

COAL & ALLIED

Managed by Rio Tinto Coal Australia

Coal & Allied Industries Limited

ABN 67 008 416 760

ASX Interim report – 30 June 2010

Lodged with the ASX under Listing Rule 4.2A

Contents

Results for announcement to the market	2
Commentary on results	2
Directors' report	3
Auditor's independence declaration	7
Consolidated statement of comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	18
Independent auditor's review report	19

Current reporting period: Half year ended 30 June 2010

Previous corresponding period: Half year ended 30 June 2009

The attached financial report for the half year ended 30 June 2010 forms part of this document. This half yearly report is to be read in conjunction with the Coal & Allied Industries Limited 2009 annual financial report and the notes contained therein.

Results for announcement to the market

A summary of consolidated revenues and results for the half year is set out below:

	Half year ended 30 June 2010 \$m	Half year ended 30 June 2009 \$m	Change %
Revenue	929	1,250	(25.7)
Profit after tax attributable to members	498	324	53.8
Profit for the period excluding divestments attributable to members	161	324	(50.3)
	\$	\$	
Net tangible assets per security	19.26	15.40	25.1

Commentary on results

For comments on trading performance during the year, refer to the directors' report.

Dividends

	Amount per security	Franked amount per security	Record date	Date on which dividends are payable
Final dividend in respect of full year ended 31 December 2009, paid on 19 March 2010				
▪ ordinary shares	350c	350c	4 March 2010	19 March 2010
▪ preference shares	1.75c	1.75c	4 March 2010	19 March 2010
▪ Dividend paid on cancellation of preference shares	100.00c	100.00c	23 April 2010	5 May 2010
Interim dividend in respect of half year ended 30 June 2010				
▪ ordinary shares	450c	450c	13 August 2010	27 August 2010

Details of associates

Name of associate/jointly controlled entity	Percentage ownership		Contribution to net profit of the consolidated entity	
	2010	2009	2010	2009
	%	%	\$m	\$m
Port Waratah Coal Services Limited	36.5	36.5	15.5	8.1
Warkworth Coal Sales Limited	55.6	55.6	-	-
Warkworth Tailings Treatment Pty Ltd	55.6	55.6	-	-
Warkworth Pastoral Company Pty Ltd	55.6	55.6	-	-
Warkworth Mining Limited	55.6	55.6	-	-
Bengalla Coal Sales Co Pty Ltd	40.0	40.0	-	-
Bengalla Agricultural Company Pty Ltd	40.0	40.0	-	-
Bengalla Mining Company Pty Ltd	40.0	40.0	-	-

Directors' report

for the half year ended 30 June 2010

The directors of Coal & Allied Industries Limited (Coal & Allied) present their report together with the consolidated financial report of the consolidated entity, being the company and its controlled entities (the group), for the half year ended 30 June 2010.

Directors

The following persons were directors of Coal & Allied during the whole of the half year and up to the date of this report:

C J S Renwick (Chairman)
B G Beeren
W H Champion
R B Davis
D C W Ritchie
K Yamanaka

Review of operations

Coal & Allied's consolidated results for the first half of 2010, compared with the same period of 2009, are shown below:

	Half year ended 30 June 2010 \$m	Half year ended 30 June 2009 \$m
Revenue	929	1,250
Profit after tax excluding divestments	161	324
Net profit after tax	498	324
Cash inflow from operating activities	79	379
	M tonnes	M tonnes
Total coal production	12.0	11.5
Total coal shipments (excluding purchased coal)	11.2	11.4
Coal & Allied's equity share of coal production	8.9	8.7
Coal & Allied's equity share of coal shipments	8.4	8.7

Safety

Coal & Allied remains committed to providing a safe work environment and are pleased to report a further reduction in All Injury Frequency Rate from 0.58 injuries per 200,000 hours worked (2.90 per million hours worked) for the 2009 full year to 0.49 injuries per 200,000 hours worked (2.45 per million hours worked) for the six months ended 30 June 2010, a 16 per cent improvement.

