



SEPTEMBER 2008 QUARTERLY REPORT

KEY POINTS

- First Half 2009 financial year profit guidance upgrade to a range of \$150 million to \$160 million up from \$13.5 million reported in the previous corresponding half.
- A new long-term sales contract signed with Hyundai Steel, the second largest steel producer in Korea, confirming MacArthur Coal's position as the global market leader in the supply of seaborne low volatile PCI coal.
- Total sales for the quarter of 1.09Mt up 39.9% from the previous corresponding quarter.
- Total saleable coal production for the quarter of 1.12Mt up 22.9% from the previous corresponding quarter.
- A total of eight drill rigs in operation during the quarter, the highest number of rigs operating at one time in the company's history.
- Two independent non-executive directors, Mr Martin Kriewaldt and Mr Terry O'Reilly, appointed to the MacArthur Coal Board on 13 October 2008.

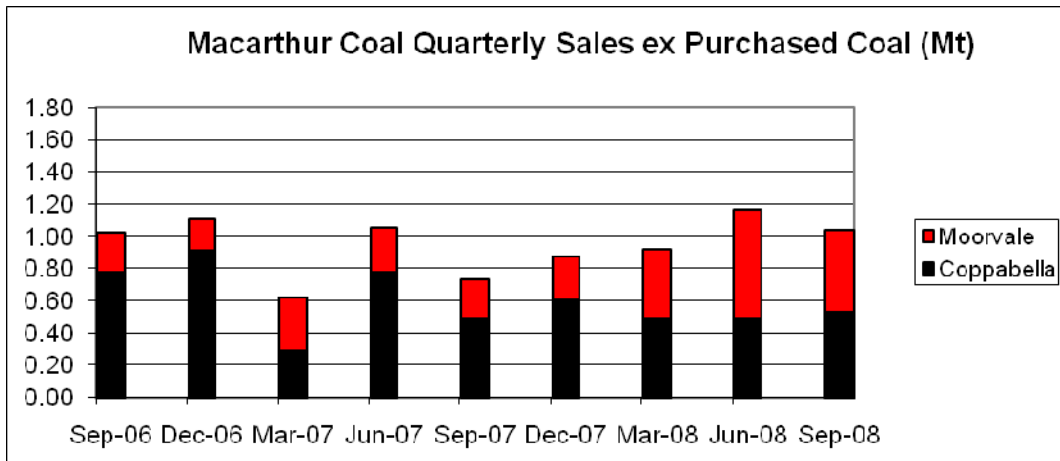
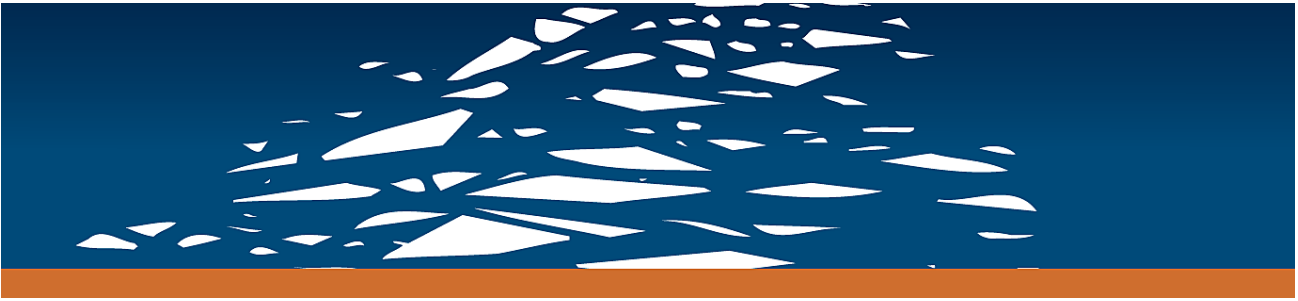
SALES

MACARTHUR COAL'S ATTRIBUTABLE SALES - COPPABELLA & MOORVALE MINES (73.3%)								
			Actual - Quarter			Actual - Year to Date		
			Sep-08	Sep-07	% Var	Sep-08	Sep-07	% Var
			000s	000s		000s	000s	
Coppabella	(excl. sale of purchased coal)	tonnes	527.4	488.1	8.1	527.4	488.1	8.1
Moorvale	(excl. sale of purchased coal)	tonnes	505.9	242.3	108.8	505.9	242.3	108.8
Sub-total		tonnes	1,033.3	730.4	41.5	1,033.3	730.4	41.5
Purchased coal		tonnes	54.3	46.8	16.0	54.3	46.8	16.0
Total		tonnes	1,087.6	777.2	39.9	1,087.6	777.2	39.9

Shipments

Total coal sales (including purchased coal) of 1.09Mt were in line with expectations. Sales still remain constrained as Coppabella Mine is still recovering from the floods earlier in the year. The company expects that quarterly sales will gradually improve over the remainder of the financial year.

