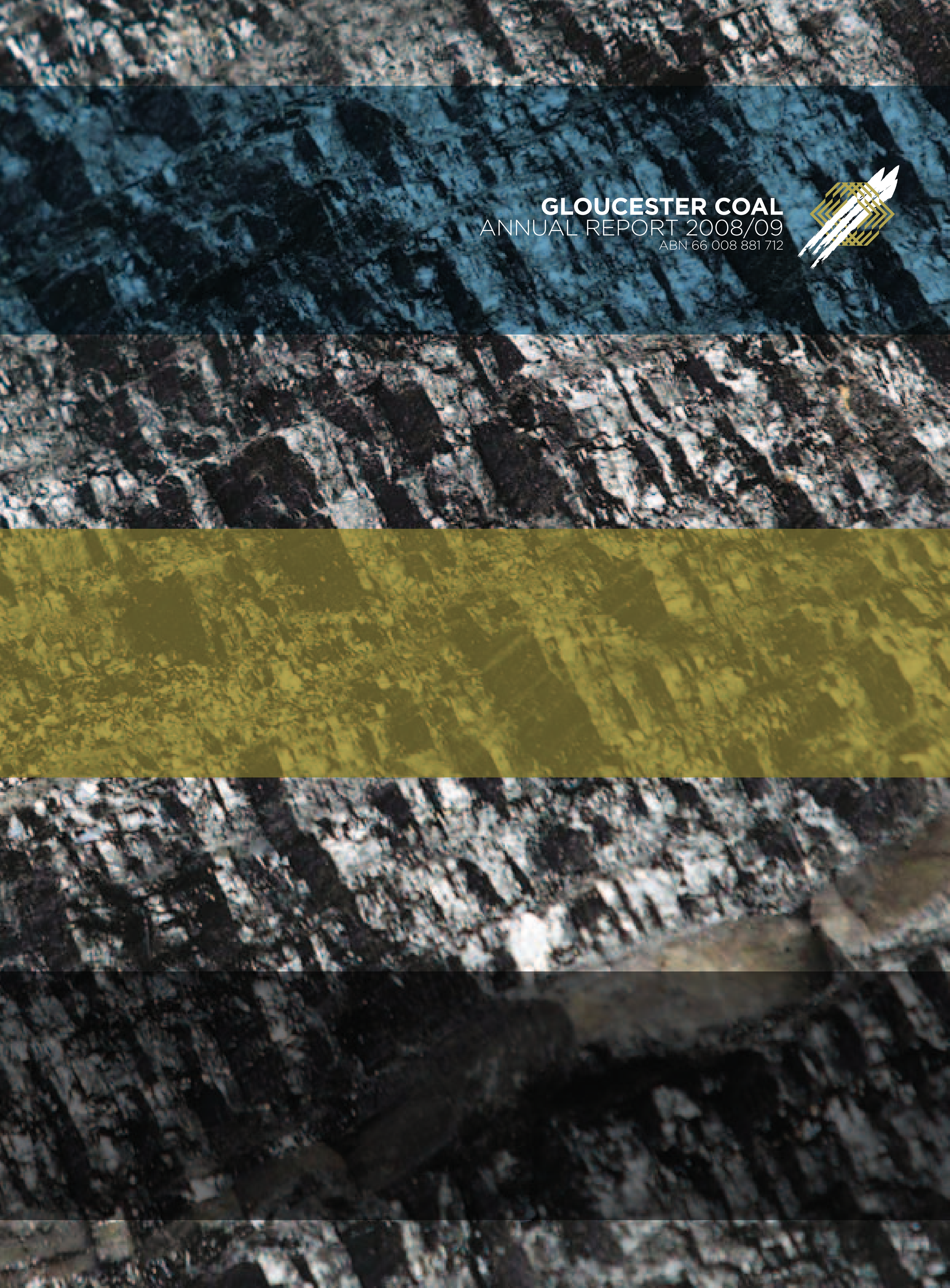
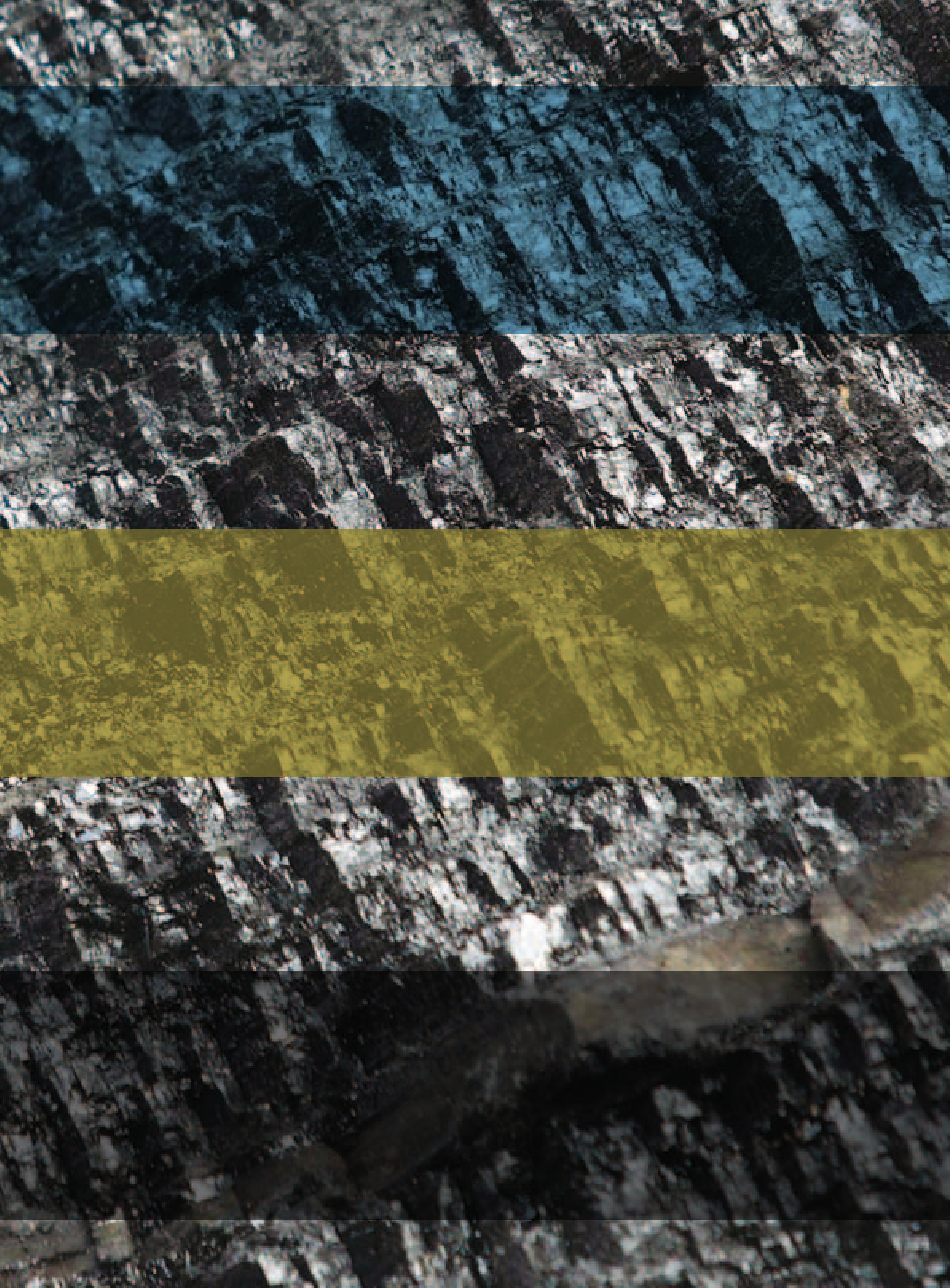


GLOUCESTER COAL
ANNUAL REPORT 2008/09

ABN 66 008 881 712



CONTENTS

HIGHLIGHTS

- Record underlying NPAT of $90.7 million[1]
- Record EBITDA of $119.9 million, up 186%
- $46 profit per tonne of coal sold[1]
- Strengthened balance sheet
- Cash at bank of $65.8m
- EPS $1.00
- Strong demand for Gloucester coals
- Increased emphasis on exploration
- New Board of Directors appointed

1. After excluding costs of 9.0m net of tax incurred in connection with the Whitehaven Coal Limited merger and Noble Group Limited takeover.

	2009 $million	2008 $million
Revenue	306.8	159.6
EBITDA	119.9	41.9
Profit before tax	114.4	33.8
EBITDA Margin	39%	26%
Net Profit After Tax	81.7	23.4
Earnings per Share	99.8 cents	28.8 cents
Coal Sales	1.989mt	1.903mt
Cash & Cash Equivalents	65.8	5.6
Current Ratio	2.0	2.5
Interest Bearing Loans	Nil	9.7
Net Assets	166.5	101.7

Table 1: Sales volumes

	2009 (kt)	2008 (kt)
Coking	495	743
Thermal	1,445	1,160
Thermal Domestic	49	–
Total Sales	1,989	1,903
Purchases	(96)	(117)
Net Sales	**1,893**	**1,786**

Table 2: Production volumes

	2009 (kt)	2008 (kt)
Coal source		
Duralie	1,595	1,765
Bowens Road North	944	925
Co-disposal	25	14
Roseville	125	227
Total ROM Coal delivered to CHPP preparation plant	**2,689**	**2,931**
ROM Coal processed	2,604	2,755
Product Yield	66%	65%
Total Product	**1,728**	**1,800**

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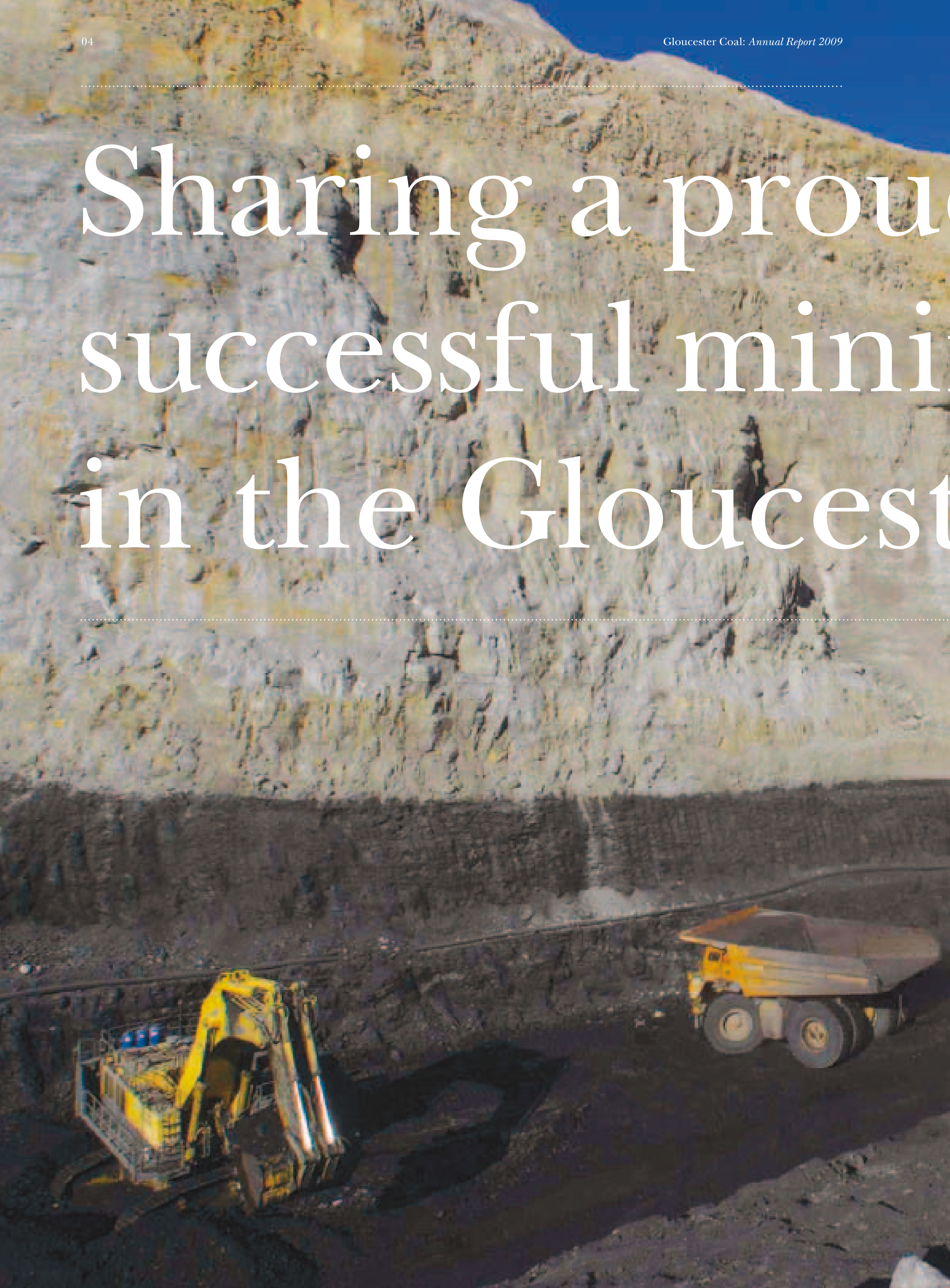
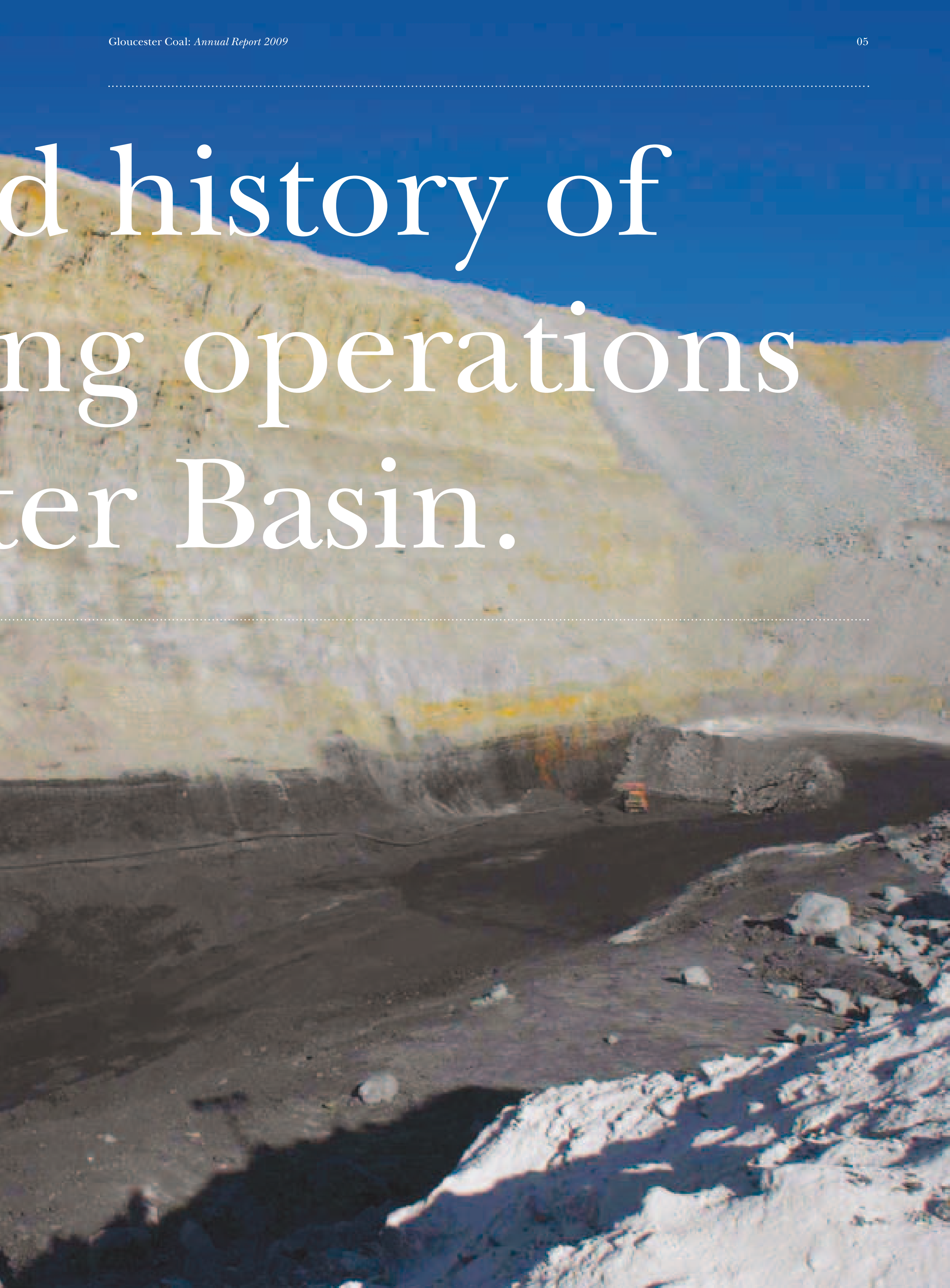




d history of ng operations ter Basin.

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

In a year of market extremes with record coking coal prices in the first half and an unprecedented contraction in coking coal demand brought on by the global financial crisis in the second half, Gloucester Coal achieved its highest ever profit. This record result was achieved through a rapid and flexible response to the changing market conditions, based on sound operational management, long term customer relationships, and the efforts of dedicated, skillful staff.

"Gloucester Coal has demonstrated the flexibility to successfully respond to challenging markets with excellent results"

FINANCIAL PERFORMANCE

Gloucester Coal's net profit after tax for the year to 30 June 2009 was $81.7 million, an increase of 248% percent on the previous corresponding period. After eliminating the impact of transaction costs ($9 million after tax) the Company delivered a record operational profit after tax of $90.7 million, which represents $46 per tonne of coal sold.

Earnings before interest, depreciation, amortisation and tax (EBITDA) of $119.9 million ($132.8m before corporate transaction costs) were 186% higher than the previous year ($41.9 million) and delivered a solid EBITDA margin of 39%.

Revenue from the sale of coal of $307 million (2008:$160 million), was achieved through record sales prices for Gloucester coking and thermal coal. Coking coal sales were made at an average rate of $US 255/tonne, and export thermal sales were made at an average rate of $US 95/tonne.

During the year the balance sheet was strengthened with net tangible assets increasing from 136.7 cents per share at June 2008 to 211.9 cents per share at June 2009.

Figure 1: Net Profit After Tax

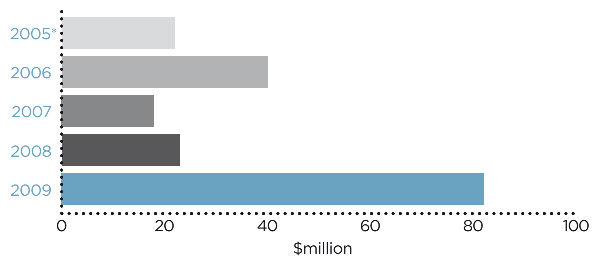
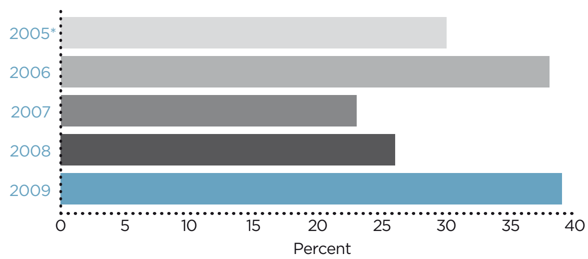


Figure 2: EBITDA Margin



* Comparative restated to 12 month period.

OPERATIONAL HIGHLIGHTS

Although marginally lower than the previous year, production was within forecast. During the year, the Company took advantage of its higher than usual opening thermal stockpiles and managed its production levels accordingly.

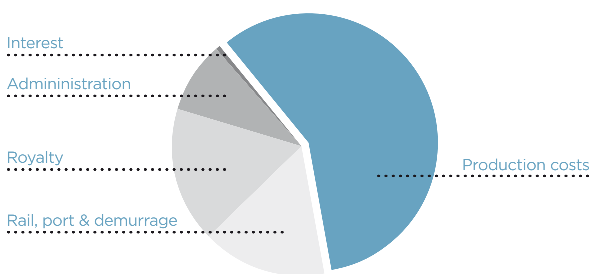
The production results of the 2008/09 financial year demonstrate the flexibility of the Company to manage changing market conditions.

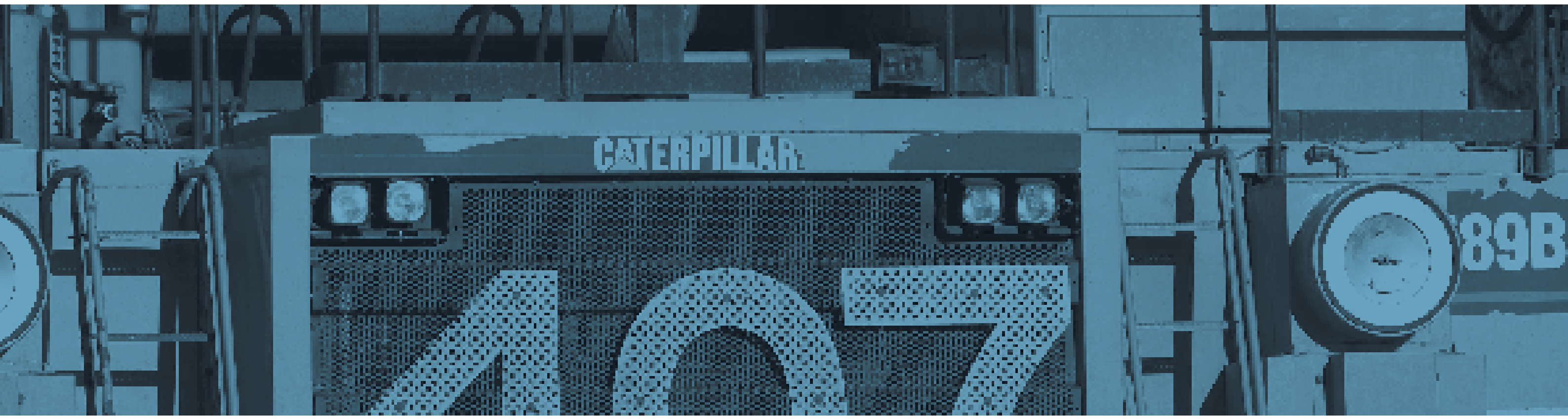
As coking coal demand softened in the second half of the year, thermal coal sales were successfully increased to maintain full utilisation of the Company's port allocation and production capability. This sales mix rebalancing also provided the Company with the opportunity to reduce its thermal coal stockpile which had been increasing during the previous period of higher coking coal sales.

