

Dec 06 Half Year Financial Results

MACARTHUR COAL  
LIMITED

# Half Year Financial Results Period Ended 31 December 2006

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**28 February 2007**

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# Highlights

- **December Half Year Net Profit After Tax of \$42.4M**
  - **Benefit of cost control**
  - **Strong revenues of \$216.2M**
  
- **Fully Franked Interim Dividend of 11 cents per share**
  
- **Net Profit After Tax guidance of \$63M to \$73M for the 2006/2007 financial year confirmed**

# Highlights

- Macarthur Coal achieved **owner operator status** in the East Pit area of Coppabella in December 2006
- An electric shovel and six trucks have been ordered with commissioning expected in January 2008
- **An \$180M equipment finance facility** was established to finance owner operator strategy at Coppabella
- Long term cost effective **three year tyre supply contract** with a major East European tyre supplier and manufacturer entered into
- Eastern Spur Pipeline completed

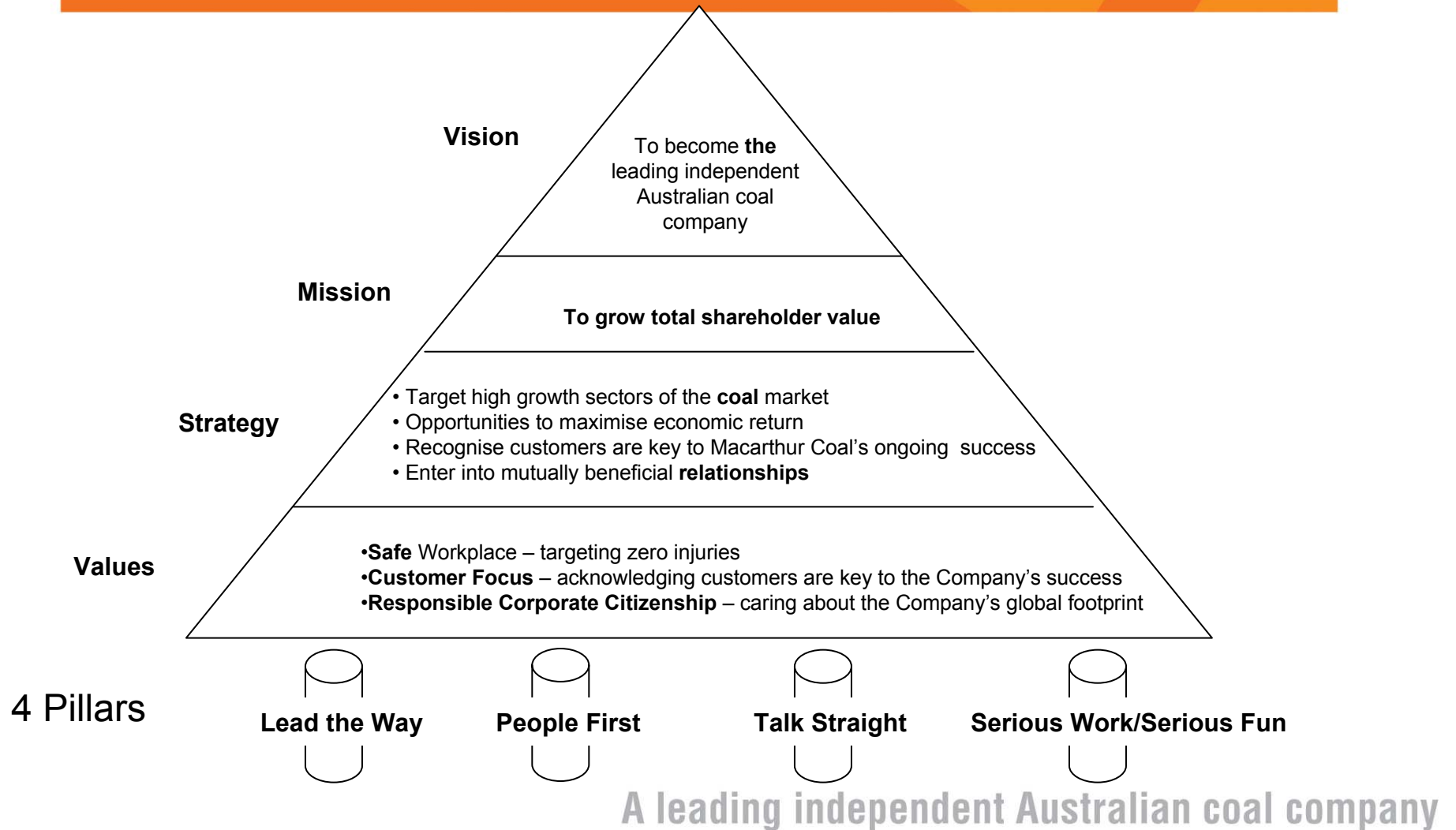
# Safety & Environment

- **Safety**
  - Lost Time Injury Frequency Rate
    - Coppabella 5.2
    - Moorvale 3.1
  
- **Environment**
  - No reportable non-compliance issues occurred during the reporting period



