

March 2007 Quarter Progress Report

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Infrastructure**

April/May 2007

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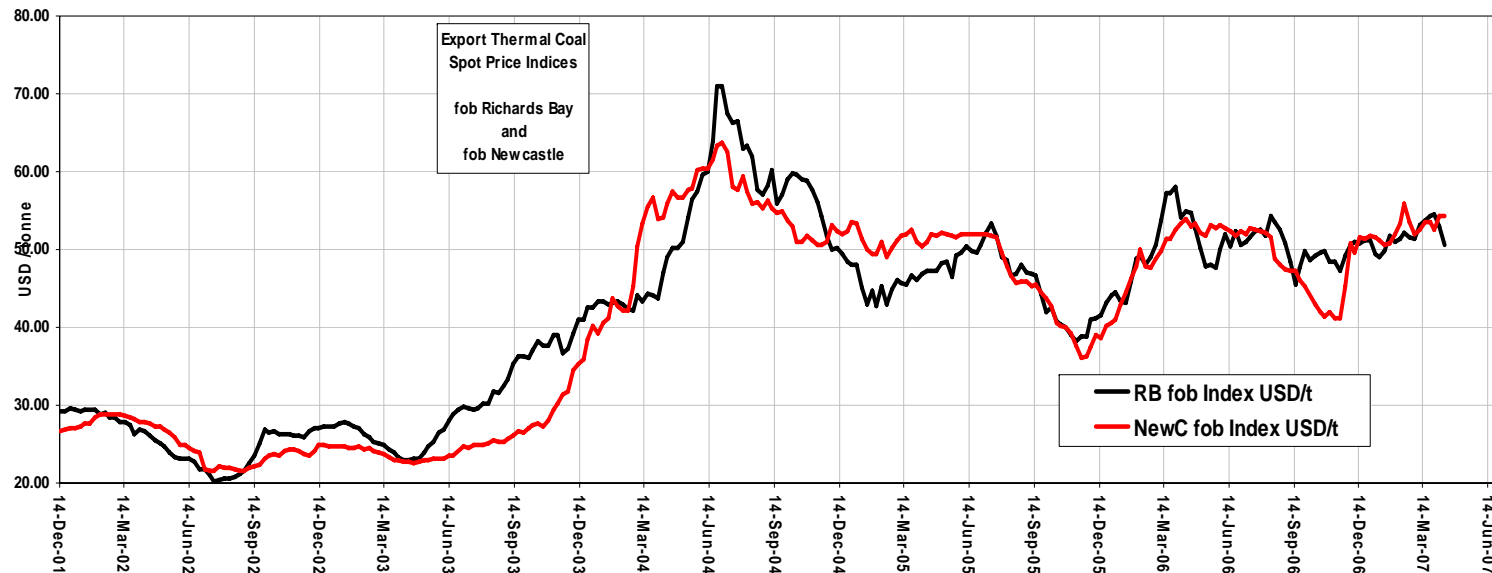
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Key Points

- **Sales of 0.6Mt of coal for the quarter were well below expectations due to wet weather, port congestion and production issues**
- **The price of Low Volatile PCI coal for the next contract year has been agreed with all customers**
- **Overburden removal continued to improve at Moorvale Mine**
- **The move to owner operator status in the East Pit area of Coppabella Mine is progressing very well with efficiency improving significantly and employment arrangements agreed**

Coal Markets

- Metallurgical coal price settlements for the next Japanese fiscal year are completed
- Some thermal coal price negotiations remain to be settled
- Coal prices are in general quite firm as infrastructure remains constrained and China has moved from a net exporter to a net importer of thermal coal