Operating costs were higher than in 2008 due to increases in mining costs, NSW Government royalties, and higher strip ratios. General operating costs increased largely as a result of strong demand for mining services in an increasing cost environment. NSW Government Royalties increased $8 a tonne due to higher sales prices for Gloucester coking and thermal coal, combined with an increase in the royalty rate from 7.0% to 8.2%.

Mining costs also increased as a result of a strategic decision to mine more economic coal at greater strip ratios. Future strip ratios will increase at Bowens Road North and at Duralie, as the Company mines deeper economic coal reserves.

Figure 3: Total cash cost per average production tonne – $77





Following a competitive tender process, Leighton Mining was awarded a seven year extension to the mining operations contract at Duralie providing a sound foundation for future mining operations at Duralie. The Company has also committed ($US 23.0m and $A 10.6m) to the purchase of a new fleet of new CAT 785C XQ haul trucks for staged delivery during 2009/10 to replace the contractor's existing high hours fleet of CAT789 trucks.

A key priority for 2010 will be the management of operations to deliver the optimal level of production while managing costs.

INFRASTRUCTURE

Despite capacity constraints at the Port of Newcastle, Gloucester Coal fully utilised its maximum port allocation during the year with sales volumes 5% higher than the previous year. This achievement captured the strong demand for Gloucester Coal's products and the Company's ability to maximise its sales capacity and take advantage of the flexibility in the sales mix of its coking and thermal coal.

MARKETING

Whilst demand for coking coal curtailed in the second half of the year, these sales were contracted at historically high prices. Although there was a 60% reduction from these historically high prices for the 2009/10 Japanese financial year, coking coal sales still represent the third highest prices ever received by the Company. Recent discussions with Gloucester Coal's customers indicate a more positive outlook for coking coal and the Company is positioning itself to take advantage of the expected increase in demand for coking coal.

Gloucester Coal continues to experience strong demand for its thermal coal. The Company recently agreed contracts for the supply of thermal coal in 2011 and 2012 fixed at a historically high A$ margin and will continue to seek thermal coal contracts which maximise profit margin, and deliver consistent offtake of thermal product.

SAFETY

Safety continues to be the number one priority for Gloucester Coal. A core aim of the Company is to create a culture of safety awareness and best safety practices.

The Company has maintained an excellent safety record and will continue to provide resources, training, equipment and support to ensure all employees can be assured of a safe working environment.

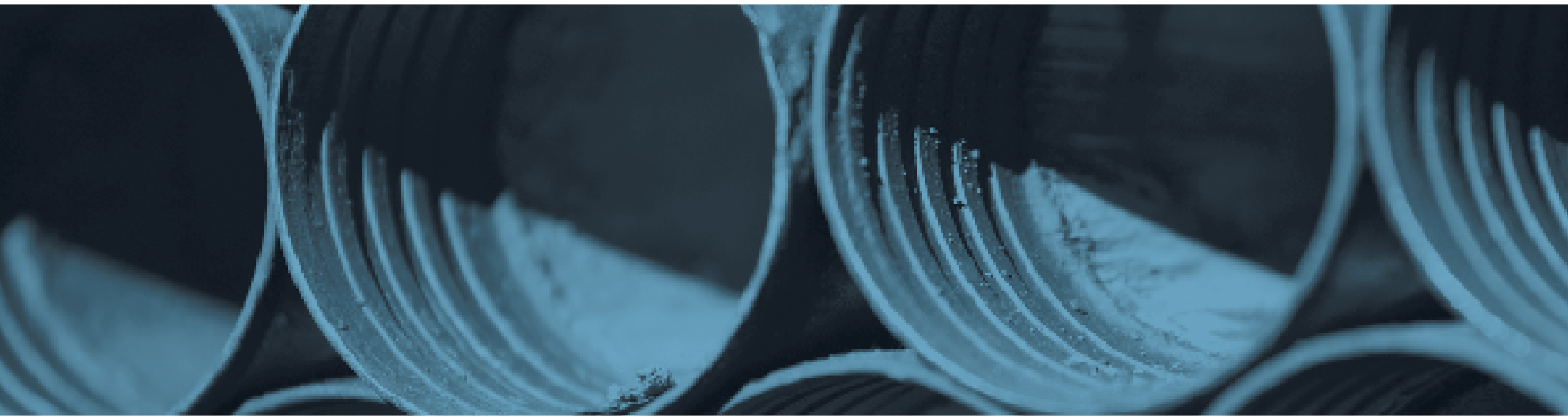
ENVIRONMENT

As a long term member and contributor to the Gloucester Basin Community, Gloucester Coal takes its environmental responsibilities and obligations very seriously. The Company has developed best practices for minimising its impact on the environment, through effective planning, monitoring and rehabilitation.

Rehabilitation is undertaken progressively and commences as soon as possible after mining ceases. The Company has continued to rehabilitate mined and waste areas including tree plantings and irrigation of rehabilitated areas. In order to reduce noise from operations, the Company has introduced a smaller sized truck fleet at the Stratford site, an "Extra Quiet" stockpile dozer, and the purchase of quieter trucks at Duralie.

The Company has increased dam storage and is in the process of increasing the irrigation areas at Duralie with the aim of ensuring the containment of all mine water on site and no discharge into Mammy Johnson's River.

CO_2 emissions are being actively monitored and analysed so that the Company can develop appropriate reduction strategies. In addition, Gloucester Coal is actively working with government and our industry partners on research and development projects such as COAL21 to have a positive impact on reducing the levels of carbon emissions.



EXPLORATION

Exploration continues to be a key focus of the Company as it accelerates the resource discovery rate. During the year, the Company identified major new thick coal seams for open cut mine production.

The Company spent $3.7 million on exploration activity, with plans to more than double exploration efforts in 2009/10. In early 2009 Gloucester Coal announced an expanded coal exploration program in the Gloucester Basin. The program will continue over a period of several years with the aim of maximising the mining potential of the Company's Gloucester Basin tenements.

This exploration is expected to add significant coal resources, with exploration targets of between 180 and 275 million tonnes of additional coal. The expanded exploration program and the confirmation of additional coal will underpin the long term future of Gloucester Coal's mining operations and allow for increased production capability.

Gloucester Coal now owns more than 5,500 hectares of land in the Gloucester Basin for prospective development, including buffer zones and potential offset areas. The expanded exploration activities are designed to increase the Company's coal resources and cement the long term future of the Company as a provider of thermal and coking coal.

CHANGES TO BOARD OF DIRECTORS

Following the closure of the takeover Offer by Noble Group, a new Board of Directors was appointed to Gloucester Coal, including three independent, non-executive directors. The new Board of Directors brings strong skills and independence to the Company to work in the best interests and maximise value for all shareholders.

OUTLOOK

The Company's expansion to annual production of 2.8 million tonnes is on track and on budget. The product stockpile expansion is soon to be operational and the upgrade and refurbishing of the Coal Handling and Processing Plant (CHPP) is on target for staged progressive completion through 2010 in readiness of the additional tonnage from Duralie.

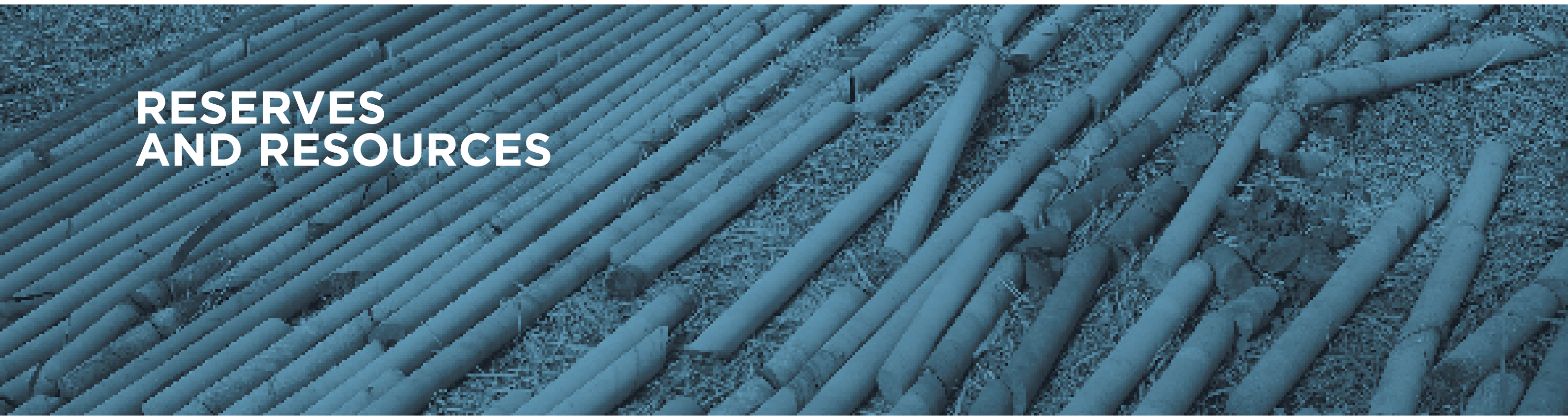
Preparations for the Part 3A application and environmental assessment for the Duralie expansion are well advanced. The consultation process with the local community and other stakeholders has commenced.

A review of the Company's operations, assets, capital structure and strategy is currently in progress and further announcements regarding the strategic direction of the Company are expected at the conclusion of this review.

Gloucester Coal has demonstrated the flexibility to successfully respond to challenging markets with excellent results. The Company is well positioned with exploration and production growth, a strong balance sheet, and capable management which will enable Gloucester Coal to become one of Australia's leading independent coal companies.

James MacKenzie
Chairman

Barry Tudor
Managing Director



RESERVES AND RESOURCES

Set out in the following are details provided in the latest Resources and Reserves update dated 17 February 2009. The following table summarises coal reserves as at 31 December 2008.

Region	Area	Coal Seam	Proved & Probable Recoverable Reserves (Mt)	Strip Ratio (bcm/tonne)
Duralie	Main Pit (B)	Weismantel	8.9	4.8:1
	Clareval West (B)	Clareval & Cheer-up	10.5	3.5:1
	Railway Pit (A)	Weismantel	0.9	3.4:1
	North East (A)	Weismantel	6.5	3.4:1
Stratford	Bowens Road North (B)	Bowens Road, Marker	3.3	1.9:1
	Stratford South (B)	Avon	1.8	5.3:1
	Stratford South (B)	Bowens Road	1.0	4.3:1
	Roseville West (B)	Cloverdale	2.9	6.5:1
	Roseville South (B)	Roseville	2.2	8.5:1
Total: Open Cut Reserves			**38.0**	

a) The estimates of Coal Reserves presented in this table have been carried out in accordance with the "2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)" prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

b) Reserve totals have been rounded to appropriate levels of accuracy in accordance with the 2004 JORC Code.

c) This statement does not include tonnage associated with the Codisposal material which is reprocessed through the Stratford preparation plant.

d) Reserves detailed in Area (Marked as A) are as reported by Minarco-MineConsult Pty Ltd. Reserves detailed in Area (Marked as B) are as reported by Tamplin Resources Pty Ltd.

The information in the update above that relates to Coal Reserves is based on information compiled by (A) Mr Robert MacKenzie, a full-time employee of Minarco-MineConsult Pty Ltd, and (B) Mr Shaun Tamplin, a full-time employee of Tamplin Resources Pty Ltd.

Mr MacKenzie and Mr Tamplin are members of the Australian Institute of Mining and Metallurgy. Mr MacKenzie and Mr Tamplin have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australian Code for Reporting Mineral Resources and Ore Reserves (The JORC Code)". Mr MacKenzie and Mr Tamplin consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Coal Resources is based on the information compiled by Ms Janet Bartolo, a full-time employee of McElroy Bryan Geological Services Pty Ltd.

Ms Janet Bartolo is a member of the Australian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 JORC Code. Ms Bartolo consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Set out below are details of Gloucester's reserves and resources as at 31 December 2008.

					Coal Resources			
Region	**Area**	**Tenement**	**Coal seam**	**Depth range (m)**	**Measured (mt)**	**Indicated (mt)**	**Measured & Indicated (mt)**	**Inferred (mt)**
Stratford	Bowens Road North [1]	ML1409 & ML1528	Bowens Road	0–100	3.8	0.3	4.1	–
			Marker	0–100	–	0.8	0.8	–
	Avon North	ML1360	Marker, Avon & Triple	0–80	–	0.9	0.9	–
	Roseville West [1][2]	ML1360, ML1409 & ML1447 & ML1528	Marker 7	0–60	–	–	–	1
			Bindaboo	0–100	–	–	–	2
			Deards	0–100	–	–	–	5
			Cloverdale	0–100	–	6.3	6.3	–
			Roseville	0–100	–	5.4	5.4	–
	Stratford South	A311, A315 & ML1360	Bowens Road	0–100	1.1	1.3	2.4	–
			Avon	0–100	2.2	0.6	2.8	–
			Avon Lower & Triple	0–100	–	–	–	1
			Rombo	0–100	–	–	–	1
			Parkers Road	0–100	–	1.6	1.6	–
Grant & Chainey	Grant & Chainey	A311 & A315	Bowens Road	0–100	–	–	–	19
			Avon	0–100	–	–	–	14
Duralie	Duralie Main Pit [1]	ML1427	Weismantel	0–100	–	7.6	7.6	–
			Clareval	0–80	0.7	3.2	3.9	–
	Duralie North West	A315	Weismantel	0–100	–	4.0	4.0	–
			Clareval	0–150	9.9	0.5	10.4	1
	Duralie East	A315	Weismantel	0–100	–	6.5	6.5	–
			Clareval	0–80	–	2.7	2.7	3
	Railway Pit	ML1427 & A315	Weismantel	0–100	1.2	0.5	1.7	–
Total	**Open Cut**			**0–100**	**18.9**	**42**	**61**	**48**
Duralie	Duralie Underground	ML1427 & A315	Weismantel	< 100	0.9	0.6	1.5	–
			Weismantel	> 100	–	39.3	39.3	59
Total	**Underground**				**0.9**	**40**	**41**	**59**
Total	**Open Cut & Underground**				**19.8**	**82**	**102**	**107**

Notes

(1) Coal Resources were updated by subtraction of mined tonnes.

(2) In the co-disposal area of Roseville West, resources are estimated to 100m below the original surface as the reject material is being reprocessed over the next few years.

The estimates of Coal Resources presented in this table have been carried out in accordance with the "2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)" prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Resource totals have been rounded to appropriate levels of accuracy in accordance with the 2004 JORC Code.

Coal Resources are reported inclusive of Coal Reserves (i.e. Coal Reserves are not additional to Coal Resources).

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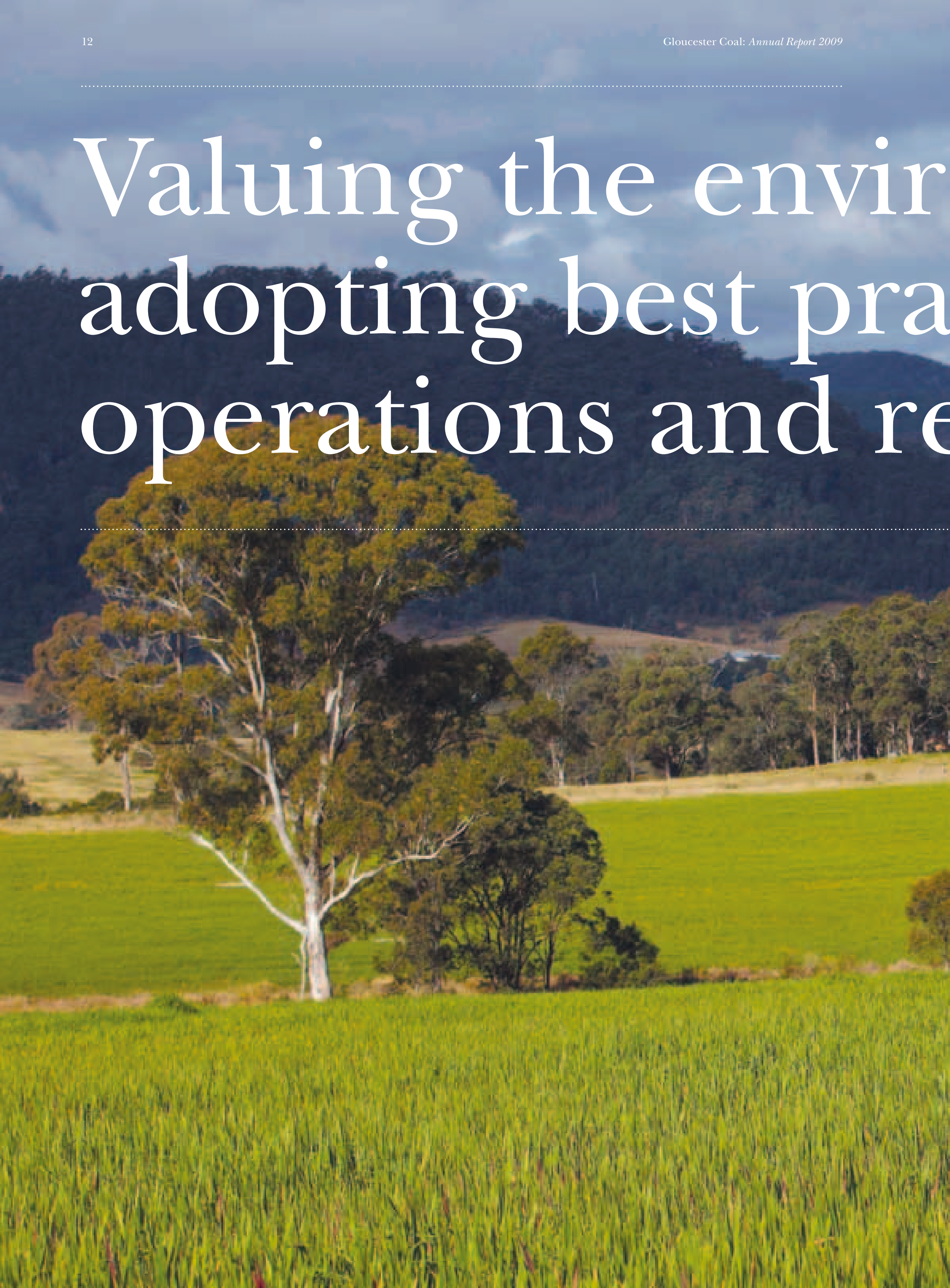

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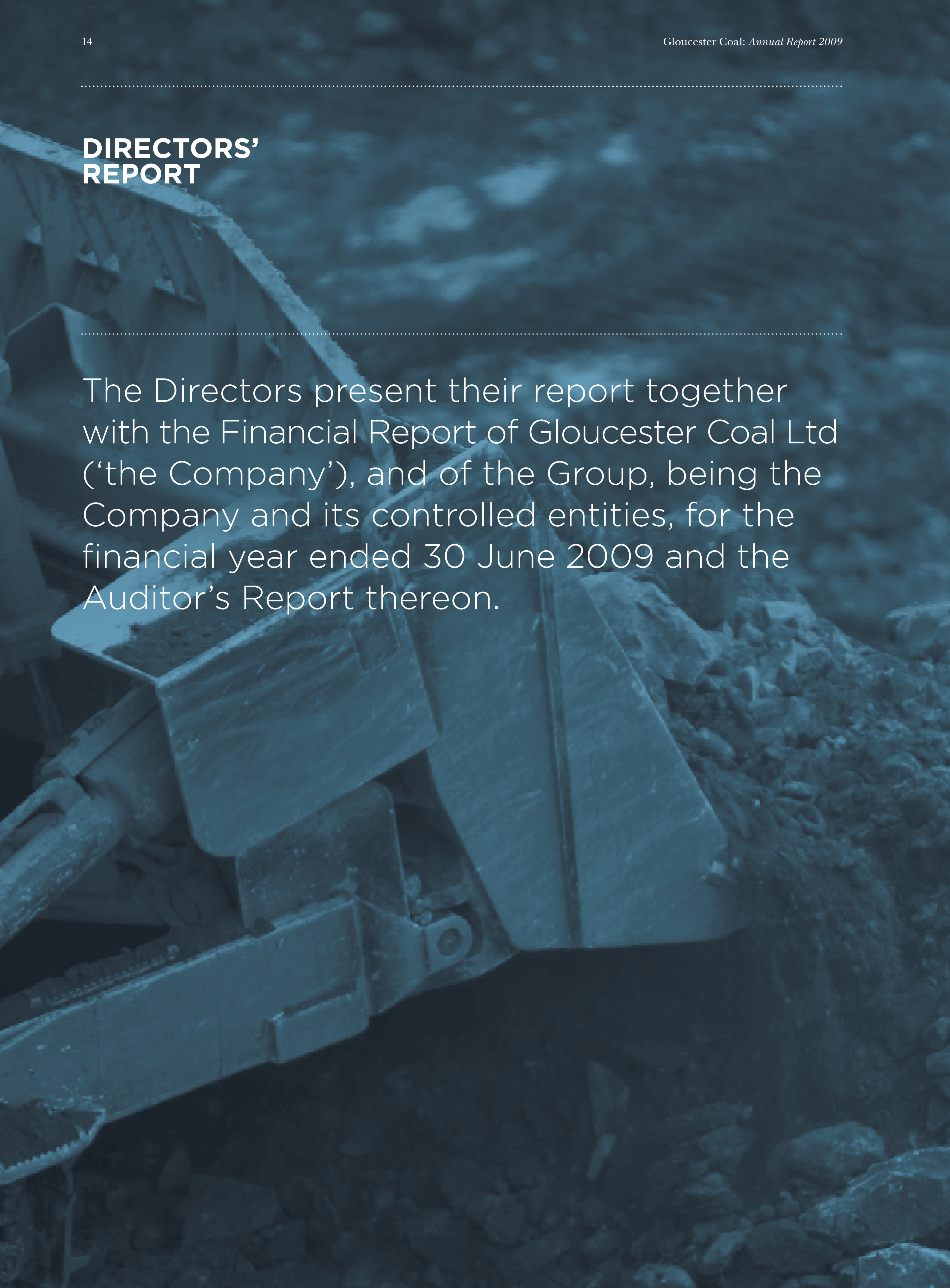


DIRECTORS' REPORT

The Directors present their report together with the Financial Report of Gloucester Coal Ltd ('the Company'), and of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2009 and the Auditor's Report thereon.

