

COAL, 24/7

MACARTHUR COAL

LIMITED

16 December 2008

ASX Announcement

About Macarthur Coal

Macarthur Coal is an Australian coal company developing a new generation of coal assets in Queensland's Bowen Basin. The company currently holds 73.3% of the Coppabella and Moorvale mines.

The company's operations produce approximately 35% of the seaborne global demand for low volatile PCI coal, which is a high-growth coal market.

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

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MACARTHUR COAL ANNOUNCES PRODUCTION CUTS, HALF-YEAR PROFIT DOWNGRADE AND SUSPENSION OF INTERIM DIVIDEND

Macarthur Coal (ASX:MCC), along with many other commodity producers, has experienced a sudden and unprecedented reduction in coal sales as a result of postponement of coal shipments by some customers. The Board of Macarthur Coal is of the view that the current disruption to coal sales is significant and there is considerable uncertainty as to future movements in demand and when recovery will take place.

As a result, the Board announces a revision to the profit guidance for the first half of the 2009 financial year. Based on current forecasts, profit for the six months to December 2008 is now likely to be in the range of \$75 million to \$125 million. This revised guidance replaces the guidance given to the market on 16 October 2008 and reaffirmed on 13 November 2008 (\$150 million to \$160 million) and is due to the subsequent postponement of coal shipments advised by our customers.

The company is unable to provide a narrower first half profit guidance range because profit is sensitive to the assessment of currency hedge effectiveness and its resultant accounting treatment. This sensitivity is impacted by the timing of postponed coal sales and movements in the foreign exchange rate. The revised forecast therefore includes an amount of up to \$48 million (NPAT) for potential negative accounting adjustments for currency hedge impacts that may be brought to account in the December 2008 half that relate to post December hedging.

The prior guidance was subject to achieving the budgeted shipping schedule which has now been impacted by the recent postponement of December shipments by some customers and shipping delays at both DBCT and Abbot Point.

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The revised half year profit range also remains sensitive to the following assumptions:

- Achieving the revised shipping schedule given shipping delays at both Abbot Point and DBCT ports (Macarthur Coal's share 2.2Mt total sales)
- There being no change in the valuation of financial derivatives from 30 June 2008

Macarthur Coal's Chairman, Keith De Lacy said, 'Macarthur Coal has a solid balance sheet and will adopt proactive measures in order to conserve cashflow and reduce costs. Our revised sales target for the 2009 financial year is 3.9Mt, reduced from our previous forecast of 5Mt. At this point in time, expected total coal sales volumes are in line with, and prices higher than, those achieved in the 2008 financial year. The uncertainty as to when recovery will take place and the increasing pressures on costs generally, are all factors taken into account when making these decisions.'

The Board of Macarthur Coal has taken the decision not to declare an interim dividend. Further consideration will, however, be given to the payment of a final dividend at the end of the 2009 financial year.

'The decision not to pay an interim dividend and the measures outlined below have been made taking into account the potential gravity of the global financial crisis and its possible negative implications for short term growth. The Board believes that these factors necessitate a conservative and prudent stance', Mr De Lacy said.

The following measures will be implemented:

- Production cuts will occur at both Moorvale and Coppabella mines in order to ensure coal stockpiles are manageable
- There will be a deferral of uncommitted capital and exploration expenditure where possible

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- A review of projects will be undertaken and where prudent, projects will be deferred until the market recovers
- There will be a reduction in staffing levels of approximately 180 people across the company, comprising both employees and contractors

The situation is fluid and these measures are being implemented on a flexible and pragmatic basis appropriate to unfolding conditions.

'These are unprecedented times and these proactive measures are being taken in order to preserve shareholder value and provide the company with flexibility to respond as soon as market conditions improve. We are confident there will be a recovery in coal demand although we cannot predict when that is likely to happen. We are acting now to manage cashflow and costs in order to weather the current storm,' said Mr De Lacy.

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