

COAL & ALLIED

Managed by Rio Tinto Coal Australia

2005
CONCISE
annual REPORT







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This Concise Annual Report has been derived from the Full Financial Report for the year ended 31 December 2005.

The Full Financial Report and Audit Report will be sent to members on request, free of charge. Please call (07) 3361 4200 and a copy will be forwarded to you. Alternatively, you can access both the Full Financial Report and the Concise Annual Report on the Coal & Allied Industries Limited ("Coal & Allied") website: www.coalandallied.com.au.

The Concise Annual Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Coal & Allied and its controlled entities as the Full Financial Report.

year in review

YEAR IN REVIEW

OVERVIEW

2005 saw strong demand for coal and a continuation of the improved financial performance evident in the second half of 2004.

Export prices remained high. Although a capacity balancing system remained in place at Port Waratah to manage vessel queues, Coal & Allied managed to increase total sales by 1.3 per cent compared to 2004.

Operations achieved a large improvement in both Lost Time Injury Frequency Rate ("LTIFR") and All Injury Frequency Rate ("AIFR"). The effort to improve safety performance is relentless and success is building a belief that a business free of injuries is a realistic and achievable goal.

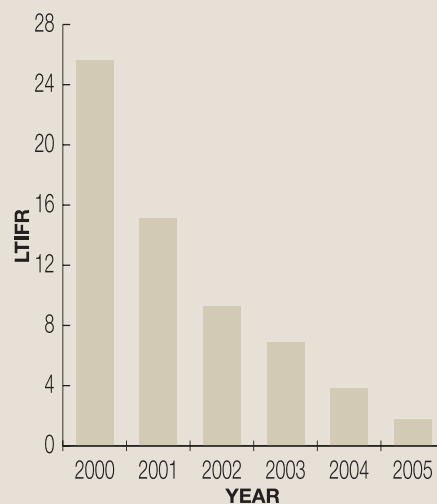
With expansion of both rail and port infrastructure underway, study resumed of the Mount Pleasant deposit. In the pre-feasibility phase, both a stand-alone operation and an integration with the Bengalla operation are being considered.

SAFETY

Consistent with the trend of recent years, Coal & Allied achieved new standards of safety performance in 2005. The LTIFR was better than the target set for the year and was the result of a consistent focus at all operations.

Safety improvement could not have been achieved without employee commitment. Employees have actively participated in safety teams, supported safety initiatives and taken personal accountability for safe work behaviour.

**Lost Time Injury
Frequency Rate
(per million manhours)**



MANAGEMENT SERVICES AGREEMENT

Rio Tinto Coal Australia Pty Limited ("RTCA") continues to be responsible to the Coal & Allied Board for the management of Coal & Allied. The Board has received an internal Audit Report confirming RTCA's compliance with all aspects of the Management Services Agreement. Coal & Allied continues to benefit from the cost savings flowing from the Management Services Agreement.

MARKETING

Commodity markets surged during the first half of 2005, on the back of strong economic growth and increased energy demands. Thermal and metallurgical coal prices remained at historically high levels. Spot prices for thermal coal declined in the second half from their peak but supply is not expected to move ahead of demand in 2006. Markets for seaborne coal continue to develop creating new opportunities and challenges for the business.

HUMAN RESOURCES

Some 150 contractor positions at Hunter Valley Operations and Mount Thorley Warkworth were converted to permanent roles. Management recognises that permanent employment mitigates the risk of labour and skill shortages, facilitates better training and skill development and increases employee commitment to improvement work. Contractors will continue to play an important role in providing operational flexibility but as a smaller proportion of the total workforce.

Employees participated in the Business Improvement Programme and Rio Tinto Limited's ("Rio Tinto") Improving Performance Together programme ("IPT"). Both will deliver productivity gains to the business.

THE FUTURE

In 2006, the business will target improved efficiencies and endeavour to capitalise on the expected strong market conditions. The supply-demand balance in 2006 will largely be determined by supply growth in Indonesia and China's evolving net export position, however, demand is expected to remain firm for Australian coal. Shortages in key inputs, including tyres, skilled labour and equipment will present challenges for management in 2006.

FINANCIAL SUMMARY

financial summary

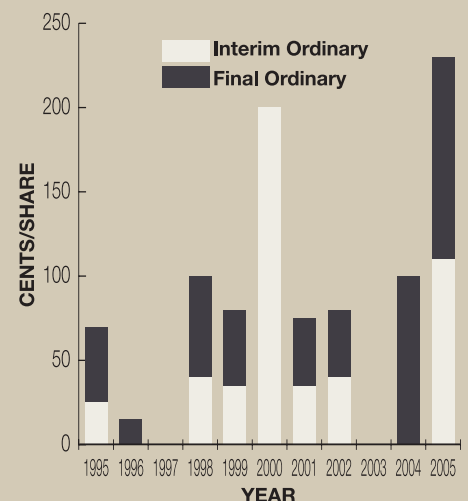
Operations focused on optimising mobile equipment and processing plant efficiency.

With buoyant market conditions applying to all mineral and metal sectors, there was unprecedented competition for scarce business inputs - notably heavy mobile equipment, tyres, explosives, skilled labour and maintenance materials. Like all industry participants, Coal & Allied faced unremitting cost pressures; however, the most dominant influence on 2005 results was the high price achieved for export coal sales.

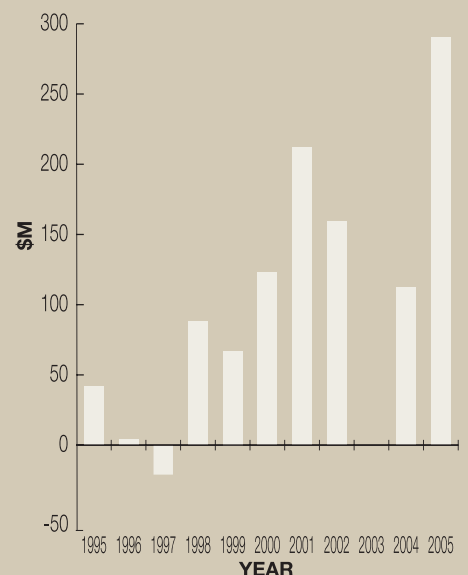
- Net profit after tax was \$290.1 million compared to \$116.6 million in 2004.
- Higher fuel prices increased costs by \$19.0 million over 2004.
- Net debt in Australian dollar terms reduced by 73 per cent to \$69.2 million.
- A \$1.20 fully franked final dividend on ordinary shares will be paid.

The relatively high cost of Hunter Valley mines on the global cost curve demands Coal & Allied's operations continue to focus on business improvement opportunities that enhance efficiency and achieve long term financial security. It is recognised current high prices may subside and it is essential operations work continuously to reduce unit costs.

DIVIDEND HISTORY
ORDINARY SHARES



PROFIT AFTER TAX



REVIEW OF OPERATIONS

SAFETY

The LTIFR, measured per million manhours, reduced to 1.75 (3.81 in 2004) and AIFR reduced to 5.20 (9.05 in 2004), with all operations contributing to this improvement. New initiatives were introduced including Taproot Incident Investigation and a review of safety and health leadership competencies, along with new approaches to leadership safety interactions and a simple pre-task risk assessment tool ('Take-5'). In addition the Rio Tinto Health Standards have been embedded at all operations.

Coal & Allied was again represented at the NSW Minerals Council Occupational Health and Safety Innovation Awards with Mount Thorley Warkworth winning the State Award for the development of a device for grease system pressure checking. Mount Thorley Warkworth's team won the 2005 Hunter Valley Mines Rescue Competition.

BUSINESS IMPROVEMENT

The Business Improvement Programme included the Mount Thorley Warkworth stacker/reclaimer operation and truck utilisation initiatives. At Bengalla the programme focused on improving the crushing and overland conveyor system and improvements in truck management.

In addition several initiatives stemming from IPT were piloted at Coal & Allied sites. Employees from Hunter Valley Operations participated in the IPT initiative, 'Value Driven Production Planning', which aims to increase the alignment of mining, processing, asset management and logistics teams within the operation.

ENVIRONMENT

All sites maintained accreditation of their Environmental Management Systems under ISO14001 and worked to improve environmental management. Engagement with the local community on a range of environmental issues continued.

Coal & Allied's environmental achievements were recognised through Bengalla's receipt of the Banksia Environmental Foundation Award for "Sustainable Development Leadership in the Minerals Industry".

SUSTAINABILITY

Coal & Allied's focus on sustainable development continued in 2005 through both internal and external engagement programmes. The study team for the Mount Pleasant development participated in a successful trial of a sustainable development decision-making methodology for possible use across the business.

Coal & Allied is supporting the research and development of new technologies through targeted spending directly and within the Australian Coal Association Research Programme and the Australian Coal Association's COAL21 programme. Major government/industry milestones in which Coal & Allied participated in 2005 included the Australian Government's Low Emission Technology Fund, the announcement of a CO₂ capture and storage programme in the Otway Basin by the Cooperative Research Centre for Greenhouse Gas Technologies and the formation of the Asia Pacific Partnership.

Coal & Allied is currently assessing the potential development of land holdings no longer associated with coal mining in the lower Hunter Valley.

COMMUNITY

The Coal & Allied Community Trust was extended to June 2008 with a new commitment of \$3 million. Coal & Allied's support of the Newcastle Knights rugby league team was widely applauded by employees and the Newcastle and Hunter Valley communities. The "Near Neighbour" Strategy continued to provide a platform for ongoing engagement with adjoining landowners.

More details of Coal & Allied's community performance are available in the Coal & Allied Sustainability Report - available online at www.coalandallied.com.au or by contacting Coal & Allied directly.



