

ASX RELEASE

28 June 2007

## **SAPEX announces an initial inferred coal resource estimate for Arckaringa project**

The Directors of SAPEX are pleased to report an initial inferred resource estimate prepared in accordance with the JORC code for one of the Company's Arckaringa Basin exploration licence areas in South Australia.

These figures are available following an independent review by consultant group, Geos Mining, of pre-JORC drilling data, within SAPEX's Exploration Licence (EL) 3325 (Wintinna East).

The results from the Geos Mining study – based only on this previous drilling undertaken - are that EL 3325 contains:-

- 690 million tonnes of inferred resources of sub-bituminous coal with a target of between 2 billion to 3 billion tonnes of coal.

The text of the Geos Mining study statement is attached.

"The outcome of the initial study on EL 3325 not only indicates a potential for some 207 Billion cubic feet to 1.1 Trillion cubic feet of Coal Seam Gas (CSG), (based on 300 cubic ft per tonne coal) based on a notional gas content of 300 scf/t, but also enhances the potential for value-adding options for the coal itself," SAPEX's Managing Director, Mr Andrew Andrejewskis, said today.

"This CSG estimate only covers the area of EL 3325 and does not include the remainder of the Arckaringa Basin which is held by SAPEX in seven Petroleum Exploration Licences (PEL) covering 65,000 sq km."

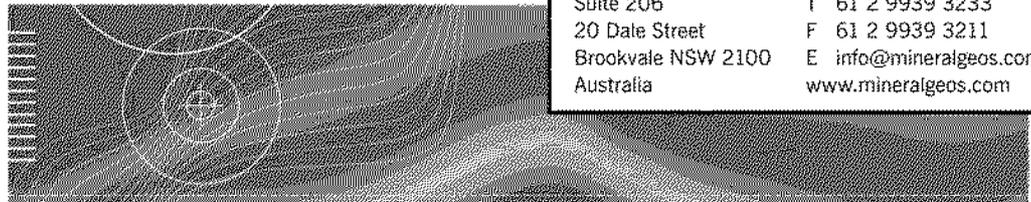
"SAPEX advises that its interpretation of coal occurrence on seismic in this general area indicates a large distribution of coal covering an area of at least 3,500 km which provides ample opportunity for major CSG resources," he said.

"Geos Mining is continuing with a similar study on another SAPEX coal exploration area, EL 3326 (Weedina), which will be prepared in accordance with the JORC code and results will be announced on completion of this study."

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## **EAST WINTINNA COAL RESOURCE JORC ANNOUNCEMENT**

**Geos Mining project 2157-1**

**Project commissioned by SAPEX Limited**

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**Wednesday, 27 June 2007**

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## **Disclaimer**

*While every effort has been made, within the time constraints of this assignment, to ensure the accuracy of this report, Geos Mining accepts no liability for any error or omission. Geos Mining can take no responsibility if the conclusions of this report are based on incomplete or misleading data.*

*Geos Mining and the author is independent of SAPEX Limited, and have no financial interests in SAPEX Limited or any associated companies. Geos Mining is being remunerated for this report on a standard fee for time basis, with no success incentives.*

## **Public statement**

SAPEX Limited owns EL3325 Wintinna East which covers part of the Permian Arckaringa coal basin. It is located 130 km north of Coober Pedy and 329 km north west of Olympic Dam.

The East Wintinna Permian coal deposit lies within the N-W trending Boorthanna Trough which is part of the Arckaringa Basin. EL 3325 is covered by the Cretaceous marine Bulldog Shale followed by an average 70 metres of Mesozoic Cadna-Owie and Algebuckina Sandstone Formations.

The base of the sandstones unconformably overlie the 120 metre thick Permian Mount Toodina Formation which contains 5 to 9 coal seams with a cumulative thickness of 10 to 25.8 metres in this EL area.

21 drillholes have been drilled inside the EL and these were drilled by Meekathara Minerals Ltd and the Primary Industry & Resources, South Australia (PIRSA). Three of the holes were core drillholes located in the central part of the EL, while the other 19 are rotary mud drillholes. A further 8 holes are located outside the EL area.

The hole spacing is irregular (see Figure 1) with the 3 core holes being spaced at around 1.5 km in the central part of the EL, while the other 19 holes are spaced further apart. Useful coal quality tests are recorded for the three holes in the central part of the EL.

Geos Mining has prepared a model of each seam and estimated volumes using Gemcom software based on previous available data. The drilling and core data have been plotted and correlated to confirm the continuity and quality of coal seams.

