

# Macarthur Coal

## December 2004 Quarter Progress Report

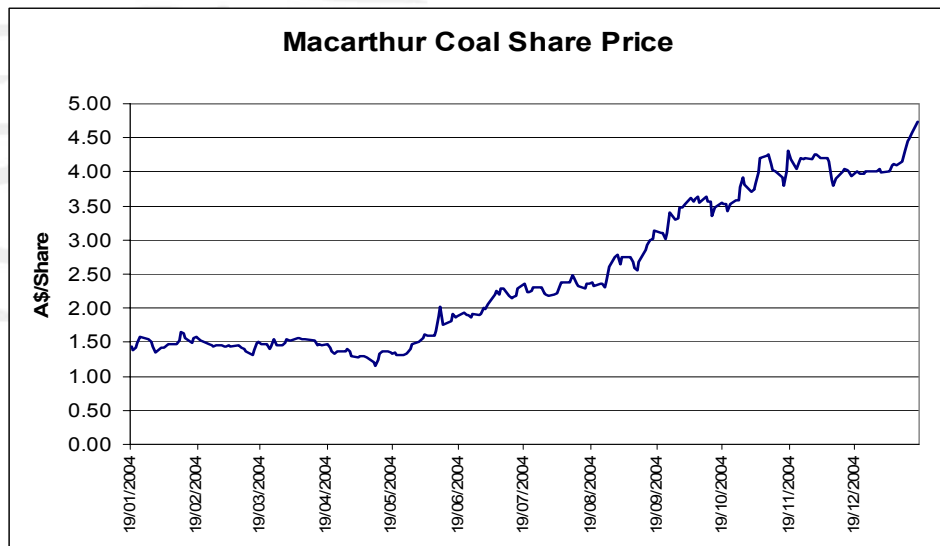


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## Share Price History



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## Overview

### Sales

- ◆ Continuation of extremely high demand for low volatile PCI coal
- ◆ Price negotiations currently underway and expected to be finalised during next quarter
- ◆ Record Macarthur Coal quarterly sales of 1.26 Mt (up 65% on Dec 03)

### Operations

#### Coppabella

- ◆ ROM production at 1.6 Mt for the quarter (30% up on Dec 03)
- ◆ Saleable production 1.07 Mt for the quarter (13.6% up on Dec 03)  
4.3 Mtpa annualised rate for the quarter

#### Moorvale

- ◆ ROM production of 0.9 Mt for the quarter (118% up on Dec 03)
- ◆ Saleable production of 0.57 Mt for the quarter (113% up on Dec 03)  
2.3 Mtpa annualised rate for the quarter



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## Overview

### Exploration and Development

- ◆ **West Rolleston – 35Mt of Inferred and 45Mt of Indicated Resources defined. Feasibility study and EIS underway in preparation for lodgement of a mining lease application.**
- ◆ **Olive Downs – Tests have confirmed hard coking coal in a large diameter core and further large cores will be obtained.**
- ◆ **West Moorvale – Slimcore drilling progressing to define resource size and coal quality. Initial test work indicates coking coal is present in the lower half of the five metre coal seam.**

### Corporate

- ◆ **Convertible Note debt decreased by \$19.7m to \$10.2m following conversion on 31 Dec 04.**
- ◆ **Commitment to final feasibility study on the establishment of a coke plant.**

## Coal Markets

- ◆ Demand for Pulverised Coal Injection (PCI) coal continues to be strong. Global pig iron production showing no signs of slowing.
- ◆ Record price rises for hard coking coal have been reported for JFY05.
- ◆ Prices for Australian hard coking coal are reported to be as much as 120% higher than JFY04 prices.
- ◆ Increased production to capitalise on the strong demand is constrained by infrastructure limitations. No changes to infrastructure capacity are anticipated for 2005.

## Sales

		Actual - Quarter			Actual - Year to Date		
		Dec-04	Dec-03	% Var	Dec-04	Dec-03	% Var
		000s	000s		000s	000s	
Coppabella (excl. sale of purchased coal)	tonnes	1,106.0	929.9	18.9%	2,317.6	1,932.7	19.9%
Moorvale (excl. sale of purchased coal)	tonnes	618.4	115.3	436.2%	1,128.6	263.3	328.7%
<b>Total</b>	tonnes	<b>1,724.4</b>	<b>1,045.2</b>	<b>65.0%</b>	<b>3,446.2</b>	<b>2,196.0</b>	<b>56.9%</b>
Macarthur Coal's attributable sales (73.3%)	tonnes	1,264.0	766.1	65.0%	2,526.0	1,609.6	56.9%

- ◆ Macarthur Coal's attributable quarterly sales exceeded the previous record, established in the previous quarter, by 1,900 tonnes.
- ◆ Sales from the Coppabella and Moorvale mines are in-line with the annual targets: 4.2 million tonnes and 2 million tonnes respectively.



