GLOUCESTER COAL

Preliminary Report 2010/11

ABN 66 008 881 712

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET

			2011 $A'000
Revenues from ordinary activities	Up 34%	to	306,555
Profit from ordinary activities after tax attributable to members[1]	Up 67%	to	54,562
Net profit for the period attributable to members	Up 67%	to	54,562

There were no interim or final dividends declared or paid during the year.

NET TANGIBLE ASSETS PER SECURITY

	Current period	Corresponding period
Net tangible assets backing per ordinary security (cents)	662	199

1 Transaction costs of $9.2m ($6.4m net of tax) were incurred during the year in connection with the Middlemount ($4.1m) and Donaldson ($5.1m) acquisitions. The corresponding period included transaction costs of $5.3m ($3.7m net of tax) in connection with the Noble Group Limited and Macarthur Coal Limited takeovers.

FINANCIAL RESULTS

The Directors of Gloucester Coal Ltd are pleased to announce a full year net profit after tax of $54.6 million for the year ended 30 June 2011, compared with $32.7 million for the previous corresponding period. After eliminating the impact of transaction costs ($6.4 million after tax) the Company delivered an operational profit after tax of $61.0 million, which represents profit of $29 per tonne of coal sold.

The 2011 Financial Year was a transformational year for Gloucester Coal. The completion of the near 50% acquisition of Middlemount and the decision to purchase Donaldson Coal and Monash (aquisitions completed on 14 July 2011) led to a significant enhancement of the growth opportunities available to the Company. The expanded profile of assets provided an immediate uplift in the Resources, Reserves and production volumes of the new Gloucester Coal.

Despite some very challenging conditions during the period Gloucester Coal achieved positive operational and financial results.

Overall production at 1.8 million tonnes for the full year remained in line with the 1.9 million tonnes produced last year. Total sales however were 8% higher than the previous year as coal stock piles were progressively sold down to low levels by the end of the year. This performance was achieved despite the impacts of adverse weather conditions, delays to the Duralie and Stratford extension projects and a softening of demand from Japanese steel mills following the earthquake and Tsunami disasters.

Various projects progressed during the period. The Stage 1 upgrade of the Coal Handling Processing Plant was completed. The Duralie Extension Project was approved in December 2010 and the production ramp up progressed during the year. A merits appeal relating to the approval of the project was received and a decision from the Court is pending. The Middlemount Project progressed substantially during the year advancing from development to trial operations. The project is expected to commence ongoing operations in late 2011.

FINANCIAL RESULTS (CONTINUED)

PRODUCTION: GLOUCESTER BASIN

	2011 kt	2010 kt
Coal Source		
Duralie	1,753	1,694
Bowens Road North	652	933
Co-disposal	229	304
Roseville	309	170
Total ROM Coal Delivered to CHPP	**2,943**	**3,101**
Preparation Plant		
ROM coal processed	2,965	2,919
Total yield	61%	66%
Total Product[2]	**1,814**	**1,918**

Total material movement increased 13% during the year with a focus on the re-establishment of pit working areas and the development of the Clareval pit. ROM production, although impacted by delays to the Duralie and Stratford extension projects, was only marginally below the previous financial year.

ROM feed through the CHPP increased marginally over the prior year. A strong performance in the fourth quarter saw coal flows increase from the pits reducing CHPP idle time and increasing feed rates in line with CHPP upgrade works.

The CHPP Phase 1 upgrade works were completed in June 2011 increasing CHPP feed rates to 600 tonnes per hour ("tph"). A further upgrade to enhance the CHPP to 700tph will be concluded during the 2012 financial year.

DURALIE EXTENSION PROJECT

The Duralie Extension Project gained approval in December 2010. The planned production ramp up at Duralie commenced following the approval with all required infrastructure now in place. ROM production from the Duralie pits was 3% above the prior year which was a positive achievement considering the impact of weather conditions at the mine.

The Duralie Extension approval is the subject of a merits appeal which has been heard by the Land and Environment Court and a decision is expected this calender year. Development can be carried out while the appeal is on foot.

EXPLORATION

A total of $20.6 million was spent on Gloucester Coal's exploration programme. The number of drill rigs operating in the Gloucester Basin reached a maximum of eight rigs during the year.