The force majeure declaration was lifted on 20 August as production at Coppabella reached sustainable levels. A return to full production at Coppabella is expected in the 2009 calendar year.



Coal Chain Infrastructure

The Dalrymple Bay Coal Terminal (DBCT) infrastructure system continues to improve as a result of the completion of the Phase One expansion early in the year. The vessel queue at DBCT has fallen significantly in recent weeks and stood at 24 ships at the end of September.

The infrastructure system and terminal have achieved good daily throughput rates of 65Mtpa to 70Mtpa throughout the quarter however, low coal availability has impacted total throughput of the system. Actual coal loaded in the month of September was 48.3Mt on an annualised basis. The current estimated annualised throughput for the 2008 calendar year by the independent expert is 50Mt.

Markets

Recent global financial turmoil has clouded the outlook for economic activity in many countries. However, at the time of writing, Macarthur Coal has continued to deliver coal to all of its customers according to the normal shipping schedule.

While the World Steel Association is currently reviewing steel production forecasts for 2008, the organisation expects the growth in steel demand in 2009 will exceed world GDP growth.

Macarthur Coal shipped several cargoes of thermal coal during the September quarter and was able to achieve prices in line with the Japanese benchmark price for 2008.

In addition, the company has recently priced several cargoes at levels well above the JFY2008 benchmark prices for shipment during the FY2009 year.

It remains evident from the large number of enquiries that the company is currently receiving on a regular basis from potential customers that demand for coal continues to be strong.

Profit Guidance

On 16 October 2008 Macarthur Coal's Board of Directors provided profit guidance for the first half of the 2009 financial year of \$150 million to \$160 million which is more than ten times the \$13.5 million reported in the previous corresponding half.

When making the announcement, CEO and Managing Director, Nicole Hollows, said "Macarthur Coal is in a strong position with a robust balance sheet, strong operational cashflows and improving production from the Coppabella Mine." She went on to say, "Importantly, given the current situation in financial markets, Macarthur Coal is in a strong financial position in relation to the funding of future growth."

PRODUCTION

MACARTHUR COAL'S ATTRIBUTABLE PRODUCTION - COPPABELLA & MOORVALE MINES (73.3%)							
		Actual - Quarter			Actual - Year to Date		
		Sep-08 000s	Sep-07 000s	% Var	Sep-08 000s	Sep-07 000s	% Var
Overburden Removed							
Coppabella	bcm	6,929.2	8,555.5	(19.0)	6,929.2	8,555.5	(19.0)
Moorvale	bcm	3,748.8	4,052.4	(7.5)	3,748.8	4,052.4	(7.5)
Total	bcm	10,678.1	12,607.8	(15.3)	10,678.1	12,607.8	(15.3)
Run of Mine Coal Extracted							
Coppabella	tonnes	792.4	932.1	(15.0)	792.4	932.1	(15.0)
Moorvale	tonnes	738.7	663.2	11.4	738.7	663.2	11.4
Total	tonnes	1,531.1	1,595.3	(4.0)	1,531.1	1,595.3	(4.0)
Saleable Coal Production*							
Coppabella	tonnes	625.4	602.3	3.8	625.4	602.3	3.8
Moorvale	tonnes	499.3	313.2	59.4	499.3	313.2	59.4
Total	tonnes	1,124.7	915.5	22.9	1,124.7	915.5	22.9

*Output from the coal handling and preparation plant

Coppabella Mine

Production of saleable coal for the quarter was 0.62Mt, 3.8% higher than the previous corresponding period. Production has improved significantly over the course of the year as the mine gradually recovers from the flood events earlier in the year. The improving trend is expected to continue over the next few quarters.

