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Macarthur Coal achieves half-year NPAT of A\$5.1m

Drought and higher fuel prices adversely impact on operating costs

Macarthur Coal Limited (ASX:MCC, MCCG) announced NPAT of A\$5.1 million for the half-year ending 31 December 2002 in its half-year report released today. EBITDA for the same period was A\$14.2 million, down 16.1% on the corresponding half-year in 2001.

Total revenue for the half-year was A\$63.6 million, up 5% over the previous corresponding period. The revenue increase was primarily due to increased volume of coal sold by Macarthur Coal resulting from the acquisition of an additional 5% interest in the Coppabella Joint Venture. The US\$ coal price decreased in April 2002, however its impact was offset by favourable foreign exchange hedging contracts established in September 2001.

Overburden removal was accelerated in July to re-establish in-pit inventories and build stockpiles. The increased overburden activity came at a cost. Major factors contributing to the increased costs were:

- Overburden removal and mining costs of A\$3.9 million at the Coppabella Mine, a key component being higher diesel fuel costs; and
- An A\$1.3 million cost due to the drought, attributable to:
 - higher cost of purchased water; and
 - trucking of coarse material from the coal preparation plant.

Highlights for the half-year are:

- Total revenue up 5% to A\$63.6 million;
- Interim EBITDA of A\$14.2 million down 16%;
- Interim net profit after tax of A\$5.1 million, down 42%;
- Interim dividend of 3.2 cents per share declared, payable 23 April 2003;
- An A\$30 million convertible note issue successfully completed;
- Transport infrastructure corridor (TIC) relocation commenced; and
- Increased interests in the Coppabella Mine (45%→50%) and Moorvale Project (74.7%→77%).

Macarthur Coal's Managing Director and CEO, Mr Ken Talbot said that the company had experienced a number of setbacks that adversely impacted the half-year financial performance. "Operating conditions have been tough, however demand for low volatile

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PCI product remains strong. The acceleration of overburden removal coincided with associated pricing reaching an unprecedented high. Water has also been a critical issue due to the severe drought conditions impacting on Central Queensland. The total rainfall at the Coppabella Mine for the half-year was just 64 millimetres.

"Measures have been taken to reduce the future impact of these factors. A new pipeline linking the Coppabella operation to a source of offsite water was completed in October 2002. The pipeline provides up to 1,500 megalitres of water per annum enabling the Coppabella Mine to operate during the drought conditions. The resultant costs, however, were 565% higher than the corresponding period in 2001," Mr Talbot said.

The implementation of a dragline will reduce the price of overburden removal at Coppabella. The dragline has been reconditioned and assembled, and operational commissioning is nearing completion.

During the half-year, Macarthur Coal increased its interest in the Coppabella Mine from 45% to 50%, and in the Moorvale Project from 74.7% to 77%. The company also successfully completed an A\$30 million convertible note issue in December 2002, with part of the proceeds applied to the acquisition cost of the increased interests in Coppabella and Moorvale.

"The current financial year is one of transition for Macarthur Coal as the company implements a number of initiatives for its expansion.

"For instance, the Transport Infrastructure Corridor relocation project at Coppabella, once completed, will allow access to the full Coppabella coal reserves from the March 2004 quarter.

"The company is also focussed on bringing the Moorvale Project into production as rapidly as possible. Removal of overburden has commenced at Moorvale and the project finance facilities have been established," Mr Talbot said.

About Macarthur Coal

Macarthur Coal is an Australian resources company developing a new generation of coal assets in Queensland's Bowen Basin. Macarthur Coal holds 77% of the Moorvale Project and 50% of the Coppabella Mine.

Macarthur Coal's operations supply approximately 30% of the seaborne global demand for low volatile PCI coal, which is a high-growth coal market.

The company is focussed on organic growth by developing new mines from grass roots level and identifying and pursuing high growth market segments.

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