

A leading *independent* Australian coal company



MACARTHUR

**Presentation on the
Half Year Financial Results
Period Ended 31 December 2005**


1 March 2006

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1. Key Points

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Key Points

- ◆ Record 1st Half Year Revenue up 72.9% to \$277.6m
- ◆ Record 1st Half Year Net Profit After Tax up 240.6% to \$82.1m
- ◆ Record Interim Fully Franked Interim Dividend up 228% to 23 cents per share
- ◆ Cash of \$90m after deducting all debt
- ◆ Strong growth profile with focus on developing coking coal projects
- ◆ Strong safety and environmental risk management systems
- ◆ Focus on managing cost pressures to ensure future competitiveness
- ◆ Net Profit After Tax guidance for the full 2006 financial year \$140m to \$155m

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2. Production and Sales

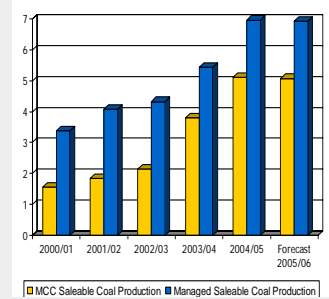
Sales and Production Performance

Sales

- ◆ First half sales of 2.38Mt down 5.7%
- ◆ Price negotiations expected to be finalised 31 March 2006

Operations

- ◆ First half saleable coal production 2.49Mt down 5.4%
- ◆ On track to exceed 4.5 Mtpa attributable saleable coal production target 2005/06



Strong Operational Risk Management Systems

Safety

- ◆ Lost Time Injury Frequency Rate
 - ◆ Coppabella 4.4 – Over 180 days without a Lost Time Injury
 - ◆ Moorvale 0 – Over 500 days without a Lost Time Injury
- ◆ Management strives to continuously improve safety systems to meet the goal of zero injuries



Environment

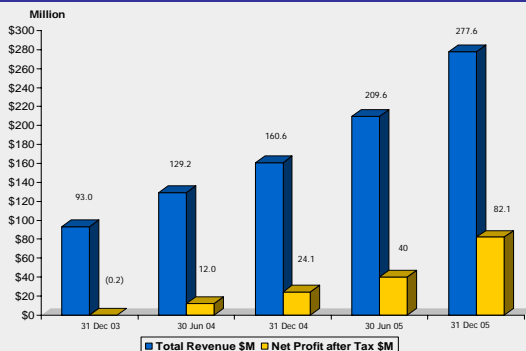
- ◆ No reportable non-compliance issues occurred during the reporting period
- ◆ Management regularly review environmental compliance systems striving to minimise the impact of our operations

3. Key Financial Results for December 2005

Key Financial Results for December 2005 Half Year

\$ Millions	6 months to 31 December 2005	6 months to 31 December 2004	Change on Comparable Period - 6 months to 31 December 2004	12 Months to 30 June 2005
Coal Revenue (\$M)	\$277.6	\$160.6	Up 72.9%	\$370.2
EBITDA (\$M)	\$125.4	\$ 44.6	Up 181.0%	\$111.0
NPAT (\$M)	\$82.1	\$ 24.1	Up 240.6%	\$ 64.1
EPS diluted (cps)	47.2	14.8	Up 218.9%	38.5
Dividend (cps)	23.0	7.0	Up 228.6%	18.0

Key Financial Results – As at 31 December 2005

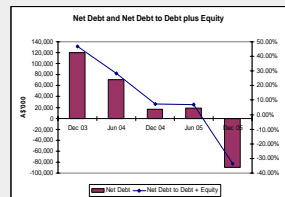


Key Financial Results – As at 31 December 2005

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

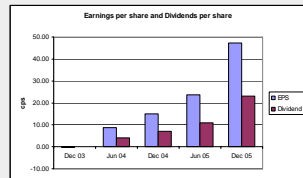
- Shareholders capital increased by \$53.8 million to \$236.4 million due to:
 - 3.8 million convertible notes converted at \$1.45 per share
 - increased retained earnings from improved profitability
 - issue of 7.6 million shares at \$6.33 per share for acquisition of exploration tenements
- Interest bearing liabilities reduced by \$25.1 million to \$11.4 million through accelerated repayments and convertible notes conversion to equity