DIRECTORS

The names and details of the Company's directors in office at any time during or since the end of the financial year are as follows:

Mr James MacKenzie

BBus, FCA, FAICD

Chairman and Independent Non-Executive Director

Mr James MacKenzie has been Chairman of the Mirvac Group Board since November 2005. He is also Chairman of Pacific Brands Limited and a Director of Melco Crown Entertainment Limited. Mr MacKenzie led the transformation of the Victorian Government's Personal Injury Schemes as Chairman of the TAC and Victorian WorkCover Authority from 2000-2007. Previously, he held senior executive positions with ANZ Banking Group, Norwich Union and Standard Chartered Bank. He was a director of Hunter-based Donaldson Coal. Mr MacKenzie is a Chartered Accountant and was a Partner in both the Melbourne and Hong Kong offices of an international accounting firm, now part of Deloitte. In 2003, he was awarded the Centenary Medal for services to public administration.

Mr MacKenzie held the following listed company directorships in the previous three years:

- Chairman of Mirvac Group (since 2005)
- Pacific Brands Limited (since 2008)
- Bravura Solutions Limited (2006 to 2008)
- Melco Crown Entertainment Limited (since 2008)
- Circadian Technologies Limited (2002 to 2008)
- Strategic Pooled Development Limited (2005 to 2007)
- Zenyth Therapeutics Limited (2005 to 2006).

Member of the Audit, Risk and Corporate Governance Committee and Independent Directors Committee.

Director and Chairman since 16 June 2009.

Mr Barry Tudor

BEc, CA, MBA, MAICD

Chief Executive Officer and Managing Director

Prior to his appointment, Mr Barry Tudor was Director – Australian Assets for Noble Energy, responsible for Noble Group's coal assets in Australia and the Group's strategic expansion into coal asset ownership. Mr Tudor was formerly the Chief Financial Officer of Gloucester Coal, and was a key contributor to the Company's growth to an ASX200 company. He is a director of Hunter Valley Coal Chain Coordinator Limited. He started his career at KPMG, followed by a variety of senior regional and international roles. Mr Tudor holds a Bachelor of Economics degree from Macquarie University, and a Master of Business Administration degree from MGSM. He is a Chartered Accountant and a Member of the Institute of Company Directors in Australia.

Member of the Human Resources and Nominations Committee.

Director since 16 June 2009.

Mr David Brownell

BCom, MBA

Independent Non-Executive Director

Mr David Brownell is an organisation and strategy consultant, and formerly Senior Vice President in Boston Consulting Group's Melbourne office and the Asia-Pacific Leader of BCG's Organisation Practice Group. Mr Brownell was previously a Director of Hunter colliery Donaldson Coal. He began his consulting career in the London office of McKinsey and Co in 1967 and was Partner in the Australian consulting firm that merged with BCG in 1990.

Chairman of the Human Resources and Nominations Committee, and member of the Audit, Risk and Corporate Governance Committee and Independent Directors Committee.

Director since 16 June 2009.

Mr Ricardo Leiman

MBA

Non-Executive Director

Mr Ricardo Leiman is the Noble Group Chief Operating Officer. He holds MBAs from the University of Rochester NY, USA and the University of Nyenrode, the Netherlands, as well as an Economics degree from the University of Sao Paulo, Brazil. He started his career with Credit Lyonnais Bank in Brazil followed by management positions with Louis Dreyfus in Brazil, Eximcoop in the Netherlands and Trader Classified Media in London and Paris. In 2002, he rejoined Louis Dreyfus as COO North America, EMEA (Europe, Middle East, Africa) and Asia, later becoming COO Soft Commodities.

Mr Leiman is a Nominee of Noble Group Limited.

Mr Leiman held the following listed company directorship in the previous three years:

- Windimurra Vanadium Limited (Administrators appointed) from 3 November 2006 to 13 February 2009.

Director since 16 June 2009.

Mr William Randall

BBus

Non-Executive Director

Mr William Randall is Noble Group Head of the Coal & Coke division. Mr. Randall holds a Bachelor degree in Business, major in International Marketing. He started his career at Noble in Australia, transferring to Asia in 1999 where he established Noble's coal operations, mining and supply chain management businesses. Following his appointment as Director Noble Energy Inc in 2001, Mr. Randall continued to build the global coal and coke marketing network and asset pipeline. He was appointed global head of Coal & Coke in 2006 and became a member of the Noble Group Executive Board in 2008.

Mr Randall is a Nominee of Noble Group Limited.

Director since 16 June 2009.

Mr Gregory Fletcher

CA, BCom

Independent Non-Executive Director

Mr Gregory Fletcher has been a senior partner of Deloitte for the past 16 years specialising in external and internal audits and risk management. Mr Fletcher has provided professional services to some of Australia's largest listed corporations. He retired from Deloitte at the end of May 2009 to take on Board and consulting roles. Mr Fletcher is a member of the Institute of Internal Auditors and Information Systems Audit and Control Association.

Mr Fletcher has recently been appointed to the Board of Railcorp where he is the Chair of the Railcorp Board Audit Committee and member of the Board Risk Committee. He was appointed Chair of the City of Sydney Council Audit, Risk and Compliance Committee in June 2009.

Chairman of the Audit, Risk and Corporate Governance Committee, Chairman of the Independence Committee, and member of the Human Resources and Nominations Committee.

Director since 30 June 2009.

FORMER DIRECTORS

Mr Andy Hogendijk

AAUQ, FCPA, FAICD

Ex Chairman and
Ex Independent Non-Executive Director

Mr Andy Hogendijk has extensive senior management and finance experience having previously been Chief Financial Officer, Suncorp Metway Ltd (1997–2000), Commonwealth Bank of Australia Limited (1991–1997) and John Fairfax Group (1989–1991). Mr Hogendijk has also held several senior positions in the coal industry with Austen and Butta Limited (Finance Director 1979– 1989) and Shell Coal London (Project Manager 1985–1987).

He is currently a director of Magellan Flagship Fund Limited and Australian Worldwide Exploration Limited. Mr Hogendijk has held the following listed company directorship in the previous three years:

- Aditya Birla Minerals Limited from March 2006 to November 2007.

Mr Hogendijk was Chairman of the Remuneration and Nominations Committee and was a member of the Audit Committee. Mr Hogendijk was a Director and Chairman from August 2004 until his resignation on 16 June 2009.

Mr Ian Levy

BSc (Hons) (ANU), MSc (Dist) (London), Diploma of Imperial College (Royal School of Mines), FAusiMM, FAIG.

Ex Independent Non-Executive Director

Mr Ian Levy is Chairman of D'Aguilar Gold Limited, Chief Executive Officer of AusNiCo Pty Limited and was formerly Chief Executive Officer of Allegiance Mining NL. He has had 33 years experience in mining geology and exploration. This includes 12 years with Western Mining Corporation, of which 3 years were in coal evaluations. He has had 11 years experience in development roles, including coal, with Pancontinental Mining Limited and Gympie Gold Limited.

Mr Levy has been Federal President of the Australian Institute of Geoscientists and was a member of the Joint Ore Reserves Committee (JORC) for 10 years, including four years as Vice Chairman.

Mr Levy was Chairman of the Corporate Governance Committee and a member of the Audit and Risk Committees. Mr Levy was a Director from April 2004 to 30 June 2009.

Dr John Bryan
BSc (Hons), Ph D, FAusIMM
Ex Independent Non-Executive Director

Dr John Bryan has worked for 38 years as a consulting geologist, principally involved with coal exploration and coal mining companies in New South Wales and Queensland. His experience in coal exploration also extends to Indonesia, New Zealand, Canada, Thailand and Antarctica. His expertise in coal exploration and resource evaluation is derived from experience gained over many years at numerous coal mines and coal deposits, both open cut and underground.

Dr Bryan was Chairman of the Risk Committee and was a member of the Remuneration and Nominations Committee. Dr Bryan was a Director from April 2005 until his resignation on 16 June 2009.

Mr Chris Sadler
BCA, MBA
Ex Independent Non-Executive Director

Mr Chris Sadler has 20 years experience in the investment banking industry in senior roles in the United States, Europe and Australia. Until 2004, Mr Sadler was a Managing Director at Deutsche Bank in Melbourne, and prior to that worked for several leading international investment banks including JP Morgan and Citigroup. He has an extensive track record of leading major mergers and acquisitions and corporate restructurings including equity and debt financings.

Mr Sadler serves on a number of Boards in the corporate and not-for-profit sectors. Mr Sadler has held the following listed company directorships in the previous three years:

- Austock Group Limited since January 2008
- Allomak Limited since February 2008.

Mr Sadler was Chairman of the Audit Committee and was a member of the Corporate Governance Committee. Mr Sadler was a Director from April 2008 to 16 June 2009.

Mr Robert Lord
BSc (Chemistry), MBA (First Class Hons)
Ex Chief Executive Officer and Managing Director

Mr Robert Lord was appointed Chief Executive Officer of Gloucester Coal in August 2007 and Managing Director in October 2007. Prior to his appointment at Gloucester Coal, Mr Lord worked in the pulp and paper industry for 19 years, most recently as Executive Vice President responsible for the Australasian operations of Norwegian-based Norske Skog.

Mr Lord was a member of the Corporate Governance, and Remuneration and Nominations and Risk Committees. Mr Lord was a Director from October 2007 to 16 June 2009.

COMPANY SECRETARIES

Ms Catherine Caradus

Ms Catherine Caradus is a Chartered Accountant and Chartered Secretary. After gaining her Bachelor of Arts (Maj. in Acctg), she commenced her career in the audit division of Price Waterhouse then moved to the Corporate Trust division of Permanent Trustee Company as a Portfolio Manager. From 2002, Ms Caradus was head of the E&Y Company Secretarial Group until the group was sold to TMF in November 2006. Ms Caradus is the Australian Managing Director of the TMF Group which includes a substantial corporate secretarial group managing the compliance for both local and overseas companies.

Ms Caradus was appointed Company Secretary on 16 June 2009.

Ms Lisa Wai Yin Yim

Ms Lisa Yim has been Company Secretary of Noble Group Limited since 1994, in charge of the overall corporate secretarial function and regulatory and corporate governance compliance. Prior to joining Noble Group on a full time basis in October 2004, Ms Yim worked in the corporate secretarial departments of various audit, legal and corporate services firms including KPMG and Deacons. She is also a Fellow of the UK Institute of Chartered Secretaries and Administrators, and a Fellow of the Institute of Hong Kong Companies Secretaries (Associate since 1988 and Fellow since 1995).

Ms Yim was appointed Company Secretary on 16 June 2009.

DIRECTORS' MEETINGS

Director	Board Meetings		Audit, Risk and Corporate Governance Committee Meetings		Human Resources & Nominations committee Meetings		Independent Directors' Committee Meetings	
	A	B	A	B	A	B	A	B
James MacKenzie	2	2	–	–	–	–	–	–
Barry Tudor	2	2	–	–	–	–	–	–
David Brownell	2	2	–	–	–	–	–	–
Ricardo Leiman	2	2	–	–	–	–	–	–
William Randall	2	2	–	–	–	–	–	–
Gregory Fletcher	–	–	–	–	–	–	–	–

Director	Board Meetings		Audit Committee Meetings		Remuneration & Nominations committee Meetings		Corporate Governance Committee Meetings		Risk Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
Andy Hogendijk	26	26	2	2	4	4	–	–	–	–
Robert Lord	26	26	–	–	2	4	1	1	1	1
Ian Levy	28	28	2	2	–	–	1	1	1	1
John Bryan	25	26	–	–	4	4	–	–	1	1
Chris Sadler	24	26	2	2	–	–	1	1	–	–

A – Number of meetings attended,
B – Number of meetings held during the time the director held office during the period.

Subsequent to year end, the Board Committees were restructured and now comprise the following:

1) Audit, Risk and Corporate Governance Committee
2) Human Resources and Nominations Committee
3) Independent Directors Committee

CORPORATE GOVERNANCE STATEMENT

The Gloucester Coal Ltd Board of Directors ("the Board") is committed to achieving best practice in the area of corporate governance and business conduct. The Corporate Governance Statement and Compliance Table outline the main corporate governance principles and practices followed by Gloucester Coal Ltd.

The Company's corporate governance practices were in place throughout the year ended 30 June 2009. The Board is comfortable that practices are satisfactory for a company of Gloucester Coal's size. Below are the main corporate governance practices in place (unless otherwise stated) throughout the financial period, in relation to the corporate governance principles and recommendations of the ASX Corporate Governance Council:

PRINCIPLE 1

Lay solid foundations for management and oversight

The Company has a small board (five non-executive directors plus one executive director) and a small management team, so while the roles and functions have to be flexible to meet specific requirements, the Board and management functions have been formalised and approved by the Board. The statement of Board and management responsibilities may be found within the Statement of Corporate Governance Practices on the Company's website.

PRINCIPLE 2

Structure the Board to add value

The Board consists of six directors, of whom three hold their positions in independent non-executive capacities. The Chairman is an independent non-executive director. The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Gloucester Coal Ltd are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement. There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The last formal evaluation of the performance of the Board was during the 2006 financial year and was carried out by the Corporate Governance Committee using external expert advisers. Following membership changes during the 2009 year, it is expected a review will be undertaken in the forthcoming year.

The policy and procedures for the selection and appointment of new directors is that candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

At each annual general meeting the following directors (excluding the Managing Director) automatically retire and are eligible for re-appointment:

a) One-third of the Directors or, if their number is not a multiple of three then the nearest to but not exceeding one-third of the Directors; and
b) Any Director who, if that Director did not retire at that annual general meeting, would at the next annual general meeting, have held that office for more than three years.
c) Any Director who was appointed by the Directors during the year to fill a casual vacancy or as an addition to the existing Directors.

The Human Resources and Nominations Committee Charter may be found on the Company's website.

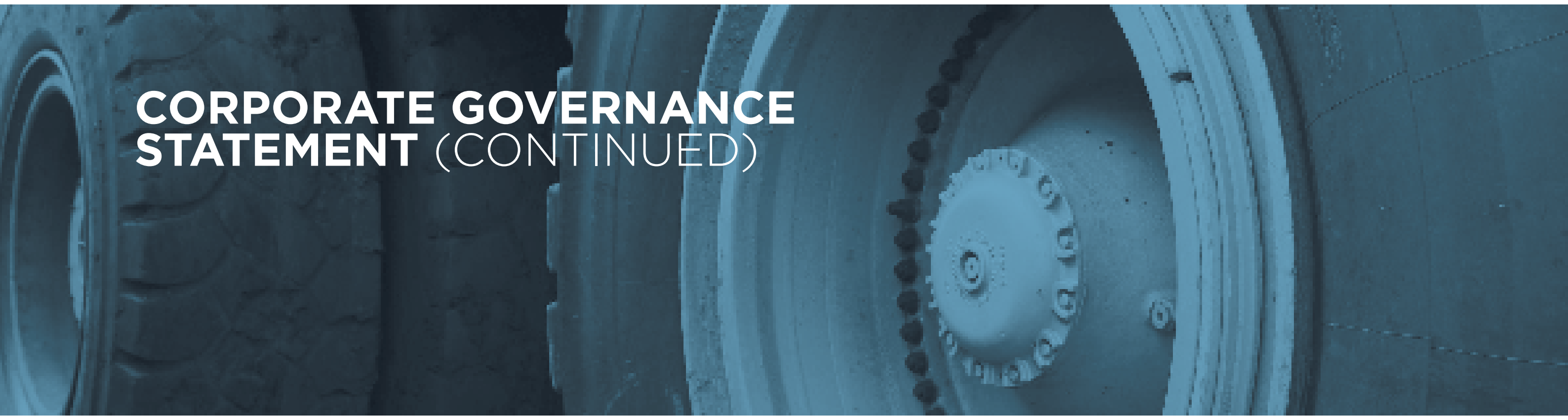
PRINCIPLE 3

Promote ethical and responsible decision making

The Company has a formal Code of Conduct, approved by the Board. The Code requires directors and employees to conduct all business affairs legally, ethically and with integrity. The Code provides for reporting of breaches of the Code by others.

The Code of Conduct establishes:

i) Practices necessary to maintain confidence in the Company's integrity
ii) Practices necessary to take into account legal obligations of stakeholders;



CORPORATE GOVERNANCE STATEMENT (CONTINUED)

iii) Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has a policy and procedure, adopted by the Board, on dealing in the Company's securities by directors, officers and employees.

These rules, unless stated otherwise, apply whether an employee's interest in such securities arose through the exercise of rights under a share option scheme operated by Gloucester Coal, or otherwise:

i) Employees must hold GCL securities for long term investment, not for short term speculation.
ii) Save in the case of shares vesting under the operation of an employee share option scheme, employees are required to hold positions in GCL shares for a minimum period of 30 days.
iii) Employees are not permitted to sell short or deal in derivatives involving GCL shares.
iv) Employees are not permitted to deal in Gloucester Coal shares, bonds or other securities during blackout periods. These commence one month before the announcement of Gloucester Coal annual general meetings, Gloucester Coal Quarterly Activities Reports, Gloucester Coal half-yearly or yearly financial statements and end on the close of trading on the day these results are announced.
v) Employees must not deal in GCL or any other company's securities at any time if in possession of inside information about Gloucester Coal, or the other company. Employees should note that the law on insider trading is applicable to employees at all times, irrespective of the window periods specified in subparagraph (i) above and irrespective of any failure by the Board or management of the Group to exercise any right that the Group may have to prevent the employee from trading under the operation of the Employee Share Trading Policy.
vi) Employees must not deal in GCL shares or any other GCL securities (e.g. bonds) at any time that the employee is aware of inside information relating to any securities offering which any member of Gloucester Coal proposes to engage in.
vii) Employees must complete a share trading form and send it to Gloucester Coal Corporate Office (CEO) at least 24 hours before any proposed dealing in GCL shares. After the deal, a second form must be completed and filed with the Gloucester Coal Corporate Office (CEO).

Given the Company's major shareholder is Noble Group Limited, the above policy also extends equally to Noble Group Limited's securities and information.

The full Code of Conduct and Share Trading Policy may be found on the Company's website.

PRINCIPLE 4

Safeguard integrity in financial reporting

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit, Risk and Corporate Governance Committee.

The Company has an Audit, Risk and Corporate Governance Committee with a formal charter, approved by the Board. The Audit, Risk and Corporate Governance Committee consists of the three non-executive directors with the most applicable expertise and skills for this Committee. The Chairman of the Audit, Risk and Corporate Governance Committee is not the Chairman of the Board. The Chief Executive Officer and the Chief Financial Officer are invited to Audit, Risk and Corporate Governance Committee meetings at the discretion of the Committee.

The main responsibilities of the Audit, Risk and Corporate Governance Committee are to:

- Review and report to the Board on the annual report, the annual and half-year financial reports and all other financial information published by the Company or released to the market;
- Assist the Board in reviewing the effectiveness of the Company's internal control environment covering effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations;

- Oversee the effective operation of the risk management framework – see Principle 7 below;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit; and
- Review and assess the various risk factors that can impact the Company's business – see Principle 7 below.

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company for the financial period have been properly maintained and the Company's financial reports for the period ended 30 June 2009 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually. The external auditor is invited to Audit, Risk and Corporate Governance Committee meetings at the discretion of the committee. The external auditor met with the Audit, Risk and Corporate Governance Committee and the Board twice during the period.

The Audit, Risk and Corporate Governance Committee Charter may be found on the Company's website.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis. The Company's auditor, KPMG, has a policy of partner rotation every five years.

The Board may select an external auditor based on criteria relevant to the business of the Company, such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

The Board will review the performance of the external auditor on an annual basis.

PRINCIPLE 5

Make timely and balanced disclosure

The Company, its directors and staff are acutely aware of continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure. The Company has formal written policies regarding disclosure to ensure compliance with ASX listing rule disclosure and accountability at a senior executive level for that compliance.

The Disclosure Program and Procedures may be found on the Company's website.

PRINCIPLE 6

Respect the rights of shareholders

The Company provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

The Company has a communications strategy to promote effective communication with shareholders. Subject to ASX rules on disclosure, the Company communicates regularly with shareholders, brokers and analysts and maintains a review of information provided on its website.

The Company's arrangements regarding communication with and participation of shareholders are contained within the Company's Statement of Corporate Governance Practices which may be found on the Company's website.

Shareholders are encouraged to attend the Company's annual general meeting and use this opportunity to ask questions. The external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPLE 7

Recognise and manage risk

The Company believes that there is significant need for formal policies on risk oversight and management. Accordingly risk matters are formally addressed at each Board meeting.

Risk management arrangements are reviewed by the Board, senior management and collectively with bi-annual review by the Audit, Risk and Corporate Governance Committee.