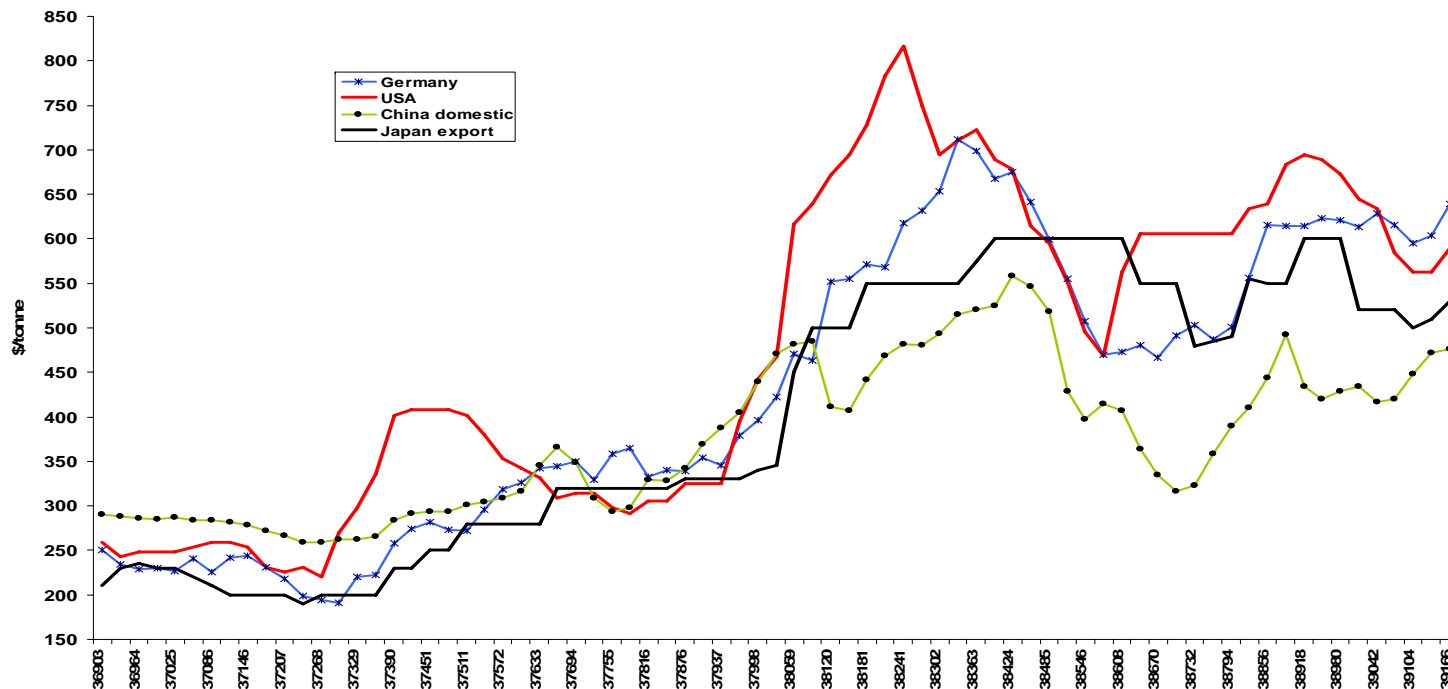


Source: Wilson HTM

A leading independent Australian coal company

Steel Markets

- World steel prices remain robust with the price in most regions trending upwards over the last few months
- Recent work by CRU indicates that despite higher raw material costs the margins generated by the steel makers remain quite high at about US\$172/t