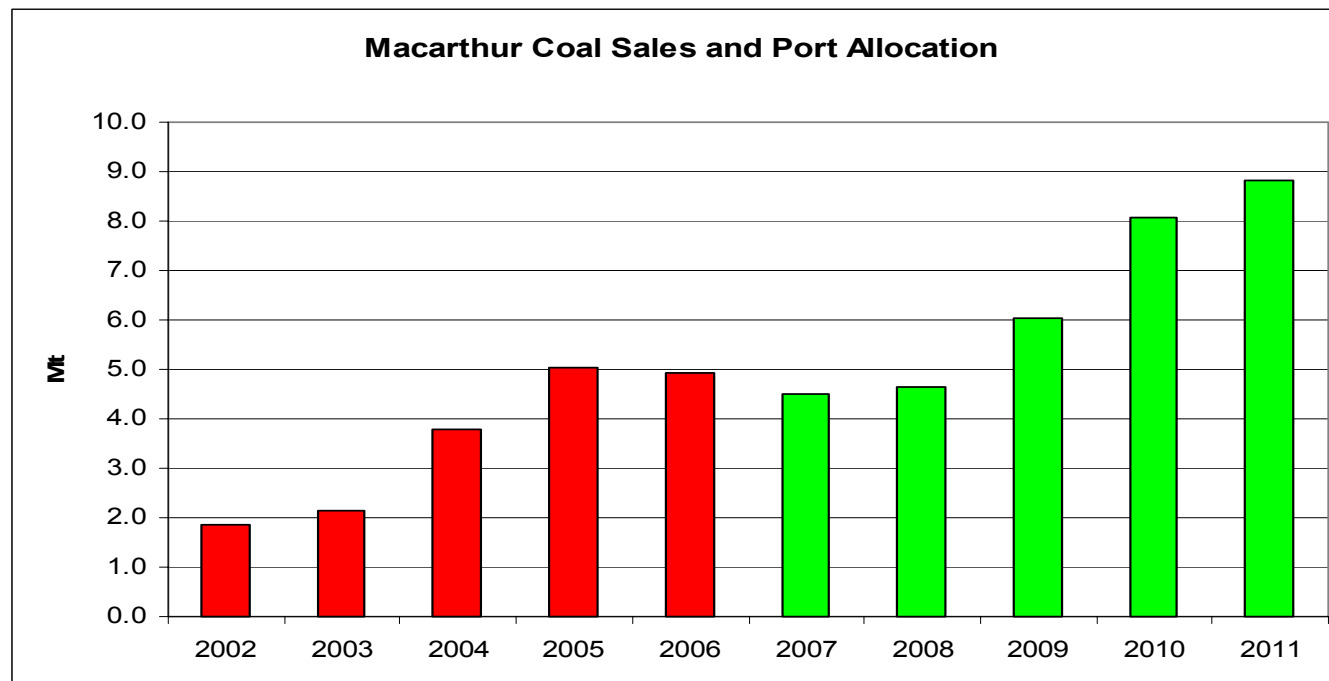
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# The Four Pillars



# Strategic Outlook - Increasing Port Allocation

- Develop new operations and expand the current operations to fill increasing port allocation over the next few years
- Announcements to be made upon Board approval over the next eighteen months for particular projects



# Strategic Outlook

- **Focus on cost control across both operations to ensure their long term viability**
- **Actively manage the change to owner operator to capture the benefits**
- **Maintain safety culture as a priority, with goal of zero injuries**
- **Regular review of environmental systems to minimise impact of our operations**
- **Consider M&A activity that can add value for shareholders and grow the company**

# Growth Opportunities

## Moorvale Open Cut Expansion

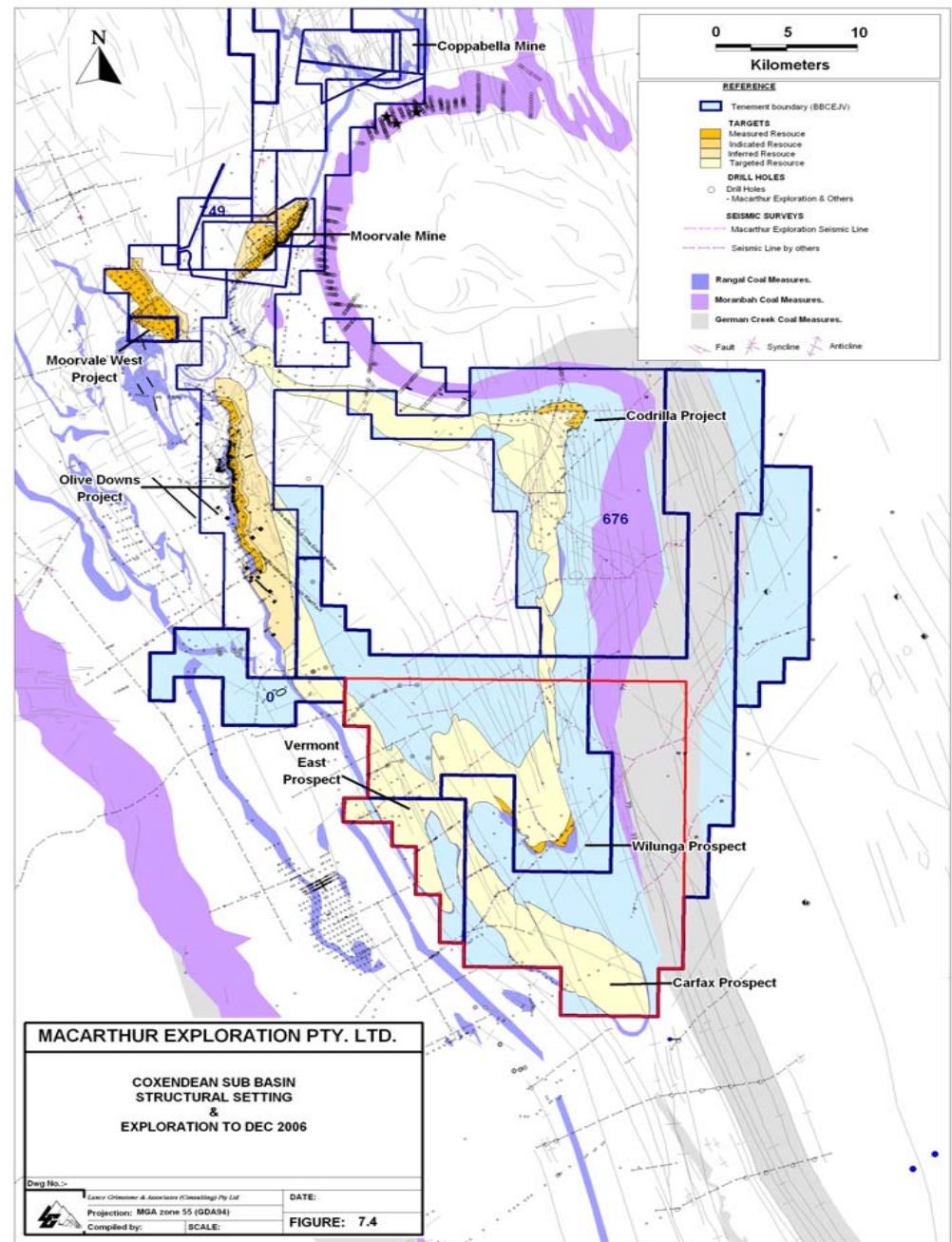
- Moorvale CHPP throughput capacity to be increased by 150tph from existing capacity 450tph (additional 1.0Mt p.a. ROM capacity)
- The expansion is timed for completion by the end of 07 CY when extra port capacity at DBCT (Phase 1, MCC share 0.73Mt) becomes available

