



Gloucester Coal Ltd
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2004 Half Year Results

SUMMARY

- **Mine production tonnages and costs in line with forecast**
 - **Revenue up 6% as higher coal prices started to take effect at half year end**
 - **Higher demurrage costs (\$1.4 Million) during Newcastle port congestion in first quarter of 2004**
 - **Net Loss \$5.6 Million but profitable in June and expected to remain so throughout the second half**
-
- **Over the first half GCL continued to produce and deliver coal at an average cash cost in the mid A\$30s FOB.**
 - **GCL's financial orientation and outlook changed towards the end of the half when in June the Company recorded a healthy profit as the impact of higher contract coking coal prices took effect.**

CORPORATE

- **Mr Andy Hogendijk was elected to the position of Company Chairman at the GCL Board meeting on the 19 August. His election is the final stage of the GCL Board reconstruction following the retirement of directors related to the previous majority shareholder.**

FINANCE

- **GCL announced on the 11 August the settlement of a new A\$47 Million Finance Facility with ABN AMRO Bank NV.**



MARKET

- **GCL has taken advantage of the higher spot priced thermal coal and has now contracted more than 40% of next year's high ash Gloucester thermal coal at an average price in the mid A\$50s FOB.**
- **The strength of the coking coal market is forecast to continue into 2005 with concern that international demand for metallurgical coal may continue to exceed production.**

EXPLORATION

- **GCL has established a team comprising Minarco Asia Pacific (Minarco) and McElroy Bryan Geological Services (MBGS) to explore and investigate development options for the Duralie Underground. Over the next year the brief will be to determine optimal underground entry location consistent with the open cut and rehabilitation programme, and to cost and determine feasibility of a trial underground within a 2006/7 timeframe. Both Minarco and MBGS are highly regarded for their expertise in underground coal operation planning.**
- **MBGS has also been retained to plan and supervise exploration within GCL's Gloucester Basin exploration license areas for underground and open cut prospects.**

FUTURE

The GCL Board believes that the best returns for our shareholders will be achieved by remaining focused on the Company's ability to:

- **Continuously and reliably produce coal at the lowest possible cash cost;**
- **Actively pursue market opportunities to maximise revenue;**
- **Strengthen the Company's Balance Sheet;**
- **Explore within the Gloucester Basin to extend mine life.**

**Gavin May
Chief Executive Officer
Gloucester Coal Ltd
19 August 2004**

Appendix 4D

Half Year Report for period ended 30 June 2004

Name of entity

GLOUCESTER COAL LTD ABN 66 008 881 712

Results for announcement to the market.

\$A'000		
Revenues from ordinary activities <i>Explanation</i> Revenue was up 6% due to increasing the Group's thermal coal sales to the export market.	up	6% to 34,019
Loss from ordinary activities after tax attributable to members <i>Explanation</i> The loss after tax has been impacted by larger than forecasted Demurrage costs from the port of Newcastle in the first four months of the year as well as increased financing costs in relation to loan facilities provided by the former major shareholder.	up	51% to 5,641
Net loss for the period attributable to members <i>Explanation</i> The loss after tax has been impacted by larger than forecasted Demurrage costs from the port of Newcastle in the first four months of the year as well as increased financing costs in relation to loan facilities provided by the former major shareholder.	up	51% to 5,641
Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend		
Ordinary Shares <i>Explanation</i> There was no dividend paid or proposed during the period	N/A	N/A
Record date for determining entitlements to the dividend Date on which dividend is payable	Not Applicable Not Applicable	
	Current period	Previous Corresponding Period
Net tangible asset backing per ordinary security	20.3 cents	27.6 cents

Details of Associates

The Company did not gain or lose control over any entities during the period. The Company holds a 90% interest in the Stratford Joint Venture.

This report is to be read in conjunction with the most recent annual financial report.

GLOUCESTER COAL LTD

ABN 66 008 881 712

Half-year report – 30 June 2004

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2003 and any public announcements made by Gloucester Coal Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporation Act 2001.

