



GLOUCESTER COAL LTD

Half Year Results

Period ending 31 December 2005

NPAT	\$21.7m
EBITDA	\$34.7m
Revenue up	107%
Interim Dividend	11 cents (unfranked)

GCL has capitalised on the strong coal market to deliver a superior financial result

The last half culminated in:

- **Continued Profitable Operations**
- **Paid and Declared Dividends**
- **Buy-back of 4% of Share Capital**
- **Purchase of 10% of Stratford JV**
- **Establishment of Leighton Mining as Mine Operator**
- **Strategic Purchases of Property in the Gloucester Basin**

The Gloucester Basin operations are a quality asset with a strong financial outlook made even more certain following the recently negotiated coking coal contract prices.

Growth within the Gloucester Basin

- **Continued exploration will allow organic growth for open cut mining operations to continue beyond 2020**
- **Large underground resources available for operations well beyond 2020**

Growth beyond Gloucester horizons

- **GCL actively pursuing opportunities to leverage of its robust position**

For further information contact:

Gavin May
Chief Executive Officer

Barry Tudor
Chief Financial Officer
Telephone: (02) 9413 2028

Gloucester Coal Ltd

ABN 66 008 881 712

Half-Year Report for period ended 31 December 2005

Results for announcement to the market

\$A'000		
Revenues	up	107% to 91,298
Net Profit for the period	up	53% to 21,690
Profit for the period attributable to members	up	53% to 21,690

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend: Ordinary Shares	11.0 cents	Nil
Record date for determining entitlements to the dividend	10 February 2006	
Date on which dividend is payable	28 February 2006	

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	47.0 cents	29.0 cents

The Company did not gain or lose control over any entities during the period. The Company acquired the remaining 10% interest in the Stratford Joint Venture during the period, and as at 31 December 2005 the Company has a 100% (30 June 2005: 90%) interest in the Stratford Joint Venture.

Gloucester Coal Ltd

ABN 66 008 881 712

Half-year report – 31 December 2005

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

Directors' Report for the half year ended 31 December 2005

The directors present their report, together with the consolidated financial report for Gloucester Coal Ltd and its controlled entities for the half-year ended 31 December 2005, and the independent review report thereon.

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.

Mr Andy J Hogendijk AAUQ, FCPA, FAICD
Chairman
Director and Chairman since August 2004

Mr Gavin P May BSc (Geology), GAICD
Chief Executive Officer and Managing Director
Director since January 2001

Mr Daniel J Buckley BSc (Geology/GeoPhys), MMEE, GAICD
Operations Director
Director since January 2001

Mr Gordon T Galt BCom, BEng (Mining Hons), MAICD, MAIMM
Non-Executive Director
Director since April 2004

Mr Ian W Levy BSc (Hons)(ANU), MSc (Dist)(London), Diploma of Imperial College (Royal School of Mines), FAusIMM, FAIG
Non-Executive Director
Director since April 2004

Dr John H Bryan BSc (Hons), Ph D, FAusIMM
Non-Executive Director
Director Since April 2005

Summary of Results - Half-year ended 31 December

	2005 \$000s	2004 \$000s	Change %
Revenue	91,298	44,200	107
Profit after tax attributable to members	21,690	14,181	53

	2005 000s t	2004 000s t	Change %
Coal Production	951	867	10
Coal Shipments	1,019	803	27

Review of Operations

During the half-year ended 31 December 2005, the consolidated entity recorded a net profit attributable to shareholders of \$21.7 million. The result reflects continued strong demand for all Gloucester Coal products, supported by efficient operations.

Coal production and sales were substantially higher than the comparative 2004 half year. Demand for Gloucester coking coal from the four major Japanese steel mills has been reasonably even and consistent throughout the period. The Company continues to align marketing and production to minimise inventory levels. The Company continues to sell all thermal coal into the export market at higher prices than might be achieved in the domestic market.

Whilst the Company's primary focus has been on growth and mine life extension within the Gloucester Basin, the Company continues to investigate a number of potential acquisitions and growth option strategies.

The directors consider that the Company has built a solid financial foundation within its Gloucester Basin operations. This platform, coupled with strong cash flows and low debt provide the Company with the ability to pursue range of organic and external growth opportunities, which are being actively pursued.

Share Buy-back

At the time of this report the Company has bought back 3,062,633 shares at an average price of \$2.92 per share.

Dividend

Dividends paid or declared by the Company since the end of the previous financial year are:

	Cents per Share	Total amount \$'000	Franked / unfranked	Date of payment
For the half-year ended 31 December 2005				
Final June 2005 ordinary	10.0	8,207	unfranked	30 Sept 2005

For the half-year ended 31 December 2004 there were no dividends declared.

The interim dividend in respect of the current financial year has not been provided for in this financial report as it was not declared until after 31 December 2005. Since the end of the financial half year, the directors declared an interim dividend of 11 cents (unfranked) amounting to a total payment of \$8,692,411.

Events Occurring After Balance Date

Other than the dividend referred to in Note 5 to the financial statements, no matter or circumstance has arisen since 31 December 2005 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.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration made under Section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the Directors' Report

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.

