

# Presentation to Investors

**Ken Talbot**  
**CEO/Managing Director**

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## Agenda

1. Coal Markets
2. Production
3. Financials
4. DBCT Issue
5. Profit Guidance
6. Exploration
7. Going Forward



# 1. Coal Markets

- ◇ China's industrial activity – a key driver
- ◇ Demand exceptionally strong for raw materials to steel industry
  - Example: Coke price story
  - Example: PCI demand x 7 mt plus for Coppabella/Moorvale coals
- ◇ Supply tightening
- ◇ Customer stocks at record lows
- ◇ Coking coal price for JFY 2004, 28% up
- ◇ Other categories, expect more price up
- ◇ Thermal coal spot price story, including China unable to supply last quarter, JFY 2003



## Sale of Coal Produced at Coppabella and Moorvale Mines

		Year to Date		
		Dec 03 000's	Dec 02 000's	% Var
Coppabella	Tonnes	1,932.7	1,942.3	-0.5%
Moorvale	Tonnes	263.3	-	0.0%
Total	Tonnes	2,196.0	1,942.3	13.1%
<b>Macarthur Coal's Entitlement</b>	<b>Tonnes</b>	<b>1,609.6</b>	<b>971.1</b>	<b>65.7%</b>



## 2. Production

### Operations - Coppabella Coal Mine

		Year to Date		
		Dec 03 000's	Dec 02 000's	% Var
Overburden Removal	BCM	19,815.0	23,141.7	-14.4%
Run of Mine Coal Production	Tonnes	2,484.5	2,760.9	-10.0%
Washed Coal Production	Tonnes	1,918.4	2,100.4	-8.7%
Coal Sales (excl purchased coal)	Tonnes	1,932.7	1,942.3	-0.5%



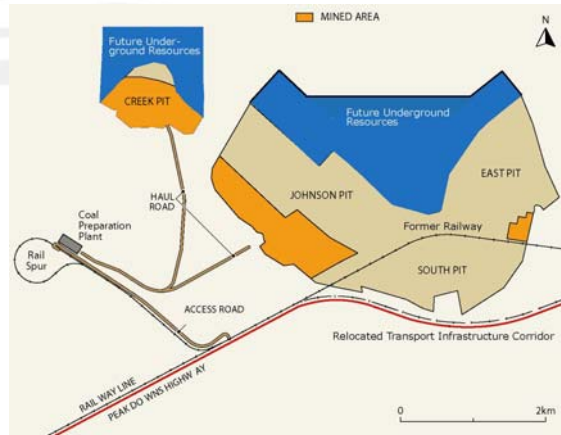
## 2. Production Continued

- ◆ 1<sup>st</sup> quarter production below previous year  
(drill and blast issue at Coppabella Mine)
- ◆ 2<sup>nd</sup> quarter, expectation to recover shortfall from 1<sup>st</sup> quarter
- ◆ Didn't happen, 2<sup>nd</sup> quarter still effected by the failed drill and blast at Coppabella Mine
- ◆ Shortfall, end of December of 200,000 tonnes
- ◆ Heavy rain, December, 281 mm and 12 days lost production at Coppabella Mine



## 2. Production Continued

- ◆ For 1<sup>st</sup> 6 months, operations at Coppabella Mine still constrained geographically in Johnson Pit



## 2. Production Continued

- ◆ Production at Moorvale, on target but mostly steaming coal due to proximity to L.O.X line
- ◆ Decision made to underwrite production targets at Coppabella Mine
  - ◆ 2<sup>nd</sup> contractor appointed
  - ◆ Leightons commenced on 22 February, 2004
  - ◆ Champions mobilising to take over from June, 2004
- ◆ Decision made to expand Moorvale Mine from 1.6 mtpa to 2.0 mtpa from 1 January, 2004

### 3. Financials

- ◆ See 6 monthly report
- ◆ Loss of \$281,000
- ◆ Abnormal write off - \$1.9 million

### 3. Financial - Hedge Position 31/12/03

Period Covered by FX Hedge Contracts	US dollar value	FX rate A\$1.00 = US\$	% of Revenues hedged by FX contracts <sup>1</sup>	A\$ Unrealised gain based on A\$:US\$ spot rate of \$0.749 <sup>2</sup>
Jan 04 to Dec 04	96,284,000	0.593	64%	35,624,000
Jan 05 to Dec 05	58,262,000	0.596	39%	20,828,000
Jan 06 to Dec 06	8,150,000	0.558	5%	3,731,000
<b>Total</b>	<b>162,696,000</b>	<b>0.592</b>	<b>36%</b>	<b>60,183,000</b>

1 Based on USD coal price as at 31 December 2003

2 US\$ spot rate as at 31 December 2003

## 4. DBCT Issue

- ◆ A million to one chance; very disappointing
- ◆ Beyond our control
- ◆ Upgrade completed from 44 mt to 55 mt of capacity
- ◆ Currently operating at 44 – 48 mt annualised, due to tight coal supply
- ◆ Prime advised on 23 February, 2004 of restrictions as follows:
  - ◆ 40% nameplate x 2 weeks
  - ◆ 50% nameplate x 4 weeks
  - ◆ 95% of pre-incident capacity until reclaiming machine is replaced



