



**ABN 40 096 001 955**

**Interim Financial Statements  
31 December 2009**

## Contents Page

Directors' Report.....	3
Consolidated Statement of Comprehensive Income.....	12
Consolidated Statement of Changes in Equity.....	13
Consolidated Statement of Financial Position.....	15
Consolidated Statement of Cash Flows.....	16
Directors' Declaration.....	24
Independent Auditor's Review Report to the Members of Macarthur Coal Limited.....	25

## Macarthur Coal Limited

### Directors' Report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2009 and the review report thereon.

#### Directors

The directors of the Company at any time during or since the end of the half-year are:

<b>Name</b>	<b>Period of directorship</b>
Hon. Keith De Lacy AM Chairman Independent Non-executive Director	Appointed 2 May 2001
Mr Roger Marshall OBE Deputy Chairman Non-executive Director	Appointed 2 May 2001
Mrs Nicole Hollows Executive Director	Appointed 28 June 2007
Mr Peter Forbes Independent Non-executive Director	Appointed 14 November 2003
Mr Chen Zeng Non-executive Director	Appointed 23 July 2007
Mr Martin Kriewaldt Independent Non-executive Director	Appointed 13 October 2008
Mr Terry O'Reilly Independent Non-executive Director	Appointed 13 October 2008

The Board consists of a majority of independent directors.

#### Results of Operations

The profit after income tax of the Group for the financial period was \$39,645,000 (2008: \$106,938,000). An interim dividend of 8.0 cents per share is proposed for payment on 21 April 2010.

## Directors' Report

### Review of Operations

#### Production

<b>MACARTHUR COAL'S ATTRIBUTABLE PRODUCTION - COPPABELLA &amp; MOORVALE MINES (73.3%)</b>				
		<b>Actual - Year to Date</b>		
		<b>Dec-09</b>	<b>Dec-08</b>	<b>% Var</b>
		<b>000s</b>	<b>000s</b>	
<b>Overburden Removed</b>				
Coppabella	bcm	12,972.2	12,655.9	2.5
Moorvale	bcm	10,458.3	8,843.9	18.3
<b>Total</b>	<b>bcm</b>	<b>23,430.5</b>	<b>21,499.8</b>	<b>9.0</b>
<b>Run of Mine Coal Extracted</b>				
Coppabella	tonnes	1,564.5	1,521.4	2.8
Moorvale	tonnes	1,575.7	1,282.9	22.8
<b>Total</b>	<b>tonnes</b>	<b>3,140.2</b>	<b>2,804.3</b>	<b>12.0</b>
<b>Saleable Coal Production*</b>				
Coppabella	tonnes	1,351.2	1,247.8	8.3
Moorvale	tonnes	1,235.0	1,012.4	22.0
<b>Total</b>	<b>tonnes</b>	<b>2,586.2</b>	<b>2,260.2</b>	<b>14.4</b>

\*Output from the coal handling and preparation plant

#### Safety

The company is committed to improving workforce safety across all of our work sites:

- Coppabella Mine achieved a 22% reduction in its TRIFR from 21.4 at 30 June 2009 to 16.6 at 31 December 2009 (rolling 12 months)
- Moorvale Mine maintained its better than industry standard record with a TRIFR rate of 16.1 at 31 December 2009 (rolling 12 months)
- Middlemount Mine which is in construction phase, recorded a TRIFR rate of 32.2 at 31 December 2009; the Middlemount team is working to reduce this number below the industry standard of 22.2.

#### Coppabella Mine

For the six months to December 2009, saleable coal production totalled 1.35 million tonnes which was 8.3% higher than the 1.25 million tonnes produced in the previous corresponding period. Production has benefitted from equipment being brought back into full operation during the December 2009 half and favourable weather conditions.

Overburden removal for the period was 13.0 Mbcm, 2.5% higher than the previous corresponding period. This is generally in line with the December 2008 half despite one hydraulic excavator and truck fleet being stood down from December 2008 to October 2009. This result was achieved due to a larger number of wet days in November 2008.

#### Moorvale Mine

For the six months to December 2009, saleable coal production totalled 1.24 million tonnes which was 22.0% higher than the 1.01 million tonnes produced in the previous corresponding period. This significant improvement is due to increased production from Pit F, better than expected availability and productivity of equipment, and record CHPP throughput. The CHPP set a new record with 384,948 tonnes of ROM coal washed in August.

## Macarthur Coal Limited

### Directors' Report

#### Review of Operations (continued)

##### *Production (continued)*

Overburden removal for the half was 10.5 Mbcm, 18.3% higher than the previous corresponding period. Overburden removal has been aided by improved performance and use of larger equipment on site and the utilisation of a spare excavator during the half-year.

