



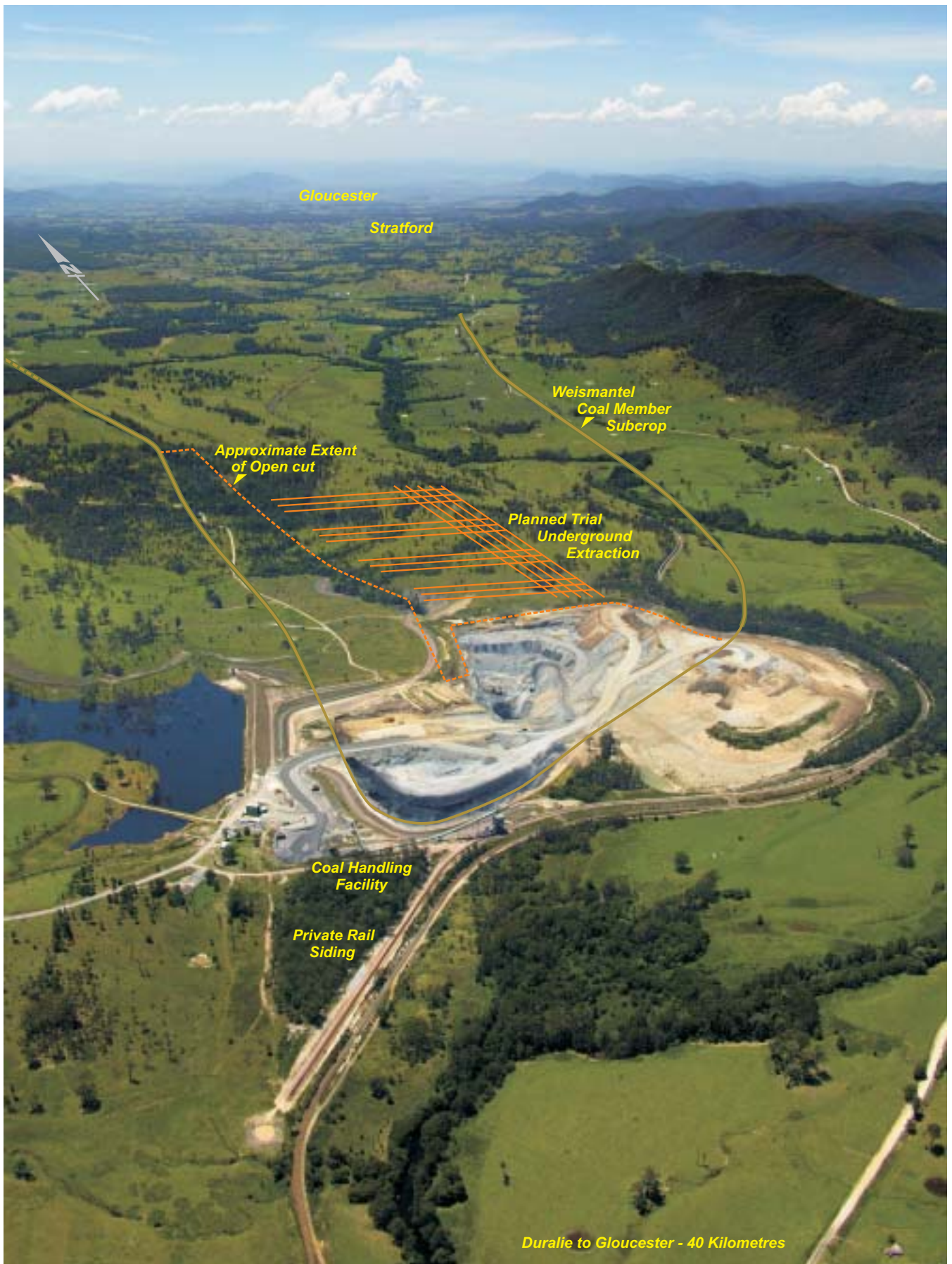
# ANNUAL REPORT 2004



**Gloucester Coal Ltd**

# PANORAMA OF THE GLOUCESTER BASIN

Duralie Operation  
Oblique Aerial View  
December 2004



# GLOUCESTER COAL LTD

Gloucester Coal Ltd (GCL) enjoys a reputation for managing safe and efficient coal mining and processing operations in the Gloucester Basin, which is 100 km north of Newcastle, NSW Australia. Since 1995, our operations have provided our customers with quality coking and thermal coal products.

GCL is now well positioned to;

- Capture the financial rewards of the escalating international coal market.
- Explore and develop new mining operations within the extensive coal resources of the Gloucester Basin.

We believe our Company identity and values are important assets. Our identity is shaped by the responsibilities to our major stakeholders.

- International and domestic customers who require quality specific coal products to meet their individual needs.
- Shareholders, where GCL manage low risk operations and deliver sustainable returns from invested capital.

Our employees and the local environment we operate in are important. Our values reflect the respect the Company has for

- The Gloucester community, where GCL is a major contributor to the economic activity of the region.
- The employees of Gloucester Coal Ltd who are the real force behind safe production, environmental responsibility and the success of GCL.

## 2004 Annual Report and Accounts

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# CHAIRMAN'S REPORT

Dear Shareholder

GCL has successfully undergone a significant corporate rebuild during 2004 against a backdrop of rising sale prices for all coal products. Since the departure of the major shareholder, UK COAL PLC in April 2004, GCL now has a platform of new shareholders and new and experienced non-executive Directors.

The Board of GCL is committed to establishing and maintaining GCL as a profitable coal mining Company delivering coal products into specific niches in the coal market. Your Directors are further committed to stewarding GCL as managers of safe, efficient and rewarding operations for its staff and the Gloucester community.

In 2004 GCL achieved a major financial turnaround. Progressively throughout the year, coking and thermal coal sale prices increased by more than 50%, and at the same time the Company was able to maintain FOB cash costs at less than A\$40 per tonne. A \$5.6 million operations loss for the first half of 2004 was more than reversed by the \$6.5 million profit in the second half. In addition to the \$1 million operating profit before tax, the Company had a net write back of \$14.8 million in respect of tax losses not previously brought to account. The financial outlook for GCL continues to look favourable following the recent settlement of the 2005-6 coking coal contracts where sale price increases of 120% were achieved.

Taking the operations into the future, the Company has well established infrastructure to process the current level of production and achieve an operating cost in the lowest quartile of the industry. The operating philosophy of the Company has been to utilise and develop all available coal resources within the Company's existing Mining and Exploration Lease before considering expansion beyond the Basin.

The Board recognises that the major strategic objective for GCL is to translate some of the large insitu coal resources within the Gloucester Basin into robust and economically mineable reserves, thereby extending the life of the Company beyond 2012. While the exploration and reserve delineation continues, GCL has commenced planning the first phase of the Duralie Underground mine and the full feasibility and mineability study of a larger underground mine development.

The performance of the team managing the operations in the Gloucester Basin has been remarkable, conditioned by the past tough economic times, they continue to focus on safe and efficient production. With the now buoyant coal market, the foreseeable future the Company is strong and robust. GCL is now well positioned to capture the increasing benefits for its shareholders.

**Andy Hogendijk**  
Chairman  
Gloucester Coal Ltd

# CHIEF EXECUTIVE'S REPORT

## Dear Shareholder

The year 2004 has been one of great change for Gloucester Coal Ltd. We have undergone a major restructure and now boast over 2,500 new shareholders. Today, GCL remains one of the truly independent publicly listed Australian Stock Exchange coal mining companies. The strong coal market, combined with the new liquidity in GCL shares and the recognition of the Company's low risk Gloucester Basin coking and thermal coal operations has seen our market capitalisation increase fivefold. It has been a rewarding experience for the GCL management team after many tough years.

## Operating Result

In 2004 GCL recorded a profit after tax of \$15.8 million, which consisted of \$1 million of earnings before tax and a net write back of \$14.8 million in respect of tax losses not previously brought to account.

Revenue in 2004 was up 29% when compared to the corresponding year (2004 \$77.9 million compared to 2003 \$60.2 million). Profit before tax for the second half of 2004 was in direct contrast to the first half year losses and largely reflected the stronger coking coal prices for the 2004-5 Japanese financial year and the completion of low priced domestic sale contracts.

## Changing Market Conditions

After many years of managing safe and efficient operations in the Gloucester Basin against a background of a depressed coal market, the demand supply change in the international coal market in 2004 exceeded all expectations. Much has been written about the escalating price of coal in 2004, but nothing highlights the dramatic change more than the 225% price increase achieved by GCL for its coking coal over the two year period, 2003 – 2005.

## Operating Performance

GCL established the Duralie and Bowens Road North coal mines and developed the integrated Gloucester Coal concept at a time when coal sale prices were at historic lows. These efficient and low cost operations allowed the Company to survive and be financially robust at the bottom of the resource cycle. The Company is now utilising the efficiency of these operations to capitalise on the increasing sale prices.

In the past, GCL has managed the Gloucester Coal operation in an extremely tough market under a tight cash budget. That discipline will remain, however the focus and operating philosophy is being revised to take into account the significantly higher sale prices being achieved. With greater financial potential, GCL will now develop new strategies to protect production continuity. Risk management, which is the fundamental basis behind managing our operations safely and in an environmentally responsible manner, and can now be extended more broadly to protect our production stream.

# CHIEF EXECUTIVES REPORT

## (continued)

### Future Growth

GCL plans to optimise the Company's financial performance and maximise shareholder value over the next few years by concentrating on the extensive assets that the Company has within the Gloucester Basin. Developing these assets from grass roots and brown fields through to performing operations adds real value to the Company. The 2005 plan to add shareholder value through resource development will be through:

- Planning for the development of the first phase of the Duralie underground mine. This is a low cost and low risk entry into mine development of the extensive Weismantel coal member resource. The underground mine operation can be a major contributor toward the extension of the life of mine plan.
- Exploration of the extensive coal resources within the Company's Gloucester Basin tenements with the view to extending the mineable reserve significantly beyond 2012. Exploration will continue to target more than 8 km strike length of shallow Avon, Bowens Road and Weismantel coal seams subcrop in brown field developments in the South Stratford area and the green field Grant and Chainey areas.

### Capital Management

The rapidly changing market conditions and positive financial outlook have required GCL to develop a capital management strategy. The 2005 plan will direct funds proportionally towards:

- Debt reduction. This will continue to strengthen the Company balance sheet and lower interest payments.
- Development of Gloucester Basin coal resources. The large insitu resource can now be assessed against a new set of economic fundamentals, with the financial ability to fund exploration and resource development.
- Distribution of an appropriate proportion of the earnings per share to shareholders after debt repayment and exploration and development costs.

It is our belief that these strategies will enable us to deliver excellent results to shareholders in both the short and long term.

**Gavin May**  
Chief Executive Officer  
Gloucester Coal Ltd  
30 March 2005

# DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Gloucester Coal Ltd, the Company, and its controlled entities, for the financial year ended 31 December 2004.

## DIRECTORS

The following persons were Directors of Gloucester Coal Ltd during the whole year and up to the date of this report unless otherwise stated:

Andy J Hogendijk	Chairman (appointed 11 August 2004)
Gavin P May	Chief Executive Officer
Daniel J Buckley	Operations Director
Gordon T Galt	Non-Executive Director (appointed 5 April 2004)
Ian W Levy	Non-Executive Director (appointed 5 April 2004)
Gordon McPhie	Chairman (resigned 5 April 2004)
Melvin Garness	Non-Executive Director (resigned 11 August 2004)

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the consolidated entity consisted of: The production and marketing of coal from the Bowens Road North pit at Stratford, which the Company has a 90% interest in, as well as the production and marketing of coal from the Duralie operation, which the Company has a 100% interest in.

