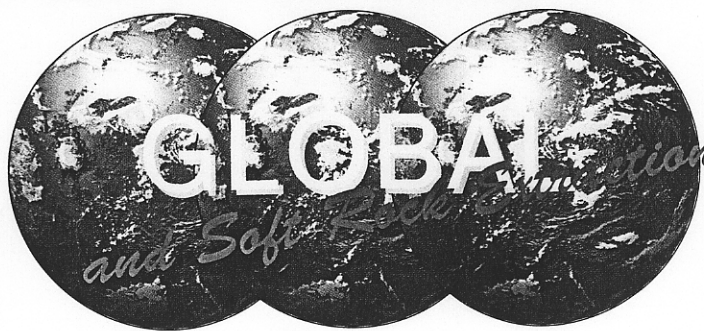


**NORTH AMERICA**

**Fording's three-way merger**

The take-over battle for Canadian-based coal producer Fording took an unexpected twist in mid-January when all the parties involved announced that they were joining forces. Fording, Teck Cominco, Westshore Terminals Income Fund, Sherritt International and the Ontario Teachers' Pension Plan have agreed that the metallurgical coal assets of Fording, Teck Cominco and the Luscar Energy Partnership (owned 50:50 by Sherritt and Ontario Teachers') will be combined to form the Fording Canadian Coal Trust. The combined metallurgical coal assets will be held via a coal partnership. The assets will include those of Luscar Energy and Consol Energy (namely the Line Creek mine, the Luscar mine, the Cheviot deposit and a 46.4% interest in Neptune Bulk Terminals (Canada)), as well as the assets of Fording and Teck Cominco in the Elk Valley of British Columbia. In turn, the partnership will be owned 65% by the new Fording Trust and 35% by Teck Cominco, which will also contribute C\$125 million in



cash to, and be manager.

The partnership will be the world's second-largest producer of metallurgical coal, behind BHP Billiton, producing around 20% of global seaborne, high-quality metallurgical coal. Sales in 2003 should be about 25 Mt, compared with the 14 Mt that Fording had forecast for the year.

Fording's president and chief executive, Jim Gardiner, described the deal as "the most significant transformation in the history of the Canadian coal industry". He added: "It is the most significant reshaping and rationalisation of the Canadian metallurgical coal industry that any of us know of." The new proposal is subject, amongst other conditions, to the approval of Canada's Competition Bureau, which was in the process of evaluating the previous offers for

Fording. However, Fording does not believe that the deal will be affected by antitrust concerns.

Cost savings from operating synergies under the proposed combination are expected to be significantly higher than the C\$50 million estimated under previous offers, although no actual estimate has been released.

**US coal still strong**

Coal production in the US topped 1 billion s.tons for the ninth consecutive year in 2002, according to the Energy Information Administration's (EIA) initial estimates. The total of 1,099,898,000 s.tons (997.6 Mt), which is likely to be revised later in the year, currently represents a decline of about 1.9 percent from EIA's preliminary production figure of 101.7 Mt for

2001. The lower production of 2002 is attributed to a milder than normal winter in early 2002, the slower economy, and abundant stockpiles in the first half of 2002.

The leading coal-producing state was once again Wyoming, with 340 Mt (rounded), followed by West Virginia (138 Mt), Kentucky (113 Mt), Pennsylvania (63.5 Mt), Texas (41 Mt), Montana (34 Mt), Indiana (33 Mt), Colorado (32 Mt), Illinois (31 Mt) and North Dakota (27 Mt), according to the estimates. The totals indicate 26 states produced coal during the year.

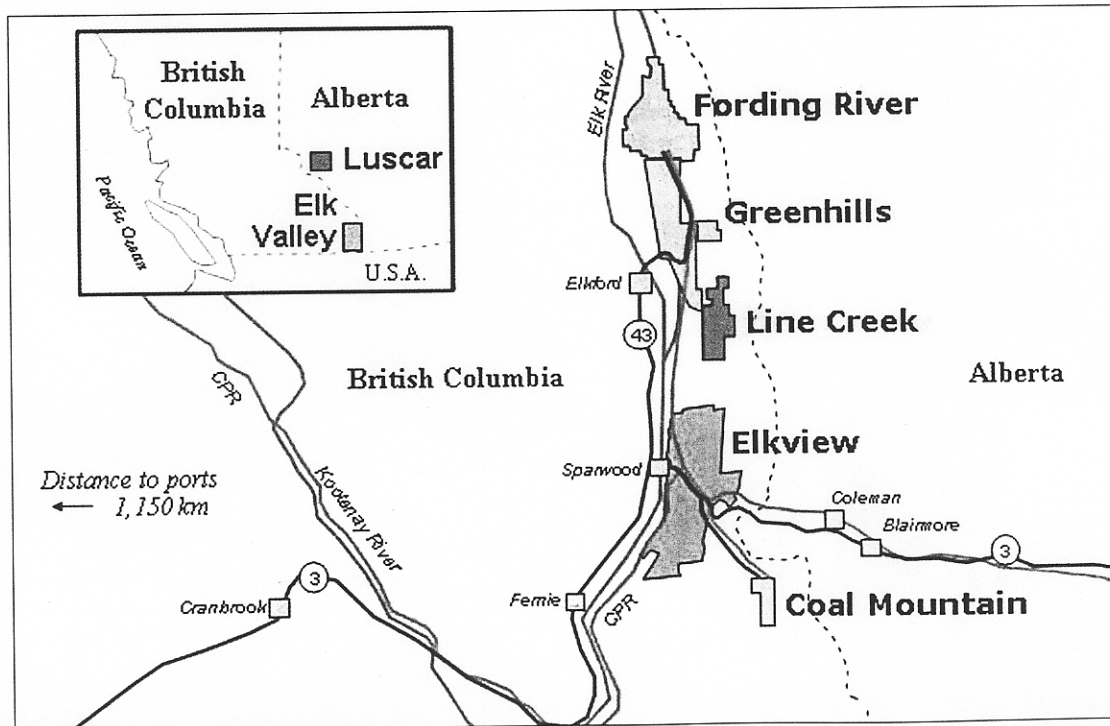
**North Antelope Rochelle: biggest**

Last year Peabody Energy's North Antelope Rochelle mine confirmed its ranking as the largest coal mine in the US, shipping 67.8 Mt of coal. Peabody reports that North Antelope Rochelle shipped 13% more coal than its nearest competitor and loaded more than 5,100 trains. The mine has about 800 employees and annually injects more than \$67 million into the area economy in wages and benefits.

Peabody has three Powder River Basin mines in Wyoming, which in total shipped a record 94.5 Mt of coal in 2002, up slightly over the previous year. The North Antelope Rochelle, Caballo and Rawhide mines serve nearly 80 power plants and produce enough fuel to keep the lights on in 14.5 million American homes.

**More clean coal funds**

The US Department of Energy has awarded \$132 million to two power companies to develop new technologies for cleaner burning coal powered electric plants. Western Greenbrier Co-



Map showing Fording's operations