##### *Operating costs*

The FOB cost of coal sold (excluding purchased coal) for the six months to 31 December 2009 was \$69.88 per tonne, down 24.8% on the previous corresponding period. The major contributors to this decrease were:

- Mining costs decreased by \$6.50 per tonne due to higher production and a lower strip ratio at Moorvale, lower rehabilitation expense and no flood or redundancy costs as occurred in H1 2009 FY
- Rail and port charges, excluding demurrage, decreased by \$7.00 per tonne predominantly due to Abbot Point not being used in the period
- Royalty costs decreased by \$22.7 million (52% decrease) due to lower sales prices

These were offset by higher demurrage costs which increased by \$10.5 million (700% increase) due to increased port congestion at DBCT.

##### *Sales*

MACARTHUR COAL'S ATTRIBUTABLE SALES - COPPABELLA & MOORVALE MINES (73.3%)		Actual - Year to Date		
		Dec-09 000s	Dec-08 000s	% Var
Coppabella	tonnes	1,431.4	1,157.9	23.6
Moorvale	tonnes	1,318.6	972.1	35.6
Sub-total	tonnes	2,750.0	2,130.0	29.1
Purchased coal	tonnes	24.6	185.7	(86.8)
<b>Total</b>	<b>tonnes</b>	<b>2,774.6</b>	<b>2,315.7</b>	<b>19.8</b>

In contrast to the second half of the 2009 financial year, the first half of 2010 has seen demand from both traditional and non-traditional customers improve. During the second half of 2009 FY production decreased in response to deferred sales to traditional customers as the Global Financial Crisis dramatically impacted global steel demand. To mitigate this impact, the company increased sales of thermal coal to non-traditional customers, mainly in China. In the second half of 2009 FY, 67% of coal sold was PCI, with traditional buyers comprising 46% of sales.

During the first half of 2010 FY the mix of PCI to thermal coal increased in response to increased demand from non-traditional markets during this period. Moorvale was able to sell a portion of the Middle Working Section, traditionally a thermal coal product, on a spot basis to customers in China as a high ash PCI coal. In the first half of the 2010 FY, 91% of coal was sold as PCI coal, with traditional buyers comprising 72% of total sales.

## **Directors' Report**

### **Review of Operations (continued)**

#### ***Sales (continued)***

Shipments of coal, including purchased coal, reached 2.77 million tonnes for the half-year, the highest half-year result in the company's history. This was 19.8% higher than the previous corresponding period and ahead of budget. Coal sales were ahead of budget due to better than expected availability and productivity of equipment at Moorvale and a reduction in stocks held at 30 June 2009.

#### ***Environmental Performance***

In the six months to 31 December 2009 there were no externally reportable environmental incidents for the Coppabella Mine, Moorvale Mine, or Middlemount Mine.

Amended Environmental Authorities under the *Environmental Protection Act 1994 (Qld)* were issued for Coppabella, Moorvale and Middlemount mines in November 2009. The amended Environment Authorities contain revised water management conditions consistent with those applied to all mines in the Fitzroy Basin Catchment. Revised Plans of Operation for each mine to address the revised water management conditions have been prepared and submitted to the Department of Environment and Resource Management.

Rehabilitation of 42 hectares at Moorvale Mine and 17 hectares at Coppabella Mine was completed in the December 2009 half, meeting our full year obligations.

The company submitted its first National Greenhouse and Energy Report in compliance with the *National Greenhouse and Energy Reporting Act 2007 (Cth)* in October 2009. Macarthur Coal's Assessment and Reporting Schedule under the Energy Efficiency Opportunities Act 2006 (Cth) was approved by the Department of Resources, Energy and Tourism in December 2009.

#### ***Infrastructure***

##### ***Coal Chain Infrastructure***

The shipping queue at DBCT peaked at 77 vessels in early November 2009, reducing to 51 vessels at 31 December 2009 (wait time currently in the order of 20-30 days for vessels loading at DBCT).

The queue peaked predominately due to continued demand for coal as traditional customers reinstate steel production capacity with Vessels arriving at a rate greater than the throughput of the coal chain in the early part of the quarter.

It is expected that during CY2010 rail operators will continue to focus on improving rollingstock availability and reliability to assist in alleviating the congestion issues. However, planned below rail maintenance works along the coal chain will reduce some of the potential for increased capacity and throughput.

Annualised throughput for DBCT is approximately 64 Mt for the 6 months to 31 December 2009 (25% less than contracted capacity of 85Mt) which is substantially higher than the 54Mt achieved in the 6 months to 31 December 2008.

#### ***Exploration and project development***

Five drill rigs were in operation on exploration and development projects during the December 2009 half-year with the focus centred on the development of the Wilunga and West Rolleston project areas. Exploration drilling was also undertaken on the Capricorn, Middlemount and Carfax areas and on-site at Moorvale, completing Pit F pre-production coal quality and line of oxidation (LOX) drilling.

## **Directors' Report**

### **Review of Operations (continued)**

#### ***Exploration and project development (continued)***

Priority for exploration during the first quarter of 2010 will continue at Wilunga and West Rolleston to progress concept studies, with additional drilling on a number of other project areas including the Moorvale Mine and Olive Downs areas.

The exploration group has now recorded six consecutive months Total Recordable Injury free and over the past calendar year have achieved 95,700m of drilling.