	As at 31 Dec 05	As at 30 June 05
NTA Backing	\$1.94/share	\$1.37/share
Net Debt:Net debt plus equity	Nil%	6.8%
Net Debt: Equity	Nil%	7.4%



Key Financial Results for December 2005 Half Year

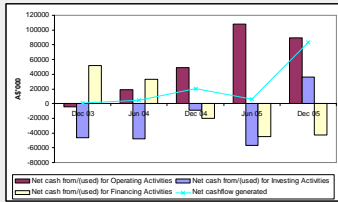
	6 months Dec 05	6 months Dec 04
Gross Profit Margin	45.0%	35.1%
Earnings per share (Basic)	47.2	14.9
Dividends per share	23.0	7.0
Interest Cover Ratio (EBITDA/Interest Expense)	33.2 times	12.5 times
ROIC	22.6%	10.1%



Key Results for December 2005

Strong Cashflow: Cashflows from operations, investments and financing resulted in \$83.3 million being generated for the six month period to December 2005 from:

- ◆ An increase in operating cashflow of \$40.8 million to \$89.5 million
- ◆ Cashflows from investments were \$36.4 million due to the release of funds from the joint venture following the payout of the project debt facility
- ◆ Increased dividends paid and debt repayments during the six months, resulting in \$42.7 million in financing cash outflows

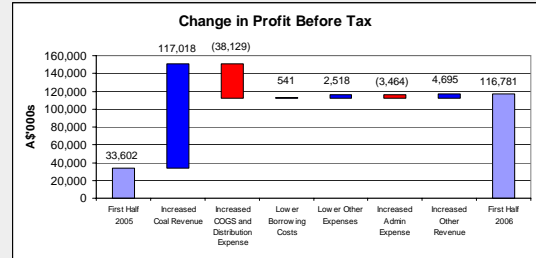


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Financial Performance for December 2005

◆ EBITDA increased by \$80.8 million to \$125.4 million for the six months to December 2005

◆ PBT was \$116.8 million, an increase of \$82.8 million which resulted from:

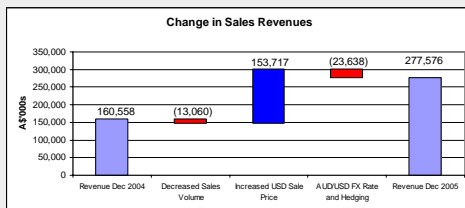


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Financial Performance December 2005 Half Year

Sales revenue increased 72.9% to \$277.6 million for the six months to December 2005 due to:

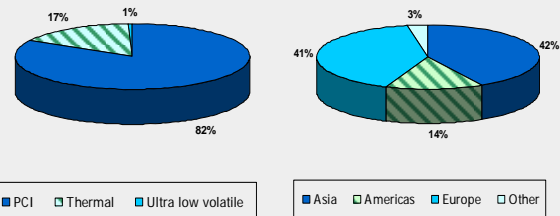
- ◆ Increased JFY05 USD sales prices
- ◆ The above increases were offset by the appreciating AUD/USD and a slight decrease in sales volume



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Financial Performance December 2005 Half Year

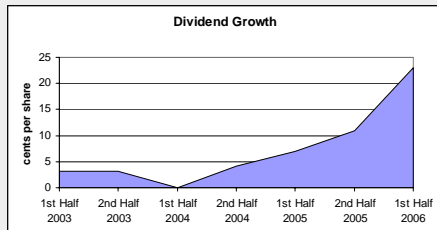
◆ Sales revenue is diversified by customer:



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Financial Performance as at 31 December 2005 Final and Interim Dividend

- ◆ Fully franked interim dividend of 23 cents per share to be paid being \$ 42.4m
- ◆ Total dividend is 51.6% of NPAT in accordance with board policy of paying approximately 50% of NPAT as a dividend to shareholders
- ◆ Record Date: 17 March 2006
- ◆ Payable: 31 March 2006



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Foreign Exchange Hedging

- ◆ Unrealised gain on hedge book based on the spot rate as at 31 December 2005 was \$1.8 million

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*
Jan 06 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	1,822,374