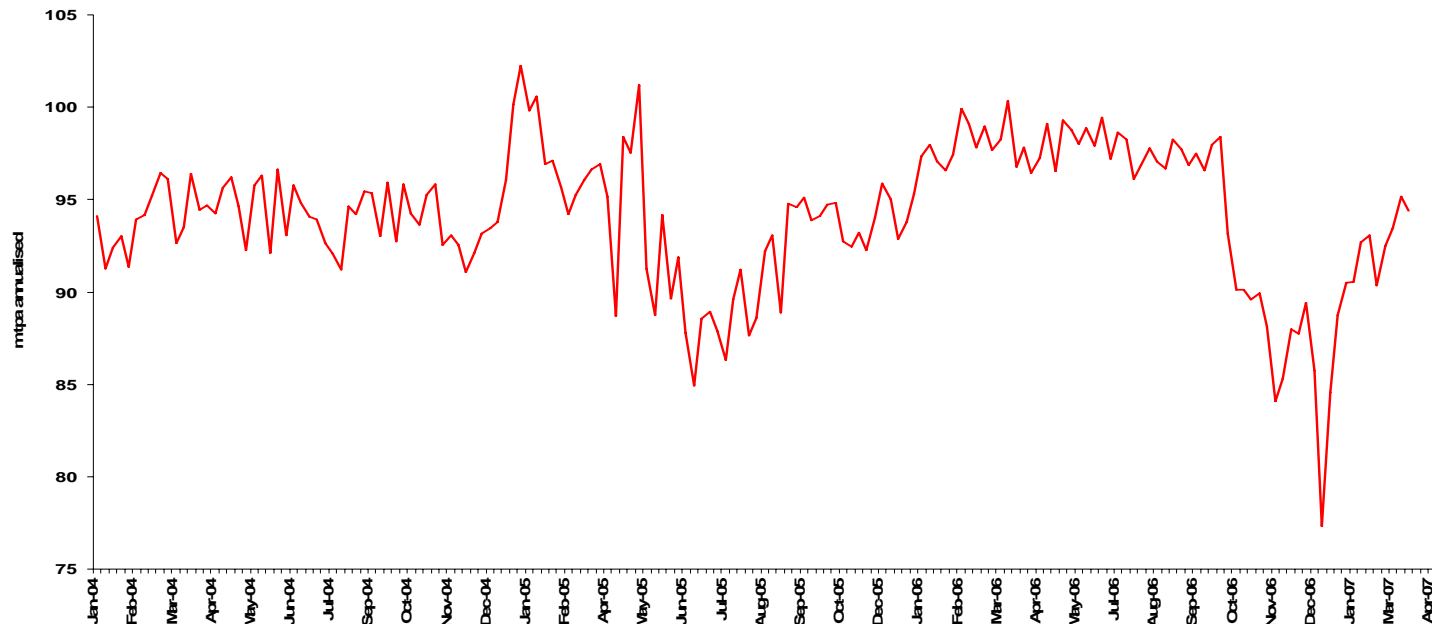


Source: Macquarie Bank

A leading independent Australian coal company

Steel Markets

- Production in the US has rebounded strongly in the first quarter of this year following the sharp down turn in the second half of last year

