

# **Presentation to Sydney Mining Club**

## **'LETS DO LUNCH'**

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Thursday 1 April, 2004

# Do Lunch or Be Lunch?

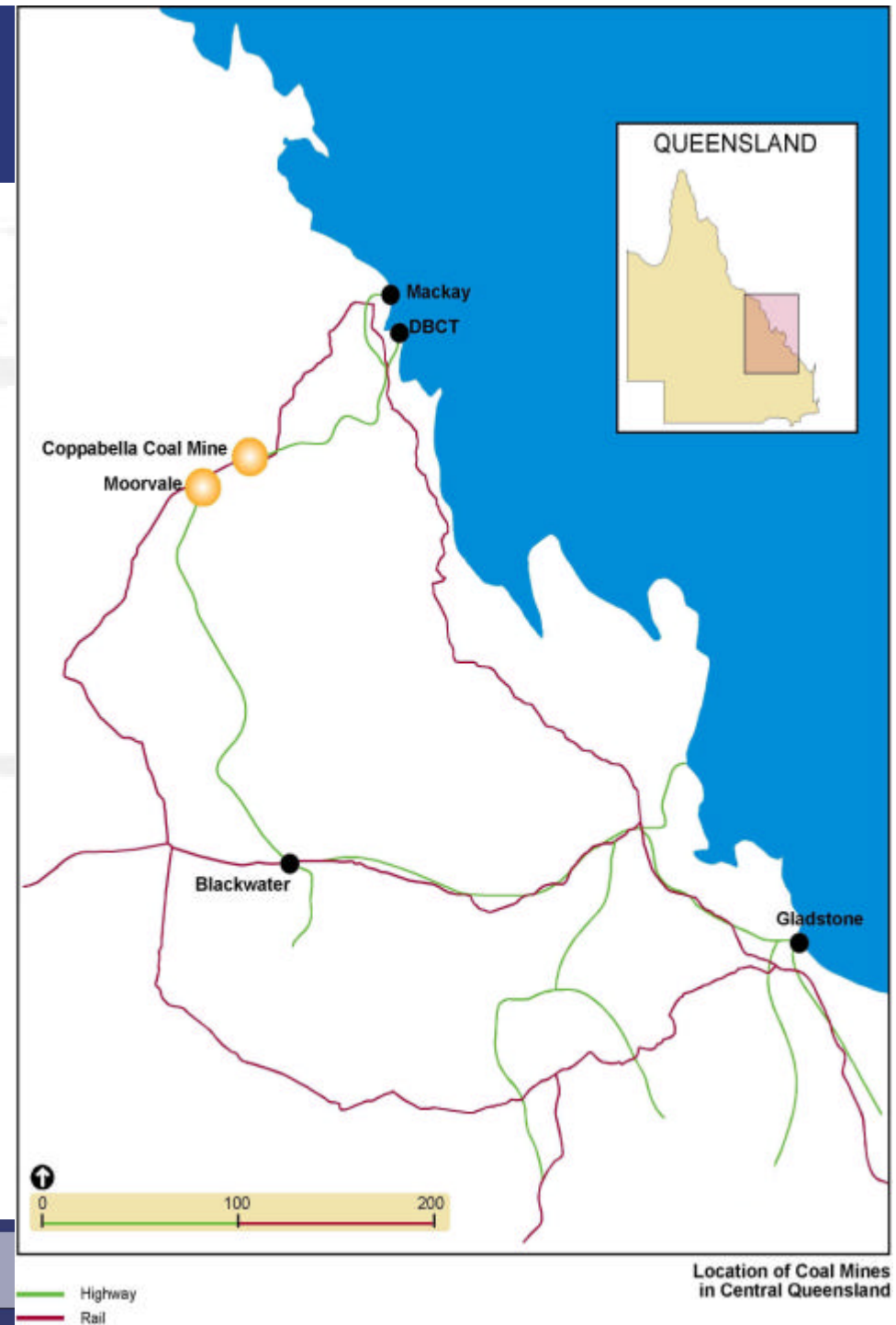
- ◆ A book by Professor Howard H. Stevenson  
Harvard Business School Press
- ◆ Lets apply the 'Do Lunch' test to Macarthur Coal business