Business environment

Current market conditions remain strong though there remains some uncertainty around the short term economic outlook. The unwinding of government stimulus packages, Chinese government measures to dampen the property sector and sovereign debt concerns will have an impact. However, this should be offset to some extent by the gradual recovery of demand from OECD economies. In the medium to long term it is anticipated that strong energy demand in the developing economies, particularly China and India, combined with rising costs of domestic production in these countries, will provide support for growth in seaborne thermal coal and metallurgical coal markets.

The returning confidence in the economy and the outlook for the future has been demonstrated with the significant price increases seen in the recent agreement of the 2010/11 Japanese fiscal year contracts for both thermal and semi-soft coking coal. Benchmark thermal coal prices for the year beginning 1 April 2010 increased 37 per cent to almost US\$98 per tonne, while semi-soft coking coal, which is being priced quarterly this year, saw June quarter prices of US\$167 per tonne, a 100% increase from 2009, and September quarter prices of US\$172 per tonne.

Directors' report

for the half year ended 30 June 2010

Coal & Allied is encouraged by the Federal Government's announcement that it intends on replacing the proposed Resource Super Profits Tax with a Minerals Resource Rent Tax (MRRT) that encapsulates the principles that any tax reform must have:

- any new tax is not applied retrospectively, so that existing projects where investment decisions have already been made are not adversely affected; and
- a competitive effective tax rate that will not disadvantage Australia as an investment destination.

Coal & Allied, as part of the Rio Tinto Group, looks forward to further participation in discussions with Government around the detailed design and application of the MRRT.

Coal & Allied continues to support a well-designed emissions trading scheme that will help cut Australia's greenhouse emissions, but one that preserves exports and jobs. Regardless of current uncertainty in the timing, scope and form of future climate change legislation in Australia, Coal & Allied is continuing its work to mitigate its own greenhouse gas emissions. Coal & Allied is doing this through participation in a variety of industry research bodies, the Mount Thorley Warkworth coal seam methane pilot project, and the identification and implementation of energy efficiency opportunities.

Coal & Allied's energy and emissions data is reported as part of the Rio Tinto group. In 2009 Coal & Allied set up systems to incorporate the reporting requirements of new Australian government legislation – the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007* (NGERS). This reporting framework will assist Coal & Allied in targeting and measuring future emissions reduction strategies.

Projects

As stated above, Coal & Allied is encouraged by the early discussions on the MRRT and as such is continuing to review and assess various projects and expansion options under the proposed new tax regime.

At our existing sites we are moving forward on releasing the latent capacity that exists at both Hunter Valley Operations and Mount Thorley Warkworth. Whilst at Bengalla, the expansion case feasibility study is being finalised and a development decision is expected in the second half of this year.

The Mount Pleasant project, which is adjacent to the Bengalla mine, is currently updating the existing pre-feasibility study with a view to moving into the feasibility stage later this year. A development decision is expected in late 2011.

Port Waratah Coal Services (PWCS) investment in new terminal capacity has continued with the completion, on schedule, of the 3Exp project that has increased nameplate capacity to 113 million tonnes. In February 2010, the Board of PWCS approved further investment in the expansion of the Kooragang Terminal. This Project, known as Project MPC (Master Plan Completion) will increase total capacity to 133 million tonnes by the end of 2011.

Profit

Profit after tax for the 2010 half year of \$498 million is a 54 per cent increase from the corresponding period in 2009 (\$324 million). This was achieved largely as a result of the gain on divestment of the Maules Creek and Vickery Coal Projects of \$337 million. Profit after tax, excluding the above divestments, for the 2010 half year of \$161 million is a 50 per cent decrease from the corresponding period in 2009 (\$324 million). This was due to decreased revenue caused by the detrimental effect of the stronger Australian dollar against the US dollar and also a lower realised US dollar price for coal. An increase in production costs, largely tied to rising strip ratios, has also decreased earnings. Partially compensating for these impacts is an improvement in sales mix, with high margin semi soft coking coal contributing a larger proportion of sales volumes this half year than in 2009.