## DIVIDENDS PAID OR RECOMMENDED

There was no dividend paid or proposed during the year ended 31 December 2004.

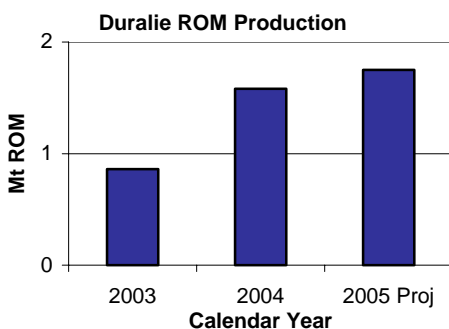
## REVIEW OF OPERATIONS

### DURALIE (GCL 100%)

#### Operations:

The Duralie operation has continued to perform to expectations. In the second year of operation GCL railed 1.58 million tonnes of Run of Mine (ROM) coal to Stratford (2003: mined and railed 0.86 million ROM tonnes). Mining operations were extended to the southern most extent of the open cut mine and experienced working sections of Weismantel coal in excess of 20 metres. The mining operation has not encountered any difficult or unplanned geology since operations were commissioned in early 2003.

In the second half of 2004 a second excavator was introduced into overburden removal, while maintaining the same work rosters, an overall production increase of 12% was achieved. The operation has continued to generate the major component of the high fluidity Gloucester coking coal product. During 2004, 3.15 million bulk cubic metres of overburden was moved to recover 1.58 million tonnes of ROM coal giving an annual waste rock to coal ratio of 2:1. At the end of 2004 GCL had \$3.5 million worth of pre-stripped waste in advance of mining, on the Company balance sheet.



# DIRECTORS' REPORT (continued)

The inside of the front cover shows an oblique photo of the Duralie operation taken in December 2004. The photograph clearly shows the exposure of the southern extent of the Weismantel coal member syncline, also superimposed on the figure is the approximate extent of the Weismantel coal member subcrop and the extent of the open cut mine plan.

## Reserves & Resources:

An update and revision of the open cut mine plan to JORC standard was conducted at the end of 2004. Mineable reserves have increased by 1.3 million tonnes as a result of pit optimisation and down dip movement of the highwall over the next two years of operations. The Duralie open cut has as at December 2004, 13.2 million tonnes of mineable reserves within the existing Duralie Mining Lease. (Dec 2003 13.5 million tonnes). These reserves have been prepared and reported in accordance with the Joint Ore Reserves Committee (JORC) Code of the Australasian Institute of Mining and Metallurgy standard by Mr. Robert Mackenzie of MineConsult.

## Financial:

GCL continues to operate Duralie Coal Pty Ltd (DCPL), as a 100% owned subsidiary. DCPL delivers and sells ROM Duralie coal to the Stratford Joint Venture (GCL 90%, Itochu Corporation Australia 10%) at the Stratford rail unload facility. The sale price of Duralie ROM coal is now adjusted by referencing to the coking coal price market under a Sales and Purchase Agreement. DCPL profits are consolidated into the GCL parent entity.

## Future Development:

In February 2005, GCL announced its intention to commit to planning the first phase of development of the Duralie underground mine. This first phase of underground mining with capital investment in the order of A\$10 million, will allow GCL to fully evaluate mining conditions and geology of the larger underground resources before any major capital investment. It is planned to extract some 2 million tonnes of ROM coal over 5 year period from 2007.

At the same time Minarco, GCL's mining consultants, are studying the feasibility of a larger underground operation to extract coal reserves beyond 2012.

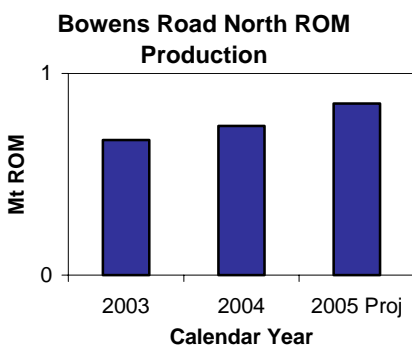
## BOWENS ROAD NORTH (GCL 90%)

### Operations:

GCL mined 0.75 million tonnes of ROM coal from the Bowens Road North open cut mine. (2003: 0.67 million tonnes). The operation removed 2 million bulk cubic metres of waste rock, which gave a waste rock to coal ratio for the second year of operation of 2.6:1. (2003: ratio 3.27:1). GCL is still reporting \$8.7 million worth of prestripped waste in advance of mining on the Company balance sheet.

Apart from a minor highwall failure, which was successfully managed, there were no unscheduled interruptions to mining or any geological anomalies encountered. The Bowens Road North operation continues to make a major contribution to the low sulphur Gloucester thermal coal sales.

**Reserves & Resources:** A revision to the open cut mine plan and geological model to JORC standard has recently been conducted. Mineable reserves have increased by 0.4 million tonnes as a result of pit and geological reconciliation. The Bowens Road North open cut has as at December 2004 a 5.4 million tonnes of mineable reserves. (Dec 2003 5.7 million tonnes). These reserves have been prepared and reported in accordance with the Joint Ore Reserves Committee (JORC) Code of the Australasian Institute of Mining and Metallurgy standard by Mr. Robert Mackenzie of MineConsult.



# DIRECTORS' REPORT (continued)

## STRATFORD COAL PREPARATION PLANT (GCL 90%)

### Management Control

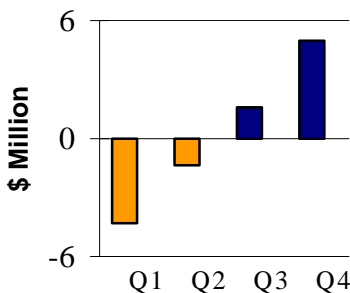
GCL took full management control of the Stratford Preparation Plant from the incumbent contractor in March 2004. Since that transition the team at the preparation plant has continued to operate with a high standard of safety and efficiency. In December 2004, the plant recorded 3 years without a lost time injury.

### Process Capacity and Capital Expenditure

GCL continue to make low cost incremental improvements in process capacity and availability. At this stage GCL are not planning any significant capacity increase and do not envisage any major capital expenditure on the process stream of the Stratford preparation plant.

However, in 2005, GCL are looking to expand product stockpile capacity to reduce operating costs and also to improve product separation, which will further optimise market opportunities.

**GCL 2004 Quarterly Earnings before Taxation**



## FINANCIAL

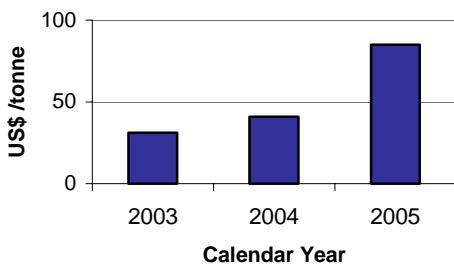
GCL recorded a Profit of A\$15.8 million for the year ending 31 December 2004. Profit consisted a \$1million earning before tax and a contribution of \$14.8 million in respect of tax losses not previously brought to account. Tax losses have been brought to account as a consequence of the virtual certainty of using tax losses in the near future for GCL because of the settlement of the next Japanese financial year's coking coal contracts.

Significantly, 2004 represented a major turnaround in financial performance particularly when looking at GCL's quarter-by-quarter profit and loss figures.

## COAL MARKET

During 2004 the international coal market continued to surge. The coking market, in particular was beyond analysts most optimistic predictions. The fundamentals, needed to satisfy the growing coking coal market, like major production increases are unlikely to be in place in the near future as producers struggle to cope with port capacity issues and machinery and consumable availability.

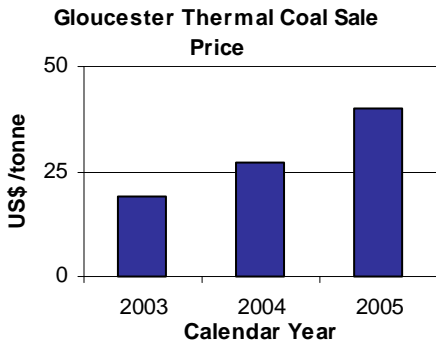
**Gloucester Coking Coal Sale Price**



### Gloucester Coking coal:

GCL achieved price increases of 120% for Gloucester coking coal at the annual Japanese steel mill negotiations in February 2005. These increases will see the sale price for Gloucester coking coal rise from US\$46 per tonne to just over US\$100 per tonne from late April 2005. Contract quality and volumes remain similar to the previous year. More important for GCL is the repositioning of Gloucester coking coal half way between the semi soft and hard coking coal markets. GCL believes this repositioning is an accurate reflection of the value of the Gloucester coking properties, particularly the high fluidity of the coal.

# DIRECTORS' REPORT (continued)



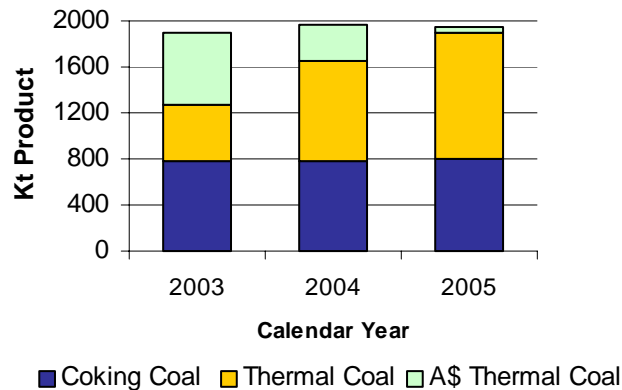
## Gloucester Thermal Coal:

In 2004, GCL produced just over 800,000 tonnes of 22-25% ash high-energy thermal coal. More than 80% of the years production was contracted into low priced domestic A\$ contracts to Delta Electricity and Macquarie Generation. Excess tonnage was sold into the export thermal coal market at prices in the vicinity of US\$39 per tonne. In 2005, GCL have almost all production contracted at prices in the vicinity of US\$40 per tonne.

## Gloucester Weak Coking Coal:

GCL continued efforts to market the product from the upper portion of the Weismantel Coal Member as an 18% ash high fluidity coking coal. At this stage GCL has not established any coking contracts and is continuing to contract this high-energy high sulphur coal into the export thermal market. In 2005, GCL have almost all production contracted at prices in the vicinity of US\$41 per tonne.

## GCL Coal Sales by Quality



## FINANCIAL RISK MANAGEMENT

### Foreign Exchange

The Board of GCL maintains a prudent foreign exchange where up to 80% of contracted coal sales are hedged. At 1 January 2005 GCL had US\$39 million hedged as foreign exchange contracts at an average rate of US\$/A\$ 0.727.

Following settlement of coking coal contracts with the Japanese Steel Mills, GCL will hedge approximately 80% of the US Dollar revenue for the period April 2005 – March 2006.

### Production

Henry Walker Eltin Contracting (HWE) currently provides mining services to GCL under schedule of rates contracts. At the end of January 2005 HWE was placed under administration. Operations have continued as normal at both Duralie and Bowens Road North because these contracts are both performing profitably for the HWE administrator. GCL is continuing to explore all possible outcomes and believes that there will be no materially adverse impact for GCL regardless of the outcome. In 2004 both mining contracts performed in line with expectations and operational standards and safety performance at both site remained high.