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## Operations

PRODUCTION - COPPABELLA & MOORVALE MINES (100%)							
		Actual - Quarter			Actual - Year to Date		
		Dec-04	Dec-03	% Var	Dec-04	Dec-03	% Var
		000s	000s		000s	000s	
<b>Overburden Removed</b>							
Coppabella	bcm	12,674.9	10,047.0	26.2%	26,354.9	19,815.0	33.0%
Moorvale	bcm	2,786.6	1,447.4	92.5%	5,486.6	2,992.3	83.4%
<b>Total</b>	<b>bcm</b>	<b>15,461.5</b>	<b>11,494.4</b>	<b>34.5%</b>	<b>31,841.6</b>	<b>22,807.3</b>	<b>39.6%</b>
<b>Run of Mine Coal Production</b>							
Coppabella	tonnes	1,629.9	1,248.5	30.5%	3,009.8	2,484.5	21.1%
Moorvale	tonnes	897.3	411.0	118.3%	1,874.5	823.7	127.6%
<b>Total</b>	<b>tonnes</b>	<b>2,527.2</b>	<b>1,659.5</b>	<b>52.3%</b>	<b>4,884.3</b>	<b>3,308.1</b>	<b>47.6%</b>
<b>Saleable Coal Production</b>							
Coppabella	tonnes	1,069.1	941.4	13.6%	2,351.7	1,918.4	22.6%
Moorvale	tonnes	570.8	267.4	113.5%	1,240.2	419.7	195.5%
<b>Total</b>	<b>tonnes</b>	<b>1,639.9</b>	<b>1,208.8</b>	<b>35.7%</b>	<b>3,591.9</b>	<b>2,338.1</b>	<b>53.6%</b>

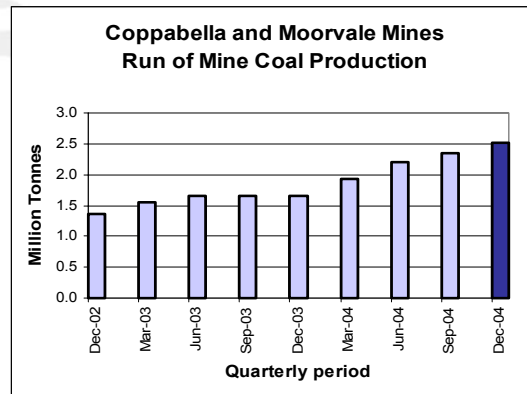
- ◆ An excellent quarterly and first half production result
- ◆ Raw coal and product coal inventories raised to 400,000 tonnes to mitigate impacts of potential wet season



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## Operations

- Run of mine coal production at the Coppabella and Moorvale mines continued the positive trend established in the March 2004 quarter following the establishment of a second contractor at the Coppabella Mine and the production target at the Moorvale Mine being increased to 2 million tonnes per annum.



## Hedge Position at 31 December 2004

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 \$0.78*
Jan 05 to Dec 05	154,885,732	0.682	28,442,320
Jan 06 to Dec 06	83,339,062	0.696	12,787,192
<b>Total</b>	<b>238,224,794</b>	<b>0.687</b>	<b>41,229,511</b>

\* A\$:US\$ spot rate as at 31 December 2004

## Coke Project

- ◆ A global coke shortage exists due to growth in steel production and the closure of old coke ovens.
- ◆ Macarthur Coal's subsidiary, Queensland Coke & Energy Pty Ltd, together with Stanwell Corporation is investigating the feasibility of establishing a new generation coke making plant to capitalise on the strong coke market.



Source:  
Central  
Queensland  
Port Authority

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## Coke Project

- ◆ The feasibility study is evaluating the use of a modern and proven heat recovery coke making technology to produce a superior quality coke for the export market.
- ◆ Macarthur Coal's share of the feasibility study cost is \$5 million.
- ◆ Results of the study are expected to be available in the December 2005 quarter.