Sales revenue

Sales revenue of \$910 million for the half year was 25 per cent lower than for the same period in 2009. This was mainly due to the increase in strength of the Australian dollar, which rose 25 per cent against the US dollar compared to the first half of 2009, averaging 89 cents for 2010 compared with 71 cents in the prior year. Lower US dollar coal prices for the half year also reduced earnings. This fall is due to decreases in the average price of thermal coal (US\$82.96/t v US\$89.69/t – 7 per cent) and semi soft coking coal (US\$119.49/t

Directors' report

for the half year ended 30 June 2010

v US\$159.41/t – 25 per cent). However this impact has been offset by an improvement in sales mix, with semi soft sales volumes increasing by 87 per cent and contributing 26 per cent of Coal & Allied sales compared to 13 per cent in the first half of 2009.

Also contributing is the lower volume and price associated with purchased coal and sea freight, which have combined to reduce sales revenue by \$82 million; however these items are generally recovered from the customer and are directly offset in costs.

Japanese benchmark prices for thermal coal apply from the beginning of the Japanese fiscal year (1 April), although some contracts are on different contract periods. Therefore prices for the first half of the year includes sales based on both the 2009 and 2010 benchmark price periods.

Production

Coal & Allied's share of production for the 2010 half year was two per cent higher than the same period in 2009. At Mount Thorley Warkworth new heavy mobile equipment has been progressively commissioned through 2010 to date resulting in higher waste movement and coal production. Production at Bengalla has improved as a result of mining in a more productive coal seam. Offsetting these improvements, production at all operations was adversely impacted by periods of wet weather as well as an increased strip ratio at Hunter Valley Operations and Mount Thorley Warkworth.

In line with the significant improvement in semi soft coking coal prices outlined above, Coal & Allied has focussed on maximising semi soft production where possible. This focus on semi soft results in some overall yield loss through the coal production process, however this is more than offset by the increased margins achieved.

Costs

Whilst attributable saleable coal production for the 2010 half year increased by two per cent from the corresponding period in 2009, stripping ratios have increased by 17 per cent, particularly evident at Mount Thorley Warkworth and Hunter Valley Operations. The additional waste stripping requirements has required addition of heavy mobile equipment, which in turn has led to an increase in labour and other mining costs.

Mine production costs have increased by \$22 million in the first half of 2010 compared to the first half of 2009 largely due to the increase in strip ratio. The signing of new three year labour agreements at the Hunter Valley Operations and Mount Thorley Warkworth sites has also placed upward pressure on costs.

Selling and distribution costs decreased by \$10 million in the first half of 2010 compared with the same period in 2009, primarily due to lower royalties in line with revenue. This was partially offset by a \$6 million increase in demurrage following an increase in the average ship queue over the six month period.

Income tax

The estimated effective income tax rate for the 2010 half year is 29.4 per cent (2009: 30.1 per cent).

Cash flow

Operating cash flow of \$79 million was lower in the first half of 2010 (June 2009: \$379 million inflow) due principally to lower sales revenue. Tax payments for the first half of 2010 totalled \$313 million, including a final 2009 tax instalment of \$79 million and \$127 million tax paid on divestments. Capital expenditure for the half year was \$90 million (2009: \$88 million) primarily for replacement of heavy mobile equipment.

Divestment of the Maules Creek and Vickery Coal Projects contributed net cash of \$384 million, comprising proceeds from sale of \$511 million less the payment in June of applicable income tax. There was a net increase in cash for the half year of \$49 million after payment of dividends and debt reduction.

Debt

Net cash of \$360 million at 30 June 2010 was \$67 million higher than at 31 December 2009 as a result of the divestment of the Maules Creek and Vickery Coal Projects. External borrowings have decreased from \$61 million at 31 December 2009 to \$36 million at 30 June 2010.

Directors' report

for the half year ended 30 June 2010

Dividends

The directors declared an interim dividend of 450 cents per ordinary share fully franked at 30 per cent.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, dated 10 July 1998, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded off to the nearest hundred thousand dollars, in accordance with that Class Order, unless specifically stated to be otherwise.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7.

Signed at Brisbane this 27th day of July 2010 in accordance with a resolution of the directors.