Exploration expenditure for the six months to December 2009 was \$6.1 million.

#### *Codrilla Project*

Preparation of a Feasibility Study for development of the Codrilla Project was progressed during the first half. An Environmental Impact Statement (EIS) was commenced with Draft Terms of Reference advertised in August 2009. Twenty-six submissions were received from Government, Non-government organisation and community members. The comments made in these submissions were collated and the Terms of Reference for the Environmental EIS finalised in December. Baseline studies including flora and fauna studies, ground water monitoring and air and dust monitoring for the EIS were carried out during the period.

#### *Wilunga*

Extensive exploration effort was focused on the Wilunga deposit in the first half of 2010 FY. Two rigs were established at this location to enable preliminary mine planning to be undertaken to assess potential project development options.

#### *Vermont East*

Scout drilling was undertaken in the Carfax and Bombandy properties at the southern area of the Vermont East project. Access to this area had been limited over recent years due to wet weather, so drilling was able to assist in identifying additional resources for inclusion in assessment of the feasibility of the overall Vermont East/Wilunga project.

#### *West Rolleston*

Exploration activity in the West Rolleston project area focused on the Deepdale and Mount Ogg areas. The aim of this exploration is to seek to identify additional resource tonnage to complement the existing identified resource in the Freitag Creek area. For the second quarter, two rigs were utilised to help expedite scout exploration.

#### *North and West Burton*

No on-ground activity was undertaken during the half. Geological modelling and interpretation was undertaken to develop future exploration strategy for the tenements.

## **Macarthur Coal Limited**

### **Directors' Report**

#### **Review of Operations (continued)**

##### ***Exploration and project development (continued)***

###### *Capricorn*

Following resolution of the Cultural Heritage Management Agreement (CHMA), on ground exploration was able to recommence in the Capricorn tenement. Twelve holes were drilled in the area north of Dingo to assess the productivity of areas along the previously captured 2D seismic lines.

###### *Monto*

Stage 2 Pre-feasibility studies were undertaken, namely: transport, water supply, power supply and mine planning. It is expected that the Stage 2 Pre-Feasibility study will be completed in early 2010 for presentation to the Monto Coal Joint Venture.

###### *Middlemount Project*

The first shipment of 22,157t of Middlemount trial wash coal was shipped during the half, having been washed and loaded at the Coppabella Mine. The 150,000t bulk trial wash coal was hauled to Coppabella with the remainder to be processed and shipped to customers in the March 2010 quarter.

The Middlemount Mining Lease ML70379 was granted in early September 2009 and the Plan of Operations was approved on 29 September 2009. Consequently, construction of the Coal Handling and Preparation Plant (CHPP) commenced in October 2009 and is expected to be completed in the September quarter 2010.

Middlemount Coal has also awarded an Alliance Contract to a consortium of John Holland and GHD to design and develop a rail loop for the project. This rail loop and a dedicated water supply pipeline are expected to be completed in the December half 2011, subject to approvals being granted. In order to provide additional dump space for the mine, a further mining lease application (MLA70417) was submitted, for the area to the east of the granted project mining lease.

On 15 January 2010, the Company announced that whilst discussions are continuing, lack of progress in obtaining key toll arrangements for temporary water and rail infrastructure makes it unlikely that there will be any shipments from the Middlemount Mine project in 2011 FY.

It was also advised that, Middlemount Coal will continue to seek opportunities for an earlier start but in parallel will expedite the EIS already underway for increased production which enables an accelerated ramp up of production above 1.8Mtpa ROM coal under the existing mining lease, once the infrastructure is in place.

###### ***Other***

###### *Results of Annual General Meeting*

The Annual General Meeting of the Company was held on 18 November 2009. All resolutions contained in the Notice of Meeting were passed on a show of hands.

This resulted in the reappointment of non-executive directors, Roger Marshall and Chen Zeng, to the Company's board of directors; the approval of the issuance of 31,823,510 shares; and the adoption of the Remuneration Report for the year ending 30 June 2009.

## **Directors' Report**

### **Review of Operations (continued)**

#### ***Other (continued)***

##### *Gloucester Coal takeover and conditional acquisition of assets from Noble group*

On 22 December 2009, the Company announced that it intended to acquire 100% of Gloucester Coal Ltd through an off-market takeover (Gloucester Offer). In addition to this it was also announced that the Company intended to acquire Noble Group Limited's (Noble) interest in the Middlemount Joint Venture (Middlemount Transaction). On 29 January 2010, the Company confirmed the entry into binding agreements for the acquisition of Noble's interest in the Middlemount Joint Venture (taking the Company's ownership of the Middlemount Mine to 100%), subject to certain conditions being achieved and the timetable for the Gloucester Offer.

Macarthur expects to hold a Shareholder Meeting in relation to the Gloucester Offer and Middlemount Transaction. The Gloucester Offer is expected to close in early May 2010, subject to extension.

