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Curragh North mine development brought forward; production volumes increased

Production from the Curragh North coal resource, centred 20 kilometres north of the existing Wesfarmers-owned Curragh Mine in Queensland's Bowen Basin, is expected to begin ahead of schedule in the first quarter of the 2005 calendar year. Wesfarmers won the right to develop the Curragh North resource (formerly known as Pisces) from Stanwell Corporation in early 2003.

The Managing Director of Wesfarmers Energy, David Robb, said the start up-of Curragh North would be several months earlier than originally planned.

"We are pleased to have been successful in our efforts to advance the development following early receipt of necessary approvals from Queensland and Commonwealth government agencies," he said.

"The 40 year mining lease granted in July is effective from 1 August this year and the approval of the Plan of Operations on Friday, 6 August will enable construction of mine infrastructure to begin in September."

The Board of Wesfarmers Limited today gave final approval to capital expenditure of \$290 million over the next two to three years to bring the Curragh North project to full production. This will cover site infrastructure, a 22 kilometre access road from the existing mine, a major upgrade of the existing coal handling and preparation plant at Curragh and the installation of a coal handling and conveyor system to transport the coal from Curragh North for processing at Curragh. The decision to install the conveyor has added to the capital cost but will mitigate anticipated higher operating costs associated with the expansion.

In the year to June 2005, exports from Curragh and Curragh North of metallurgical coal will be around five million tonnes (including a new Pulverised Coal Injection product) increasing to seven million tonnes in the year to June 2006, compared with 4.6 million tonnes in the year to June 2004.

The exports in the current financial year will include about 140,000 tonnes of the new PCI product, with the PCI component increasing to about 1.2 million tonnes in 2005/2006.

"Rail and port contracts have been signed with QR and the Central Queensland Port Authority respectively to transport and deliver the increased export production through the Port of Gladstone. Sales contract negotiations are well advanced with existing customers," said Mr Robb.

Mr Robb said the development of Curragh North would more than double the recoverable coal reserves available in and around Curragh from about 94 million tonnes to more than 220 million tonnes¹. Mine life would be extended to at least 2025 as compared to about 2016 if mining were confined to the area of current operations.

“When Curragh North is fully operational we expect sales volumes from the combined operations will exceed nine million tonnes per annum of coking and thermal coal, compared with about 4.5 million tonnes when Wesfarmers acquired Curragh in May 2000,” he said.

“The Curragh North development will provide significant benefits to all stakeholders. These include an extended term and improved base price and export-related value share to Stanwell Corporation under a revised thermal coal supply contract with Curragh. Under the Curragh North development arrangements, Stanwell will be entitled to a rebate on its domestic coal purchases when Curragh’s export semi soft coking coal price exceeds approximately A\$60 a tonne. This rebate will be equal to 25 per cent of the incremental price, multiplied by Curragh’s total export tonnage.

“At current coal prices the rebate will not be material in comparison to Curragh’s budgeted 2004/2005 profit result. If export prices were to increase significantly in subsequent years, the rebate would be substantially higher.

“Customers will benefit from increased metallurgical coal supply in a tight world market and the Curragh employees from more jobs and a longer mine life. The Queensland Government will also benefit through higher royalty collections.”

In the current strong global market for coking coal, early development, and higher than anticipated volumes and prices represent a continuation of the Wesfarmers Curragh success story.

For further information contact: David Robb, Managing Director, Wesfarmers Energy
(61 8) 9333 0224
0419 025 454

Keith Kessell, General Manager, Public Affairs
(61 8) 9327 4281
0419 949 082

¹ Based on information compiled by Barry Saunders of Queensland Geological Services Pty Ltd ABN 55 010 835 355, who has consented to the inclusion of the information.