MARKET CONDITIONS

Despite spot prices for thermal coal declining in late 2005, it has been a very positive year for Australian thermal coal producers. Record prices for semi-soft coals were achieved in the first half of 2005.

Strong supply growth for thermal coal in the Pacific region came from Indonesia, however, this was largely offset by China's export position diminishing. Semi-soft coking coal demand was strong in the first half of the year but eased towards the end of the year.

The capacity balancing system at Port Waratah Coal Services Limited ("PWCS") continued to manage the vessel queues, with a total of 80.9 million tonnes loaded through the port in 2005, an increase of 4.1 per cent on 2004. Stakeholders in the Hunter Valley coal chain again co-operated throughout the year with the aim of maximising output from existing infrastructure.

In addition, a commitment to expand annual port capacity to 102 million tonnes, combined with continued de-bottlenecking of the rail system, should allow for opportunity to access additional capacity.

mining operations

MINING OPERATIONS

HUNTER VALLEY OPERATIONS (COAL & ALLIED 100 PER CENT)

Saleable production of 12.4 million tonnes was 0.9 million tonnes lower than 2004. Contractor resources were utilised during the second half of the year to ensure port allocations were met and to take advantage of market conditions.

2005 saw a further improvement in LTIFR, from 2.10 to 1.90 (per million manhours) at Hunter Valley Operations. A continued focus on business-wide initiatives assisted this reduction.

MOUNT THORLEY WARKWORTH

During 2005 Mount Thorley Operations and Warkworth Mining continued to function as an integrated operation.

Mount Thorley Warkworth continued the improved safety performance that characterised the second half of 2004, and achieved a significantly improved LTIFR of 1.05 (per million manhours) for the year. The improvement is due to continued focus on and employee involvement in safety at the operation.

MOUNT THORLEY OPERATIONS (COAL & ALLIED 80 PER CENT)

Saleable production of 4.0 million tonnes was a 0.5 million tonnes increase on 2004 production levels.

WARKWORTH MINING (COAL & ALLIED 55.57 PER CENT)

Saleable production of 6.3 million tonnes was 0.7 million tonnes lower than the previous year.

BENGALLA (COAL & ALLIED 40 PER CENT)

Saleable production of 6.0 million tonnes for the year was a 0.7 million tonnes increase on 2004 production levels due to mining a more productive area. Like the other operating sites, Bengalla's safety performance improved considerably in 2005 with the operation achieving an LTIFR of 2.90 (per million manhours) for the year, significantly less than 4.65 in 2004.

MOUNT PLEASANT DEVELOPMENT (COAL & ALLIED 100 PER CENT)

Although market outlook is now more favourable, infrastructure constraints need to be resolved for Mount Pleasant to progress to full development. The development consent has been ratified and community consultation continued. Pre-feasibility studies proceeded through 2005 and will continue into 2006.

ORE RESERVES AND MINERAL RESOURCES

ore reserves and mineral resources

COAL RESERVES AT OPERATING MINES

Mine	Reserves		Marketable Reserves	
	Proved Mt	Probable Mt	Proved Mt	Probable Mt
Bengalla	114.0	76.0	92.3	62.3
Hunter Valley	360.7	108.1	247.2	73.1
Mount Thorley	31.3	3.6	20.5	2.5
Warkworth	252.6	155.7	161.6	100.2
TOTAL	758.6	343.4	521.6	238.1

COAL RESERVES AT UNDEVELOPED PROPERTIES

Deposit	Reserves		Marketable Reserves	
	Proved Mt	Probable Mt	Proved Mt	Probable Mt
Mount Pleasant	-	458.7	-	349.9
TOTAL	-	458.7	-	349.9

COAL RESOURCES IN ADDITION TO COAL RESERVES

Deposit	Resources			
	Measured Mt	Indicated Mt	Inferred Mt	Total Mt
Bengalla	78.0	110.0	-	188.0
Hunter Valley	118.7	541.8	731.4	1,391.9 ¹
Maules Creek	160.0	520.0	-	680.0
Mount Pleasant	199.8	217.7	281.1	698.6
Mount Thorley	30.0	68.0	17.0	115.0
Oaklands	480.0	800.0	-	1,280.0
Vickery	100.0	200.0	-	300.0
Warkworth	59.6	351.5	16.0	427.1
TOTAL	1,226.1	2,809.0	1,045.5	5,080.6

¹A reduction in the total additional resources at Hunter Valley Operations of 506 million tonnes from 2004. This reduction is a result of:

- (1) new criteria being applied to determine economic limit (277 Mt);
- (2) the removal of coal under river flats or alluvials (104 Mt), and
- (3) the application of more realistic assumptions on underground resources (125 Mt).

Estimates of coal reserves and resources are produced in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the "JORC Code"). The JORC Code requires that coal reserves are underpinned by a high level of confidence in the deposit knowledge, technically feasible to mine and process, economic to mine using reasonable projected long term commodity prices and licences to allow extraction have been or can be obtained.

Coal reserves and resources are based on information compiled by Competent Persons (as defined by the JORC Code) who are full time employees of RTCA. The relevant Competent Persons consent to the inclusion in this report of information they have provided in the form and context in which it appears.

These tables present summary information only.

COMPANY DETAILS

company details



C J S Renwick
(Chairman)



P S Chiaro



B G Beeren

DIRECTORS

C J S Renwick (Chairman)
B G Beeren
P S Chiaro
R B Davis
S Tamaru
C G Thorne

ALTERNATE DIRECTORS

T Kotaki (for S Tamaru)
A M Lloyd (for P S Chiaro)

COMPANY SECRETARIES

G J Taggart
M J Horton

BOARD AUDIT COMMITTEE

B G Beeren (Chairman)
R B Davis
C J S Renwick



R B Davis



C G Thorne



S Tamaru

MANAGEMENT

During 2005, Coal & Allied continued a management agreement with RTCA that had commenced on 1 February 2004.

The Managing Director of RTCA has accountability for the provision of services under the agreement. A Chief Operating Officer, Chief Financial Officer and a team of RTCA General Managers report to the Managing Director and provide operational management and support. During 2005 this team included:

C G Thorne	Managing Director
S Bywater	Chief Operating Officer (resigned 10 February 2006)
R N Fairhurst	General Manager - Hunter Valley Operations
G B Gageler	General Manager - Bengalla
K R Truter	General Manager - Mount Thorley Warkworth
M F Trevan	General Manager - Mount Pleasant Development
R M Gordon	General Manager - Health Safety and Environment
G J Taggart	Chief Financial Officer & Company Secretary
K A Cosgrove	General Manager - Marketing

directors' report

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The Directors of Coal & Allied Industries Limited ("Coal & Allied") present their report made in accordance with a resolution of the Directors with respect to the results of the year ended 31 December 2005 and the state of affairs of Coal & Allied and its controlled entities ("Group") at 31 December 2005.

DIRECTORS

The following people were directors of Coal & Allied during the year and up to the date of this report (except as disclosed):
 C J S Renwick (appointed Chairman 3 February 2005)
 B G Beeren
 P S Chiaro
 R B Davis
 C G Thorne
 S Tamaru (appointed Director 3 March 2006)
 T Terada (appointed Director 25 July 2005; resigned Director 3 March 2006)
 B F Horwood (resigned Chairman and Director 3 February 2005)
 K Uehara (resigned Director 15 July 2005)

ALTERNATE DIRECTORS

T Kotaki (appointed Alternate Director for T Terada 25 July 2005; resigned Alternate Director for T Terada 3 March 2006; appointed Alternate Director for S Tamaru 3 March 2006)
 A M Lloyd (appointed Alternate Director for P S Chiaro 22 November 2005)
 A M Kite (resigned Alternate Director for P S Chiaro 12 August 2005)
 T Terada (resigned Alternate Director for K Uehara 15 July 2005)

COMPANY SECRETARIES

G J Taggart
 M J Horton

BOARD AUDIT COMMITTEE

B G Beeren (Chairman)
 R B Davis
 C J S Renwick

GROUP RESULT

Consolidated operating profit after income tax for the year ended 31 December 2005 was \$290.1 million, compared with an operating profit after tax of \$116.6 million for the previous year.

Earnings per ordinary share for the period were 335.1 cents (2004:134.8 cents).

PRINCIPAL ACTIVITIES

The principal continuing activities of the entities in the Group during the course of the year ended 31 December 2005 were coal mining and related coal preparation and marketing of coal produced.

REVIEW OF OPERATIONS

The safety performance of the Group improved significantly during the year due to the commitment of all employees. There will be continued strong emphasis on safety to achieve Coal & Allied's goal of zero injuries.

	2005 (Mt)	2004 (Mt)
Total Production - Coal & Allied's share of respective joint ventures	21.4	22.1
Managed coal shipments	29.0	28.7
	2005 \$M	2004 \$M
Operating cash flow	449.8	224.7
Capital expenditure	65.1	29.5
Net debt position	69.2	252.4

INVESTMENTS

Coal & Allied holds a 36.5 per cent (2004: 36.5 per cent) shareholding in Port Waratah Coal Services Limited ("PWCS"), which owns and operates the Carrington and Kooragang coal terminals in Newcastle.

PWCS shipped 80.9 million tonnes of Hunter Valley coal during 2005 (2004: 78.1 million tonnes). Fully franked dividends of \$9.0 million were received from PWCS during the year (2004: \$8.8 million).

DIVIDENDS

The following dividends have been paid or declared by Coal & Allied since the end of the previous financial year:

Final Paid March 2005

	\$'000
100 cents per ordinary share	86,585
1.75 cents per preference share	32

Interim Paid August 2005

	\$'000
110 cents per ordinary share	95,243
1.75 cents per preference share	32

Final Recommended - to be Paid March 2006

	\$'000
120 cents per ordinary share	103,902
1.75 cents per preference share	32

STATE OF AFFAIRS

Other than matters reported in this Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the Group during the year ended 31 December 2005.