The Audit, Risk and Corporate Governance Committee Charter may be found the Company's website.

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that the s. 295A declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.

The categories of risk reported on or referred to in the annual report are:

- Credit risk
- Liquidity risk
- Market risk.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks.

The Board has required management to report to it on whether those risks are being managed effectively.

Management reported to the Risk Committee as to the effectiveness of the Company's management of material business risks.

The Company's policies on risk oversight and management of material business risks may be found in the Audit, Risk and Corporate Governance Committee Charter. This document may be found on the Company's website.

PRINCIPLE 8

Remunerate fairly and responsibly

The Company has a Human Resources and Nominations Committee, previously known as the Remuneration and Nominations Committee. This meets as and when required to review performance matters relating to senior employees.

The Company's Human Resources and Nominations Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and directors of the Company and senior management. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies. The Board policy is that the Human Resources and Nominations Committee will comprise a majority of independent non-executive directors. The directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies.

The Committee or its individual members will and did seek independent external advice and market comparisons as necessary. In accordance with Corporations Act requirements, the Company discloses the fees or salaries paid to all directors.

The Company's share trading policy prohibits transactions in associated products which limit risk of participating in unvested elements under any equity based remuneration scheme. This policy may be found on the Company's website.

The Human Resources and Nominations Committee Charter may be found on the Company's website.

COMPLIANCE TO BEST PRACTICE RECOMMENDATIONS

PRINCIPLE	COMPLIANCE YES/NO	REFERENCE/ EXPLANATION
1 Lay solid foundations for management and oversight		
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management.	YES	Website
1.2 Disclose the process for evaluating the performance of senior executives.	YES	Page 36
2 Structure the Board to add value		
2.1 A majority of the Board should be Independent Directors.	NO	(a)
2.2 The Chairperson should be an Independent Director.	YES	Page 19
2.3 The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	YES	Page 19
2.4 The Board should establish a Nominations committee.	YES	Website
2.5 Disclose the process for evaluating the performance of its Board, its committees and individual directors.	YES	(b)
3 Promote ethical and responsible decision making		
3.1 Establish a Code of Conduct to guide directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	YES	Page 19
3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees.	YES	Page 20
4 Safeguard integrity in financial reporting		
4.1 The Board should establish an Audit Committee.	YES	Page 21
4.3 Structure the Audit Committee so that it consists of: • only Non-Executive Directors; • a majority of Independent Directors; • an independent Chairperson, who is not Chairperson of the Board; and • at least three members.	YES	Page 20
4.4 The Audit Committee should have a formal charter.	YES	Website
5 Make timely and balanced disclosure		
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	YES	Website

a) The Board comprises 3 independent Directors out of six. The Chair, who is independent, has a casting vote.

b) The Statement of Corporate Governance Practices, which is located on the Company's website, identifies that the process for reviewing Board, Committee and individual director performance is an annual review by the Chairman. During the current year a review was not undertaken and in June 2009 the current Board replaced the previous Board. It is expected that during the forthcoming year a review of the current Board will be undertaken.

PRINCIPLE	COMPLIANCE YES/NO	REFERENCE/ EXPLANATION
6 Respect the rights of shareholders		
6.1 Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	YES	Website
7 Recognise and manage risk		
7.1 The Board or appropriate committee should establish policies on risk oversight and management of material business risks.	YES	Page 22
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	YES	Page 22
7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	YES	Page 22
8 Remunerate fairly and responsibly		
8.1 The Board should establish a Remuneration Committee.	YES	Page 22
8.2 Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.	YES	Page 28

PRINCIPAL ACTIVITIES

During the year, the principal activities consisted of the production and marketing of Gloucester coking and thermal coals from the Stratford Mine comprising the Bowens Road North pit , Roseville pits and co-disposal, and from the Weismantel pit at the Duralie Mine.

There were no significant changes in the nature of the activities during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

CHANGE OF CONTROL

On 21 May 2009, there was a change of control of Gloucester Coal Ltd. The Company's parent entity is Osendo Pty Limited and the Ultimate Parent Entity is Noble Group Limited. Osendo Pty Limited is a wholly owned company of Noble Limited and is incorporated in Australia. Noble Group Limited is listed on the Singapore Securities Exchange and incorporated in Bermuda with its head office in Hong Kong.

A review of the Company's operations, assets, capital structure and strategy is currently in progress and further announcements regarding the strategic direction of the Company are expected at the end of this review.

REVIEW OF OPERATIONS

The consolidated profit after tax for the financial year was $81.7 million (2008: $23.4 million).

During the year, the Company reduced its production of coking and thermal coal to 1.7 million tonnes (2008: 1.8 million) to align production with its port allocation. The Company sold 1.8 million tonnes of coal with a revenue of $306.8 million.

The Company continued to acquire strategic freehold land to secure mining operations into the future, and now holds approximately 5,500 hectares. The Company spent approximately $3.7 million on exploration within the Gloucester Basin, resulting in the addition of 9.5 million tonnes to JORC reserves (total 38Mt) and JORC resources increased to 209Mt during the year.

Safety performance during the year for all operations was good, with the Lost Time Injury Frequency Rate, as at 30 June 2009 of 8.7 being lower than the Open Cut Coal Industry average.

The Company maintains the highest commitment to ensure that its operations are performed in such a way to minimise risk to the natural environment. Environmental management is undertaken by the Company in accordance with an extensive suite of Environmental Management Plans prepared in consultation with relevant government agencies and approved by NSW Department of Planning (DoP).

Reports of actual performance are regularly submitted to regulators and reviewed with the Community Consultative Committees. Through a comprehensive regime of monitoring, sampling, testing, recording and review, the Company's environmental performance maintains a high standard and ensures compliance with our development consents and licensing obligations.

The environmental team has continued to demonstrate responsible management to deliver a solid environmental performance. Emphasis has been on compliance with the development consents, water management and the rehabilitation of mined areas and waste dumps.

Of the complaints received from local residents, the majority were noise related – Duralie 19 and Stratford 23. Noise surveys commissioned by the Company have reconfirmed that the noise levels are generally below the operating consent levels. During the year, the Company replaced the Stockpile dozer at Stratford with an "Extra Quiet" unit. The new fleet of dump trucks ordered for Duralie comprise "Extra Quiet" models. The Company continues to monitor noise levels associated with its operations and actions appropriate mitigation measures wherever practical.

There were no reportable incidents at the Stratford site and there were 3 reportable incidents at the Duralie operations.

DIVIDENDS DECLARED AND PAID DURING THE YEAR 2009

During the financial year, the directors declared and paid the following dividends to members:

	Cents per share	Total Amount $000's	Franked amount per share	Date of payment
2008 – final – Ordinary	16.0 cents	13,168	100%	7 October 2008
2009 – interim – Ordinary	13.5 cents	11,023	100%	31 March 2009
		24,191		

There are 671,055 franking credits available to the Company as at 30 June 2009.

The directors have not declared a final dividend for the 2009 financial year while the outcome of the strategic review is underway.

LIKELY DEVELOPMENTS

The Group will continue the production and marketing of Gloucester coking and thermal coal from the Stratford site pits and Duralie pits. As previously advised, following the significant discovery of coal resources in the Clareval seam, Gloucester Coal is working on a program of continual productivity improvements and an expansion of mine facilities. Productivity improvements are concentrated on maximizing the proportion of coking coal to thermal coal sold and increasing product yield.

The Company is currently undertaking an expansion program which will see the capacity of the wash plant increased from 3.2 million tonnes per annum to 4.0 million tonnes per annum, together with additional product handling facilities. The total project cost is expected to be $33 million. The project is forecast to be completed by late 2009.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this Annual Report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to year end, pursuant to his employment contract and subject to shareholder approval at the next AGM, the Company has allocated 1,000,000 options to acquire ordinary shares to the Company's CEO and Managing Director, Barry Tudor with an exercise price of $5.65. Of the options, 500,000 vest on 17 June 2012 and the remaining 500,000 vest on 17 June 2014.

Other than noted above, in the interval between balance date and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Gloucester Coal Ordinary Shares	Gloucester Coal Options over Ordinary Shares	Noble Group Limited Ordinary Shares	Noble Group Limited Options over Ordinary Shares
James MacKenzie	–	–	–	–
Barry Tudor	50,000	1,000,000	76,603	1,150,000
David Brownell	–	–	–	–
Ricardo Leiman	–	–	1,424,174	34,000,000
William Randall	–	–	11,391,464	6,340,000
Gregory Fletcher	–	–	–	–

SHARE OPTIONS

Options granted to directors, officers and executives of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in Gloucester Coal Ltd to the following executives of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Key management personnel			
Graham Colliss	80,000	$0.00	24/12/2013
Peter Scott	74,000	$0.00	24/12/2013
Kirby Johnson	200,000	$4.50	19/11/2013

All options were granted during the financial year and subsequently vested on 21 May 2009 following a change in control of the Company.

Unissued shares under options

At the date of this report, there are 1,000,000 ordinary shares of the Company under option.

The following share options were issued during the year under the Employee Share Option Plan ("ESOP"):

- On 19 November 2008, the Company issued 200,000 options to acquire ordinary shares at an issue price of $4.50 to the CDO, Kirby Johnson. These options are subject to the performance hurdle that the Company's Total Shareholder Return ("TSR") outperforms the S&P/ASX 300 Accumulation Index over a rolling 12 month period between grant date and vesting date and expire on the earlier of their expiry date or up to 6 months following termination of the employee's employment.

The following units were issued during the year under the Employee Share Option Trust ("ESOT"):

- On 24 December 2008, the Company issued 80,000 units in the ESOT at an issue price of $nil to the COO, Graham Colliss and 74,000 units in the ESOT to the CFO, Peter Scott. 129,000 of these options are subject to the performance hurdle that the Company's Total Shareholder Return ("TSR") outperforms the ASX Small Cap Resources Index in any 12 month period between grant date and vesting date.

508,000 shares were issued during the year as a result of the exercise of options (200,000 in relation to the ESOP and 308,000 in relation to the ESOT).

1,500,000 options were cancelled during the year as a result of their acquisition by Osendo Pty Limited (a wholly owned subsidiary of Noble Group Limited (Noble)) as part of their takeover bid for the Company.

Further details are included in the Remuneration report on pages 28 to 39.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify the following former directors of the Company Mr A J Hogendijk, Mr I W Levy, Dr J H Bryan, Mr C A Sadler, Mr R J Lord and the following executives Mr G Colliss, Mr P C Scott, Mr K D Johnson and Mr J Beecher against all liabilities incurred as an officer of the Company or of a related entity and all legal costs (and other costs and expenses) arising from proceedings and investigations incurred by the officer as an officer or as a consequence of being an officer of the Company or a related entity.

Except as noted above, the Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Insurance premiums

During the financial period, the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

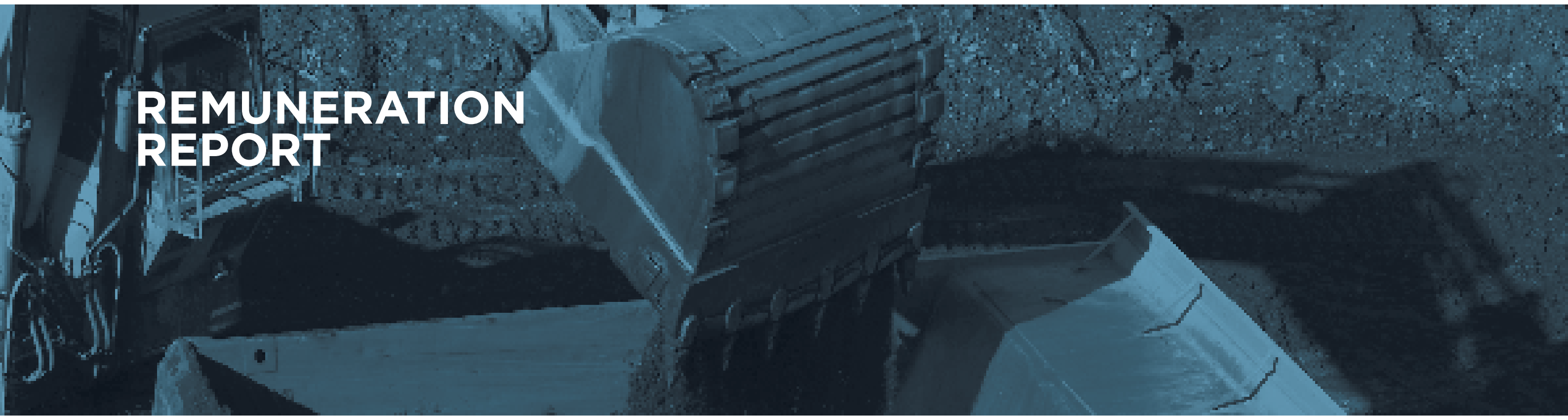
NON-AUDIT SERVICES

During the year, KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those services during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amount paid to the auditor of the Company, KPMG and its related practices for non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	CONSOLIDATED	
	30 Jun 2009 $	30 Jun 2008 $
Services other than statutory audit		
Other regulatory audit services		
Attestation services (KPMG Australia)	6,455	6,165
Other services		
Extraordinary General Meeting attendance (KPMG Australia)	–	770
Advice on corporate transactions (KPMG Australia)	130,930	–
Secretarial support (KPMG Australia)	10,290	12,682
EGM proxy services (KPMG Australia)	–	–
	147,675	**19,617**



REMUNERATION REPORT

Remuneration is referred to as compensation throughout this report.

This report outlines the remuneration arrangements in place for key management personnel of Gloucester Coal Ltd.

A) PRINCIPLES OF COMPENSATION

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel includes the most highly remunerated directors and executives for the Company and Group, of which, excluding executive directors and secretaries, the Company and Group had three.

The performance of the Company depends upon the quality of directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To meet this objective, the Company has adopted the following principles in its compensation framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Significant portion of executive compensation "at risk", dependant upon meeting pre-determined performance benchmarks
- Establish appropriate performance hurdles in relation to variable executive compensation.

Human Resources and Nominations Committee

The Human Resources and Nominations Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the key management personnel.

The Human Resources and Nominations Committee assesses the appropriateness of the nature and amount of compensation on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant operation's performance
- the Company's performance including earnings, growth in share price, and returns on shareholder wealth
- the amount of incentives within each key management personnel's compensation.

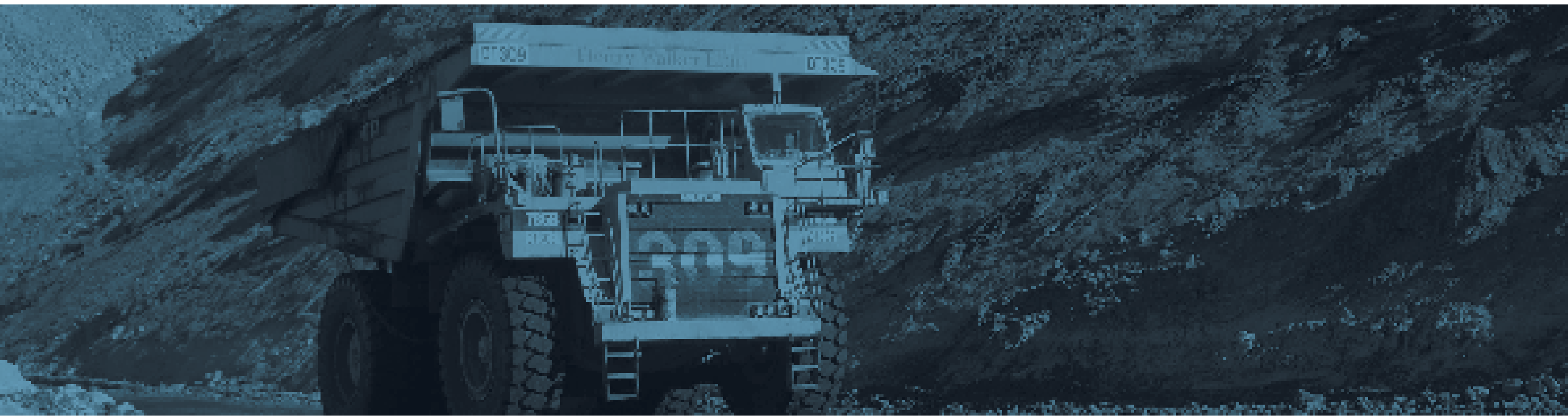
Compensation structure

In accordance with best practice corporate governance, the structure of non-executive director and executive management compensation is separate and distinct.

Non-Executive Director compensation

Objective

The Board seeks to set aggregate compensation at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.



Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between directors as agreed. The latest determination was at the Annual General Meeting held in November 2007 when shareholders approved an aggregate compensation of $500,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

Each non-executive director receives a fee for being a director of the Company (Chairman $275,000 plus 9% superannuation, and non-executive independent directors $150,000 including superannuation). The compensation of non-executive directors for the period ended 30 June 2009 is detailed in Table 1 of this report.

Key management personnel compensation

The Company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the Company so as to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks
- align the interests of executives with those of shareholders
- link reward with the strategic goals and performance of the Company
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of key management personnel compensation, the Human Resources and Nominations Committee considers comparable executive roles. Compensation consists of the following key elements:

- Fixed Compensation
- Variable Compensation (consisting of Short term Incentives (“STI”) and Long term Incentives (“LTI”).

The proportion of fixed compensation and variable compensation (potential short term and long term incentives) is established for each key management personnel by the Human Resources and Nominations Committee. Table 2 details the variable component (%) of the most highly remunerated executives.

Fixed compensation

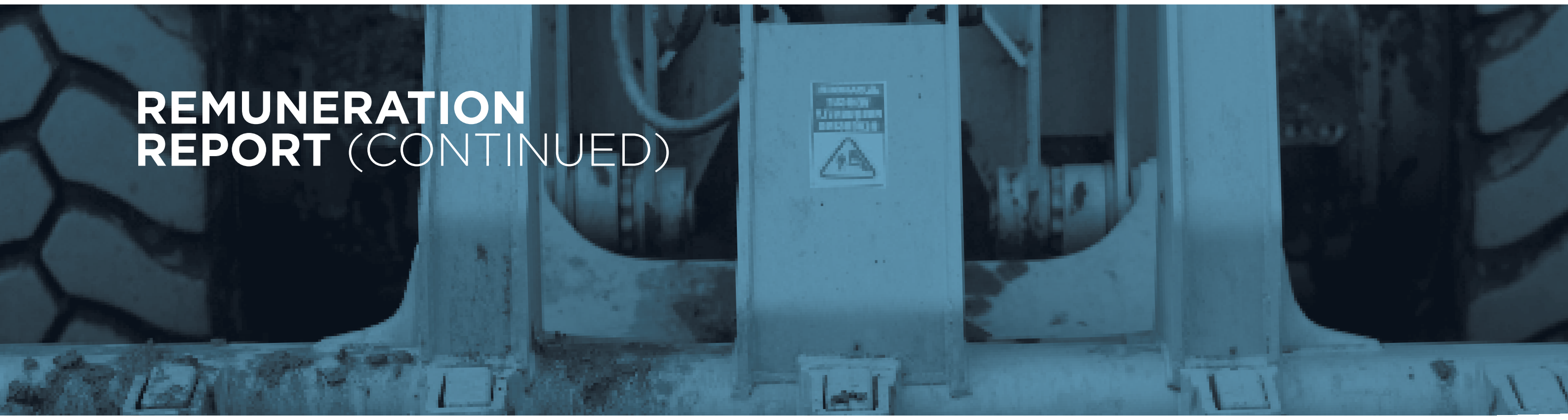
Objective

The level of fixed compensation is set so as to provide a base level of compensation which is both appropriate to the position and is competitive in the market.

Fixed compensation is reviewed annually by the Human Resources and Nominations Committee. The process consists of a review of companywide, business unit and individual performance; relevant comparative compensation in the market; and internal and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Key management personnel are given the opportunity to receive their fixed (primary) compensation in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed compensation component of the executive directors and the most highly compensated key executives is detailed in Tables 1 and 2 of this report.



REMUNERATION REPORT (CONTINUED)

Variable compensation – Short term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the compensation received by the key management personnel charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the key management personnel to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to each key management personnel depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance.

Typically included are measures such as contribution to net profit after tax, production cost targets, environmental and safety, and individually tailored milestones. The predetermined benchmarks listed above must be met in order to trigger payments under the short term incentive scheme.

On an annual basis, after consideration of performance against KPIs, each executive is rated by the Remuneration Committee, incorporating an overall performance rating for the Company. These ratings determine the amount, if any, of the short term incentive allocated to each executive. Payments made are usually delivered as a cash bonus.