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

- ◆ The USD term loan facility for Coppabella and Moorvale has been fully repaid
- ◆ As at 31/1/2006 a total of US\$260.9m has been hedged at an average A\$:US\$ rate of 0.7418

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4. International Financial Reporting Standards

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International Financial Reporting Standards (AIFRS)

Summary of Transitional Impacts for the Consolidated Group

- ◆ \$16.9 million reduction to opening retained earnings as at 1 July, 2004 and a net increase in NPAT of \$2.7 million for the 12 month period to 30 June 2005, resulting in a net \$14.5 million reduction to equity
- ◆ The net \$16.9 million reduction to retained earnings is made up of the following:
 - ◆ Negative \$18.5 million income tax effect accounting adjustment relating to non-deductible amortisation of mining tenement
 - ◆ Present valuing rehabilitation and dismantling costs of \$1.8 million
 - ◆ Recognition of rehabilitation and dismantling assets of \$3.6 million
 - ◆ Write off of pre-acquisition exploration costs of \$0.04 million
- ◆ The adoption of AASB 139 on 1 July 2005 has resulted in financial instruments being recognised at fair value with an adjustment of \$15.5 million to the Hedging Reserve, on transition.

	AGAAP	AIFRS
◆ December 2005 Half Year NPAT	-	82.1 million
◆ December 2004 Half Year NPAT	23.1 million	24.1 million

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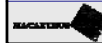
5. Status of Infrastructure



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Macarthur's Infrastructure Access Increasing

- ◆ Macarthur Coal has made good progress on improving its water supply sources during the 1st Half year:
 - ◆ A pipeline has been completed connecting to the Eungella Dam system that enabled access to 1,000 megalitres per year from January 2006
 - ◆ Contracts for the water supply from the Burdekin Dam were executed during the 1st Half. Macarthur Coal will be entitled to 1,800 megalitres per year from late 2006 when the pipeline is completed
- ◆ Port and Rail infrastructure access has been a focus with considerable progress during the 1st Half year:
 - ◆ The Phase 1 expansion of DBCT will expand port capacity to 68Mtpa and is currently under construction with planned commissioning in late 2007. Macarthur Coal's allocation is 0.733Mtpa in Phase 1.
 - ◆ The larger Phase 2 expansion will add a further 12Mtpa to the DBCT capacity and is currently scheduled for a late 2008 completion. Macarthur Coal's allocation will total 8.8Mtpa following Phase 2 commissioning.
- ◆ By late 2008 Macarthur Coal's total allocation of port capacity at DBCT will reach 8.8Mtpa which is a doubling of our current port contract entitlement.



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6. Future Performance Outlook



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2006 Financial Performance Outlook

- ◆ Production and sales target of 4.5 Mtpa for 2005/2006 is likely to be exceeded with our forecast sales likely to be close to 5.0Mtpa.
- ◆ As a contingency, Macarthur Coal is continuing to ship some coal via Abbot Point subject to availability of Abbot Point and rail capacity



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2006 Financial Performance Guidance

- ◆ **Coal prices for the next Japanese Fiscal Year (JFY) beginning 1 April 2006 are now being finalised with low volatile PCI coal prices decreasing approximately 30% compared to the record prices achieved last JFY**
- ◆ **Full year NPAT market guidance has been estimated as \$140 - \$155 million**
 - ◆ The guidance takes account of estimated USD coal price settlements for JFY06
 - ◆ The forecast is highly sensitive to the impact of port congestion at DBCT
 - ◆ Principal assumptions are:
 - ◆ No unexpected congestion at DBCT
 - ◆ No additional demurrage
 - ◆ Carryover tonnage as per estimate
 - ◆ No further industry cost pressure
 - ◆ AUD/USD FX rate of US\$0.73

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Focus on Cost Control

- ◆ In August 2005 Macarthur Coal forecast cost increases of 25% to 30% in 2006 over costs for the 2005 financial year
- ◆ The FOB cost of coal sold (excluding purchased coal) for the 1st Half Year to 31 Dec 2005 was A\$50.69 per tonne, up 31% on the cost for the 1st Half Year to 31 Dec 2004
- ◆ However mine site costs increases were limited to 9% due to increases in labour, fuel and explosives costs
- ◆ Offsite costs increased by 46% primarily due to price related charges such as royalties and sales commissions
 - ◆ Royalty costs increased \$7.9m up 78% on a per tonne basis
 - ◆ Commissions increased by 89% on a per tonne basis
- ◆ Key focus of management is to contain cost increases which are not related to coal prices to ensure cost competitiveness continues