Coal & Allied continued to be managed under a Management Services Agreement with Rio Tinto Coal Australia Pty Limited ("RTCA").

ENVIRONMENTAL REGULATION AND POLICY

Coal & Allied strives to be at the forefront of environmental management in the coal industry and operates in accordance with relevant Federal and State environmental legislation as well as site-specific environmental licences, permits and statutory authorisations.

All operations maintain an ISO14001 certification and the Coal & Allied Environmental Management System is ISO14001 compliant. Coal & Allied's Sustainability Report sets out in detail the environmental efforts made by Coal & Allied. This report is available on the Coal & Allied website www.coalandallied.com.au.

As part of Coal & Allied's internal reporting procedures, management is required to report the number of environmental incidents that have occurred and what actions have been taken to resolve such incidents, regardless of whether they may infringe any regulations. The reporting categories adopted by Coal & Allied are the Rio Tinto Group classifications.

The reporting categories adopted by Coal & Allied are given below with examples that would constitute such an incident - these are examples only. Such incidents have not necessarily occurred in Coal & Allied's operations:

I. procedural non-compliance with no environmental impact (e.g. late submission of a report, incorrectly completed forms, incorrect monitoring procedures)

II. incidents with low potential for impact on the environment (e.g. a contained spill, non-compliance with an air or water emission standard, minor unauthorised clearing of vegetation)

III. incidents of non-compliance with the potential for moderate environmental impact (e.g. restricted contamination of groundwater, repeated non-compliance with an air or water emission standard, unauthorised clearing of a sensitive natural habitat)

IV. incidents that have, or potentially have, high environmental impact (e.g. breach of a tailings dam, widespread contamination of groundwater)

Management has reported the following incidents for the reporting period:

	Category			
	I	II	III	IV
2005	72	11	0	0

The low incident rate across the categories is primarily attributable to increasing employee environmental awareness gained through training and the environmental auditing process.

No Penalty Infringement Notices were issued by the NSW Department of Environment and Conservation during 2005.

INSURANCE OF DIRECTORS

During the financial year, Coal & Allied paid a premium for an insurance policy insuring any past or present Director, secretary, executive officer or employee of Coal & Allied or its subsidiaries (including Directors) against certain liabilities. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

MEETINGS OF DIRECTORS

Information relating to the Board and Audit Committee meetings attended by each Director is disclosed on page 21.

DIRECTORS' DETAILS

Information on the Directors is disclosed on page 23.

LIKELY DEVELOPMENTS

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the Directors believe it would be likely to result in unreasonable prejudice to the Group.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

Coal & Allied may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with Coal & Allied and/or the Group are important.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year are located in Note 36 of the Full Financial Report.

The Board has noted that the auditor has advised in the auditor's independence declaration that the auditor has complied with its general independence requirements under the *Corporations Act 2001*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any item, transaction or event of a material nature that has arisen since 31 December 2005 that, in their opinion, has significantly affected, or may significantly affect in future years:

- the Group's operations;
- the results of those operations; or
- the Group's state of affairs.

ROUNDING

Coal & Allied is a company of the kind referred to in Class Order 98/0100, 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 Report. The amounts in the Concise Annual Report and Full Financial Report have been rounded off to the nearest tenth of a million dollars or in certain cases to the nearest thousand dollars in accordance with that Class Order unless specifically stated to be otherwise.

REMUNERATION REPORT

The remuneration report sets out:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

A PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The remuneration of executives is set by reference to the wider Rio Tinto Limited ("Rio Tinto") context, determined following review by the Rio Tinto Board Remuneration Committee. Executive remuneration and other terms of employment are reviewed annually by the Board and Rio Tinto having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. In addition to base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

Non-executive Directors' remuneration
Fees to non-executive Directors reflect the responsibilities and time spent by the Directors on the affairs of Coal & Allied. On appointment, non-executive Directors are provided with a formal letter that sets out their duties and responsibilities. The Directors' fees are reviewed annually.

Non-executive Directors' retirement benefit

The Directors agreed at the 20 April 2004 meeting that the non-executive Directors' retirement benefits would be "frozen" as at 31 March 2004.

Directors' fees

The Chairman's remuneration is inclusive of committee fees while additional fees are also payable to Directors for their membership on the Audit Committee.

directors' report

DIRECTORS' REPORT

Executive remuneration policy

The executive pay and reward framework consists of:

- Base salary;
- Short-term performance incentives;
- Long-term incentives; and
- Other remuneration such as superannuation.

The incentive plans are variable components of the total remuneration package as they are tied to achievement of specific measures of personal and/or business performance and are therefore at risk. The other components of the package are referred to as fixed as they are not at risk, although some are also related to performance (e.g. base salary).

The composition of the total remuneration package is designed to provide an appropriate balance between fixed and variable components in line with Rio Tinto's and Coal & Allied's objective of aligning total remuneration with delivered personal and business performance.

Base salary

Base salary is set at market expectations within the wider Rio Tinto framework and may be delivered as a mix of cash and prescribed non-financial benefits.

Short term incentive plan ("STIP")

The STIP provides an annual cash bonus opportunity for participants and is designed to support the overall remuneration policy by:

- focusing participants on achieving goals which contribute to sustainable shareholder value; and
- providing significant bonus differential based on performance against challenging personal, business and other targets, including safety.

All executives have a significant percentage (up to 27.5 per cent) of their performance-based remuneration linked to the safety performance of Coal & Allied. The performance of site cash costs and saleable production at the operating sites constitutes at least another 20 per cent of the performance-based remuneration (Bywater, Fairhurst, Truter and Gageler). The success of capital management programmes, business improvement initiatives and the implementation of key strategic issues are also used to measure performance.

Long term incentive plans

Executives gain incentives through participation in the Rio Tinto Share Option Plan ("SOP") and performance shares via the Mining Companies Comparative Plan ("MCCP").

Share Option Plan

An annual grant of options to purchase shares (in Rio Tinto Limited) in the future at current market prices is made to eligible senior executives. The Rio Tinto Remuneration Committee decides the level of grants each year, taking into consideration local market practice and personal performance.

No options will become exercisable unless the Rio Tinto Group has met stretching performance conditions. In addition, before approving any vesting and irrespective of the performance against the respective performance conditions, the Rio Tinto Remuneration Committee retains discretion to satisfy itself that the Rio Tinto Total Shareholder Return ("TSR") performance is a genuine reflection of underlying financial performance. TSR is compared with the TSR of a comparative group of 15 other international mining companies over a four year period.

Comparator companies for the 2005 Conditional Award were: Alcan, Alcoa, Anglo American, Barrick Gold, BHP Billiton, Freeport, Grupo Mexico, INCO, Newmont, Noranda, Phelps Dodge, Placer Dome, Teck Cominco, WMC Resources and Xstrata. Rio Tinto's TSR is calculated as a weighted average of the TSR of Rio Tinto and Rio Tinto plc.

Under the plan, vesting is subject to Rio Tinto's TSR equalling or outperforming the HSBC Global Mining Index, measured over three years. The HSBC Global Mining Index covers the mining industry in 27 countries. If the TSR performance equals the index, the higher of one third of the original grant or 20,000 options will vest (subject to the actual grant level not being exceeded). The full grant vests if the TSR performance is equal to or greater than the HSBC Global Mining Index plus five per cent per annum. TSR performance at this level historically proximates the upper quartile of the index. Between these points, options vest on a sliding scale, with no options becoming exercisable for a three year TSR performance below the index.

Options granted under the new plan before 31 December 2006 will be subject to a single fixed base retest five years after grant if they have not vested after the initial three year performance period, with options granted after 31 December 2006 not subject to any retest. These latter options will, therefore, lapse if they do not vest at the conclusion of the three year performance period. Options granted during 2006 will be the last which will be subject to a potential re-test.

Prior to any options being released to participants for exercise, the Rio Tinto Group's performance against the criteria relevant to the SOP is examined and verified by the external auditors. If there were a change of control or a company restructuring, options would become exercisable subject to the satisfaction of the performance condition measured at the time of the takeover or restructuring.

Where an option holder dies in service, qualifying options vest immediately, regardless of whether the performance conditions have been satisfied. The estate will have 12 months in which to exercise the options.

The maximum grant under the SOP is three times salary, based on the average share price over the previous financial year. Under the SOP no options are granted at a discount and no amount is paid or payable by the recipient on receipt of the options. Executives may, however, be granted options at a discount under the Rio Tinto Share Savings Plan.

For SOP grants made prior to 2004:

- two thirds of options vest when the Rio Tinto Group's adjusted earnings per share growth for a three year performance period is at least nine percentage points higher than US inflation over the same period, as measured by the US Consumer Price Index;
- the balance of the grant vests when growth of at least 12 percentage points above US inflation has been achieved;
- Rio Tinto performance is tested against the performance condition after three years; and
- there is an annual retest on a three year rolling basis until options fully vest or lapse at the end of the option period.

All remaining open options granted on this basis (under the Plan approved in 1998) will have vested by 7 March 2006.

Mining Companies Comparative Plan

This performance share plan, provides eligible senior executives with a conditional right to receive Rio Tinto shares. The conditional awards will only vest if performance conditions are satisfied.

The maximum conditional award size under the current MCCP for Dr Thorne is 120 per cent of base salary calculated using the average share price over the previous financial year. For Mr Bywater it was 60 per cent of base salary and for the other executives it is 30 per cent.