CJS Renwick
Chairman

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
Website: www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

Auditor's independence declaration

As lead auditor for the review of Coal & Allied Industries Limited for the half year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Coal & Allied Industries Limited and the entities it controlled during the period.



Robert Hubbard
Partner
PricewaterhouseCoopers

Brisbane

27 July 2010

Consolidated statement of comprehensive income

For the half year ended 30 June 2010

	Notes	Half year ended 30 June 2010 \$m	Half year ended 30 June 2009 \$m
Revenue	3(a)	929.1	1,250.3
Other income	3(b)	483.7	0.7
Total revenue and other income		1,412.8	1,251.0
Changes in coal inventories		17.4	12.8
Raw materials and consumables used		(179.3)	(182.5)
Employee benefits expense		(124.2)	(110.0)
External services		(126.0)	(115.1)
Selling and distribution expenses		(151.1)	(161.6)
Administration and other mining expenses		(52.5)	(50.7)
Depreciation and amortisation expenses		(56.5)	(51.8)
Sea freight and purchased coal		(50.1)	(132.4)
Share of profit after tax of equity accounted units		15.5	8.1
Total costs		(706.8)	(783.2)
Profit before finance costs and income tax		706.0	467.8
Finance costs		(7.3)	(8.4)
Profit before income tax		698.7	459.4
Income tax expense	5	(200.9)	(135.8)
Profit attributable to members of Coal & Allied Industries Limited		497.8	323.6
Other comprehensive income			
Changes in the fair value of cash flow hedges		(0.6)	56.2
Changes in the fair value of employee share options		2.7	-
Income tax relating to components of other comprehensive income		(0.6)	(16.9)
Other comprehensive income for the half year, net of tax		1.5	39.3
Total comprehensive income for the half year		499.3	362.9
Profit is attributable to:			
Owners of Coal & Allied Industries Limited		497.8	323.6
Total comprehensive income for the half year is attributable to:			
Owners of Coal & Allied Industries Limited		499.3	362.9
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)	9	574.9	373.7
Diluted earnings per share (cents)	9	574.9	373.7

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

Consolidated statement of financial position

As at 30 June 2010

	Notes	As at 30 June 2010 \$m	As at 31 December 2009 \$m
ASSETS			
Current assets			
Cash and cash equivalents	7	395.9	354.0
Trade and other receivables		284.4	297.2
Inventories		110.0	89.5
Derivative financial instruments		-	0.3
		790.3	741.0
Non-current assets classified as held for sale		-	32.3
Total current assets		790.3	773.3
Non-current assets			
Receivables		6.3	9.1
Land held for development		3.8	3.8
Investments accounted for using the equity method		110.1	99.5
Property, plant & equipment		1,486.1	1,459.2
Intangible assets		31.6	32.3
Deferred tax assets		-	144.3
Total non-current assets		1,637.9	1,748.2
TOTAL ASSETS		2,428.2	2,521.5
LIABILITIES			
Current liabilities			
Trade and other payables		213.3	232.5
Borrowings		31.3	45.7
Employee benefits		116.7	109.3
Provisions		8.1	7.8
Current tax liabilities		13.7	268.1
Derivative financial instruments		-	4.2
Total current liabilities		383.1	667.6
Non-current liabilities			
Payables		0.3	0.3
Borrowings		4.4	15.6
Employee benefits		6.8	4.3
Provisions		182.5	176.5
Deferred tax liabilities		151.4	153.8
Total non-current liabilities		345.4	350.5
TOTAL LIABILITIES		728.5	1,018.1
NET ASSETS		1,699.7	1,503.4
Equity			
Contributed equity		440.9	440.9
Reserves		1.3	(0.2)
Retained profits		1,256.1	1,061.3
Non-controlling interest		1.4	1.4
TOTAL EQUITY		1,699.7	1,503.4