# DIRECTORS' REPORT (continued)

## ENVIRONMENTAL MATTERS

GCL's commitment to operating in an environmentally responsible manner is demonstrated through the development and maintenance of high standards of environmental management throughout the mining, processing and rehabilitation operations. These practices are aimed at meeting reasonable community expectations as well as all statutory obligations.

Environmental performance is measured through comprehensive monitoring systems and reported against regulatory requirements, Environmental Impact Statements and approved Management Plans.

Quarterly Reports are presented to government agencies and Community Consultative Committees. Comprehensive Annual Environmental Management Reports for Stratford, Bowens Road North and Duralie Mines are also compiled and submitted.

### Duralie:

The core environmental issues at the Duralie operation are efficient handling, storage and use of both mine water and potential acid forming (PAF) waste rock. During 2004 GCL:

- Completed construction of the expanded mine water dam to 1,200 mega litres, more than doubling its previous capacity,
- Expanded the mine water irrigation and evaporation system to approximately 6 mega litres per day.
- Commissioned stage 2 of the Coal Shaft Creek diversion around the progressing open cut workings.
- Completed the encapsulation of PAF waste in clays cells within the out of pit dump.
- Commenced placement of PAF waste in the mined out void in accordance with predetermined methods.
- Initiated an independent audit of PAF waste management practices including review of monitoring results. No significant issues were identified through the audit.

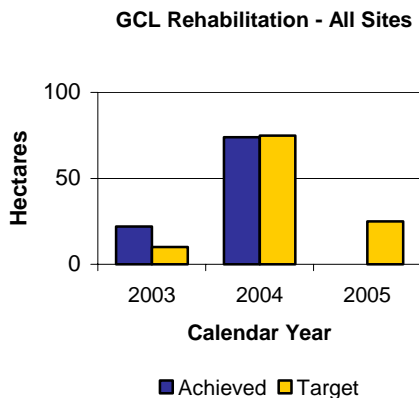
Other environmental issues included:

- During a significant rain event in March 2004 a portion of the stage 1 of Coal Shaft Creek Diversion failed, resulting in a discharge of a small volume of sediment from the Duralie Site. The incident was fully investigated by Department of Environment and Conservation (DEC), resulting in a minor infringement notice.
- Two blasts recorded overpressure above the upper rigger limit of 120 dB, resulting in greater than 5% of all blasts above the lower 115dB trigger limit.
- A minor fuel spill, fully contained on site, caused by the mining contractor resulted in a minor infringement notice from DEC.
- Minor short term monitoring equipment failures.

Other than the above issues Duralie mine was measured as operating within its environmental monitoring criteria.

Rehabilitation commenced in 2004 with progress made in shaping of the out of pit waste dump, drainage works and relocation of topsoil for spreading and revegetation.

No public complaints were recorded during 2004 in relation to the Duralie operations.



# DIRECTORS' REPORT (continued)

## **Stratford / Bowens Road North:**

Production from the Bowens Road North satellite pit to Stratford Mine continued.

Key environmental issues included:

- A single blast recorded overpressure above the lower trigger limit of 115 dB, however an allowance for up to 5% of all blasts in the 115dB to 120dB range resulted in compliance with Development Consent conditions for the year.
- While compliance for noise under favourable and/or neutral weather conditions has been largely achieved at all attended monitoring locations, exceedences were recorded under non-favourable weather conditions (temperature inversions, prevailing winds, etc).
- Stratford and Bowens Road North operations were measured as operating within all of its environmental monitoring criteria other than for noise (see above).
- Traffic and road surface management for the crossing of the Bowens Road North Haul Road over a public road, continues. The Management Plan is reviewed and updated as necessary in consultation with the community and authorities.

Three areas of self heating of carbonaceous material associated with detached and broken strata in the wall of the Stratford Main Deposit (ceased mining in 2003) continued to be managed in consultation with Department of Primary Industries DPI and DEC.

Rehabilitation works continued during 2004:

- Waste dumps associated with the former Stratford Main Deposit were shaped, topsoiled and revegetated completing their rehabilitation.
- Rehabilitation of the Roseville void reject emplacement area was commenced with significant progress in the capillary break layer and clay capping achieved.
- A reject emplacement area adjacent to the Coal Handling and Preparation Plant was successfully backfilled and to capped to natural ground level.

Department of Planning Infrastructure and Natural Resources (DIPNR) carried out an audit of the Stratford and Bowens Road North operations against the Development Consents. The audit report identified a number of non compliances and established a schedule for addressing the various issues. GCL is working with DIPNR to ensure that all matters are resolved.

A total of 34 complaints were recorded during the year.

- 29 related to noise (21 from one household which is included in specific Development Consent Conditions as being within the noise affectation zone)
- 4 related to self heatings
- 1 related to blasting

GCL responds to all complaints and manages all identified issues through:

- Investigating the causes and circumstances giving rise to the complaint
- Review of possible mitigative measures.
- Discussion with and provision of technical information to the complainant.
- Attempting to resolve issues with the complainant through direct negotiation or the various provisions of the Development Consent.
- Communications with the Community Consultative Committee and government agencies.

# DIRECTORS' REPORT (continued)

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year ended 31 December 2004.

## MATTERS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval since 31 December 2004 and up to the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the future financial year.

## INFORMATION ON DIRECTORS

### **Andy J Hogendijk (62)**

Chairman

AAUQ, FCPA, FAICD

Joined the Board in August 2004. Mr Hogendijk has extensive senior management and financing experience having previously been Chief Financial Officer, Suncorp Metway Ltd (1997 – 2000), Commonwealth Bank of Australia Limited (1991 – 1997) and John Fairfax Group (1989 – 1991). Mr Hogendijk has also held several senior positions with Shell Company Australia and Australian Paper Manufacturers. Mr Hogendijk is currently a director of Magnesium International Limited and The Hill Motorway Limited.

Number of shares in the economic entity – 15,500

### **Gavin P May (45)**

CEO & Marketing Director

BSc (Geology), GAICD

Joined the Board in January 2001. He has worked in the coal industry for 22 years in exploration, production and marketing roles. Currently a Director of the Australian Coal Association and a member of the NSW Minerals Council.

Number of shares in the economic entity – 150,500.

### **Daniel J Buckley (47)**

Operations Director

BSc (Geology/GeoPhys), MMEE, GAICD

Joined the Board in January 2001. He has more than 22 years experience in the Australian coal industry including roles in project development, mining operations, engineering and project consulting.

Number of shares in the economic entity – 25,500.

# DIRECTORS' REPORT (continued)

## **Gordon T Galt (53)**

Non-Executive Director

B Com, B eng (Mining Hons), MAICD, MAIMM

Joined the Board in April 2004. Mr Galt is currently Managing Director of Magnesium International Limited. Mr Galt was Chief Executive of gold mining company, Newcrest Mining, from December 1997 to March 2000. Previously, Mr Galt was Managing Director of Cumnock Mining.

Number of shares in the economic entity – 20,000

## **Ian W Levy (52)**

Non-Executive Director

B Sc (Hons) (ANU), MSc (Dist) (London) & Diploma of Imperial College (Royal School of Mines).

Joined the Board in April 2004. Mr Levy has had 27 years experience in both mining geology and mineral exploration including 12 years with Western Mining Corporation Limited and 11 years mining business development positions. Mr Levy has also worked in development roles for mining exploration companies including Pancontinental Mining and Gympie Gold Limited.

Mr Levy has been Federal President of the Australian Institute of Geoscientists and was a member of the Joint Ore Reserves Committee (JORC) for 10 years including four years as Vice Chairman.

Number of shares in the economic entity: Nil

## **DIRECTORS' INTERESTS IN SHARES AND OPTIONS**

As at the date of this report, the Directors interest in shares or options in the Company are as detailed above.

# DIRECTORS' REPORT (continued)

## MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of the Audit Committee held during year to 31 December 2004, and the numbers of meetings attended by each Director were:

	A	B	C	D
Number of meetings held	10	2	2	1
Number of meetings attended by:				
G P May	10	2	2	*
D J Buckley	10	*	*	*
A J Hogendijk (appointed 11 August 2004)	5	*	2	1
G T Galt (appointed 5 April 2004)	8	1	2	1
I W Levy (appointed 5 April 2004)	8	2	2	1
G A McPhie (resigned 5 April 2004)	-	*	*	*
M Garness (resigned 11 August 2004)	4	*	*	*

\* Not a member of the relevant committee.

- A. Meeting of Directors
- B. Meeting of Audit and Risk Management Committee
- C. Corporate Governance
- D. Meeting of Remuneration Committee

## RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

In accordance with the Constitution Mr D J Buckley retires by rotation as a Director at the annual general meeting and, being eligible, offers himself for re-election.

Mr A J Hogendijk was appointed a Director since the last general meeting and, being eligible, offers himself for re-election.

## DIRECTORS' AND EXECUTIVES REMUNERATION

Disclosures relating to Directors and specified executives are set out in note 24. The specified executives are executives acting in their capacity for strategic direction and management ("specified executives") during the financial year. The specified executives include all executives of the consolidated entity.

## SHARE OPTIONS GRANTED TO DIRECTORS AND THE MOST HIGHLY REMUNERATED OFFICERS

At the date of this report there were no unissued ordinary shares under option.

## CORPORATE GOVERNANCE

The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term, and seek to balance these sometime competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company, including its controlled entities, are properly managed. A detailed review of relevant corporate governance matters is set out on page 16 of this annual report.

# DIRECTORS' REPORT (continued)

## AUDIT AND RISK MANAGEMENT COMMITTEE

During the period under review the Audit and Risk Management Committee consisted of the following Directors:

I W Levy – Chairman – appointed 9 April 2004

G T Galt – appointed 9 April 2004

A J Hogendijk – appointed 19 August 2004

M Garness – resigned from committee 11 August 2004

G P May- resigned from committee 19 August 2004

The main responsibilities of the audit and Risk Management committee are to:

- Review and report to the Board on the annual report, the annual and half-year financial reports and all other financial information published by the Company or released to the market;
- Assist the Board in reviewing the effectiveness of the Company's internal control environment covering:
  - Effectiveness and efficiency of operations;
  - Reliability of financial reporting; and
  - Compliance with applicable laws and regulations
- Oversee the effective operation of the risk management framework; and
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.
- Review and assess the various risk factors that can impact on the company's business.

The external auditors are invited to attend the audit committee meetings to ensure that information flow is optimised.

## DIRECTORS' AND AUDITORS' INDEMNIFICATION

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

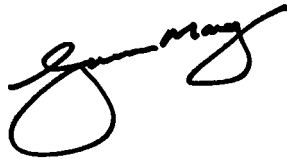
During the financial period the Company has paid premiums to insure each of the Directors and employees against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The premiums paid are not disclosed as this information is considered commercially sensitive.

# DIRECTORS' REPORT (continued)

## ROUNDING OF FINANCIAL REPORT

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Gavin May', with a large loop at the end of the name.

**Gavin May**  
Chief Executive Officer  
Director  
Dated: 30 March 2005

# CORPORATE GOVERNANCE STATEMENT

In March 2003, the Australian Stock Exchange Corporate Governance Council published "Principles of Good Corporate Governance and Best Practice Recommendations". This document is for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations; to identify any recommendations that have not been followed; and reasons for not doing so. The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In other cases the Company has implemented new arrangements to ensure compliance. In a limited number of instances, the Company is progressively moving to meet the standard set out in the recommendations. The Board is now comfortable that its practices are satisfactory for a company of Gloucester Coal's size.