Other benefits

Coal & Allied executives may participate in the Rio Tinto Share Savings Plan as described in Note 1(aa) of the Full Financial Report.

B DETAILS OF REMUNERATION

Details of the remuneration of each Director of Coal & Allied and each of the specified executives of the Group including their beneficially related entities, are set out in the following tables:

(I) DIRECTORS

2005 Name	Short Term Benefits				Post-employment		Long Term Benefits		Total \$'000
	Cash salary and fees \$'000	Cash bonus \$'000	Non-monetary benefits \$'000	Other benefits \$'000	Super-annuation \$'000	Retirement benefits \$'000	Termination benefits \$'000	Options \$'000	
<i>Non- Executive Directors</i>									
B F Horwood	22	-	-	-	2	-	-	-	24
C J Renwick	130	-	-	-	12	-	-	-	142
B G Beeren	94	-	-	-	-	-	-	-	94
P S Chiaro ¹	72	-	-	-	-	-	-	-	72
R B Davis ²	86	-	-	-	8	-	-	-	94
K Uehara ³	39	-	-	-	-	-	-	-	39
T Terada ³	33	-	-	-	-	-	-	-	33
A M Kite	-	-	-	-	-	-	-	-	-
A M Lloyd	-	-	-	-	-	-	-	-	-
T Kotaki	-	-	-	-	-	-	-	-	-
<i>Executive Directors</i>									
C G Thorne ⁴	150	53	18	-	28	-	-	145	394
Total	626	53	18	-	50	-	-	145	892

¹ Amounts were paid directly to Rio Tinto plc in accordance with the individual Director's instructions.

² A retirement benefit of \$74,000 that had accrued before 31 March 2004 was frozen on 20 April 2004 and is therefore not a current payment.

³ Amounts were paid directly to Mitsubishi Development Pty Ltd in accordance with the individual Director's instructions.

⁴ Remuneration costs allocated on the basis of time spent on managing Coal & Allied. 60 per cent of cash bonus paid based on achievement of 2004 performance criteria; 40 per cent forfeited.

2004 Name	Primary			Post-employment		Other		Total \$'000
	Cash salary and fees \$'000	Cash bonus \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	Retirement benefits \$'000	Termination benefits \$'000	Options \$'000	
<i>Non- Executive Directors</i>								
B F Horwood	109	-	-	8	-	-	-	117
C J S Renwick	18	-	-	-	-	-	-	18
B G Beeren	41	-	-	-	-	-	-	41
P S Chiaro ¹	67	-	-	-	-	-	-	67
R B Davis	81	13	-	8	74	-	-	176
D J Docherty	50	13	-	6	221	-	-	290
D I Scambler	31	-	-	3	136	-	-	170
K Uehara ²	67	-	-	-	82	-	-	149
K Itadani	-	-	-	-	-	-	-	-
A M Kite	-	-	-	-	-	-	-	-
T Terada	-	-	-	-	-	-	-	-
<i>Managing Directors</i>								
G J Goldberg ³	295	148	142	-	-	9	-	594
C G Thorne ⁴	159	30	23	20	-	-	65	297
Total	918	204	165	45	513	9	65	1,919

¹ Amounts were paid directly to Rio Tinto plc in accordance with the individual Director's instructions.

² Amounts were paid directly to Mitsubishi Development Pty Ltd in accordance with the individual Director's instructions.

³ Amount includes income tax payments made on behalf of Mr Goldberg relating to current and prior years.

⁴ Remuneration costs allocated on the basis of time spent on managing Coal & Allied.

directors' report

DIRECTORS' REPORT

(II) SPECIFIED EXECUTIVES' REMUNERATION

2005 Name	Short Term Benefits					Post-employment		Long Term Benefits		Total \$'000
	Cash salary and fees \$'000	Leave entitlements \$'000	Cash bonus ⁷ \$'000	Non-monetary benefits \$'000	Other benefits ¹ \$'000	Super-annuation \$'000	Retirement benefits \$'000	Termination benefits \$'000	Options \$'000	
R N Fairhurst ²	194	32	51	40	42	44	-	-	25	428
G B Gageler ³	189	24	45	31	21	55	-	-	41	406
K R Truter ⁴	203	20	-	8	40	39	-	-	18	328
M F Trevan ⁵	162	-	39	26	1	30	-	-	32	290
S Bywater ⁶	149	-	53	4	28	24	-	-	40	298
Total	897	76	188	109	132	192	-	-	156	1,750

¹ Includes car allowance, medical subsidies, housing subsidies and resettlement allowances.

² 57 per cent of cash bonus paid based on achievement of 2004 performance criteria; 43 per cent forfeited.

³ 50 per cent of cash bonus paid based on achievement of 2004 performance criteria; 50 per cent forfeited.

⁴ No cash bonus was paid because employment only commenced on 13 December 2004.

⁵ 54 per cent of cash bonus paid based on achievement of 2004 performance criteria; 46 per cent forfeited, Mr Trevan is disclosed pursuant to section 300A of the Corporations Act 2001.

⁶ 82 per cent of cash bonus paid based on achievement of 2004 performance criteria; 18 per cent forfeited, Mr Bywater is disclosed pursuant to section 300A of the Corporations Act 2001.

⁷ Cash bonuses paid during 2005 were measured against 2004 performance criteria. Performance against 2005 criteria has not yet been determined and the related cash bonus will be paid in 2006.

2004 Name	Primary			Post-employment	Other		Total \$'000
	Cash salary and fees \$'000	Cash bonus ⁵ \$'000	Non-monetary benefits \$'000	Supern-annuation \$'000	Termination benefits \$'000	Options \$'000	
N Senapati ¹	135	32	41	48	7	27	290
G B Gageler	193	8	64	62	-	14	341
C Salisbury ²	190	18	49	39	-	24	320
R C Hammond ³	50	-	41	-	-	-	91
K R Truter ⁴	11	-	-	2	-	-	13
Total	579	58	195	151	7	65	1,055

¹ Ceased employment directly with Coal & Allied 31 July 2004.

² Ceased employment 18 December 2004.

³ Ceased employment 11 March 2004.

⁴ Commenced employment 13 December 2004.

⁵ Cash bonuses paid during 2004 were measured against 2003 performance criteria.

C SERVICE AGREEMENTS

Remuneration and other terms of employment for the Managing Director and other executives are formalised in service agreements that provide for the provision of performance-related cash bonuses, performance-related share plans within the wider Rio Tinto context and other benefits including car allowances.

The base salary of the named executives is reviewed annually, taking into account the individual executive's role, external market trends and personal and business performance. For Dr Thorne, Messrs Trevan and Bywater labour costs were charged based on the estimate of time spent in relation to the provision of services to Coal & Allied as set out in the Management Services Agreement.

The service agreements are open-ended contracts with no fixed end dates. There are no termination payments payable to the executives. Messrs Fairhurst, Gageler and Trevan may terminate their service agreements by giving one months written notice. The employer may give three months written notice or equivalent salary in lieu of notice.

Dr Thorne's service agreement can be terminated by his giving two months notice in writing or his employer giving six months written notice or equivalent salary in lieu of notice. Mr Bywater terminated his service agreement by giving two months notice in writing.

Due to the parameters applied in calculating the performance share plans related to Rio Tinto, it is not possible to reliably estimate the minimum and maximum amount of the share bonus.

With respect to the performance related cash bonuses the following table sets out the maximum percentage of the base salary that may be achieved:

	Maximum percentage of the base salary
C G Thorne	80%
R N Fairhurst	54%
G B Gageler	54%
K R Truter	54%
M F Trevan	54%
S Bywater	70%

D SHARE-BASED COMPENSATION

(I) OPTIONS PROVIDED AND SHARES ISSUED ON EXERCISE OF REMUNERATION OPTIONS

Details of options over ordinary shares in Rio Tinto Limited provided as remuneration and ordinary shares provided as a result of the exercise of remuneration options are set out below. When exercisable, each option is convertible into one ordinary share.

Name	Number of options granted during the year ¹	Number of options vested during the year	Number of ordinary shares issued on exercise of options during the year
<i>Managing Director</i>			
C G Thorne	10,665	19,797	15,358
<i>Specified executives' remuneration</i>			
R N Fairhurst	1,159	1,818	1,818
G B Gageler	1,154	-	-
K R Truter	1,110	-	-
M F Trevan	1,192	4,984	4,984
S Bywater	2,556	7,015	-

¹ Fair value of options at grant date was \$8.93.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Date exercisable
13 March 2002	13 March 2012	13 March 2005
7 March 2003	7 March 2013	7 March 2006
22 April 2004	22 April 2014	22 April 2007
9 March 2005	9 March 2015	9 March 2008

(II) RIO TINTO SHARE SAVINGS PLAN

Details of the Directors of the Group and specified executives who have elected to participate in the Rio Tinto Share Savings Plan as at 31 December 2005.

C G Thorne	2002 Rio Tinto Limited scheme available 1 January 2008
G B Gageler	2002 Rio Tinto Limited scheme available 1 January 2006
R N Fairhurst	2002 Rio Tinto Limited scheme available 1 January 2006 2005 Rio Tinto Limited scheme available 1 January 2009
M F Trevan	2002 Rio Tinto Limited scheme available 1 January 2008 2004 Rio Tinto Limited scheme available 1 January 2010
S Bywater	2002 Rio Tinto Limited scheme available 1 January 2008
A M Lloyd	2001 Rio Tinto Limited scheme available 1 January 2007

directors' report

DIRECTORS' REPORT

(III) MINING COMPANIES COMPARATIVE PLAN

Details of conditional rights over ordinary shares in Rio Tinto Limited provided as remuneration to Directors and each of the specified executives of the Group and awards of ordinary shares provided as a result of the satisfaction of conditions attached to those rights.