## Moorvale Underground

- Initial evaluation of Moorvale underground 3D seismic indicates potential although further 3D work may be required to fully evaluate
- If the planning work is successful then an underground operation would be developed from the highwall of the Moorvale open cut extending the life of the mine and utilising existing infrastructure

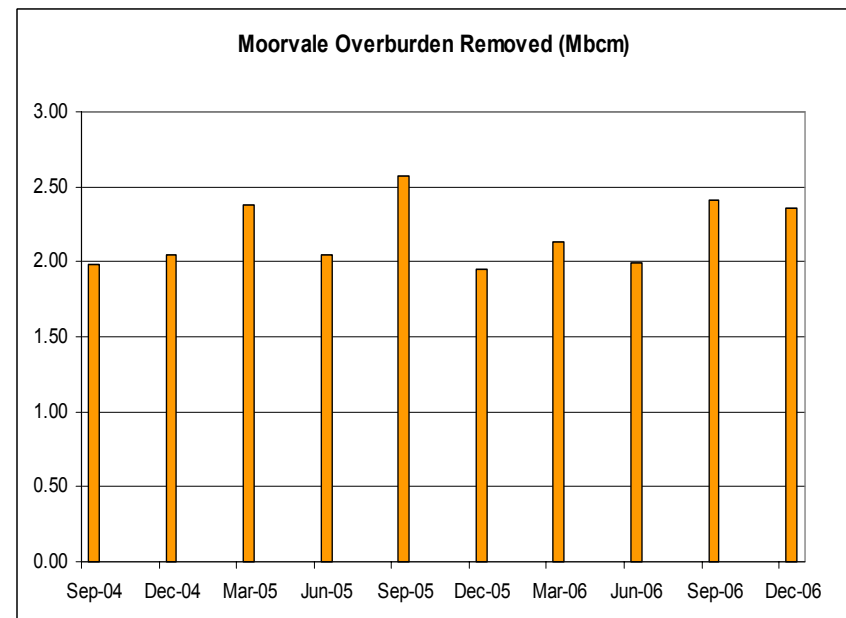
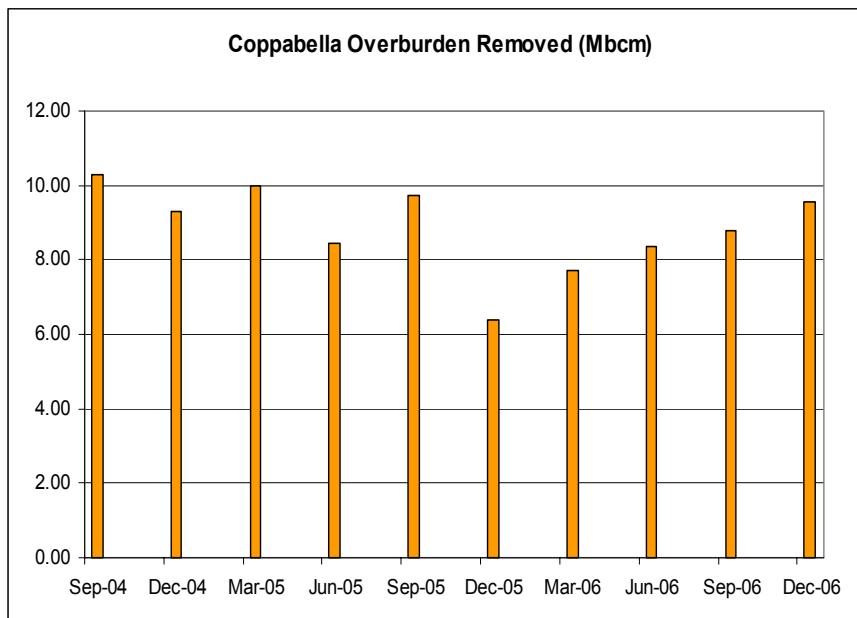
# Growth Opportunities

- The map shows the location of the **Vermont East and Carfax prospects** which are reasonably close to the Wilunga deposit that contains a 38Mt resource
- Exploration work including the use of five drilling rigs will commence in the area immediately after the wet season has ended
- The 3D seismic survey at **Moorvale West** has revealed some faulting that would impact mining so further mine design work is required on the project



