

Castlerock Pinnacle The Castlerock Project

NEWSLETTER



Established 1907
MUSWELLBROOK COAL COMPANY
LIMITED
ACN 000 009 521
PO Box 123, Muswellbrook NSW 2333
Tel; 02 6543 2799 Fax; 02 6542 5010

September 2003, Issue 10

This tenth newsletter provides an update on the progress of the Castlerock Project, and is in line with our policy to keep the community informed of our activities at all stages of the Project.

Project Status

As most landowners are aware, Muswellbrook Coal Company Limited hold Exploration Licences over the Rosehill (EL5431) and Castlerock (EL5600) areas which have tenure up to 20 January 2006.

Phase 1 of the Stage 3B exploration programme commenced in late January 2003 and was completed in early August. Good progress was made with the drilling programme due to the dry weather conditions which provided easy access for the drilling rig on landowner's sites. Please refer to the map over the page for the area where the recent drillholes have been located. Phase 1 included the drilling of 58 non-cored and 11 partially cored boreholes to depths ranging from 5m up to 231m by a truck mounted drilling rig in both the Rosehill and Castlerock areas. The aim of the Phase 1 programme was to determine the thickness and quality of the coal resource between previous borehole locations. Chemical analysis of the coal seams is under way and the first coal quality results are expected in the last quarter of 2003.

Future Exploration

Phase 2 of the exploration programme will include Line of Oxidation (LOX) drilling, which is planned to commence in early September across both the Rosehill and Castlerock areas. The LOX programme will consist of around 72 shallow boreholes (up to approximately 30m deep) drilled in a series of lines across the main target Blakefield seam outcrop. The purpose of the LOX program is to determine where the Blakefield seam contains marketable coal at the shallowest depth from the surface. Phase 3 of the exploration programme is planned to commence around October and will consist of a number of boreholes with a diameter up to 300mm across selected parts of

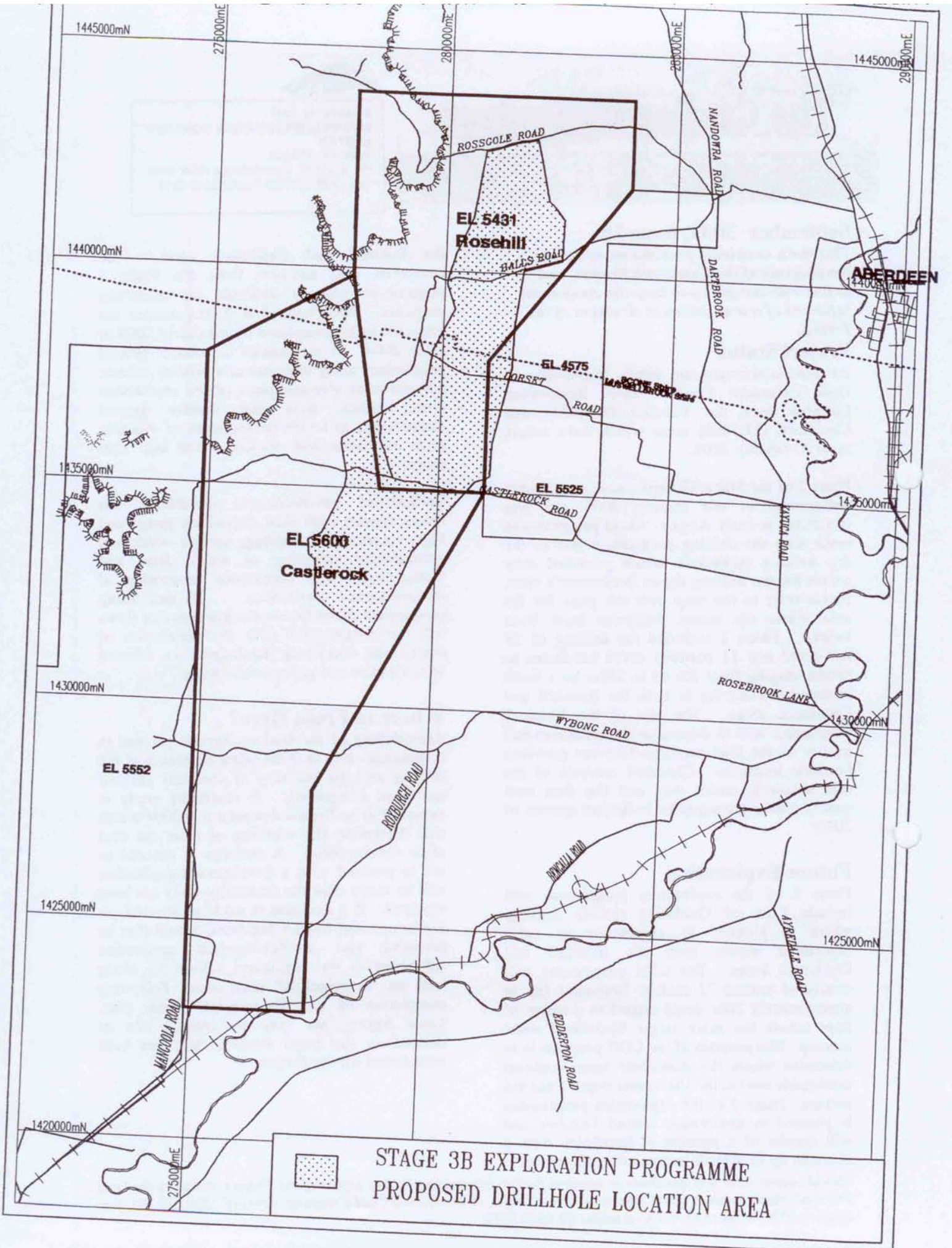
the Rosehill and Castlerock areas. The recovered coal samples from the Phase 3 programme will be analysed for marketing purposes. The Phase 2 & 3 programmes are expected to be completed by the end of 2003 or early 2004. It is planned to conduct ground geophysics using magnetometer and/or seismic surveys over selected parts of the exploration areas, which does not involve ground disturbance, to better define areas of volcanic rock intrusions and ancient 'burnt out' coal seams.

Background environmental monitoring has recommenced with dust deposition gauge and high volume air sampling, surface water and groundwater sampling of wells, dams and watercourses, and continuous monitoring of meteorological conditions. A monitoring programme of surface water/groundwater flows will be commenced with the installation of continuous recording dataloggers in selected watercourses and groundwater wells.

Where to From Here?

Remodelling of the coal resource is planned to commence early in 2004, after all phases of the drilling and the majority of chemical analysis has been completed. A feasibility study is expected to be finalised around mid 2004 which will determine the viability of open cut coal mine development. A decision to proceed or not to proceed with a development application will be made after the feasibility study has been assessed. If a decision is made to proceed, an Environmental Impact Statement would then be prepared and a development application submitted to the regulatory authorities, along with an "in principle" mine plan. Following completion of the "in principle" mine plan, Land Agreements may be entered into as defined in the Land Protocol that has been established for the Project.

Should anyone have any questions or requires further information on any aspect of the Project, including the Land Protocol, please contact: Mark Howes or Chris Knight, Muswellbrook Coal Company, Freecall 1800 600 205; fax: 02 6542 5010; or Brett Peterkin on tel/fax 02 4938 9519.



EL 5431
Rosehill

EL 5600
Casterock

EL 5552

STAGE 3B EXPLORATION PROGRAMME
PROPOSED DRILLHOLE LOCATION AREA