



GLOUCESTER COAL

GLOUCESTER COAL LTD

ABN 66 008 881 712

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2004 Annual Results

Your Directors are pleased to present their report on the consolidated entity consisting of Gloucester Coal Ltd (GCL) and the entities it controlled for the year ended 31 December 2004.

DIRECTORS

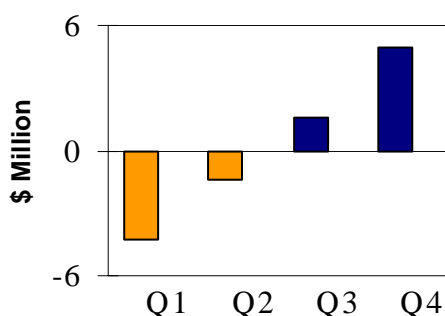
The following persons were Directors of Gloucester Coal Ltd during the whole of the year and up to the date of this report:

Andy J Hogendijk	Chairman, Non-Executive - 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 A McPhie	Chairman, Non-Executive – Resigned 5 April 2004
Melvin Garness	Non-Executive Director – Resigned 11 August 2004

SUMMARY OF FINANCIAL PERFORMANCE

- GCL achieved a major financial turnaround as a result of strong demand for all coal products and continuing low operating costs.
- 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.
- Operating profit for the second half of 2004 was in direct contrast to the first half and largely reflected the stronger coking coal prices for the 2004-5 Japanese financial year. The turnaround in profitability is best shown in the figure below.

**GCL 2004 Quarterly Earnings
before Taxation**



FINANCIAL PERFORMANCE

The modest annual profit before tax reflects the financial turnaround highlighted by the contrasting profitability in the two halves of 2004. The loss of \$5.6 million in the first half of 2004 was more than reversed by a \$6.5 million profit before tax in the second half. During the final quarter of 2004 GCL recorded \$4.9 million operating profit before tax.

GCL's results for 2004 are shown below, along with comparative results for 2003.

		Year ended 31 December		Change
		2004	2003	%
Revenue from ordinary activities	(\$,000)	77,691	60,240	29
Profit from ordinary activities after tax attributable to members	(\$,000)	15,765	(11,281)	239
Coal Production	(tonnes ,000)	1,679	1,519	10
Coal Shipments	(tonnes ,000)	1,762	1,701	3

PRODUCTION AND OUTLOOK

The Duralie and Bowens Road North open cut operations continued to provide the majority of the feedstock for the Gloucester coal products. During 2004 GCL:

- Continued to operate Duralie open cut to plan and budget. The Company mined and processed 1.6 million tonnes of ROM coal, primarily for Gloucester coking coal.
- Introduced a second excavator at Duralie in the third quarter to improve mining efficiency and marginally increase production.
- Recovered and processed 0.75 million tonnes of Bowens Road North coal into coking and thermal coal products.
- Achieved more consistent quality by improved integration and sequencing of the two main open cut operations.
- Successfully and safely transferred the operations of the Stratford preparation plant from the incumbent contractor to GCL in the first quarter of 2004.
- Commissioned the co disposal ultra fines processing facility and increased preparation plant capacity by 7%.
- Achieved four quarters of consistent production and operational costs.
- Maintained annual cash costs below A\$37 per tonne. Cash costs are forecast to increase marginally in 2005 as a consequence of the recently introduced NSW ad valorem royalty scheme.

Gloucester Coal remains committed to extending mine life beyond 2012. GCL has:

- Completed the review of seismic data over the Duralie underground resource
- Committed to the first phase of mining the Duralie underground resource adjacent to the existing open cut operation
- Also committed to the first year of a 3 year and \$5 million exploration programme.
- Revised and optimised Duralie and Bowens Road North mine plans and added an additional 1.7 million tonnes of mineable reserves to the life of mine plan.

MARKET

During 2004 GCL completed delivery of all low priced thermal coal to the domestic market. Average thermal coal prices achieved by GCL over the year increased by almost 100%.