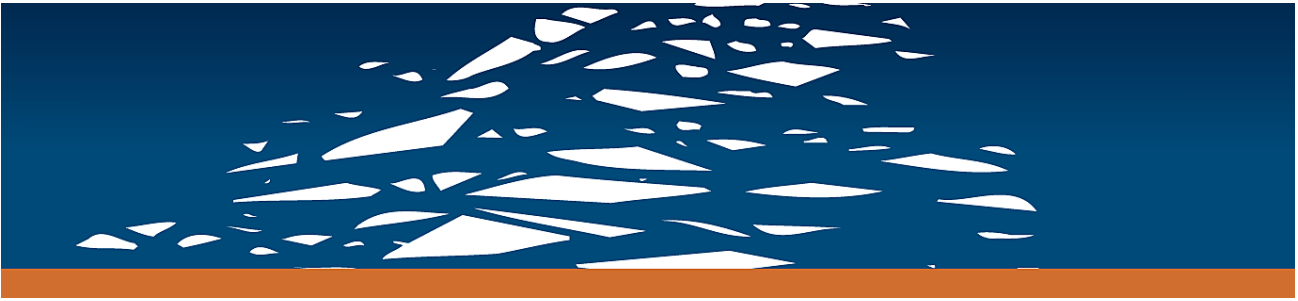
Overburden removal for the quarter of 6.9Mbcm was 19% lower than the previous corresponding period as the dragline was shutdown for scheduled maintenance over a six-day period during the quarter and due to the flood events earlier in the year.

Overburden removal and ROM coal production is expected to continue improving over the rest of the financial year.

Moorvale Mine

At 0.50Mt, saleable coal production during the September quarter at Moorvale was 59.4% higher than the production levels of the previous corresponding period. The mine has performed strongly since recovery in early May from the flood events earlier in the year.

Waste production was slightly below budget due to some minor trucking issues.



Health and Safety Performance

The Lost Time Injury Frequency Rates (LTIFR) for Coppabella and Moorvale mines, on a twelve month rolling average from 1 October 2007 to 30 September 2008, were:

- ◆ Coppabella Mine – 6.5
- ◆ Moorvale Mine – 0.0

Unfortunately there was an LTI at Coppabella in August which brought an end to the LTI free days record of 167 days at the Mine. Despite this, the company's commitment to improving health and safety performance continues to be a major focus for all our employees.

Moorvale continues to improve its safety record by achieving 965 LTI free days at the end of September. This is a whole of mine achievement that includes all contract and sub-contracted staff onsite.

Environmental Performance

In the three months to 30 September 2008 there was one issue of non-compliance at Coppabella Mine in August relating to salinity levels in the water being pumped off the minesite. A penalty infringement notice was issued by the EPA and additional control mechanisms have been put in place to combat this problem.

There were no issues of non-compliance at Moorvale. The amended Environmental Authority was approved by the EPA and these changes are now reflected in the revised Plan of Operations document.

Currently 33 hectares of the East Pit rehabilitation facing the Peak Downs Highway have been completed at Coppabella Mine. This has included re-contouring, seeding, mulching and reshaping.