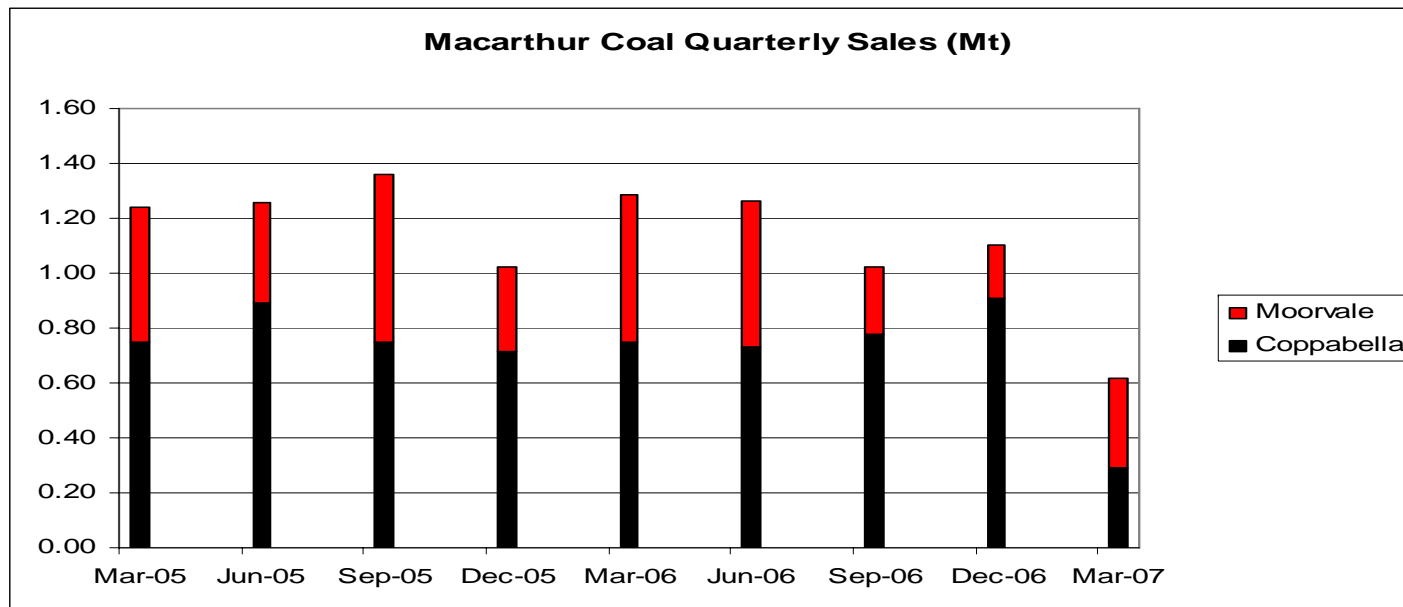


Source: Macquarie Bank

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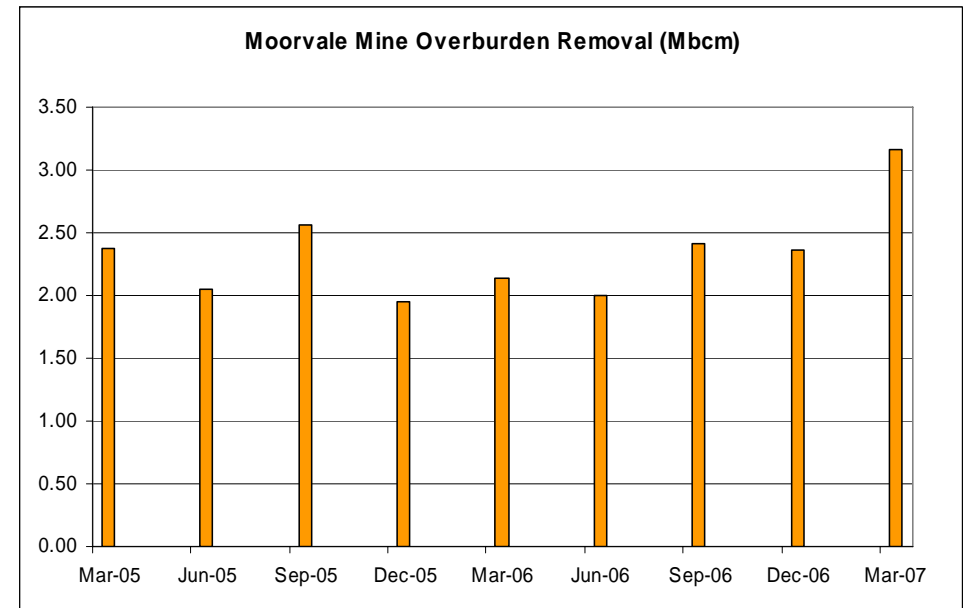
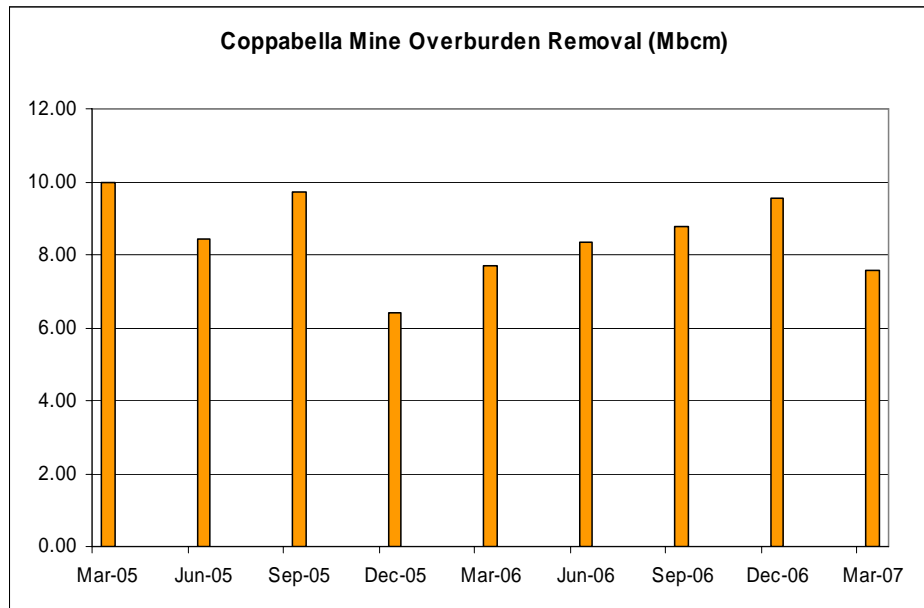
Sales

- The March quarter sales of 0.62Mt were well below the December quarter and the previous corresponding quarter
- A combination of production issues at Coppabella Mine along with rainfall disruption and infrastructure constraints were responsible for the weak sales outcome for the quarter
- Full year sales are now expected to come in at about 3.7Mt which is below the previous forecast of 4.5Mt