##### *Acquisition of assets from CITIC Resources Holdings Limited*

On 22 December 2009, the company also announced its intention to acquire CITIC Resources Holdings Limited's interest in the Coppabella and Moorvale Joint Venture, and related joint venture entities, and to terminate CITIC's marketing rights to China and India.

A shareholder meeting to approve the transaction is expected to be scheduled for mid-June 2010, after pre-emptive rights for other Coppabella and Moorvale Joint Venture participants are waived.

##### *Sales forecast*

Due to the increase in first half sales volume, the Company increased its full year sales forecast to be in the range of 4.8Mt to 5.0Mt. This remains subject to unexpected production disruptions including additional wet weather and increases in Goonyella coal chain congestion.

##### *Long term rail contract with Pacific National*

On 4 February 2010, the Company announced that it had signed a long term take or pay contract with Pacific National Pty Ltd (Pacific National), a subsidiary of the Asciano Group (ASX:AIO). This contract has a commencement date of 1 November 2010 and allows for the haulage of 7.0Mt of coal from the Coppabella and Moorvale mines to the DBCT.

From 1 November 2010, all current above rail contracts will be held with Pacific National for a total of 10.7Mtpa.

**Macarthur Coal Limited**

## **Directors' Report**

### **Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 11 and forms part of the directors' report for the half-year ended 31 December 2009.

### **Rounding Off**

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Dated at Brisbane this 23<sup>rd</sup> day of February 2010.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read "Keith De Lacy". The signature is written in a cursive style with a period at the end.

**Keith De Lacy**  
Chairman



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Macarthur Coal Limited:

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Robert S Jones  
*Partner*

Brisbane  
23 February 2010

**Macarthur Coal Limited**

**Consolidated Statement of Comprehensive Income  
For the six months ended 31 December 2009**

	Note	31 Dec 2009 \$'000	31 Dec 2008 \$'000
Revenue from coal sales		318,459	418,974
Cost of coal sold		(197,870)	(233,420)
<b>Gross Profit</b>		120,589	185,554
Other income	5	2,794	17,084
Distribution expenses		(30,810)	(16,066)
Administration expenses		(8,156)	(10,285)
Other expenses	5	(14,010)	(20,587)
<b>Results from operating activities</b>		70,407	155,700
Financial income		6,514	1,209
Financial expenses		(6,675)	(3,712)
<b>Net financial income/(expenses)</b>		(161)	(2,503)
Share of profit/(loss) of equity accounted investees, net of income tax		(6,896)	(3,553)
<b>Profit before income tax</b>		63,350	149,644
Income tax expense		(23,705)	(42,706)
<b>Profit for the period attributable to the owners of the Company</b>		39,645	106,938
<b>Other comprehensive income *</b>			
Cashflow hedges:			
Fair value gains/(losses) taken to equity		19,028	(136,963)
Fair value (gains)/losses transferred to income statement		(14,470)	88,301
<b>Other comprehensive income for the period, net of income tax</b>		4,558	(48,662)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		44,203	58,276
<b>Earnings per share:</b>			
Basic earnings per share		\$0.16	\$0.50
Diluted earnings per share		\$0.16	\$0.50

\* Amounts recognised in comprehensive income are disclosed net of income tax.

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 17 to 23.

**Macarthur Coal Limited**

**Consolidated Statement of Changes in Equity  
For the six months ended 31 December 2009**

	Share capital \$'000	Hedging reserve \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2008	465,118	17,941	-	207,417	690,476
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	106,938	106,938
<b><i>Other comprehensive income</i></b>					
Cash flow hedges:					
Fair value gains/(losses) taken to equity	-	(136,963)	-	-	(136,963)
Fair value (gains)/losses transferred to income statement	-	88,301	-	-	88,301
Total other comprehensive income	-	(48,662)	-	-	(48,662)
Total comprehensive income for the period	-	(48,662)	-	106,938	58,276
<b>Transactions with owners, recorded directly in equity</b>					
<b><i>Contributions by and distributions to owners</i></b>					
Dividends to equity holders	-	-	-	(29,701)	(29,701)
Share-based payments	-	-	51	-	51
Total contributions by and distributions to owners	-	-	51	(29,701)	(29,650)
Balance at 31 December 2008	465,118	(30,721)	51	284,654	719,102

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 17 to 23.

**Macarthur Coal Limited**

**Consolidated Statement of Changes in Equity (continued)  
For the six months ended 31 December 2009**

	Share capital \$'000	Hedging reserve \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2009	651,423	11,187	182	346,273	1,009,065
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	39,645	39,645
<b><i>Other comprehensive income</i></b>					
Cash flow hedges:					
Fair value gains/(losses) taken to equity	-	19,028	-	-	19,028
Fair value (gains)/losses transferred to income statement	-	(14,470)	-	-	(14,470)
Total other comprehensive income	-	4,558	-	-	4,558
Total comprehensive income for the period	-	4,558	-	39,645	44,203
<b>Transactions with owners, recorded directly in equity</b>					
<b><i>Contributions by and distributions to owners</i></b>					
Dividends to equity holders	-	-	-	(33,063)	(33,063)
Shares issued	61,997	-	-	-	61,997
Share-based payments	-	-	135	-	135
Total contributions by and distributions to owners	61,997	-	135	(33,063)	29,069
Balance at 31 December 2009	713,420	15,745	317	352,855	1,082,337

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 17 to 23.