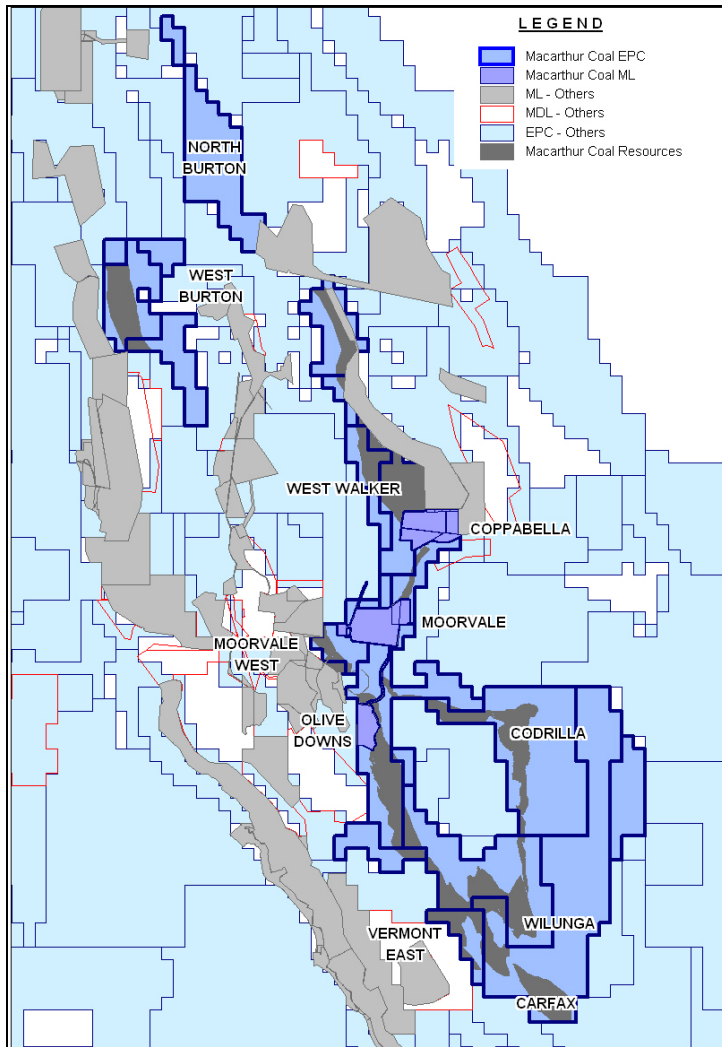
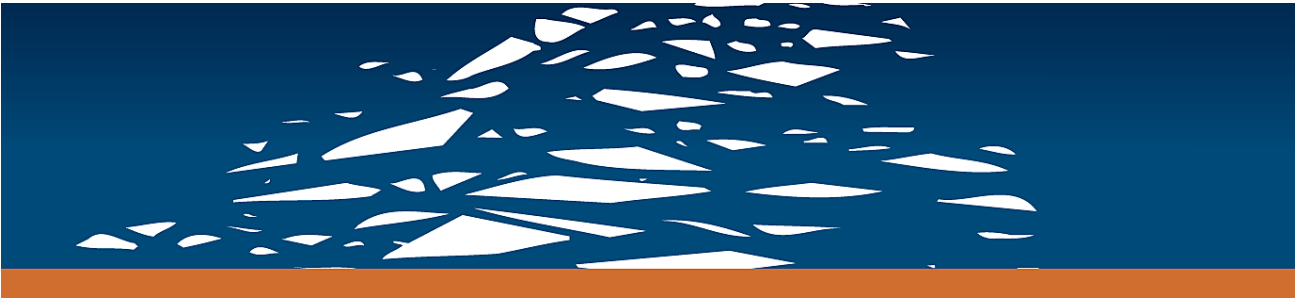
An additional seven hectares of rehabilitation works commenced on the pit dump at Moorvale in October.

GROWTH OPPORTUNITIES

A total of eight drill rigs were engaged in exploration and development activities during the quarter. This represents the highest number of drill rigs operating at one time in the company's history.

Some of the tenement areas were impacted by unseasonal rain during the quarter and rigs had to be moved to other areas. Access to the Vermont East area was finally possible in September after the area had dried out from the rainfall events earlier in the year.

The work completed during the quarter was focussed on improving knowledge of development projects such as Olive Downs, Middlemount and Codrilla, as well as some grass roots exploration activity.



Exploration Expenditure

Exploration expenditure incurred by Macarthur Coal during the September 2008 quarter was \$1.9 million.

Middlemount Project

Waste removal in the bulk sample pit was completed in August. Late August also saw the completion of the new road intersection providing permanent site access to the Middlemount-Dysart road. It is expected that coaling will commence in late October with coal transported by road to a nearby third-party coal handling and preparation plant for washing and railing to port.

The mining lease application has been delayed due to additional water and flood management studies. It is anticipated that the mining lease will be granted mid 2009.

Monto

Macarthur Coal is currently reviewing the feasibility of developing Stage One of the Monto Coal Project due to the changing dynamics of the thermal coal export market.



OTHER

Foreign Exchange Contracts

It is company policy is to undertake hedging arrangements as fixed price US dollar sales are entered into. For accounting purposes the hedges are treated as “cashflow” hedges and therefore any profit and loss is recognised at settlement of the hedge and offset by the change in sales revenue.

The profit guidance for the half year took into consideration the hedge book position.

The value of foreign exchange contracts held at 30 September 2008 was:

Period covered by FX Hedge Contracts	US dollar value	FX rate A\$1.00 = US\$	A\$ Unrealised loss based on A\$:US\$ spot rate of \$0.7996*
Oct 08 to Jun 09	477,771,036	0.9016	(67,593,765)
Total	477,771,036	0.9016	(67,593,765)

* A\$:US\$ spot rate as at 30 September 2008

Investor Relations Annual Roadshow

Nicole Hollows, CEO and Managing Director, and Ian McAleese, EGM – Corporate Development, conducted domestic and international investor relations roadshows as part of the annual program that is in place for the company. Nicole Hollows met with more than 90 fund managers and investors in two weeks across North America and Asia, while Ian McAleese met with more than 40 equity market participants during one week in Europe.

