



16th May 2002

Macarthur Coal foreshadows lower coal production for current quarter

The Directors of Macarthur Coal Limited (ASX: MCC) have today announced that the company expects to report lower coal production for the June quarter due to highwall failures associated with faulting and a change over of mining contractors at the company's main Coppabella mine. These events will flow through to earnings and as a consequence, the company could fall short of prospectus forecast earnings.

Macarthur Coal's Managing Director and CEO Ken Talbot said the company is disappointed with this production setback, which was caused by a series of events including highwall failures in the Johnson Pit at Coppabella in proximity to geological faults. This has led to reduced exposure of mineable coal in the pit. Difficulties experienced during the changeover of mining contractors have left overburden removal behind schedule, hence compounding the impact of the highwall failure.

Mr Talbot confirmed that at the end of the March 2002 quarter, the company was at 82% of its net profit after tax prospectus forecast and as a result had been confident of meeting the prospectus forecast for the 2002 financial year. "However we are now in catch-up mode," Mr Talbot said.

Coppabella Joint Venture has been advised by its main contractor Roche Mining that additional equipment will be employed at Coppabella to make up for lost production. The introduction of the equipment will provide Coppabella with the capacity, which previously was not available to increase the overburden removal rate and to recover lost production.

Despite the setback, the company's new dragline remains on schedule to commence operation by the end of the first quarter of calendar year 2003. The dragline, which will be transported from Mackay to Coppabella over the next few weeks, will reduce the costs of overburden removal.

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Price Negotiations

The Company has also advised that it is expecting a price reduction for its low volatile PCI coal, influenced by the latest thermal coal settlements which were 8% lower.

Mr Talbot said, “the company can live with a reduction in the price of PCI coal, given that we had a 30% price rise last year. Furthermore, our hedge book continues to be healthy.

“Any price decrease for PCI coal will be partially offset by our favourable foreign exchange hedging contracts, which have an average contract rate of USD/AUD\$0.50.”

The company expects to release its full year results in early September. However as part of its continuous disclosure obligation, the company will advise the market of its revised production and earnings forecasts as they come to hand.

The production setback and lower price are not expected to affect the forecast dividend payment as the company intends to recover the lost profit with increased production during the 2003 financial year.

Outlook bright with two new mines on track for 2003 start-up

Looking ahead, the company remains confident of becoming a three mine company within the next twelve months.

A Mining Lease has been lodged for Monto, which is expected to begin production before year end upon the granting of the lease. Monto will initially produce between 500,000 and 1 million tonnes per annum (tpa) low-ash coal, with the potential to advance to a 10 million tpa mine.

The Moorvale Coal project, located 10km south of Coppabella, is also progressing well with a Mining Lease application and supporting environmental impact study lodged last quarter. Subject to lease approval, the 1.6 million tpa open cut mine could begin production as early as the first quarter of calendar year 2003.

“Given the progress of Monto and Moorvale, coupled with the upgrading of the coal processing plant and the company’s increasing stake in Coppabella, Macarthur Coal is set to boost production and earnings substantially in financial year 2003,” Mr Talbot said.

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