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

Consolidated statement of changes in equity

For the half year ended 30 June 2010

	Attributable to owners of Coal & Allied Industries Limited			Non-controlling interest \$m	Total equity \$m
	Contributed equity \$m	Reserves \$m	Retained profits \$m		
Balance at 1 January 2009	440.9	(45.9)	1,090.6	1.4	1,487.0
Total comprehensive income for the half year	-	39.3	323.6	-	362.9
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	-	(476.2)	-	(476.2)
Balance at 30 June 2009	440.9	(6.6)	938.0	1.4	1,373.7
Balance at 1 January 2010	440.9	(0.2)	1,061.3	1.4	1,503.4
Total comprehensive income for the half year	-	1.5	497.8	-	499.3
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	-	-	(303.0)	-	(303.0)
Balance at 30 June 2010	440.9	1.3	1,256.1	1.4	1,699.7

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows

for the half year ended 30 June 2010

	Notes	Half year ended 30 June 2010 \$m	Half year ended 30 June 2009 \$m
Cash flows from operating activities			
Receipts from customers		937.0	1,408.3
Payments to suppliers and employees		(689.1)	(764.3)
		247.9	644.0
Dividends received		5.0	4.8
Interest received	3(a)	11.8	16.1
Finance costs		(0.4)	(2.3)
Income taxes paid		(186.0)	(284.1)
Other income		0.2	0.1
Net cash inflow from operating activities	6	78.5	378.6
Cash flows from investing activities			
Payments for property, plant and equipment		(90.3)	(87.5)
Proceeds from sale of property, plant and equipment		1.3	0.1
Proceeds from divestments	4	511.5	-
Income taxes paid on divestments		(127.0)	-
Net cash inflow (outflow) from investing activities		295.5	(87.4)
Cash flows from financing activities			
Repayment of lease liabilities		(0.9)	(19.9)
Dividends paid	8	(303.0)	(476.2)
Cancellation of preference shares		(2.8)	-
Repayment of loans from related entities		(18.8)	(82.0)
Net cash outflow from financing activities		(325.5)	(578.1)
Net increase (decrease) in cash and cash equivalents		48.5	(286.9)
Cash and cash equivalents at the beginning of the half year		347.4	781.0
Cash and cash equivalents at end of the half year	7	395.9	494.1

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

Notes to the financial statements

1 Significant accounting policies

Reporting entity

Coal & Allied Industries Limited (Coal & Allied) is a company domiciled in Australia. The consolidated half year condensed financial report of the company as at and for the six months ended 30 June 2010 comprises the company and its subsidiaries (together referred to as the consolidated entity or the group) and the interests in associates and jointly controlled entities.

Statement of compliance

This general purpose financial report for the interim half year reporting period ended 30 June 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations 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 financial report for the year ended 31 December 2009 and any public announcements made by Coal & Allied during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this financial report and directors' report have been rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 31 December 2009.

New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. Where considered relevant, the group's assessment of the impact of these new standards and interpretations is set out below:

AASB 1053 Application of Tiers of Australian Accounting Standards and *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Coal & Allied is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and *AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual periods beginning on or after 1 July 2010/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 January 2011. The group does not expect that any significant adjustments will be necessary as the result of applying the revised rules.

Comparative information

Where applicable, comparative amounts have been reclassified to align with changes made to current year presentation in order to improve relevance and comparability.

Cancellation of preference shares

The company had on issue 1,857,180 non-redeemable, non-participating 7% cumulative preference shares. These shares were classified as debt and dividends were charged to the income statement as finance charges. They were not considered potential ordinary shares and are therefore excluded from the calculation of earnings per share.

These preference shares were removed from official quotation at the close of trading on 5 May 2010 following approval of their cancellation by special resolution of both the ordinary shareholders and the preference shareholders. The dividend paid upon cancellation has been charged to the income statement as finance charges.

Notes to the financial statements

2 Operating segments

(a) Description of segments

The consolidated entity undertakes coal mining predominantly in the Hunter Valley of New South Wales, Australia.

Operating segments have been determined based on the analysis provided in the reports reviewed by the senior management team (being the chief operating decision maker), comprising the managing director, chief operating officer, chief financial officer and general manager – marketing, in assessing performance and determining strategy. The consolidated entity derives its revenue from coal mining and related coal preparation and as such, performance is assessed for each of the operating coal mines individually:

- Hunter Valley Operations (HVO)
- Mount Thorley Warkworth (MTW)
- Bengalla mining (BEN)

The 'other' segment refers to corporate activities (including revenue for traded coal and hedging gains/losses), expenditure on undeveloped properties and any other items that are not appropriate to allocate to an individual operating segment.