I intend to discuss the following: -

- ◆ 2003/04 and 2004/05 overview of Macarthur Coal business
- ◆ Status of coal market
- ◆ History and future of supply
- ◆ Macarthur Coal's exploration projects
- ◆ Conclusions

# Location Map

Macarthur Coal's operating mines



# 2003/04 and 2004/05 Overview

- 2003/04 Status
- Setting the table for lunch
  - Our poorest year financially

Results affected by: -

- ◆ Mining – less than targets
- ◆ Flooding during December, January and February
- ◆ Port restrictions
- ◆ Demurrage
- ◆ Carry over tonnage at JFY 03 prices

## 2003/04 and 2004/05 Overview continued...

Building blocks in place for 2004/05

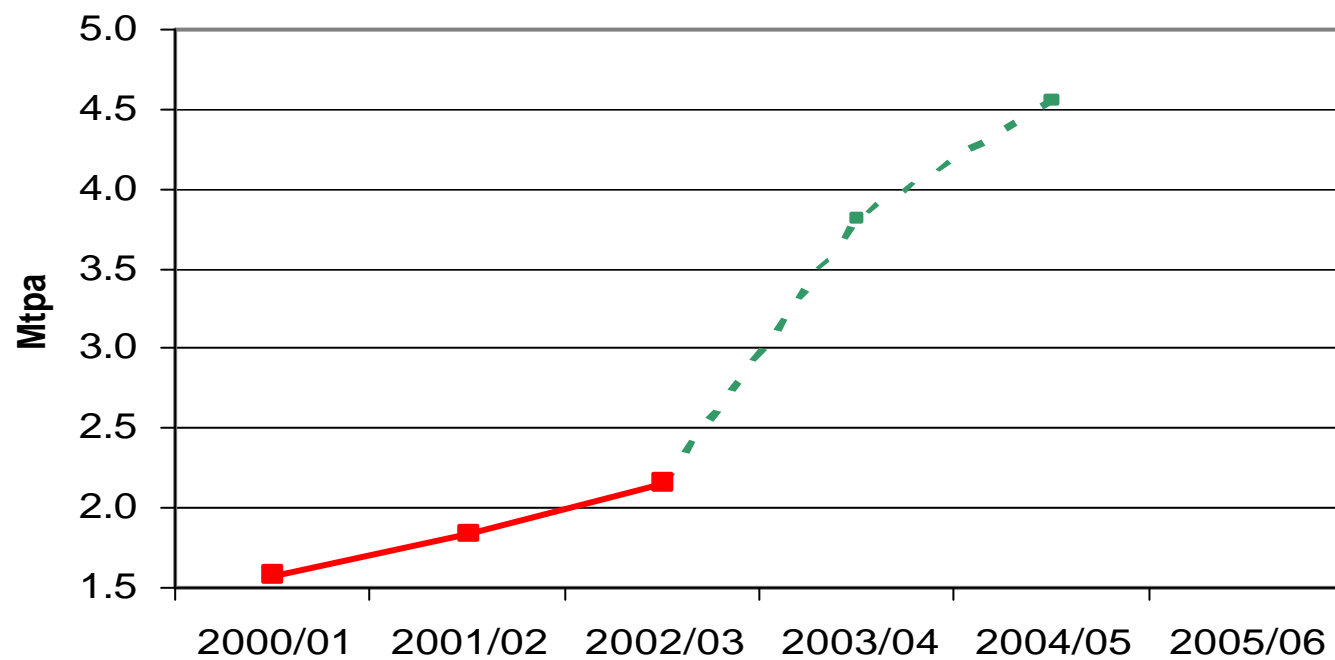
- ◆ Transport Infrastructure removed at Coppabella Mine to allow full access to reserves
- ◆ Moorvale Mine development completed
- ◆ Now a two mine company
- ◆ Acquisition completed to increase Macarthur Coal's share, Coppabella and Moorvale Mines
- ◆ Second mining contractor commenced at Coppabella Mine to underwrite 2004/05 production targets

