

A leading *independent* Australian coal company

MACARTHUR COAL
LIMITED



DECEMBER 2005 QUARTER PROGRESS REPORT

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Share Price History

Macarthur Coal Share Price



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Overview

Sales

- ◆ Sales of 1.049Mt were achieved for the December quarter
- ◆ Macarthur Coal expects to achieve sales of at least 4.5Mt for the full year
- ◆ Price negotiations have commenced.

Operations

Coppabella

- ◆ ROM production at 0.89 Mt for the quarter (down 25.1% on Dec 04)
- ◆ Saleable production 0.69 Mt for the quarter (down 11.7% on Dec 04)

Moorvale

- ◆ ROM production of 0.70 Mt for the quarter (up 6.4% on Dec 04)
- ◆ Saleable production of 0.35 Mt for the quarter (up 17.5% on Dec 04)



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Overview

Exploration and Development

- ◆ The mining lease application for Olive Downs Open-cut Project was submitted in November 2005
- ◆ Mine development is expected to commence in December 2006 Qrt.
- ◆ Initial recoverable coal reserves of 13Mt are sufficient for at least a 10 year mine life
- ◆ Queensland Coke & Energy completed and released its Environmental Impact Statement in January 2006
- ◆ Exploration activity and drilling continued on a number of the company's properties during the quarter

Corporate and Other

- ◆ Macarthur Coal shareholders overwhelmingly supported an increase in the company's ownership interests in a number of Bowen Basin tenements at the December 2005 General Meeting
- ◆ Macarthur Coal continues to work closely with Babcock and Brown Infrastructure (BBI) to increase port allocation as the Dalrymple Bay Coal Terminal is expanded
- ◆ A series of initiatives were progressed during the quarter that will significantly improve the company's water allocation in the near future
- ◆ Macarthur Coal's Convertible Notes reached maturity and were converted into ordinary shares during December 2005



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Coal Markets

- ◆ Sales contract negotiations for the Japanese Fiscal Year 2006 began during the quarter. Talks are expected to continue for a few weeks. It is too early to comment on the possible outcomes at this stage.



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Sales

MACARTHUR COAL'S ATTRIBUTABLE SALES - COPPABELLA & MOORVALE MINES (73.3%)							
		Actual - Quarter			Actual - Year to Date		
		Dec-05	Dec-04	% Var	Dec-05	Dec-04	% Var
		000s	000s		000s	000s	
Coppabella	(excl. sale of purchased coal) tonnes	713.0	810.7	-12.0%	1,458.8	1,698.8	-14.1%
Moorvale	(excl. sale of purchased coal) tonnes	310.1	453.3	-31.6%	923.9	827.3	11.7%
Total	tonnes	1,023.1	1,264.0	-19.1%	2,382.6	2,526.0	-5.7%

- ◆ Quarterly sales of 1.023Mt were down 19.1% on the December quarter 2004
- ◆ Full year sales are still expected to meet or exceed the 4.5Mt target set for FY 2006
- ◆ Demurrage remained at low levels for the quarter



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Operations

MACARTHUR COAL'S ATTRIBUTABLE PRODUCTION - COPPABELLA & MOORVALE MINES							
		Actual - Quarter			Actual - Year to Date		
		Dec-05	Dec-04	% Var	Dec-05	Dec-04	% Var
		000s	000s		000s	000s	
Overburden Removed							
Coppabella	bcm	6,394.3	9,290.7	-31.2%	16,129.5	19,318.2	-16.5%
Moorvale	bcm	1,947.1	2,042.6	-4.7%	4,515.4	4,021.7	12.3%
Total	bcm	8,341.3	11,333.3	-26.4%	20,644.9	23,339.9	-11.5%
Run of Mine Coal Production							
Coppabella	tonnes	894.6	1,194.7	-25.1%	1,759.8	2,206.2	-20.2%
Moorvale	tonnes	699.7	657.7	6.4%	1,265.9	1,374.0	-7.9%
Total	tonnes	1,594.3	1,852.4	-13.9%	3,025.8	3,580.2	-15.5%
Saleable Coal Production							
Coppabella	tonnes	692.0	783.6	-11.7%	1,550.3	1,723.8	-10.1%
Moorvale	tonnes	345.2	418.4	-17.5%	940.9	909.1	3.5%
Total	tonnes	1,037.2	1,202.1	-13.7%	2,491.3	2,632.8	-5.4%

- ◆ Saleable coal production for the quarter was 1.04Mt a decline of 13.7% from the pcp
- ◆ Saleable coal production year to date was 2.49Mt or 4.98Mt on an annualised basis, well in excess of the 4.5Mt full year forecast
- ◆ Overburden removal at Coppabella was affected by a poor blast that impacted dragline productivity



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Hedge Position at 31 December 2005

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 \$0.733*
Oct 05 to Jun 06	121,140,614	0.728		1,215,730
Jul 06 to Jun 07	31,224,064	0.715		1,072,094
Jul 07 to Jun 08	7,696,500	0.767		(465,450)
Total	160,061,178	0.727		1,822,375

- ◆ The company's hedge position remains strong, improving the predictability of cashflow, particularly over the next Japanese fiscal year.



