

MACARTHUR COAL LIMITED ABN 40 096 001 955

Quarterly Report for the three months ended 31 March 2005

Highlights

- ◆ Sales on track to meet the annual target of 4.5 million tonnes
- ◆ Coal prices up: percentage increase broadly in line with that of hard coking coal
- ◆ Coke plant project awarded Major Project Facilitation Status by the Australian Government
- ◆ Monto Stage 1 mining lease granted
- ◆ Entry to ASX 200 Index on 21 March 2005

SALES

		Actual - Quarter			Actual - Year to Date		
		Mar-05 000s	Mar-04 000s	% Var	Mar-05 000s	Mar-04 000s	% Var
Coppabella (excl. sale of purchased coal)	tonnes	1,024.5	754.8	35.7%	3,342.1	2,687.5	24.4%
Moorvale (excl. sale of purchased coal)	tonnes	669.5	563.0	18.9%	1,798.1	826.3	117.6%
Total	tonnes	1,694.1	1,317.8	28.6%	5,140.2	3,513.7	46.3%
Macarthur Coal's attributable sales (73.3%)	tonnes	1,241.8	965.9	28.6%	3,767.8	2,575.6	46.3%

Shipments continue to be on track to meet the annual target of 4.5 million tonnes.

Dalrymple Bay Coal Terminal (DBCT) continues to be congested, disrupting shipping. The impact of the shipping disruption was mitigated by the Coppabella and Moorvale Joint Venture:

- Shipping 30,800 tonnes from Abbot Point
- Procuring a 150,000 tonne additional entitlement at DBCT.

Coal Price

Coal price negotiations for the contract year ending 31 March 2006 have been finalised. The strong demand for pulverised coal injection (PCI) coal resulted in percentage price increases broadly in line on a percentage basis with those achieved for hard coking coal.

Port Infrastructure

DBCT, Macarthur Coal's principal port, continues to perform below the capacity contracted with DBCT users of 56.8 million tonnes per annum.

Throughput has been impacted by the collapse of a reclaimer machine on 15 April 2004. The replacement machine will have a higher operating capacity.

Stakeholders are working together on the Goonyella Coal Chain Improvement Project in an effort to identify the improvements required to achieve port throughput at the contracted capacity. The project - a collaboration between Queensland Rail, Prime Infrastructure Management Pty Ltd (Prime), Dalrymple Bay Coal Terminal Pty Ltd (DBCTPL)¹, port users and Accenture - has identified a number of short to medium term improvement initiatives.

Initiatives include redesign of the planning and scheduling process, improved train in-loading, minimisation of the rail cycle time, review of DBCT stockyard operations, improved integration of coal chain information and establishment of key performance indicators to assess ongoing performance.

A capital expansion program has been developed by Prime. The company announced on 20 April 2005 that it has completed the pre-feasibility study into expansions and is at an advanced stage in engineering and design. Prime intends to release tender invitations for several major construction and machine contracts in May 2005.

Prime has also advised that the Queensland Competition Authority's (QCA) determination on the draft access undertaking, released on 20 April 2005, provides a supportive environment for future investment in expansion of DBCT.

Queue Management System

In response to port restrictions, DBCTPL has lodged a submission with the Australian Competition and Consumer Commission to implement a Queue Management System (QMS) at DBCT. The objective of the QMS is to reduce the shipping queue and in turn reduce demurrage.

The proposed QMS has the potential to reduce Macarthur Coal's port entitlement. The impact of the QMS will be mitigated by the Coppabella and Moorvale Joint Venture's 750,000 tonne entitlement at Abbot Point for the 12 months to 28 February 2006.

Management is continuing to explore all options to access additional port throughput.

Queensland Competition Authority's decision on the Dalrymple Bay Coal Terminal Draft Access Undertaking

The Queensland Competition Authority (QCA) announced on 20 April 2005 its final decision on the Dalrymple Bay Coal Terminal Draft Access Undertaking (DAU) which sets out the proposed terms and infrastructure charge for coal loading at DBCT by new users.

The decision provides for a price of \$1.72 per tonne until further expansion occurs. The price is below the \$2.08 per tonne payable by existing users until 30 June 2004. The QCA decision included the provision of a framework to facilitate expansion of the terminal and adjustment to the infrastructure charge.

The QCA decision does not apply to the infrastructure charge provided for in the User Agreements established prior to Prime becoming lessee of DBCT.

The existing users and Prime have not been able to reach agreement on a new infrastructure charge and have referred the price review dispute to the QCA for arbitration. The arbitration process is a separate matter to the approval of the DAU but is likely to be influenced by the DAU decision.