## 2003/04 and 2004/05 Overview continued...

2004/05 Status: Lets have lunch

- ◆ Attributable production base increased substantially
- ◆ Benefit of sales price increase for full year

# Growth in Attributable Production





# Status of Coal Market

- ◆ China's rapid industrialisation– 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

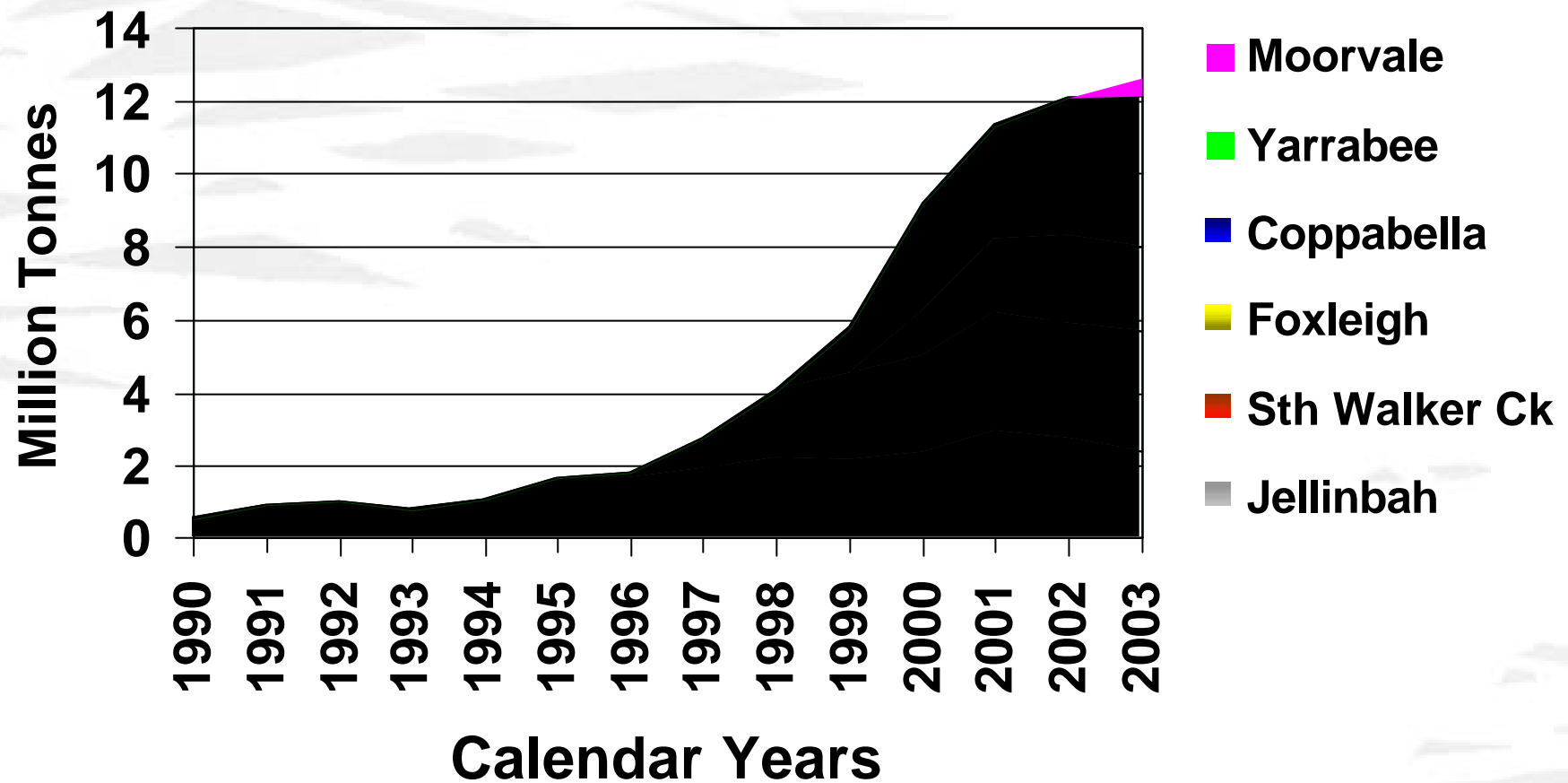
# Status of Coal Market continued...