The coal quality of the major seams has been assessed for the three core holes and has been classified as sub-bituminous steaming coal. Geos Mining has estimated an inferred resource totalling **690 million tonnes of sub-bituminous coal** in the central part of the EL. Details are listed in Table 1 along with the characteristics of the major seams.

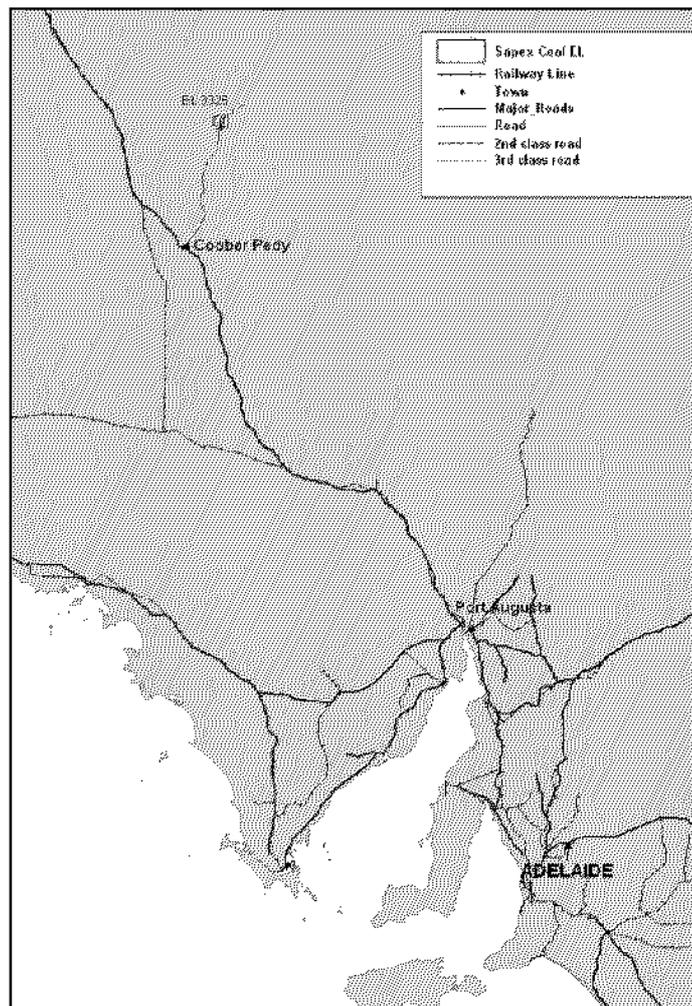
SEAM	TONNAGE WITHIN CENTRAL AREA OF EL	ESTIMATED TOTAL MOISTURE %	RELATIVE DENSITY	ASH CONTENT %	VOLATILE MATTER %	FIXED C %	SPECIFIC ENERGY MJ/KG	TOTAL S
ISOLATION	120,333,000	30	1.49	10.07	31.77	47.00	24.21	1.0
U-PERENTIE	145,498,000	NA	NA	NA	NA	NA	NA	N.A
PERENTIE	72,128,000	37	1.45	6.83	31.17	50.90	24.75	0.5
GOORIKIANA	39,247,000	39	1.48	7.50	31.57	49.27	24.57	0.6
U-MIRAKINA	102,403,000	39	1.57	19.17	29.07	40.67	20.69	0.6
L-MIRAKINA	96,146,000	37	1.49	8.50	31.83	48.13	24.30	0.9
ARCKARINGA	57,506,000	38	1.47	7.33	31.90	39.40	24.99	0.8
MOUNT BARRY	57,506,000	NA	NA	NA	NA	NA	NA	NA
NILKINNA	120,333,000	NA	NA	NA	NA	NA	NA	NA