In February 2005 GCL achieved record coking coal price increases, well in excess of 100%, reflecting the buoyant coking coal market and strong demand for the high fluidity Gloucester coking coal. The continuing strong international demand for coking coal appears to be outpacing new supply and GCL believes the coking coal prices will remain strong for the foreseeable future.

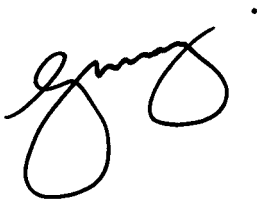
CAPITAL MANAGEMENT

Following settlement of the 2005 Japanese steel mill contracts and finalisation of sales contracts for the majority of 2005 thermal coal production, GCL management will continue to prudently manage the operations and financial affairs of the Company. In 2005, the GCL Board has implemented a plan to strengthen and grow the company with a balanced strategy of repaying debt, further exploration and future mine development funding and distributing cash.

To achieve the 2005 plan, GCL aims to

- **Reduce debt by 40%,**
- **Fund the first year of the three year exploration programme**
- **Pursue Gloucester mine development opportunities**
- **Complete the Duralie underground mine feasibility**
- **Distribute approximately 30% of earnings per share to shareholders.**

Signed in accordance with a resolution of the directors.



Gavin May

Chief Executive Officer

24 February 2005

31 December 2004 Preliminary Final Report

Rule 4.3.A Introduced 1/1/2003

Name of entity

GLOUCESTER COAL LTD

ABN

66 008 881 712

Financial year ended:

31 December 2004

Corresponding financial year ended:

31 December 2003

Results for announcement to the market.

		\$A'000
2.1) Revenues from ordinary activities <i>Explanation</i> Revenue increased 29% on 2003, due primarily to increases in US\$ Coking and Thermal coal selling prices.	up	29% to 77,691
2.2) Profit (loss) from ordinary activities after tax attributable to members <i>Explanation</i> Increased revenue based of the higher US\$ price per tonne on Coking Coal and Thermal Coal sales and the realisation of carried forward tax losses.	up	239% to 15,765
2.3) Net profit (loss) for the period attributable to members <i>Explanation</i> Increased revenue based of the higher US\$ price per tonne on Coking Coal and Thermal Coal sales and the realisation of carried forward tax losses.	up	239% to 15,765
Dividends (distributions)		
Final and Interim dividend	Amount per security	Franked amount per security
2.4) Ordinary Shares 2.5) Preference Shares <i>Explanation.</i>	Not Applicable Not Applicable	Not Applicable Not Applicable
Record date for determining entitlements to the dividend, Date on which dividend is payable	Not Applicable Not Applicable	

3) Statement of Financial Performance

Refer Attached

4) Statement of Financial Position

Refer Attached

5) Statement of Cash Flows

Refer attached

6) Details of Individual and total dividend payments

Refer attached

7) Details of dividend reinvestment plan

Refer attached

8) Statement of retained earnings

Refer attached

9) Net tangible assets per security

	Current period	Previous Corresponding Period
Net Tangible asset backing per ordinary security	0.48c	0.28c

10) Details of entities over which control has been gained or lost

Not applicable

11) Details of associates and joint venture entities

Not applicable

12) Significant information

Refer attached

13) Foreign entities accounting standards

Not applicable

14) Commentary on results for the period

Refer attached

15) The report is based on accounts that are in the process of being audited.

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

GLOUCESTER COAL LTD & its controlled entities

Appendix 4E – Statement of financial performance

For the year ended 31 December 2004

	Notes	Consolidated	
		2004 \$'000	2003 \$'000
Revenue from sale of coal	2	77,691	60,240
Cost of sales		(71,292)	(68,736)
Gross profit		6,399	(8,496)
Other revenue from ordinary activities	2	591	364
Other expenses from ordinary activities			
Marketing		(239)	(235)
Administration		(1,087)	(525)
Carrying value of non current assets sold		(863)	-
Borrowing costs	3	(3,873)	(2,389)
Profit / (loss) from ordinary activities before income tax expense	3	928	(11,281)
Income tax benefit / (expense)	4	14,837	-
Profit / (loss) from ordinary activities after income tax expense		15,765	(11,281)
Total change in equity other than those resulting from transactions with owners as owners	20	15,765	(11,281)
Earnings per share	22	20.2	(14.5)