- ◆ Supply tightening in Australia due to: -
  - ◆ Technical factors – increased depth
  - ◆ Flooding in Bowen Basin
  - ◆ Port restrictions
- ◆ Supply also tightening in Canada
- ◆ Customer stocks at record lows

## Status of Coal Market continued...

- ◆ Coking Coal price for JFY 2004, up 28%
- ◆ Other categories, expect more price rises
- ◆ Market trending positively upwards
- ◆ Thermal coal spot price story, including China unable to supply last quarter, JFY 2003

## Status of Coal Market continued...



# History of Supply

Who has enjoyed lunch?

Phase I      1970's

Development of serious export markets

Phase II      World oil shocks, 1974 and 1979

Phase III     1980's

Customer focus – security of raw materials and development of new supply

Bowen Basin, shallow, multiple options

Phase IV      Late 1980's, 1990's

Rationalisation, work practices, coal pricing, ownership

# Future Supply

Who can look forward to lunch?

Today, same customer focus as 1980's

- ◆ Security of raw materials

Difference today; more difficult to double production over next 20 years

Why? Example: Bowen Basin

- ◆ Still the best Coking Coal and PCI province in the world
- ◆ 1980's, open cut mining testing 60m depth of cover
- ◆ Today, open cut mining at 100m – 200m depth of cover

## Future Supply continued...

- ◆ Underground mining beyond 250m today, some cases beyond 300m depth of cover
- ◆ Today, deeper underground mines not achieving owner's expectation
- ◆ Next 20 years, underground mining up to 500m depth

## Future Supply continued...

Guidelines for having lunch: -

- ◆ Coal market has moved dramatically in last 3 months
- ◆ Coal pricing substantially up, with strong positive trends
- ◆ Value of installed economic production capacity will now increase in line with 2004 coal pricing
- ◆ Premium for coal supply opportunities based on shallow open cut or underground opportunities in the Bowen Basin
- ◆ Cost of production will increase in line with increasing depth