The following paragraphs set out the Company's position relative to each of the 10 principles contained in the ASX Corporate Governance Council's report.

## **Principle 1: Lay solid foundations for management and oversight**

The Company is progressively adopting the recommendation to formalise and disclose the functions reserved to the board and those delegated to management. The Company has a small board (three non-executive directors plus two executive directors) and a small management team, so while the roles and functions have to be flexible to meet specific requirements, the Board and management functions are being formalised in a Corporate Governance Compliance Manual.

## **Principle 2: Structure the board to add value**

The Company complies with the recommendations within this area as the Chairman is independent and separate from the Chief Executive Officer. The Company has a Board Nomination Committee. The Company complies with the recommendation that a majority of directors should be independent. Each director of the Company has the right to seek independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

## **Principle 3: Promote ethical and responsible decision-making**

The Company has established a policy concerning trading in its securities by Directors, management, staff and significant consultants. In November 2004 the Company adopted a formal code of conduct.

## **Principle 4: Safeguard integrity in financial reporting**

The Company has implemented changes to ensure compliance with the recommendations set out under this principle. Senior management confirms that the financial reports represent a true and fair view and are in accordance with relevant accounting standards. The Company has an audit committee with a formal charter, approved by the Board.

The Audit Committee consists of the three non-executive directors with the most applicable expertise and skills for this committee. The Company's auditor, PricewaterhouseCoopers was appointed in 1999. This is the second year that the year-end audit has been undertaken by the current engagement partner.

# CORPORATE GOVERNANCE STATEMENT (continued)

## **Principle 5: Make timely and balanced disclosure**

The Company, its Directors and staff are acutely aware of continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure. In November 2004 the Company adopted formal written policies regarding disclosure.

## **Principle 6: Respect the rights of shareholders**

The Company has a communications strategy to promote effective communication with shareholders. The Company does communicate regularly with shareholders, brokers and analysts and maintains a review of information provided on its website.

For many years the Company has requested the external auditor to attend general meetings and this has been supported by the Company's audit partners.

## **Principle 7: Recognise and manage risk**

The Company believes that there is significant need for formal policies on risk oversight and management and accordingly the role of the Audit Committee was expanded in November 2004 to include risk management. Risk management arrangements are now reviewed by both the full Board of Directors, senior management and the Audit and Risk Management Committee collectively. Risk matters is an agenda item at each Board meeting.

## **Principle 8: Encourage enhanced performance**

The Company has a Remuneration Committee, which meets as and when required, to review performance matters. The formal performance evaluation of the Board during the past financial period was carried out by the Corporate Governance Committee.

## **Principle 9: Remunerate fairly and responsibly**

The Company's Remuneration Committee determines remuneration levels on an individual basis. Directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies. The Committee will seek independent external advice and market comparisons as necessary. In accordance with Corporations Act requirements, the Company discloses the fees or salaries paid to all directors.

## **Principle 10: Recognise the legitimate interests of stakeholders**

The Company has a code of conduct to guide compliance with legal and other obligations. It recognises that because of the Company's size legal compliance is a less onerous task than with larger companies. The Board of directors continues to review the situation to determine the most appropriate and effective operational procedures.

# STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 31 December 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Revenue from sale of coal</b>	2	<b>77,691</b>	60,240	<b>57,411</b>	45,505
Cost of sales		<u>(71,292)</u>	<u>(68,736)</u>	<u>(63,967)</u>	<u>(51,929)</u>
Gross profit / (loss)		<b>6,399</b>	(8,496)	<b>(6,556)</b>	(6,424)
Other revenue from ordinary activities	2	<b>591</b>	364	<b>460</b>	250
Other expenses from ordinary activities					
Marketing		(239)	(235)	(186)	(183)
Administration		(1,087)	(525)	(1,087)	(525)
Carrying value of non current assets sold		(863)	-	(671)	
Borrowing costs	3	(3,873)	(2,389)	(3,873)	(2,389)
Provision for intercompany receivables	3	-	-	<b>4,622</b>	(2,010)
Profit / (loss) from ordinary activities before income tax expense	3	<b>928</b>	(11,281)	<b>(7,291)</b>	(11,281)
Income tax expense	4	<u>14,837</u>	-	<u>14,837</u>	-
<b>Profit / (loss) from ordinary activities after income tax expense</b>		<u><b>15,765</b></u>	<u>(11,281)</u>	<u><b>7,546</b></u>	<u>(11,281)</u>
<b>Total change in equity other than those resulting from transactions with owners as owners</b>	22	<u><b>15,765</b></u>	<u>(11,281)</u>	<u><b>7,546</b></u>	<u>(11,281)</u>
Earning per share	34	<b>20.2</b>	(14.5)		

*The above statements of financial performance should be read in conjunction with the accompanying notes.*

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current assets</b>					
Cash assets	5	1,073	1,037	883	832
Receivables	6	14,920	5,497	13,089	3,871
Inventories	7	4,142	1,868	3,217	1,320
Other	8	240	-	240	-
<b>Total current assets</b>		<b>20,375</b>	<b>8,402</b>	<b>17,429</b>	<b>6,023</b>
<b>Non-current assets</b>					
Receivables	9	-	-	29,826	37,912
Other financial assets	10	179	1,126	15,652	16,599
Property, plant and equipment	13	39,417	41,794	12,073	13,727
Development expenditure	14	21,262	22,632	1,754	2,182
Deferred tax assets	11	22,070	-	22,070	-
Other	12	12,257	7,670	6,784	3,071
<b>Total non-current assets</b>		<b>95,185</b>	<b>73,222</b>	<b>88,159</b>	<b>73,491</b>
<b>Total assets</b>		<b>115,560</b>	<b>81,624</b>	<b>105,588</b>	<b>79,514</b>
<b>Current liabilities</b>					
Payables	15	15,826	17,608	14,974	16,487
Interest bearing liabilities	16	22,277	-	22,277	-
Provisions	17	212	103	190	94
<b>Total current liabilities</b>		<b>38,315</b>	<b>17,711</b>	<b>37,441</b>	<b>16,581</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities	18	30,000	39,864	30,000	39,864
Deferred tax liability	19	7,233	-	7,233	-
Provisions	20	2,784	2,586	1,905	1,606
<b>Total non-current liabilities</b>		<b>40,017</b>	<b>42,450</b>	<b>39,138</b>	<b>41,470</b>
<b>Total liabilities</b>		<b>78,332</b>	<b>60,161</b>	<b>76,579</b>	<b>58,051</b>
<b>Net assets</b>		<b>37,228</b>	<b>21,463</b>	<b>29,009</b>	<b>21,463</b>
<b>Equity</b>					
Contributed equity	21	120,842	120,842	120,842	120,842
Accumulated losses	22	(83,614)	(99,379)	(91,833)	(99,379)
<b>Total equity</b>		<b>37,228</b>	<b>21,463</b>	<b>29,009</b>	<b>21,463</b>

*The above statements of financial position should be read in conjunction with the accompanying notes.*

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2004

	Notes	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		69,753	59,729	48,970	46,126
Payments to suppliers and employees		(76,432)	(75,858)	(57,676)	(50,260)
		<u>(6,679)</u>	<u>(16,129)</u>	<u>(8,706)</u>	<u>(4,134)</u>
Interest received		103	45	103	45
Borrowing costs		(3,873)	(469)	(3,873)	(469)
<b>Net cash (outflow)/inflow from operating activities</b>	33	<u>(10,449)</u>	<u>(16,553)</u>	<u>(12,476)</u>	<u>(4,558)</u>
<b>Cash flows from investing activities</b>					
Payments for development expenditure		(722)	(466)	(47)	(516)
Payments for property, plant and equipment		(2,359)	(5,035)	(890)	(541)
Proceeds from sale of property, plant and equipment		459	261	357	205
Loans (to) / from related parties		-	-	-	(16,341)
Security deposits (lodged) / refunded		695	(932)	695	(879)
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(1,927)</u>	<u>(6,172)</u>	<u>115</u>	<u>(18,072)</u>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		52,277	22,845	52,277	22,845
Repayment of borrowings		(39,865)	-	(39,865)	-
<b>Net cash inflow/(outflow) from financing activities</b>		<u>12,412</u>	<u>22,845</u>	<u>12,412</u>	<u>22,845</u>
<b>Net increase / (decrease) in cash held</b>		<b>36</b>	<b>120</b>	<b>51</b>	<b>215</b>
<b>Cash at beginning of financial year</b>		<u>1,037</u>	<u>917</u>	<u>832</u>	<u>617</u>
<b>Cash at end of financial year</b>	5	<u>1,073</u>	<u>1,037</u>	<u>883</u>	<u>832</u>

*The above statements of cash flows should be read in conjunction with the accompanying notes.*

# NOTES to the Financial Statements

31 December 2004

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

### (a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Gloucester Coal Ltd ("Company" or "parent entity") as at 31 December 2004 and the results of all controlled entities for the year then ended. Gloucester Coal Ltd and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

### (b) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences and the estimated accumulated tax losses is set aside to the deferred income tax or the Future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

### (c) Inventories

Inventories of coal are physically measured or estimated and valued at the lower of cost and net realisable value. Cost is determined as follows:

- (i) Coal Stocks – costs comprise average mining cost under normal mining conditions or actual purchase price and, where applicable, coal preparation expenditure, fixed and variable overhead costs and transportation costs.
- (ii) Stores – comprise average cost or purchase price plus freight and associated charges. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

### (d) Waste in Advance

Overburden removed in advance is brought to account as an asset and amortised based on the rate of extraction of coal from the area from which the overburden is removed

# NOTES to the Financial Statements (Continued)

31 December 2004

## (e) Depreciation of property, plant and equipment

Property, plant and equipment is brought to account at cost less, where applicable, any accumulated depreciation or amortisation.

All material assets are depreciated over the remaining mine life or their useful life whichever is the shorter.

Major depreciation periods are:

	2004	2003
Freehold buildings	7-10 years	Mine life
Plant and equipment	7-10 years	Mine life
Office equipment, furniture and fittings	4-5 years	4-5 years
Motor vehicles	4-5 years	4-5 years
Leasehold improvements	7-10 years	Mine life
Site infrastructure	7-10 years	7-10 years

## (f) Investments

Interests in listed and unlisted securities, other than controlled entities in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the Statement of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in Note 1(a).

## (g) Interests in Joint Ventures

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in Note 31.

## (h) Development Expenditure

Development expenditure incurred is accumulated in respect of each major identifiable area of interest. Where expenditure has been funded by borrowings, the relevant interest cost is capitalised to the project. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against earnings in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## (i) Site Restoration

Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Costs of site restoration are provided for incrementally over the life of the mine.

# NOTES to the Financial Statements (Continued)

31 December 2004

## (j) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

## (k) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

## (l) Foreign currency translation

### (i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

### (ii) Specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale.

When anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the hedged period are accounted for as having been hedged until the amounts of those transactions are fully allocated against the hedged amounts.

If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedged transaction.

In those circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur, any previously deferred gains and losses are recognised in the Statement of financial performance on the date of termination.

If a hedge transaction relating to a commitment for the purchase or sale of goods or services is redesigned as a hedge of another specific commitment and the original transaction is still expected to occur, the gains and losses that arise on the hedge prior to its redesignation are deferred and included in the measurement of the original purchase or sale when it takes place. If the hedge transaction is redesignated as a hedge of another commitment because the original purchase or sale transaction is no longer expected to occur, the gains and losses that arise on the hedge prior to its redesignation are recognised in the Statement of financial performance at the date of the redesignation.

