



Stop CSG Illawarra
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Attention Darren Rice CEO
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Copies to be provided to directors:
Stephen O'Keefe: Non-executive Director
John Wheeler: Non-executive Director
John O'Shannassy: Company Secretary

9 September 2011

Ref: Open Questions to APEX from Stop CSG Illawarra

Dear Darren

At the public forum on CSG held at the Thirroul Community Centre on 21 August 2011, which was attended by various representatives of APEX and Ormil Energy, the Chairman of Stop Coal Seam Gas Illawarra indicated to your elected panelist, Tom Fontaine, that we would be issuing open questions to APEX. We are therefore pleased to present those questions for your considered response.

1. APEX was invited to provide a panelist for the forum as the holder of PELs 442 & 444. Therefore, can the company please explain why it elected (in a last minute change) to send Mr Tom Fontaine, who is neither a director nor an officer of APEX? Also (as Ormil is only a minor shareholder through the JV) can the company please confirm that the board of APEX formally authorised Mr Fontaine to act on its behalf at the forum.
2. Why is APEX so sure that none of the wide ranging risks associated with production CSG mining, identified by world renowned research institutes (such as those of Cornell, Duke and Tyndal), are relevant to PELs 442 & 444, especially given the nature and location of the sites in and around the drinking water catchments?
3. Given that APEX has now stated publicly that it will not use hydraulic fracturing, why does its application include for borehole AI16,
 - a. a Type 3 bore hole with the option to use 'Conventional methods (Hydraulic fracturing of frac'ing)' and
 - b. the following statement "It is expected that the coal seams will need to be stimulated in order to increase permeability"
4. Is APEX now prepared to enter into an unconditional binding commitment not to use hydraulic fracturing, or similar stimulation techniques, at any of its PEL sites in the Northern Illawarra; and if not, why not?

- 5.** APEX asserted in its presentation that Gas is cleaner than coal. Is the company aware of Research by the Nicholas Institute for Environmental Policy Solutions at Duke university in the US, that the greenhouse emissions effect of unnatural gas mining (i.e. shale gas and CSG) is at best = to coal over a 100 year period and substantially worse over a 30 year period? How does it align its representation to this research, or is it confusing CSG and LPG?
- 6.** APEX contends that it intends, in conjunction with its JV partner, to carry out production CSG mining in the Northern Illawarra, yet it was claimed by Tom Fontaine that the JV does not currently have any plans on how it will do so. Therefore;
 - a.** How can APEX reasonably expect the local community to have any confidence in its ability to do so? And
 - b.** How is this statement consistent with the assertions of its Chief Operating Officer who said in meetings with SCSGI members, that the company knows the area extremely well and understands how to safely mine the CSG?
- 7.** APEX is a minimally capitalised, Non Liability company that is subcontracting much of the exploration activity. Please explain why the company operates behind this structure and what it means in context with its responsibility to the Government, community and ability to remediate any environmental mishaps that may arise.
- 8.** Is the company willing/able to put up substantial financial security deposits as a disaster alleviation contingency?
- 9.** Does APEX intend through its current commercial arrangement with Ormil, to be the CSG production operator for PELs 442 & 444; or does it intent selling its rights on to established gas operators based upon the value of the reserves identified - as was the case with Pure Energy (a company in which Mr Fontaine was a co Founder and major shareholder) and several other similar cases with combined valuations of around \$2 billion?

Please be advised that it is our intention to post these questions along with replies received from APEX, on our pubic website, <http://stop-csg-illawarra.org/>.

You should also be aware that the general reaction to APEX's performance at the meeting, from those that attended the forum, was one of disappointment. Hopefully some of that damage can be repaired by the tone and quality of APEX's response to these questions.

Yours sincerely,

Members of the SCSGI Organising Committee

Karen Lederer, Jess Moore, Rob Edwards, Rob Fakes, Peter Townsley, Steve Whistler, Chris Williams.