Hyundai Steel Long-Term Contract

Hyundai Steel, the second largest steel producer in Korea, signed a five-year sales contract with Macarthur Coal on 26 September 2008. The sales contract, which will provide LV PCI coal for use in Hyundai’s new blast furnace, is effective from 1 April 2009.

Moorvale Accommodation Village

Stage One of the Moorvale accommodation village is due for completion early 2009 and will comprise 102 rooms. This project aims to alleviate current accommodation constraints in the region and on completion (estimated mid 2009) will have a total of 400 rooms.

Mining Industry Skills Centre Training Awards

Macarthur Coal was pleased to be one of three finalists vying for a Leading Training Processes and Practices of the Year award in the Mining Industry Skills Centre Awards which were held on Friday 26 September 2008.

This was an honour for the company as it steps up its commitment to training and development. This is particularly relevant now that the transition to owner operator at Coppabella has been successfully completed and the company will undergo the process of transitioning to owner operator at its Moorvale Mine over the next 12-18 months.



Annual General Meeting

Macarthur Coal has confirmed that it will host its annual general meeting in the Queen's Ballroom, Level Five, Hilton International Hotel, Brisbane at 190 Elizabeth Street on Wednesday 19 November at 11:00am.

Director Appointments

The Board of Macarthur Coal appointed two independent non-executive directors, Martin Kriewaldt and Terry O'Reilly, to the Board on 13 October 2008. These appointments bring the number of directors on the Board back to seven after the resignations of Ken Talbot and Don Nissen earlier this year. Chairman Keith De Lacy said the Board of Macarthur Coal now had a majority of independent non-executive directors, fulfilling the goal contained in this year's Directors' Report. Both Mr Kriewaldt and Mr O'Reilly hold office until the Annual General Meeting on 19 November 2008 at which time they will stand for election as directors by the shareholders as required under the company's constitution.

Martin Kriewaldt BA, LLB (Hons), FAICD

Martin is one of Queensland's most prominent company directors. He currently sits on the boards of listed companies Suncorp-Metway (he served as Deputy Chairman for six years), ImpediMed, Oil Search, GWA International and Campbell Brothers.

Martin has expertise in a wide range of legal areas including construction law, banking, insurance and mining, having worked as a partner in litigation and commercial law for more than 20 years at legal firm, Allen Allen & Hemsley (now Allens Arthur Robinson). He is President of the Queensland Division of the Australian Institute of Company Directors (AICD) and sits on the national Board. He has also been Chairman of Queensland Opera since 1998.

Terry O'Reilly B Com, M App Fin, MBA, FAICD, FAIM, CPA

Terry has extensive chief executive and senior executive experience in resources and energy, both in Australia and internationally. He has served as Managing Director of Conzinc Asia based in Singapore, Managing Director of Pacific Coal based in Brisbane, and Managing Director of Coal and Allied Industries based in Sydney. He has also served on the Board, and as Chairman, of Dalrymple Bay Coal Terminal.

He has a degree in commerce and an MBA from Melbourne University and a Masters in Applied Finance from Macquarie University. He is a CPA, and a Fellow of both the AICD and the Australian Institute of Management. Terry has chaired the World Coal Institute Promotions Committee, the Australian Coal Association, Queensland Coal Operators, the New South Wales Minerals Council, and was president of the Australian Philippines Business Council.

MACARTHUR COAL TENEMENTS



Shareholder Enquiries

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CORPORATE INFORMATION

Directors

Hon. Keith De Lacy AM	Chairman
Roger Marshall, OBE	Deputy Chairman
Peter Forbes	Director
Chen Zeng	Director
Nicole Hollows	Managing Director and CEO
Terry O'Reilly	Director
Martin Kriewaldt	Director

CEO and Managing Director

Nicole Hollows

Company Secretary

Lisa Dalton

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Contacts

Ian McAleese EGM - Corporate Development

Substantial Shareholders as at 18 October 2008

Name	% of Issued Shares
CITIC Australia Coal Pty Ltd	20.39
ArcelorMittal	19.90
POSCO	10.00

Number of ordinary shares on issue: 212,156,739

ASX Code

Ordinary shares: MCC