# Exploration Projects

## The Past

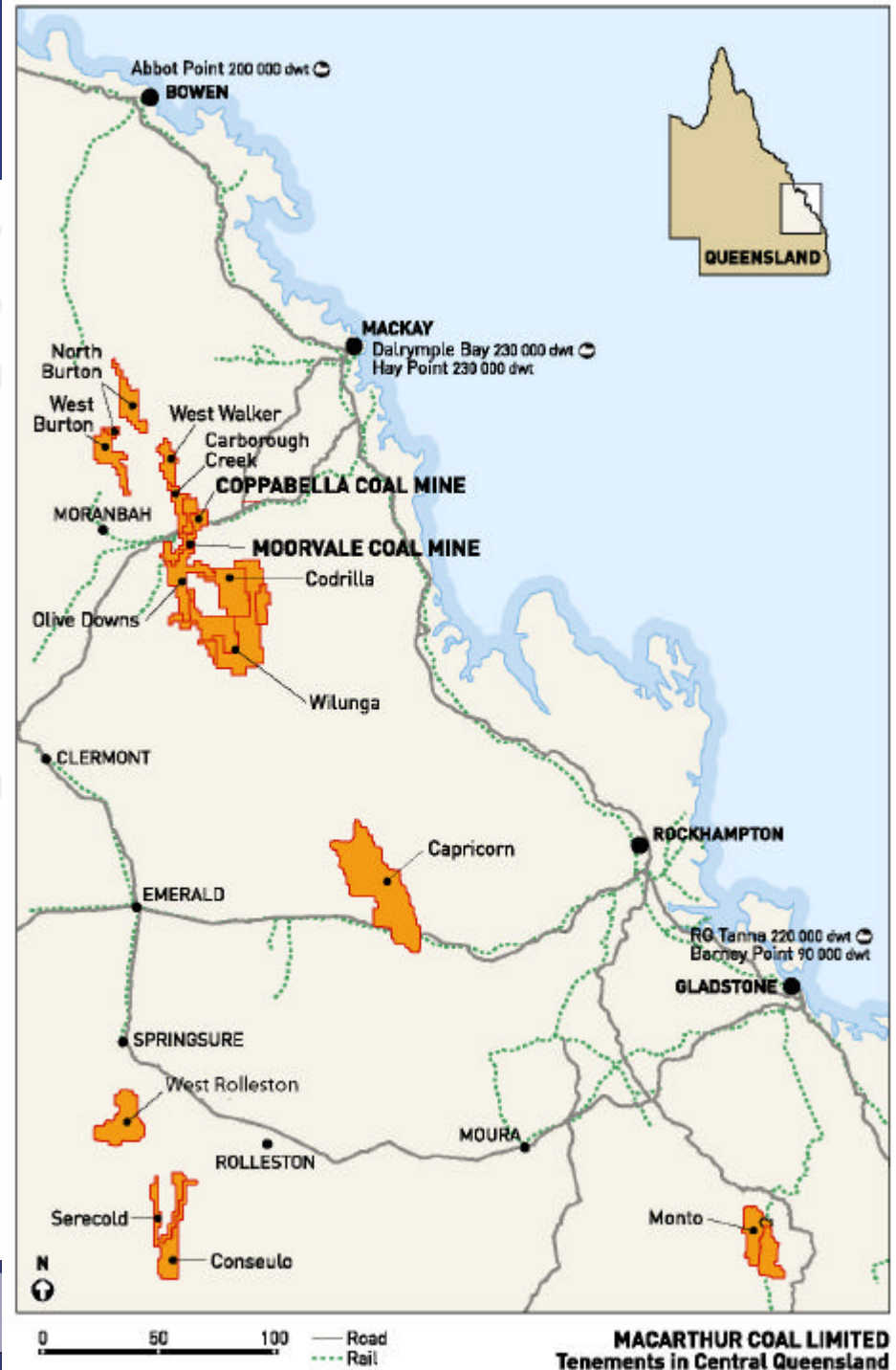
- ◆ Coppabella Project was discovered in 1997
- ◆ Moorvale Project was discovered in 1999
- ◆ Macarthur Coal has enjoyed lunch twice

# Exploration Projects continued...

## The Future

- ◆ Macarthur Coal setting the table and actively looking for lunch
- ◆ Coxendean Sub-Basin discovery, a major extension to the Bowen Basin
  - ◆ 25 kms of strike length less than 100m depth of cover
  - ◆ Discovered in 2000 with Macarthur Coal acquiring tenements progressively through a farm-in agreement
- ◆ West Rolleston deposit discovered by Macarthur Coal in 2003

# Exploration Map



# Exploration Projects continued...

- ◆ Priority to date for exploration
  - ◆ Open cut resources
  - ◆ PCI, Coking Coal, Thermal if exceptional
- ◆ West Rolleston Thermal coal deposit is highly prospective, given the 'go ahead' decision of the Rolleston Project by Xstrata on 25 February, 2004

Macarthur Coal has confirmed the existence of shallow coal measures through a scout drilling and testing programme



# Exploration Projects continued...

WEST ROLLESTON  
PROJECT AREA



# Exploration Projects continued...

If/when Macarthur Coal can prove a substantial shallow resource of similar quality as the Rolleston Project?