2 Production reported inclusive of stockpile adjustments for the current year.

FINANCIAL RESULTS (CONTINUED)

PORT AND RAIL

The Company has an evergreen 10 year Ship or Pay contract for port capacity with Port Waratah Coal Services ("PWCS") for export coal from Stratford and Duralie. Gloucester Coal secured an additional 0.4 million tonnes of capacity commencing on the completion of the PWCS T4 expansion. The total capacity under contract meets the forecast production from Stratford and Duralie. Long term rail contracts currently in place are aligned with the production forecasts for Gloucester Basin export volumes.

On 14 July 2011, the Company completed the acquisition of Donaldson Coal including its 11.6% share of Newcastle Coal Infrastructure Group ("NCIG"). This gives the Company the flexibility to complement its PWCS contracts by utilising terminal capacity held by Donaldson at NCIG.

During the year, the Australian Competition and Consumer Commission ("ACCC") approved the Australian Rail Track Corporation's Hunter Valley Rail Access Undertaking. This revised undertaking provides the Company with the ability to secure long term contracts for access to rail track capacity. The Company intends to secure these contracts over the coming year.

SALES: GLOUCESTER BASIN

Gloucester Basin	2011 kt	2010 kt
Coking	787	751
Thermal	1,350	1,219
Total Sales	**2,137**	**1,970**
Purchases	(86)	(183)

Total sales volumes increased by 8% over the prior year as a result of both higher coking coal and thermal coal sales volumes. There was a 53% reduction in coal purchases during the year effectively resulting in a 15% increase in the sale of Gloucester Basin coal. High coal stocks at the beginning of the year were progressively sold down leaving minimal coal stocks on hand at the end of the year.

Coking coal sales volumes increased by 5% over the previous year. This increase was buoyed by the sale of a portion of coking coal at record prices in the June 2011 quarter to established customers. The periods of pricing gains were largely due to the supply shock arising from weather events impacting production from Queensland coking coal producers.

Notwithstanding periods of good pricing, marketing of coking coal has proven challenging throughout the year. In addition, constricted supply from Queensland has seen larger volumes of US coking coals being shipped to Asian customers. The overall demand for the Company's coking product into its traditional Japanese steel mill customers softened due to the impact of the Japanese earthquake and tsunami events. To mitigate this softening, some coking coal was placed into lower priced spot markets to ensure manageable stockpile levels continued and available rail and port entitlements were maximised.

In the second half of the year, commencement of mining from the new Clareval seam at Duralie provided a new source of coking coal. This material has been successfully integrated into the Gloucester coking coal blend and is now an integral component in coking coal cargoes.

Thermal coal sales rose by 11% over the previous year with high thermal coal stockpiles being reduced to minimal levels by the end of the year. The demand for off take of the Company's high ash thermal product remains reliable and consistent.

FINANCIAL RESULTS (CONTINUED)

FINANCIAL POSITION

Net tangible assets increased to 662 cents per share at 30 June 2011 from 199 cents per share at 30 June 2010.

CASH FLOW

Cash on hand increased to $184.3 million at the end of the year from $27.8 million at the beginning of the year. This increase was primarily due to the receipt of funds relating to the capital raising undertaken in May 2011.

Net operating cash flow for the year to 30 June 2011 was $64.9 million.

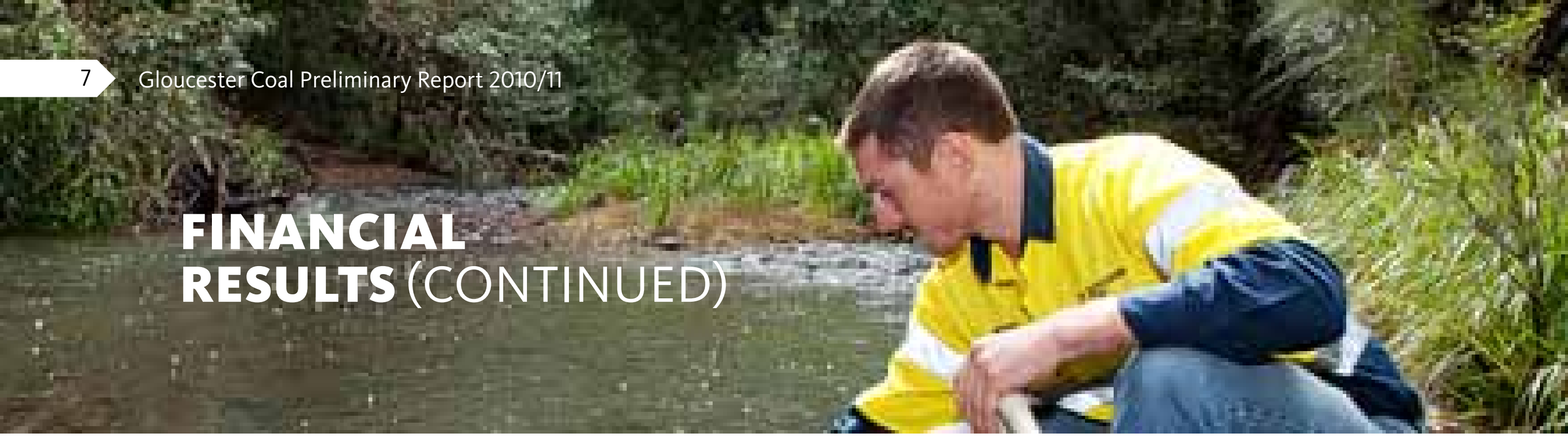
The Company used its free cash flow and debt as follows:

	$ million
Exploration within the Gloucester Basin	20.6
Purchase of property, plant and equipment	105.3
Acquisition of Middlemount (including the royalty receivable)	389.7
Loans to jointly controlled entity	79.0

RESERVES AND RESOURCES

The Company reported an increase in JORC Reserves to 123.0 million tonnes (2010: 74.8 million tonnes) and JORC Resources to 340.0 million tonnes (2010: 278.8 million tonnes)[3] as a result of the equity share of reserves and resources obtained through the Middlemount acquisition.

3 Gloucester Coal Ltd.'s JORC Coal Reserves and Resources were updated as at 30 June 2010 as detailed in the release to the ASX on 26 July 2010. Middlemount's JORC Coal Reserves and Resources was updated on 17 March 2011 as detailed in the release to the ASX on this date.



FINANCIAL RESULTS (CONTINUED)

MIDDLEMOUNT ACQUISITION

Middlemount is a mine under development located in Queensland's Bowen Basin and forecast to produce semi-hard coking coal and low volatile pulverised coal injection ("LV PCI"). On 30 September 2010, the Company acquired a 27.52% interest in the Middlemount Project and other Middlemount Assets. The consideration paid was $398.7 million, consisting of $298.2 million in cash and 10,810,811 new Gloucester Coal Ltd shares issued to Noble Group Limited.

On 24 December 2010, Gloucester Coal Ltd and Macarthur Coal Ltd completed a transaction involving the exercise of Gloucester Coal's call option for an additional 22.48% interest in Middlemount Coal Pty Ltd and the early transfer of shares that were previously transferable on achievement of a certain project milestone. Consideration payable by Gloucester was $97.6 million, including $45 million of deferred cash consideration paid on 30 June 2011.

Post completion of the 24 December 2010 transaction Gloucester Coal holds a near 50% interest in the project.

MIDDLEMOUNT PROJECT UPDATE

Construction progress

The development of Middlemount progressed substantially during the period. Civil works were completed in September 2010 enabling trial operations to commence. These works were undertaken by MCG Contractors and included haul roads, dams, tailings storage facility and levees. Construction of the project's Coal Handling and Preparation Plant was completed by Sedgman in September 2010.

The construction of a 16.5km rail spur to provide access for the mine to the Goonyella rail system commenced construction on 1 Sep 2010. Progress of construction was severely impacted by rainfall in the region. It is now expected that the rail spur will be completed in late 2011.

Production and sales

Processing trials and commissioning testing have been undertaken to enable a greater understanding of the product coal from the project. In excess of 100kt of ROM coal has been processed during the year. In anticipation of completion of the rail spur, mining operations commenced in early 2011 to produce market samples for customers in advance of full scale production. In April, NRW was awarded a five year contract to undertake mining services for the project.

Exploration

Following further exploration and increased understanding of product coal quality, a Revised Reserve Statement for the project was finalised in March 2011. That new statement represents a 68% increase in the recoverable coal reserves for the project and justifies the joint ventures plans to increase production to up to 5.4mtpa ROM. Middlemount prepared an Environmental Impact Statement ("EIS") to support its application for an increase in the environmental approval for the project from 1.8mtpa ROM to 5.4mtpa ROM. The draft EIS was open for public comment for an eight week period in January through March 2011 during which Middlemount undertook extensive public consultation. No substantial issues were identified during this process and no submissions were made by the community or non-Government organisations. Middlemount has submitted a supplementary EIS to the Government and is awaiting a final decision on the EIS which is expected in the December 2011 half. It is expected that final environmental approval for the expansion of production will be obtained during the first half of 2012.