Name	Balance at the start of the year	Granted during the year ¹	Crystallisation of prior awards		Awards cancelled	Balance at the end of the year	Vested and exercisable at the end of the year
			Vested	Lapsed			
<i>Managing Director</i>							
C G Thorne	20,651	10,665	(480)	(3,363)	-	27,473	-
<i>Non-executive Directors</i>							
C J S Renwick ²	104,092	-	(2,238)	(15,670)	-	86,184	-
B F Horwood ²	10,965	-	(451)	(3,164)	-	7,350	-
A M Kite ²	1,908	1,792	-	-	-	3,700	-
A M Lloyd ²	1,307	1,291	-	-	-	2,598	-
<i>Specified executives' remuneration</i>							
R N Fairhurst	1,029	1,159	-	-	-	2,188	-
G B Gageler	1,139	1,154	-	-	-	2,293	-
K R Truter	-	1,110	-	-	-	1,110	-
M F Trevan	1,221	1,192	-	-	-	2,413	-
S Bywater	2,541	2,556	-	-	-	5,097	-

¹ Fair value of awards at grant date was \$18.15.

² Conditional awards granted as part of employment contract with Rio Tinto Limited.

The terms and conditions of each right to shares affecting remuneration in this or future reporting periods are as follows:

Grant Date	Vesting date	Date exercisable
1 January 2002	1 January 2006	31 December 2005
1 January 2003	1 January 2007	31 December 2006
1 January 2004	1 January 2008	31 December 2007
1 January 2005	1 January 2009	31 December 2008

(IV) OPTION HOLDINGS

The number of options held over ordinary shares in Rio Tinto Limited during the financial year by Directors and by each of the specified executives of the Group, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Managing Director</i>						
C G Thorne	43,293	10,665	(15,358)	-	38,600	4,439
<i>Non-executive Directors</i>						
C J S Renwick ¹	287,209	-	(149,594)	-	137,615	-
B F Horwood ¹	14,819	-	(4,439)	-	10,380	4,816
A M Kite ¹	10,784	1,792	-	-	12,576	2,328
A M Lloyd ¹	25,148	1,291	(16,542)	-	9,897	2,554
<i>Specified executives' remuneration</i>						
R N Fairhurst	6,369	1,159	(1,818)	-	5,710	-
G B Gageler	4,931	1,154	-	-	6,085	-
K R Truter	-	1,110	-	-	1,110	-
M F Trevan	10,595	1,192	(4,984)	-	6,803	-
S Bywater	15,447	2,556	-	-	18,003	7,015

¹ Options granted as part of employment contract with Rio Tinto Limited.

(V) SHARE HOLDINGS

No Directors nor specified executives hold shares in Coal & Allied. The number of shares in the related company, Rio Tinto Limited held at the end of the financial year by each Director or specified executive, including their beneficially related entities, are set out below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<i>Directors</i>				
B F Horwood	5,278	4,439	(7,139)	2,578
C J S Renwick	15,092	149,594	(148,686)	16,000 ¹
R B Davis	1,073	-	24	1,097
C G Thorne	1,009	15,358	(14,878)	1,489
B G Beeren	-	-	-	-
P S Chiaro	-	-	-	-
G J Goldberg	-	-	-	-
T Kotaki	-	-	-	-
K Uehara	-	-	-	-
A M Kite	-	-	-	-
A M Lloyd	-	16,542	(16,542)	-
T Terada	-	-	-	-
<i>Specified executives' remuneration</i>				
R N Fairhurst	-	1,818	(1,818)	-
G B Gageler	-	-	-	-
K R Truter	-	-	-	-
M F Trevan	-	4,984	(4,984)	-
S Bywater	-	-	-	-

¹ Beneficial interest

Signed in Brisbane, this 3rd day of March 2006 in accordance with a resolution of the Directors.



C J S Renwick
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

auditor's independence declaration

As lead auditor for the audit of Coal & Allied Industries Limited for the year ended 31 December 2005, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Stephen R Snook
Partner
PricewaterhouseCoopers

Brisbane
3rd March 2006



CORPORATE
GOVERNANCE STATEMENT

Corporate
governance
statement

INTRODUCTION

The Directors of Coal & Allied consider high standards of corporate governance are critical to business integrity and performance.

The Board ensures that Coal & Allied meets the objectives of all its shareholders, while paying proper regard to the interests of employees and external stakeholders. The corporate governance structures and practices in place at Coal & Allied are substantially in compliance with recommendations of the Australian Stock Exchange Corporate Governance Council (the "Council").

Areas where the corporate governance practices do not follow the recommendations of the Council arise due to Rio Tinto's 75.71 per cent ownership and the management direction and services this provides.

The Board has considered the Council's recommendations and Coal & Allied does not comply with the following:

- recommendations 2.1 and 2.2 - There is not a majority of independent Directors nor an independent Chairman;
- recommendation 2.4 - There is no established Nomination Committee; and
- recommendation 9.2 - There is no Remuneration Committee.

The corporate governance section of Coal & Allied's website sets out the information required by the Council's recommendations.

BOARD RESPONSIBILITIES & CHARTER

The Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of Coal & Allied's stakeholders. The Board Charter underpins the strategic guidance and effective management oversight provided by the Board. The Charter is available on Coal & Allied's website.

The Board Charter defines the division of responsibilities by formal delegation and a system of Board reserved powers.

The Board reviews the Charter on an annual basis.

The Board approves strategy and business plans and monitors the performance of Coal & Allied against these plans. The Directors also monitor compliance with policies prescribed by the Board in areas such as health and safety, environment, business ethics, internal control and risk management. These policies are designed to ensure that Coal & Allied meets or exceeds the regulatory requirements governing its operations.

BOARD COMPOSITION

The composition of the Board is representative of the majority ownership position of Rio Tinto. It is considered appropriate that Directors associated with the controlling shareholder constitute a majority of Directors on the Board. Notwithstanding this, the Directors discharge their duties in the interests of all shareholders.

At the date of this report the Board of Directors of Coal & Allied consists of six Directors, including the Managing Director and five non-executive Directors.

The Chairman, Mr Renwick, was appointed on 3 February 2005. Previously, Mr Renwick was an executive of Rio Tinto. Dr Thorne (an executive of Rio Tinto) holds the position of Managing Director. This is consistent with the Council's recommendation 2.3 that the position of Managing Director and Chairman be held by different people.

The other non-executive Directors at the 2005 year end were Messrs Chiaro, Beeren, Davis and Terada. Mr Chiaro is an executive of Rio Tinto. Messrs Davis and Beeren are independent non-executive Directors. Mr Terada is an executive of Mitsubishi Development Pty Ltd which holds a 10.2 per cent interest in Coal & Allied and which is a subsidiary of Mitsubishi Corporation.

CORPORATE GOVERNANCE STATEMENT

BOARD COMPOSITION (CONT'D)

During 2005 Mr Horwood resigned as Chairman and Director and Mr Uehara, an executive of Mitsubishi Corporation, resigned as a Director of Coal & Allied. Mr Terada held office from 25 July 2005 and resigned as Director on 3 March 2006.

Details of the Directors, their qualifications and experience are set out on page 23.

Qualification for Board membership is related to the mix of skills and knowledge that the Board considers will best serve the interests of Coal & Allied and all of its shareholders. Decisions relating to the appointment of Directors are made by the Board. Coal & Allied's Constitution requires Directors appointed by the Board to submit themselves for election by shareholders at the Annual General Meeting following their appointment. There is no share ownership qualification for appointment as a Director.

Non-executive Directors are subject to retirement by rotation every three years in accordance with Coal & Allied's Constitution, but may offer themselves for re-election.

INDEPENDENCE

As stated above, the composition of the Board recognises Rio Tinto's majority shareholding. The Directors are required to, and do, act in accordance with their statutory duties of good faith and for a proper purpose. All related party transactions, including those with Rio Tinto, have been determined to be in the interests of the Company.

AUDIT COMMITTEE

The Audit Committee is appointed by the Board and comprises three non-executive Directors, two of whom are required to be independent. Two Directors constitute a quorum. The present members of the Audit Committee are Messrs Beeren (Chairman), Davis and Renwick.

The Audit Committee Charter sets out the role and terms of reference of the Audit Committee and is reviewed at least biennially.

The Committee provides a formal structure for reviewing Coal & Allied's financial statements, accounting policies, control systems and liaising with the external and internal auditors.

The Committee advises the Board of any matters brought to its attention that might have a significant impact on the financial condition of Coal & Allied. Related party transactions are considered by the Audit Committee and, where related to Rio Tinto, the independent members of the Audit Committee only.

Attendance details of the 2005 meetings of the Audit Committee are:

Director	Director	Meetings
	Attended	Whilst in Office
B G Beeren	6	6
R B Davis	6	6
C J S Renwick	6	6

Any work to be conducted by the external auditor other than audit work must be approved by the Audit Committee.

RISK IDENTIFICATION & MANAGEMENT

Coal & Allied has in place a range of policies and procedures to manage the risks associated with its operating activities. These policies have been adopted by the Board to ensure that potential business risks are identified and appropriate action taken. The management of risk is an integral part of the responsibility of both the Board and RTCA under the Management Services Agreement and is carried out through an integrated risk management and assurance process. Coal & Allied benefits from the knowledge, policies and practices adopted by Rio Tinto to manage its diverse business activities covering a variety of commodities and operation locations.