### (iii) General commitments

Exchange gains or losses on other hedge transactions are brought to account in the Statement of financial performance in the financial year in which the exchange rates change. Gains or costs arising on entry into hedges of general commitments are brought to account at the time of entry into the hedges and are amortised over the lives of the hedges.

# NOTES to the Financial Statements (Continued)

31 December 2004

## (m) Employee Entitlements

### (i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and measured at the amount expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

### (ii) *Superannuation*

The consolidated entity's contributions to superannuation plans in respect of employees of the consolidated entity are charged to operating expenses as they fall due.

### (iii) *Long Service Leave*

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

## (n) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## (o) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset.

Other operating lease payments are charged to the Statement of Financial Performance in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

## (p) Revenue Recognition

### (i) *Sales*

Amounts are recognized as sales revenue when there has been a passing of risk to the customer, and:

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the producer;
- the quantity and quality of the product can be determined with reasonable accuracy;
- the product has been dispatched to the customer and is no longer under the physical control of the producer, and
- the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds receivable from the customer after netting the results of any hedging in respect of those sales.

### (ii) *Rent*

Rent is recognised when the entity controls the right to receive the consideration.

# NOTES to the Financial Statements (Continued)

31 December 2004

## (q) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

## (r) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined risk-adjusted discount rate.

## (s) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

Borrowing costs include interest on bank overdraft, short and long term borrowings, and interest on trade creditor balances where applicable.

## (t) Earnings per share

### (i) *Basic earnings per share*

Basic earnings per share is determined by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### (ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## (u) Interest bearing liabilities

Loans and debentures are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

# NOTES to the Financial Statements (Continued)

31 December 2004

## (v) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the six month period ending 30 June 2005.

The Company has begun an analysis of the transition to the new IFRS reporting requirements, including identifying systems, internal controls and accounting policy changes. To date the analysis has identified a number of key areas, which will be impacted by the new IFRS reporting requirements. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Accounting Policy changes identified to date include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

### (a) *Financial Instruments*

Under the new AASB 139 Financial Instruments: Recognition and Measurement there may be impacts as a result of foreign exchange contracts held for hedging of sales being accounted for as cash flow hedges. Changes in the fair value of these contracts will be recognised directly in equity until the hedged transaction occurs. Currently, the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

### (b) *Site Restoration*

Under the new AASB 137 Provisions, Contingent Liabilities and Contingent Assets, provisions are made for site restoration costs in the accounting period when the related disturbance occurs, based on the discounted estimated future costs. The standard also permits that when the provision is recognised, the corresponding restoration costs may be recognised as part of the development costs of the mine and deferred as an asset, which is amortised over the life of the mine.

This will result in a change to the present accounting policy, under which a provision for site restoration costs is recognised over the estimated life of mine assets.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

## (w) Working capital

As at 31 December 2004, the consolidated entity has a deficiency of current assets compared to current liabilities of \$17.9m. Based on the cash flows generated from its ongoing operations, the Directors are of the opinion that the consolidated entity will be able to pay its debts as and when they fall due.

# NOTES to the Financial Statements (Continued)

31 December 2004

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>NOTE 2. REVENUE</b>				
<b>Revenue from operating activities</b>				
Sale of coal	78,381	60,838	57,948	45,970
Foreign exchange losses	(690)	(598)	(537)	(465)
	<u>77,691</u>	<u>60,240</u>	<u>57,411</u>	<u>45,505</u>
<b>Revenue from outside the operating activities</b>				
Rental income	29	56	-	-
Interest	102	45	102	45
Sale of non-current assets	459	261	357	203
Other revenue	1	2	1	2
	<u>591</u>	<u>364</u>	<u>460</u>	<u>250</u>
<b>Total revenue</b>	<b><u>78,282</u></b>	<b><u>60,604</u></b>	<b><u>57,871</u></b>	<b><u>45,755</u></b>
<b>NOTE 3. OPERATING PROFIT/(LOSS)</b>				
<b>(a) Net gains and expenses</b>				
Profit/(loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:				
<b>Net loss</b>				
Net loss on disposal				
Property, Plant & Equipment	404	63	314	49
<b>Expenses</b>				
Depreciation				
Buildings	28	29	17	20
Plant and equipment	3,793	3,199	1,851	1,908
Total depreciation	<u>3,821</u>	<u>3,228</u>	<u>1,868</u>	<u>1,928</u>
Amortisation				
Leasehold improvements	-	3	-	3
Development expenditure	2,092	1,502	475	421
Overburden in advance	-	725	-	564
Total amortisation	<u>2,092</u>	<u>2,230</u>	<u>475</u>	<u>988</u>
Other charges against assets				
(Write back) / Write down of intercompany				
Receivable to recoverable amount	-	-	(4,622)	2,010
Borrowing costs				
Interest and finance charges paid/payable	3,873	2,389	3,873	2,389
Other provisions				
Employee entitlements	232	81	203	75
Site restoration	608	586	299	50
Rental expense relating to operating leases	85	364	85	307

# NOTES to the Financial Statements (Continued)

31 December 2004

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>NOTE 4. INCOME TAX</b>				
(a) No income tax for the financial year has been charged. The tax reconciliation is:				
Profit / (Loss) from ordinary activities before income tax benefit expense	<u>928</u>	<u>(11,281)</u>	<u>928</u>	<u>(11,281)</u>
Income tax calculated @ 30%	278	(3,384)	278	(3,384)
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation		-		-
Non-deductible capital losses	121	-	121	-
Other non-allowable items	13	118	13	118
	<u>412</u>	<u>(3,266)</u>	<u>412</u>	<u>(3,266)</u>
Recognition of tax losses not previously brought to account	(15,249)	-	(15,249)	-
Future income tax benefit on losses and timing differences not brought to account	-	3,266	-	3,266
Income tax (benefit) / expense attributable to operating profit / (loss) before income tax	<u>(14,837)</u>	<u>-</u>	<u>(14,837)</u>	<u>-</u>
Future income tax benefits	<u>22,070</u>	<u>-</u>	<u>22,070</u>	<u>-</u>
Provision for deferred income tax	<u>7,233</u>	<u>-</u>	<u>7,233</u>	<u>-</u>

The Directors have brought to account tax losses of \$70 million, as they believe the utilisation of the tax losses is virtually certain. A future income tax benefit of \$21,127,000 has been recognised in respect of tax losses, which is included within the total asset disclosed in note 11. For the year ended 31 December 2003, tax losses not brought to account were \$70 million (the associated tax benefit not recognised in 2003 was \$21 million).

## NOTE 5. CURRENT ASSETS – CASH ASSETS

Cash at bank	<u>1,073</u>	<u>1,037</u>	<u>883</u>	<u>832</u>
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## NOTE 6. CURRENT ASSETS - RECEIVABLES

Trade debtors	9,414	3,745	8,439	2,862
Other debtors	5,506	1,752	4,650	1,009
	<u>14,920</u>	<u>5,497</u>	<u>13,089</u>	<u>3,871</u>

## NOTE 7. CURRENT ASSETS – INVENTORIES

Spares - at cost	819	766	633	596
Coal stocks – at cost	3,323	1,102	2,584	724
	<u>4,142</u>	<u>1,868</u>	<u>3,217</u>	<u>1,320</u>

# NOTES to the Financial Statements (Continued)

31 December 2004

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>NOTE 8. OTHER FINANCIAL ASSETS</b>				
<b>Current assets</b>				
Security Deposits	<u>240</u>	<u>-</u>	<u>240</u>	<u>-</u>

## NOTE 9. NON-CURRENT ASSETS – RECEIVABLES

Loans to controlled entities *	-	-	29,826	42,534
Less: write down of inter-company receivables to recoverable amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,622)</u>
	<u>-</u>	<u>-</u>	<u>29,826</u>	<u>37,912</u>

\*Further information relating to Loans to controlled entities is set out in Note 28.

## NOTE 10. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

<b>Other (non-traded) investments</b>				
Shares in unlisted corporations - at cost	37	37	37	37
Shares in controlled entities - at cost *	-	-	15,549	15,549
Less: provision for diminution	-	-	(60)	(60)
Other	<u>12</u>	<u>24</u>	<u>49</u>	<u>61</u>
	<u>49</u>	<u>61</u>	<u>15,575</u>	<u>15,587</u>
Security deposits	<u>130</u>	<u>1,065</u>	<u>77</u>	<u>1,012</u>
	<u>179</u>	<u>1,126</u>	<u>15,652</u>	<u>16,599</u>

\* Further information relating to shares in controlled entities is set out in note 29.

## NOTE 11. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

Future income tax benefits	<u>22,070</u>	<u>-</u>	<u>22,070</u>	<u>-</u>
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## NOTE 12. NON-CURRENT ASSETS – OTHER

Waste in advance	<u>12,257</u>	<u>7,670</u>	<u>6,784</u>	<u>3,071</u>
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Other assets represent the cost of waste mined in advance of coal mining and is to be expensed equally over the estimated ROM production from the respective deposits from which the waste is mined.

# NOTES to the Financial Statements (Continued)

31 December 2004

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Land and buildings</b>				
Freehold land - at cost	<u>9,372</u>	<u>10,226</u>	<u>3,718</u>	<u>4,383</u>
Buildings - at cost	442	421	270	253
Less: Accumulated depreciation	<u>(215)</u>	<u>(187)</u>	<u>(177)</u>	<u>(160)</u>
	<u>227</u>	<u>234</u>	<u>93</u>	<u>93</u>
Leasehold improvements – at cost	16	16	16	16
Less: Accumulated amortisation	<u>(16)</u>	<u>(16)</u>	<u>(16)</u>	<u>(16)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total land and buildings	<u>9,599</u>	<u>10,460</u>	<u>3,811</u>	<u>4,476</u>
<b>Plant and equipment</b>				
Plant and equipment – at cost	38,618	37,479	22,847	22,179
Less: Accumulated depreciation	<u>(19,191)</u>	<u>(16,827)</u>	<u>(16,368)</u>	<u>(15,054)</u>
	<u>19,427</u>	<u>20,652</u>	<u>6,479</u>	<u>7,125</u>
Office equipment, furniture and fittings – at cost	525	537	506	451
Less: Accumulated depreciation	<u>(392)</u>	<u>(422)</u>	<u>(400)</u>	<u>(359)</u>
	<u>133</u>	<u>115</u>	<u>106</u>	<u>92</u>
Motor vehicles – at cost	341	230	330	191
Less: Accumulated depreciation	<u>(93)</u>	<u>(81)</u>	<u>(105)</u>	<u>(65)</u>
	<u>248</u>	<u>149</u>	<u>225</u>	<u>126</u>
Site infrastructure – at cost	17,559	16,519	6,021	6,021
Less: Accumulated depreciation	<u>(7,549)</u>	<u>(6,101)</u>	<u>(4,569)</u>	<u>(4,113)</u>
	<u>10,010</u>	<u>10,418</u>	<u>1,452</u>	<u>1,908</u>
Total plant and equipment	<u>29,818</u>	<u>31,334</u>	<u>8,262</u>	<u>9,251</u>
	<u>39,417</u>	<u>41,794</u>	<u>12,073</u>	<u>13,727</u>

# NOTES to the Financial Statements (Continued)

31 December 2004

## NOTE 13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

### Reconciliation

Reconciliations of the carrying amounts of each class of property plant & equipment at the beginning and the end of the current financial year are set out below.