Port and Rail

Export of Middlemount product will be initially via Dalrymple Bay Coal Terminal ("DBCT") until completion of the Northern Missing Link expected in early 2012. Middlemount has secured a 15 year contract at Abbot Point and will be one of the pioneer projects that will benefit from the development of the Missing Link. Middlemount has a long term rail haulage contract with Pacific National and this haulage has commenced for the export of the product sample cargos to customers.

FINANCIAL RESULTS (CONTINUED)

EQUITY RAISINGS

On 4 August 2010, in association with the proposed Middlemount acquisition, the Company announced a 3 for 5 accelerated, non-renounceable pro-rata entitlement offer to raise approximately $441 million. On 26 August 2010, the Company issued 46.9 million new shares in respect of the Institutional Entitlement Offer and 0.8 million shares on 6 September 2010 in respect of the Retail Entitlement Offer, at a price of $9.25 per share.

On 16 May 2011, in association with the proposed Donaldson and Monash acquisitions, the Company announced a 2 for 11 fully underwritten accelerated non-renounceable pro-rata entitlement offer to raise approximately $230 million. On 24 May 2011, the Company issued 24.3 million shares in respect of the Institutional Entitlement Offer and 1.2 million shares on 16 June 2011 in respect of the Retail Entitlement Offer, at a price of $9.00 per share.

DONALDSON AND MONASH ACQUISITIONS

Subsequent to year end, on 14 July 2011, the Company acquired a 100% interest in Donaldson Coal from Noble Group Limited (“Noble”), a related party, for an enterprise value of $585 million, including $225 million net debt assumed. Consideration paid was $585 million, consisting of the repayment of debt of $225 million and the issuance of 36,923,076 new Gloucester Coal Ltd shares. The Donaldson transaction was approved by the Company’s minority shareholders on the 8 July 2011.

Subsequent to year end, on 14 July 2011, the Company acquired a 100% interest in Ellemby Holdings Pty Ltd for consideration of $30 million cash and the issuance of 1,000 converting shares. The Ellemby transaction was approved by the Company’s minority shareholders on the 8 July 2011.

DIVIDEND

The Directors have not declared a final dividend.

AUDIT STATUS

The preliminary final report is based on accounts which are in the process of being audited.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	30 Jun 11 $'000	30 Jun 10 $'000
Revenue from sale of coal			
- Sale of coking coal		166,251	109,710
- Sale of thermal coal		140,304	119,584
Total revenue from sale of coal		**306,555**	**229,294**
Cost of sales		(223,346)	(172,679)
Gross profit		**83,209**	**56,615**
Other operating income / (expense)	4	5,537	(839)
Administration expenses	5	(25,693)	(14,551)
Share of loss of an associate		(656)	-
Profit before financing and tax		**62,397**	**41,225**
Financial income	6	17,992	1,043
Finance costs	7	(3,918)	(728)
Profit before tax		**76,471**	**41,540**
Income tax expense	9	(21,909)	(8,810)
Net profit for the period (attributable to owners of the parent)		**54,562**	**32,730**
Earnings per share (cents per share)			
– Basic earnings per share		38.3	36.1
– Diluted earnings per share		38.2	36.1

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	30 Jun 11 $'000	30 Jun 10 $'000
Profit for the period		**54,562**	**32,730**
Other comprehensive income			
Cash flow hedge losses/(gains) transferred to income statement		11,830	(14,761)
– Tax effect of losses/(gains) transferred to income statement		(3,549)	4,428
Cash flow hedge (losses)/gains taken to equity		13,834	(11,830)
– Tax effect of (losses)/gains taken to equity		(4,150)	3,549
Total other comprehensive income for the period, net of tax		**17,965**	**(18,614)**
Total comprehensive income for the period (attributable to owners of the parent)		**72,527**	**14,116**