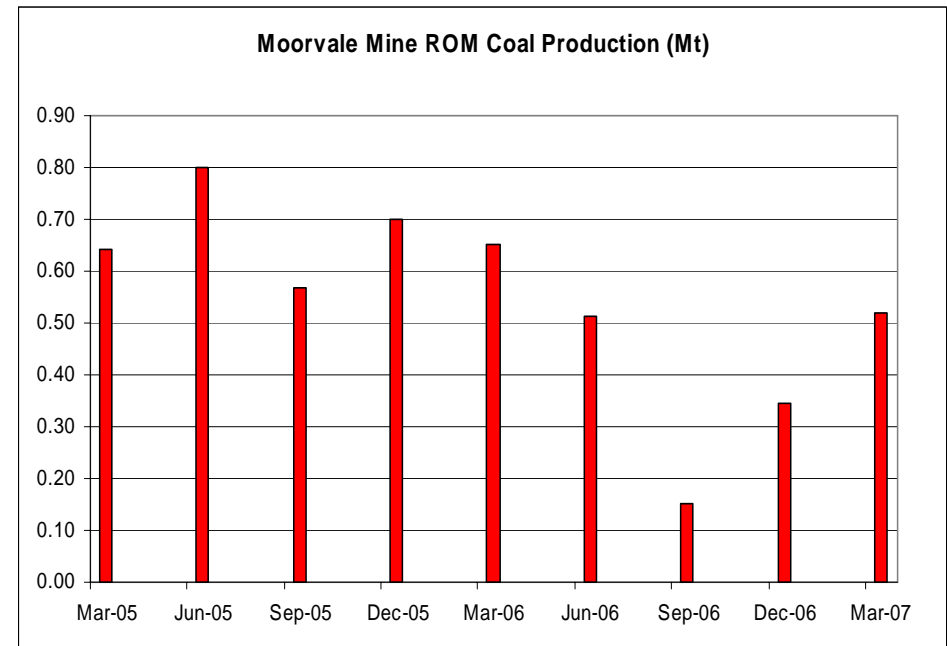
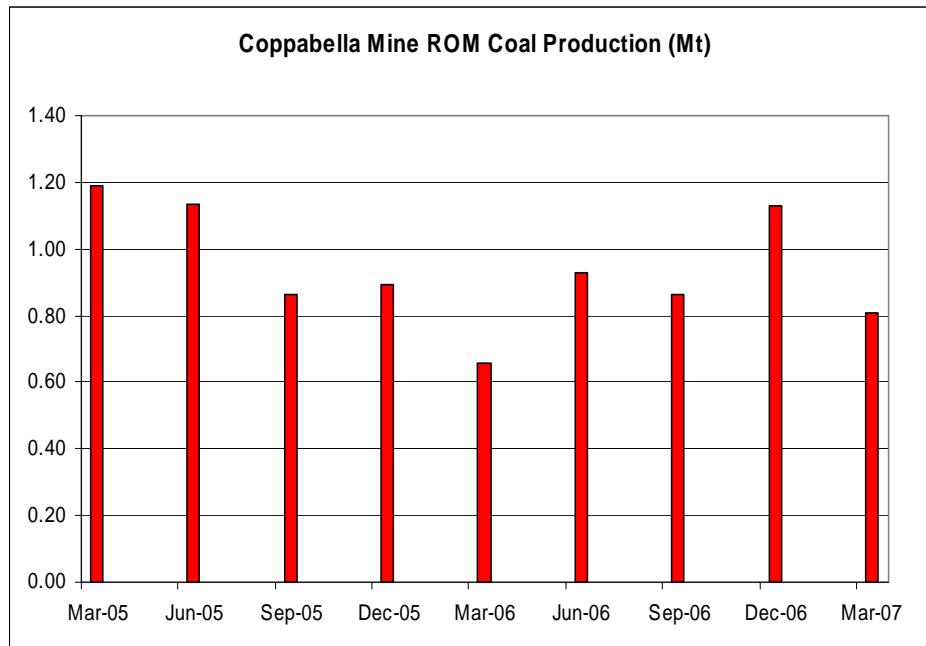
Operations

- Overburden removal rates at Coppabella Mine were impacted by the wet weather and the high wall failing
- The overburden removal rate at Moorvale Mine increased significantly following the deployment of an extra excavator to the mine
- The additional capacity will ensure that the mine moves back to its normal coal production levels in the current quarter



Operations

- Coppabella Mine ROM production of 0.81Mt for the quarter improved by 23% from the pcp but was lower than the December 2006 quarter following the high wall failing and wet weather in February
- ROM Production at Moorvale Mine of 0.52Mt continued the improving trend as mining advanced into the second strip of the open cut and away from the end walls

