



Press Release

11th March 2002

MONTO COAL PROJECT GIVEN GREEN LIGHT

Monto to produce up to 1m tonnes per annum in Stage I and target up to 10m tpa at Stage II

Macarthur Coal Limited (ASX:MCC) today announced that the company would commit to the development of the Monto coal project following the recent completion of the Stage I feasibility study.

Macarthur's Managing Director and Chief Executive Officer Mr Ken Talbot said, "with the emergence of the new environmental order of reduced emissions, Monto sits squarely in an exciting new niche market for low ash – low nitrogen coal. Its size and credentials will ensure Macarthur's growth in the years to come.

"Our philosophy is to target niche markets for metallurgical and thermal coal with strong growth fundamentals. Monto and Coppabella produce the coal products that occupy this space."

Monto will produce a thermal coal with a high hydrogen/ low nitrogen content – probably the lowest nitrogen content of any Australian coals on the export market. This attribute is becoming increasingly desirable in modern power stations due to associated environmental benefits resulting from reduced greenhouse gas emissions.

Mr Talbot advised, "our aim is to reduce CO₂ equivalent by 1.7 million tonnes every year at full capacity."

Monto, located south west of Gladstone, Queensland, is a large scale thermal coal project with the potential to grow to 10 million tonnes per annum production. The project is adjacent to rail and power infrastructure.

Stage I involves the development of a mine with a capacity of between 500,000 tonnes per annum (tpa) and 1 million tpa which will enable Macarthur Coal to confirm market acceptance of the coal product.

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Macarthur Coal to fast track Stage I development

The company is seeking to fast track the development with the lodging of a mining lease application by June 2002.

Given that the project is located on freehold land, native title claims will not be an issue.

Marketing of the Monto coal product will also begin immediately, with interest shown already from a number of international companies including existing partners and clients.

Mr Talbot said, "provided that the Mining Lease is issued without delay, we envisage that mining at Monto could begin as early as December 2002."

Expansion of Monto Coal Project to 10Mtpa

Looking ahead, Macarthur Coal has recently completed a scoping study to investigate the underlying assumptions for a Stage II expansion of Monto.

Mr Talbot confirmed that the Stage II feasibility study would cost approximately A\$10-12 million and would provide critical analysis and forecasts essential for the company to commit to Monto's expansion.

"In the longer term, Stage II of the project would involve expanding the mine to 10 million tpa. This compares with the company's flagship (45% moving to 50% interest) Coppabella Coal mine, which currently produces at the rate of 4 million tpa," he said.

Stage II would also require an upgrade of existing rail infrastructure, to cope with the increased tonnage and usage. As foreshadowed, Macarthur Coal is investigating contracting out this exercise to a rail/freight infrastructure provider.

Company Chairman Keith De Lacy said recently that "Macarthur was not in the freight or railway business. Our preference is to find a third party to do this in part or in total."

Finance for Stage II would reflect the company's "partnership approach", successfully adopted at Coppabella, where end users become joint venture or equity partners in the project.

"With Monto, our vision to become a major resources company based on coal is one step closer and will ensure that we can capitalise on the growing international demand for premium coals," Mr Talbot added.

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