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

BALANCE SHEET
AS AT 30 JUNE 2011

	NOTES	30 Jun 11 $'000	30 Jun 10 $'000
CURRENT ASSETS			
Cash and cash equivalents	12	182,330	27,811
Trade and other receivables		29,450	16,588
Other financial assets (derivatives)		4,614	-
Inventories		9,341	19,179
Waste in advance		57,736	29,459
TOTAL CURRENT ASSETS		**283,471**	**93,037**
NON-CURRENT ASSETS			
Restricted cash	12	2,004	-
Property, plant and equipment	13	807,438	146,126
Exploration and evaluation		56,593	25,619
Financial asset – royalty receivable		182,000	-
Investments		999	83
Deferred tax asset	9	10,727	-
TOTAL NON-CURRENT ASSETS		**1,059,761**	**171,828**
TOTAL ASSETS		**1,343,232**	**264,865**
CURRENT LIABILITIES			
Trade and other payables		56,777	20,372
Other financial liabilities (derivatives)		-	9,670
Interest bearing loans and borrowings	14	74,555	4,538
Income tax liability		2,647	2,886
Provisions		1,125	200
Employee benefits		782	770
TOTAL CURRENT LIABILITIES		**135,886**	**38,436**
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	14	24,567	30,190
Deferred tax liabilities	9	152,099	7,175
Provisions		10,842	7,712
Other non-current liabilities		4,893	-
Employee benefits		281	156
TOTAL NON-CURRENT LIABILITIES		**192,682**	**45,233**
TOTAL LIABILITIES		**328,568**	**83,669**
NET ASSETS		**1,014,664**	**181,196**
EQUITY			
Issued capital		898,030	137,247
Retained profits		102,572	48,010
Reserves		14,062	(4,061)
TOTAL EQUITY (attributable to equity holders of the parent)		**1,014,664**	**181,196**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Share capital $'000	Equity reserve $'000	Hedge reserve $'000	Retained Profits $'000	Total $'000
At 1 July 2009	**137,247**	**3,687**	**10,333**	**15,280**	**166,547**
Profit for the period	-	-	-	32,730	32,730
Other comprehensive income, net of tax	-	-	(18,614)	-	(18,614)
Total comprehensive income, net of tax	**-**	**-**	**(18,614)**	**32,730**	**14,116**
Transactions with owners in their capacity as owners					
Share based payments – options	-	533	-	-	533
At 30 June 2010	**137,247**	**4,220**	**(8,281)**	**48,010**	**181,196**
At 1 July 2010	**137,247**	**4,220**	**(8,281)**	**48,010**	**181,196**
Profit for the period	-	-	-	54,562	54,562
Other comprehensive income, net of tax	-	-	17,965	-	17,965
Total comprehensive income, net of tax	**-**	**-**	**17,965**	**54,562**	**72,527**
Transactions with owners in their capacity as owners:					
Shares issued to institutional and retail investors	670,808	-	-	-	670,808
Share issue costs, net of tax	(10,565)	-	-	-	(10,565)
Shares issued to Noble Group	100,540	-	-	-	100,540
Share based payments – options	-	158	-	-	158
At 30 June 2011	**898,030**	**4,378**	**9,684**	**102,572**	**1,014,664**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	30 Jun 11 $'000	30 Jun 10 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		304,526	235,687
Payments to suppliers and employees		(224,110)	(197,556)
Cash generated from operations		**80,416**	**38,131**
Income tax paid		(17,564)	(35,387)
Interest paid		(2,854)	(754)
Interest received		4,856	1,043
Net cash from/operating activities	12	**64,854**	**3,033**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(105,302)	(58,622)
Payments for exploration and evaluation expenditure		(20,572)	(16,919)
Acquisition of jointly controlled entity, net of cash acquired		(389,666)	-
Investment income		3	3
Loans to jointly controlled entity		(79,014)	-
Security deposits paid		(88)	(10)
Payment for investments		-	(13)
Net cash used in investing activities		**(594,639)**	**(75,561)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from shares issued		670,808	-
Dividends paid		(4)	(26)
Proceeds from borrowings		35,175	39,221
Repayment of borrowings		(4,238)	(4,630)
Payment of share issue costs		(15,433)	-
Net cash used in financing activities		**686,308**	**34,565**
Net increase/(decrease) in cash and cash equivalents		156,523	(37,963)
Cash and cash equivalents at beginning of period		27,811	65,774
Cash and cash equivalents at end of period		**184,334**	**27,811**

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

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Gloucester Coal Ltd (the "Company") is a company domiciled in Australia and is listed on the Australian Stock Exchange. The consolidated preliminary final report of the Company as at and for the year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "group").