Variable Pay – Long term Incentive (LTI)

Objective

The objective of the LTI plan is to reward and retain key management personnel in a manner which aligns this element of compensation with the creation of shareholder wealth. As such, LTI grants are made to key management personnel and senior employees who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

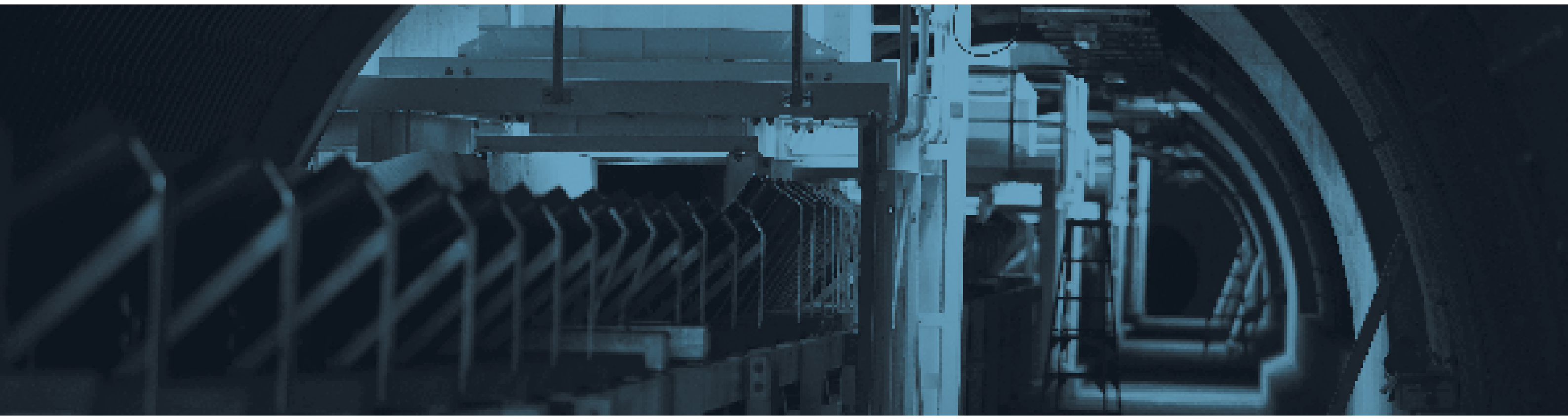
Structure

LTI grants to executives are delivered in the form of options, either directly or through units in the Employee Share Option Trust. Share options are granted under a service condition. In addition, some of these grants have also been issued subject to performance hurdles. Depending on the terms of the grant, the options can only be exercised if the Company's Total Shareholder Return ("TSR") outperforms the:

- S&P ASX/300 Accumulation Index; or
- ASX Small Cap Resources Index

over any rolling 12 month period between the date of grant of the options and the first potential exercise date.

Tables 4, 5 and 6 provide details of options granted, the value of options, vesting periods and lapsed options under the LTI plan.



B) EMPLOYMENT CONTRACTS

The Executives' terms of employment are detailed in formal service agreements. Each agreement is of a continuing duration and has no set term of service (subject to the termination provisions within each agreement).

The Company may generally terminate an Executive's employment without notice or payment in lieu of notice in cases of serious and willful misconduct by the Executive, or in certain other circumstances. The following table summarises the individual details of the service agreements that are in place for the Group's Executive Directors and other Key Management Personnel.

Executive	Status	Term	Notice period (Months)	Eligible for STI	Eligible for LTI [1]	Termination by Company	Termination Following Fundamental Change or Redundancy	Eligible for other Benefits [2]
Barry Tudor	Current	Unlimited	Company: 6 Executive: 6	Yes	Yes	6 months remuneration + Pro-rata STI	6 months remuneration + Pro-rata STI	Yes
Graham Colliss	Current	Unlimited	Company: 12 Executive: 12	Yes	Yes	12 months remuneration + Accrued Sick Leave	12 months remuneration + Accrued Sick Leave	Yes
Peter Scott	Current	Unlimited	Company: 6 Executive :3	Yes	Yes	6 months salary + Pro-rata STI	12 months salary + 50% STI Prorated for 12 months	Yes
Kirby Johnson	Terminated	Unlimited	Company: 6 Executive: 3	Yes	Yes	6 months salary + Pro Rata STI	6 -12 months salary + 25%-50% Maximum STI	Yes
Rob Lord	Terminated	Unlimited	Company: 6 Executive: 3	Yes	Yes	6 months salary+ Pro Rata STI	12 months salary plus STI for target performance calculated as 50% of 12 months remuneration	Yes

1) Eligibility for LTI is subject to Board approval for each grant

2) Fees paid by the Group for Directors' and Officers' liability are not itemized for each Director and, as their disclosure would breach the terms of the policy, are not set out in this Report. Other benefits may also include access to benefits under the Company's insurance policies for Death, Total and Permanent Disability and Salary Continuance.

REMUNERATION REPORT (continued)

C) DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION (COMPANY AND CONSOLIDATED) – AUDITED

Details of the nature and amount of each major element of remuneration of each director of the Company and the five named Company and Group executives who received the highest remuneration are:

Table 1

		PRIMARY			POST EMPLOYMENT
Directors	Year	Salary & fees $	STI [2] $	Non-monetary benefits $	Superannuation benefits $
Non-executive Directors					
James MacKenzie [1]	2009	10,548	–	–	949
Chairman	2008	–	–	–	–
David Brownell [1]	2009	5,278	–	–	475
Non-Executive Director	2008	–	–	–	–
Gregory Fletcher [1]	2009	–	–	–	–
Non-Executive Director	2008	–	–	–	–
Ricardo Leiman [1] [6]	2009	–	–	–	–
Non-Executive Director	2008	–	–	–	–
William Randall [1] [6]	2009	–	–	–	–
Non-Executive Director	2008	–	–	–	–
Ian Levy [5]	2009	91,743	–	–	8,257
Non-Executive Director	2008	68,807	–	–	6,193
Andy Hogendijk [5]	2009	140,205	–	–	12,407
Ex Chairman	2008	114,679	–	–	10,321
John Bryan [5]	2009	72,872	–	–	6,558
Ex Non-Executive Director	2008	68,807	–	–	6,193
Chris Sadler [4] [5]	2009	84,340	–	–	7,591
Ex Non-Executive Director	2008	11,468	–	–	1,032
Executive Directors					
Barry Tudor [1]	2009	22,307	–	2,711	2,231
Chief Executive Officer	2008	–	–	–	–
Robert Lord [4] [5]	2009	488,523	1,092,000	–	12,599
Ex Chief Executive Officer	2008	380,986	190,064	–	11,192
TOTAL SPECIFIED DIRECTORS	**2009**	**915,816**	**1,092,000**	**2,711**	**51,067**
	2008	**644,747**	**190,064**	**–**	**34,931**

1) Messrs MacKenzie. Brownell, Leiman, Randall and Tudor were appointed on 16 June 2009. Mr Fletcher was appointed on 30 June 2009.
2) The Short term Incentive Bonus for Mr Lord was paid in lieu of participation in the 2008/09 LTI scheme. The comparative period is for performance during the financial period ended 30 June 2008, and was determined subsequent to year end after performance reviews were completed and approved by the Remuneration Committee.
3) See table 4 for details on the calculation of the fair value of options granted.
4) Mr Lord was appointed Chief Executive Officer on 27 August 2007 and Mr Sadler was appointed on 16 April 2008.
5) Messrs Hogendijk, Sadler, Lord and Dr Bryan resigned on 16 June 2009. Mr Levy resigned on 30 June 2009.
6) Mr Leiman and Mr Randall are Noble Group Limited employees and are not remunerated by Gloucester Coal Ltd.

OTHER	SHARE BASED PAYMENTS			
Termination benefits $	Value of options[3] $	Total $	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
–	–	11,497	–	–
–	–	–	–	–
–	–	5,753	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	100,000	–	–
–	–	75,000	–	–
–	–	152,612	–	–
–	–	125,000	–	–
–	–	79,430	–	–
–	–	75,000	–	–
–	–	91,931	–	–
–	–	12,500	–	–
–	–	27,249	–	–
–	–	–	–	–
765,000	326,943	2,685,065	40.7	12.2
–	238,057	820,299	23.1	29.0
765,000	**326,943**	**3,153,537**		
–	**238,057**	**1,107,799**		

REMUNERATION REPORT (continued)

C) DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION (COMPANY AND CONSOLIDATED) – AUDITED (CONTINUED)

Details of the nature and amount of each major element of remuneration of the Company and Group executives who received the highest remuneration are:

Table 2

		PRIMARY			POST EMPLOYMENT
Executives	Year	Salary & fees $	STI [1] $	Non-monetary benefits $	Superannuation benefits $
Barry Tudor [6]	2009	–	–	–	–
Ex Chief Financial Officer	2008	100,211	–	–	8,450
Graham Colliss	2009	306,729	83,580	–	13,745
Chief Operating Officer	2008	259,968	78,399	–	18,280
Peter Scott [3]	2009	270,005	65,939	–	13,745
Chief Financial Officer	2008	113,665	28,151	–	5,925
Kirby Johnson [5]	2009	228,344	37,642	87,009	9,163
Chief Development Officer	2008	–	–	–	–
James Beecher [4]	2009	159,000	–	–	–
Ex Company Secretary	2008	60,750	–	–	–
TOTAL SPECIFIED EXECUTIVES	**2009**	**964,078**	**187,161**	**87,009**	**36,653**
	2008	**534,594**	**106,550**	**–**	**32,655**
TOTAL KEY MANAGEMENT PERSONNEL	**2009**	**1,879,894**	**1,279,161**	**89,720**	**87,720**
	2008	**1,179,341**	**296,614**	**-**	**67,586**

1) The Short term Incentive Bonus is for performance during the financial year ended 30 June 2009. The amount was determined subsequent to year end after performance reviews were completed and approved by the Remuneration Committee. Comparative period is for performance during the financial period ended 30 June 2008.

2) See table 4 for details on the calculation of the fair value of options granted.

3) Mr Scott commenced on 21 January 2008.

4) Mr Beecher was appointed on 29 November 2007 and resigned on 16 June 2009.

5) Mr Johnson was appointed 5 November 2008. Subsequent to year end, Mr Johnson's employment ceased on 31 August 2009.

6) Mr Tudor resigned as Chief Financial Officer on 30 November 2007. He was appointed to the Board and as Chief Executive Officer on 16 June 2009. Mr Tudor's remuneration for the 2009 year has been reported under the director's remuneration above.

OTHER	SHARE BASED PAYMENTS				
Termination benefits $	Employee Share Scheme $	Value of options[2] $	Total $	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
–	–	–	–	–	–
171,534	–	106,294	386,489	–	27.5
–	–	309,677	713,731	11.7	43.4
–	1,000	181,612	539,259	14.6	33.7
–	–	333,733	683,422	9.7	48.8
–	–	48,287	196,028	14.4	24.6
–	–	88,000	450,158	8.4	19.6
–	–	–	–	–	–
–	–	–	159,000	–	–
–	–	–	60,750	–	–
–	**–**	**731,410**	**2,006,311**		
171,534	**1,000**	**336,193**	**1,182,526**		
765,000	**–**	**1,058,353**	**5,159,848**		
171,534	**1,000**	**574,250**	**2,290,325**		

REMUNERATION REPORT (continued)

D) ANALYSIS OF BONUSES INCLUDED IN REMUNERATION

Details of the vesting profile of the Short term Incentive Bonuses awarded as remuneration to each director of the Company and each of the named Company executives and relevant Group executives are detailed below:

Table 3	Total performance bonus included in remuneration [1] $	Vested in year %	Forfeited in year [2] %
Directors			
Robert Lord [3]	1,092,000	n/a	n/a
Executives			
Graham Colliss	83,580	66.3	33.7
Peter Scott	65,939	56.8	43.2
Kirby Johnson	37,642	63.8	36.2

1. Amounts included in remuneration in the financial period represent the amount that vested in the financial period based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future years in respect of the short term incentive bonus schemes for the year ended 30 June 2009.
2. The amounts forfeited are due to performance service criteria not being met in relation to the current financial period. STI bonuses are in respect of safety and environmental performance criteria, Company results and individual KPIs for the twelve month period ended 30 June 2009.
3. The amount paid to Mr Lord of $1,092,000 represents payment in lieu of participation in the 2008/09 LTI scheme following the change of control. In addition to this, Mr Lord received a payment of $255,000 as part of his termination which represented 50% of his maximum STI and was paid under his employment contract.

Performance evaluations are conducted for senior executives on an annual basis as part of the Short term Incentive process. Performance is assessed for each executive against individual Key Performance Indicators which are set at the start of each financial year.

E) EQUITY INSTRUMENTS

(i) Options and rights over equity instruments granted as compensation

All options in the ESOP refer to options over ordinary shares of Gloucester Coal Ltd, which are exercisable on a one for one basis under the ESOP Plan. 200,000 options were granted as part of remuneration for the year ended 30 June 2009, of which all were granted to directors or executives.

All options in the ESOT refer to options over ordinary shares of Gloucester Coal Ltd, issued to the Gloucester Coal Ltd Employee Share Option Trust which are exercisable on a one for one basis under the ESOT Plan. 308,000 options were granted as part of remuneration for the year ended 30 June 2009, of which 154,000 were granted to executives.

In addition to a continuing employment service condition, the ability to exercise options is conditional on the Company achieving certain performance hurdles. Details of the performance hurdles are included in the Long term Incentives discussion on page 30.

Table 4

	Plan	Number of options granted	Grant date	Vest date	Fair value of options at grant date	Exercise price per option ($)	Expiry date	Number of options vested
2009								
Executives								
Graham Colliss	ESOT	67,000	24 Dec 2008	21 May 2009	$2.07	$0.00	24 Dec 2013	
Graham Colliss	ESOT	13,000	24 Dec 2008	21 May 2009	$2.64	$0.00	24 Dec 2013	
		80,000						280,000
Peter Scott	ESOT	62,000	24 Dec 2008	21 May 2009	$2.07	$0.00	24 Dec 2013	
Peter Scott	ESOT	12,000	24 Dec 2008	21 May 2009	$2.64	$0.00	24 Dec 2013	
		74,000						274,000
Kirby Johnson	ESOP	200,000	19 Nov 2008	21 May 2009	$0.44	$4.50	19 Nov 2013	200,000
2008								
Directors								
Robert Lord	ESOP	500,000	27 Aug 2007	21 May 2009	$1.13	$3.98	27 Aug 2012	–
Dan Buckley	ESOP	–	–	–	–	–	–	200,000
Executives								
Graham Colliss	ESOP	200,000	24 Sep 2007	21 May 2009	$1.23	$4.32	24 Sep 2012	200,000
Peter Scott	ESOP	200,000	23 Jan 2008	21 May 2009	$1.11	$5.71	23 Jan 2013	–
Barry Tudor	ESOP	200,000	24 Sep 2007	21 May 2009	$1.23	$4.32	24 Sep 2012	–

Options issued under the ESOT and the ESOP were subject to a change of control condition. As such, following the announcement on 21 May 2009 by the Noble Group Limited that it had acquired greater than 50% control of Gloucester Coal, all options vested.

(ii) Modification of terms of equity-settled share based payment transactions

During the year, Osendo Pty Limited (a wholly owned subsidiary of Noble Group Limited (Noble)) purchased and subsequently cancelled all the unexercised options of Gloucester Coal Ltd, totaling 1,500,000 options, as part of their takeover bid for the Company.

Apart from that noted above, no terms of equity-settled share-based payment transactions (including options and rights granted as compensation) have been altered or modified by the issuing entity during the reporting period.

(iii) Exercise of options granted as compensation

During the reporting period, 508,000 shares were issued on the exercise of options previously granted as compensation.

REMUNERATION REPORT (continued)

(iv) Analysis of options and rights over equity instruments granted as compensation

Details of vesting profile of the options granted as remuneration to each director of the Company and each Company executive and relevant Group executive is listed below:

Table 5	Options granted				
	Number	Date	Vested in year %	Forfeited in year %	Financial years in which grant vests
Directors					
Robert Lord	500,000	27 Sep 2007	100%	-	30 Jun 2009
Executives					
Graham Colliss	200,000	24 Sep 2007	100%	-	30 Jun 2009
	80,000	24 Dec 2008	100%	-	30 Jun 2009
Peter Scott	200,000	23 Jan 2008	100%	-	30 Jun 2009
	74,000	24 Dec 2008	100%	-	30 Jun 2009
Kirby Johnson	200,000	19 Nov 2008	100%	-	30 Jun 2009

(v) Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each company director and each of the named company executives and relevant group executives is detailed below:

Table 6	Granted in year (A) $	Exercised in year (B) $	Forfeited in year (C) $
Directors			
Robert Lord	–	1,510,000	–
Executives			
Graham Colliss	173,010	1,094,400	–
Peter Scott	160,020	774,520	–
Kirby Johnson	88,000	500,000	–

Options granted as part of key management personnel remuneration have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a Binomial pricing model. The total value of options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option. For options that were sold during the year the value of the options has been calculated as the net proceeds received.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a Binomial option-pricing model assuming the performance criteria been achieved.

Analysis of movements in options (continued)

(vi) Fair value of options

The following table summarises the factors and assumptions that were used in determining the fair value of options on grant date:

Table 7	Grant date	Expiry date	Vesting date	Share price at time of grant	Exercise price	Perform-ance hurdle	Estimated volatility	Expected life (years)	Risk free rate %	Dividend yield
2008 Issues	27/08/2007	27/08/2012	27/08/2009	$4.26	$3.98	Yes	37%	3.5	6.29	4.24%
	24/09/2007	24/09/2012	15/06/2009	$4.57	$4.32	Yes	37%	3.4	6.54	4.24%
	8/10/2007	24/09/2012	15/06/2009	$4.83	$4.32	Yes	37%	3.3	6.72	4.24%
	17/10/2007	24/09/2012	15/06/2009	$5.02	$4.32	Yes	37%	3.3	6.65	4.24%
	23/01/2008	23/01/2013	23/01/2010	$5.11	$5.71	Yes	38%	3.5	6.53	4.24%
2009 Issues	19/11/2008	19/11/2013	19/11/2011	$3.36	$4.50	Yes	32%	5.0	3.80	6.46%
	24/12/2008	24/12/2013	24/12/2011	$3.19	$0.00	Yes	32%	5.0	3.80	6.46%
	24/12/2008	24/12/2012	24/12/2011	$3.19	$0.00	No	32%	5.0	3.80	6.46%

Options issued during the year have been independently valued by Remuneration Strategies Group Pty Limited. The dividend yield is based on the assumptions of analyst reports. The expected life of the options is based on historical data and is not necessarily indicative of exercise patters that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

LEAD AUDITOR'S INDEPENDENCE

The Lead Auditor's independence declaration is set out on page 42 and forms part of the directors' report for the financial year ended 30 June 2009.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and, in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.

James MacKenzie
Chairman

Barry Tudor
Managing Director

Dated at Sydney this 29th day of September 2009

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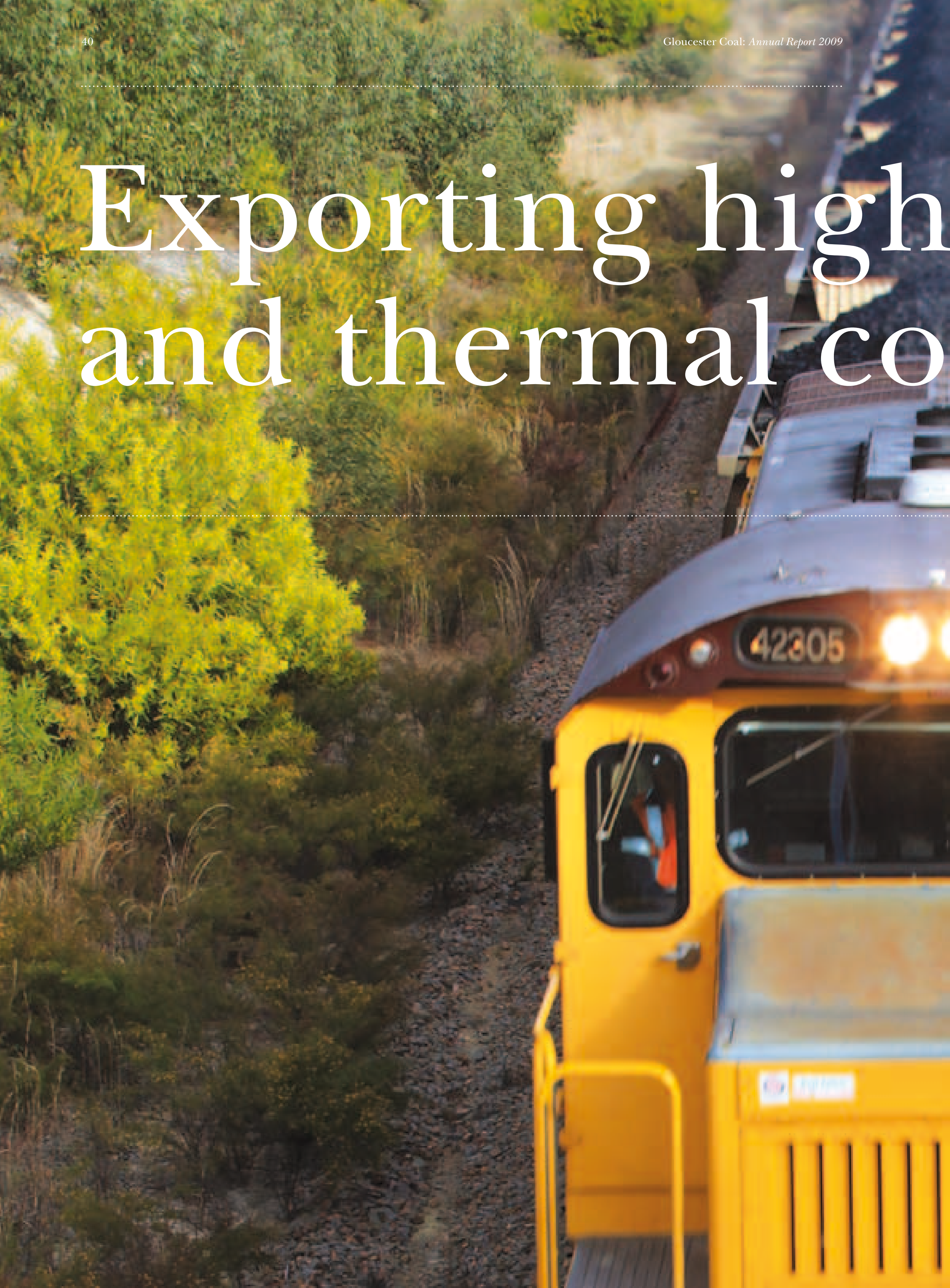

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LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO: THE DIRECTORS OF GLOUCESTER COAL LTD

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Anthony Jones
Partner
Sydney, 29 September 2009