	Freehold Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Site Infrastructure \$'000	Total \$'000
<b>Consolidated</b>							
Carrying amount at 1 January 2004	10,226	234	20,652	115	149	10,418	41,794
Additions	-	21	1,138	64	163	1,040	2,426
Disposals	(854)	-	-	(76)	(52)	-	(982)
Depreciation	-	(28)	(2,363)	30	(12)	(1,448)	(3,821)
Carrying amount at 31 December 2004	9,372	227	19,427	133	248	10,010	39,417

	Freehold Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Site Infrastructure \$'000	Total \$'000
<b>Parent Entity</b>							
Carrying Amount at 1 January 2004	4,383	93	7,125	92	126	1,908	13,727
Additions	-	17	668	55	139	-	879
Disposals	(665)	-	-	-	-	-	(665)
Depreciation	-	(17)	(1,314)	(41)	(40)	(456)	(1,868)
Carrying Amount at 31 December 2004	3,718	93	6,479	106	225	1,452	12,073

# NOTES to the Financial Statements (Continued)

31 December 2004

Consolidated		Parent Entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

## NOTE 14. NON-CURRENT ASSETS – DEVELOPMENT EXPENDITURE

Development expenditure	32,817	32,095	4,643	4,596
Less: Accumulated amortisation	(11,555)	(9,463)	(2,889)	(2,414)
	<u>21,262</u>	<u>22,632</u>	<u>1,754</u>	<u>2,182</u>

The ultimate recoupment of the costs carried forward in respect of areas of interest is dependent upon successful development or alternatively sale of whole or part of the economic entity's interest in those areas for an amount at least equal to the carrying value.

Amortisation of development expenditure has been charged on the production assets in line with the depletion of that reserve.

### Reconciliation

Reconciliations of the carrying amounts of each class of Development expenditure at the beginning and the end of the current financial year are set out below.

	Consolidated Total \$'000	Parent Entity Total \$'000
Carrying Amount at 1 January 2004	22,632	2,182
Additions	722	47
Amortisation	<u>(2,092)</u>	<u>(475)</u>
Carrying Amount at 31 December 2004	<u>21,262</u>	<u>1,754</u>

Consolidated		Parent Entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

## NOTE 15. CURRENT LIABILITIES – PAYABLES

### Unsecured

Trade and other creditors	13,308	17,608	12,456	16,487
Deferred exchange gains	2,518	-	2,518	-
	<u>15,826</u>	<u>17,608</u>	<u>14,974</u>	<u>16,487</u>

## NOTE 16. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

### Secured

Bank loans	22,277	-	22,277	-
	<u>22,277</u>	<u>-</u>	<u>22,277</u>	<u>-</u>

Bank loans are secured over the assets of the consolidated entity.

# NOTES to the Financial Statements (Continued)

31 December 2004

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>NOTE 17. CURRENT LIABILITIES – PROVISIONS</b>				
Employee entitlements	<u>212</u>	<u>103</u>	<u>190</u>	<u>94</u>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Average number of employees during the financial year	<u>31</u>	<u>11</u>	<u>26</u>	<u>10</u>

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Reconciliation</b>				
Reconciliations of the carrying amount of provisions at the beginning & the end of the current financial year are set out below				
Carrying amount at beginning of year	103	91	94	84
Additional provisions recognised	232	81	203	75
Payments / Other sacrifices of economic benefit	<u>(123)</u>	<u>(69)</u>	<u>(107)</u>	<u>(65)</u>
Carrying amount at end of year	<u><u>212</u></u>	<u><u>103</u></u>	<u><u>190</u></u>	<u><u>94</u></u>

## NOTE 18. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

<b>Secured</b>				
Bank loans	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
<b>Unsecured</b>				
Loans from immediate Parent Entity	-	1,480	-	1,480
Loans from ultimate Parent Entity	<u>-</u>	<u>38,384</u>	<u>-</u>	<u>38,384</u>
	<u><u>30,000</u></u>	<u><u>39,864</u></u>	<u><u>30,000</u></u>	<u><u>39,864</u></u>

Bank loans are secured over the assets of the consolidated entity.

## NOTE 19. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITY

Provision for deferred income tax	<u>7,233</u>	<u>-</u>	<u>7,233</u>	<u>-</u>
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# NOTES to the Financial Statements (Continued)

31 December 2004

Consolidated		Parent Entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

## NOTE 20. NON-CURRENT LIABILITIES – PROVISIONS

Provision for site restoration	<u>2,784</u>	<u>2,586</u>	<u>1,905</u>	<u>1,606</u>
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### Reconciliation

Reconciliations of the carrying amount of provisions at the beginning & the end of the current financial year are set out below

Carrying amount at beginning of year	2,586	2,000	1,606	1,556
Additional provisions recognised	608	586	299	50
Payments / Other sacrifices of economic benefit	(410)	-	-	-
Carrying amount at end of year	<u>2,784</u>	<u>2,586</u>	<u>1,905</u>	<u>1,606</u>

Parent Entity		Parent Entity	
2004	2003	2004	2003
No. of Shares	No. of Shares	\$'000	\$'000

## NOTE 21. CONTRIBUTED EQUITY

### (a) Share Capital

Ordinary shares  
Fully paid

(b) & (c)	<u>77,902,890</u>	<u>77,902,890</u>	<u>120,842</u>	<u>120,842</u>
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### (b) Movements in ordinary share capital

Date	Details	Number of shares		\$'000
31-12-2002	Balance		77,902,890	120,842
31-12-2004	Closing Balance		<u>77,902,890</u>	<u>120,842</u>

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Consolidated		Parent Entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

## NOTE 22. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(99,379)	(88,098)	(99,379)	(88,098)
Net profit / (loss) attributable to members of Gloucester Coal Ltd	15,765	(11,281)	7,546	(11,281)
Accumulated losses at the end of the financial year	<u>(83,614)</u>	<u>(99,379)</u>	<u>(91,833)</u>	<u>(99,379)</u>

# NOTES to the Financial Statements (Continued)

31 December 2004

## NOTE 23. FINANCIAL INSTRUMENTS

### (a) Off-balance sheet derivative instruments

Gloucester Coal Ltd and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

#### Forward Exchange Contracts

In order to protect against exchange rate movements, the consolidated entity has entered into forward exchange contracts to sell US dollars. The contracts are timed to mature when the Company is scheduled to receive US dollar income.

At balance date, the details of outstanding contracts are:

Buy Australian Dollars	Sell United States Dollars	Average Exchange Rate	Unrealised Gains / Losses	Sell United States Dollars	Average Exchange Rate
Settlement	31-Dec-04 US\$ 000	31-Dec-04	31-Dec-04 US\$ 000	31-Dec-03 US\$ 000	31-Dec-03
Less than 12 months	37,500	0.7257	2,493	-	-
Between 12 and 24 months	1,500	0.7445	0,025	-	-
<b>Total</b>	<b>39,000</b>		<b>2,518</b>	<b>-</b>	

### (b) Credit Risk Exposure

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

### (c) Net fair value of financial assets and liabilities

#### (i) On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

For non-traded equity investments, the net fair value is an assessment by the Directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

For forward exchange contracts, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles.

On this basis the gains on forward exchange contracts are as follows:

	note	Net Fair Value A\$ 000 2004	Net Fair Value A\$ 000 2003
Foreign Currency Contracts			
Maturing 2005	15	2,493	-
Maturing 2006	15	0,025	-
		<b>2,518</b>	<b>-</b>

#### (ii) Off-balance sheet

There are no off balance sheet financial assets or liabilities.

# NOTES to the Financial Statements (Continued)

31 December 2004

## (d) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity period is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2004	Notes	Fixed interest maturing in:					Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	1-5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	
<b>Financial assets</b>							
Cash and deposits	5	1,073	-	-	-	-	1,073
Receivables	6	-	-	-	-	14,920	14,920
Other financial assets – investments	8,10	-	-	-	-	419	419
		<u>1,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,339</u>	<u>16,412</u>
Weighted average interest rate		4.5%					
<b>Financial liabilities</b>							
Interest bearing liabilities	16,18	52,277	-	-	-	-	52,277
Payables	15	-	-	-	-	15,826	15,826
		<u>52,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,826</u>	<u>68,103</u>
Weighted average interest rate		7.4%					
Net financial assets / (liabilities)		<u>(51,204)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(487)</u>	<u>(51,691)</u>

2003	Notes	Fixed interest maturing in:					Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	1-5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	
<b>Financial assets</b>							
Cash and deposits	5	1,037	-	-	-	-	1,037
Receivables	6	-	-	-	-	5,497	5,497
Other financial assets – investments	8,10	-	-	-	-	1,126	1,126
		<u>1,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,623</u>	<u>7,660</u>
Weighted average interest rate		3.5%	-	-	-	-	-
<b>Financial liabilities</b>							
Interest bearing liabilities	16,18	39,864	-	-	-	-	39,864
Payables	15	-	-	-	-	17,608	17,608
		<u>39,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,608</u>	<u>57,472</u>
Weighted average interest rate		7.4%	-	-	-	-	-
Net financial assets / (liabilities)		<u>(38,827)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,985)</u>	<u>(49,812)</u>

# NOTES to the Financial Statements (Continued)

31 December 2004

## NOTE 24. REMUNERATION OF DIRECTORS

### Directors

The following persons were Directors of Gloucester Coal Ltd during the financial year:

Andy J Hogendijk	Chairman (appointed 11 August 2004)
Gavin P May	Chief Executive Officer
Daniel J Buckley	Operations Director
Gordon T Galt	Non-Executive Director (appointed 5 April 2004)
Ian W Levy	Non-Executive Director (appointed 5 April 2004)
Gordon McPhie	Chairman (resigned 5 April 2004)
Melvin Garness	Non-Executive Director (resigned 11 August 2004)

Executives (other than Directors) with the greatest authority for strategic direction and management ("specified executives") during the financial year:

Graham F Colliss	Projects Manager, Gloucester Coal Ltd
Bradley S Marquart	Financial Controller, Gloucester Coal Ltd

All the above persons were also specified executives during the year ended 31 December 2003.

### Principles used to determine the nature and amount of remuneration:

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

### Non-Executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the remuneration committee to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of the non-executive Directors based on comparative roles in the external market.

### Directors' fees

The current Directors' fees were last reviewed with effect from April 2004

### Retirement allowance for Directors

There is no retirement allowances in place for Directors.

### Executive pay

Executive remuneration and other terms of employment are reviewed annually by the remuneration Committee having regard to relevant comparative information and independent advice. As well as a base salary, remuneration packages include superannuation and termination entitlements and non-monetary benefits.

Remuneration and other terms of employment for the executive Directors' are formalised in service agreements.

Details of the nature and amount of each element of the emoluments of each director of Gloucester Coal Ltd and each of the specified executives of the consolidated entity are set out in the following tables.