**Macarthur Coal Limited**

**Consolidated Statement of Financial Position  
As at 31 December 2009**

	Note	31 Dec 2009 \$'000	30 Jun 2009 \$'000
<b>Current assets</b>			
Cash and cash equivalents		257,946	267,576
Trade and other receivables		216,727	187,608
Inventories		31,246	43,612
Other financial assets	15	68,239	39,682
Overburden in advance	8	148,880	138,117
<b>Total current assets</b>		<b>723,038</b>	<b>676,595</b>
<b>Non-current assets</b>			
Trade and other receivables		123	800
Inventories		4,296	187
Investments in equity accounted investees		351,234	358,130
Other financial assets	15	3,289	2,745
Property, plant and equipment	9	277,305	286,797
Exploration and evaluation assets		76,362	70,916
Overburden in advance	8	27,813	31,834
<b>Total non-current assets</b>		<b>740,422</b>	<b>751,409</b>
<b>Total assets</b>		<b>1,463,460</b>	<b>1,428,004</b>
<b>Current liabilities</b>			
Trade and other payables		96,398	97,609
Loans and borrowings	12	15,602	14,582
Income tax payable		24,485	58,582
Employee benefits		4,605	4,101
Provisions		5,383	1,911
Other financial liabilities	15	2,876	3,696
<b>Total current liabilities</b>		<b>149,349</b>	<b>180,481</b>
<b>Non-current liabilities</b>			
Loans and borrowings	12	91,020	93,251
Deferred tax liabilities		83,787	88,957
Employee benefits		57	118
Provisions		27,514	33,903
Other financial liabilities	15	29,396	22,229
<b>Total non-current liabilities</b>		<b>231,774</b>	<b>238,458</b>
<b>Total liabilities</b>		<b>381,123</b>	<b>418,939</b>
<b>Net assets</b>		<b>1,082,337</b>	<b>1,009,065</b>
<b>Equity</b>			
Share capital	10	713,420	651,423
Reserves		16,062	11,369
Retained earnings		352,855	346,273
<b>Total equity</b>		<b>1,082,337</b>	<b>1,009,065</b>

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 17 to 23.

**Macarthur Coal Limited**

**Consolidated Statement of Cash Flows  
For the six months ended 31 December 2009**

Note	<b>31 Dec 2009 \$'000</b>	<b>31 Dec 2008 \$'000</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	316,112	340,014
Cash paid to suppliers and employees	(229,940)	(216,814)
Cash generated from operations	86,172	123,200
Interest received	5,931	1,209
Income taxes paid	(65,000)	(16,661)
<b>Net cash from operating activities</b>	<b>27,103</b>	<b>107,748</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(7,018)	(17,156)
Proceeds from sale of property, plant and equipment	2	17,154
Exploration and evaluation expenditure	(5,329)	(6,222)
Proceeds from sale of assets	-	6,500
Contributions from joint ventures	209,069	293,542
Contributions to joint ventures	(231,104)	(329,751)
Payments for assets held for sale	-	(29,176)
Repayment of loans to related parties	417,440	373,969
Advances to related parties	(436,335)	(354,429)
<b>Net cash from investing activities</b>	<b>(53,275)</b>	<b>(45,569)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share issues	61,997	-
Proceeds from loans and borrowings	-	26,000
Repayment of loans and borrowings	-	(10,000)
Payment of interest and financial expenses	(4,184)	(1,052)
Repayment of other financial liabilities	(1,948)	(1,192)
Payments for lease liabilities	(6,260)	(3,565)
Dividends paid	(33,063)	(29,701)
<b>Net cash from financing activities</b>	<b>16,542</b>	<b>(19,510)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(9,630)</b>	<b>42,669</b>
<b>Cash and cash equivalents at 1 July</b>	<b>267,576</b>	<b>22,478</b>
<b>Cash and cash equivalents at 31 December</b>	<b>257,946</b>	<b>65,147</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial statements set out on pages 17 to 23.

## Notes to the Consolidated Interim Financial Statements For the six months ended 31 December 2009

### 1. Reporting entity

Macarthur Coal Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial statements of the Company, as at and for the six months ended 31 December 2009, comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2009 are available upon request from the Company's registered office at Level 5, 100 Melbourne Street, South Brisbane, Queensland or at [www.macarthurcoal.com.au](http://www.macarthurcoal.com.au).

### 2. Statement of compliance

The consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial statements do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2009.

The consolidated interim financial statements were approved by the Board of Directors on 23 February 2010.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with the Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars unless otherwise stated.

### 3. Significant accounting policies

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009, except as outlined below.