The Board has in place a number of systems to identify and manage risk. These include:

- the identification and regular review of all of the significant business risks facing the Company;
- the provision of information by RTCA to the Board, on a periodic basis, as to the status of any plans, controls, policies and/or procedures to manage the significant business risks;
- guidelines for ensuring that capital expenditure and revenue commitments exceeding certain approved limits are placed before the Board for approval;
- limits and controls for all financial exposures, including the use of derivatives;
- a regulatory compliance programme; and
- safety, health and environment policies supported by a set of standards and management systems which recognise the Company's commitment to achieving high standards of performance in all its activities in these areas.

Each year the Managing Director and Chief Financial Officer are required to state in writing to the Board that:

- the financial reporting and operational results are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- Coal & Allied's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

BOARD MEETINGS

In 2005 there were nine meetings of the Board and the attendance details for Directors are set out in the table below.

	Meetings Attended	Meetings Whilst in Office*
Directors		
C J S Renwick	9	9
P S Chiaro	5	9
R B Davis	8	9
B G Beeren	9	9
K Uehara	3	4
C G Thorne	9	9
T Terada	5	5
Alternate Directors		
T Terada	2	4
A M Kite	3	3
T Kotaki	3	3
A M Lloyd	2	2

*Reflects the number of meetings held during the time the Director held office in 2005.

INDEPENDENT PROFESSIONAL ADVICE

Directors may seek independent professional advice, both individually and collectively at Coal & Allied's expense. Directors are required to give prior notice to the Chairman of their intention to seek independent professional advice and provide the names of any professional advisers they propose to instruct together with a brief summary of the subject matter. Any advice obtained by a Director must be made available to the other Directors.

EXECUTIVES' REMUNERATION

Coal & Allied's Remuneration Policy provides an overview of Coal & Allied's approach to the remuneration of senior executives. The remuneration of executive officers is set by reference to the wider Rio Tinto context and determined following review by the Rio Tinto Board Remuneration Committee. Executive remuneration and other terms of employment are reviewed annually by Coal & Allied and Rio Tinto having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

DIRECTORS' REMUNERATION

At the 2000 Annual General Meeting, shareholders determined that the aggregate maximum remuneration for non-executive Directors of Coal & Allied would be \$900,000 per annum.

The following principles were applied in determining the amount of remuneration for non-executive Directors:

- the amount of time required for Directors to consider Coal & Allied and Board matters including preparation time;
- acknowledgement of the personal risk borne as a Director;
- comparison with professional market rates of remuneration and those offered by comparative companies to remain competitive with the market having regard to companies of similar size and complexity; and
- the desire to attract Directors of a high calibre with appropriate levels of expertise and experience.

CORPORATE GOVERNANCE STATEMENT

PURCHASE AND SALE OF COMPANY SECURITIES

Coal & Allied has a formal share trading policy that reinforces to all Directors, officers and employees the prohibition against insider trading. The policy is available for inspection on the Coal & Allied website in compliance with recommendation 3.2 of the Council.

Under the policy:

- Directors and senior managers must advise the Chairman if they intend to purchase securities in the Company or any other company with which Coal & Allied is conducting business. In regard to his own dealings, the Chairman is required to notify the Chairman of the Audit Committee; and
- no dealings in securities of the Company may take place during the period two months immediately preceding the announcement of the Company's annual or half year results or, if shorter, the period from the end of the relevant financial period to the trading day following the announcement.

The "Rio Tinto Rules in respect of Dealings in Securities of Rio Tinto" apply to sales of Rio Tinto shares.

PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The particulars of the Directors' interests in shares as at the date of the Directors' Report are:

Shares in a Related Body Corporate

Rio Tinto Limited	
C J S Renwick*	16,000 ordinary shares
C G Thorne	1,489 ordinary shares
R B Davis	1,097 ordinary shares

Options in Rio Tinto Limited

C J S Renwick	137,615
C G Thorne	36,725

Conditional Interests in Ordinary Shares of Rio Tinto Limited

C J S Renwick	65,401
C G Thorne	24,320

* Beneficial interest

Each of the Directors has given a general notice in accordance with the *Corporations Act 2001* stating that he is a Director, officer and/or member of certain specified corporations.

PERFORMANCE SELF-ASSESSMENT

In 2005 the Board performed an annual evaluation of itself that:

- compared the requirements of the Board Charter with the performance of the Board;
- set out goals and objectives of the Board for the upcoming year; and
- considered any improvements or changes to the Board Charter deemed necessary or desirable.

CODE OF CONDUCT

Coal & Allied has a Code of Conduct that must be adhered to by all employees, including Directors. All employees (including RTCA management) are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia and in every other country in which Coal & Allied engages in business.

The Code of Conduct is available for inspection on Coal & Allied's website. In addition, a further Code of Conduct governs the Management Services Agreement and deals with matters such as conflicts of interest and ethical practices.

The Company's employees are also required to comply with Rio Tinto's statement of business practice - "The way we work".

The Company has a confidential whistleblower programme known as "Speak-Out". Employees are encouraged to report any unethical or illegal practices.

CONFLICTS OF INTEREST

The Board has a procedure in place for the disclosure and resolution of any matters that may give rise to actual or potential conflicts between the interests of a Director and those of their respective companies.

PUBLIC STATEMENTS & CONTINUOUS DISCLOSURE

Coal & Allied makes full and timely disclosures to its shareholders and the market in accordance with its legal and regulatory obligations. Established systems are in place to ensure that any matter that may have a material impact on the price or value of Coal & Allied's securities is reported to the market. The Managing Director, Chief Financial Officer and Company Secretaries are responsible to the Board for recommending such disclosures.

SHAREHOLDER COMMUNICATION

The Board informs shareholders and others of all major developments and complies with its continuous disclosure requirements. Any material information is announced to the ASX in accordance with the Listing Rules. Coal & Allied has developed communication strategies to achieve effective communications with its stakeholders.

The external auditor, PricewaterhouseCoopers, attends the Annual General Meeting to answer shareholder questions.

DIRECTORS' DETAILS

directors' details

The Directors of Coal & Allied at any time during or since the end of the financial period are:

Current Directors	Qualifications & Experience	Special Responsibilities
C J S Renwick	BA, LLB (Melb), FAIM, FAIE, FTSE (Age 63) Appointed as a Director in September 2004. Chairman since February 2005. Director of Downer EDI Limited, Transurban Limited, Transurban Holdings Limited and Transurban Infrastructure Management Limited. Member of the Board of Governors of Ian Clunes-Ross Foundation.	Chairman Non-Executive Director Member of Audit Committee
P S Chiaro	BS and ME, Environmental Engineering (Age 52) Appointed as a Director in September 2003. Director of Energy Resources of Australia Limited and Rossing Uranium Limited.	Non-Executive Director Chief Executive - Rio Tinto Energy Product Group
R B Davis	B Sc (Tech), FAusIMM, MAICD (Age 63) Appointed as a Director in September 2000. Director of Newcrest Mining Limited and OneSteel Limited. Previous Board Memberships: Bendigo Mining Limited and Indophil Resources NL.	Independent Non-Executive Director Member of Audit Committee
B G Beeren	B Sc, B.Comm, MBA, FCPA, FAICD (Age 57) Appointed as a Director in July 2004. Director of Origin Energy Limited, Baycorp Advantage Limited, Contact Energy Limited, Envestra Limited and Equisuper Ltd.	Independent Non-Executive Director Chairman of Audit Committee
C G Thorne	B Sc (Hons), PhD, (Age 56) Appointed as a Director in January 2004. Managing Director of Rio Tinto Coal Australia Pty Limited. Fellow and Chartered Professional (Management) of the Australasian Institute of Mining and Metallurgy and an Australian Representative of the Coal Industry Advisory Board to the International Energy Association.	Managing Director Executive Director
S Tamaru	BEc (Age 53) Appointed as a Director in March 2006. Senior Vice President of Mitsubishi Development Pty Ltd. Director of Mitsubishi Development Pty Ltd.	Non-Executive Director
T Kotaki	MBA, BEc (Age 43) Appointed as an Alternate Director in July 2005. General Manager Thermal Coal Planning & Coordination Mitsubishi Development Pty Ltd. Director of Ulan Coal Mines Limited.	Alternate Director for S Tamaru
A M Lloyd	BNatRes (Hons), MBA, MAICD (Age 49) Appointed as an Alternate Director in November 2005. Mining Executive Energy Services with Rio Tinto Limited. Director of Energy Resources of Australia Limited.	Alternate Director for P S Chiaro

directors' details

DIRECTORS' DETAILS

Company Secretary	Qualifications & Experience	Special Responsibilities
G J Taggart	B. Comm, CA Appointed to the position of Company Secretary in January 2004.	Company Secretary Chief Financial Officer Rio Tinto Coal Australia
M J Horton	BA, LLB, MBus, GCertAppFin(SecInst) Appointed as Company Secretary in April 2001.	Company Secretary Corporate Counsel Rio Tinto Coal Australia
Previous Directors	Qualifications & Experience	Special Responsibilities
B F Horwood	B. Comm, FCPA, FAICD (Age 63) Appointed as a Director in December 2001. Chairman of Oil Search Limited. Mr Horwood resigned as Chairman and as a Director of the Board on 3 February 2005.	Chairman Non-Executive Director
T Terada	BEC (Age 54) Appointed as an Alternate Director in July 2004. Director since July 2005. Chief Executive Officer of Mitsubishi Development Pty Ltd. Director of Mitsubishi Development Pty Ltd. Mr Terada resigned as a Director on 3 March 2006.	Non-Executive Director
K Uehara	LLB (Age 64) Appointed as a Director in 1999. Corporate Advisor, Mitsubishi Corporation. Director of Pacific Metals Co Ltd. Mr Uehara resigned as a Director on 15 July 2005.	Non-Executive Director
A M Kite	B Eng (Mining), MBA (Age 43) Mr Kite resigned as an Alternate Director on 12 August 2005.	Alternate Director for P S Chiaro