N.A.: Not Available

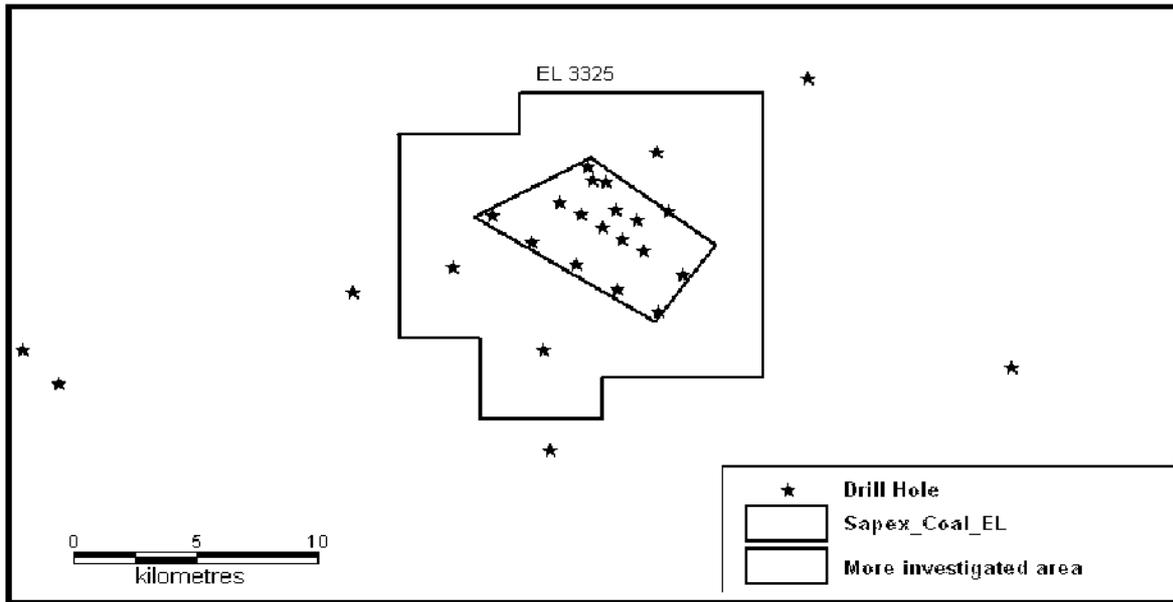
An in-situ bulk density of 1.48 t/m<sup>3</sup> has been assumed, based on the measured air dried moisture (A.D.) content of 11%. Average A.D. moisture is 11.0% for all seams.

**Table 1: Brief Characteristics of the coal at East Wintinna EL**

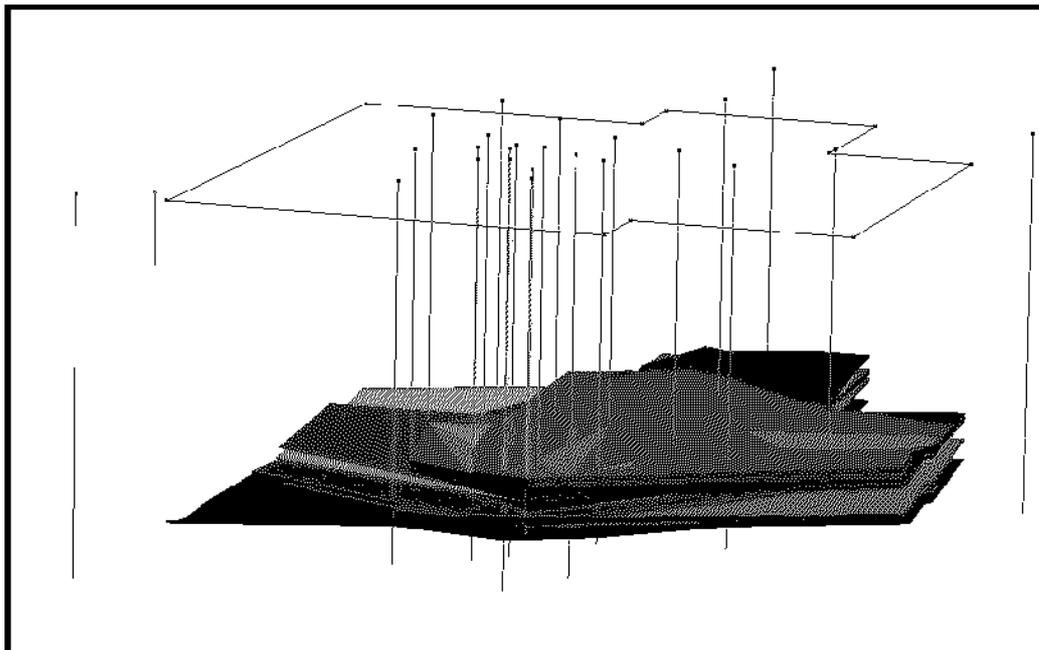
Geos Mining estimates that outside this resource, within the EL, there is an **exploration target of around 2 to 3 Gt of coal** expected to be at similar qualities to the resource above (one giga tonne (Gt) = 1,000 million tonne or a billion tonne).



**Figure 1: Location map**



**Figure 2: Exploration lease and position of drilled holes**



**Figure 3: 3D view of the coal seams**

**JORC Statement**

*The information in this report relating to resources is based on information compiled by Morteza Jami who is a member of the Australasian Institute of Mining and Metallurgy and who is employed by Geos Mining. Morteza has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.” Morteza Jami consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.”*