



Established 1907
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This 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

Phase 1 of the Stage 3 exploration programme was completed in early August 2003. The borehole and coal quality information obtained from the Phase 1 programme was used by consultants to update the conceptual mine study in December 2003. The results of the study indicate there are potential economic open cut coal reserves within the study area, however it recommended additional detailed exploration is required to further define the coal tonnages and coal quality prior to feasibility studies being conducted. This exploration is now underway. Please refer to a map overleaf showing the location of the study area where boreholes plan to be drilled.

Current Exploration

As part of this open cut reserve definition, Phase 2 of the exploration programme includes Limit of Oxidation (LOX) drilling, which commenced in late April and is planned to continue across the study area. The LOX programme will consist of approximately 90 shallow boreholes (up to around 30m deep) targeting the Blakefield seam to determine where marketable coal is at the shallowest depth from the surface.

Phase 3 of the exploration programme is planned to commence immediately after completion of the Phase 2 programme and will consist of a number of larger diameter boreholes (up to 300mm diameter) across selected parts of the study area. The recovered coal samples from the Phase 3 programme will be analysed to better determine the suitability of the coal resource for marketing purposes.

The Phase 2 & 3 exploration programmes are expected to last for approximately 6 months,

depending on weather conditions and other unforeseen factors. It is also 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 areas where the coal seams have been 'burnt out' by ancient heatings.

Unfortunately, the Phase 2 and 3 programmes have been delayed by approximately 6 months due to finalisation and approval of budgets for 2004 and environmental assessments undertaken in 2003 for proposed bore sites.

Environmental Monitoring

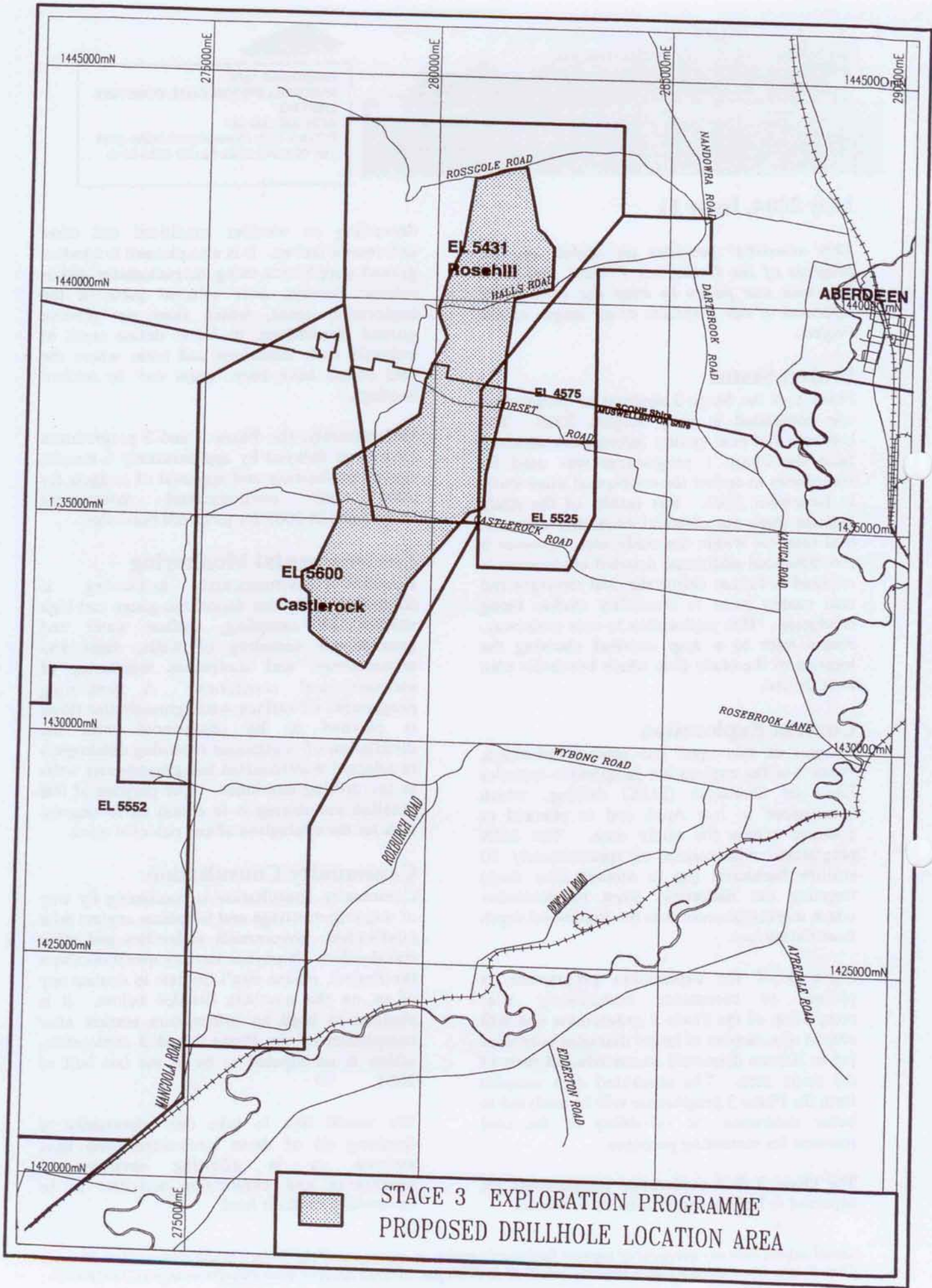
Baseline environmental monitoring is continuing with dust deposition gauge and high volume air sampling, surface water and groundwater sampling of wells, dams and watercourses, and continuous monitoring of meteorological conditions. A monitoring programme of surface water/groundwater flows is planned to be commenced with the installation of continuous recording dataloggers in selected watercourses and groundwater wells as the drilling continues. The purpose of this baseline monitoring is to obtain environmental data for the evaluation of any potential mine.

Community Consultation

Community consultation is continuing by way of ongoing meetings and telephone contact with landholders, government authorities and other stakeholders. If anyone has any questions about the Project, please don't hesitate to contact any of us on the numbers detailed below. It is planned to hold an information session after completion of the Phase 2 and 3 exploration, which is anticipated to be in the last half of 2004.

We would like to take this opportunity of thanking all of those landholders who have assisted us in allowing environmental monitoring and exploration activities to be undertaken on their land.

Should anyone have any questions or requires further information on any aspect of the Project, please contact: Mark Howes or Chris Knight, Muswellbrook Coal Company, tel: 02 6543 2799; fax: 02 6542 5010; or Brett Peterkin on tel/fax 02 4938 9519.



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ROSSCOLE ROAD

NANDORRA ROAD

DARTBROOK ROAD

EL 5431
Rosehill

HALLS ROAD

ABERDEEN
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EL 4575

DORSET ROAD

SCONE SPINE
MUSWELLBROOK SPINE

EL 5525

CASTLEROCK ROAD

EL 5600
Castlerock

AYWICK ROAD

ROSEBROOK LANE

EL 5552

WYBONG ROAD


ROXBURGH ROAD

SPYGLASS ROAD

APPLETON ROAD

EDGERTON ROAD

MANCOLLA ROAD

 STAGE 3 EXPLORATION PROGRAMME
PROPOSED DRILLHOLE LOCATION AREA