CONCISE FINANCIAL REPORT

concise
financial
report

FOR THE YEAR ENDED 31 DECEMBER 2005

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CONSOLIDATED INCOME STATEMENT

consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated	
		2005 \$M	2004 \$M
Revenue from continuing operations	3	1,459.4	1,076.4
Other revenue		19.5	8.5
Total revenue		1,478.9	1,084.9
Changes in inventories of finished goods and work in progress		(19.9)	14.7
Raw materials and consumables used		(265.9)	(229.7)
Selling and distribution expenses		(233.4)	(199.1)
Employee benefit expenses		(190.0)	(179.3)
Depreciation and amortisation expenses		(104.9)	(116.9)
Finance costs - net		(16.6)	(17.8)
Administration and other mining expenses		(248.4)	(209.7)
Share of net profits of associate accounted for using the equity method		8.6	8.2
Profit before income tax expense		408.4	155.3
Income tax expense		(118.3)	(38.7)
Profit from continuing operations		290.1	116.6
Net profit attributable to members of Coal & Allied Industries Limited		290.1	116.6
Basic earnings per share (cents)	7	335.1	134.8
Diluted earnings per share (cents)	7	335.1	134.8

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

CONSOLIDATED BALANCE SHEET
 consolidated
 balance sheet
 AS AT 31 DECEMBER 2005

	Consolidated	
	2005	2004
	\$M	\$M
Current assets		
Cash and cash equivalents	114.2	73.3
Receivables	97.0	86.3
Inventories	55.1	72.2
Derivative financial instruments	1.1	-
Total current assets	267.4	231.8
Non-current assets		
Receivables	42.7	37.7
Investments accounted for using the equity method	79.5	79.6
Non-current assets classified as held for sale	0.4	-
Property, plant and equipment	1,249.0	1,259.9
Investment properties	15.3	17.3
Deferred tax assets	82.4	69.8
Intangible assets	0.5	0.7
Other financial assets	0.6	0.6
Other assets	91.1	97.5
Total non-current assets	1,561.5	1,563.1
Total assets	1,828.9	1,794.9
Current liabilities		
Payables	134.2	137.6
Interest bearing liabilities	146.7	150.0
Current tax liabilities	115.3	26.5
Provisions	17.3	20.7
Derivative financial instruments	13.1	-
Other liabilities	-	45.8
Total current liabilities	426.6	380.6
Non-current liabilities		
Payables	17.3	9.8
Interest bearing liabilities	36.7	175.7
Non-current tax liabilities	46.1	56.3
Deferred tax liabilities	266.2	266.2
Provisions	215.4	183.9
Derivative financial instruments	8.7	-
Other liabilities	-	44.0
Total non-current liabilities	590.4	735.9
Total liabilities	1,017.0	1,116.5
Net assets	811.9	678.4
Equity		
Parent entity interest		
Contributed equity	440.9	440.9
Reserves	34.6	7.5
Retained profits	335.0	228.6
Total parent entity interest	810.5	677.0
Minority interest	1.4	1.4
Total equity	811.9	678.4

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

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

Statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2005

	Consolidated	
	2005	2004
	\$M	\$M
Total equity at the beginning of the financial year	678.4	561.9
Adjustment on adoption of AASB132 and AASB139, net of tax, to:		
Retained profits	(0.7)	-
Reserves	54.1	-
Total adjusted equity at the beginning of the financial year	731.8	561.9
Cash flow hedges, net of tax	(28.0)	-
Employee share options	1.0	0.2
Exchange differences on translation of foreign operations	(1.1)	-
Net income recognised directly in equity	(28.1)	0.2
Profit for the year	290.1	116.6
Total recognised income and expense for the year	262.0	116.8
Transactions with equity holders in their capacity as equity holders		
Dividends provided for or paid	(181.9)	-
Total changes in outside equity	-	(0.3)
Total equity at the end of the financial year	811.9	678.4

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

CONSOLIDATED STATEMENT
OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Consolidated	
	2005	2004
	\$M	\$M
Cash flows from operating activities		
Receipts from customers (inclusive of Goods and Services Tax)	1,406.3	1,002.0
Payments to suppliers and employees (inclusive of Goods and Services Tax)	<u>(944.8)</u>	<u>(817.3)</u>
	461.5	184.7
Dividends received	9.0	12.2
Interest received	2.9	1.3
Finance costs	(11.3)	(14.8)
Income taxes paid	(44.3)	16.2
Other	32.0	25.1
Net cash inflow (outflow) from operating activities	<u>449.8</u>	<u>224.7</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(65.1)	(29.5)
Proceeds from sale of property, plant and equipment	3.3	9.2
Net cash inflow (outflow) from investing activities	<u>(61.8)</u>	<u>(20.3)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(4.7)	(5.1)
Loans from related entities	-	269.2
Dividends paid	(181.9)	-
Repayment of loans from related entities	(147.5)	(411.8)
Net cash inflow (outflow) from financing activities	<u>(334.1)</u>	<u>(147.7)</u>
Net increase (decrease) in cash and cash equivalents held	53.9	56.7
Cash at the beginning of the financial year	58.4	1.7
Effect of exchange rate changes on cash and cash equivalents	1.8	-
Cash and cash equivalents at the end of the financial year	<u>114.1</u>	<u>58.4</u>

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

notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2005

NOTE 1. ACCOUNTING POLICIES

Adoption of Australian equivalents to International Financial Reporting Standards

The Full Financial Report on which this Concise Financial Report is based is the first Coal & Allied financial report to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing the Full Financial Report.

Financial statements of Coal & Allied until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Coal & Allied 2005 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in Note 44 of the Full Financial Report. A summary of this information is provided below.

(i) Impact on total equity reported under previous AGAAP

	31 Dec 2004 \$M	1 Jan 2004 \$M
Total equity under previous A-GAAP	913.2	802.2
Adjustments to retained earnings (net of related tax impact)		
Rehabilitation provision	(22.3)	(25.8)
Recognition of deferred tax on mining rights	(211.7)	(220.4)
Shared-based payments	(0.3)	(0.1)
Preference dividends	(0.9)	(0.9)
Change in accounting policy - inpit inventory	-	6.7
Transfer of foreign currency translation reserve	0.3	0.3
Adjustments made to reserves		
Shared-based payments	0.4	0.2
Transfer of foreign currency translation reserve	(0.3)	(0.3)
Total equity under AIFRS	678.4	561.9

(ii) Impact on profit for the year ended 31 December 2004

	\$M
Profit for the year ended 31 December 2004 as reported under A-GAAP	111.4
Rehabilitation - unwinding of discount	(2.8)
Rehabilitation - amortisation of depreciation	(1.0)
Rehabilitation expense	7.0
Change in accounting policy - inpit inventory	(6.7)
Recognition of deferred tax on mining rights	8.7
Profit for the year ended 31 December 2004 - restated under AIFRS	116.6

(iii) Impact on cash flow for the year ended 31 December 2004

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statements.

NOTE 2. SEGMENT INFORMATION

Primary reporting - business segment

The consolidated entity operates, through a Management Services Agreement with Rio Tinto Coal Australia Pty Limited, an integrated approach to managing and organising its operating companies. Its operating companies derive revenue from coal mining.

Secondary reporting - geographic segment

The consolidated entity operates in the Hunter Valley of New South Wales, Australia.

Sales by geographic location

	Consolidated	
	2005 \$M	2004 \$M
Australia	71.6	60.7
Asia	1,207.6	892.5
Europe	155.3	87.5
Other	7.5	17.5
	<u>1,442.0</u>	<u>1,058.2</u>

NOTE 3. REVENUE

	Consolidated	
	2005 \$M	2004 \$M
Revenue from continuing operations		
Sale of goods	1,442.0	1,058.2
Interest	2.9	1.3
Dividends	1.1	0.3
Coal handling services	5.8	6.3
Management fees	4.6	4.8
Rental income	3.0	5.5
	<u>1,459.4</u>	<u>1,076.4</u>
Other revenue		
Net gain on disposal of property, plant and equipment	2.0	-
Coal compensation receipts	3.8	-
Other income	13.7	8.5
Total other revenue	<u>19.5</u>	<u>8.5</u>
Total revenue	<u>1,478.9</u>	<u>1,084.9</u>

notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. EXPENSES

	Consolidated	
	2005	2004
	\$M	\$M
Profit before income tax includes the following specific expenses:		
Net loss on disposal		
Property, plant and equipment	-	1.1
Cost of sales of goods	790.3	664.1
Finance costs - net		
Interest and finance charges paid/payable	11.3	13.6
Unwinding of discount	5.3	4.2
	16.6	17.8
Foreign exchange gains and losses	(3.5)	2.9
Rental expense relating to operating leases		
Minimum lease payments	0.3	2.2
Research and development	0.1	0.2

NOTE 5. DIVIDENDS

	Consolidated	
	2005	2004
	\$M	\$M
Ordinary		
Final dividend for the year ended 31 December 2004: 100 cents per share (2003: Nil cents per share)	86.6	-
Interim dividend for the year ended 31 December 2005: 110 cents per share (2004: Nil cents per share)	95.3	-
	181.9	-

Dividends not recognised at year end

In addition to the above dividends, since year-end the Directors have resolved to pay a final dividend of 120 cents per fully paid ordinary share, fully franked at 30 per cent.

Aggregate amount of the proposed dividends expected to be paid on 20 March 2006 out of retained profits at 31 December 2005, but not recognised as liabilities at year-end.	103.9	86.6
Franking credits available for subsequent financial years.	183.2	171.0

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of income tax payable as at the end of the year;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (d) franking credits that may be prevented from being passed to the parent entity.