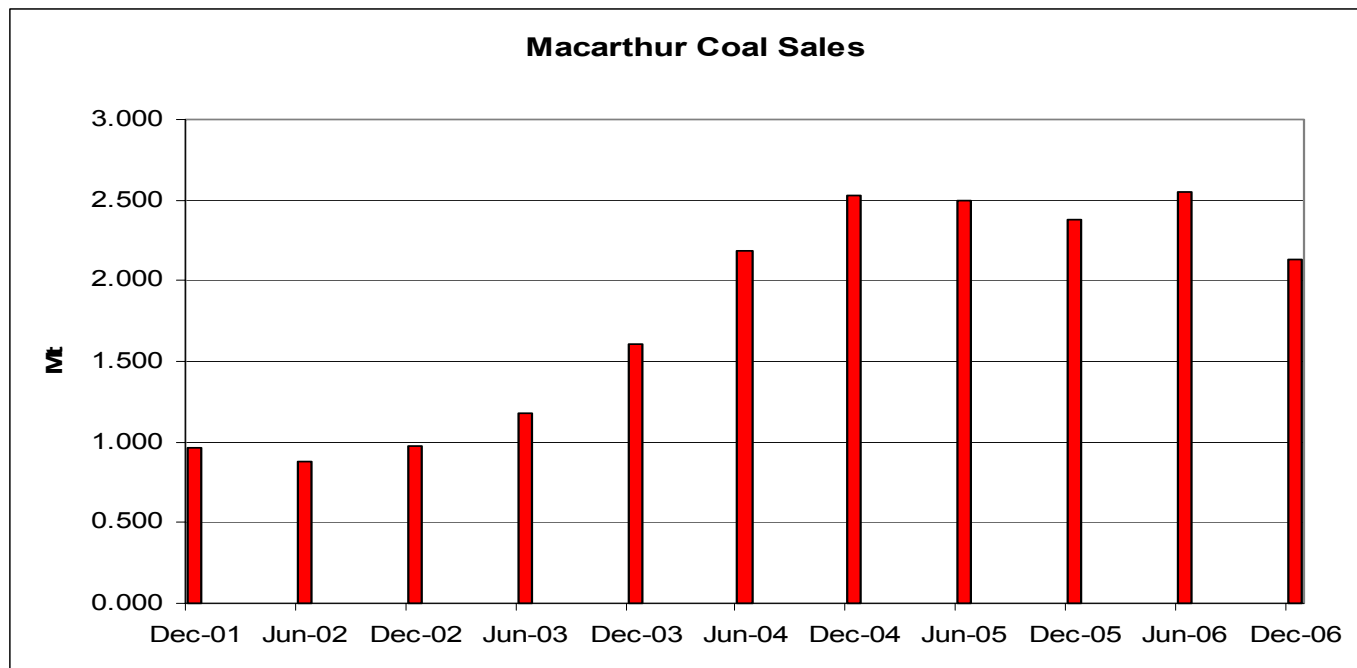
# Production

- First half saleable coal production 1.84Mt, down 26.2% on pcp
- Overburden removed 23.1M bcm, up 11.8% significant improvements at Coppabella
- Production underperformance due to water, highwall failure in the South Pit at Coppabella and the move into the second strip at Moorvale



# Sales

- First half sales of 2.13Mt, down 10.7% on pcp
- The company still believes that it can meet its sales target of 4.5Mt for the full year subject to no further delays caused by wet weather or port congestion



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# Key Financial Results for December 2006 Half Year

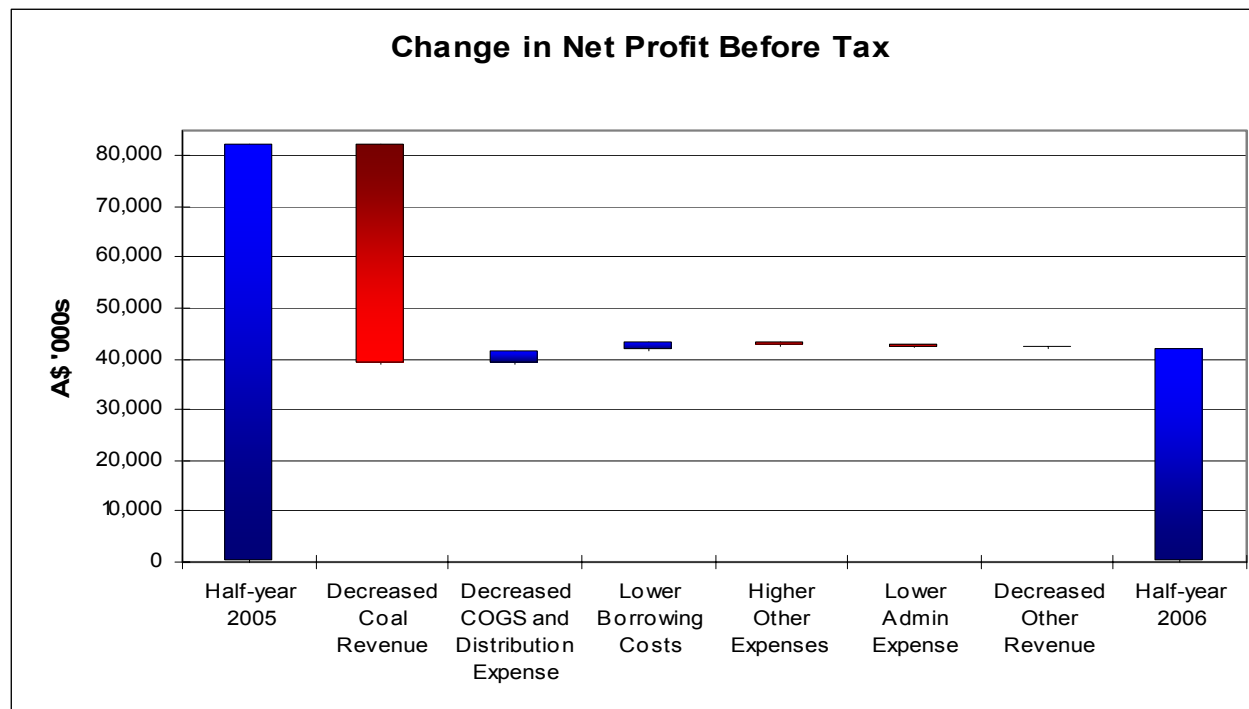
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<b>\$Millions</b>	<b>6 Months to 31 Dec 2006</b>	<b>6 months to 31 Dec 2005</b>	<b>Change on Comparable Period 6 months to 31 Dec 2005</b>	<b>Comparison with Analyst Consensus</b>
<b>Coal Revenue (\$'M)</b>	<b>216.2</b>	<b>277.6</b>	<b>(22.1%)</b>	<b>190.5</b>
<b>EBITDA (\$'M)</b>	<b>64.5</b>	<b>125.4</b>	<b>(48.6%)</b>	<b>60.0</b>
<b>NPAT (\$'M)</b>	<b>42.4</b>	<b>82.1</b>	<b>(48.4%)</b>	<b>33.8</b>
<b>EPS diluted (cps)</b>	<b>22.6</b>	<b>47.2</b>	<b>(52.1%)</b>	
<b>Dividend (cps)</b>	<b>11.0</b>	<b>23.0</b>	<b>(52.2%)</b>	