2. BASIS OF PREPARATION

(a) Statement of compliance

This preliminary final report is a general purpose financial report which has been prepared in accordance with the Australian Stock Exchange Listing rules as they relate to Appendix 4E.

(b) Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated preliminary financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2010.

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

(c) Functional and presentation currency

This consolidated preliminary financial report is presented in Australian Dollars, which is the Company's and Group's functional currency.

3. SEGMENT INFORMATION

Information reported to the Chief Operating Decision Maker ("CODM"), determined as the Board of Directors for the purpose of resource allocation and assessment of segment performance is focused on two operating segments being the Gloucester Basin in New South Wales and the Bowen Basin in Queensland.

Operations within the Gloucester Basin are deemed to be one operating segment as thermal coal and coking coal are considered to be joint products of the one production process. The operations in the Bowen Basin are reported as a separate operating segment.

Segment Income Statement

	Gloucester Basin $'000	Bowen Basin $'000	Total $'000
30 June 2011			
Segment Revenue			
Sales of coking coal	166,251	-	166,251
Sales of thermal coal	140,304	-	140,304
Total segment revenue from income statement	**306,555**	**-**	**306,555**
Segment net operating profit after tax	**60,213**	**3,575**	**63,788**
Net interest income	7,765	7,537	15,302
Mark to market on royalty receivable	-	1,839	1,839
Depreciation and amortisation	(18,667)	(34)	(18,701)
Reconciliation of segment net operating profit after tax to net profit before tax			
Segment net operating profit after tax			63,788
Transaction costs[4]			(9,226)
Income tax expense			21,909
Net profit before tax			**76,471**

Revenue by geographical location

Revenue from external customers by geographical location is detailed below. Revenues obtained from external customers are attributed to individual countries based on the country of domicile of the customer. The Company does not have external revenues from external customers that are attributable to any foreign country other than those shown.

	CONSOLIDATED	
	30 Jun 11 $'000	30 Jun 10 $'000
Australia	57,417	33,247
Japan	110,521	75,820
Singapore[5]	132,440	69,418
United Kingdom	6,177	27,905
Other	-	22,904
Total external revenue	**306,555**	**229,294**

4 Transaction costs of $9.2m were incurred during the year in connection with the Middlemount ($4.1m) and Donaldson ($5.1m) acquisitions.
5 Sales to Singapore are to a related party.

3. SEGMENT INFORMATION (CONTINUED)

Major customers

The Group received 75% of its external revenue from three customers (2010: 67% from three customers). There are no additional customers which account for more than 10% of the Group's external revenues.

Segment Assets

Segment assets as at 30 June 2011 are as follows:	Gloucester Basin $'000	Bowen Basin $'000	Total $'000
Segment operating assets	496,735	837,831	1,334,566
Intersegment eliminations			4,052
Other financial assets (derivatives)			4,614
Total assets per the balance sheet			**1,343,232**

All segment operating assets are located within Australia.

4. OTHER OPERATING INCOME / (EXPENSE)

	CONSOLIDATED	
	30 Jun 11 $'000	30 Jun 10 $'000
Rental income	223	227
Cancellation fee from coal contracts[6]	7,350	-
Mark to market of royalty receivable	1,839	-
Net loss on foreign exchange	(3,959)	(1,158)
Other	84	92
Total other operating income/ (expense)	**5,537**	**(839)**

5. ADMINISTRATION COSTS

Transaction costs	9,226	5,266
Other administration costs	16,467	9,285
Total administration costs	**25,693**	**14,551**

6. FINANCE INCOME

Interest income on royalty receivable (unwinding of discount)	12,161	-
Other finance income	5,831	1,043
Total finance income	**17,992**	**1,043**

7. FINANCE COSTS

Interest paid or payable on interest bearing loans	2,690	545
Loan establishment fee amortisation	778	137
Interest expense (unwinding of discount on provisions)	450	46
Total finance costs	**3,918**	**728**

8. OPERATING EXPENSES IN COST OF SALES

Depreciation	18,701	11,306
Net loss on disposal of property, plant and equipment	-	15

6 The Company negotiated the cancellation of fixed Australian dollar forward sales contracts for the 2012-2014 years, resulting in a cancellation fee of $7.35m.

