



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

December 2004, Issue 12

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

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 the 20th January, 2006. A map of these areas is shown on the back of this newsletter.

Exploration has continued within the Rosehill and Castlerock areas during most of 2004. This exploration has comprised Phase 2 exploration (Limit of Oxidation (LOX) drilling) and Phase 3 exploration (large diameter boreholes).

Phase 2 Exploration (LOX Drilling)

The purpose of the LOX drilling was to identify the location of marketable coal at its shallowest depth from the surface. Phase 2 exploration was commenced in February 2004 and was completed in July 2004, and comprised 63 shallow boreholes that ranged from 11 metres up to 77 metres deep, with an average of around 35 metres in depth. The target of the drilling was the Blakefield seam, with maximum thickness of 6.54 metres encountered. The Blakefield seam is the most important seam within the coal resource. Other seams which are included in the resource are the Whynot, Wambo, Redbank Creek, Whybrow and Abbey Green seams. The results of the Phase 2 drilling indicated that seam thicknesses and

coal weathering profiles were broadly within expectations. The Phase 2 drilling results are currently being incorporated in the geological database which will be used in the resource modelling phase.

Phase 3 Exploration (Large Diameter Drilling)

The Phase 3 exploration is designed to recover a greater quantity of coal samples to determine the suitability of the coal resource for marketing purposes and to undertake further geotechnical testing. The Phase 3 exploration was commenced and completed in November 2004. A total of six boreholes were drilled across the resource area, with a borehole diameter of 200mm and all boreholes recovered coal from the Blakefield seam. The recovered coal is currently undergoing physical and chemical testing and the results are expected around February 2005.

Aerial photography was recently undertaken across the project area, and these photographs will be used for presentation and display purposes.

Ground Geophysics

It is planned to conduct ground geophysics using a magnetometer survey in December 2004 over selected parts of the exploration areas. This is designed to gather further detailed information, following an earlier geophysical study, to better define areas of volcanic rock intrusions and where coal seams have been 'burnt out' by ancient heatings. Such volcanic intrusions can have a large impact on the resource and the definition of these areas is of importance.

Environmental Monitoring and Assessments

Baseline environmental monitoring is continuing with dust deposition gauge and high volume air sampling, surface water and groundwater monitoring of wells, dams and watercourses, and continuous monitoring of meteorological conditions. The purpose of the baseline monitoring is to obtain environmental data for the evaluation of a potential mine in an Environmental Impact Statement (EIS). For information, three summary graphs of the meteorological conditions recorded from July 2003 to June 2004 at the Rosehill meteorological station, south of Rossgole Road, are shown on the next page of this newsletter.

It is planned to install up to six surface water/groundwater dataloggers in wells in selected locations along Sandy Creek. These data loggers will continuously monitor groundwater and surface water levels, and can also be sampled for water quality.

Exploration is conducted in accordance with the "Code of Conduct for Landholders and Mineral Explorers" endorsed by the NSW Farmers' Association and the NSW Minerals Council. Environmental assessments are completed at each borehole site prior to drilling in accordance with the "Guidelines for Environmentally Responsible Mineral Exploration in NSW" published by the NSW Minerals Council. These guidelines outline the procedures of responsible environmental management and the aim of the Castlerock exploration programme is to complete the exploration with the least environmental impact.

Where To From Here?

Future Exploration: Future work is planned to include the Stage 4 exploration programme (Infill Drilling). Stage 4 includes around 23 partly cored boreholes drilled between previous borehole locations. The purpose of this drilling is to obtain

sufficient geological data which can be used to produce a coal reserve statement suitable for detailed mine planning purposes. This drilling programme is planned to commence early in 2005 and is expected to finish in the second quarter of 2005, subject to access requirements and weather conditions. Further chemical analysis, along with geological modelling, will be undertaken after this drilling has been completed.

Feasibility Study: A detailed Feasibility Study is planned to be undertaken after the Stage 4 exploration programme has been finished. This study is expected to commence in the third quarter of 2005 and is due for completion in the first half of 2006. A decision to proceed or not proceed with the Project will be made by the Company after the Feasibility Study has been assessed. If a decision is made to proceed, then an EIS will be prepared and submitted with a Development Application for mining.

