

# Half Year Financial Report

Period Ended 31 December 2003

25 February 2004



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## Macarthur Coal Overview

- ◆ **IPO: 5 July 2001**
- ◆ **Shares currently: \$1.55**
- ◆ **Current market capitalisation: \$199 million**
- ◆ **Coal mine developer and operator**
- ◆ **Strong joint venture and customer relationships**
- ◆ **Global leader in supply of low volatile PCI coal**



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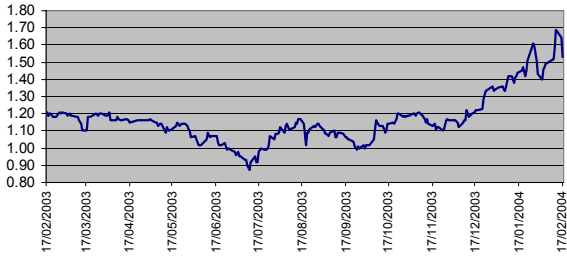
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## Macarthur Coal Overview

Macarthur Coal Share Price



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## Half Year Highlights

	6 months to 31 December 2003	Change on Comparable Period 6 months to 31 December 2002
Coal Revenue	\$93.0m	Up 48%
Cost of Goods Sold	\$76.5m	Up 60%
EBITDA	\$10.0m	Down 30%
EBIT	\$5.5m	Down 47%
NPAT	\$(0.28m)	Down 105%

Previous guidance of loss up to \$2 million for 6 months to 31 December 2003

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## Half Year Highlights

### Growth Projects

\* Previous corresponding period Half Year ended 31 December 2002

- ◆ Moorvale commenced commercial production in December - 1.5 Mt production expected in current financial year
- ◆ Ownership in Coppabella increased by 23.3% to 73.3%
- ◆ Macarthur Coal's attributable production capacity now 4.25 Mtpa - up 2 Mtpa

### Improvement Initiatives

- ◆ Moorvale Mine production capacity at 2 Mtpa
- ◆ Second Contractor at Coppabella to boost ROM coal stocks
- ◆ Access to South Pit from January 04 will progressively relieve operational constraints
- ◆ Significant US\$ price increases to positively impact future results

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## Hedge Position at 31 December 2003

Period Covered by FX Hedge Contracts	US dollar value	FX rate A\$1.00 = US\$	% of Revenues hedged by FX contracts <sup>1</sup>	A\$ Unrealised gain based on A\$:US\$ spot rate of \$0.749 <sup>2</sup>
Jan 04 to Dec 04	96,284,000	0.593	64%	35,624,000
Jan 05 to Dec 05	58,262,000	0.596	39%	20,828,000
Jan 06 to Dec 06	8,150,000	0.558	5%	3,731,000
<b>Total</b>	<b>162,696,000</b>	<b>0.592</b>	<b>36%</b>	<b>60,183,000</b>

1 Based on current USD coal price

2 US\$ spot rate as at 31 December 2003

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## Coal Sales

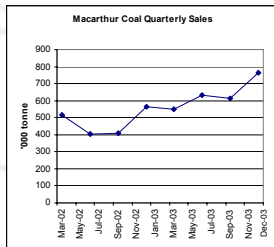
◆ Macarthur Coal's attributable coal sales increased 66% to 1.6 Mt for half year

◆ Total sales from Coppabella Mine (100%) decreased slightly (0.5%) to 1.93Mt

◆ Total sales from Moorvale Mine (100%) totalled 263,300 tonnes

◆ Rainfall in December caused production delays but removed threat to expanding future production capacity

◆ Macarthur Coal now owns 73.3% of the unified Coppabella and Moorvale Joint Venture



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## Major Financial Impacts

### Foreign Exchange

- ◆ Increase in the AUD/USD during the last half had a negative impact of \$12.6m
- ◆ Impact of the rising A\$ was mitigated by gains on FX hedges of \$11.6m

### EBITDA Reduction

- ◆ Increased rehandling costs primarily due to trucking Moorvale ROM to Coppabella for processing of \$2.3m
- ◆ Increased demurrage costs of \$1.0m