# NOTES to the Financial Statements (Continued)

31 December 2004

## Details of remuneration

Name	Primary			Other		Total
	Salary and fees \$	Cash Bonus	Non Monetary \$	Super \$	Termination \$	
<b>Directors:</b>						
Andy Hogendijk (appointed 11 August 2004)	38,226	-	-	3,440	-	41,666
Gordon Galt (appointed 6 April 2004)	27,510	-	-	2,490	-	30,000
Ian Levy (appointed 6 April 2004)	27,510	-	-	2,490	-	30,000
Gavin May	284,041	-	48,000	26,187	-	358,228
Daniel Buckley	170,074	-	18,000	15,266	-	203,340
Gordon McPhie (resigned 5 April 2004)	-	-	-	-	-	-
Melvin Garness (Resigned 11 August 2004)	20,000	-	-	-	-	20,000
<b>Total</b>	<b>567,361</b>	<b>-</b>	<b>66,000</b>	<b>49,873</b>	<b>-</b>	<b>683,234</b>
<b>2003 comparatives</b>	<b>440,137</b>	<b>-</b>	<b>24,000</b>	<b>38,696</b>	<b>-</b>	<b>502,833</b>

Non Monetary benefits include the "package value" of a sacrificed motor vehicle including parking, FBT, insurance and other expenses.

Name	Primary			Other		Total
	Salary and fees \$	Cash Bonus	Non Monetary \$	Super \$	Termination	
<b>Specified Executives:</b>						
Graham Colliss (Appointed 1 January 2004)	139,080	6,000	18,000	12,831	-	175,911
Brad Marquart	114,665	4,000	-	10,156	-	128,821
<b>Total</b>	<b>253,745</b>	<b>10,000</b>	<b>18,000</b>	<b>22,987</b>	<b>-</b>	<b>304,732</b>
<b>2003 comparatives</b>	<b>112,180</b>	<b>-</b>	<b>-</b>	<b>9,780</b>	<b>-</b>	<b>121,960</b>

Non Monetary benefits include the "package value" of a sacrificed motor vehicle including parking, FBT, insurance and other expenses.

## Service Agreements

Remuneration and other terms of employment of the executive Directors are formalised in service agreements. Except as noted below, each agreement includes a payment of termination benefit of six months annual salary package. Other major provisions of the agreements relating to remuneration are as set out below:

### Gavin May – Chief Executive Officer

- Term of agreement – 3 years commencing 1 October 2004
- Payment of termination benefit on early termination by the employer, other than misconduct, equal to 12 months salary.
- Initial annual base salary, inclusive of superannuation of \$400,000
- Performance bonus – maximum amount of \$200,000 thereof or 50% of the executives base remuneration package. The performance bonus is linked to a Key Performance Index (KPI) score total that arises when actual results are assessed against their Key Performance Index as set by the Company's remuneration committee.

### Daniel Buckley – Operations Directors

- Term of agreement – 3 years commencing 1 December 2004
- Payment of termination benefit on early termination by the employer, other than misconduct, equal to 12 months salary.
- Initial annual base salary, inclusive of superannuation of \$220,000
- Performance bonus – maximum amount of \$110,000 thereof or 50% of the executives base remuneration package. The performance bonus is linked to a Key Performance Index (KPI) score total that arises when actual results are assessed against their Key Performance Index as set by the Company's remuneration committee.

### Graham Colliss – Projects Manager

- Base salary, inclusive of superannuation, plus a discretionary bonus, as recorded above.

### Brad Marquart – Financial Controller

- Base salary, inclusive of superannuation, plus a discretionary bonus, as recorded above.

# NOTES to the Financial Statements (Continued)

31 December 2004

## Share-based compensation – options

During the year ended 31 December 2004, the Company did not have an option based incentive scheme in place.

## Shareholdings

The number of shares in the company, held during the financial year by each director of Gloucester Coal Limited and each of the specified executives of the consolidated entity, including their personally-related entities are set out below:

Name	Balance at the start of the year	Changes during the year	Balance at the end the year
<b>Directors:</b>			
<b>Ordinary shares</b>			
Andy Hogendijk *	-	-	-
Gordon Galt	-	20,000	20,000
Ian Levy	-	-	-
Gavin May	500	150,000	150,500
Daniel Buckley	500	25,000	25,500
Gordon McPhie	-	-	-
Melvin Garness	-	-	-

\* Mr Andy Hogendijk purchased 15,500 ordinary shares in the company after year end, as announced to the Australian Stock Exchange on 7 March 2005.

## Specified Executives

### Ordinary Shares

Name	Balance at the start of the year	Changes during the year	Balance at the end the year
Graham Colliss	-	20,000	20,000
Brad Marquart	500	-	500

## Loans to Directors and executives

There were no loans to Directors or specified executives during the financial year.

## Other transactions with Directors and specified executives

There were no other transactions with Directors and specified executives.

Consolidated		Parent Entity	
2004	2003	2004	2003
\$	\$	\$	\$

## NOTE 25. REMUNERATION OF AUDITORS

Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:

Auditor of parent entity – PricewaterhouseCoopers Australian firm	<u>78,000</u>	<u>64,000</u>	<u>78,000</u>	<u>46,000</u>
Remuneration for other services:				
Auditor of the parent entity – PricewaterhouseCoopers Australian firm	<u>-</u>	<u>11,700</u>	<u>-</u>	<u>11,700</u>

# NOTES to the Financial Statements (Continued)

31 December 2004

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$

## NOTE 26. CONTINGENT LIABILITIES

Details and estimates of maximum amounts of contingent liabilities are as follows:

### Guarantees

Secured guarantees for satisfactory contract performance	<u>4,707</u>	<u>4,972</u>	<u>4,707</u>	<u>4,972</u>
--	--------------	--------------	--------------	--------------

No material losses are anticipated in respect of any of the above contingent liabilities.

## NOTE 27. COMMITMENTS FOR EXPENDITURE

### Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	-	68	-	68
Later than one year but not later 5 years	-	-	-	-
Later than 5 years	-	-	-	-
Commitments not recognised in the financial statements	<u>-</u>	<u>68</u>	<u>-</u>	<u>68</u>

## NOTE 28. RELATED PARTIES

### Directors

The names of persons who were Directors of Gloucester Coal Ltd at any time during the financial period are as follows: GA McPhie (resigned 5 April 2004), M Garness (resigned 11 August 2004), AJ Hogendijk, GP May, DJ Buckley, GA Galt and IW Levy (Directors during 2003 were GA McPhie, M Garness, GP May and DJ Buckley).

### Remuneration and retirement benefits

Information on remuneration and retirement benefits of Directors is disclosed in Note 24.

### Loans to Directors and Director-related entities

No loans were made to Directors or Director related entities in the current or previous financial period.

### Other transactions with Directors and Director-related entities

During the current period the controlled entities entered into no commercial transactions with its Directors and Director-related entities.

### Wholly-owned group

The wholly-owned group consists of Gloucester Coal Ltd and its wholly-owned controlled entities: Westralian Prospectors NL, Eucla Mining NL, CIM Duralie Pty Ltd, CIM Stratford Pty Ltd, CIM Services Pty Ltd, CIM Mining Pty Ltd, Duralie Coal Pty Ltd and Duralie Coal Marketing Pty Ltd. Ownership interests in these controlled entities are set out in Note 29.

Transactions between Gloucester Coal Ltd and other entities in the wholly-owned group during the period ended 31 December 2003 and 31 December 2004 consisted of:

- (a) loans advanced by Gloucester Coal Ltd
- (b) loans repaid to Gloucester Coal Ltd

No interest is charged on loans advanced within the wholly-owned group.

# NOTES to the Financial Statements (Continued)

31 December 2004

## Controlling entities

The ultimate parent entity in the group is Gloucester Coal Ltd. The ultimate Australian parent entity was UK Coal Australia No.2 Pty Limited until 4 April 2004, which at 31 December 2003 owned 97.01% of the issued ordinary shares of Gloucester Coal Ltd. The ultimate parent entity was UK COAL PLC (incorporated in the United Kingdom) until 4 April 2004, which at 31 December 2003 owned 100% of the issued ordinary shares of UK Coal Australia No.2 Pty Limited.

## Ownership interest in related parties

Interests held in the following classes of related parties are set out in the following notes:

- (a) controlled entities – note 29, and
- (b) joint venture operations – note 30

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
<b>Other related parties</b>				
All references to controlling entities refer to UK COAL PLC and its Australian subsidiaries.				
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with each class of other related parties:				
Interest expense				
Controlling entity	1,105	1,920	1,105	1,920
Aggregate amounts brought to account in relation to other transactions with each class of other related parties:				
Loans advanced from				
Controlling entities	7,368	22,845	7,368	22,845
Loan repayments to				
Controlling entities	52,277	-	52,277	-
Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:				
Non-current receivables				
Controlled entities	-	-	29,826	42,534
Non-current payables				
Controlling entity	-	42,601	-	42,601

# NOTES to the Financial Statements (Continued)

31 December 2004

## NOTE 29. INVESTMENTS IN CONTROLLED ENTITIES

Controlled Entities	Owned		Investment at cost	
	2004 %	2003 %	2004 \$'000	2003 \$'000
<b>Parent Entity:</b>				
Gloucester Coal Ltd				
<b>Controlled entities:</b>				
Westralian Prospectors NL	100	100	-	-
Eucla Mining NL	100	100	-	-
CIM Duralie Pty Ltd	100	100	60	60
CIM Stratford Pty Ltd	100	100	-	-
CIM Services Pty Ltd	100	100	-	-
CIM Mining Pty Ltd	100	100	15,489	15,489
Stratford Coal Pty Ltd	90	90	-	-
Stratford Coal Marketing Pty Ltd	90	90	-	-
Duralie Coal Pty Ltd	100	100	-	-
Duralie Coal Marketing Pty Ltd	100	100	-	-
			<b>15,549</b>	<b>15,549</b>

All the above companies are incorporated in Australia.

## NOTE 30. INTERESTS IN JOINT VENTURES

### Joint Venture operation

The group has a 90% participating interest in the Stratford Joint Venture and is entitled to 90% of its output. The consolidated entity's interest in the assets employed in the joint venture are included in the consolidated balance sheet, in accordance with the accounting policy described in Note 1(g) under the following classifications:

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current assets</b>				
Cash	810	723	630	562
Receivables	1,266	832	985	647
Inventories	4,137	1,697	3,217	1,320
Total current assets	<b>6,213</b>	<b>3,252</b>	<b>4,832</b>	<b>2,529</b>
<b>Non-current assets</b>				
Property, plant and equipment	22,628	22,339	17,600	17,375
Development expenditure	2,203	4,977	1,713	3,871
Other – Waste in Advance	8,723	3,948	6,784	3,071
Total non-current assets	<b>33,554</b>	<b>31,264</b>	<b>26,097</b>	<b>24,317</b>
<b>Total assets</b>	<b>39,767</b>	<b>34,516</b>	<b>30,929</b>	<b>26,846</b>
<b>Current liabilities</b>				
Payables	15,215	17,381	11,834	13,519
Provisions	122	53	95	41
Total current liabilities	<b>15,337</b>	<b>17,434</b>	<b>11,929</b>	<b>13,560</b>
<b>Net Assets</b>	<b>24,430</b>	<b>17,082</b>	<b>19,000</b>	<b>13,286</b>

## NOTE 31. EVENT OCCURRING AFTER REPORTING DATE

No matter or circumstance has arisen since 31 December 2004 that has significantly affected or may significantly effect:

- the Company's and Consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the Company's and Consolidated entity's state of affairs in future financial years.

# NOTES to the Financial Statements (Continued)

31 December 2004

Consolidated		Parent Entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

## NOTE 32. SEGMENT INFORMATION

The consolidated entity operates in one primary business segment, being coal mining. The coal mining activity is conducted within the Gloucester Basin of New South Wales, Australia and the related revenue is derived from the sale of coal to overseas and domestic customers.

