Macarthur Coal

Presentation on the Half Year Financial Report

Period Ended 31 December 2004

23 February 2005

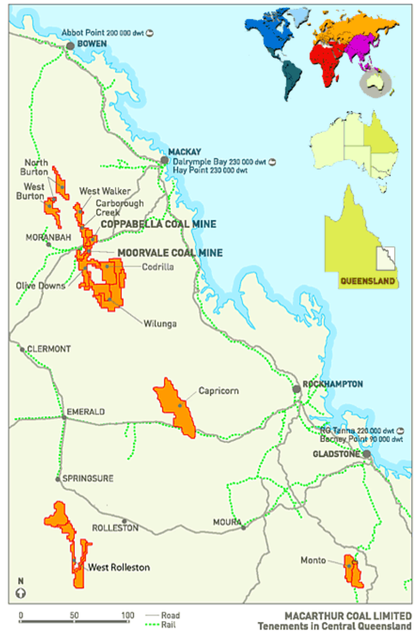
Presenters: Nicole Hollows – Chief Financial Officer
Shane Stephan – VP Strategy and Corporate Development

MACARTHUR COAL LIMITED

Contents

Overview - Macarthur Coal

- IPO: 5 July 2001
- Shares currently: $6.15
- Market capitalisation in excess of $1,042 million as at 18 February
- Coal mine developer and operator
  - 73.3% ownership of Coppabella and Moorvale mines
  - 6.2 Mtpa managed production, 4.5 Mtpa attributable production
- Strong joint venture and customer relationships
- Global leader in supply of low volatile PCI coal
- Organic growth opportunities via exploration and coke project.



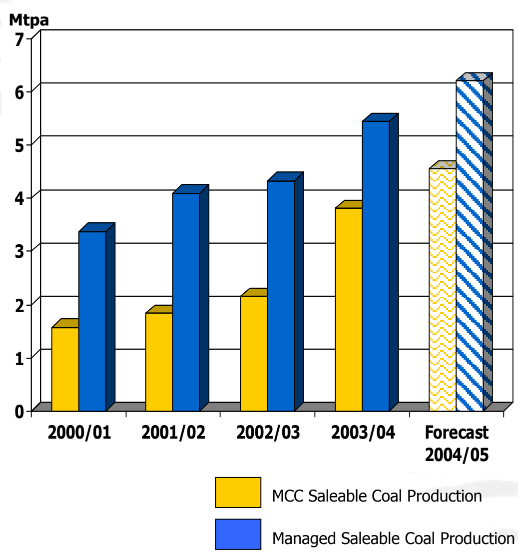
Overview – Macarthur Coal

Sales

- Continuation of extremely high demand for low volatile PCI coal
- Price negotiations expected to be finalised March 2005
- Record quarterly sales of 1.26 Mt (up 65% on Dec 03).

Operations

- Positive trend for ROM production
- On track to achieve 4.5 Mtpa attributable saleable coal production target.



Overview – Macarthur Coal

Exploration and Development

- 80 Mt Resource announced at West Rolleston where drilling continues
- Hard coking coal found at West Moorvale
- Confirmation of hard coking coal in a large diameter core at Olive Downs
- Project development is being timed to coincide with the expansion of infrastructure.

Improvement Initiatives

- Second contractor established at Coppabella in East Pit
- Water supply risk reduction project established
  - A link from existing Mallawa water pipeline into Eungella Pipeline
  - Participation in a detailed design of Burdekin Pipeline
- Transport infrastructure options being investigated.