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## Major Financial Impacts

### Borrowing Costs

- ◆ Borrowing Costs increased by \$4.1m due to:
  - ◆ Increased project finance debt due to increased interest in Coppabella
  - ◆ TIC financing charges
  - ◆ Write-off of Moorvale borrowing costs due to joint venture unification (\$1.9m)
  - ◆ Interest on project finance debt for the development of Moorvale
  - ◆ Interest on Convertible notes issued in December 2002

### Amortisation and Depreciation

- ◆ Amortisation and Depreciation increased by \$0.5m due to:
  - ◆ An increase of 23.3% interest in the Coppabella Mine
  - ◆ Start of commercial production at Moorvale from December 2003
  - ◆ Impact was mitigated by an increase in recoverable reserves and life of mine extended

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## Outlook - Second Half

- ◆ Current full year NPAT forecast is \$6.0m to \$7.5m
- ◆ Second half profit turnaround due to:
  - ◆ Increased sales tonnage due to Moorvale becoming fully operational
  - ◆ Reduced coal preparation fees
  - ◆ Demurrage reverting to more normal levels
  - ◆ US\$ coal price increases
- ◆ Forecast is based on the following assumptions:
  - ◆ A 77 cent A\$/US\$ FX rate for the second half of the year
  - ◆ No further production disruptions at Coppabella
  - ◆ Undelivered JFY 03 contracted tonnage being sold at JFY 03 prices in JFY 04

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## Outlook - Second Half

- ◆ A reclaiming machine at the Dalrymple Bay Coal Terminal (DBCT) failed on February 15
  - ◆ DBCT throughput significantly reduced
  - ◆ Macarthur's shipping program impacted for remainder of AFY04
  - ◆ Likely declaration of *force majeure*
  - ◆ Impact on full year financial forecast is currently being assessed and market will be advised if the impact is material
- ◆ Macarthur Coal focussed on minimising impact to customers

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## Outlook - Next Financial Year

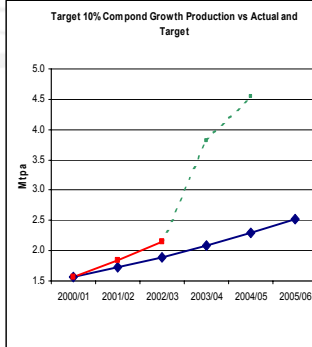
Outlook for 2004/2005 is strong due to:

- ◆ Significantly increased US\$ prices for low volatile PCI coal
- ◆ Increased attributable production to 4.5 Mtpa
- ◆ Improvement in ROM coal availability through appointment of a second contractor at Coppabella
- ◆ Access to lower strip ratio high yielding coal from South Pit at Coppabella
- ◆ Moorvale production capacity of 2 Mtpa with a low average strip ratio of 2.8 bcm overburden per tonne of ROM coal
- ◆ Sufficient water now available to guarantee production capacity during 2004/2005
- ◆ No new competitors' low volatile PCI developments likely to materially boost supply during 2004/2005
- ◆ Steel industry growth likely to remain strong during 2004/2005

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## Growth Performance

- ◆ Prospectus commitment was 10% compound growth rate in coal production
- ◆ Period to 30 June 2003 achieved 17.2% compound growth in coal production
- ◆ Future growth driven by increased ownership in Coppabella (50% to 73.3%) with approx 1 Mtpa increase in attributable production
- ◆ Moorvale production commencement at a rate of 2 Mtpa - Macarthur Coal share 1.4 Mtpa



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## Location of Coal Mines and Tenements

- ◆ Macarthur Coal maintains a large exploration program
- ◆ In a strong market, greater shareholder value is delivered through discovery and development of new projects, rather than acquisitions
- ◆ Macarthur Coal has a strong project pipeline of future developments



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## Conclusions

- ✓ Increasing ROM coal production
- ✓ Strong hedge book – securing profitability in volatile exchange rate environment
- ✓ Proven ability to deliver growth
- ✓ Achieved two-mine company objective in December 2003
- ✓ Strong worldwide demand for low volatile PCI coal
- ✓ **Improving the financial performance of the company is our priority**

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