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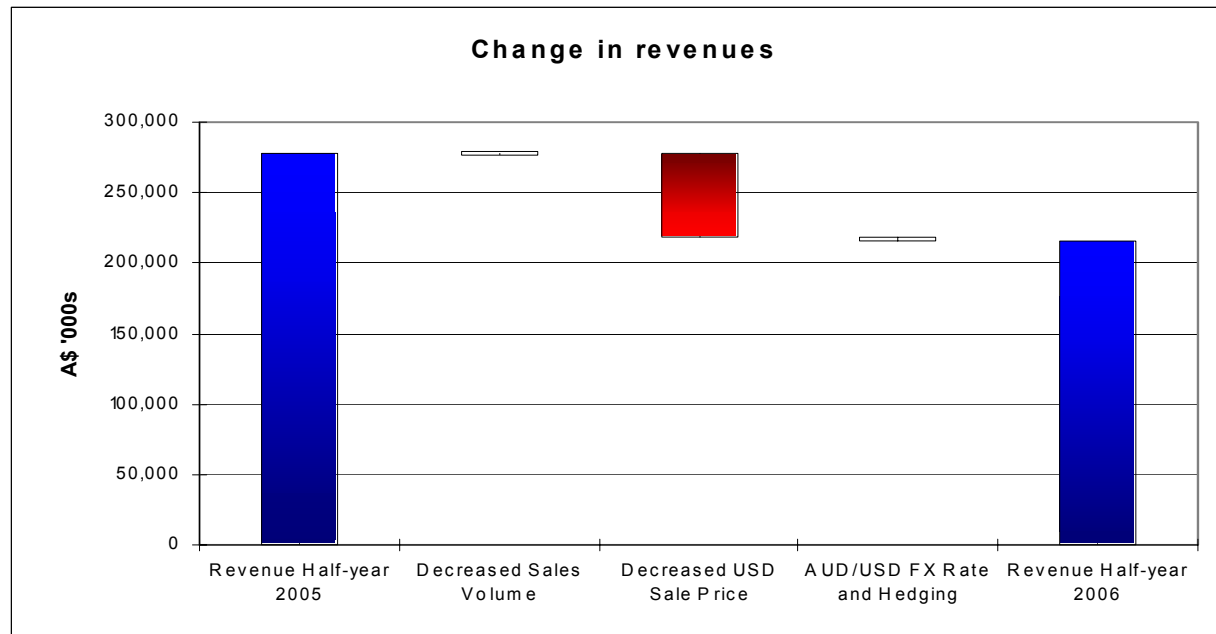
# Financial Performance for December 2006 Half Year

- EBITDA of \$64.5M
- NPBT of \$59.8M



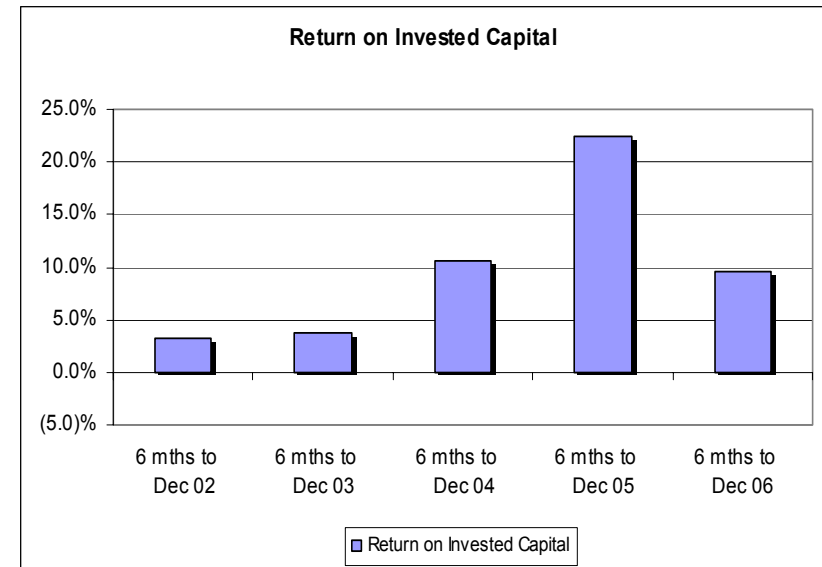
# Sales Revenue for December 2006 Half Year