Great Opportunity to develop quickly and create substantial value

**Lets have lunch**

## Exploration Projects continued...

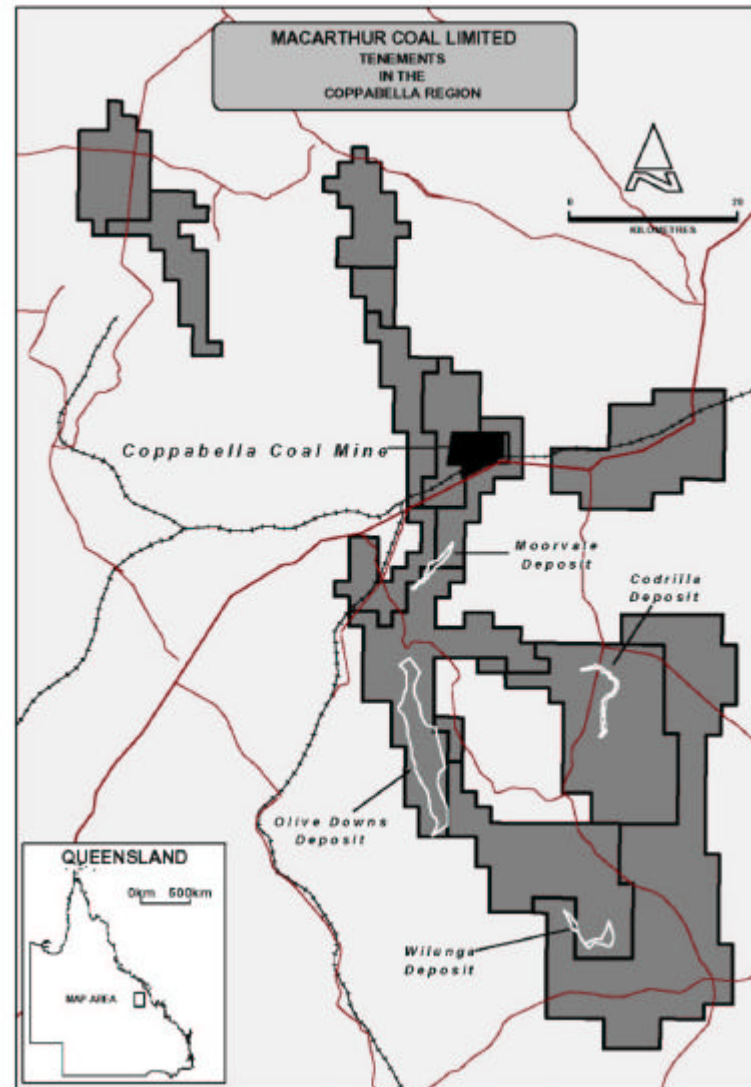
- ◆ Macarthur Coal is strongly encouraged by customers to find the next PCI Project
- ◆ To date, no major open cut PCI discovery made post Moorvale discovery

