

Herald Property JV 2007-1

Executive Summary

- Venture: Coal, Oil and Gas, Timber Resources, JV to be established
- Acquisition: Appalachian Coal Region, Eastern, KY. 50% acquisition of approximately 1000 acres containing 19 million tons of high quality coal reserves including surface ownership in fee, substantial timber value and strategically located for Devonian gas and oil play.
- Strategy: Existing coal permit to be transferred after acquisition. Property may be positioned as a flip. Back-up position is to have contract operator begin mining. Oil and gas operator will co-ordinate drilling and development. Timber company interested in immediate logging.
- Projected Return: The property will be offered at \$6 million with probably a floor of \$5.75 million. Based on an immediate flip (potential buyers already identified) the settlement formula would be as follows:
\$6,000,000 Sale Price
\$2,000,000 Recovery of Acquisition Cost to Investor/Lender
\$4,000,000 Remainder Split 50/50
\$2,000,000 Net Profit to Investor/Lender
- Reserve Study: Available on signing NCND
- Summary: Coal prices are currently bullish. Additional acreage is available to increase the scope of the project and the existing permit will avoid the typical two year permitting delay. This venture provides access to an opportunity to double the investment by flipping. Qualified buyers are identified. The other 50% holder is a partnership managed by an experienced, masters level engineer with 20 yrs experience in both deep mining and strip mining who currently owns and operates both an engineering and survey company in the operations area.
- Brokers: Protected.
- Note: Full disclosure available to qualified buyers on executing NCND and verification of interest.

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