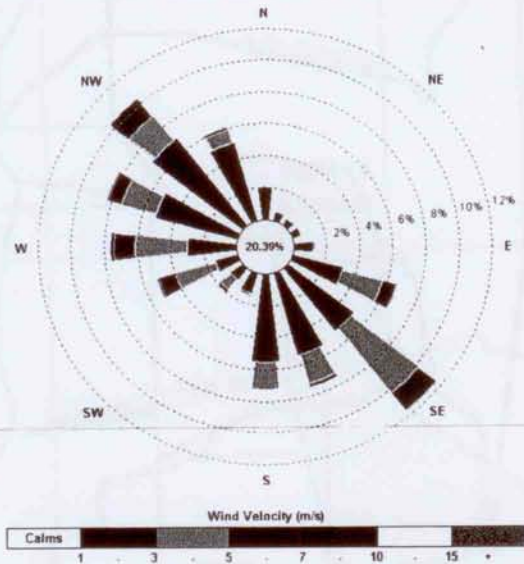
What is the Land Protocol?

There is a Land Protocol available which provides a framework and defines the process of land purchases should a Development Application for a mine development proceed. Please contact us on the numbers below if you require further information or if there are any questions regarding the Land Protocol.

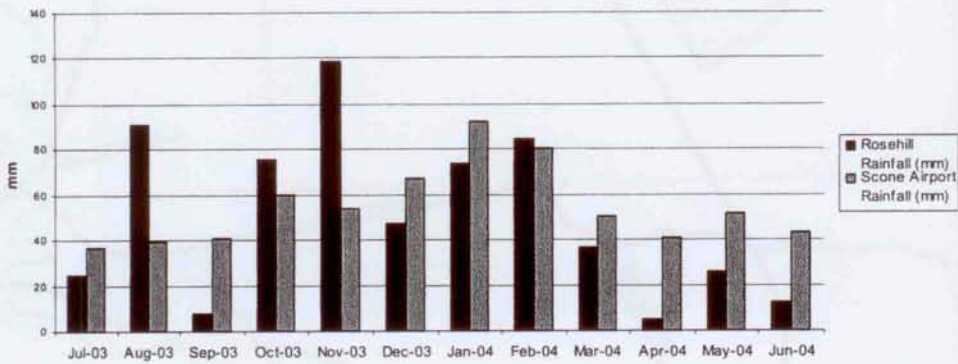
How Do I Make Contact?

Consultation is ongoing by way of 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 us on the numbers below to discuss any issue or to make an appointment to discuss any aspect of the Project. It is planned to hold an information session about the status of the Project in the first quarter of 2005. Details about the time, date and venue will be issued by a circular closer to the date.

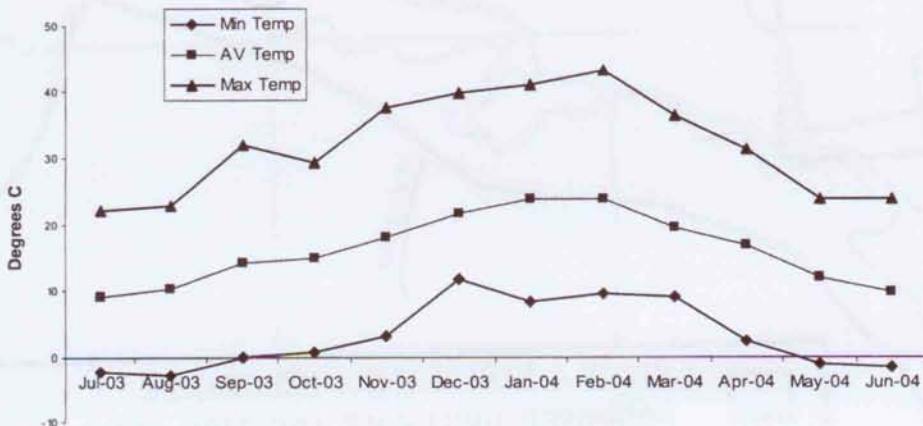
Annual Windrose Jul 2003 - Jun 2004



Castlerock Project Rosehill Rainfall and Scone Airport Rainfall



Castlerock Project Monthly Min, Mean and Max Temperatures (15 minute averages)



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.

