

A leading *independent* Australian coal company



MARCH 2007 QUARTERLY REPORT

SALES

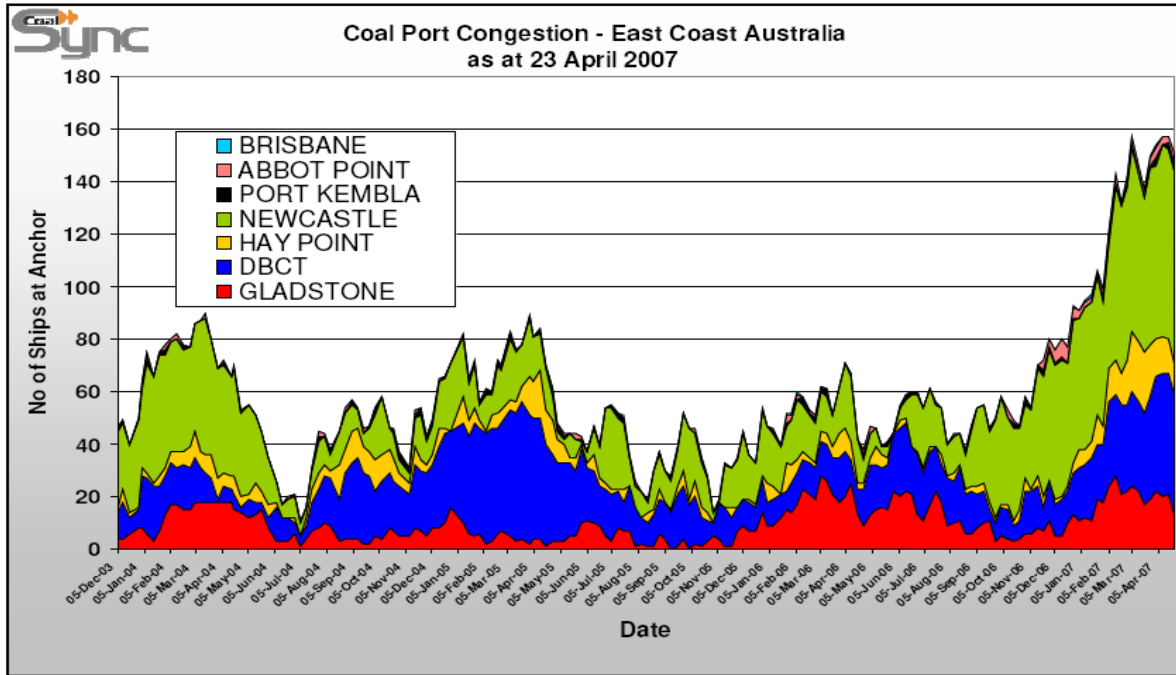
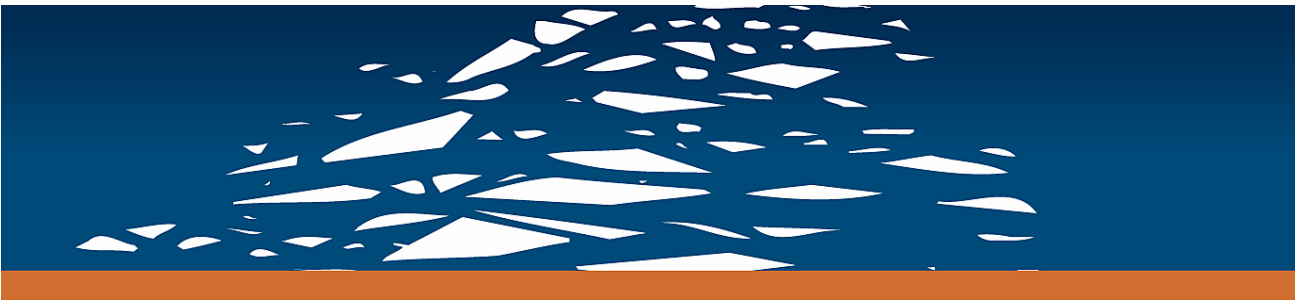
| MACARTHUR COAL'S ATTRIBUTABLE SALES - COPPABELLA & MOORVALE MINES (73.3%) | | | | | | | | |
|---|--------------------------------|------------------|--------|---------|-----------------------|---------|---------|--------|
| | | Actual - Quarter | | | Actual - Year to Date | | | |
| | | Mar-07 | Mar-06 | % Var | Mar-07 | Mar-06 | % Var | |
| | | 000s | 000s | | 000s | 000s | | |
| Coppabella | (excl. sale of purchased coal) | tonnes | 290.2 | 750.4 | (61.3) | 1,974.6 | 2,209.1 | (10.6) |
| Moorvale | (excl. sale of purchased coal) | tonnes | 328.3 | 535.6 | (38.7) | 771.1 | 1,459.4 | (47.2) |
| Sub-total | | tonnes | 618.5 | 1,285.9 | (51.9) | 2,745.6 | 3,668.6 | (25.2) |
| Purchased coal | | tonnes | 54.1 | 36.1 | 49.9 | 367.4 | 178.2 | 106.1 |
| Total | | tonnes | 672.6 | 1,322.0 | (49.1) | 3,113.0 | 3,846.8 | (19.1) |