¹ The manager of the Dalrymple Bay Coal Terminal

PRODUCTION

PRODUCTION - COPPABELLA & MOORVALE MINES (100%)							
		Actual - Quarter			Actual - Year to Date		
		Mar-05	Mar-04	% Var	Mar-05	Mar-04	% Var
		000s	000s		000s	000s	
Overburden Removed							
Coppabella	bcm	13,635.2	9,449.3	44.3%	39,990.2	29,264.3	36.7%
Moorvale	bcm	3,243.3	1,633.2	98.6%	8,729.9	4,625.5	88.7%
Total	bcm	16,878.5	11,082.5	52.3%	48,720.1	33,889.8	43.8%
Run of Mine Coal Production							
Coppabella	tonnes	1,622.4	1,330.5	21.9%	4,632.2	3,814.9	21.4%
Moorvale	tonnes	876.0	598.4	46.4%	2,750.5	1,422.1	93.4%
Total	tonnes	2,498.4	1,928.8	29.5%	7,382.7	5,237.0	41.0%
Saleable Coal Production							
Coppabella	tonnes	1,117.3	966.4	15.6%	3,468.9	2,884.9	20.2%
Moorvale	tonnes	535.5	651.0	-17.7%	1,775.7	1,070.7	65.8%
Total	tonnes	1,652.8	1,617.4	2.2%	5,244.6	3,955.6	32.6%

Overburden removal and run of mine coal production were significantly higher on a quarterly and year to date basis relative to the corresponding periods last year. The following factors contributed to the increase:

- Minimum disruption due to wet weather in contrast to 2004
- The installation of a second contractor at the Coppabella Mine.

Saleable coal production increased as a consequence of increased run of mine production. A 3% improvement in yield from the Coppabella Mine coal preparation plant (CPP) for the nine months to March 2005 also contributed to improved saleable coal production.

Quarterly saleable coal production at Moorvale was lower than the corresponding period in 2004. In an effort to capitalise on strong demand for PCI coal, full seam washing occurred to produce PCI coal, whereas previously some of the seam was left unwashed for a thermal coal product.

Large run of mine and product coal stocks have been maintained, providing operational flexibility and CPP yield improvements.

Water

Rainfall during the quarter was very low and failed to replenish onsite and offsite dams servicing the Coppabella and Moorvale mines.

Initiatives have been taken to ensure access to water to minimise any future production disruptions due to lack of water. The initiatives include:

- Short term
 - Hauling coarse reject material from the Coppabella CPP in place of transport by the co-disposal system
 - Securing additional water supply
- Long term
 - Contributing to the cost of constructing a pipeline to access water from the Eungella Dam
 - Actively supporting the construction of a pipeline to transport water from the Burdekin Falls Dam to the northern part of the Bowen Basin on the basis that the decision to commence construction is imminent and construction is to be expedited.

The initiatives outlined above are aimed at providing backup supply for the Coppabella and Moorvale mines in addition to securing water for Macarthur Coal's future projects.

EXPLORATION AND DEVELOPMENT

Macarthur Coal continues to focus on upgrading projects to an advanced status. Work is being undertaken to define new resources and elevate those resources already discovered to reserves and to enable the lodgment of mining lease applications. Project development is being timed to coincide with the development of the coke plant and 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.

Olive Downs

A new drilling program was developed to determine the extent to which coking coal forms part of the Olive Downs open cut area. The drilling and testing of slim core holes has been completed and two large core holes will be drilled when suitable equipment becomes available.

Application for the mining lease is to be made within the next three months to allow mine development to commence. Olive Downs is a potential supplier of coking coal to the proposed coke plant.

West Moorvale

Exploration activity was limited to geotechnical investigations. Slim core drilling will recommence when suitable drilling rigs become available.

West Moorvale is also a potential supplier of coking coal to the proposed coke plant.

Vermont East

Vermont East is a new area on the south western side of the Coxendean sub-basin.

Seismic survey results indicate the possible presence of coal occurring across EPC 850 and in the adjacent tenement, EPC 688. Scout drilling is in progress to confirm the presence of coal.

West Rolleston

The resource status within EPC 786 was upgraded following completion of raw coal analysis of samples taken during the recent drilling program. The coal resource currently comprises:

	Current Status	Previous Status (Dec 04)
	Million tonnes	Million tonnes
Measured Resources	43.5	Nil
Indicated Resources	15.5	45.3
Inferred Resources	21.6	34.4
Total	80.6	79.7

Drilling will resume when access to the adjacent tenement (EPC 871) is obtained.

Pre-feasibility work has commenced with the scope of work including:

- Development of conceptual mine plans
- Coal processing options
- Coal transport options
- Water and power supply
- Civil works
- Water management.

Monto

The mining lease for Stage 1 was granted on 21 April 2005, providing the Monto Coal Joint Venture with the right to mine coal in the Stage 1 area.