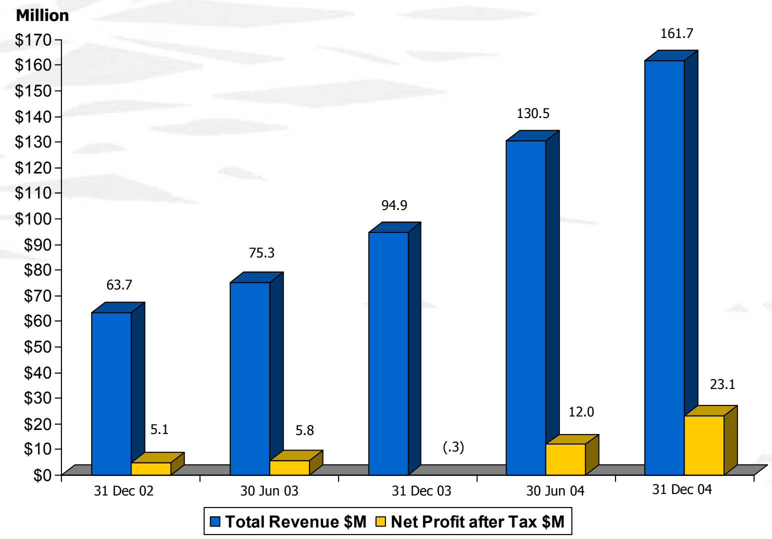
Corporate

- Convertible Note debt decreased by $19.7m to $10.2m following conversion on 31 December 04
- Commitment to feasibility study on the establishment of a coke plant
- Strong surplus operating cashflows to assist in funding future growth opportunities.

Key Financial Results for Dec 2004 Half Year

$ Millions	6 months to 31 Dec 2004	6 months to 31 Dec 2003	Change on Comparable Period - 6 months to 31 Dec 2004	12 months to 30 Jun 2004
Coal Revenue	$160.6	$93.1	Up 72.5%	$222.3
EBITDA	$44.6	$9.7	Up 361.3%	$37.3
NPAT	$23.1	$(0.3)	n/a	$11.7
EPS (diluted)	14.18 cps	(0.22) cps	n/a	8.6 cps
Dividend	7.0 cps	Nil	n/a	3.8 cps

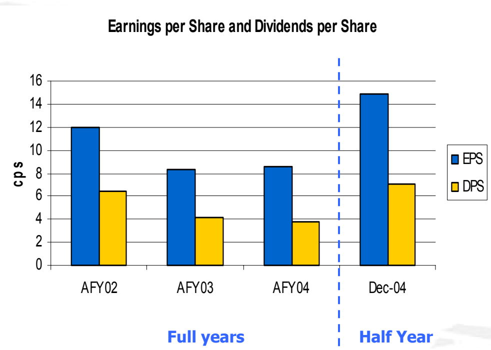
Key Financial Results for Dec 2004 Half Year



Key Financial Results for Dec 2004 Half Year

- **Improved earnings and dividends**

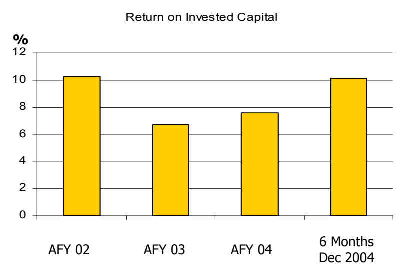
	6 months Dec 04	12 months Jun 04
Gross Profit Margin	35%	22%
EBITDA Margin	28%	17%
Earnings per share (Basic)	14.9	8.6
Dividends per share	7.0	3.8
Interest Cover Ratio (EBITDA/Interest Expense)	12.5 times	4.9 times

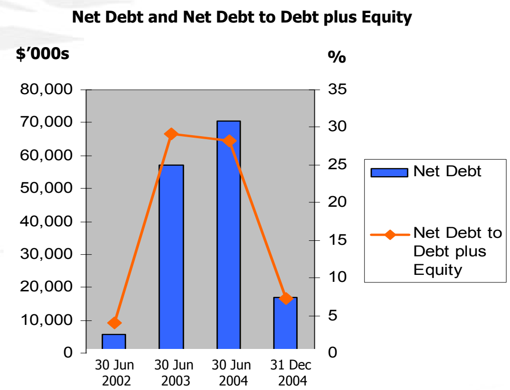


Key Financial Results for Dec 2004 Half Year

- Improved balance sheet position - reduced debt, increased cash and increased shareholders equity