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

GLOUCESTER COAL LTD & its controlled entities

Appendix 4E – Statement of financial position

For the year ended 31 December 2004

	Notes	Consolidated	
		2004	2003
		\$'000	\$'000
Cash assets	5	1,073	1,037
Receivables	6	14,920	5,497
Inventories	7	4,142	1,868
Other financial assets	8	240	-
Total current assets		<u>20,375</u>	<u>8,402</u>
Non-current assets			
Other financial assets	8	179	1,126
Property, plant and equipment	11	39,417	41,794
Development expenditure	12	21,262	22,632
Deferred tax assets	10	22,070	-
Other	9	12,257	7,670
Total non-current assets		<u>95,185</u>	<u>73,222</u>
Total assets		<u>115,560</u>	<u>81,624</u>
Current liabilities			
Payables	13	15,826	17,608
Interest bearing liabilities	14	22,277	-
Provisions	15	212	103
Total current liabilities		<u>38,315</u>	<u>17,711</u>
Non-current liabilities			
Interest bearing liabilities	16	30,000	39,864
Deferred tax liability	17	7,233	-
Provisions	18	2,784	2,586
Total non-current liabilities		<u>40,017</u>	<u>42,450</u>
Total liabilities		<u>78,332</u>	<u>60,161</u>
Net assets		<u>37,228</u>	<u>21,463</u>
Equity			
Contributed equity	19	120,842	120,842
Accumulated losses	20	(83,614)	(99,379)
Total equity		<u>37,228</u>	<u>21,463</u>

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

GLOUCESTER COAL LTD & its controlled entities

Appendix 4E – Statement of cash flows

For the year ended 31 December 2004

	Notes	Consolidated	
		2004 \$'000	2003 \$'000
Cash flows from operating activities			
Receipts from customers		69,753	59,729
Payments to suppliers and employees		<u>(76,571)</u>	<u>(75,858)</u>
		(6,818)	(16,129)
Interest received		103	45
Borrowing costs		<u>(3,734)</u>	<u>(469)</u>
Net cash (outflow)/inflow from operating activities	21	<u>(10,449)</u>	<u>(16,553)</u>
Cash flows from investing activities			
Payments for development expenditure		(722)	(466)
Payments for property, plant and equipment		<u>(2,359)</u>	<u>(5,035)</u>
Proceeds from sale of property, plant and equipment		459	261
Security deposits (lodged) / refunded		<u>695</u>	<u>(932)</u>
Net cash (outflow)/inflow from investing activities		<u>(1,927)</u>	<u>(6,172)</u>
Cash flows from financing activities			
Proceeds from borrowings		52,277	22,845
Repayment of borrowings		<u>(39,865)</u>	<u>-</u>
Net cash inflow/(outflow) from financing activities		<u>12,412</u>	<u>22,845</u>
Net increase / (decrease) in cash held		36	120
Cash at beginning of financial year		<u>1,037</u>	<u>917</u>
Cash at end of financial year	5	<u><u>1,073</u></u>	<u><u>1,037</u></u>

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2004

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

This Appendix 4E has been prepared in accordance with the recognition and measurement requirements of Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Urgent Issues Group Consensus Views.

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.

(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.

(e) Depreciation of property, plant and equipment (con't)

Major depreciation periods are:

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

The current mine life is 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.

(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. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(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.

(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.

(m) Employee Entitlements (con't)

(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.

(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 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.