Project development is under review, taking into account changes in the thermal coal market, foreign exchange rates and current costs of coal mining and transportation to the port. The decision to proceed with project development will also be subject to rail and port infrastructure availability.

The information in this report that relates to Mineral Resources at West Rolleston is derived in part from geological modelling by Greg Jones with information compiled by Lance Grimstone. Greg Jones and Lance Grimstone are members of the Australasian Institute of Mining and Metallurgy.

Greg Jones, BSc (Hons) MAusIMM, MAIG, is employed by JB Mining Services Pty Ltd (ABN 99 050 708 596). Lance Grimstone, BSc (Hons) Geol, Grad Dipl Mngt, FAusIMM, CPGeo, MMICA, is employed by Lance Grimstone & Associates Pty Ltd (ABN 67 010 508 531).

Greg Jones and Lance Grimstone consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

EXPLORATION EXPENDITURE

Exploration expenditure incurred by Macarthur Coal during the March 2005 quarter was \$711,800.

OTHER ISSUES

Foreign Exchange Contracts

The value of foreign exchange contracts held at 31 March 2005 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 \$0.77*
Apr 05 to Mar 06	345,464,920	0.726	26,790,239
Apr 06 to Mar 07	56,116,952	0.709	6,298,601
Apr 07 to Mar 08	10,262,000	0.767	48,665
Total	411,843,872	0.725	33,137,504

* A\$:US\$ spot rate as at 31 March 2005

Entry to S&P ASX 200 Index

On the 17 March 2005 Macarthur Coal received notification of its inclusion in the S&P ASX 200 Index. The inclusion in the 200 index provides significant exposure to institutional and retail investors.

Coke Plant Project

The coke plant project has received Australian Government recognition in being granted Major Project Facilitation status (MPF). The project will receive the special attention of Invest Australia, the Australian Government's national inward investment agency. Invest Australia will assist with necessary local, state and federal government approvals and in identifying relevant government programs that may assist the project.

The project has also received recognition as a significant project by the Queensland Government and the Coordinator General is overseeing the preparation of the Environmental Impact Statement (EIS).

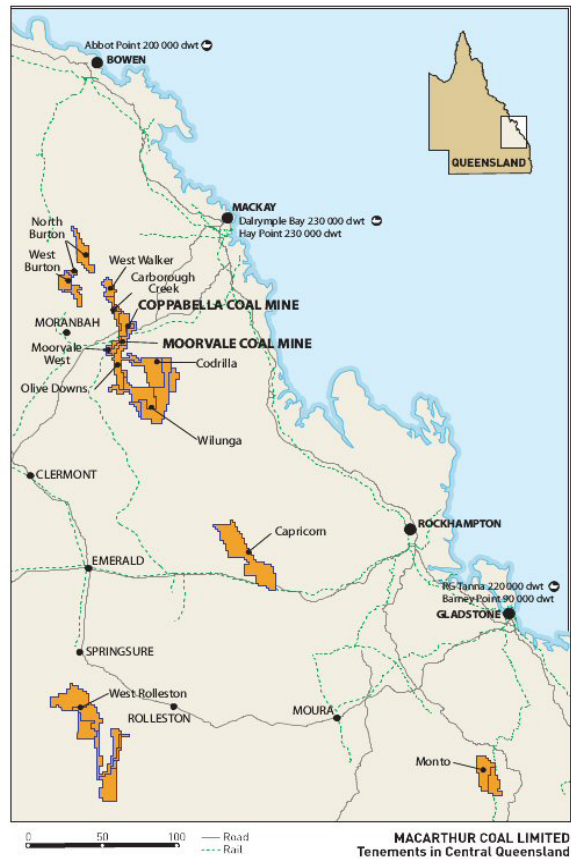
The coke plant project is at feasibility study stage and progressing on schedule. The EIS is underway and receiving positive response from business, industry and the community.

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The key milestones to commencement of production are:

- Development consent November 2005
- Completion of feasibility study November 2005
- Decision to proceed February 2006
- First coke October 2007
- Full production January 2008

LOCATION OF COAL TENEMENTS



CORPORATE INFORMATION

Directors

Hon. Keith De Lacy
 Roger Marshall, OBE
 Ken Talbot

Don Nissen
 Peter Forbes

Chairman
 Deputy Chairman
 Managing Director & Chief
 Executive Officer
 Director
 Director

Shareholder Enquiries

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Contacts

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 Shane Stephan Vice President - Strategy and Corporate
 Development

Substantial Shareholders as at 31 March 2005

Name	% of Issued Shares
Ken Talbot and related entities	39.75
CITIC Australia Coal Pty Ltd	11.31
Sprott Asset Management Inc.	5.81

Number of ordinary shares on issue: 169,672,470
 Number of unsecured convertible notes: 7,032,667

ASX Code

Ordinary shares: MCC
 Convertible notes: MCCG