The sale of coal produced at Macarthur Coal's mines for the March 2007 quarter was significantly lower than sales achieved in the corresponding 2006 quarter due to production issues and rain, which are outlined in the Production section of this report, and off-site infrastructure issues.

Off-site infrastructure issues restricted the delivery of coal to customers. The coal chain system operated in the March quarter at an annualised rate of 47.3 million tonnes compared with the contracted capacity of 60 million tonnes. Shipping congestion has increased with over 45 ships anchored off Dalrymple Bay Coal Terminal awaiting loading. Loading delays have increased from 14 days at the end of February to 28 days at the end of March. Increased congestion is being experienced at all coal ports along the eastern seaboard of Australia. The increase in port queues is illustrated by the graph on the next page. The operator of Dalrymple Bay Coal Terminal has introduced a vessel queue reduction strategy to reduce congestion which will result in a further reduction on a pro-rata basis of shippers' port entitlement.

Contract negotiations for contract year 2007 (12 months to 31 March 2008) have been finalised. US dollar price outcomes are consistent with market trends and the Company's expectations.

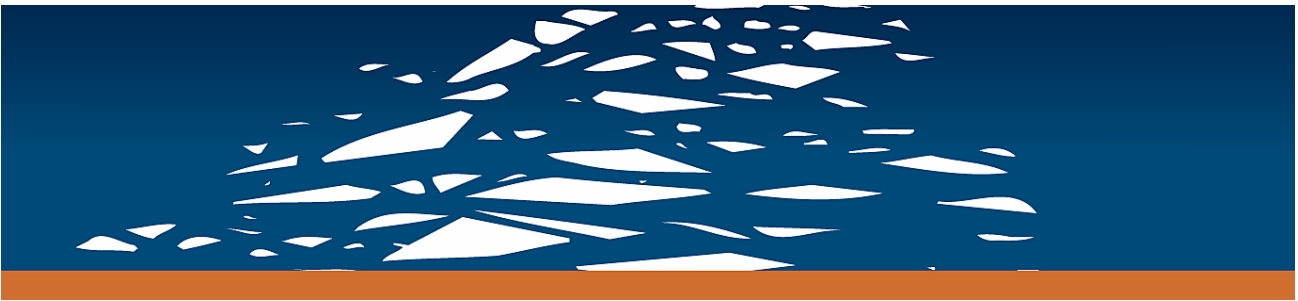
Current demand for low volatile PCI coal is high. The steel market is strong with major Asian and European steel producers increasing pig iron production. Additionally, supply is constrained by port capacity limitations.



PRODUCTION

| MACARTHUR COAL'S ATTRIBUTABLE PRODUCTION - COPPABELLA & MOORVALE MINES (73.3%) | | | | | | | |
|--|---------------|------------------|----------------|---------------|-----------------------|-----------------|---------------|
| | | Actual - Quarter | | | Actual - Year to Date | | |
| | | Mar-07 000s | Mar-06 000s | % Var | Mar-07 000s | Mar-06 000s | % Var |
| Overburden Removed | | | | | | | |
| Coppabella | bcm | 7,564.8 | 7,718.2 | (2.0) | 25,871.8 | 23,847.7 | 8.5 |
| Moorvale | bcm | 3,166.0 | 2,136.9 | 48.2 | 7,937.8 | 6,652.3 | 19.3 |
| Total | bcm | 10,730.7 | 9,855.1 | 8.9 | 33,809.6 | 30,500.0 | 10.9 |
| Run of Mine Coal Extracted | | | | | | | |
| Coppabella | tonnes | 807.2 | 658.0 | 22.7 | 2,799.6 | 2,417.8 | 15.8 |
| Moorvale | tonnes | 518.1 | 652.6 | (20.6) | 1,014.6 | 1,918.6 | (47.1) |
| Total | tonnes | 1,325.3 | 1,310.6 | 1.1 | 3,814.2 | 4,336.4 | (12.0) |
| Saleable Coal Production* | | | | | | | |
| Coppabella | tonnes | 516.0 | 677.3 | (23.8) | 1,963.3 | 2,227.7 | (11.9) |
| Moorvale | tonnes | 297.7 | 591.9 | (49.7) | 687.7 | 1,532.8 | (55.1) |
| Total | tonnes | 813.7 | 1,269.2 | (35.9) | 2,651.1 | 3,760.5 | (29.5) |

*Output from the coal handling and preparation plant



Coppabella Mine

Run of mine (ROM) coal production is significantly better this year with year to date production up by 15.8% compared with the same period last year. The improvement is associated with output from the East Pit which is operated by the workforce that transferred in December 2006 from Peter Champion Mining to Macarthur Coal.