Sales revenue by destination for the period is broken up as follows:

### SALES REVENUE BY DESTINATION

Australia	8,661	11,055	6,736	8,598
Asia	59,913	45,402	43,585	33,965
Other	9,117	3,783	7,090	2,942
	<u>77,691</u>	<u>60,240</u>	<u>57,411</u>	<u>45,505</u>

## NOTE 33. RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit/(loss) after income tax	15,765	(11,281)	7,546	(11,281)
(Profit)/loss on sale of land	427	63	332	49
Provision for diminution of investments	12	-	12	-
Depreciation	5,942	4,712	2,331	2,352
Write (back) / down of inter-company receivable	-	-	(4,622)	2,010
Amortisation – Overburden in advance	-	725	-	564
Increase/(Decrease) in creditors and provisions	(3,992)	(1,410)	(1,118)	4,945
(Increase)/Decrease in deferred tax asset	(22,070)	-	(22,070)	-
(Increase)/Decrease in receivables	(6,905)	148	3,490	1,171
(Increase)/Decrease in inventories	(2,274)	(1,840)	(1,897)	(1,297)
(Increase)/Decrease in waste in advance	(4,587)	(7,670)	(3,713)	(3,071)
Increase/(Decrease) in deferred tax liability	7,233	-	7,233	-
Net cash (outflow) / inflow from operating activities	<u>(10,449)</u>	<u>(16,553)</u>	<u>(12,476)</u>	<u>(4,558)</u>

## NOTE 34. EARNINGS PER SHARE

Basic earnings / (loss) per share (cents) 20.2 (14.5)

Weighted average number of ordinary shares outstanding during the year (adjusted for bonus elements in ordinary shares issued during the year) used in calculation of basic earnings per share.

77,902,890 77,902,890

There is no dilution in earnings per share during the year.

# DIRECTORS' DECLARATION

31 December 2004

The Directors declare that the financial statements and notes set out on pages 18 to 44:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Gavin May', with a large loop at the end.

Gavin May  
Director

Sydney  
30 March 2005

# SHAREHOLDER INFORMATION

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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## **Independent audit report to the members of Gloucester Coal Ltd**

### **Matters relating to the electronic presentation of the audited financial report**

This audit report relates to the financial report of Gloucester Coal Ltd (the Company) and the Gloucester Coal Group (defined below) for the financial year ended 31 December 2004 included on Gloucester Coal Ltd's web site. The Company's directors are responsible for the integrity of the Gloucester Coal Ltd web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### **Audit opinion**

In our opinion, the financial report of Gloucester Coal Ltd:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Gloucester Coal Ltd and the Gloucester Coal Group (defined below) as at 31 December 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

### **Scope**

#### **The financial report and directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Gloucester Coal Ltd (the company) and the Gloucester Coal Group (the consolidated entity), for the year ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### **Audit approach**

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material

# SHAREHOLDER INFORMATION

misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

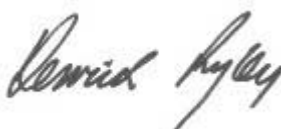
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

## **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



D Ryley  
Partner

Sydney  
30 March 2005

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 14 March 2005.

## Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

<i>Size of Shareholding</i>	<i>%</i>	<i>Number of shares</i>	<i>Number of shareholders</i>
1 - 1,000	.50	388,090	824
1,001 - 5,000	5.13	3,996,480	1,330
5,001 - 10,000	6.17	4,807,933	599
10,001 - 100,000	16.15	12,586,391	502
100,001 - And over	72.05	56,140,991	55
<b>Total</b>	<b>100.00</b>	<b>77,919,885</b>	<b>3,310</b>

There were 205 holders of less than a marketable parcel of ordinary shares.

## Equity security holders

### *Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below.

<b>Name</b>	<b>Holding</b>	<b>%</b>
ANZ Nominees Limited	9,543,548	12.25
National Nominees Limited	8,964,017	11.50
J P Morgan Nominees Australia	6,988,364	8.97
Invia Custodian Pty Ltd (MCM TCF A/C)	3,055,415	3.92
Westpac Custodian Nominee	2,684,296	3.44
UBS Nominees Pty Ltd	2,468,442	3.17
Invia Custodian Pty Ltd (Black A/C)	2,300,000	2.95
HSBC Custody Nominees	2,273,334	2.92
Markets Citigroup Global	1,597,623	2.05
Cogent Nominees Pty Limited	1,038,066	1.33
Citicorp Nominees Pty Limited	905,788	1.16
Invia Custodian Pty Limited (MCM—BPA A/C)	792,393	1.02
RBC Global Services Australia	791,157	1.02
Citicorp Nominees Pty Limited	785,000	1.02
Peter Karl Christopher	779,029	1.00
First Exar Pty Ltd	570,000	0.73
Pat Redpath O'Connor	510,000	0.65
Escor Investments Pty Ltd	500,000	0.64
Harry Triguboff	480,830	0.62
Lippo Securities Nominees (Client A/C)	480,000	0.62
<b>Total of top 20 shareholders</b>	<b>47,507,302</b>	<b>60.97</b>
Other shareholders	30,412,583	39.03
<b>Total shares on issue</b>	<b>77,919,885</b>	<b>100.00</b>

## Substantial holders

Substantial holders in the Company are set out below:

	<b>Number held</b>	<b>Percentage</b>
Ordinary shares		
Paradise Cooper Investors	6,340,000	8.14
Deutsche Bank Group	5,591,732	7.18
Jenkins Investment Management Pty Ltd	5,334,824	6.85

## Voting Rights

The voting rights attached to ordinary shares are on a show of hands every member present at a meeting shall have one vote and upon a poll each share shall have one vote.

## SHAREHOLDER'S DIARY

### ANNUAL GENERAL MEETING

18 May 2005 11.00am  
The Menzies - Sydney  
Level 2  
14 Carrington Street  
Sydney NSW 2000

## CORPORATE INFORMATION

### REGISTERED AND CORPORATE OFFICE

Level 9 Citadel Towers (Tower B)  
799 Pacific Highway  
CHATSWOOD NSW 2067  
PO BOX 137  
CHATSWOOD NSW 2057  
Telephone: (02) 9413 2028  
Facsimile: (02) 9413 4802  
Email: gcl@gloucestercoal.com.au  
ABN 66 008 881 712

### SHARE REGISTRY

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153  
PO BOX 535  
APPLECROSS WA 6953  
Telephone: (08) 9315 0933  
Facsimile: (08) 9315 2233  
Email: registrar@securitytransfer.com.au

### BANKERS

ABN AMRO Australia Limited  
88 Phillip St  
Sydney NSW 2000

Westpac Banking Corporation  
Business Banking  
Chatswood NSW 2067

### AUDITORS

PricewaterhouseCoopers  
201 Sussex Street  
Sydney NSW 1171

### SOLICITORS

Gadens Lawyers  
77 Castlereagh Street  
Sydney NSW 2000

### HOME STOCK EXCHANGE

Australian Stock Exchange Limited - Sydney  
20 Bridge Street  
Sydney NSW 2000  
ASX Code GCL

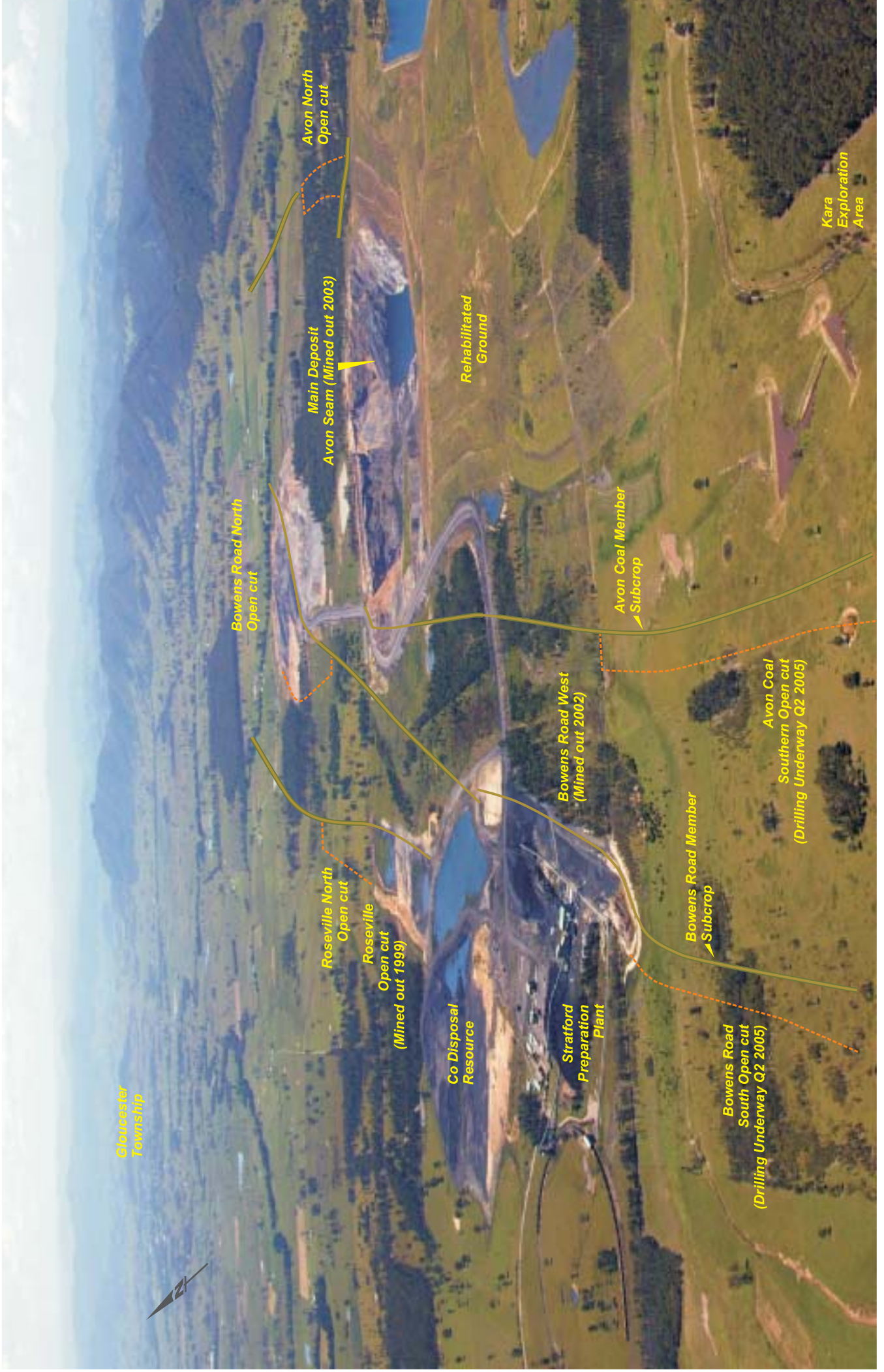
## DIRECTORS

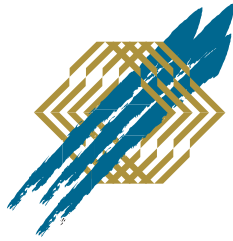
Andy J Hogendijk  
Gavin P May  
Daniel J Buckley  
Gordon T Galt  
Ian W Levy

Chairman  
Chief Executive Officer  
Operations Director  
Non-Executive Director  
Non-Executive Director

## COMPANY SECRETARY

Robert J Waring





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