(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

	Consolidated	
	2004	2003
	\$'000	\$'000
NOTE 2. REVENUE		
Revenue from operating activities		
Sale of coal	78,381	60,838
Foreign exchange losses	<u>(690)</u>	<u>(598)</u>
	77,691	60,240
Revenue from outside the operating activities		
Rental income	29	56
Interest	102	45
Sale of non-current assets	459	261
Other revenue	<u>1</u>	<u>2</u>
	591	364
Total revenue	<u>78,282</u>	<u>60,604</u>

NOTE 3. OPERATING PROFIT/(LOSS)

(a) Net gains and expenses

Profit/(loss) from ordinary activities before income tax expense includes the following specific net gains and expenses:

Expenses

Loss on Disposal of property, plant & equipment	<u>404</u>	<u>63</u>
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Depreciation

Buildings	28	29
Plant and equipment	<u>3,793</u>	<u>3,199</u>

Total depreciation

<u>3,821</u>	<u>3,228</u>
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Amortisation

Leasehold improvements	-	3
Development expenditure	2,092	1,502
Overburden in advance	<u>-</u>	<u>725</u>

Total amortisation

<u>2,092</u>	<u>2,230</u>
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Borrowing costs

Interest and finance charges paid/payable	<u>3,873</u>	<u>2,389</u>
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Other provisions

Employee entitlements	<u>109</u>	<u>81</u>
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Rental expense relating to operating leases

85	364
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	Consolidated	
	2004	2003
	\$'000	\$'000
NOTE 4. INCOME TAX		
Profit from ordinary activities before income tax (benefit) / expense	928	(11,281)
Income tax calculated @ 30%	278	(3,384)
Tax effect of permanent differences:		
Non-deductible depreciation and amortisation		-
Non-deductible capital losses	121	-
Other non-allowable items	13	118
Income tax adjusted for permanent differences	412	(3,266)
Recognition of tax losses not previously brought to account	(15,249)	-
Future income tax benefit on losses and timing differences not brought to account	-	3,266
Income tax (benefit) / expense attributable to operating profit from ordinary activities	(14,837)	-

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 10. 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 \$14 million).

NOTE 5. CURRENT ASSETS – CASH ASSETS

Cash at bank	1,073	1,037
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NOTE 6. CURRENT ASSETS – RECEIVABLES

Trade debtors	9,414	3,745
Other debtors	5,506	1,752
	14,920	5,497

NOTE 7. CURRENT ASSETS – INVENTORIES

Spares – at cost	819	766
Coal stocks – at cost	3,323	1,102
	4,142	1,868

	Consolidated	
	2004	2003
	\$'000	\$'000
NOTE 8. OTHER FINANCIAL ASSETS		
Current assets		
Security Deposits	240	0
Non-current assets		
Shares in unlisted corporations - at cost	37	37
Other	12	24
	49	61
Security Deposits	130	1,065
	179	1,126
NOTE 9. NON-CURRENT ASSETS – OTHER		
Waste in Advance	12,257	7,670

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 waste mined.

NOTE 10. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

Future income tax benefit	22,070	-
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	Consolidated	
	2004	2003
	\$'000	\$'000
NOTE 11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT		
Land and buildings		
Freehold land - at cost	<u>9,372</u>	<u>10,226</u>
Buildings - at cost	442	421
Less: Accumulated depreciation	<u>(215)</u>	<u>(187)</u>
	<u>227</u>	<u>234</u>
Total land and buildings	<u>9,599</u>	<u>10,460</u>
Plant and equipment		
Plant and equipment – at cost	38,618	37,479
Less: Accumulated depreciation	<u>(19,191)</u>	<u>(16,827)</u>
	<u>19,427</u>	<u>20,652</u>
Office equipment, furniture and fittings – at cost	525	537
Less: Accumulated depreciation	<u>(392)</u>	<u>(422)</u>
	<u>133</u>	<u>115</u>
Motor vehicles – at cost	341	230
Less: Accumulated depreciation	<u>(93)</u>	<u>(81)</u>
	<u>248</u>	<u>149</u>
Site infrastructure – at cost	17,559	16,519
Less: Accumulated depreciation	<u>(7,549)</u>	<u>(6,101)</u>
	<u>10,010</u>	<u>10,418</u>
Total plant and equipment	<u>29,818</u>	<u>31,334</u>
	<u>39,417</u>	<u>41,794</u>