Directors' Report

Your Directors present their report on the consolidated entity consisting of Gloucester Coal Ltd and the entities it controlled at the end of, or during, the half-year ended 30 June 2004.

DIRECTORS

The following persons were Directors of Gloucester Coal Ltd during the half-year and up to the date of this report. Directors were in office for the entire period unless otherwise stated.

Andy J Hogendijk	Chairman & Non-Executive Director, appointed 11 August 2004
Gavin P May	Chief Executive Officer and Managing Director
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 A McPhie	Chairman, Non-Executive, Resigned 5 April 2004
Melvin Garness	Non-Executive Director, Resigned 11 August 2004

SUMMARY OF FINANCIAL PERFORMANCE

The loss experienced by Gloucester Coal Ltd (GCL) for the six months ended 30 June 2004 was mostly incurred in the first four months of the half due to residual 2003 low priced coking and thermal contracts, a record \$1.4million in demurrage costs (2003: \$0.6million) and higher interest costs of \$1.9million (2003: \$1.0million) on loans for the group's former parent entity.

GCL's results for the first half of 2004 are shown below, along with comparative results for the first half of 2003.

	Half-year ended 30 June		Change %
	2004	2003	
Revenue from ordinary activities (\$ thousands)	34,019	32,105	6%
Loss from ordinary activities after tax attributable to members (\$ thousands)	5,641	3,742	51%
Coal Production (tonnes thousands)	813	823	(1)%
Coal Shipments (tonnes thousands)	810	845	(4)%

PRODUCTION

During the first half of 2004, GCL:

- consistently and reliably produced coal from the Duralie and Bowens Road North operations;
- demonstrated that the Gloucester Basin operations could deliver product coal at a cash cost in the mid A\$30's FOBT Newcastle;
- achieved cost savings by taking full management control of the Stratford Preparation Plant.

MARKET

The significant coking coal price increases achieved at the beginning of the year were the result of surging international demand for steel. This strong demand resulted in Gloucester Coal's customers taking their maximum contractual quota of coking coal. During the first four months of 2004 GCL delivered coal into the low priced contracts. Only 25.4% of the first half coking coal sales were at the new 2004 higher prices.

Over the period Jan – April GCL incurred A\$1.3million in demurrage costs (A\$1.4million for the half). During the first half GCL strongly supported the Port Waratah Coal Services (PWCS) capacity allocation scheme. The scheme designed to equitably manage the demand and reduce the vessel queue has saved GCL and the NSW coal industry significant sums of money since the vessel queue congestion diminished in May 2004. The continued improvement in operations and ongoing demand planning is critical to GCL and NSW coal producers so that vessel queues are managed and demurrage costs minimised.

EVENTS OCCURRING AFTER BALANCE DATE

Refinancing of Loan Facility

As at 30 June 2004, the Company recorded as a current liability an amount of \$41.8million due to UK COAL PLC following a transfer of amounts previously recorded as non current liabilities to current liabilities. As detailed in note 6, since 30 June 2004 the Company has refinanced this loan with new facilities totalling \$52.0million. \$9.4million of this amount is due within 12 months of this reporting date and, as of 10 August 2004, the remaining current liabilities have been replaced with longer term facilities which are due after 30 June 2005.

Except as disclosed above, no matter or circumstance has arisen since 30 June 2004 that has significantly affected or may significantly effect:

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

ROUNDING

Gloucester Coal Ltd is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' and financial report. The amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars in accordance with the Class Order unless specifically stated to be otherwise.

Signed in accordance with a resolution of the directors.