#### Accounting standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) which are mandatory to be applied to the current interim period. Disclosures required by these Standards that are deemed material have been included in these financial statements on the basis that they represent a significant change in information from that previously made available.

#### *Presentation of Financial Statements*

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007) which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these interim financial statements as of and for the six months ended 31 December 2009.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### *Business Combinations*

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and as the Group had no business combinations during the six months ended 31 December 2009, there is no impact on earnings per share.

## Notes to the Consolidated Interim Financial Statements For the six months ended 31 December 2009

### 3. Significant accounting policies (continued)

#### Accounting standards not previously applied (continued)

##### *Operating Segments*

As of 1 July 2009, the Group determines and presents operating segments based on the information that is provided internally to the Group's Chief Executive Officer (CEO), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously, operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating results of all operating segments are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, finance leases, foreign exchange hedging, corporate income and expenses, unallocated foreign exchange differences, change in fair value of other derivative liabilities, depreciation and amortisation and other corporate expenses.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 108. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

### 4. Estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2009.

During the six months ended 31 December 2009, management reassessed its discount rate for rehabilitation and dismantling provisions from 4.15% to 6.68% and its estimations in respect of economically recoverable reserves for Coppabella Mine from 49,111,000 tonnes to 46,546,000 tonnes and Moorvale Mine from 29,100,000 tonnes to 26,755,000 tonnes. There were no other changes to the key assumptions used.

The Australian Federal Government has proposed introducing a Carbon Pollution Reduction Scheme (CPRS) by 2011. The introduction of the CPRS has the potential to significantly impact the assumptions used to determine the future cash flows generated from the continuing use of the Group's assets for the purpose of value-in-use calculations in impairment testing. The assets most likely to be impacted include property, plant and equipment and investments in equity accounted investees. The Group has not yet incorporated the impact of CPRS into their assumptions at 31 December 2009 as significant uncertainty exists around a number of areas associated with CPRS and insufficient market information existed.

**Notes to the Consolidated Interim Financial Statements**

For the six months ended 31 December 2009

**5. Other income and expenses**

	<b>31 Dec 2009 \$'000</b>	<b>31 Dec 2008 \$'000</b>
(a) Other income		
Net gain on sale of controlling interest in subsidiary (1)	-	5,143
Change in fair value gain of other derivative liabilities (2)	-	10,280
Net gain on sale on infrastructure capacity	2,557	-
Other	237	1,661
	<b>2,794</b>	<b>17,084</b>
(b) Other expenses		
Change in fair value loss of other derivative liabilities (2)	7,340	-
Net foreign exchange (gains)/losses	4,347	(26,871)
Ineffective foreign exchange hedges expensed	-	46,905
Transaction costs	2,162	-
Other	161	553
	<b>14,010</b>	<b>20,587</b>

(1) During the six months ended 31 December 2008, the Group sold a 14.285% interest in Custom Mining Dingo Pty Ltd to Paway Limited for \$6,500,000 in cash, refer Note 7.

(2) During the six months ended 31 December 2009, the Group revalued derivative contracts arising from the acquisition of Custom Mining Limited Group, resulting in a \$7,340,000 (loss) change in the fair value (31 December 2008: \$10,280,000 fair value gain) of the derivative contracts.

**6. Operating segments**

The Group has three reportable segments, as described below, which are the Group's strategic business units. The reportable segments reflect the Group's management and internal reporting structure. The Group's CEO (chief operating decision maker) reviews internal management reports on a monthly basis.

The Group has the following reportable segments:

- *Operating coal mines:* Coppabella and Moorvale mines
- *Development:* Middlemount project
- *Exploration and evaluation:* Projects in the exploration and evaluation phase

The application of AASB 8 *Operating Segments* required the addition of a new reportable segment, "Development", and the removal of the "Other" segment. The comparative segment information has been restated and has been presented in conformity with the requirement of AASB 8 *Operating Segments*.

**Notes to the Consolidated Interim Financial Statements**  
For the six months ended 31 December 2009

**6. Operating segments (continued)**

**Information about reportable segments**

	Operating Coal Mines \$'000	Development \$'000	Exploration and Evaluation \$'000	Total \$'000
<b>31 December 2009</b>				
External sales revenue	296,135	-	-	296,135
Reportable segment profit/(loss) before income tax	68,697	(6,817)	(1,884)	59,996
Reportable segment assets	508,271	299,004	149,331	956,606
<b>31 December 2008</b>				
External sales revenue	498,134	-	-	498,134
Reportable segment profit/(loss) before income tax	281,585	(3,208)	(1,326)	277,051
<b>30 June 2009</b>				
Reportable segment assets	498,355	305,821	143,953	948,129