Performance of the segments is assessed on a stand-alone pre-tax basis reflected as the segment result reported below.

The chief operating decision maker does not regularly review assets on a segment basis and therefore assets by segment are not disclosed here.

(b) Segment information

	HVO \$m	MTW \$m	BEN \$m	Other \$m	Total \$m
Income statement					
Half year ended 30 June 2010					
Segment revenue	520.3	255.4	83.0	70.4	929.1
Segment result ⁽¹⁾	140.4	33.9	26.9	497.5	698.7
<i>Reconciliation to profit after tax:</i>					
Income tax expense					(200.9)
Profit for the period					497.8

⁽¹⁾ Other segment result in 2010 includes gain on sale of Maules Creek and Vickery Coal Projects (refer note 4).

Half year ended 30 June 2009

Segment revenue	727.5	330.9	104.5	87.4	1,250.3
Segment result	345.2	109.8	50.7	(46.3)	459.4
<i>Reconciliation to profit after tax:</i>					
Income tax expense					(135.8)
Profit for the period					323.6

Notes to the financial statements

3 Revenue	Half year ended 30 June 2010 \$m	Half year ended 30 June 2009 \$m
(a) Revenue		
<i>Sales revenue</i>		
Sale of coal - produced	857.3	1,123.2
Sale of coal - purchased	52.3	96.8
Total sales revenue	909.6	1,220.0
<i>Other revenue</i>		
Management fees	2.1	1.8
Coal handling services	1.9	1.9
Dividends	-	2.5
Interest received	11.8	16.1
Rental income	0.9	1.1
Other	2.8	6.9
Total other revenue	19.5	30.3
Total revenue	929.1	1,250.3
(b) Other income		
Gain on divestments (refer to note 4 below)	480.7	-
(Loss) gain on sale of non-current assets	(1.0)	0.6
Net foreign exchange gain	3.8	-
Other income	0.2	0.1
Total other income	483.7	0.7
4 Profit for the half year		
Profit for the half year includes the following gains that are unusual because of their nature, size or incidence:		
Gain on sale of Maules Creek and Vickery Coal Projects	480.7	-
Less applicable income tax expense	(143.6)	-
	337.1	-

(a) Sale information – Maules Creek Coal Project

Coal & Allied sold its undeveloped Maules Creek Coal Project in the Gunnedah Basin to Aston Resources Pty Limited. The transaction completed on 18 February 2010 for consideration of \$480.0 million in cash.

(b) Sale information – Vickery Coal Project

Coal & Allied sold its Vickery Coal Project in the Gunnedah Basin to Whitehaven Coal Mining Limited. The transaction completed on 4 February 2010 for consideration of \$31.5 million in cash and a 1,156ha parcel of land in the Gunnedah Basin.

Notes to the financial statements

5 Income tax expense

	Half year ended 30 June 2010 \$m	Half year ended 30 June 2009 \$m
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	698.7	459.4
Add: Share of tax on net profits of equity accounted units	6.8	3.7
	705.5	463.1
Tax at Australian tax rate of 30 per cent (2009: 30 per cent)	211.7	139.0
Less:		
Amounts which are non-taxable (deductible) in calculating taxable income		
Over (under) provision in prior period	4.0	(0.5)
Share of tax on net profits of equity accounted units	6.8	3.7
	10.8	3.2
Income tax expense	200.9	135.8