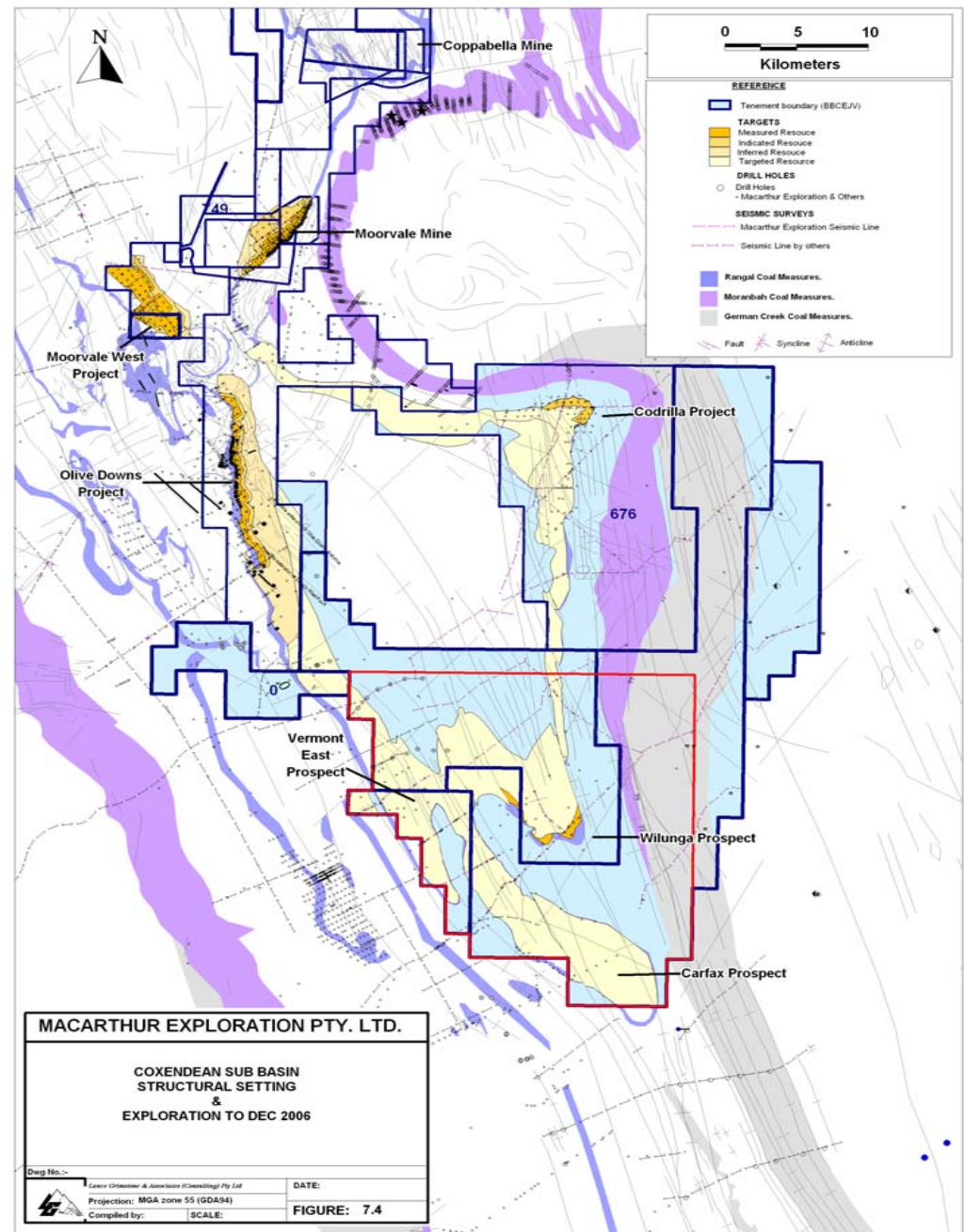


Operations

- The change to owner operator in the East Pit of the Coppabella Mine is progressing well with mining costs starting to fall as expected
- The employees recently voted overwhelmingly in favour of a new Collective Agreement that will bring benefits to both the employees and the company in the future
- Trials on the tyres received from the new European supplier have been successfully completed with good results
- The water supply situation for both mines is very good:
 - Eungalla Dam at 66% of capacity, its highest level for five years
 - Replenished onsite dams and the new Eastern Spur pipeline have resolved all of the short term water supply issues
 - The Burdekin Falls Dam pipeline is expected to be completed in July 2007

Exploration

- Exploration activity during the quarter was severely impacted by the wet season
- Some drilling occurred in the area between the Olive Downs project and the Moorvale West project in an effort to extend open cut resources in the region
- Drilling has just recommenced in the Vermont East/Carfax area following the wet season
- The company is still experiencing delays in receiving the analytical results from the drilling completed during last year



Hedge Position

- All hedging related to next year's sales contracts has been completed at an average exchange rate of AUD/USD 0.778
- The recent upward move in the Australian dollar has led to a significant unrealised gain in the hedge book

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 \$0.807*
Apr 07 to Jun 07	56,259,187	0.776	2,803,691
Jul 07 to Jun 08	192,595,561	0.778	8,836,318
Total	248,854,748	0.778	11,640,008
* A\$:US\$ spot rate as at 31 March 2007			