**Reconciliations of reportable segment revenues, profit or loss and assets**

	31 Dec 2009 \$'000	31 Dec 2008 \$'000
<b>Revenues</b>		
Total revenues for reportable segments	296,135	498,134
Foreign exchange hedging	22,324	(79,160)
Consolidated revenue	318,459	418,974
<b>Profit or loss</b>		
Total profit for reportable segments	59,996	277,051
Unallocated amounts:		
Foreign exchange hedging	22,324	(79,160)
Hedge ineffectiveness	-	(46,905)
Net foreign exchange differences	152	(4,538)
Recognition of finance leases	9,980	3,500
Depreciation and amortisation	(16,013)	(9,321)
Change in fair value of other derivative liabilities	(7,340)	10,280
Interest income	6,463	1,186
Interest expense	(6,675)	(3,712)
Net gain on sale of controlling interest in subsidiary	-	5,143
Other corporate expenses	(5,537)	(3,880)
Consolidated profit before income tax	63,350	149,644

**Notes to the Consolidated Interim Financial Statements**

For the six months ended 31 December 2009

**6. Operating segments (continued)**

	<b>31 Dec 2009 \$'000</b>	<b>30 Jun 2009 \$'000</b>
<b>Assets</b>		
Total assets for reportable segments	956,606	948,129
Unallocated amounts:		
Cash and cash equivalents	257,907	267,514
Property, plant and equipment	128,411	143,486
Other corporate assets	120,536	68,875
Consolidated total assets	1,463,460	1,428,004

**7. Disposal of subsidiary**

On 28 August 2008, the Group completed the disposal of a 14.285% interest in Custom Mining Dingo Pty Ltd for \$6,500,000 in cash, reducing the Group's ownership interest to 85.715%. Under the terms of the shareholder agreement, the Group no longer has control over this entity and, accordingly, it has been deconsolidated and accounted for as a jointly controlled entity. The carrying amount of Custom Mining Dingo Pty Ltd's net assets in the consolidated financial statements on the date of disposal was \$9,523,000. The Group recognised a profit (before tax) on disposal of \$5,143,000 in the prior period.

**8. Overburden in advance**

During the six months ended 31 December 2009, \$4,021,000 of overburden in advance was reclassified from non-current asset to current asset (31 December 2008: \$22,024,000 classified from current to non-current).

**9. Property, plant and equipment**

**Acquisitions and disposals**

During the six months ended 31 December 2009, the Group acquired assets with a cost of \$12,048,000 (six months ended 31 December 2008: \$16,203,000). Assets with a net book value of \$13,000 were disposed of during the six months ended 31 December 2009 (six months ended 31 December 2008: \$726,000) resulting in a loss on disposal of \$11,000 (six months ended 31 December 2008: \$725,000). Assets with a net book value of \$3,814,000 were written off during the six months ended 31 December 2009 (six months ended 31 December 2008: \$Nil).

**10. Share capital and dividends**

**Share capital**

The Group issued 10,352,860 shares (2008: Nil) during the six months ended 31 December 2009 to raise \$62,117,000, resulting in net cash proceeds of \$61,997,000 after placement costs.

**Dividends**

Dividends paid in the current and comparative periods by Macarthur Coal Limited:

	<b>2009 \$'000</b>	<b>2008 \$'000</b>
\$0.13 per ordinary share (2008: \$0.14)	33,063	29,701

Franked dividends were franked at the tax rate of 30%.

**Notes to the Consolidated Interim Financial Statements**  
For the six months ended 31 December 2009

**11. Contingencies**

**Litigation**

A statement of claim was delivered to Monto Coal Pty Ltd, a wholly owned member of the Group, and Monto Coal 2 Pty Ltd, an equity accounted investee, on 1 October 2007 from the minority interest holders in the Monto Coal Joint Venture, being Sanrus Pty Ltd, Edge Developments Pty Ltd and H & J Enterprises (Qld) Pty Ltd. The claim seeks damages stated to be no less than \$68,970,000 plus interest and costs.

Monto Coal Pty Ltd is the manager of the Monto Coal Project pursuant to a Management Agreement. Monto Coal 2 Pty Ltd holds a 51% interest in the Monto Coal Joint Venture.

The Directors of the Group (and the Manager) dispute the claims and will vigorously defend their position.

In the directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.

**Guarantees**

During the six months ended 31 December 2009, bank guarantees provided in respect of rehabilitation works, electricity, water and transport infrastructure corridor facilities for joint ventures decreased by \$2,627,000.

During the six months ended 31 December 2009, guarantees provided in respect of the Wiggins Island feasibility study, which are secured by bank deposits of the same amounts, increased by \$478,000.

**12. Loans and borrowings**

During the six months ended 31 December 2009, the Group continued to have access to a Corporate Facility. The purpose of the Corporate Facility is to provide bank guarantee facilities, additional funds for general corporate purposes within the Group and working capital for operations. The facility is held by a controlled entity, Coppabella Coal Pty Ltd.

During the six months ended 31 December 2009, no amounts were drawn down or repaid from the Corporate Facility. There are no amounts payable under the Corporate Facility as at 31 December 2009.

During the six months ended 31 December 2009, the Group entered into additional finance leases to the value of \$5,025,000.

**13. Related parties**

Continuing arrangements exist with related parties as disclosed in the Group's most recent annual financial statements.