Macarthur Coal's attributable East Pit ROM coal production for the March 2007 quarter was 298,300 tonnes, comprising 121,300 tonnes of PCI coal and 177,000 tonnes of ultra low volatile (ULV) coal. Year to date attributable production of ULV coal from the East Pit was 504,000 tonnes, most of which currently sits on ROM stockpiles for processing and sale at a later stage. Mining of ULV coal in the East Pit is necessary in order to access PCI coal occurring down dip.

Macarthur Coal's attributable ROM PCI coal production from the Johnson and South pits for the quarter was 508,900 tonnes, 21.5% below last year's result. Production for the quarter was adversely affected by sections of the South Pit highwall failing in December 2006 and January 2007, as reported in the December 2006 quarterly report. Operations were restricted by the need to work around areas affected by the failed wall and by the implementation of an alternative highwall design encompassing soft highwalls. A soft highwall is blasted ground. Soft highwalls reduce the risk of the highwall failing and improve personnel safety and production reliability.

Substantial rainfall also occurred during January and February, disrupting operations. However, mine site dams received significant runoff which eliminated the risk of ongoing disruptions to coal preparation operations due to lack of water.

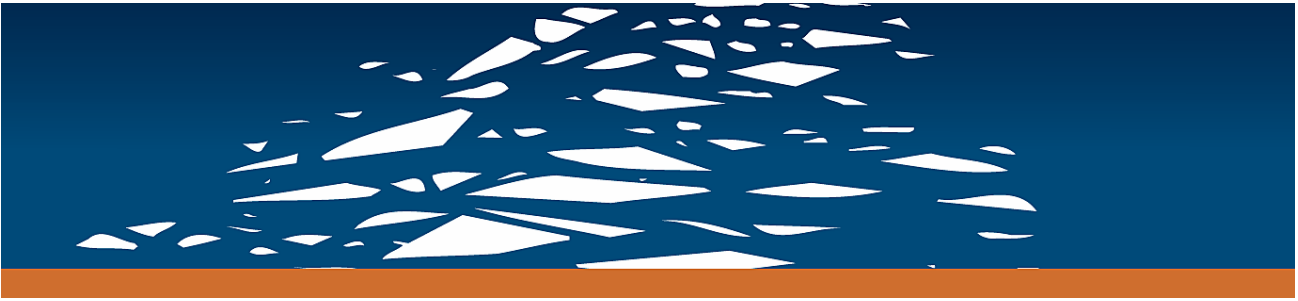
Moorvale Mine

Overburden removal for the March 2007 quarter and year to date significantly exceeded volumes moved last year. The increased overburden removal is required due to the ratio of overburden to coal in the second strip increasing from that in the first strip. The ratio is now approximately 5:1, nearly doubling that of the first strip. An additional excavator fleet was mobilised in the December 2007 quarter in response to the increased overburden removal requirements.

ROM coal production continued to be restricted by the move to the second strip. However, significant improvement in ROM coal production was achieved in the quarter. The increase occurred as the southern end of the pit has returned to normal operations. ROM coal production was 50% higher compared with December 2006 quarter production and 240% higher compared with September 2006 quarter production. The operation is on track to achieve significant improvement in the June 2007 quarter with operations at the northern end of the pit resuming throw blasting and dozer pushing of overburden.

Constrained ROM coal production has adversely affected saleable coal production, which is down 49.7 % for the quarter compared with the corresponding period last year, but up 9.5% on the previous quarter and up 151.8% on the September 2006 quarter. Saleable coal production is down 55.1% on a year to date basis to last year. Additionally, coal preparation plant yield is lower by 16.7% and 12% respectively on a quarter and year to date basis compared with the previous year. The yield reduction was caused by the processing of coal with a higher inherent ash coming from the southern end of the pit and production of a lower ash coking coal product.

Substantial rainfalls occurred in January and February, filling all mine site dams.