	Freehold Land \$'000	Buildings \$'000	Plant & Equipment \$'000	Office Equipment \$'000	Motor Vehicles \$'000	Site Infrastructure \$'000	Total \$'000
Consolidated							
Carrying Amount at 1/01/2004	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 31/12/2004	<u>9,372</u>	<u>227</u>	<u>19,427</u>	<u>133</u>	<u>248</u>	<u>10,010</u>	<u>39,417</u>

	Consolidated	
	2004	2003
	\$'000	\$'000
NOTE 12. NON-CURRENT ASSETS – DEVELOPMENT EXPENDITURE		
Development expenditure	32,817	32,095
Less: Accumulated amortisation	<u>(11,555)</u>	<u>(9,463)</u>
	<u>21,262</u>	<u>22,632</u>

The ultimate re-coupment 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	
	2004	
	\$'000	
Carrying Amount at 1 January 2004	22,632	
Additions	722	
Amortisation	<u>(2,092)</u>	
Carrying Amount at 31 December 2004	<u>21,262</u>	

	Consolidated	
	2004	2003
	\$'000	\$'000

NOTE 13. CURRENT LIABILITIES – PAYABLES

Unsecured

Trade creditors	13,308	17,608
Deferred exchange gains	<u>2,518</u>	-
	<u>15,826</u>	<u>17,608</u>

NOTE 14. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Secured

Bank loans	<u>22,277</u>	<u>-</u>
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NOTE 15. CURRENT LIABILITIES – PROVISIONS

Employee entitlements	<u>212</u>	<u>103</u>
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NOTE 16. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Secured

Bank Loan	<u>30,000</u>	-
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Unsecured

Loans from Immediate Parent Entity	-	1,480
Loans from Ultimate Parent Entity	<u>-</u>	<u>38,384</u>
	<u>-</u>	<u>39,864</u>
	<u>30,000</u>	<u>39,864</u>

Consolidated
2004 2003
\$'000 \$'000

NOTE 17. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITY

Provision for deferred income tax	7,233	-
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NOTE 18. NON-CURRENT LIABILITIES – PROVISIONS

Provision for site restoration	2,784	2,586
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Parent Entity
2004 2003
No. of **No. of**
Shares **Shares**

NOTE 19. CONTRIBUTED EQUITY

(a) Share Capital

Ordinary shares Fully paid	(b) & (c)	77,902,890	77,902,890
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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	77,902,890	120,842

(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
2004 2003
\$'000 \$'000

NOTE 20. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial Year	(99,379)	(88,098)
Profit / loss attributable to members of Gloucester Coal Ltd	15,765	(11,281)
Accumulated losses at the end of the financial year	(83,614)	(99,379)

Consolidated
2004 2004
\$'000 \$'000

NOTE 21. RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating (loss)/profit after income tax	15,765	(11,281)
(Profit)/loss on sale of fixed assets	427	63
Provision for diminution of investments	12	-
Depreciation	5,942	4,712
Amortisation – Overburden in advance	-	725
Increase/(Decrease) in creditors and provisions	(3,992)	(1,410)
(Increase)/Decrease in deferred tax asset	(22,070)	-
(Increase)/Decrease in receivables	(6,905)	148
(Increase)/Decrease in inventories	(2,274)	(1,840)
(Increase)/Decrease in waste in advance	(4,587)	(7,670)
Increase/(Decrease) in deferred tax liability	7,233	-
Net cash (outflow) / inflow from operating activities	(10,449)	(16,553)

NOTE 22. EARNINGS PER SHARE

Basic earnings 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

NOTE 23. EVENT OCCURRING AFTER REPORTING DATE

No matter or circumstance has arisen since 31 December 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.

NOTE 24. 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:-

	Consolidated	
	2004	2003
	\$'000	\$'000
SALES REVENUE BY DESTINATION		
Australia	8,661	11,055
Asia	59,913	45,402
Other	9,117	3,783
	77,691	60,240