



MEDIA RELEASE

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2009 Half Year Results

Coal & Allied delivers increased profit

SUMMARY

- Revenue for H1 2009 was \$1,250 million, up 31 per cent (June 2008: \$957 million)
- Profit after tax for H1 2009 was \$324 million, up 66 per cent (June 2008: \$195 million)
- Interim ordinary dividend of 160 cents per share fully franked (June 2008: 160 cents)

Commenting on the company's performance, Coal & Allied's Managing Director Mr Bill Champion said; "Coal & Allied's revenue increased by 31 per cent compared with the first half of 2008. This contributed to an increase in profit after tax to \$324 million compared with \$195 million reported in the first half of 2008.

"The increased revenue was generated despite lower sales volumes which were offset by slightly stronger average US dollar denominated coal prices and the benefit of a weaker Australian dollar against the US dollar. The record coal prices from the second half of 2008 continued in the first quarter of 2009, however, we will see lower US dollar denominated coal prices in the second half of 2009 compared with the second half of 2008."

Mr Champion said Coal & Allied's share of production in the first half of 2009 was down 8 per cent compared with the same time last year because of the combined adverse impacts of wet weather in the Hunter Valley, increasing stripping ratio at the Mt Thorley Warkworth mine and the commissioning of a new coal handling facility (ROM hopper) at the Bengalla mine.

Higher stripping ratios contributed to increased waste removal and therefore higher operating costs in the first half of 2009 compared with the first half of 2008.

The company declared an interim ordinary dividend of 160 cents per share fully franked which is the same dividend as paid for the first half of 2008.

Mr Champion welcomed the Australian Competition and Consumer Commission's interim authorisation of the long term contracting framework for coal chain capacity. "This is a significant step towards providing certainty for investment in infrastructure in the coal chain and will ultimately benefit all coal producers in the Hunter Valley," Mr Champion said.

SUMMARY OF PERFORMANCE

Coal & Allied's results for the half year to 30 June 2009 are shown below, together with comparative results for the half year to 30 June 2008.

	<u>Half Year to 30 June</u>		<u>Change</u>
	<u>2009</u>	<u>2008</u>	<u>%</u>
Revenue (\$ million)	1,250	957	31
Profit before tax (\$ million)	459	273	68
Profit after tax (\$ million)	324	195	66
Operating cash flow (\$ million)	379	349	9
Interim dividend (cents per share)	160	160	-
Coal production ¹ (million tonnes)	8.7	9.5	(8)
Coal shipments ¹ (million tonnes)	8.7	9.2	(6)

¹ Production and shipments are shown on a Coal & Allied share basis. Shipments exclude purchased coal.

Profit

Profit after tax of \$324 million for the 2009 half year was 66 per cent higher than for the same period in 2008.

As Coal & Allied's coal sales are mainly denominated in US dollars, the increase in profit reflected higher average realised Australian dollar coal prices compared with the first half of 2008, largely due to higher US dollar export coal sales prices and the weaker Australian dollar against the US dollar. Operating costs were higher because of increased mining activity and input prices. Selling and delivery costs were higher in the first half of 2009, including higher royalty payments to the NSW Government offset by lower demurrage costs.

Production

Coal & Allied share of saleable coal production decreased by 0.8 million tonnes to 8.7 million tonnes. Production was adversely impacted by weather interruptions, an increased strip ratio at Mount Thorley Warkworth and commissioning of a new coal handling facility (ROM hopper) at the Bengalla mine.

Reduced coking coal demand due to weaker steel demand resulted in a 38 per cent decrease in the production of semi soft coking coal compared with the first half of 2008. Semi soft coal production was emphasised in 2008 to take advantage of the higher semi soft coking coal prices relative to thermal coal prices at that time.

Revenue

Sales revenue for the 2009 half year of \$1,250 million was 31 per cent higher than for the same period in 2008. This increase was due to higher average Australian dollar realised coal prices in the 2009 half year, compared with the June 2008 half year. These higher revenues were achieved largely as a result of the weakening of the Australian dollar against the US dollar (2009: US71 cents v 2008: US91 cents). Increased prices were partially offset by lower sales volumes and a change in sales mix, with a lower proportion of semi soft coking coal sales compared with the same period in 2008. Sales volumes for the half year were six per cent lower than the comparative period in 2008, but in line with allocated port capacity.

Benchmark export coal prices for the Japanese fiscal year commencing 1 April 2009 were lower by 42 per cent for thermal coal and 68 per cent for semi soft coking coal compared with 2008. While these prices were considerably lower than 2008, they were still the second highest prices in history.

Note: All dollars mentioned in the release are Australian dollars, unless otherwise stated.

Costs

Mine production costs were \$74 million higher in the first half of 2009. The major factor was an increase in strip ratio and waste removal, at Mount Thorley Warkworth in particular, resulting in increased labour and equipment hire costs. Mining costs were also impacted by higher explosives cost and an increase in maintenance related activity. Fuel costs were 13 per cent lower in the first half of 2009 compared with the first half of 2008 due to lower oil prices offset by higher fuel usage due to an increased truck fleet required for waste removal.

Selling and delivery costs were higher in the first half of 2009 by \$19 million, which included an increase of \$31 million in royalty payments to the NSW Government following the increase to the statutory royalty rate to 8.2% that was effective from 1 January. Demurrage costs were \$7 million lower in the first half of 2009 compared with the same period in 2008 due to a reduction in the average ship queue at the port of Newcastle.

Income tax

The effective income tax rate for June 2009 approximates the statutory tax rate of 30 per cent.

Cash flow

Net operating cash flow for the first half of 2009 increased to \$379 million (June 2008: \$349 million) as a result of the higher profits earned during the six months, however the increase in profit was largely offset by the 2008 final tax instalment of \$249 million paid in the first half of 2009. Free cash flow was \$291 million in the first half of 2009 compared with \$282 million in the comparative period for 2008. Total capital expenditure for the first half of 2009 was \$88 million (June 2008: \$67 million). Expenditure related predominately to replacement of heavy mobile equipment, major maintenance and the construction of a coal handling facility at Bengalla.

Debt

Coal & Allied had net cash of \$362 million at 30 June 2009 (December 2008: net cash \$523 million).

Dividends

The directors declared an interim dividend of 160 cents (June 2008: 160 cents) per ordinary share fully franked at 30 per cent and an interim dividend of 1.75 cents per preference share fully franked at 30 per cent.

The interim ordinary dividend will be paid on 28 August 2009 to shareholders who are on the share register at the close of business on 7 August 2009. The ex-dividend date for ordinary shareholders is 31 July 2009.

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All financial information contained in this release has been prepared on the basis of the Australian Equivalents to International Financial Reporting Standards and Interpretations.