Notes to the financial statements

6 Reconciliation of profit for the period to net cash inflow from operating activities	As at 30 June 2010 \$m	As at 30 June 2009 \$m
Profit for the half year	497.8	323.6
Depreciation and amortisation	56.5	51.8
Unrealised foreign exchange (gain) loss	(2.0)	7.3
Unwinding of discount	5.0	6.1
Loss (gain) on sale of non-current assets	1.0	(0.6)
Gain on divestments (refer note 4)	(480.7)	-
Income tax paid on divestments	127.0	-
Fair value adjustment to derivatives	-	(10.6)
Share of profits of equity accounted units not received as dividends	(10.5)	(3.3)
Change in operating assets and liabilities		
Decrease in current tax liabilities	(254.4)	(153.8)
Decrease in deferred tax assets	144.3	-
(Decrease) increase in deferred tax liabilities	(2.4)	21.8
Decrease in current receivables	12.8	149.3
Increase in current inventories	(20.5)	(18.6)
Decrease (Increase) in non-current receivables	2.8	(2.5)
(Decrease) Increase in trade and other payables	(9.4)	9.4
Increase in current employee benefits	7.4	1.2
Increase (decrease) in other current liabilities and provisions	0.3	(3.1)
Increase in non-current employee benefits	2.5	2.5
Increase (decrease) in non-current liabilities and provisions	1.0	(1.9)
Net cash inflow from operating activities	78.5	378.6
7 Cash and cash equivalents	As at 30 June 2010 \$m	As at 31 December 2009 \$m
Cash at bank and in hand	395.9	354.0
Cash and cash equivalents comprises:		
Coal & Allied – cash held	373.2	338.8
Coal & Allied's share of cash held in Joint Ventures	22.7	15.2
	395.9	354.0
Reconciliation to cash at the end of the period:		
The above figures are reconciled to cash at the end of the period as shown in the statement of cash flows as follows:		
Balances as above	395.9	354.0
Less: Overdrafts	-	(6.6)
Balances per statement of cash flows	395.9	347.4

Notes to the financial statements

8 Dividends

Ordinary shares

Final dividend for the year ended 31 December 2009: 350.0 cents per share fully franked at 30 per cent (31 December 2008: 550.0 cents per share fully franked at 30 per cent)

Preference shares

Final dividend for the year ended 31 December 2009: 1.75 cents per share fully franked at 30 per cent (31 December 2008: 1.75 cents per share fully franked at 30 per cent)

Dividend paid on cancellation of preference shares 100.00 cents per share fully franked at 30 per cent (2009: nil)

Dividends on preference shares are charged to the income statement as finance charges.

All dividends paid to ordinary shareholders and preference shareholders in 2010 and 2009 are fully franked.

9 Earnings per share

Basic earnings per share

Diluted earnings per share

Weighted average number of ordinary shares used as the denominator in the calculation of both basic and diluted earnings per share

Reconciliation of earnings used in calculating both basic and diluted earnings per share

Profit attributable to members of the company

Profit attributable to the ordinary equity holders of the company used in calculating both basic and diluted earnings per share

	Half year ended 30 June 2010 \$m	Half year ended 30 June 2009 \$m
	303.0	476.2
	\$000's	\$000's
	32.5	32.5
	1,857.2	-
	Cents	Cents
	574.9	373.7
	574.9	373.7
	No. of shares	No. of shares
	86,584,735	86,584,735
	\$m	\$m
	497.8	323.6
	497.8	323.6

10 Contingent liabilities

There have been no significant changes to the contingent liabilities of the consolidated entity since the last annual reporting period.

11 Events occurring after reporting date

There has not arisen in the interval between the end of the financial half year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Directors' declaration

In the directors' opinion:

- a) the financial statements and notes set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half year ended on that date; and
- b) there are reasonable grounds to believe that Coal & Allied Industries Limited 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.



CJS Renwick
Chairman

Brisbane

27 July 2010

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF COAL & ALLIED INDUSTRIES LIMITED

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial statements of Coal & Allied Industries Limited, which comprise the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, other selected explanatory notes and the directors' declaration for the Coal & Allied Industries Limited Group (the consolidated entity). The consolidated entity comprises both Coal & Allied Industries Limited (the company) and the entities it controlled during that half year.

Directors' responsibility for the half year financial report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Coal & Allied Industries Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. 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 have complied with the independence requirements of the *Corporations Act 2001*.

**Independent auditor's review report to the members of
Coal & Allied Industries Limited (continued)**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Coal & Allied Industries Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Robert Hubbard
Partner

Brisbane
27 July 2010