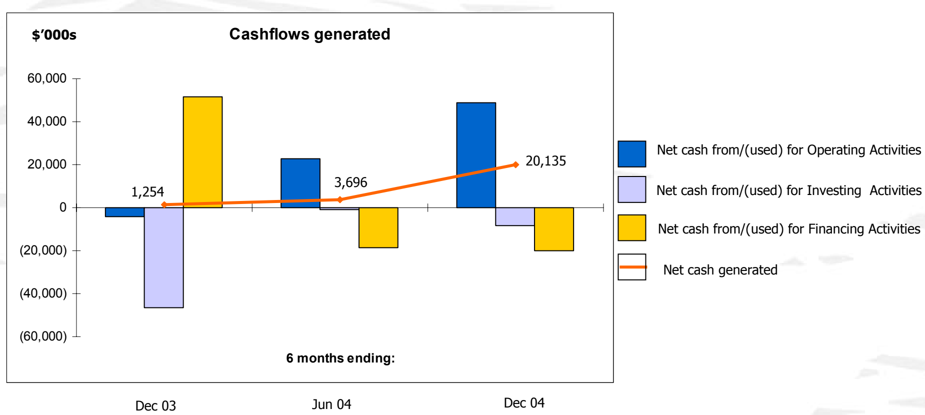
	As at 31 Dec 04	As at 30 Jun 04
NTA Backing	$1.29/share	$1.16/share
ROIC	10.1%	7.5%
Net Debt:Net debt plus equity	7.3%	28.2%
Net Debt: Equity	7.8%	39.2%





Key Financial Results for Dec 2004 Half Year

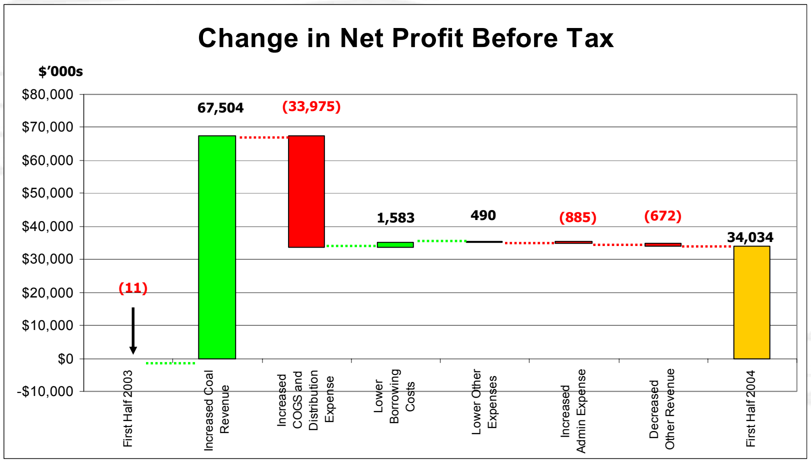
- Strong cashflows, generating a net $20.1 million for the six month period:



- An increase of $52.9 million in Dec 2004 operating cashflow compared to the December 2003 period
- Minimal capital investment and reduced borrowings for the December 2004 period.

Detailed Financial Performance Dec 2004 Half Year

- EBITDA increased by $34.9 million to $44.6 million for the six months to December 2004
- NPBT was $34.0 million, an increase of $34.0 million which resulted from:

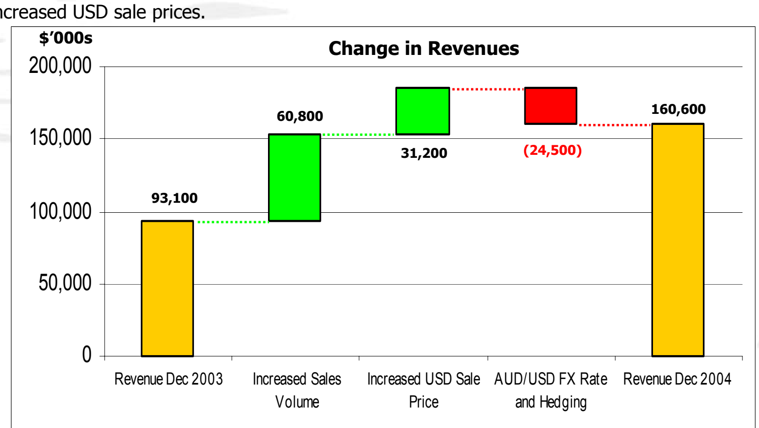


Detailed Financial Performance Dec 2004 - Revenue

Sales Revenue

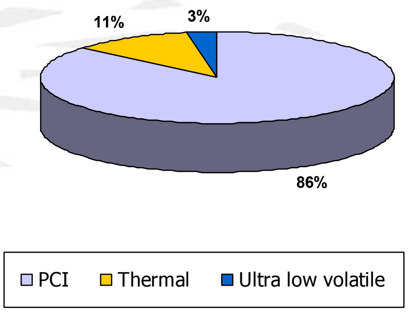
Increased 72.5% to $160.6 million for the half year to December 2004 due to:

