

Level 5, 100 Melbourne Street
South Brisbane Qld 4101
GPO Box 1025
Brisbane Qld 4001
Tel: 07 3221 7210

26 May 2010

Mr Patrick O'Connor
ASX Markets Supervision Pty Ltd
Riverside Centre
Level 5
123 Eagle Street
BRISBANE QLD 4000

Dear Patrick

Macarthur Coal (ASX:MCC) – Coal Industry offers A\$4.85 Billion to acquire Queensland Rail's coal track network

Please find attached a press release made by the Queensland Coal Industry Rail Group (QCIRG) of which Macarthur Coal is a participant.

Yours sincerely



Lisa Dalton
Company Secretary

For personal use only

Coal Industry offers A\$4.85 Billion to acquire Queensland Rail's coal track network

26 May 2010

The Queensland Coal Industry Rail Group (QCIRG), today delivered a full cash offer to the Queensland Government to buy the QR Central Queensland coal track network for A\$4.85 billion.

The Chairman of QCIRG, Nick Greiner, said the fully funded offer represents a substantial premium to what is likely to be achieved under the Queensland Government's proposed Initial Public Offering (IPO), or realised in recent comparable transactions.

"Importantly, our offer is able to be settled with the Government prior to the IPO and will not be dependent on volatile equity markets, removing major risk for the State while also providing early settlement," Mr Greiner said.

"We have considered the alternative model under the IPO and associated regulation and legislation and strongly believe it does not represent an optimal or even reasonable basis for assuring the future of the State's major export industry.

"The QCIRG offer has four goals: to encourage fair and open access, optimise network performance, enable early system expansions, and encourage rail haulage competition, all with flow-on benefits through enhanced investment, employment and royalties."

Mr Greiner said the QCIRG offer is for the Central Queensland track network, covering four systems and the Goonyella to Abbot Point Expansion, which are used predominantly or exclusively by the coal industry.

"The members of QCIRG are committed to expanding the network to support future growth and in addition to the offer, QCIRG has established a facility to fund the current QR capital plan and also further rail capacity growth," he said.

"QCIRG's conservative gearing would also provide clear headroom for financing the high growth requirements across the coal track network. QCIRG has secured an acquisition facility of A\$1.35 billion, which is underwritten by ANZ, BNP Paribas and Citibank N.A. as well as a committed capex facility of in excess of A\$2.05 billion to fund the current QR capital plan and catch-up maintenance.

"Clear processes and decision making arrangements have been included that will enable timely approval of capacity expansions."

QCIRG comprises 13 coal producers in the Queensland coal industry. Each of Anglo American Metallurgical Coal, BHP Billiton, Ensham Resources, Felix Resources, Jellinbah Resources, Macarthur Coal, Peabody Energy, Rio Tinto Coal, Vale Australia, Wesfarmers Resources and Xstrata Coal have signed equity Subscription Agreements.

In addition, Aquila Resources and New Hope Coal Australia are supporting parties and have the opportunity to provide equity at a later stage.

"In total QCIRG members comprise 98 per cent of the Queensland export coal industry – an export industry with much greater potential growth than realised to date," Mr Greiner said.

In addition to the coal industry participants, the Australian Rail Track Corporation (ARTC) will act as the dedicated manager of the rail network. It is their intention to participate as an equity owner and provider of long term railway management (operation and maintenance) services. As an experienced

For personal use only

railway manager, the engagement of ARTC will ensure the coal network is managed and operated in an efficient and safe manner.

All QCIRG members have signed a Heads of Agreement, which provides a framework for the coordination of the industry consortium and the basis for the offer.

Mr Greiner emphasised that the industry has been committed to providing the Government with an attractive offer, as it strongly believes that its approach will be in the best interests of Queensland, the coal industry and the many businesses and jobs that rely on it, and other system users.

He said the starting point for QCIRG in its consideration has been to realise a structure for coal related rail operations that is in the best interests of the State and system users.

“Protection will be provided for all users through fair and equitable access arrangements for small and large companies, current and future users and non-coal users such as agriculture,” he said.

Mr Greiner said the Consortium expected that the Queensland Government and QCIRG will discuss and agree a suitable transition process to be followed after completion.

“Key elements of the transition strategy would include fair and reasonable arrangements for QR Network employees transferring to the new organisation,” he said.

The QCIRG offer excludes QR's above rail rolling stock assets and the freight businesses of QR. Under the offer, the Queensland Government will have the option to separately consider arrangements for the QR haulage business.

Mr Greiner said that the coal industry recognises that the offer is being provided at a time of great uncertainty over future taxation arrangements because of the proposed “resources super profit tax”.

“QCIRG assumes that the proposed tax, if implemented, would not apply to infrastructure or the operations of QCIRG and that a sensible outcome can be achieved with the Commonwealth Government on any tax on resources such that the industry's growth ambitions can still be realised.” he said.

“However, in any event, the industry is compelled to protect its existing coal businesses through direct ownership of the coal rail network infrastructure. The industry cannot be exposed to operational and financial risk from network ownership and operation not aligned with industry objectives.

“QCIRG is confident that, working in conjunction with the Government, there can be early completion of the transaction, well ahead of the IPO timetable.

“QCIRG is hopeful the Government will engage positively and provide due diligence information to facilitate this early completion.”

Citi acted as sole financial advisor to QCIRG.

-ENDS-