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT	
	NOTES	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Revenue from sale of coal	5	306,771	159,552	234,540	129,576
Cost of sales		(172,057)	(116,097)	(125,354)	(88,975)
Gross profit		**134,714**	**43,455**	**109,186**	**40,601**
Other operating income / (expense)	6	2,253	(1,455)	2,801	(1,382)
Administration expenses		(23,098)	(6,490)	(22,299)	(5,437)
Operating profit before financing costs		**113,869**	**35,510**	**89,688**	**33,782**
Financial income		1,064	766	1,027	710
Financial expenses	7	(510)	(2,444)	(508)	(2,444)
Net financial income / (costs)		**554**	**(1,678)**	**519**	**(1,734)**
Profit before tax		**114,423**	**33,832**	**90,207**	**32,048**
Income tax expense	10	(32,683)	(10,385)	(25,358)	(10,880)
Profit for the year		**81,740**	**23,447**	**64,849**	**21,168**
Earnings per share (cents per share)					
– Basic earnings per share	11	99.8	28.8		
– Diluted earnings per share	11	99.8	28.7		

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

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT	
	NOTES	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Cash flow hedges:					
Gains transferred to income statement		(3,034)	(2,488)	(3,034)	(2,488)
Gains taken to equity		10,333	3,034	10,333	3,034
Net income recognised directly in equity	24	7,299	546	7,299	546
Profit for the year		81,740	23,447	64,849	21,168
Total recognised income for the year	**24**	**89,039**	**23,993**	**72,148**	**21,714**

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

BALANCE SHEETS

AS AT 30 JUNE 2009

	NOTES	CONSOLIDATED 30 Jun 09 $'000	CONSOLIDATED 30 Jun 08 $'000	PARENT 30 Jun 09 $'000	PARENT 30 Jun 08 $'000
CURRENT ASSETS					
Cash and cash equivalents	13	65,774	5,602	65,779	5,222
Trade and other receivables	14	21,497	24,461	21,740	19,410
Other financial assets (derivatives)	14	16,591	4,334	16,591	4,334
Inventories	15	5,179	9,892	4,143	7,913
TOTAL CURRENT ASSETS		**109,041**	**44,289**	**108,253**	**36,879**
NON-CURRENT ASSETS					
Property, plant and equipment	16	98,290	73,317	47,255	27,367
Intangible – exploration & evaluation	17	8,700	5,000	6,968	3,034
Waste in advance	18	28,265	28,743	7,360	10,468
Investments	19	60	176	16,623	16,689
TOTAL NON-CURRENT ASSETS		**135,315**	**107,236**	**78,206**	**57,558**
TOTAL ASSETS		**244,356**	**151,525**	**186,459**	**94,437**
CURRENT LIABILITIES					
Trade and other payables	20	25,273	13,359	16,264	15,658
Income tax liability		28,716	3,960	28,716	3,960
Provisions	22	200	-	200	-
Employee benefits	23	564	467	486	400
TOTAL CURRENT LIABILITIES		**54,753**	**17,786**	**45,666**	**20,018**
NON-CURRENT LIABILITIES					
Trade and other payables	20	-	-	39,898	11,791
Interest bearing loans and borrowings	21	-	9,670	-	9,670
Deferred tax liabilities	10	15,898	15,813	2,907	3,293
Provisions	22	7,063	6,517	4,172	3,861
Employee benefits	23	95	81	95	81
TOTAL NON-CURRENT LIABILITIES		**23,056**	**32,081**	**47,072**	**28,696**
TOTAL LIABILITIES		**77,809**	**49,867**	**92,738**	**48,714**
NET ASSETS		**166,547**	**101,658**	**93,721**	**45,723**
EQUITY					
Issued capital		137,247	138,905	137,247	138,905
Retained profits / (accumulated losses)		15,280	(42,269)	(57,546)	(98,204)
Reserves		14,020	5,022	14,020	5,022
TOTAL EQUITY					
(attributable to equity holders of the parent)	24	**166,547**	**101,658**	**93,721**	**45,723**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT	
	NOTES	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		310,366	142,723	233,936	118,678
Payments to suppliers and employees		(169,577)	(129,342)	(121,769)	(106,333)
Cash generated from operations		140,789	13,381	112,167	12,345
Income tax paid		(13,504)	(5,496)	(13,504)	(5,366)
Income tax refund received		2,534	3,367	2,534	3,367
Interest paid		(342)	(2,057)	(340)	(2,057)
Interest received		1,064	766	1,027	710
Net cash from operating activities	13	**130,541**	**9,961**	**101,884**	**8,999**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		1	15	1	13
Payments for property, plant and equipment		(30,980)	(6,758)	(22,920)	(5,800)
Payments for exploration & evaluation expenditure		(3,700)	(2,250)	(3,934)	(1,855)
Investment income		3	3	3	3
Security deposits refunded		116	–	66	–
Net cash from/(used in) investing activities		**(34,560)**	**(8,990)**	**(26,784)**	**(7,639)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from shares issued		634	9,985	634	9,985
Share buy back		(2,292)	–	(2,292)	–
Dividends paid		(24,151)	(6,500)	(24,151)	(6,500)
Proceeds from borrowings		–	25,000	21,266	25,000
Repayment of borrowings		(10,000)	(40,000)	(10,000)	(40,000)
Payment of loan establishment fees		–	(365)	–	(365)
Net cash from/(used in) financing activities		**(35,809)**	**(11,880)**	**(14,543)**	**(11,880)**
Net increase/(decrease) in cash and cash equivalents		60,172	(10,909)	60,557	(10,520)
Cash and cash equivalents at beginning of period		5,602	16,511	5,222	15,742
Cash and cash equivalents at end of period	13	**65,774**	**5,602**	**65,779**	**5,222**

The statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Gloucester Coal Ltd ("GCL") is a Company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled operations.

The financial report was authorised for issue by the directors on 29 September 2009.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in note 25.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's and Group's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998, and, in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken to account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Joint ventures (Jointly controlled operations)

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

The interest of the Company and of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods and services by the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational and financing activities. The Group does not hold or issue derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit and loss. However, where derivatives qualify for hedge accounting, recognition of any gain or loss depends on the nature of the item being hedged (see accounting policy d).

(d) Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset, or a non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same periods during which the asset acquired affects profit and loss. For cash flow hedges, other than those described above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i). The cost of self constructed assets includes the cost of raw material, direct labour, the initial estimate, where relevant, of costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate portion of production overheads.

Mining property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and subsequent costs to develop the mine to production phase.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefit embodied with the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line or diminishing value methods over their estimated useful lives, with the exception of freehold land (which is not depreciated), mining property, plant and equipment (which are amortised on a units of production basis over the life of the economically recoverable reserves) on a prospective basis.

The estimated useful lives (including useful life based on current production basis) in the current and comparative periods are as follows:

Freehold buildings	7–12 years
Plant and equipment	7–12 years
Office equipment, furniture and fittings	4–5 years
Motor vehicles	4–5 years
Mining property and development	7–12 years

The residual value, the effective life and the depreciation method applied to an asset are assessed at least annually.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see policy i).

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

(i) Coal stocks are determined using a weighted average basis. Costs include direct material, overburden removal, mining, processing, labour, related transportation costs to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable overhead costs directly related to mining activities.

(ii) Consumables – comprising average cost or purchase price plus freight and associated charges.

(i) Impairment

The carrying amounts of the Group's assets, other than inventories (see policy h) and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated, as described below.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised costs is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Exploration, evaluation and development

Exploration and evaluation

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore the area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not, at the reporting date, reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations, or in relation to, the area of interest are continuing.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment, accounting policy (i)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment, and depreciated in accordance with the policy set out in accounting policy (e).

(k) Waste in advance

Expenditure incurred to remove overburden or waste material during the production phase of a mining operation is deferred to the extent it gives rise to future economic benefits and charged to operating costs on a units of production basis using the estimated average stripping ratio for the area being mined. Changes in estimates of average stripping ratios are accounted for prospectively.

For the purposes of assessing impairment, waste in advance is grouped with other assets of the relevant cash generating unit.

(l) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, classified as available-for-sale are measured at fair value. Gains or losses on available for sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For an investment where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Group commits to purchase the asset.

(m) Interest bearing loans and borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any differential between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Dismantling

Provision is made for close-down and restoration costs (which include the dismantling and demolition of infrastructure and removal of residual materials) at the end of mine life in the accounting period when the obligation arises, based on the estimated future costs. At the time of establishing the provision, a corresponding asset is recognised (where it gives rise to a future benefit) and is depreciated in accordance with the policy set out in accounting policy (e).

The provision does not include allowances for unforeseeable events and is reviewed on an annual basis for changes in cost estimates or life of operations.

Rehabilitation

Provisions are made for site rehabilitation costs relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. The provision is based on estimated future costs in accordance with undiscounted security bonds lodged with the Department of Mineral Resources. These provisions are not discounted as the site is rehabilitated on a continual basis over the life of the mine. When the provision is recognised, the corresponding rehabilitation costs are recognised as part of mining property and development assets.

At each reporting date, the rehabilitation liability is re-measured in line with changes in the timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying value is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the writedown recognised in the income statement in the period in which it occurs.

The amount of the provision relating to the rehabilitation of environmental disturbance caused by on going production and extraction activities is recognised in the income statement as incurred. Changes in the liability are charged to the income statement as rehabilitation expense.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of coal

Revenue from the sale of coal is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Dividends

Revenue is recognised when the shareholders' right to receive the payments is established.

(iii) Rental income

Rental income arising on land surrounding the mine sites are accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(p) Income tax

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and the differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that the future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the tax benefit will be realised.

Tax consolidation

The Company is the head entity in a tax-consolidated group comprising the Company and all its Australian wholly owned subsidiaries. The implementation date for the tax-consolidated group was 1 January 2004.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the Group such that each entity measures its current and deferred taxes based on the group allocation method. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of assets and liabilities in the respective entity's balance sheet and their tax values applied under the group allocation method.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax-consolidated group are recognised in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary, and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that the future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

Nature of tax funding and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members or the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding agreement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The members of the tax-consolidated group have entered into a valid Tax Sharing Agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations and the treatment of entities leaving the tax-consolidated group. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the Tax Sharing Agreement is considered remote.

(q) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(s) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when liabilities are settled.

(ii) Defined contribution pension plans

The Company and other subsidiaries contribute to several defined contribution pension plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(iii) Share based payment transactions

The Group provides benefits to some employees and directors of the Group in the form of share-based payment transactions. The fair value of options granted is recognised as an employee expense over the period during which the employees become unconditionally entitled to the options, with a corresponding increase in equity. The fair value is measured at grant date using the Binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(t) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method. Interest income is recognised in the income statement as it accrues, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(u) Share capital

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from total equity.

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(v) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and normally settled within 60 days.

(w) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segments information in respect of its business and geographical segments (see note 4). The adoption of AASB 8 is not expected to materially change the segments reported.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential affect of the revised standard on the Group's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commence on or after the effective date.

4. FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee reports to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits and controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit, Risk and Corporate Governance Committee oversees how management monitors compliance with the Company and Group's risk management framework in relation to the risks faced by the Company and Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables

The Company and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industries and countries in which customers operate, has less influence on credit risk. Approximately 36% of the Group's revenue is attributable to sales transactions with two customers.

More than 81% of the Consolidated entity's customers have been transacting with the Group for over four years, and losses have occurred infrequently.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's trade and other receivables relate mainly to the Group's coking and thermal coal customers. The Group does not require collateral in respect of trade and other receivables.

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

The Company and Group has not established an allowance for impairment for trade and other receivables.

Guarantees

The Group provides financial guarantees for statutory bonding requirements associated with mining operations and other purposes, such as security of premises' leases.

Details of outstanding guarantees are provided in note 26.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet all expected operational expenses as and when due, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following line of credit:

- $19 million as at 30 June 2009 which reduces over time to the following balances:

31 August 2009	$14 million
28 February 2010	$9 million
31 August 2009	$4 million
19 February 2011	Nil

- As at 30 June 2009 no funds were drawn down. Interest under the facility is payable at a rate of BBSY plus 140 basis points.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into par forward foreign exchange contracts, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk on sales, purchases and demurrage that are denominated in a currency other than the respective functional currency of Group entities, the Australian dollar (AUD). The currency in which these transactions are primarily denominated is US dollars (USD).

The Group's hedging policy was revised in September 2009 to effectively hedge 80% of the next 12 month's forecast foreign currency sales, plus 80% of contracted sales beyond 12 months, which are denominated in foreign currency. The hedges are denominated in the currency of the contracts, usually US dollars. The Group uses forward exchange contracts to hedge its currency risk. Most contracts have maturity dates of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances. The Group classifies its forward exchange contracts hedging forecasted transactions as cash flow hedges and states them at fair value.

The net fair value of forward exchange contracts used as hedges of forecasted transactions at 30 June 2009 was $16,591,000 (2008: $4,334,000) comprising assets that were recognised in fair value derivatives.

Interest rate risk

The Company and Group is exposed to interest rate risk as the Company currently borrows funds at floating interest rates.

Other market price risk

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements: such contracts are not settled net.

The Group is exposed to fluctuations in the coal price. The Group currently does not have any hedges against the movement in the spot coal price but has entered into a small proportion of coal sale contracts for delivery periods exceeding 12 months, subject to the foreign currency risk management policies and procedures detailed above.

Capital management

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the capital structure on a regular basis, including the level of dividends to ordinary shareholders.

At 30 June 2009, employees held less than 1% of ordinary shares. All eligible employees may be awarded shares under the Employee Share Plan, which provides for an annual grant of shares to the value of $1,000 be made annually at the discretion of the Board. No shares were issued under the plan during the year.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year. As part of the Company's debt facility, bank guarantees are required to be backed by funds on deposit. Apart from this requirement, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

5. SEGMENT INFORMATION

The Group operates in one primary business segment, being coal mining. The coal mining activity is conducted within the Gloucester Basin of New South Wales, Australia and the related revenue is derived from the sale of coal to overseas and domestic customers.

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Sales revenue by destination for the period is as follows:				
SALES REVENUE BY DESTINATION				
Australia	3,308	–	2,646	–
Asia	267,632	159,552	203,229	129,576
Other	35,831	–	28,665	–
	306,771	**159,552**	**234,540**	**129,576**

6. OTHER OPERATING INCOME

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Rental income	241	208	43	63
Net gain / (loss) on revaluation of foreign currency	1,858	(1,719)	2,338	(1,761)
Other	154	56	113	40
Intercompany management fees	–	–	307	276
	2,253	**(1,455)**	**2,801**	**(1,382)**

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000

7. FINANCING EXPENSES

Recognised directly in profit or loss				
Interest paid or payable on interest bearing loans	342	2,125	340	2,125
Loan establishment fee	122	274	122	274
Interest expense (unwinding of effective discount on provisions)	46	45	46	45
	510	**2,444**	**508**	**2,444**

8. OTHER OPERATING EXPENSES

Recognised directly in profit or loss				
Depreciation	6,004	6,376	3028	3,188
Net loss on disposal of property, plant and equipment	2	21	2	17

9. PERSONNEL EXPENSES

Wages and salaries	10,300	7,381	9,152	6,489
Contributions to defined contribution pension plans	329	356	284	301
Equity settled transactions – Options	1,699	713	1,699	713
Equity settled transactions – Employee Share Plan	–	43	–	43
	12,328	**8,493**	**11,135**	**7,546**

10. INCOME TAX EXPENSE

Recognised in the income statement

Current tax expense				
Current year	38,109	7,996	31,252	9,466
Adjustment for prior periods	(2,382)	–	(2,382)	–
Deferred tax expense				
Origination and reversal of temporary differences	(3,044)	2,389	(3,512)	1,414
Total income tax expense in income statement	32,683	10,385	25,358	10,880
Numerical reconciliation between tax expense and pre-tax net profit				
Profit before income tax	114,423	33,832	90,207	32,048
Income tax using the domestic corporation tax rate of 30%	34,327	10,150	27,062	9,614
Increase in income tax expense due to:				
Expenditure not allowable for income tax purposes	312	216	313	215
Decrease in income tax expense due to:				
Under / (Over) provided in prior periods	(1,956)	19	(2,017)	1,051
Income tax expense on pre-tax profit	32,683	10,385	25,358	10,880

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Deferred tax liabilities – amounts recognised in profit or loss				
Property, plant and equipment	8,534	8,473	931	603
Waste in advance	8,480	8,623	2,208	3,140
Fair value of derivatives	549	–	549	–
	17,563	17,096	3,688	3,743

Deferred tax liabilities – amounts recognised directly in equity				
Fair value of derivatives	4,428	1,300	4,428	1,300
Deferred tax liabilities	21,991	18,396	8,116	5,043

Deferred tax assets – amounts recognised in profit or loss				
Employee benefits	388	319	326	268
Provisions	2,007	1,800	1,178	1,034
Other deferred expenditure	3,698	464	3,705	448
Deferred tax assets	6,093	2,583	5,209	1,750
Net tax liability	(15,898)	(15,813)	(2,907)	(3,293)

Recognised deferred tax assets and liabilities

At 30 June 2009, a deferred tax liability of $4,969,000 (2008: $4,969,000) relating to an investment in a subsidiary has not been recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses for the Group of $497,000 (2008: $497,000). Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised because it is not probable that future benefit will be realised from these losses.

11. EARNINGS PER SHARE

Basic earnings and dilutive earnings per share

The calculation of basic and diluted earnings per share at 30 June 2009 was based on profit attributable to ordinary shareholders of $81,740,000 (2008: $23,447,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2009 of 81,908,000 (2008: 81,312,000) for basic and 81,908,000 (2008: 81,791,000) for diluted, calculated as follows:

	BASIC		DILUTED	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Issued ordinary shares at beginning of period	82,097	79,026	82,097	79,026
Effect of shares issued during the period (weighted average)	200	2,286	200	2,286
Effect of shares bought back during the period (weighted average)	(389)	–	(389)	–
Effect of share options on issue	–	–	–	479
Weighted average number of ordinary shares at the end of the period	81,908	81,312	81,908	81,791
Earnings per share				
From continuing operations	99.8	28.8	99.8	28.7

There were no options to purchase ordinary shares outstanding at 30 June 2009. Full details of options are set out in note 32.

12. DIVIDENDS PAID AND PROPOSED

a) During the financial year, the directors declared and paid the following dividends:

	Cents per share	Total amount $'000	Franked amount per share	Date of payment
2008 – final – Ordinary	16 cents	13,168	100%	7 October 2008
2009 – interim – Ordinary	13.5 cents	11,023	100%	31 March 2009
		24,191		

During the previous financial year, the directors declared and paid the following dividends:

	Cents per share	Total amount $'000	Franked amount per share	Date of payment
2007 – final – Ordinary	6 cents	4,868	100%	5 October 2007
2008 – interim – Ordinary	5 cents	4,072	-	31 March 2008
		8,940		

There are 671,055 franking credits available to the Company as at 30 June 2009.

The directors have not declared a final dividend for the 2009 financial year while the outcome of the strategic review is underway.

b) Dividend Reinvestment Plan

In the previous financial year, Gloucester Coal Ltd offered shareholders resident in Australia the opportunity to reinvest part or all of their dividends in additional Gloucester Coal Ltd shares through a Dividend Reinvestment Plan ("DRP").

During the current year, the DRP has been suspended and no shares were issued under the Dividend Reinvestment Plan.

Refer to note 28 for information on dividends declared subsequent to year end.

13. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Bank balances	65,774	5,602	65,779	5,222
Reconciliation of cash flows from operating activities				
Cash flows from operating activities				
Profit after income tax	81,740	23,447	64,849	21,168
Adjustments for:				
Loss on sale of assets	2	21	2	17
Depreciation and amortisation	6,004	6,375	3,029	3,188
Loan fee amortisation	122	274	122	274
Equity settled share based payment expenses	1,699	756	1,699	756
Equity settled cash flow hedge gains	(3,034)	(2,488)	(3,034)	(2,488)
Investment Income	(3)	(3)	(3)	(3)
Operating profit before changes in working capital and provisions net of acquisitions				
Increase/(Decrease) in creditors and provisions	12,731	(1,658)	8,018	(6,909)
(Increase)/Decrease in receivables	3,172	(15,162)	(2,122)	(11,274)
(Increase)/Decrease in inventories	4,713	(3,320)	3,770	(2,677)
(Increase)/Decrease in waste in advance	478	(7,118)	3,108	(915)
(Increase)/Decrease in other financial assets	(1,924)	2,254	(1,924)	2,254
Increase/(Decrease) in income tax liability	24,756	3,960	24,756	3,960
Increase/(Decrease) in deferred tax liability	85	2,623	(386)	1,648
Net cash (outflow)/inflow from operating activities	**130,541**	**9,961**	**101,884**	**8,999**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 25.

14. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables and prepayments	21,497	24,461	21,740	19,410
Fair value derivatives	16,591	4,334	16,591	4,334
	38,088	**28,795**	**38,331**	**23,744**

The Consolidated entity's exposure to credit, currency and interest rate risks related to trade and other receivables is disclosed in note 25.