Gavin P May
Director
Sydney, 19th August 2004

Consolidated Statement of Financial Performance

FOR THE HALF-YEAR ENDED 30 JUNE 2004

	Notes	HALF-YEAR	
		2004	2003
		\$'000	\$'000
Revenue from sale of coal	3	33,491	32,062
Cost of sales		<u>(37,169)</u>	<u>(34,460)</u>
Gross Profit		(3,678)	(2,398)
Other revenue from ordinary activities		528	43
Other expenses from ordinary activities			
Marketing		(131)	(207)
Administration		(473)	(183)
Borrowing costs	4	<u>(1,887)</u>	<u>(997)</u>
(Loss) from ordinary activities before income tax expense		(5,641)	(3,742)
Income tax expense		<u>-</u>	<u>-</u>
(Loss) from ordinary activities after income tax expense		<u>(5,641)</u>	<u>(3,742)</u>
Total change in equity other than those resulting from transactions with owners as owners		<u>(5,641)</u>	<u>(3,742)</u>
		Cents	Cents
Basic and diluted earnings per share		(7.2)	(4.8)

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2004

	Notes	As at 30 Jun 2004 \$'000	As at 31 Dec 2003 \$'000
Current assets			
Cash assets		3,832	1,037
Receivables		6,166	5,497
Inventories		1,686	1,868
Other		2,515	-
Total current assets		14,199	8,402
Non-current assets			
Other financial assets		1,126	1,126
Property, plant and equipment		39,405	41,794
Development expenditure		22,204	22,632
Other – waste in advance		11,615	7,670
Total non-current assets		74,350	73,222
Total assets		88,549	81,624
Current liabilities			
Payables		21,837	17,608
Interest bearing liabilities	6, 8	41,844	-
Provisions		150	103
Total current liabilities		63,831	17,711
Non-current liabilities			
Interest bearing liabilities	6, 8	6,154	39,864
Provisions		2,742	2,586
Total non-current liabilities		8,896	42,450
Total liabilities		72,727	60,161
Net assets		15,822	21,463
Equity			
Contributed equity		120,842	120,842
Accumulated losses		(105,020)	(99,379)
Total equity		15,822	21,463

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

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 30 JUNE 2004

	Notes	HALF-YEAR	
		2004	2003
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		33,718	32,750
Payments to suppliers and employees		<u>(34,306)</u>	<u>(40,952)</u>
		(588)	(8,202)
Interest received		54	17
Borrowing costs		<u>(212)</u>	<u>(207)</u>
Net cash (outflow)/inflow from operating activities	7	<u>(746)</u>	<u>(8,392)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(143)	(1,097)
Payments for development expenditure		(770)	(3,814)
Proceeds from sale of property plant & equipment		456	-
Security deposits (lodged)/refunded		<u>(2)</u>	<u>(870)</u>
Net cash (outflow)/inflow from investing activities		<u>(459)</u>	<u>(5,781)</u>
Cash flows from financing activities			
Proceeds from borrowings		<u>4,000</u>	<u>14,599</u>
Net cash inflow/(outflow) from financing activities		<u>4,000</u>	<u>14,599</u>
Net increase/(decrease) in cash held		2,795	426
Cash at the beginning of the reporting period		<u>1,037</u>	<u>917</u>
Cash at the end of the reporting period		<u><u>3,832</u></u>	<u><u>1,343</u></u>

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 30 JUNE 2004

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 30 June 2004 has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus View), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2003 and any public announcements made by Gloucester Coal Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporation Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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 adoption of Australian Equivalents to IFRS will be first reflected in the Group's financial statements for the half-year ending 30 June 2005 and the year ending 31 December 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 are available, including elective exemptions under AASB First time Adoption of International Financial Reporting Pronouncements. These choices are being analysed to determine the appropriate accounting policy for the Company.

Accounting Policy changes identified to date include the following:

(a) Financial Instruments

Under the Australian equivalent of IAS 39 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 Australian equivalent to IAS 37 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.

2. GOING CONCERN

As at 30 June 2004, the consolidated entity had a net working capital deficiency of \$49.6million and non-current interest bearing liabilities due to UK COAL PLC of \$6.2million. On 10 August 2004, the loan facility plus accrued interest provided by UK COAL PLC was replaced by two new loan facilities. A new \$42.0million cash advance facility has been provided by ABN AMRO Bank N.V., which is repayable over the next three and half years. In addition, a new \$10.0million facility has been agreed with UK COAL PLC, which is repayable by the end of 2005. The new facility provided by ABN AMRO Bank N.V. will be used to repay approximately \$38.2million due to UK COAL PLC and the balance being used to settle amounts due to trade creditors. The remaining working capital deficiency is expected to be eliminated by the end of September 2004 through positive operational cash flows. To enable the working capital deficiency to be extinguished, the Company will require the continued support of its trade creditors.

