MACARTHUR COAL LIMITED

ASX/Press Release

21st February 2002

Macarthur Coal achieves half-yearly profit of A$8.8m in line with Prospectus Forecast

Declares dividend of 3.2 cents per share

Macarthur Coal Limited (ASX: MCC) today released its inaugural Half-Yearly report to 31st December 2001, reporting a net profit after tax (NPAT) of A$8.8 million.

Additionally, revenue for the half year totaled A$60.5 million and fully-dilluted earnings per share were 6.78 cents.

Chairman, Hon Keith De Lacy said that the positive result came on the back of an excellent operating performance at the Coppabella Coal Mine (45% interest) in Queensland.

Highlights

- Coppabella sales volume growth of 18.6% over the corresponding period in 2000.
- Sales in line with the Prospectus forecast.
- Coal sales revenue of $59.6 million.
- Interim NPAT of $8.8 million.
- Maiden dividend of 3.2 cents per share.

Earnings

NPAT for the half year was $8,755,000 equalling 53% of the NPAT forecast for the full year and is consistent with the forecast NPAT of $16.6 million for the year ending June 2002.

Managing Director, Mr Ken Talbot said that strong demand was experienced for the Coppabella product – a pulverised injected coal (PCI), which is increasingly being employed within steel mills worldwide due to its cost-reduction benefits.

Revenues

Sales revenue for the half year was 54% of the Prospectus annual sales revenue forecast with sales volume for the half year equalling 51% of the annual sales volume forecast.

A higher PCI coal selling price was achieved for the half year above the US$34.50 price used in the Prospectus forecast. Additionally, the ratio of higher priced PCI coal to thermal coal sold during the 6 month period was higher than the ratio used in the Prospectus forecast.

Revenues benefited from the low value of the Australian dollar. The A$:US$ exchange rate for the half year averaged $0.512 compared with $0.56 used in the Prospectus forecast.

The hedge contracts used during the 6 months to 31 December 2001 were at an average exchange rate of $0.5782 compared with the forecast rate of $0.5855.

The value of foreign exchange contracts held at 31 December 2001 was:

Period covered by FX Hedge Contracts	**US dollar value**	**FX Rate A$1.00 = US$**
Jan 02 to June 02	$24,089,000	0.5359
July 02 to June 03	$39,600,000	0.5018
July 03 to June 04	$36,900,000	0.4888

Operating Costs

NPAT for the half year was achieved despite higher expenses from ordinary activities including abnormal demurrage charges and cost variations.

Demurrage charges reduced NPAT by 5% as a result of product delivery delays caused by train incidents and the Stage 5 upgrade of the Dalrymple Bay coal terminal. During the period that delays occurred, stockpile levels were increased. The levels have been maintained to provide increased scope for responding to changing market requirements and minimising future supply disruptions that could arise from adverse weather conditions during the imminent ‘wet season’.

Mining costs were higher than anticipated. The increase was associated with the Creek Pit as a consequence of the higher than planned stripping ratio and difficult mining conditions. Mining of the Creek Pit deposit is now at a reduced level with replacement coal being taken from shallower areas in the Johnson Pit.

The washplant yield of 73% was lower than the forecast rate of 74.5%. The yield reduction was a consequence of:

- Mining and processing saleable oxidised coal that would have been sterilised in the future as mining operations advances down dip in the Johnson Pit; and
- Producing higher priced PCI quality coal from ROM coal that otherwise would have been sold as thermal coal.

Expenditure for the 1st half of the year included higher than forecast expenditure on coal purchased from the vendors of the 45% Coppabella Joint Venture interest at market value at a time when stock levels were high. The Prospectus forecast assumed low stock levels at the end of June 2001.

Royalties paid were higher than forecast despite royalty formulae being the same as those used in the Prospectus forecast. The increase was caused by higher A$ selling prices as a consequence of the lower exchange rate and higher US$ coal price.

Savings in rail freight were achieved during the period from lower rail freight rates and receipt of incentive payments from meeting Queensland Rail's performance criteria.

Dividend

Directors declared the company's maiden dividend which is in line with the Prospectus and is paid despite Macarthur Coal having operated only for six months.

An interim dividend of 3.2 cents per share fully franked will be paid to shareholders that are recorded on the register as of close of business on 4 March 2002.

Finance

Debt facilities were restructured in September 2001. The cash advance term facility, originally denominated in Australian dollars, was converted to a US dollar loan at a lower interest rate. It will provide a natural hedge for US dollar sales revenue. The amount drawn at 31 December 2001 was US$8,116,000.

The revolving cash advance working capital facility limit was increased from A$1,800,000 to A$6,075,000. The amount drawn at 31 December 2001 was A$4,817,000. The increase was obtained for financing increased working capital requirements associated with growth. The debt facilities have a 15 February 2007 maturity date.

The ratio of debt to equity as at 31 December 2001 was 15.4%.

Interest cover for the 6 month period to 31 December 2001 was 23.7 times.

The weighted average number of ordinary shares on issue during the period totalled 128,544,064 shares.

Outlook

Directors remain confident that Macarthur Coal will meet its Prospectus forecast for the 2001/02 financial year. Sales volumes are expected to be at a similar level in the 2nd half of the year. Additionally, the average exchange rate applicable to foreign exchange hedge contracts will be more favourable for the 2nd half of the year. The improved foreign exchange hedging position for the 2nd half of the year provides added insurance for Macarthur Coal to achieve its Prospectus forecast.

Commenting on future prospects for Macarthur Coal, Ken Talbot said, “we have in place a growth strategy which is both sustainable and which will increase shareholder value. Key to this growth will be the development of the Moorvale project and the identification of new projects including the Monto project.”

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