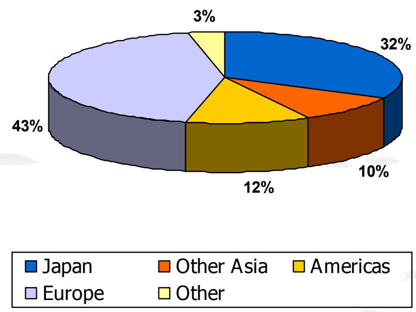
- Coal sales volume at Coppabella and Moorvale increase of 1.2 Mt (53% for half year) in response to strong demand for low volatile PCI coal
- Increased USD sale prices.



Detailed Financial Performance Dec 2004 – Revenue

Sales revenue is diversified in terms of product and customers:





Detailed Financial Performance Dec 2004 - Expenditure

Cost of Sales and Distribution costs increased due to:

- Increased sales of purchased and produced coal (1.2 million tonnes, MCC: 906,000 tonnes)
- Higher royalty costs ($4.8 million) as a result of higher coal prices and increased sales volume
- Higher site depreciation and amortisation of mining tenement ($3.2 million) due to increased sales volume and start of operations at Moorvale
- Increased demurrage costs due to DBCT port congestion ($3.6 million).

The above increases were offset by:

- Improved processing yields at both Coppabella and Moorvale mines
- Lower Moorvale operating costs due to improved efficiencies and cessation of hauling coal to Coppabella for processing.

Administration Costs increased $0.9 million to support company growth.

Detailed Financial Performance Dec 2004 - Expenditure

Other Expenses reduced $0.5 million due to:

- Higher rehabilitation accrual in the December 2003 period when the Moorvale Mine commenced operations
- The cost of assets sold in the December 2003 period including the 3.7% interest in the Moorvale Mine.

FX losses of $1.2 million - included in Other Expenses - were caused by the strengthening AUD relative to the USD on the USD denominated bank accounts and accounts receivable balances.

Borrowing Costs reduced $1.6 million due to:

- December 2003 period including the write-off of borrowing costs related to refinancing the unification of the Coppabella and Moorvale joint ventures and acquisition of the additional interest in Coppabella
- Increased interest expense for Moorvale due to higher debt levels as a result of completion of construction of the mine in December 2003.

Interest Revenue increased $0.7 million, as a result of surplus cash being invested.

Other Revenue reduced as a result of proceeds from the disposal of the 3.7% interest in the Moorvale Mine.

Detailed Financial Performance Dec 2004 - Dividend

- Interim dividend of 7.0 cents per share declared
- Fully franked interim dividend of $11.9 million
- Total dividend is approximately 50% of NPAT in accordance with board policy
- Record Date: 17 March 2005
- Payable: 31 March 2005.

Detailed Financial Performance Dec 2004 – FX Hedging

- The USD term loan facility for Coppabella and Moorvale has FX rate of US$0.6186 over the term of the loan, which provides a total natural hedge for US$20.745 million revenues
- Unrealised gain on hedge book based on spot rate at 31 December, 2004 is A$41.2 million.

Period covered by FX Hedge Contracts	US dollar value	RX 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	0.6820	28,442,320
Jan 06 to Dec 06	83,339,062	0.6960	12,787,192
Total	**238,224,794**	**0.6870**	**41,229,511**

2005 Financial Performance Outlook

- **Full year NPAT market guidance has been revised from $40 - $45 million to $48 - $55 million**
  - The increase takes account of USD coal price settlements for JFY 05
  - The forecast is highly sensitive to the impact of port congestion at DBCT
  - Principal assumptions are:
    - No further congestion at DBCT
    - No additional demurrage
    - No additional carryover tonnage
    - No further industry cost pressure
    - AUD/USD FX rate of US$0.77
- **Strong operating cashflows are expected to continue.**

2006 Outlook – Coal Markets

- Demand for 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
- Big ticket growth countries include: China, Brazil and India.