## 4. DBCT Issue Continued

- ◆ QR and Gladstone Port already agreed to handle some Coppabella/Moorvale tonnage
- ◆ Government working on most efficient co-ordinated plan for QLD's infrastructure, including DBCT
- ◆ 2003/04 second half shipping programme to be effected
- ◆ No material impact on 2004/05 shipping programme forecast



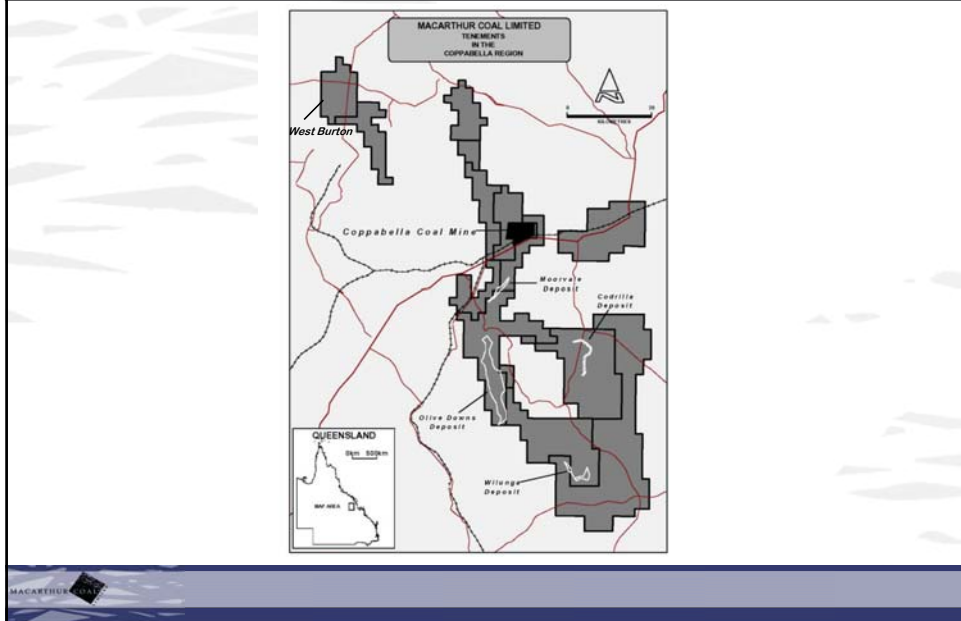
## 5. Profit Guidance

- ◆ On 9 February 2004, we advised market shortfall would increase to 347,000 tonnes and profit forecast would be \$6.0 million to \$7.5 million N.P.A.T
- ◆ Since that time, we've had DBCT issue
- ◆ Management is evaluating impact of DBCT issue on our shipping programme
- ◆ Management is reviewing impact on carry-over tonnage
- ◆ We expect to review our profit forecast in next few days, as soon as we have certainty in our shipping programme