A handwritten signature in black ink, appearing to read 'Gavin P May', is written over a vertical red line.

Gavin P May
Director
Sydney

20 February 2006

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The directors of Gloucester Coal Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



KPMG



Trent van Veen
Partner

Sydney
20 February 2006

Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

		HALF-YEAR	
	Note	2005 \$'000	2004 \$'000
Revenue from sale of coal		91,298	44,200
Cost of sales	2	(56,647)	(34,586)
Gross Profit		34,651	9,614
Other operating income		20	14
Marketing expenses		(651)	(108)
Administration expenses		(1,880)	(614)
Other operating expenses		-	(399)
Operating profit before financing costs		32,140	8,507
Finance income		170	48
Finance expenses		(1,312)	(2,011)
Net financing costs		(1,142)	(1,963)
Profit before tax		30,998	6,544
Income tax (expense) / benefit		(9,308)	7,637
Net profit for the period		21,690	14,181
Profit attributable to members of Gloucester Coal Ltd		21,690	14,181
Basic and diluted earnings per share attributable to ordinary equity holders	8	Cents 27.0	Cents 18.2

The above income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of recognised income and expense

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Notes	HALF-YEAR	
		2005 \$'000	2004 \$'000
Cash flow hedges – change in fair value of effective portion	7	(1,263)	-
Net loss recognised directly in equity		<u>(1,263)</u>	<u>-</u>
Profit for the period		21,690	14,181
Total recognised income for the period		<u>20,427</u>	<u>14,181</u>

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2005

	Notes	As at 31 Dec 2005 \$'000	As at 30 June 2005 \$'000
Current assets			
Cash and cash equivalents		13,951	603
Trade and other receivables		13,802	13,048
Inventories		3,636	4,875
Other investments		-	200
Total current assets		<u>31,389</u>	<u>18,726</u>
Non-current assets			
Deferred tax assets		7,098	16,218
Property, plant and equipment		48,716	43,960
Intangible – exploration and evaluation		15,880	16,073
Intangible – coal reserves		5,226	-
Waste in advance		14,359	13,650
Other investments		177	176
Total non-current assets		<u>91,456</u>	<u>90,077</u>
Total assets		<u>122,845</u>	<u>108,803</u>
Current liabilities			
Trade and other payables		18,500	14,761
Interest-bearing loans and borrowings		-	16,061
Provisions		319	269
Total current liabilities		<u>18,819</u>	<u>31,091</u>
Non-current liabilities			
Interest-bearing loans and borrowings		29,296	23,470
Deferred tax liabilities		12,347	12,160
Provisions		3,743	3,384
Total non-current liabilities		<u>45,386</u>	<u>39,014</u>
Total liabilities		<u>64,205</u>	<u>70,105</u>
Net assets		<u>58,640</u>	<u>38,698</u>
Equity			
Issued capital	6	128,407	120,875
Reserves		(630)	443
Accumulated losses		(69,137)	(82,620)
Total equity	7	<u>58,640</u>	<u>38,698</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	HALF-YEAR	
	2005	2004
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	89,804	35,461
Payments to suppliers and employees	(53,772)	(38,033)
	<u>36,032</u>	<u>(2,572)</u>
Interest received	170	48
Borrowing costs	(1,312)	(2,035)
Net cash inflow / (outflow) from operating activities	<u>34,890</u>	<u>(4,559)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(1,931)	(2,464)
Payments for development expenditure	(389)	(722)
Acquisition of Joint Venture interest	(8,312)	-
Security deposits refunded	-	707
Net cash (outflow)/inflow from investing activities	<u>(10,632)</u>	<u>(2,479)</u>
Cash flows from financing activities		
Dividends Paid	(8,207)	-
Proceeds from share placement	13,778	-
Share buy back	(6,246)	-
Proceeds from borrowings / (repayments)	(10,235)	4,279
Net cash inflow/(outflow) from financing activities	<u>(10,910)</u>	<u>4,279</u>
Net increase/(decrease) in cash held	13,348	(2,759)
Cash at the beginning of the reporting period	<u>603</u>	<u>3,832</u>
Cash at the end of the reporting period	<u><u>13,951</u></u>	<u><u>1,073</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 31 DECEMBER 2005

1. Statement of significant accounting policies

(a) Basis of preparation

Gloucester Coal Ltd (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "consolidated entity").

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretation adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS").

The consolidated entity's first financial report prepared in accordance with AIFRS and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards* was the financial period ended 30 June 2005.

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except derivative financial instruments which are measured at fair value.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2005 annual financial statements.

The interim financial report is to be read in conjunction with the most recent annual financial report. This report must also be read in conjunction with any public announcements made by the Company during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001

(b) Coal reserves

Coal reserves are stated at cost. The carrying value is assessed annually for impairment.

Amortisation is charged to the income statement on a unit of production basis once mining of the coal contained within the mining lease commences.