2006 Outlook – Coal Markets

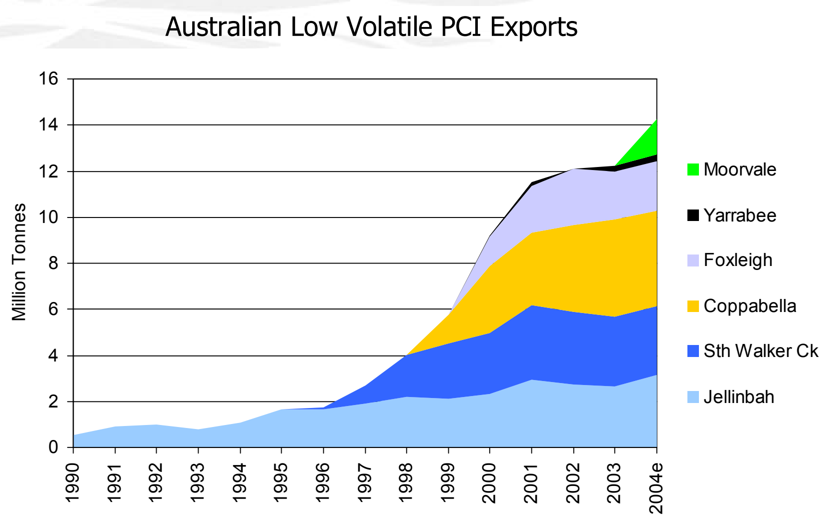
Why is demand strong for PCI?

- Lowers overall cost of raw materials for customers
- Replacement for coke.

Why is demand strong for low volatile coals for use in the PCI process?

- Important for maximising productivity of blast furnaces
- High replacement ratio for coke
- All major steel mills have PCI facilities and seeking to expand PCI consumption
- Steel industry growth plans include use of low volatile coals for PCI consumption to ensure competitiveness.

2006 Outlook – Coal Markets



2006 Outlook – Coal Markets

JFY 2005 Coal Pricing

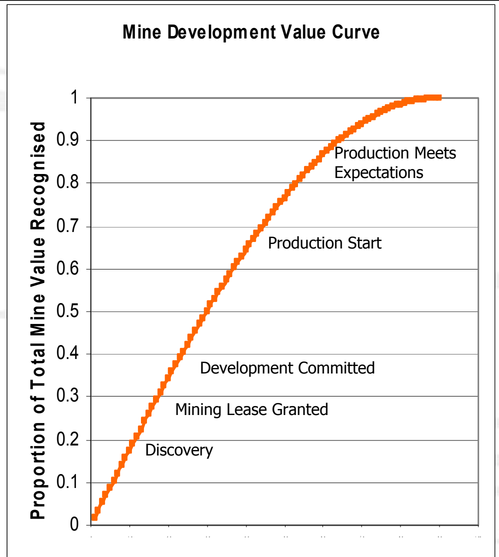
- Hard coking coal: settled
  - Up approximately 120%, contract tonnage
- Steaming coal: settlements occurring
  - Up approximately 20%
- PCI coal (low volatile): settlements occurring
  - Up, broadly the same percentage as hard coking coal
  - Now clearly a separate category priced according to ‘value in use’:
    - High replacement ratio for coke (0.9 Low volatile vs 0.7 High volatile)
    - Maximises productivity of blast furnaces.

Looking forward - Strategy

- To develop grass roots assets into operating coal mines

Result

- Strategy remains unchanged
- The value curve for mine development remains "uncontestable"
- Still provides **maximum** value, creating options for shareholders i.e. no premium to be paid to third parties particularly in times of high commodity prices.