Health and Safety Performance

The Lost Time Injury Frequency Rates (LTIFR) for the Coppabella and Moorvale mines, as a twelve month rolling average from 1 April 2006 to 31 March 2007, were:

- ◆ Coppabella Mine – 6.25
- ◆ Moorvale Mine – 0

The state average LTIFR for open-cut-coal mines for year ended June 2006 was 4.5.

Environmental Performance

In the three months to 31 March 2007 no reportable environmental issues occurred at Macarthur Coal's mining operations.

PROJECT PIPELINE

A significant amount of exploration time was lost during the quarter primarily due to wet weather preventing drilling taking place and delaying access to drilling sites until the ground became firm enough to support drilling rigs and ancillary equipment.

The shortage of exploration rigs, experienced geologists and geophysical logging units together with the inability of laboratories to meet the demand for coal testing continue to limit exploration activity in Queensland.

Olive Downs Project

The public notification period applicable to the processing of the mining lease applications closed in February. No objections were received with respect to the mining lease over the proposed open-cut mine. Three objections were received with respect to the mining lease over the transport corridor linking the Olive Downs open-cut area with Moorvale Mine. Management is now considering the objections.

Infill drilling between Olive Downs and Moorvale West continued during the quarter in search for potential open-cut resources. Drilling and testing will continue into the June quarter.

Vermont East

The Vermont East tenements are being actively drilled with a priority on assessing their potential for open-cut development. Wet weather restricted drilling activities to one month in the March 2007 quarter.

Capricorn

Drilling and geophysical logging of holes in the Capricorn tenement occurred during the quarter. The existence of Rangal Measures in the tenement was confirmed. The coal seams are up to 5.8 metres thick. Rangal Measures are mined at Coppabella and Moorvale mines. Drilling is scheduled to continue in the June 2007 quarter.

Exploration Expenditure

Exploration expenditure incurred by Macarthur Coal during the March 2007 quarter was \$1.5 million.

OTHER ISSUES

Foreign Exchange Contracts

The value of foreign exchange contracts held at 31 March 2007 was:

| Period covered by FX Hedge Contracts | US dollar value | FX rate A\$1.00 = US\$ | A\$ Unrealised gain based on A\$:US\$ spot rate of \$0.807* |
|--------------------------------------|--------------------|---------------------------|---|
| Apr 07 to Jun 07 | 56,259,187 | 0.776 | 2,803,691 |
| Jul 07 to Jun 08 | 192,595,561 | 0.778 | 8,836,318 |
| Total | 248,854,748 | 0.778 | 11,640,008 |

* A\$:US\$ spot rate as at 31 March 2007

Profit Guidance

The annual sales target of 4.5 million tonnes, excluding purchased coal, has been revised to 3.7 million tonnes after taking account of production performance for the December and March quarters and off minesite infrastructure constraints. The sales target, including sale of purchased coal, is 4.1 million tonnes.

Despite the change to the sales target, forecast net profit after tax of \$63 million to \$73 million remains unchanged.

Transfer of the Workforce to Macarthur Coal

On 1 December 2006, Macarthur Coal became an owner operator as a result of purchasing mining equipment from Peter Champion Mining (PCM) and arranging for the PCM workforce to transfer to Macarthur Coal. Macarthur Coal's owner operator operations take place in the East Pit at Coppabella Mine.

The establishment of the owner operator function within Macarthur Coal has proceeded in accordance with the Company's plans, providing more control and flexibility with mining operations.

Management has worked with the people who transferred from PCM to develop a replacement employment arrangement with terms and conditions beneficial to employees and the Company. During the week ended Friday 13 April 2007, the proposed arrangements were put to employees for adoption. The vote resulted in 93% being in favour of the new arrangements.

Since Macarthur Coal became an owner operator, an 8.3% reduction in the unit cost of East Pit coal delivered to the top of pit has been achieved compared with the cost incurred when a contractor was operating in the East Pit.

MACARTHUR COAL TENEMENTS



Shareholder Enquiries

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CORPORATE INFORMATION

Directors

| | |
|-----------------------|-----------------|
| Hon. Keith De Lacy AM | Chairman |
| Roger Marshall, OBE | Deputy Chairman |
| Ken Talbot | Director |
| Don Nissen | Director |
| Peter Forbes | Director |

CEO

Nicole Hollows

Company Secretary

Bob Adams

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Contacts

Ian McAleese Vice President - Corporate Development

Substantial Shareholders as at 31 March 2007

| Name | % of Issued Shares |
|--------------------------------|--------------------|
| Ken Talbot and related parties | 35.57 |
| CITIC Australia Coal Pty Ltd | 11.62 |
| Sprott Asset Management Inc | 5.98 |
| Asset Value Investors Ltd | 5.01 |

Number of ordinary shares on issue: 187,380,346

ASX Code

Ordinary shares: MCC