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Water Management

- ◆ Macarthur Coal has made good progress on improving its water supply sources during the quarter:
 - ◆ A near completed pipeline connecting to the Eungella Dam system will enable access to 1,000 megalitres per year from January 2006
 - ◆ Water sourced from the Bacchus Downs property will be deferred however it will remain as a contingent supply for the two mines
 - ◆ Contracts for the water supply from the Burdekin Dam were executed during the quarter. Macarthur Coal will be entitled to 1,800 megalitres per year from late 2006 when the pipeline is completed



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Port Infrastructure

- ◆ Macarthur Coal has worked closely with BBI to increase its current allocation of 4.4Mtpa as each phase of the Dalrymple Bay Coal Terminal (DBCT) is completed.
- ◆ The Phase 1 expansion of 8Mtpa is currently under construction and expects to commission in late 2007. Macarthur Coal has a provisional allocation of 0.733Mtpa in that phase.
- ◆ The larger Phase 2 expansion will add a further 12Mtpa to the DBCT capacity and is currently scheduled for a late 2008 completion. The potential allocation for Macarthur Coal is 3.7Mtpa from this expansion.
- ◆ It is possible that by late 2008 Macarthur Coal's total allocation of port capacity at DBCT will reach 8.8Mtpa enabling a 93% increase in coal sales from current levels.



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Project Development

Olive Downs

- ◆ The mining lease application for Olive Downs Open-cut Project was submitted in November 2005. Mine development is expected to commence in December 2006 Qrt.
- ◆ Project life will exceed 10 years at a mining rate of 1Mtpa ROM coal from a 13Mt reserve.
- ◆ The mine will produce two main products - hard coking coal and PCI coal. The project represents the first major product diversification for Macarthur Coal with the addition of coking coal to the product suite.

Queensland Coke & Energy

- ◆ The Environmental Impact Statement was completed and released to the public in early January 2006. Submissions will be received until the end of February 2006. Key Project milestones are:

Development Consent	June 2006 Quarter
Decision to Proceed	June 2006 Quarter
Commencement of Construction	December 2006 Quarter
First Coke Production	March 2008 Quarter



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Acquisition of Increased Interests in Exploration Tenement

- ◆ Macarthur Coal shareholders voted to increase the company's ownership interest in seven Bowen Basin tenements in December at the General Meeting. The exploration joint venture will be restructured into seven separate joint venture areas.
- ◆ Total consideration for the interests was \$48.7 million satisfied by the issue of 7,584,677 shares in Macarthur Coal.
- ◆ Intention is to sell down interests to new joint venture participants who can provide strategic benefits for project development.



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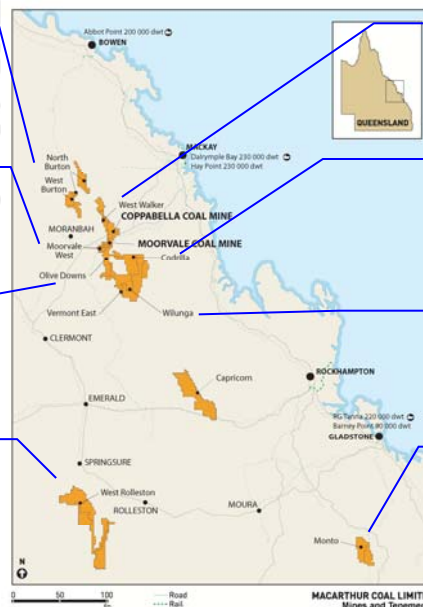
Exploration Tenements

West Burton 65%
Well defined coal measures. Evaluation being undertaken to determine potential as an underground coal resource

Moorvale West 90%
Shallow, flat lying, 5 - 6 metre coal seam confirmed in the area

Olive Downs 90%
310 Mt of open-cut and underground resources including 26 Mt of open-cut Measured Resources

West Rolleston 90%
80 Mt of resources comprising 43.5Mt of Measured Resources, 15.5Mt of Indicated Resources and 21.6Mt of Inferred Resources



West Walker 85%
Evaluation being undertaken to determine potential as an underground coal resource

Codrilla 85%
41.5 Mt Measured Resources with a portion having open-cut potential.

Wilunga 85%
38 Mt Inferred Resources and a further 20 kilometres of Inferred shallow crop line of the Rangal Coal Measures

Monto 51%
519 Mt of resources including 55 Mt of Measured Resources. Stage 1 mining lease granted 21 April 2005



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Mines and Tenements

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Conclusions

- ✓ Quarterly sales in line to meet or exceed 4.5Mtpa target
- ✓ Production constrained by some short term operational issues
- ✓ Strong hedge book – securing profitability in volatile exchange rate environment
- ✓ Ownership level of exploration tenements increased significantly
- ✓ Strong interest being shown by potential joint venture participants in acquiring an interest in the new joint ventures
- ✓ Mining lease application lodged for the next mine, Olive Downs North Open-cut with a target start date December quarter 2006.