- Sales revenue was \$216.2M
- Lower sales revenue was almost entirely from decreased sales price



# Profitability Remains Strong

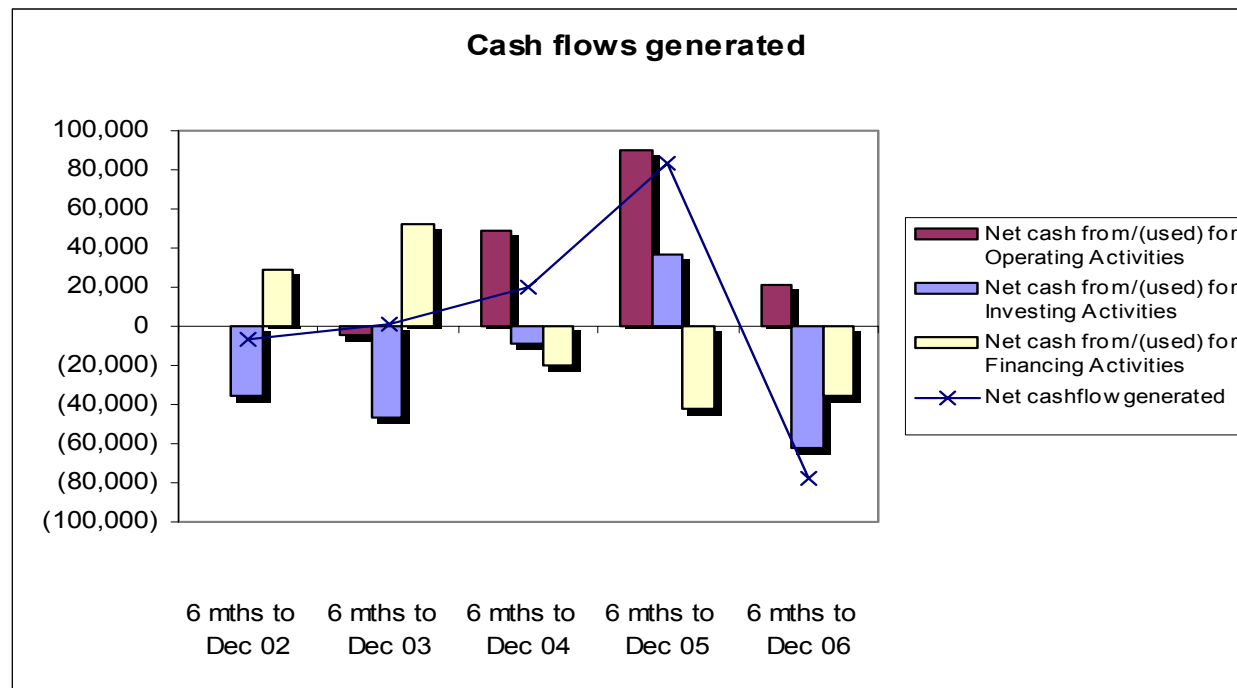
	6 months Dec 06	6 months Dec 05
<b>Gross Profit Margin</b>	<b>33%</b>	<b>48%</b>
<b>Earnings per share (Basic)</b>	<b>22.6</b>	<b>47.2</b>
<b>Dividends per share</b>	<b>11.0</b>	<b>23.0</b>
<b>Interest Cover Ratio (EBITDA/Interest Expense)</b>	<b>39.3 times</b>	<b>16.9 times</b>
<b>ROIC</b>	<b>9.6%</b>	<b>22.5%</b>



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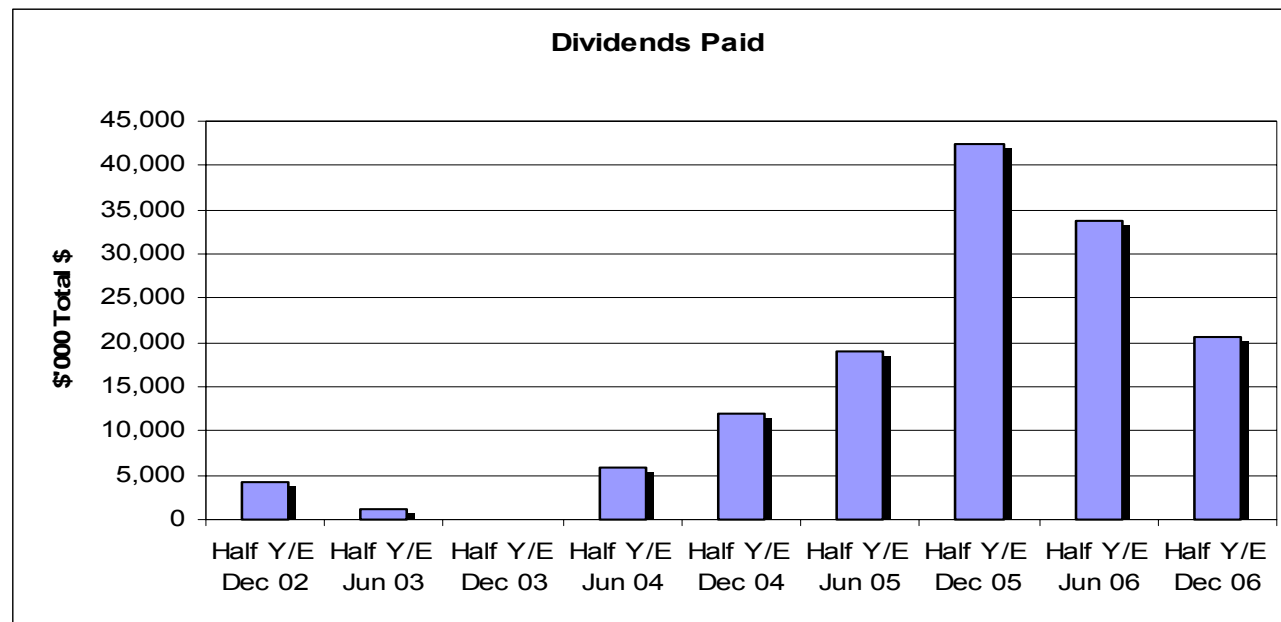
# Strong Cash Flow