Under legislation that was effective from 1 July 2002, the franking account is maintained on an Australian income tax paid basis rather than on Australian taxed profit basis as was previously the case. In accordance with this legislation, the franking account balances as at 30 June 2002 were converted so that the opening balances on 1 July 2002 reflected the Australian income tax paid amounts. Amounts debited to the franking account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends. The 2005 and 2004 franking account balances disclosed above have been determined on an Australian income tax paid basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. RESERVES AND RETAINED PROFITS

	Consolidated	
	2005	2004
	\$M	\$M
(a) Reserves		
Asset revaluation reserve	7.0	7.0
Hedging reserve	26.1	-
Share-based investment reserve	1.5	0.5
	<u>34.6</u>	<u>7.5</u>
Movements:		
Asset revaluation reserve		
Balance 1 January 2005	7.0	7.0
Balance 31 December 2005	<u>7.0</u>	<u>7.0</u>
Hedging reserve		
Balance 1 January 2005	-	-
Adjustment on adoption of AASB132 and AASB139, net of tax	54.1	-
Net hedges during the year	(28.0)	-
Balance 31 December 2005	<u>26.1</u>	<u>-</u>
Share-based investment reserve		
Balance 1 January 2005	0.5	0.3
Net options issued/lapsed during the year	1.0	0.2
Balance 31 December 2005	<u>1.5</u>	<u>0.5</u>
(b) Retained profits		
Retained profits at the beginning of the financial year	228.6	112.0
Net profit attributable to members of Coal & Allied	290.1	116.6
Adjustment for foreign currency transferred on subsidiary wind up	(1.1)	-
Adjustment on adoption of AASB132 and AASB139	(0.7)	-
Dividends provided for or paid (Note 5)	(181.9)	-
Retained profits at the end of the financial year	<u>335.0</u>	<u>228.6</u>
(c) Nature and purpose of reserves		
Asset revaluation reserve		
The asset revaluation reserve was previously used to record increments and decrements on the revaluation of non-current assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.		
Foreign currency translation reserve		
Exchange differences arising on translation of the foreign controlled entities, Darex Capital Inc and CNA UK Limited, are taken to the foreign currency translation reserve.		
Hedging reserve - cash flow hedges		
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.		
Share-based investment reserve		
The share-based payments reserve is used to recognise the fair value of options issued but not exercised.		

NOTE 7. EARNINGS PER SHARE

	Consolidated	
	2005	2004
	Cents	Cents
Basic earnings per share	335.1	134.8
Diluted earnings per share	335.1	134.8

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

86,584,735	86,584,735
-------------------	------------

	Consolidated	
	2005	2004
	\$M	\$M
Reconciliation of earnings used in calculating both basic and diluted earnings per share		
Net profit	290.1	116.6
Earnings used in calculating basic and diluted earnings per share	290.1	116.6

Redeemable preference shares are not considered potential ordinary shares and are therefore excluded from the above calculations.

NOTE 8. FULL FINANCIAL REPORT

Further financial information can be obtained from the Full Financial Report, which is available from the Company, free of charge, on request. A copy may be requested by calling (07) 3361 4200. Alternatively, both the Full Financial Report and the Concise Financial Report can be accessed at: www.coalandallied.com.au.

directors' declaration

DIRECTORS' DECLARATION

The Directors declare that in their opinion, the Concise Financial Report of the consolidated entity for the year ended 31 December 2005 as set out on pages 26 to 35 complies with AASB1039 *Concise Financial Reports*.

The financial statements and specific disclosures included in this Concise Financial Report have been derived from the Full Financial Report for the year ended 31 December 2005.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Report, which as indicated in Note 8, is available on request.

Signed at Brisbane, this 3rd day of March 2006 in accordance with a resolution of the Directors.

This declaration is made in accordance with a resolution of the Directors.



C J S Renwick
Director

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF COAL &
ALLIED INDUSTRIES LIMITED

independent
audit report to
the members of
coal & allied
industries
limited

AUDIT OPINION

In our opinion, the Concise Financial Report of Coal & Allied Industries Limited for the year ended 31 December 2005 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The Concise Financial Report and Directors' responsibility

The Concise Financial Report comprises the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity, notes to the consolidated financial statements, and Directors' declaration for Coal & Allied Industries Limited ("the Company") for the year ended 31 December 2005.

The Directors of the Company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Audit approach

We conducted an independent audit of the Concise Financial Report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the Concise Financial Report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We also performed an independent audit of the Full Financial Report of the Company for the Financial year ended 31 December 2005. Our audit report on the Full Financial Report was signed on 3rd March 2006 and was not subject to any qualification.

In conducting our audit of the Concise Financial Report, we performed procedures to assess whether in all material respects the Concise Financial Report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.


We formed our audit opinion on the basis of these procedures, which included:


- testing that the information included in the Concise Financial Report is consistent with the information in the Full Financial Report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the Concise Financial Report which were not directly derived from the Full Financial Report.

Our procedures include reading the other information in the Full Financial Report to determine whether it contains any material inconsistencies with the Concise Financial Report.

Independence

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


PricewaterhouseCoopers


Stephen R Snook
Partner

Brisbane
3rd March 2006

shareholder information

SHAREHOLDER INFORMATION

AS AT 24 FEBRUARY 2006

DISTRIBUTION OF SHARES

All issued ordinary shares and preference shares are listed on the ASX and each carries one vote.

	Ordinary	Preference
(a) 1 - 1,000	466	72
1,001 - 5,000	159	12
5,001 - 10,000	19	1
10,001 - 100,000	12	5
100,001 and over	10	2
	666	92
(b) Number of members holding less than a marketable parcel of shares	8	54

The twenty largest ordinary shareholders held 85,924,364 stock units comprising 99.23 per cent of the issued ordinary capital.

SUBSTANTIAL SHAREHOLDERS

(a) Ordinary Shares	Units Held
Australian Coal Holdings Pty Limited (Rio Tinto), Level 32, 55 Collins Street, Melbourne	65,555,831
Mitsubishi Development Pty Limited, Level 43, Gateway, 1 Macquarie Place, Sydney	8,829,288
Sojitz Corporation, 1-20 Akasaka 6-Chome Minato-Ku, Tokyo, Japan	4,925,344
(b) Preference Shares	
Australian Coal Holdings Pty Limited (Rio Tinto), Level 32, 55 Collins Street, Melbourne	928,590
IAG Nominees Pty Ltd, Level 8, 388 George Street, Sydney	769,448
Winpar Holdings Limited, c/- Cameron Stockbrokers Ltd, GPO Box 4248, Sydney	40,440

TWENTY LARGEST ORDINARY SHAREHOLDERS

	No of Shares	Per Cent of Total
1 Australian Coal Holdings Pty Limited	65,555,831	75.71
2 Mitsubishi Development Pty Ltd	8,829,288	10.2
3 Sojitz Holdings	4,925,344	5.69
4 RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	2,875,811	3.32
5 National Nominees Limited	1,246,474	1.44
6 J P Morgan Nominees Australia Limited	1,026,801	1.19
7 UBS Nominees Pty Ltd (Prime Broking Account)	426,793	0.49
8 Cogent Nominees Pty Limited	322,147	0.37
9 RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC Account)	264,382	0.31
10 Citicorp Nominees Pty Limited	207,668	0.24
11 L J R McWilliam Estates Pty Ltd	70,000	0.08
12 Palmerston Pty Ltd	36,041	0.04
13 Westpac Custodian Nominees Limited	29,280	0.03
14 Marlen Pty Ltd	25,313	0.03
15 Kingston (1953) Pty Ltd	17,742	0.02
16 John Hedley Martin	14,500	0.02
17 Miro Securities Ltd	13,656	0.02
18 Kurlen Pty Ltd	12,656	0.01
19 Miss Rosalind L Badgery	12,637	0.01
20 Mrs Una Crosby	12,000	0.01
Top 20 holders of FULLY PAID ORDINARY STOCK as at 24 February 2006	85,924,364	99.23

statistical information

STATISTICAL INFORMATION

	2005 Mt	2004 Mt
Total saleable production		
Hunter Valley Operations ¹	12.4	13.3
Mount Thorley Operations ²	4.0	3.5
Bengalla ³	6.0	5.3
Warkworth ⁴	6.3	7.0
Total	<u>28.7</u>	<u>29.1</u>

¹ 100% attributable to the consolidated entity.

² 80% attributable to the consolidated entity.

³ 40% attributable to the consolidated entity.

⁴ 56% attributable to the consolidated entity.

Sales

By country / region

Japan	16.4	13.9
Asia (excluding Japan)	6.3	8.1
Europe	2.0	1.6
Other	0.2	0.8
Domestic	4.1	4.3
Total	<u>29.0</u>	<u>28.7</u>

By product

Export steaming	21.5	20.2
Domestic steaming	4.1	4.3
Coking	3.4	4.2
Total	<u>29.0</u>	<u>28.7</u>



COMPANY PARTICULARS
company
particulars

Coal & Allied Industries Limited
ABN 67 008 416 760

Auditors
PricewaterhouseCoopers
Chartered Accountants

Issued Capital
\$441,756,565

Date and Place of Incorporation
2 May 1960
Australian Capital Territory

Registered Office
Level 3, 410 Ann Street
Brisbane QLD 4000
+61 (7) 3361 4200

Share Registry
Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000
+61 (2) 8234 5000

Stock Exchange Listings
Coal & Allied Industries Limited shares are
listed on the Australian Stock Exchange

COAL
&
ALLIED

Managed by Rio Tinto Coal Australia