On the basis of the above facts, the Directors have prepared the financial report on a going concern basis.

	2004	2003
	\$'000	\$'000
3. REVENUE		
Revenue from operating activities		
Sale of coal	33,829	32,323
Foreign exchange losses	(338)	(261)
	<u>33,491</u>	<u>32,062</u>
4. BORROWING COSTS		
Interest charge – external	782	207
Interest charge – former ultimate parent entity	1,105	790
	<u>1,887</u>	<u>997</u>

Interest charge – former ultimate parent entity, relates to loan facilities provided by UK COAL PLC, up to 5 April 2004, from which time it ceased to be a related party.

5. 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

Australia	3,531	5,184
Asia	27,142	23,095
Other	2,818	3,783
	<u>33,491</u>	<u>32,062</u>

6. INTEREST BEARING LIABILITIES – CURRENT & NON CURRENT

During the reporting period the Company obtained financing facilities from UK COAL PLC, the group's former parent entity. On 5 April 2004 UK COAL PLC through its 100% subsidiary UK COAL Australia Pty Ltd sold its 97.01% interest in Gloucester Coal Ltd to a group of institutional and sophisticated investors.

The facility previously provided to Gloucester Coal Ltd by UK COAL PLC has been replaced on 10 August 2004 with:

- a A\$47million facility provided by ABN AMRO Bank N.V., incorporating a \$42.0million cash advance facility, repayable over the next three and half years, and a \$5.0million bank guarantee facility. The cash advance facility is secured against the assets of the consolidated entity.
- \$10.0million cash advance facility from UK COAL PLC repayable by the end of 2005.

	2004	2003
	\$'000	\$'000
7. RECONCILIATION OF OPERATING PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating (loss) / profit after income tax	(5,641)	(3,742)
Depreciation	2,874	2,006
Amortisation – overburden in advance	-	725
Net loss on disposal of fixed assets	399	-
Increase / (Decrease) in creditors and provisions	8,569	(1,586)
(Increase) / Decrease in receivables and other current assets	(3,184)	402
(Increase) / Decrease in inventory	182	(3,266)
(Increase) / Decrease in other – waste in advance	(3,945)	(2,931)
	(746)	(8,392)

8. EVENTS OCCURRING AFTER BALANCE DATE

Refinancing of Loan Facility

As at 30 June 2004, the Company recorded as a current liability an amount of \$41.8million due to UK COAL PLC following a transfer of amounts previously recorded as non current liabilities to current liabilities. As detailed in note 6, since 30 June 2004 the Company has refinanced this loan with new facilities totalling \$52.0million. \$9.4million of this amount is due within 12 months of this reporting date and, as of 10 August 2004, the remaining current liabilities have been replaced with longer term facilities which are due after 30 June 2005.

Except as disclosed above, no matter or circumstance has arisen since 30 June 2004 that has significantly affected or may significantly effect:

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

Directors Declaration

The Directors declare that the financial statements and notes set out on pages 7 to 12:

- (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 consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of its operations and its cash flows, for the half-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.



Gavin P May
Director

Sydney
19th August 2004

Independent review report to the members of Gloucester Coal Ltd

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Gloucester Coal Ltd:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Gloucester Coal Group (defined below) as at 30 June 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review 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 the Gloucester Coal Group (the consolidated entity), for the half-year ended 30 June 2004. The consolidated entity comprises both Gloucester Coal Ltd (the company) and the entities it controlled during that half-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.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

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

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

Independence

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



PricewaterhouseCoopers



Derrick Ryley
Partner

Sydney
19 August 2004