- Operating cash flow of \$29.9M was generated for the six months to December 2006
- Payments for other financial acquisitions of \$34.2M and mining equipment \$20.7M associated with the move to owner operator



# Interim Dividend

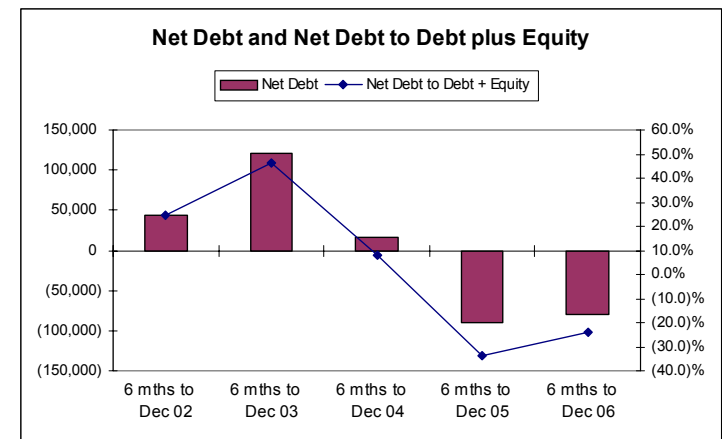
- Fully franked interim dividend of 11 cents per share to be paid being \$20.6M
- Total dividend is 49% of NPAT in accordance with board policy of paying approximately 50% of NPAT as a dividend to shareholders
- Record Date: 16 March 2007
- Payable: 30 March 2007



# Improved Balance Sheet

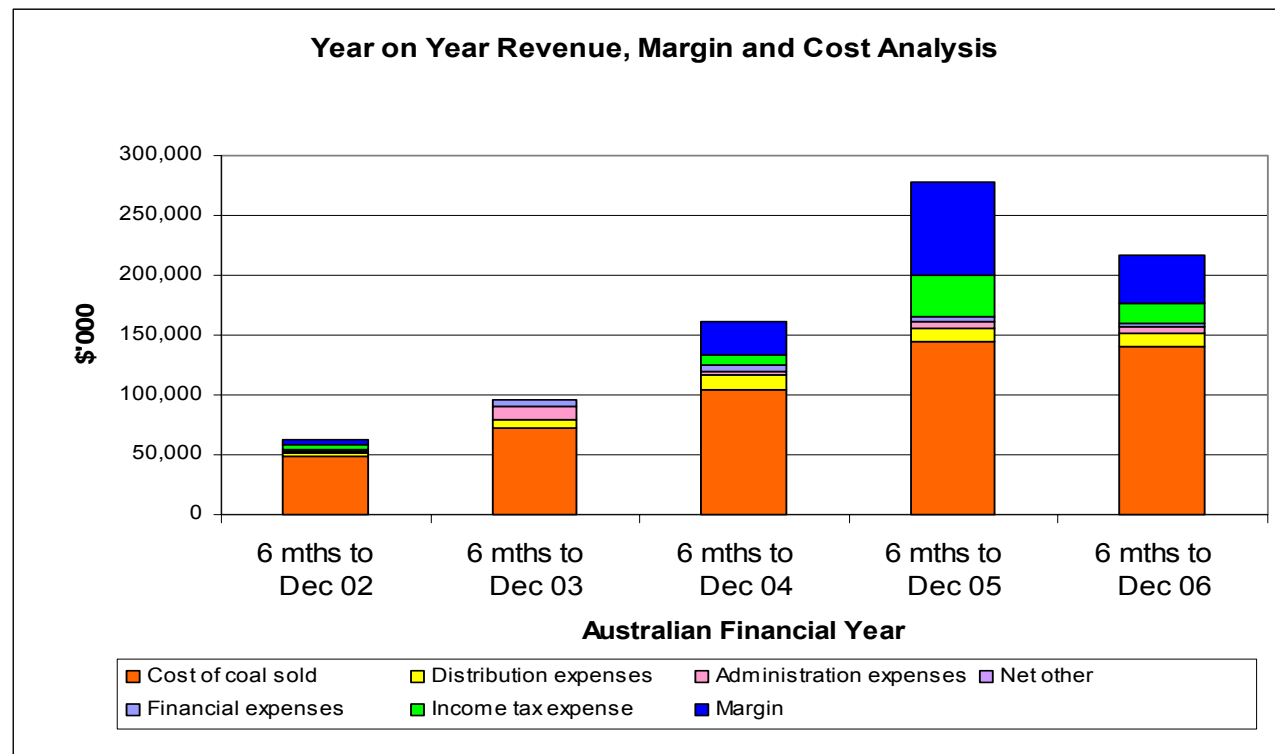
- **Shareholders equity** increased by \$15.5M to \$406.7M due to:
  - increased retained earnings from high profitability
  - higher reserves of \$6.8M
  
