2) 92475112.

Yours sincerely

A handwritten signature in black ink, appearing to read 'PJN', written in a cursive style.

Peter J. Nightingale
Director

pjn3913