Infrastructure

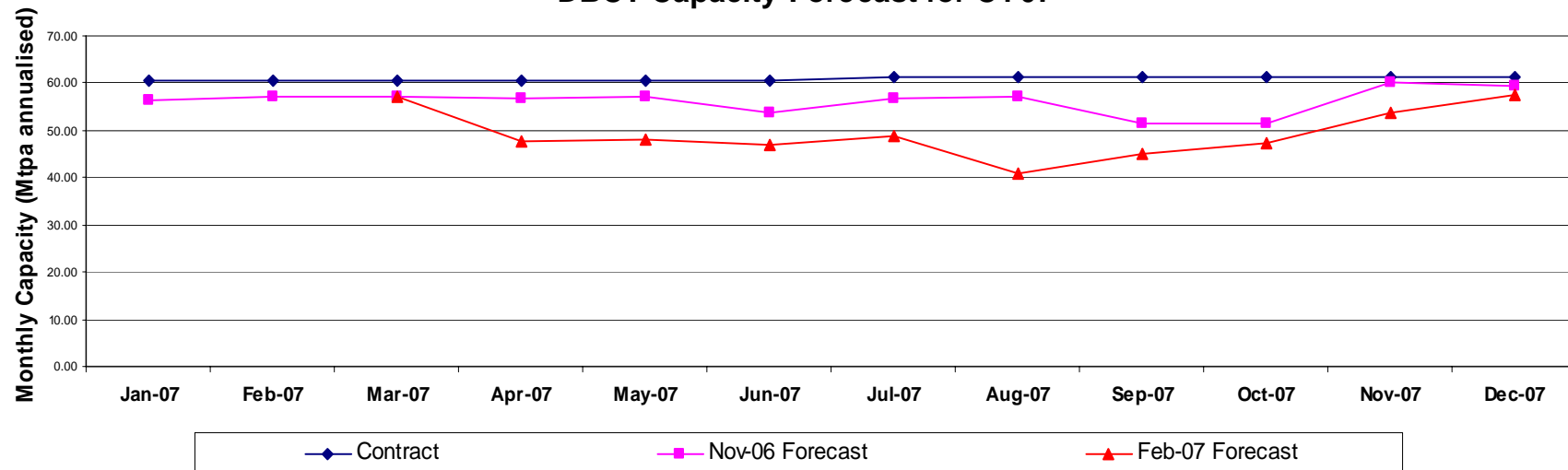
- **Port and Rail capacity continues to constrain exports**

- **Forecasts for balance of 2007 and AFY08 difficult due to:**
 1. Reduced capacity due to port expansion works
 2. Poor system performance in 2007 to date that is significantly below forecast capacity
 3. Further reductions in allocation under the Queue Management System mechanisms

Infrastructure

- CY07 port allocation reduced by 12% of previous forecast due to impact of port expansion works and rail performance
- CY07 allocation currently 18% below contract entitlement

DBCT Capacity Forecast for CY07



Infrastructure

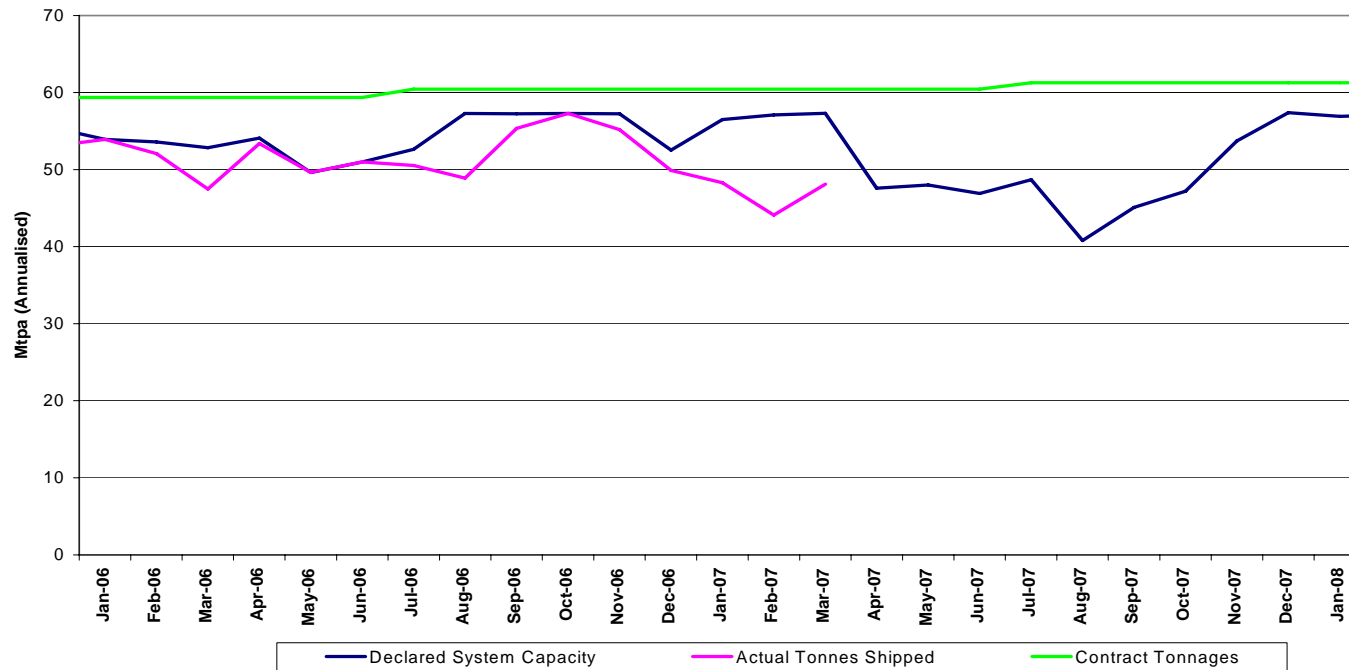
- Following a review in May there could be further reductions under the queue management system by DBCT