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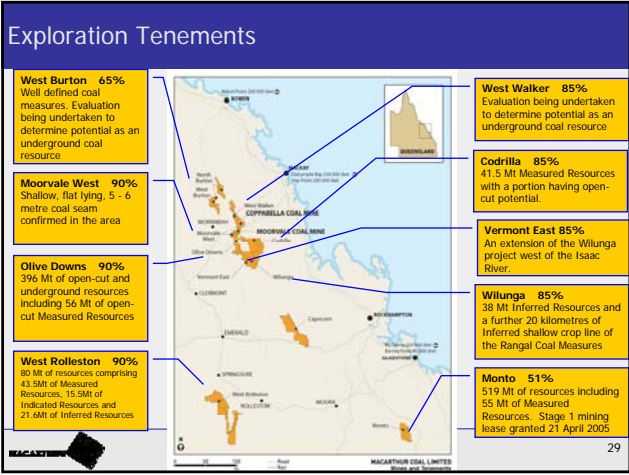
7. Growth Opportunities

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Growth Projects

- ◆ Nine coal prospects at various stages of exploration and development
- ◆ Three projects with coking coal confirmed; Olive Downs, Moorvale West and Vermont East/Wilunga
- ◆ Olive Downs
 - ◆ Mining lease application lodged
 - ◆ Expected grant of mining lease 1st Quarter 2006/07 financial year
 - ◆ Producing coking and PCI coal at a rate of 1Mt/pa ROM from late 2nd Quarter 2006/07
- ◆ Moorvale West
 - ◆ Advanced exploration project with target of lodging a mining lease application 1st Quarter 2006/2007 financial year
 - ◆ Targeting the start of operations in the first half of the 2007/2008 financial year
- ◆ Vermont East/Wilunga
 - ◆ Further exploration required over the next year to determine the potential extent of opencut and underground coal resources

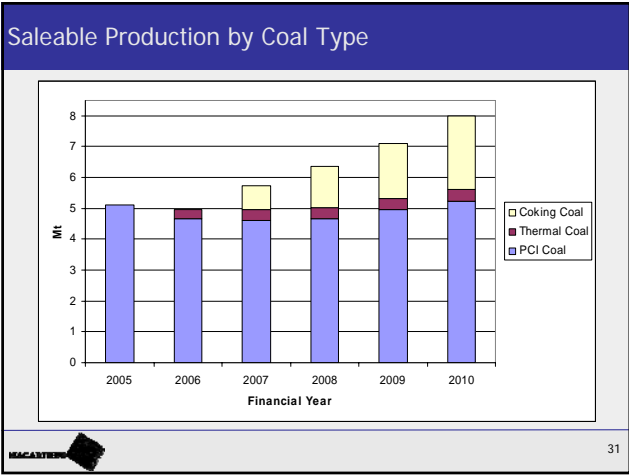
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Macarthur Coal's Strong Project Pipeline

Coal Project	Production Start-up
Olive Downs	2006/07
Moorvale Underground	2007/08
Moorvale West	2008/09
Vermont East/Wilunga	2008/09
Burton West/North	2009/10
Coke Project	
Stanwell	2008/09

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8. Conclusions

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Conclusions

- ◆ Record 1st half profitability of \$82.1m
- ◆ Net profit guidance for 2005/06 financial year of \$140m to \$155m
- ◆ Record 1st half dividend declared of 23 cents per share approximately 50% of NPAT
- ◆ Priority on cost control with site cost increases contained to 9% for labour, explosives and fuel (1st half 2006 v 1st half 2005)
- ◆ Strong conservative balance sheet with net cash of \$90m, positioned to fund future coking coal growth projects
- ◆ Access to port infrastructure is doubling over the next few years enabling development of three coking coal projects, Olive Downs, Moorvale Underground and Moorvale West.
- ◆ By 2010 Macarthur Coal is targeting additional production of 2 Mtpa of coking coal