### Area for Coke Plant Next to Stanwell Power Station

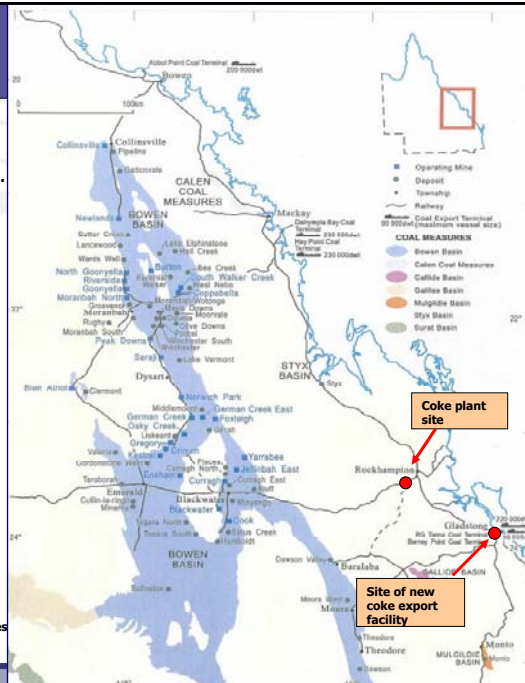


Source:  
Stanwell Corporation Limited

## Coke Project

- ◆ Project development will be subject to contractual support from steel mills. Steel mills have registered strong interest both in the coke product and participating in the project.
- ◆ The Queensland Government has declared the project a 'significant project' pursuant to the State Development and Public Works Organisation Act. The declaration will streamline government approval processes.

Map source:  
Queensland Government Department of Natural Resources and Mines



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## Exploration

- ◆ Macarthur Coal continues to focus on upgrading projects to an advanced status.
- ◆ Work is being undertaken to define Reserves and to enable the lodgment of mining lease applications. Project development is being timed to coincide with the expansion of infrastructure.
- ◆ Drilling activity has been restricted by the high demand for drilling rigs as a result of increased exploration activity in the Bowen Basin.
- ◆ Seasonal wet weather in December 2004 also impacted fieldwork.

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## Exploration

### West Rolleston

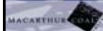
- ◆ An 80 million tonne thermal coal resource has been defined comprising 35 Mt of Inferred Resources and 45 Mt of Indicated Resources. Further drilling is underway to upgrade the resource status and to confirm the existence of additional resources.
- ◆ A feasibility study and an environmental impact study to accompany the mining lease application are progressing.

### Olive Downs

- ◆ Combustion testing confirmed the existence of hard coking coal in a large core sample. Additional large core samples will be obtained for further testing.

### West Moorvale

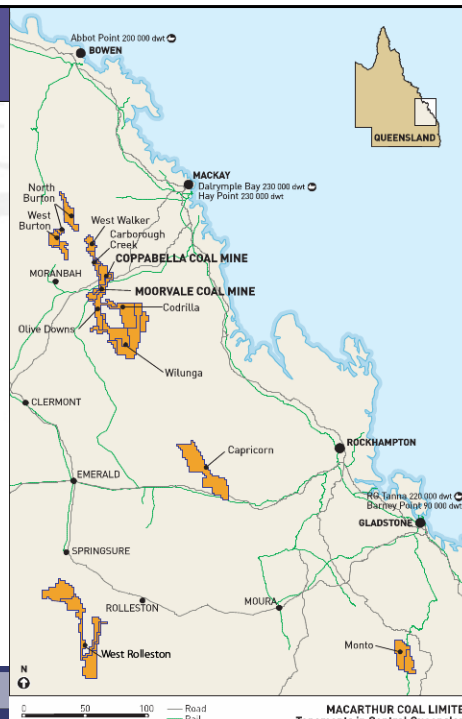
- ◆ The slimcore drilling program progressed throughout the quarter to define resource size and to obtain coal samples for analysis. The results from initial test work indicate the presence of a coking coal in the lower half of the five metre seam.



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## Location of Coal Mines and Tenements

- ◆ Coppabella: MCC 73.3%
  - ◆ Low Vol PCI coal
  - ◆ Ultra low volatile coal
- ◆ Moorvale: MCC 73.3%
  - ◆ Low Vol PCI coal
  - ◆ High Energy Thermal coal



MACARTHUR COAL LIMITED  
Tenements in Central Queensland

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## Conclusions

- ✓ Excellent low volatile PCI contract settlements expected for JFY05 following reported coking coal price settlements.
- ✓ Operational reliability continues positive trend – Solid first half production.
- ✓ Strong hedge book – securing profitability in volatile exchange rate environment.
- ✓ Entrepreneurially investigating the feasibility of a coke plant in Queensland.