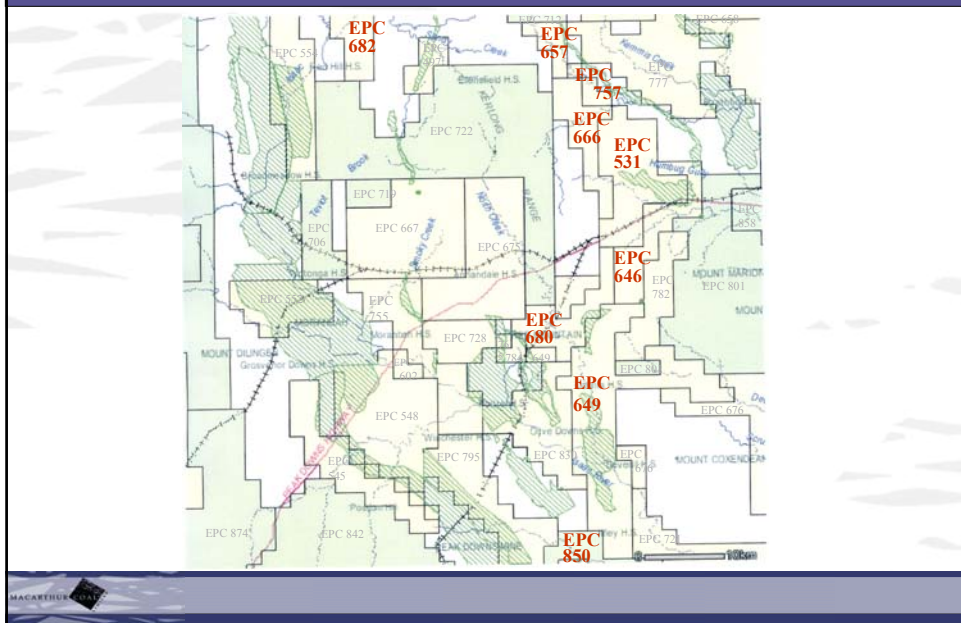
## 6. Exploration



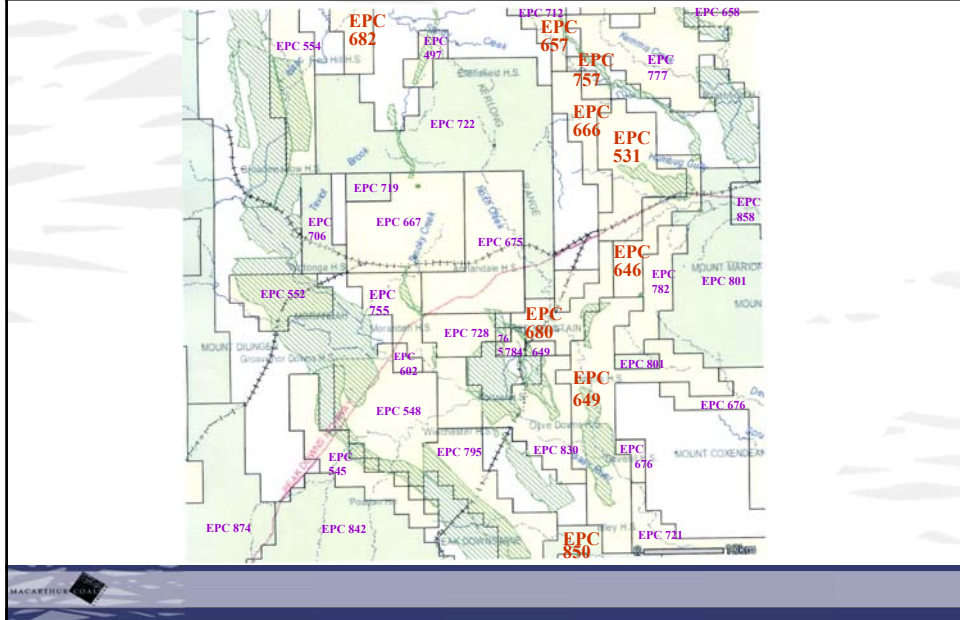
## 6. Exploration - Coppabella and Coxendean Sub Basin



## 6. Exploration – Macarthur Coal Tenements



## 6. Exploration – Other Companies' Tenements



## 6. Exploration

- ◆ \$1.3 million spent during 6 months
- ◆ Macarthur Coal has confirmed the existence of shallow coal measures adjacent to Xstrata's Rolleston Project through the scout drilling and testing programme carried out in EPC 786 (Freitag Creek). As a consequence, Macarthur Coal has applied for a tenement (EPC 781) adjacent to EPC 786.

**HIGHLY PROSPECTIVE**

## 6. Exploration Continued

- ◆ Macarthur Coal being encouraged to identify next PCI project
- ◆ In excess of 25 kilometres of strike length of coal seams identified at less than 100 metres depth of cover in the Coxendean sub-basin

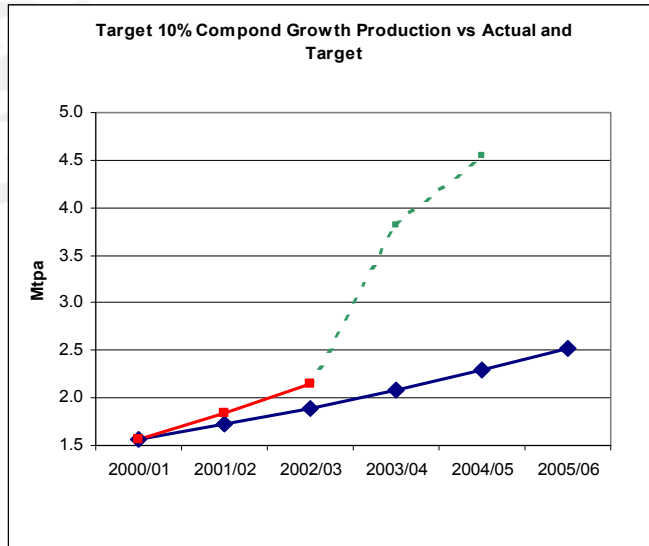


## 7. Going Forward

- ◆ During 6 months, building blocks put in place
  - ◆ TIC 18 December, 2003
  - ◆ Moorvale Mine December, 2003
  - ◆ AMCI Acquisition December, 2003
    - Now 73% interest
- ◆ Decision implemented to ensure Coppabella targets are achieved with 2<sup>nd</sup> contractor and expansion of Moorvale Mine
- ◆ Attributable production base of Macarthur Coal increased to 4.5 mtpa



## 7. Going Forward continued



## 7. Going Forward continued

- ◆ New 2004 sales price
- ◆ AMCI deal still considered a good deal at \$47/annual tonne of production capacity
- ◆ By end December 2004, net debt/debt + equity ratio projected at approximately 30% (a strong capital structure for the future)
- ◆ Currently net debt/debt + equity ratio is 45%