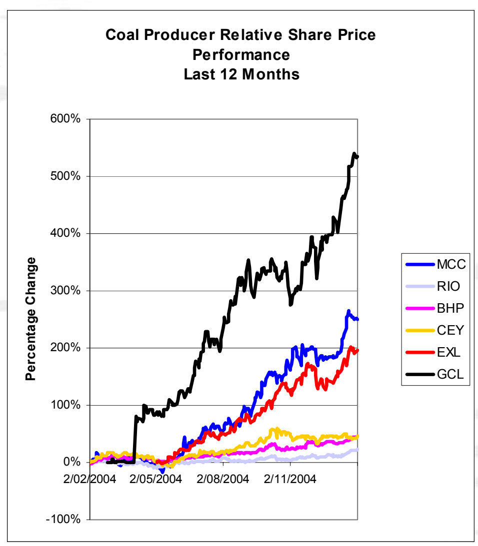
Looking forward strategy

Overall Result

- Macarthur Coal has created uncontested market space to produce higher returns than its rivals
- Coal producers have historically engaged in head-to-head competition, fighting for competitive advantage and battling over market share

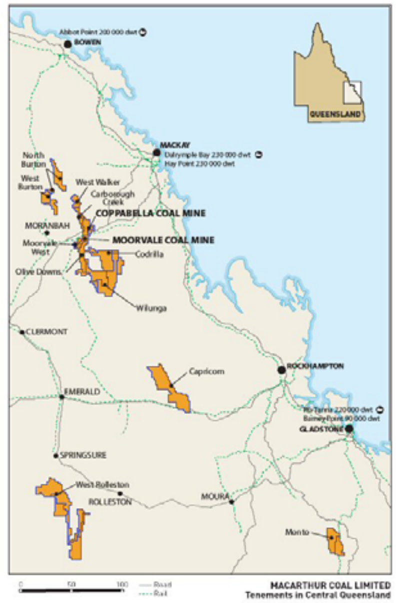
  The result of such activity is at best average industry returns
- Macarthur Coal has sought to succeed not by battling competitors but by creating uncontested new market space through value innovation
- Through focusing on the big picture and seeking to create value for both Macarthur Coal and its customers the company has outstripped competitors growth rates.

For further information:
Blue Ocean Strategy: Harvard Business School Press 2005



Growth Opportunities – Exploration

- Macarthur Coal maintains a large exploration program with 73.3% interest in two operating mines: Coppabella and Moorvale mines
- Macarthur Coal has a strong project pipeline of future developments
- Future development options include:
  - **Coking coal**
    - Olive Downs
    - West Moorvale
  - **PCI**
    - Wilunga
    - Codrilla
    - West/North Burton
    - West Walker
  - **Thermal**
    - West Rolleston
    - Monto.



Growth Opportunities – Coke Plant

Coke Plant Feasibility Proposal

Objective

- To become Australia's largest exporter of coke
- To create value for shareholders

Result

- Project conceptualised in 2003
- Extensive dialogue with customers
- Pre Feasibility Study completed in October 2004
- Agreement with Stanwell Corporation to generate power from the project's waste heat in October 2004
- Feasibility Study commenced in November 2004 to address technical, commercial and financial issues
- Letters of Intent from customers received from November 2004
- Queensland Government classification as a 'significant project' in December 2004
- Operational target date is JFY2008.

Growth Opportunities – Coke Plant

MCC's requirements are aligned with customers requirements:

- MCC capitalising on the global shortage of coke. The shortage is due to the closure of old coke plants and increased pig iron production
- Design meets today's stringent environmental standards and provides for stand-alone port infrastructure
- Latest oven technology will enable a greater range of coking coals to be utilised
- Queensland location (next to Stanwell) provides an alternative, reliable supply to China
- Flow on effect with the opportunity to develop 1 – 2 new coking coal mines; as a stable domestic market
- More high quality coke = more low volatile coals for PCI
- Bowen Basin coals can supply a high quality coke; an advantage to support larger blast furnace design and increased productivity.

Conclusions

Continue objective to add shareholder value:

- Continue strategy of value innovation, seeking new expanding markets
- Continue mine development strategy based on the 'uncontestable' validity of the value curve for resource development
- Continue exploration program to bring resources up the value curve
- Increase profitability and reliability of earnings by maximising production of high value commodities; coking coal, LV PCI, coke.

Adding shareholder value by:

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