- Interest bearing liabilities total \$10.2M
  
- Undrawn corporate debt facilities of US\$41M

	As at 31 Dec 06	As at 30 June 06
<b>NTA Backing</b>	<b>2.17</b>	<b>2.09</b>
<b>Net Debt:Net debt plus equity</b>	<b>(21.9%)</b>	<b>(67.7%)</b>
<b>Net Debt: Equity</b>	<b>(17.9%)</b>	<b>(40.4%)</b>



# Financial Performance Dec Half Year

- Costs were controlled during the 6 months. However the margin was reduced significantly by the lower coal price

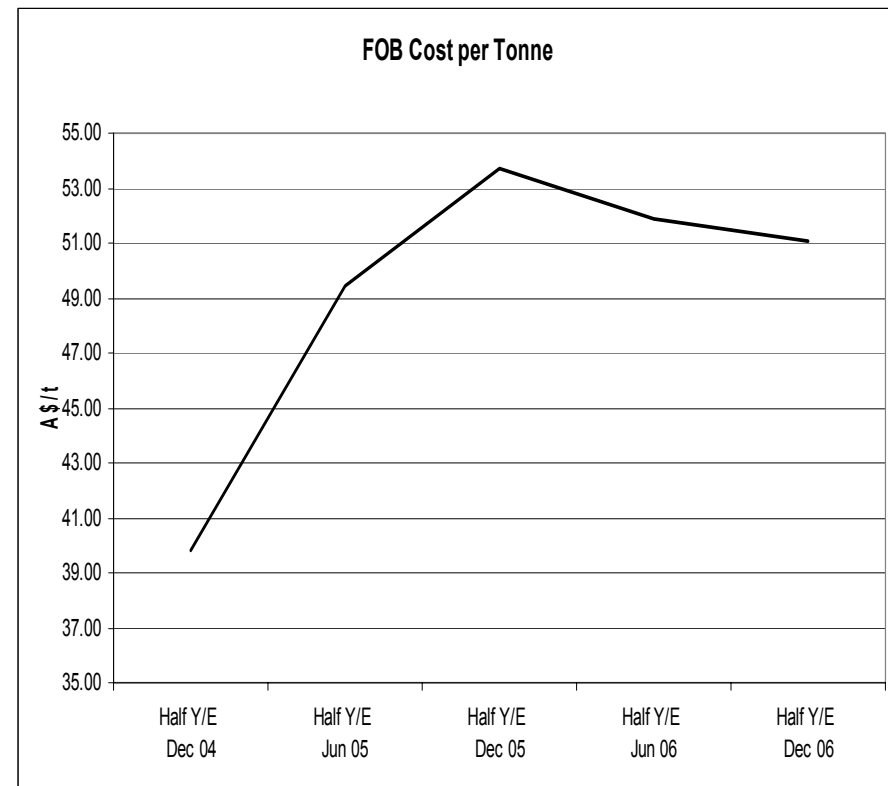


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# Focus on Cost Control – 31 Dec 06 vs 31 Dec 05

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- FOB cost of coal sold (excluding purchased coal) was A\$51.08 per tonne, down 4.9% on pcp
- FOB cost of coal sold (including purchased coal) was \$63.78 per tonne, 8.4% increase on pcp
- Minesite costs rose 18.2% due primarily to the increase in the strip ratio at Moorvale
- Offsite costs (such as royalties and sales commissions) fell by 28.5% primarily due to 30% reduction in the USD coal price
- Corporate costs were 14.8% lower at \$5.13M
- Demurrage increased substantially to \$3.11M



# Forex Hedging at 31 December 2006

- Unrealised gain on hedge book based on the spot rate as at 31 December 2006 was \$7.2 million
- Significant further currency hedging will be undertaken as sales contracts are finalised over the next quarter in line with the policy to ensure that 85% of USD exposure is hedged

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 \$0.7913*
Jan 07 to Jun 07	79,126,375	0.746	6,080,121
Jul 07 to Jun 08	29,650,561	0.769	1,081,848
<b>Total</b>	<b>108,776,936</b>	<b>0.752</b>	<b>7,161,969</b>
* A\$:US\$ spot rate as at 31December 2006			

# 2006/2007 Financial Performance Outlook

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- Production and sales target of 4.5Mtpa for 2006/2007 remains in place however further production outages from wet weather and port congestion delays could impact the target



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# 2006/2007 Financial Performance Outlook

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- Coal prices for the next Japanese Fiscal Year (JFY) beginning April 2007 are now being finalised
- 2006/2007 full year NPAT market guidance of \$63 to \$73 M provided in November 2006, is confirmed
  - The guidance takes account of estimated USD coal price settlements for JFY07
  - The forecast is highly sensitive to the impact of port congestion at DBCT and wet weather delays
  - Principal assumptions are:
    - No unexpected congestion at DBCT
    - Limited further rain delays impacting production
    - No additional demurrage
    - Carryover tonnage as per estimate
    - No further industry cost pressures
    - AUD/USD FX rate of US\$0.76

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# Conclusions

- Solid 1st half profitability of \$42.4M
- Net profit guidance for 2006/07 financial year of \$63M to \$73M confirmed
- Interim dividend declared of 11 cents per share
- Priority on cost control
- Well positioned to fund future metallurgical coal growth projects with net cash of \$74.3M
- Access to port infrastructure is doubling over the next few years enabling development of new projects
- Announcements regarding new developments will be made once board commitment has been made to them