

Media Release

21 April 2009

Tarong update on fuel project

Tarong Energy selected the Meandu Mine and Kunioon coal resources as the future fuel source for the Tarong and Tarong North power stations in September 2007.

The decision to purchase the resources was made after two years of intense work spent assessing three fuel source options.

The Meandu/Kunioon option was chosen because it delivered the best overall fuel supply solution over the long-term with regards to cost, flexibility and community impacts while protecting the economic security of the South Burnett region.

The previous owners of Meandu Mine worked to a mine plan focused on a coal supply contract with a completion date of 2010.

Following Tarong Energy's acquisition of Meandu and Kunioon in February 2008 from Rio Tinto, a re-appraisal of the Meandu geology and mine plans has shown that:

- Meandu Mine has economic reserves of coal within the mining lease that could be used well beyond the end of 2012, the date originally targeted for transition to Kunioon mine;
- Mine costs for the ongoing operation of Meandu beyond 2012 are expected to be lower than originally calculated at the time of acquisition.

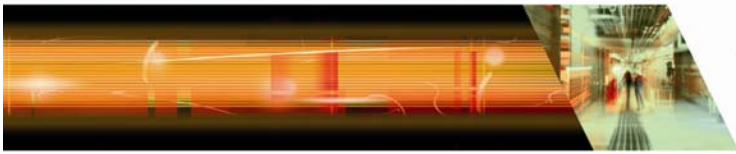
As a result of this work, Tarong Energy is assessing the appropriate strategy for the timing of the transition of mining operations from Meandu to Kunioon.

A number of factors will be taken into consideration regarding timing of the transition, but the main focus will be on accurately determining the quantity and quality of coal contained within the mining lease at Meandu, and the cost of extracting that coal.

Tarong Energy is aware of the important role its operations play in the economic diversity of the region and we want to get this decision right.

The Kunioon resource remains an extremely valuable asset for the people of Queensland and the Corporation is undertaking voluntary land acquisitions of properties within the Kunioon coal project boundary.

Voluntary land acquisitions involve negotiations between Tarong Energy and landowners to come to mutually agreeable terms for land required for the project.



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Tarong Energy has developed a Voluntary Land Acquisition policy that accords with the Acquisition of Land Act 1967 and ensures all landowners are fairly compensated and treated consistently and with respect.

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Background

Tarong Energy is one of Queensland's most significant power generators, with the capacity to deliver up to 25 per cent of the State's power needs.

Established in July 1997 and owned by the Queensland Government, Tarong Energy is the owner and operator of Tarong Power Station (coal fired) and Wivenhoe Power Station (pumped storage hydro), and is part owner of the Tarong North Power Station (coal fired). The Corporation also owns Meandu Mine which supplies up to seven million tonnes of coal a year to the adjacent Tarong power stations.

The Corporation is an active competitor in the National Electricity Market (NEM). The Corporation sells electricity into the NEM spot market pool and provides ancillary services to the National Electricity Market Management Company (NEMMCO) through Tarong and Wivenhoe Power Stations to ensure the secure and reliable supply of electricity throughout Queensland.

Tarong Energy employs more than 400 people at its generating sites at Nanango and Wivenhoe Dam and in its Brisbane office.