



A Rio Tinto Group Company

MEDIA RELEASE

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2003 Half Year Results

Coal & Allied hit by lower coal prices and higher exchange rate

SUMMARY

- Net profit after tax was \$7.2 million compared with \$104.7 million in the same period last year.
- Net debt was steady at \$504 million.
- No interim dividend on ordinary shares will be paid.

Commenting on the result, Coal & Allied's Managing Director, Mr Gary Goldberg said, "This result reflects the tough market conditions faced by all Australian export coal producers in 2003."

"We have clearly been impacted by the sharp movement in US dollar exchange rates, generally lower contract prices, increased demurrage costs and the increasing shift to lower priced spot sales of Australian coal."

"The company has responded to these challenges by reducing stockpiles and adjusting production to meet demand. Last month the company introduced a range of operational changes aimed at further lowering costs. This involved changed work patterns and a decrease in the use of contract labour."

"While we are facing a difficult second half, we have tight control of costs and have now repositioned our operations to respond flexibly and quickly to current market conditions. On this basis, I am confident the many years of reform, growth and cost reduction achieved by Coal & Allied has put the company on solid ground to meet the challenges of 2003," Mr Goldberg concluded.

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SUMMARY OF FINANCIAL PERFORMANCE

Coal & Allied's results for the first half of 2003 are shown below, along with comparative results for the first half of 2002.

	Half year to 30 June 2003	2002	Change %
Sales revenue (\$ millions)	463.0	674.6	(31)
Net profit after tax (\$ millions)	7.2	104.7	(93)
Operating cash flow (\$ millions)	(15.8)	175.3	(109)
Dividends (cents per share)	nil	40	
Coal production ¹ (million tonnes)	13.8	14.7 ²	(6)
Coal shipments ¹ (million tonnes)	13.8	14.3 ²	(3)

¹ Production and shipments are on a 100% basis. Shipments exclude purchased coal.

² Excludes sold operations. Details of full production and shipments disclosed in Financial and Operating Statistics appendix.

Sales revenue

Sales revenue of \$463 million was down 31% compared with the first half of 2002, reflecting the lower market price for export thermal coal, the stronger Australian dollar against the US dollar and the exclusion of operations sold in 2002.

Production

Managed production of saleable coal, excluding sold operations, was down by 900,000 tonnes to 13.8 million tonnes, reflecting the decision to align production to market conditions. Coal & Allied's share is approximately 10.3 million tonnes of saleable coal produced.

Dividends

In light of a tough first half and the prospect of a difficult second half, Directors have decided no interim dividend for ordinary shares will be paid for the first half of 2003. The preference dividend of 1.75 cents per share will be paid. This compares with fully franked interim dividends of 40 cents per ordinary share and 1.75 cents per preference share for the first half of 2002.

Cash flow

Net operating cash was an outflow of \$15.8 million compared with an inflow of \$175.3 million in the first half of 2002. The significant change in operating cash flow is the effect of lower earnings resulting from the impact of lower coal prices in Australian dollar terms, the fall off of operating cash from the mines sold in 2002 and taxation payments made in the first half relating to 2002 earnings.

Debt

Net debt was steady at \$504 million. Gearing (net debt to net debt + equity) was 38.4% at June 2003, compared with 38.9% at 31 December 2002.

Capital expenditure

Total capital expenditure for the first half of 2003 was \$17.9 million compared with \$63.4 million for the same period last year. Expenditure was predominantly for sustaining purposes, the purchase of land and some expenditure to develop new mining areas. Capital expenditure for the first half of 2002 included the purchase of a shovel and the Cheshunt pit development.

Market conditions

European spot thermal coal prices began to move up towards the end of the first half of 2003. Newcastle spot thermal prices have also increased slightly, although they remain down on an Australian dollar basis. Conditions remain difficult, however, reflecting increased supply, predominantly from Indonesia, China and Australia.

Long term contract prices were settled with major Asian customers approximately US\$2/tonne lower than for 2002, prompted by the perceived market oversupply at that time. The trend to spot or indexed sales rather than contract tonnes continued to gather pace in Asia led by the Japanese power utilities. High ocean freight rates decreased the competitiveness of Australian coal into its markets in Europe and southern Asia.

Abnormal vessel queues through the first half of 2003 have resulted in demurrage costs increasing to around \$US1/tonne. Despite record shipments from the port, fluctuations in the arrival of vessels caused congestion. This matter is being addressed on an industry wide basis.

As a result of these competitive market conditions, Coal & Allied will produce less coal in 2003 than 2002, operating at approximately four million tonnes below installed capacity of just over 32 million tonnes.

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Coal & Allied Financial and Operating Statistics

	First Half 2003 '000 tonnes	First Half 2002 '000 tonnes
Production and shipments		
Total shipments ¹	13,807	17,211
Total saleable production ²		
Hunter Valley Operations	6,104	6,431
Mount Thorley Operations	1,558	2,278
Bengalla	3,074	2,640
Warkworth	3,065	3,377
Sub total	13,801	14,726
Narama	-	370
Ravensworth East	-	387
Moura	-	2,400
Total	13,801	17,883
Coal & Allied equity share of production		
Hunter Valley Operations (100%)	6,104	6,431
Mount Thorley Operations (80%)	1,246	1,822
Bengalla (40%)	1,230	1,056
Warkworth (55.57%)	1,703	1,877
Narama (50%)	-	185
Ravensworth East (100%)	-	387
Moura (55%)	-	1,320
Total	10,283	13,078
Shipments by product ¹		
Export thermal	10,022	10,468
Domestic thermal	1,254	2,383
Coking	2,531	4,360
Hard coking	-	-
Total	13,807	17,211
Financial		
	2003 \$ million	2002 \$ million
Total assets	1,803	1,958
Capital expenditure and investments	18	63
Depreciation and amortisation ³	58	69
Employees ⁴	1,534	1,542
Net debt to net debt + equity (%)	38.4	40.8
Earnings per share (cents)	8.3	121.0

¹ Shipments are on a 100% basis and exclude purchased coal.

² Production is on a 100% basis.

³ Depreciation and amortisation include amortisation of mining rights relating to Lemington and Peabody mines.

⁴ In 2002 Ravensworth, Narama & Moura employees were excluded.