15. INVENTORIES

Coal stocks	4,255	9,030	3,404	7,223
Consumables	924	862	739	690
	5,179	**9,892**	**4,143**	**7,913**

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Office equipment $'000	Motor vehicles $'000	Mining property & development $'000	Total $'000
CONSOLIDATED							
Cost							
Balance 1 July 2007	19,054	477	49,443	297	481	57,762	127,514
Additions	3,072	52	1,842	64	64	1,664	6,758
Disposals	–	–	(5)	(3)	(108)	–	(116)
Balance 30 June 2008	**22,126**	**529**	**51,280**	**358**	**437**	**59,426**	**134,156**
Balance 1 July 2008	22,126	529	51,280	358	437	59,426	134,156
Additions	8,410	104	21,974	110	352	30	30,980
Disposals	–	–	–	(4)	–	–	(4)
Balance 30 June 2009	**30,536**	**633**	**73,254**	**464**	**789**	**59,456**	**165,132**
Depreciation and amortisation							
Balance 1 July 2007	–	298	24,817	156	257	29,015	54,543
Depreciation and amortisation for the period	–	20	2,754	82	82	3,437	6,375
Disposals	–	–	(4)	(1)	(74)	–	(79)
Balance 30 June 2008	**–**	**318**	**27,567**	**237**	**265**	**32,452**	**60,839**
Balance 1 July 2008	–	318	27,567	237	265	32,452	60,839
Depreciation and amortisation for the period	–	27	4,061	57	115	1,744	6,004
Disposals	–	–	–	(1)	–	–	(1)
Balance 30 June 2009	**–**	**345**	**31,628**	**293**	**380**	**34,196**	**66,842**
Carrying Amounts							
At 1 July 2007	19,054	179	24,626	141	224	28,747	72,971
At 30 June 2008	22,126	211	23,713	121	172	26,974	73,317
At 1 July 2008	22,126	211	23,713	121	172	26,974	73,317
At 30 June 2009	**30,536**	**288**	**41,626**	**171**	**409**	**25,260**	**98,290**

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Office equipment $'000	Motor vehicles $'000	Mining property & development $'000	Total $'000
PARENT							
Cost							
Balance 1 July 2007	13,400	308	26,633	346	434	19,224	60,345
Additions	3,072	20	1,424	58	51	1,175	5,800
Disposals	–	–	(5)	(3)	(86)	–	(94)
Balance 30 June 2008	**16,472**	**328**	**28,052**	**401**	**399**	**20,399**	**66,051**
Balance 1 July 2008	16,472	328	28,052	401	399	20,399	66,051
Additions	8,279	–	14,268	91	282	–	22,920
Disposals	–	–	–	(4)	–	–	(4)
Balance 30 June 2009	**24,751**	**328**	**42,320**	**488**	**681**	**20,399**	**88,967**
Depreciation and amortisation							
Balance 1 July 2007	–	236	19,702	257	294	15,071	35,560
Depreciation and amortisation for the period	–	10	1,535	77	66	1,500	3,188
Disposals	–	–	(4)	(1)	(59)	–	(64)
Balance 30 June 2008	**–**	**246**	**21,233**	**333**	**301**	**16,571**	**38,684**
Balance 1 July 2008	–	246	21,233	333	301	16,571	38,684
Depreciation and amortisation for the period	–	10	2,000	50	92	876	3,028
Disposals	–	–	–	(1)	–	–	(1)
Balance 30 June 2009	**–**	**256**	**23,233**	**384**	**393**	**17,447**	**41,713**
Carrying Amounts							
At 1 July 2007	13,400	72	6,931	89	140	4,153	24,875
At 30 June 2008	16,472	82	6,819	68	98	3,828	27,367
At 1 July 2008	16,472	82	6,819	68	98	3,828	27,367
At 30 June 2009	**24,751**	**72**	**19,087**	**105**	**288**	**2,952**	**47,255**

17. INTANGIBLE ASSETS – EXPLORATION AND EVALUATION

	CONSOLIDATED $'000	PARENT $'000
Balance 1 July 2007	2,750	1,179
Additions	2,250	1,855
Balance 30 June 2008	5,000	3,034
Balance 1 July 2008	5,000	3,034
Additions	3,700	3,934
Balance 30 June 2009	**8,700**	**6,968**

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

	CONSOLIDATED		PARENT	
	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000

18. WASTE IN ADVANCE

	30 Jun 09	30 Jun 08	30 Jun 09	30 Jun 08
Waste in advance	28,265	28,743	7,360	10,468

19. INVESTMENTS

	30 Jun 09	30 Jun 08	30 Jun 09	30 Jun 08
Non-current				
Shares in subsidiaries (net of impairment losses)	–	–	16,565	16,565
Unlisted investments available for sale	49	49	49	49
Security deposit	11	127	9	75
	60	**176**	**16,623**	**16,689**

Impairment losses of $60,000 have been recorded in respect of investments in subsidiaries at 30 June 2009 (2008: $60,000).
The Consolidated entity's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 25.

20. TRADE AND OTHER PAYABLES

	30 Jun 09	30 Jun 08	30 Jun 09	30 Jun 08
Current				
Trade payables and accrued expenses	25,273	13,359	6,137	8,817
Loans from subsidiaries	–	–	10,127	6,841
	25,273	**13,359**	**16,264**	**15,658**
Non-Current				
Loans from subsidiaries	–	–	39,898	11,791

21. INTEREST BEARING LOANS AND BORROWINGS

This note provides information about contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rates and foreign currency risk, see note 25.

	CONSOLIDATED		PARENT	
	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Current				
Bank loans – Secured (1)	–	9,670	–	9,670
Effective interest rate	–	9.21%	–	9.21%
Maturity	19 Feb 11	19 Feb 11	19 Feb 11	19 Feb 11

Secured bank loans

Bank loans are secured over the assets of the Group.
Bank loans represent bank facilities drawn down less capitalised facility establishment costs.

Financing facilities				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities – Bank loans	19,000	30,000	19,000	30,000
Total facilities – Bank guarantees	12,000	6,000	12,000	6,000
	31,000	36,000	31,000	36,000
Facilities used at reporting date – Bank loans	–	10,000	–	10,000
Facilities used at reporting date – Bank guarantees	11,716	5,713	11,716	5,713
	11,716	15,713	11,716	15,713
Facilities unused at reporting date	19,284	20,287	19,284	20,287

(1) Excluded from the above bank loans are capitalised loan establishment fees of $208,000 (2008: $330,000) which are being amortised over the term of the facility.

22. PROVISIONS

	CONSOLIDATED			PARENT		
	Rehabilitation $'000	Dismantling $'000	Total $'000	Rehabilitation $'000	Dismantling $'000	Total $'000
At 1 July 2008	5,930	587	6,517	3,274	587	3,861
Provisions made during the period	700	–	700	465	–	465
Unwinding of discount	–	46	46	–	46	46
At 30 June 2009	**6,630**	**633**	**7,263**	**3,739**	**633**	**4,372**
Current 2009	200	–	–	200	–	200
Non-current 2009	6,430	633	7,063	3,539	633	4,172
	6,630	**633**	**7,263**	**3,739**	**633**	**4,372**
Current 2008	–	–	–	–	–	–
Non-current 2008	5,930	587	6,517	3,274	587	3,861
	5,930	**587**	**6,517**	**3,274**	**587**	**3,861**

Site restoration and dismantling

Provision is made for mine site restoration and dismantling of mining infrastructure. The provision for mine rehabilitation has been recognised in relation to the Group's coal mining operations. The basis for accounting is set out in note (n) of the significant accounting policies.

23. EMPLOYEE BENEFITS

	CONSOLIDATED		PARENT	
	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Current				
Liability for long service leave	–	–	–	–
Liability for annual leave	564	467	486	400
Liability for termination payments	–	–	–	–
	564	**467**	**486**	**400**
Non-current				
Liability for long service leave	95	81	95	81
	95	**81**	**95**	**81**

Share based payments

No shares were issued under the Employee Share Plan during the year.

Employee Share Option Plan

The Group operates a share option program that entitles executive directors and other senior management to purchase shares in the entity.

Options issues have been made to these employees as per the table below. In accordance with these programmes, options are exercisable at prices specified by the Board at the date of issue, and were issued in accordance with the scheme's rules and regulations. For details of the options issued, refer to note 32.

The terms and conditions of options granted under this plan in the previous two years are as follows:

Grant date	Employees entitled	Number of options	Vesting date	Vesting conditions	Contractual life of options
27 August 2007	Key management	500,000	27/8/2009	2 years of service *	5 years
24 September 2007	Key & senior management	600,000	15/6/2009	22 months of service *	5 years
8 October 2007	Senior management	100,000	15/6/2009	21 months of service *	5 years
17 October 2007	Senior management	100,000	15/6/2009	21 months of service *	5 years
19 November 2008	Senior management	200,000	19/11/2011	3 years of service *	5 years

* In addition to the service condition, the exercise of these options was also dependant on a performance hurdle which requires that the options can only be exercised if the Company's Total Shareholder Return ("TSR") outperforms the S&P ASX/300 Accumulation Index over a rolling 12 month period.

All options vested upon change in control.

Employee Share Option Trust

During the year, the Group established an Employee Share Option Trust that entitles executive directors and other senior management to acquire units in the trust, for which the trust purchases options to acquire shares in the entity.

Options issues have been made to the trust as per the table below. In accordance with these programmes, options are exercisable at prices specified by the Board at the date of issue, and were issued in accordance with the scheme's rules and regulations. For details of the options issued, refer to note 32.

The terms and conditions of options granted under this plan are as follows:

Grant date	Employees entitled	Number of options	Vesting date	Vesting conditions	Contractual life of options
24 December 2008	Key & senior management	251,000	24/12/2011	3 years of service*	5 years
24 December 2008	Key & senior management	57,000	21/12/2011	3 years of service	5 years

* In addition to the service condition, the exercise of these options was also dependant on a performance hurdle which requires that the options can only be exercised if the Company's Total Shareholder Return ("TSR") outperforms the ASX Small Cap Resources Index in any 12 month period prior to vesting.

All options vested upon change in control.

The number and weighted average exercise prices of all share options is as follows:

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at the beginning of the period	$4.24	1,500,000	$3.71	3,250,000
Exercised during the period	$1.25	(508,000)	$3.84	(2,600,000)
Forfeited during the period	–	–	$3.52	(650,000)
Vested and cancelled during the period	$4.42	(1,500,000)	–	–
Issued during the period	$1.77	508,000	$4.39	1,500,000
Outstanding at the end of the period	–	–	$4.24	1,500,000

Options outstanding at 30 June 2009

No options were outstanding as at 30 June 2009. Following the change of control of Gloucester Coal Ltd on 21 May 2009, all options vested. A total of 1,808,000 options vested. 308,000 of these options, which had a nil exercise price, were exercised on 22 May 2009. The remaining 1,500,000 options were acquired by Osendo Pty Limited (a wholly owned subsidiary of Noble Group Limited (Noble)) and subsequently cancelled.

Equity settled employee expenses are as follows:

	CONSOLIDATED		PARENT	
	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Share options	1,699	713	1,699	713
Shares granted under Employee Share Plan	-	43	-	43
	1,699	**756**	**1,699**	**756**

24. ISSUED CAPITAL AND RESERVES

	CONSOLIDATED					PARENT				
	Share capital $'000	Equity reserve $'000	Hedge reserve $'000	Ret. profits/ accum. losses $'000	Total $'000	Share capital $'000	Equity reserve $'000	Hedge reserve $'000	Ret. profits/ accum. losses $'000	Total $'000
At 1 July 2007	126,257	1,275	2,488	(56,776)	73,244	126,257	1,275	2,488	(110,432)	19,588
Share based payments										
– options	–	713	–	–	713	–	713	–	–	713
– share plan	43	–	–	–	43	43	–	–	–	43
Exercise of options	9,985	–	–	–	9,985	9,985	–	–	–	9,985
Total recognised income and expense	–	–	546	23,447	23,993	–	–	546	21,168	21,714
Dividends declared	–	–	–	(8,940)	(8,940)	–	–	–	(8,940)	(8,940)
DRP shares issued	2,620	–	–	–	2,620	2,620	–	–	–	2,620
At 30 June 2008	**138,905**	**1,988**	**3,034**	**(42,269)**	**101,658**	**138,905**	**1,988**	**3,034**	**(98,204)**	**45,723**
At 1 July 2008	138,905	1,988	3,034	(42,269)	101,658	138,905	1,988	3,034	(98,204)	45,723
Share based payments										
– options	–	1,699	–	–	1,699	–	1,699	–	–	1,699
– share plan	–	–	–	–	–	–	–	–	–	–
Exercise of options	634	–	–	–	634	634	–	–	–	634
Total recognised income and expense	–	–	7,299	81,740	89,039	–	–	7,299	64,849	72,148
Dividends declared	–	–	–	(24,191)	(24,191)	–	–	–	(24,191)	(24,191)
Share buy-back	(2,292)	–	–	–	(2,292)	(2,292)	–	–	–	(2,292)
DRP shares issued	–	–	–	–	–	–	–	–	–	–
At 30 June 2009	**137,247**	**3,687**	**10,333**	**15,280**	**166,547**	**137,247**	**3,687**	**10,333**	**(57,546)**	**93,721**

Movements in ordinary share capital

	Date issued	Number issued and quoted	Issue price ($)
Fully paid shares at 30 June 2008		82,097,498	Various
Changes during the current period:			
a) Issue of shares upon exercise of Employee Share Options	21 Aug 08	61,000	3.17
b) Issue of shares upon exercise of Employee Share Options	2 Sep 08	139,000	3.17
c) Shares cancelled under share buy back	28 Oct 08	(100,000)	3.60
d) Shares cancelled under share buy back	6 Nov 08	(100,000)	4.60
e) Shares cancelled under share buy back	7 Nov 08	(100,000)	4.58
f) Shares cancelled under share buy back	20 Nov 08	(50,000)	3.22
g) Shares cancelled under share buy back	21 Nov 08	(17,129)	2.90
h) Shares cancelled under share buy back	24 Nov 08	(76,236)	2.90
i) Shares cancelled under share buy back	16 Dec 08	(100,000)	2.98
j) Shares cancelled under share buy back	18 Dec 08	(100,000)	2.79
k) Issue of shares upon exercise of Employee Share Options	21 May 09	308,000	–
Fully paid shares at 30 June 2009		**81,962,133**	

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

Equity reserve

The equity reserve represents the value of shares held by an equity compensation plan that the Group is required to include in the consolidated financial statements.

This reserve will be reversed against share capital when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

25. FINANCIAL INSTRUMENTS

Exposure to currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Foreign currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other AUD. The currency giving rise to this risk is US dollars.

The Group's hedging policy was revised in September 2009 to effectively hedge 80% of the next 12 month's forecast foreign currency sales, plus 80% of contracted sales beyond 12 months, which are denominated in foreign currency. The hedges are denominated in the currency of the contracts, usually US dollars. The Group uses forward exchange contracts to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than one year after balance sheet date. Where necessary, the forward exchange contracts are rolled forward at maturity so as to mature at a later date.

In respect of other monetary assets and liabilities held in currencies other than AUD, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Group

	Note	Carrying amount 2009 $'000	Carrying amount 2008 $'000
Financial assets			
Cash	13	65,774	5,602
Trade and other receivables	14	21,497	24,461
Derivatives	14	16,591	4,334
Other financial assets (non-current)	19	60	176
		103,922	**34,573**

The Company's maximum exposure to credit risk at the reporting date was $65,779,000 (2008: $5,222,000) for cash; $21,740,000 (2008: $19,410,000) for trade receivables; $16,591,000 (2008: 4,334,000) for derivatives; and $58,000 (2008: $124,000) for other financial assets; totaling $104,168 (2008: $29,090,000).

The Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount 2009 $'000	Carrying amount 2008 $'000
Australia	2,848	–
Asia	14,864	24,006
Europe	3,119	–
USA	–	–
	20,831	**24,006**

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount 2009 $'000	Carrying amount 2008 $'000
Coking coal customers	14,864	22,387
Thermal coal customers	5,967	1,619
	20,831	**24,006**

The Group's most significant customer balance at year end is a Coking coal customer, which accounts for $10,147,000 of the trade receivables carrying amount as at 30 June 2009 (2008: $12,999,000). This balance has been fully receipted subsequent to year end. The Company's most significant customer at year end is a Coking coal customer, which accounts for $8,118,000 of the trade receivables carrying amount as at 30 June 2009 (2008: $10,399,000). This balance has been fully receipted subsequent to year end.

Credit risk

The ageing of the Group and Company's trade receivables at the reporting date was:

	Gross 2009 $'000	Impairment 2009 $'000	Gross 2008 $'000	Impairment 2008 $'000
Consolidated				
Not past due	20,831	–	24,006	–
Past due	–	–	–	–
	20,831	**–**	**24,006**	**–**
Company				
Not past due	16,665	–	19,204	–
Past due	–	–	–	–
	16,665	**16,665**	**19,204**	**–**

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables as all customers have a good credit history with the Group.

Liquidity risk

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000
2009						
Non derivative financial liabilities						
Trade and other payables	53,989	(53,989)	(53,989)	–	–	–
Secured bank loans	–	–	–	–	–	–
Derivative financial instruments						
Forward exchange contracts used for hedging						
Outflow	132,688	(132,688)	(76,678)	(52,290)	(3,720)	–
Inflow	(149,279)	150,176	86,337	59,049	4,790	–
	37,398	**(36,501)**	**(44,330)**	**6,759**	**1,070**	**–**
2008						
Non derivative financial liabilities						
Trade and other payables	17,319	(17,319)	(17,319)	–	–	–
Secured bank loans	9,670	(12,217)	(466)	(459)	(925)	(10,367)
Derivative financial instruments						
Forward exchange contracts used for hedging						
Outflow	106,024	(106,024)	(62,889)	(41,891)	(1,244)	–
Inflow	(110,358)	112,878	66,861	44,640	1,377	–
	22,655	**(22,682)**	**(13,813)**	**2,290**	**(792)**	**(10,367)**

25. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Company	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000
2009						
Non derivative financial liabilities						
Trade and other payables	84,878	(84,878)	(44,980)	–	–	(39,898)
Secured bank facility	–	–	–	–	–	–
Derivative financial instruments						
Forward exchange contracts used for hedging						
Outflow	132,688	(132,688)	(76,678)	(52,290)	(3,720)	–
Inflow	(149,279)	150,176	86,337	59,049	4,790	–
	68,287	**(67,390)**	**(35,321)**	**6,759**	**1,070**	**(39,898)**
2008						
Non derivative financial liabilities						
Trade and other payables	30,863	(30,863)	(19,072)	–	–	(11,791)
Secured bank facility	9,670	(12,217)	(466)	(459)	(925)	(10,367)
Derivative financial instruments						
Forward exchange contracts used for hedging						
Outflow	106,024	(106,024)	(62,889)	(41,891)	(1,244)	–
Inflow	(110,358)	112,878	66,861	44,640	1,377	–
	36,199	**(36,226)**	**(15,566)**	**2,290**	**(792)**	**(22,158)**

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss:

Company and consolidated	Carrying amount $'000	Contractual cash flows $'000	6 mths or less $'000	6-12 mths $'000	1-2 years $'000	2-5 years $'000
2009						
Forward exchange contracts used for hedging						
Outflow	–	–	–	–	–	–
Inflow	16,591	16,591	9,649	6,003	939	–
	16,591	**16,591**	**9,649**	**6,003**	**939**	**–**
2008						
Forward exchange contracts used for hedging						
Outflow	(3)	(3)	–	(3)	–	–
Inflow	4,337	4,337	3,003	1,271	63	–
	4,334	4,334	3,003	1,268	63	–

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2009		30 June 2008	
	AUD $'000	USD $'000	AUD $'000	USD $'000
Cash	51,943	11,154	4,558	1,007
Trade receivables	–	16,798	–	23,151
Trade and other payables	(47,948)	(4,871)	(13,364)	(3,815)
Interest bearing loans and borrowings	–	–	(9,670)	-
Gross balance sheet exposure	**3,995**	**23,081**	**(18,476)**	**20,343**
Forward exchange contracts	**–**	**13,379**	**–**	**4,180**
Net exposure	**3,995**	**36,460**	**(18,476)**	**24,523**

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2009		30 June 2008	
	AUD $'000	USD $'000	AUD $'000	USD $'000
Cash	51,954	11,148	4,205	980
Trade receivables	–	13,438	–	18,521
Trade and other payables	(80,049)	(3,897)	(28,242)	(3,053)
Interest bearing loans and borrowings	–	–	(9,670)	-
Gross balance sheet exposure	**(28,095)**	**20,689**	**(33,707)**	**16,448**
Forward exchange contracts	**–**	**13,379**	**–**	**4,180**
Net exposure	**(28,095)**	**34,068**	**(33,707)**	**20,628**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	2009	2008	2009	2008
USD	0.7979	0.907	0.8064	0.964

25. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

Sensitivity analysis

A 10 cent movement in the Australian dollar against the US dollar at 30 June 2009 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
30 June 2009				
10 cent rise in $A:$US	6,427	(2,210)	6,656	(1,981)
10 cent fall in $A:$US	(8,247)	2,836	(8,540)	2,542
30 June 2008				
10 cent rise in $A:$US	5,585	(1,387)	5,851	(1,122)
10 cent fall in $A:$US	(6,878)	1,708	(7,205)	1,381

A 10% weakening of the Australian dollar against the US dollar at 30 June 2009 would have had the equal but opposite affect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date, the interest rate profile of the Company's and Group's interest bearing financial instruments were:

	Consolidated		Company	
	Carrying amount		Carrying amount	
	2009	2008	2009	2008
Financial assets	65,774	5,602	65,779	5,222
Financial liabilities	–	(9,670)	–	(9,670)
	65,774	**(4,068)**	**65,779**	**(4,448)**

Fair value sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2008.

	Profit or loss		Equity	
	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000
30 June 2009				
Variable rate instruments	460	–	460	–
30 June 2008				
Variable rate instruments	(28)	28	(28)	28

Fair value versus carrying amounts

	Carrying amount 2009 $'000	Fair value 2009 $'000	Carrying amount 2008 $'000	Fair value 2008 $'000
CONSOLIDATED				
Financial assets				
Cash	65,774	65,774	5,602	5,602
Trade and other receivables	21,497	21,497	24,461	24,461
Derivatives	16,591	16,591	4,334	4,334
Other financial assets (non-current)	60	60	176	176
Financial liabilities				
Trade and other payables	53,989	53,989	17,319	17,319
Interest bearing loans and borrowings:				
Floating rate borrowings	–	–	9,670	9,670
PARENT				
Financial assets				
Cash	65,779	65,779	5,222	5,222
Trade and other receivables	21,740	21,740	19,410	19,410
Derivatives	16,591	16,591	4,334	4,334
Other financial assets (non-current)	58	58	124	124
Financial liabilities				
Trade and other payables	84,878	84,878	31,409	31,409
Interest bearing loans and borrowings:				
Floating rate borrowings	–	–	9,670	9,670

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contracts are marked to market using listed market prices.