		Port Capacity (CY07)	MCC Share
Port Contract		60.4Mt	4.4Mt
Cap after Short Gain Project	Nov-06 forecast	56.3Mt	4.1Mt
QMS Introduction	Feb-07 forecast	50.5Mt	3.7Mt
Revised QMS	Due mid May-07	?	?

Infrastructure

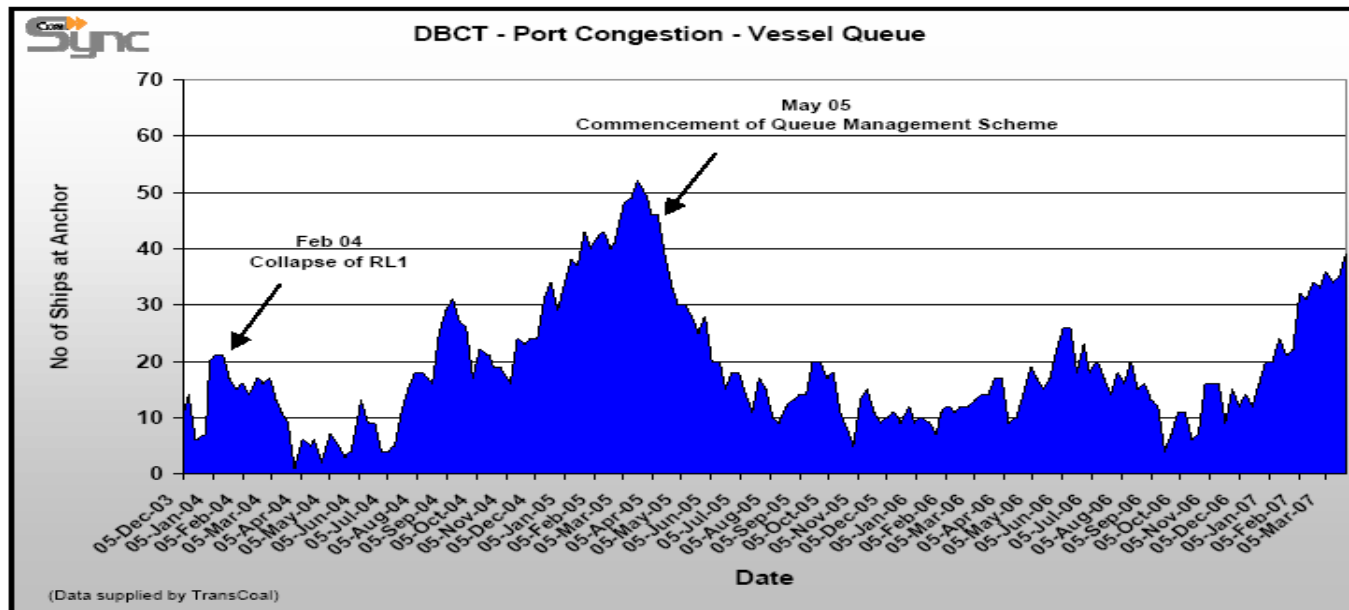
- In FY07 to date, poor system performance has reduced throughput levels below the already reduced allocation levels

DBCT - Contract Allocation and Actual Tonnage Shipped



Infrastructure

- DBCT vessel queue longer now than at anytime since establishment of the Queue Management System
- QMS Queue Reduction Mechanisms in place for April-May 2007
- Potential for further reductions in entitlement in the next quarter



Conclusions

- Macarthur expects to sell 3.7Mt of coal for the year down on the previous forecast of 4.5Mt
- Despite the revised sales the company expects to report a profit for FY07 within the guidance range of \$63 million to \$73 million
- Sales over the next few months will remain constrained by ongoing issues in the coal chain
- All sales contracts for the next contract year have been settled
- The move to owner operator in the East Pit is progressing well with early indications that operating costs will fall in the future
- Production at both mines is gradually improving as the year progresses