## Exploration Projects continued...

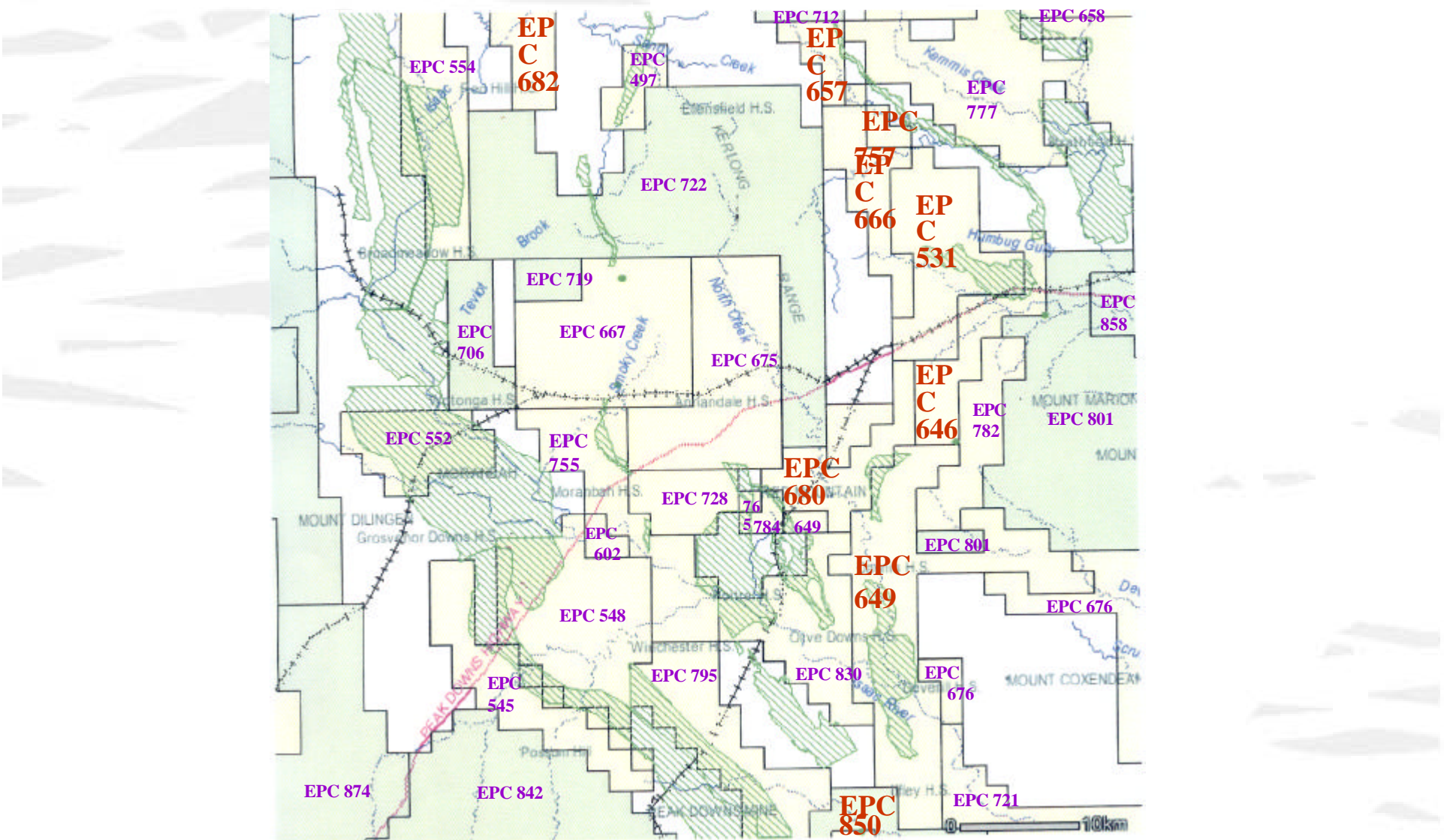
- ◆ Macarthur Coal has already confirmed significant shallow underground PCI resources
- ◆ Need to carry out more detailed exploration to confirm best underground prospect
- ◆ Shallow underground resources between 100m – 300m depth of cover to be of increasing value, with a 2004 coal price scenario
- ◆ Exploration tenements in the Bowen Basin now keenly sought



# Coppabella and Coxendean Sub-Basin Map



## Exploration Map continued...



# Exploration Projects continued...

## Monto Project

- ◆ Thermal Coal
- ◆ Shallow open cut
- ◆ 522 mt of resources
- ◆ Strong environmental properties
- ◆ Application lodged for a mining lease
- ◆ Project development under review

# Conclusion

- ◆ Building blocks in place during 2003/04
- ◆ Macarthur Coal well placed to achieve a strong 2004/05 result
- ◆ Macarthur Coal's strategy of developing grass roots opportunities set to create real value
- ◆ An environment where the value of coal industry assets including Macarthur Coal, is increasing

## Conclusions continued...

- ◆ Prospects already identified for next thermal and PCI projects
- ◆ Exploration tenements, with the exception of the Monto Project, do not have an ascribed value on the balance sheet
- ◆ Upside for Macarthur Coal, through organic growth

## Conclusions continued...

What's different about Macarthur Coal

- ◆ Proven track record in discovery, development and operation of coal mines
- ◆ A leading independent supplier
- ◆ Largest global supplier of low volatile coal to the Pulverised Coal Injection (PCI) market segment

## Conclusions continued...

- ◆ Size does matter
- ◆ Macarthur Coal current market cap approx \$190 million
- ◆ Ranked approx no. 260 on ASX list (10 March 2004)
- ◆ Our goal for Macarthur Coal to be included in the 'ASX 200' list of stocks
- ◆ Then, we are truly enjoying lunch







*Note: Ken Talbot born in the 'Year of the Tiger*

*It's the 'Year of the Monkey ' - fitting for tigers to **lunch**  
on monkeys during this year*