**14. Capital and other commitments**

During the six months ended 31 December 2009, capital expenditure commitments for property, plant and equipment contracted but not provided for and payable decreased by \$7,859,000.

During the six months ended 31 December 2009, operating commitments under electricity, water, rail, port, coal washing plant, train loading facility agreements and accommodation agreements for joint ventures not provided for in the consolidated interim financial statements and payable increased by \$250,567,000.

During the six months ended 31 December 2009, future operating lease commitments not provided for in the financial statements and payable decreased by \$1,296,000.

## Notes to the Consolidated Interim Financial Statements For the six months ended 31 December 2009

### 14. Capital and other commitments (continued)

During the six months ended 31 December 2009, future mining lease commitments not provided for in the financial statements and payable decreased by \$1,038,000.

During the six months ended 31 December 2009, future exploration and evaluation commitments not provided for in the financial statements and payable decreased by \$643,000.

### 15. Other financial assets and liabilities

At 31 December 2009, cash not at call totalled \$49,319,000 compared with \$26,741,000 at 30 June 2009. In addition, at 31 December 2009, an amount of \$22,209,000 in respect of foreign currency derivative contracts was included in the total compared with \$15,686,000 at 30 June 2009.

At 31 December 2009, other derivative liabilities totalled \$26,260,000 compared with \$18,919,000 at 30 June 2009. In addition, at 31 December 2009, an amount of \$6,012,000 in respect of amounts payable for future user charges was included in the total compared with \$7,006,000 at 30 June 2009.

### 16. Subsequent events

Macarthur Coal Limited ("Macarthur") announced the following on 22 December 2009, with an updated announcement on 29 January 2010:

- An intention to acquire 100% of Gloucester Coal Ltd ("Gloucester") through an off-market takeover to acquire all of the issued securities of Gloucester. Under the offer, Macarthur would provide Gloucester shareholders 0.84 Macarthur shares for every 1.00 Gloucester share held. The All Scrip Offer implies an offer price of \$8.16 per Gloucester share valuing Gloucester's equity at \$669,000,000. Macarthur also intends to make a cash alternative to Gloucester shareholders at \$8.00 per Gloucester share held. Gloucester's largest shareholder, Noble Group Limited ("Noble") will elect not to receive the All Cash Alternative if it chooses to accept the takeover offer.
- An intention to:
  - Acquire Noble's 25.34% interest in Middlemount Coal Pty Ltd ("Middlemount")
  - Repay certain loans owed by Middlemount to Noble
  - Cancel Noble's right to acquire a further 4.66% of the shares in Middlemount from Macarthur
  - Cancel Noble's option to acquire a further 20% of the shares in Middlemount from Macarthur
  - Reduce the royalty payable by Middlemount to Noble to 1.0% and terminate the marketing agreement with Noble in respect of Middlemount

The proposed consideration for these transactions is \$218,300,000, comprised of the issue of approximately \$80,500,000 in Macarthur shares and \$137,800,000 in cash, less the amounts owed to Noble at completion. This assumes that Noble does not exercise its option to apply the cash amounts to be owed to Noble for repayment of the Noble loans, cancelling Noble's 20% option in Middlemount and reducing the royalty payable to Noble to subscribe for Macarthur shares at \$9.70 per share. If Noble does exercise this option, then the entire consideration would be comprised of Macarthur shares. It was announced on 29 January 2010 that definitive legal documentation had been entered into, which gave effect to the terms agreed in the binding term sheet announced on 22 December 2009.

- An intention to acquire CITIC Australia Coppabella Pty Ltd from CITIC Resources Holdings Limited for a total value of \$110,000,000 through the issue of Macarthur shares. This transaction, once completed, will result in Macarthur owning 80.3% of the Coppabella and Moorvale Joint Venture and related joint venture entities.

All of the transactions are subject to a number of conditions, including board, shareholder and regulatory approval. None of the transactions have been completed as of the date of these financial statements and therefore have not been recognised during the half-year ended 31 December 2009.

## Macarthur Coal Limited

### Directors' Declaration

In the opinion of the directors of Macarthur Coal Limited ("the Company"):

1. the financial statements and notes set out on pages 12 to 23 are in accordance with the *Corporations Act 2001* including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the six months ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 23<sup>rd</sup> day of February 2010.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read "Keith De Lacy". The signature is written in a cursive, flowing style.

**Keith De Lacy**  
Chairman



## **Independent Auditor's Review Report to the Members of Macarthur Coal Limited**

We have reviewed the accompanying interim financial statements of Macarthur Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, a statement of accounting policies and other selected explanatory notes 1 to 16 and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

### *Directors' responsibility for the interim financial report*

The directors of the Company are responsible for the preparation and fair presentation of the interim financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial statements are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Macarthur Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Independent Auditor's Review Report to the Members of Macarthur Coal Limited (continued)

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial statements of Macarthur Coal Limited are not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KpmG

KPMG

**Robert S Jones**  
*Partner*

Brisbane  
23 February 2010