Interest bearing loans and borrowings

Fair value is calculated based on expected future principal and interest cash flows.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2009	2008
Loans and borrowings	n/a	8.3%

25. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	< 1 year $'000	1-<2 years $'000	>2-<5 years $'000	Total $'000	Effective interest rate %
AS AT 30 JUNE 2009					
CONSOLIDATED					
Floating rate					
Cash assets	65,774	–	–	65,774	1.97
Interest bearing liabilities	–	–	–	–	n/a
PARENT					
Floating rate					
Cash assets	65,779	–	–	65,779	1.97
Interest bearing liabilities	–	–	–	–	n/a
AS AT 30 JUNE 2008					
CONSOLIDATED					
Floating rate					
Cash assets	5,602	–	–	5,602	5.79
Interest bearing liabilities	–	–	9,670	9,670	9.21
PARENT					
Floating rate					
Cash assets	5,222	–	–	5,222	5.78
Interest bearing liabilities	–	–	9,670	9,670	9.21

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year.

26. CONTINGENT LIABILITIES

	CONSOLIDATED		PARENT	
	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Secured guarantees for satisfactory contract performance	11,716	5,735	11,716	5,735

No material losses are expected in respect of any of the above contingent liabilities.

27. CONSOLIDATED ENTITIES

The consolidated financial statements include the financial statements of Gloucester Coal Ltd and the subsidiaries listed in the following table:

Name	Country of incorporation	2009	2008
Parent Entity			
Gloucester Coal Ltd			
Significant subsidiaries			
Westralian Prospectors NL	Australia	100%	100%
Eucla Mining NL	Australia	100%	100%
CIM Duralie Pty Ltd	Australia	100%	100%
CIM Stratford Pty Ltd	Australia	100%	100%
CIM Services Pty Ltd	Australia	100%	100%
CIM Mining Pty Ltd	Australia	100%	100%
Stratford Coal Pty Ltd	Australia	100%	100%
Stratford Coal Marketing Pty Ltd	Australia	100%	100%
Duralie Coal Pty Ltd	Australia	100%	100%
Duralie Coal Marketing Pty Ltd	Australia	100%	100%

28. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to year end, pursuant to his employment contract and subject to shareholder approval at the next AGM, the Company has allocated 1,000,000 options to acquire ordinary shares to the Company's CEO and Managing Director, Barry Tudor with an exercise price of $5.65. Of the options, 500,000 vest on 17 June 2012 and the remaining 500,000 vest on 17 June 2014.

Other than noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the Group, in future years.

29. AUDITOR'S REMUNERATION

	CONSOLIDATED		PARENT	
	30 Jun 09	30 Jun 08	30 Jun 09	30 Jun 08
Audit services				
Auditors of the Company				
KPMG Australia				
– Audit and review of financial reports	140,000	183,478	140,000	183,478
– Other regulatory assurance services	6,455	6,165	4,595	5,205
	146,455	**189,643**	**144,595**	**188,683**
Other services				
Auditors of the Company				
KPMG Australia				
– Extraordinary General Meeting attendance	–	770	–	770
– Advice on corporate transactions	130,930	–	130,930	–
– Secretarial support	10,290	12,682	10,290	12,682
	141,220	**13,452**	**141,220**	**13,452**

30. COMMITMENTS

a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	CONSOLIDATED		PARENT	
	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Property, plant and equipment payable within one year	42,929	1,597	14,079	1,278
Consumable materials within one year	575	744	472	595
	43,504	**2,341**	**14,551**	**1,873**

b) Operating lease commitments

The non-cancellable operating lease rentals are payable as follows:

	CONSOLIDATED		PARENT	
	30 Jun 09 $'000	30 Jun 08 $'000	30 Jun 09 $'000	30 Jun 08 $'000
Within one year	1,426	1,338	1,180	1,110
One year or later and no later than five years	1,982	1,956	1,616	1,641
	3,408	**3,294**	**2,796**	**2,751**

The Group leases various mobile equipment used in coal production. These leases are 5 year leases. Currently there are two leases due to expire on 14 March 2010 and 31 January 2011. These leases have an escalation rate based on the Consumer Price Index.

The Group leases office space under a non-cancellable operating lease expiring on 31 May 2011. The lease has an escalation rate based on the Consumer Price Index and an option to renew for a further 5 years.

During the year ended 30 June 2009, $1,436,000 was recognised as an expense in the Income Statement in respect of operating leases (2008: $1,475,000).

The office space lease included a lease incentive of $212,000. This has been applied against the cost of fitout of the leased property, with the residual being amortised against rental expense.

c) Exploration and expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Within one year	946	742	946	742
One year or later and no later than five years	2,342	2,443	2,342	2,443
	3,288	**3,185**	**3,288**	**3,185**

d) Employee compensation commitments

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Key and senior management personnel				
(Consolidated and Company)				
Commitments under non-cancellable employment contracts				
not provided for in the financial statements and payable:				
Within one year	1,366	1,488	1,295	1,409

The above commitments represent the minimum balances payable under employment contracts for key and senior management personnel.

31. NON-DIRECTOR RELATED PARTIES

Loans are made by and to the Company with controlled entities for normal commercial business purposes. Loans by and to the Company with controlled entities are interest free and repayable on demand. As at 30 June 2009, the amount owed by the Company to controlled entities was $39,829,000 (2008: $18,631,000). These loans are not expected to be repaid in the next 12 months.

Parent entities

Following the change of control of Gloucester Coal Ltd on 21 May 2009, the parent entity in the Group is Gloucester Coal Ltd. Gloucester Coal Ltd's parent entity is Osendo Pty Limited and the Ultimate Parent Entity is Noble Group Limited. Osendo Pty Limited is a wholly owned Group of Noble Limited and is incorporated in Australia. Noble Group Limited is listed on the Singapore Securities Exchange and incorporated in Bermuda with its head office in Hong Kong.

Sales of coal to Noble Group Limited and its subsidiaries are made in arm's length transactions at both normal market prices and normal commercial terms. Since Noble Group Limited became the ultimate parent entity transactions include sale of coal totaling $3,651,000.

Other related party

Terms and conditions of transactions with related parties

Sales to and purchases from related parties within the wholly-owned group are made in arms length transactions at both normal market prices and normal commercial terms. Transactions include sale and purchase of coal and recharge of administrative and other costs. Outstanding balances at period-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables.

32. RELATED PARTIES

The following persons were key management personnel of the Group at any time during the reporting period and, unless otherwise indicated, were key management personnel for the entire period:

Non-Executive Directors

James MacKenzie	Chairman (appointed 16 June 2009)
David Brownell	Non-Executive Director (appointed 16 June 2009)
Ricardo Leiman	Non-Executive Director (appointed 16 June 2009)
William Randall	Non-Executive Director (appointed 16 June 2009)
Gregory Fletcher	Non-Executive Director (appointed 30 June 2009)
Andy Hogendijk	Chairman (resigned 16 June 2009)
Ian Levy	Non-Executive Director (resigned 30 June 2009)
John Bryan	Non-Executive Director (resigned 16 June 2009)
Chris Sadler	Non-Executive Director (resigned 16 June 2009)

Executive Directors

Barry Tudor	Chief Executive Officer and Managing Director (appointed 16 June 2009)
Robert Lord	Chief Executive Officer and Managing Director (resigned 16 June 2009)

Executives

Graham Colliss	Chief Operating Officer, Gloucester Coal Ltd
Peter Scott	Chief Financial Officer, Gloucester Coal Ltd
Kirby Johnson	Chief Development Officer, Gloucester Coal Ltd (appointed 5 November 2008)
James Beecher	Company Secretary, Gloucester Coal Ltd (resigned 16 June 2009)

The following key management personnel were employed during the entire previous financial period: Messrs Hogendijk, Levy, Bryan and Colliss.

Key management personnel compensation

Individual directors and executive's compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments' disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company of the Group since the end of the previous financial year, and there were no material contracts involving directors' interests at year-end.

Loans to key management personnel and their related parties

During the year, the Gloucester Coal Ltd Employee Share Option Trust granted non recourse loans to the following key management personnel so that they may acquire their entitlement units in the Employee Share Option Trust:

		CONSOLIDATED		PARENT	
Key management and their related parties	Transaction	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Graham Colliss	Loan to acquire ESOT Units	170	–	170	–
Peter Scott	Loan to acquire ESOT Units	152	–	152	–

Loans to acquire ESOT units are non recourse. There were no other loans to directors or specified executives during the financial period. As at 30 June 2009 the balances of these loans were nil.

Other key management personnel transactions

A number of key management persons, or their related parties, transacted with the Company in the reporting period. The terms and conditions of the transactions with McElroy Bryan Geological Services Pty Ltd were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

		CONSOLIDATED		PARENT	
Key management and their related parties	Transaction	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Other related parties John Bryan – McElroy Bryan Geological Services Pty Ltd	Geological surveys	949	532	892	363

A director, Dr Bryan, is a director and shareholder of McElroy Bryan Geological Services Pty Ltd and exercises significant influence over the financial and operational policies of that entity. McElroy Bryan Geological Services Pty Limited has provided geological surveys to Gloucester Coal Ltd and certain of its subsidiaries for several years. The aggregate of these costs have been recognised as capitalised exploration during the year.

Mr Levy, who was a Director until 30 June 2009, has entered a fixed term consulting agreement with the Company from 1 July 2009 to 31 December 2009. Total consulting fees to be paid under this contract are $42,500.

From time to time, key management personnel of the Group, its subsidiaries or their related entities, may purchase goods or equipment from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

32. RELATED PARTIES (CONTINUED)

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Gloucester Coal Ltd held directly, indirectly, or beneficially, by each of the key management persons, including their related parties, is as follows:

	Held at 1 July 2007	Granted as compensation	Exercised	Other changes	Held at 30 June 2008	Vested during the year	Vested and exercisable as 30 June 2008
Directors							
Robert Lord	–	500,000	–	–	500,000	–	–
Executives							
Graham Colliss	400,000	200,000	(400,000)	–	200,000	200,000	–
Peter Scott	–	200,000	–	–	200,000	–	–
Kirby Johnson	–	–	–	–	–	–	–

On 24 December 2008, share options were granted to the Employee Share Trust for which the following executives had a beneficial interest; Mr Colliss 67,000 share options, and Mr Scott 62,000. These options had an exercise price of $nil and were due to vest on 24 December 2011, subject to the vesting conditions of service and performance hurdles, and expire on 24 December 2013. Following a change of control of Gloucester Coal Ltd on 21 May 2009, these options vested and the shares were issued to the Trust.

On 24 December 2008, share options were granted to the Employee Share Trust for which the following executives had a beneficial interest; Mr Colliss 13,000 share options, and Mr Scott 12,000. These options had an exercise price of $nil and were due to vest on 24 December 2011, subject to the vesting conditions of service, and to expire on 24 December 2013. Following a change of control of Gloucester Coal Ltd on 21 May 2009, these options vested and the shares were issued to the Trust.

On 19 November 2008, 200,000 share options were granted to Mr Johnson under the Employee Share Option Plan at an exercise price of $4.50. These options were due to vest on 19 November 2010, subject to the vesting conditions of two year's service and performance hurdles, and expire on 19 November 2013. Following a change of control of Gloucester Coal Ltd on 21 May 2009, these options vested.

All outstanding options were acquired by Osendo Pty Limited (a wholly owned subsidiary of Noble Group Limited) as part of their takeover of the Company and subsequently cancelled.

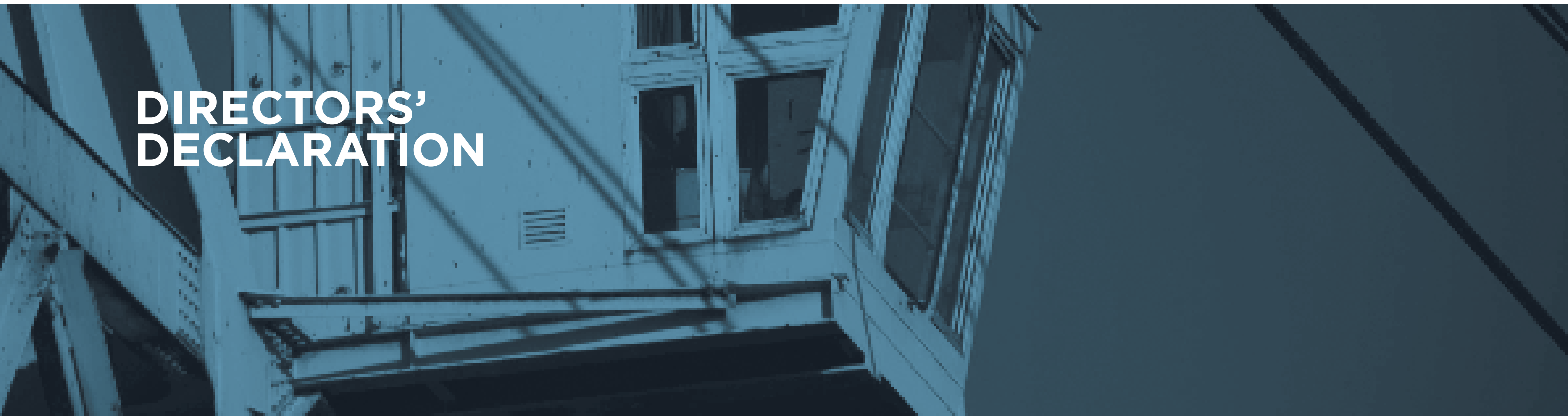
Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company, held during the financial period by each director of Gloucester Coal Ltd and each key management person, including their personally-related entities, are set out below:

	Held at 1 July 2007	Issued on exercise of options	Disposals	Issued under DRP	Derecognise on resignation	Issued Employee Share Plan
Directors						
Andy Hogendijk	61,383	–	–	1,192	–	–
Ian Levy	–	–	–	–	–	–
John Bryan	22,000	–	–	–	–	–
Barry Tudor	12,386	200,000	(200,000)	–	(12,386)	–
Robert Lord	–	–	–	–	–	–
Executives						
Graham Colliss	1,177	400,000	(200,000)	22	–	178
Peter Scott	–	–	–	–	–	–
Kirby Johnson	–	–	–	–	–	–

Held at 1 July 2008	Granted as compensation	Exercised	Other changes (options sold)	Held at 30 June 2009	Vested during the year	Vested and exercisable as 30 June 2009
500,000	–	–	(500,000)	–	500,000	–
200,000	80,000	(80,000)	(200,000)	–	280,000	–
200,000	74,000	(74,000)	(200,000)	–	274,000	–
–	200,000	–	(200,000)	–	200,000	–

Held at 30 June 2008	Issued on exercise of options	Acquisitions	Disposals	Recognise on appointment	Issued Employee Share Plan	Held at 30 June 2009
62,575	–	16,000	(78,575)	–	–	–
–	–	8,387	(8,387)	–	–	–
22,000	–	32,000	(54,000)	–	–	–
–	–	–	–	50,000	–	50,000
–	–	10,000	(10,000)	–	–	–
201,377	80,000	–	(81,377)	–	–	200,000
–	74,000	3,000	(77000)	–	–	–
–	–	–	–	–	–	–



DIRECTORS' DECLARATION

1. In the opinion of the directors of Gloucester Coal Ltd ("the Company"):

   a) the financial statements and notes, set out on pages 43 to 81, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company and the Group as at 30 June 2009 and of their performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

   c) the remuneration disclosures that are contained in the sections A, C and E (i), (ii) and (iii) of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and

   d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

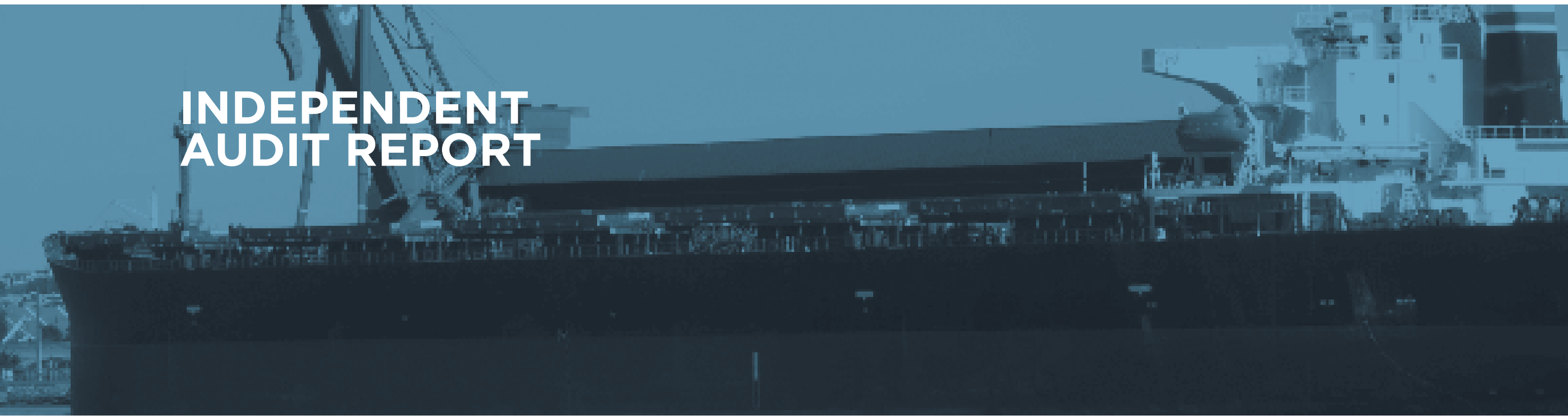
2. The directors have been given the declarations required by the Chief Executive Officer and Chief Financial Officer for the financial period ended 30 June 2009 pursuant to Section 295A of the Corporations Act 2001.

Dated at Sydney this 29th day of September 2009.

Signed in accordance with a resolution of the directors.

James MacKenzie
Chairman

Barry Tudor
Managing Director



INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF GLOUCESTER COAL LTD

Report on the financial report

We have audited the accompanying financial report of Gloucester Coal Ltd ("the Company"), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 32, and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial positions and of their performance. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDIT REPORT
(CONTINUED)

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

(a) the financial report of Gloucester Coal Ltd is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporation Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the remuneration report
We have audited the Remuneration Report included on pages 28 to 39 of the Directors' Report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion
In our opinion, the remuneration report of Gloucester Coal Ltd for the year ended 30 June 2009 complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Anthony Jones
Partner
Sydney, 29 September 2009

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 21 September 2009.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Size of shareholding	%	Number of shares	Number of shareholders
1–1,000	0.5	395,485	968
1,001–5,000	1.6	1,313,183	554
5,001–10,000	0.7	540,636	74
10,001–100,000	1.5	1,267,157	38
100,001 and over	95.7	78,445,672	10
Total	**100.00**	**81,962,133**	**1,644**

There were 78 holders of less than a marketable parcel of ordinary shares.

EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Holding	%
Osendo Pty Limited	71,902,868	87.73
ITOCHU Minerals & Energy of Australia Pty Ltd	4,150,000	5.06
HSBC Custody Nominees <Australia> Limited	1,205,326	1.47
National Nominees Limited	431,568	0.53
Mr Graham Colliss	200,000	0.24
ANZ Nominees Limited <Cash Income A/C>	144,660	0.18
Citicorp Nominees Pty Limited	142,455	0.17
J P Morgan Nominees Australia Limited	135,006	0.16
Goldman Sachs JB Were Pty Ltd <Facilitation 7 A/C>	133,789	0.16
First Exar Pty Ltd	97,645	0.12
Queensland Investment Corporation	83,532	0.10
Mr Richard John Calver	82,000	0.10
Abned Nominees Pty Limited	80,000	0.10
Catholic Church Insurances Limited	55,000	0.07
Goldman Sachs JB Were Nominees Pty Ltd <Accumulation Entrepot A/C>	53,184	0.06
Barry R Tudor	50,000	0.06
Leftone Nominees Pty Ltd <CJ Lourney Super Fund A/C>	50,000	0.06
CS Fourth Nominees Pty Ltd <Unpaid A/C>	49,671	0.06
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	44,239	0.05
First Exar Pty Ltd	40,000	0.05
Total of top 20 shareholders	**79,130,943**	**96.53**
Other shareholders	2,831,190	3.47
Total shares on issue	**81,962,133**	**100.00**

SHAREHOLDER INFORMATION (CONTINUED)

SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Number Held
Ordinary Shares	
Noble Group Limited	71,887,687
ITOCHU Minerals & Energy of Australia Pty Ltd	4,150,000

VOTING RIGHTS

The voting rights attached to ordinary shares are on a show of hands. Every member present at a meeting shall have one vote, and upon a poll each share shall have one vote.

GENERAL INFORMATION

DIRECTORS

James MacKenzie
Chairman

Barry Tudor
Chief Executive Officer and Managing Director

David Brownell
Non-Executive Director

Ricardo Leiman
Non-Executive Director

William Randall
Non-Executive Director

Gregory Fletcher
Non-Executive Director

COMPANY SECRETARIES

Catherine Caradus

Lisa Wai Yin Yim

REGISTERED OFFICE

Level 15, Keycorp Towers (Tower B)
799 Pacific Highway
CHATSWOOD NSW 2067

PO BOX 137
CHATSWOOD NSW 2057

Telephone: 61 2 9413 2028
Facsimile: 61 2 9413 4802
Email: gcl@gloucestercoal.com.au
Website: www.gloucestercoal.com.au

ABN: 66 008 881 712

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone: 1300 131 749
Facsimile: 61 2 8235 8229
Website: www.computershare.com

BANKERS

Commonwealth Bank of Australia
52 Martin Place
Sydney NSW 2000

Westpac Banking Corporation
Business Banking
Chatswood NSW 2067

AUDITORS

KPMG
10 Shelley Street
Sydney NSW 2000

GLOUCESTER COAL

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CATERPILLAR
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