Notes to the financial statements (continued)

2. Cost of sales

	2005	2004
	\$'000	\$'000
Mining	25,393	20,156
Rail & port	11,349	8,179
Coal purchases	9,553	3,342
Royalty	4,874	2,166
Depreciation and amortisation	3,708	3,140
Movement in inventory	1,770	(2,397)
Cost of goods sold	<u>56,647</u>	<u>34,586</u>

Following the acquisition of ITOCHU's 10% interest in the Stratford Joint Venture, costs of goods sold now represents 100% (2004: 90%) of the operating costs associated with that operation.

3. 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.

	2005	2004
	\$'000	\$'000
Sales revenue by destination		
Australia	-	5,819
Asia	91,298	32,082
Other	-	6,299
	<u>91,298</u>	<u>44,200</u>

4. Acquisition of interest in Stratford joint venture

During the period the Company acquired ITOCHU Corporation's ("ITOCHU") 10% interest in the Stratford Joint Venture. The consolidated entity now owns 100% of the Stratford Joint Venture. Consideration paid was \$8,870,000, representing the fair value of the 10% interest in the joint venture.

On 30 June 2005 the company entered into a legally binding heads of agreement and subsequently signed final agreements with ITOCHU Corporation on 23 August 2005. These agreements provide for an effective date of acquisition of the 10% interest in the Stratford Joint Venture as 1 July 2005.

In accordance with these agreements, on 1 September 2005 the Company made a share placement to ITOCHU of 4.15 million shares in Gloucester Coal Ltd at a price of \$3.32 per share, raising \$13,778,000. Funds raised by the share placement were utilised to purchase Itochu's share of the Stratford Joint Venture, (freehold land, facilities, coal handling plant, operations and resources).

Resulting from these transactions the Company increased its interest in both Stratford Coal Pty Limited and Stratford Coal Marketing Pty Limited by 10% to 100%.

Notes to the financial statements (continued)

5. Dividends

Dividends recognised in the half-year by Gloucester Coal Limited are:

	Cents per Share	Total amount \$'000	Franked / unfranked	Date of payment
For the half-year ended 31 December 2005				
Final June 2005 ordinary	10.0	8,207	unfranked	30 Sept 05

For the half-year ended 31 December 2004 there were no dividends declared.

Subsequent events

Since the end of the period the directors declared the following dividend

	Cents per Share	Total amount	Franked / unfranked	Date of payment
Interim June 2006 ordinary	11.0	8,692	unfranked	28 Feb 06

The financial effect of the interim dividend has not been brought to account in the half year results to 31 December 2005 but will be recognised in subsequent financial reports.

6. Issued capital

Date	Details	Number of Fully paid ordinary shares	\$'000
1 January 2004	Balance	77,902,890	120,842
1 March 2005	Issue of shares to employees	16,995	33
30 June 2005	Balance	77,919,885	120,875
28 August 2005	Placement of shares to Itochu	4,150,000	13,778
Oct - Dec 2005	Share buy-back	(2,185,455)	(6,246)
31 December 2005	Balance	<u>79,884,430</u>	<u>128,407</u>

Notes to the financial statements (continued)

7. Reconciliation of equity

	Issued Capital \$'000	Equity Reserve \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2005	120,875	104	339	(82,620)	38,698
Share based payments – options	-	190	-	-	190
Shares issued	13,778	-	-	-	13,778
Share buy-back	(6,246)	-	-	-	(6,246)
Dividends paid	-	-	-	(8,207)	(8,207)
Total recognised income and expense	-	-	(1,263)	21,690	20,427
At 31 December 2005	128,407	294	(924)	(69,137)	58,640

8. Earnings per share

The calculation of basic earnings per share at 31 December 2005 was based on profit attributable to ordinary shareholders of \$21,690,000 (2004: \$14,181,000) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2005 of 80,255,000 (2004: 77,903,000), calculated as follows:

	31 Dec 2005 000's	31 Dec 2004 000's
Issued ordinary shares at beginning of period	77,920	77,903
Effect of share placement and share buy-back	2,335	-
Weighted average number of ordinary shares at the end of the period	80,255	77,903

	30 Jun 2005 Cents	31 Dec 2004 cents
Basic earnings per share	27.0	18.2
From continuing operations		
Diluted earnings per share	27.0	18.2
From continuing operations		

Options to purchase ordinary shares not exercised at 31 December 2005 have not been included in the determination of diluted earnings per share as the options are out of the money.

9. Contingent Liabilities

There were no material changes to the contingent liabilities reported at 30 June 2005.

Directors' Declaration

In the opinion of the directors of Gloucester Coal Ltd ("the company"):

1. the financial statements and notes set out on pages 6 to 13, are in accordance with the Corporations Act 2001 including:
 - (a) Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001: and
2. 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 P May', is written over a vertical red line.

Gavin P May
Director

Sydney
20 February 2006

Independent review report to the members of Gloucester Coal Limited

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim statement of income, balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes 1 to 9 to the financial statements, and the directors' declaration for the Gloucester Coal Limited consolidated entity ("the consolidated entity"), for the half-year ended 31 December 2005. The consolidated entity comprises Gloucester Coal Limited ("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 the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *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 of 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 were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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.

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

A review cannot guarantee that all material misstatements have been detected.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Gloucester Coal Limited is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.



KPMG



Trent van Veen
Partner

Sydney
20 February 2006