9. INCOME TAX EXPENSE

RECOGNISED IN THE INCOME STATEMENT

	CONSOLIDATED	
	30 Jun 11 $'000	**30 Jun 10 $'000**
Current tax expense		
Current income tax charge	17,477	9,556
Adjustment for prior periods	(2,469)	-
Deferred tax expense		
Origination and reversal of temporary differences	6,901	(746)
Total income tax expense in income statement	**21,909**	**8,810**
Numerical reconciliation between tax expense and pre-tax net profit		
Profit before income tax	76,471	41,540
Income tax using the domestic corporation tax rate of 30%	22,941	12,462
Increase/ (decrease) in income tax expense due to:		
Expenditure not allowable for income tax purposes	409	8
Research and development	(75)	(75)
Investment allowance on purchase of equipment	-	(3,312)
Decrease in income tax expense due to:		
Under / (over) provided in prior periods	(1,366)	(273)
Income tax expense on pre-tax profit	**21,909**	**8,810**

9. INCOME TAX EXPENSE (CONTINUED)

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	CONSOLIDATED	
	30 Jun 11 $'000	30 Jun 10 $'000
Deferred tax liabilities – amounts recognised in profit or loss		
Property, plant and equipment	141,606	5,427
Waste in advance	17,321	8,876
Employee share trust	-	393
Other deferred tax liabilities	10,583	3,213
	169,510	**17,909**
Deferred tax liabilities – amounts recognised directly in equity		
Other deferred tax liabilities	4,079	-
Total deferred tax liabilities	**173,589**	**17,909**
Deferred tax assets – amounts recognised in profit or loss		
Employee benefits	529	511
Provisions	3,588	2,140
Other deferred expenditure	7,678	4,487
Tax losses[7]	16,528	-
Fair value of derivatives	-	47
	28,323	**7,185**
Deferred tax assets – amounts recognised directly in equity		
Share issue costs	3,894	-
Fair value of derivatives	-	3,549
Total deferred tax assets	**32,217**	**10,734**
Net deferred tax liabilities	**141,372**	**7,175**
Deferred tax balances disclosed in the balance sheet		
Deferred tax asset	10,727	-
Deferred tax liability	(152,099)	(7,175)
Net deferred tax liabilities	**(141,372)**	**(7,175)**

7 Tax losses of $55.1m (the Company's equity share) have been recognised as a deferred tax asset relating to the Middlemount operations. These losses are carried forward indefinitely and will be offset against future taxable profits in the Middlemount group, subject to passing of the Same Business test. Management consider it is probable that this deferred tax asset will be recoverable against future taxable income.

10. EARNINGS PER SHARE

Basic earnings and dilutive earnings per share

The calculation of basic and diluted earnings per share at 30 June 2011 was based on profit attributable to ordinary shareholders of $54,562,000 (2010: $32,730,000) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2011 of 142,390,859 (2010: 90,561,998) for basic and 142,717,890 (2010: 90,778,648) for diluted, calculated as follows:

	BASIC		DILUTED	
	2011 000'S	**2010 000'S**	**2011 000'S**	**2010 000'S**
Issued ordinary shares at beginning of period	81,962	81,962	81,962	81,962
Effect of shares issued during the period (weighted average)	51,829	-	51,795	-
Effect of share placement[8]	8,600	8,600	8,634	8,621
Effect of share options on issue	-	-	327	196
Weighted average number of ordinary shares at the end of the period	142,391	90,562	142,718	90,779
Earnings per share				
From continuing operations (cents per share)	38.3	36.1	38.2	36.1

Excluded from the calculation of diluted earnings per share for 30 June 2011 are 2,000,000 options that could potentially dilute basic earnings per share in the future because they are antidilutive.

11. DIVIDENDS PAID AND PROPOSED

During or subsequent to the end of the financial year, the directors did not declare any dividends.

There are $53,622,206 franking credits available as at 30 June 2011.

a) Dividend Reinvestment Plan

During the current year, the Dividend Reinvestment Plan ("DRP") remained suspended and no shares were issued under the DRP.

8 The basic and diluted earnings per share for the current and comparative period take into account the effect of the bonus portion of the shares issued in August and September 2010.

12. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	30 Jun 11 $'000	30 Jun 10 $'000
Reconciliation of cash balances		
Cash and cash equivalents	182,330	27,811
Restricted cash	2,004	-
Bank balances	**184,334**	**27,811**
Reconciliation of net profit after tax to net cash flows from operating activities		
Net profit after tax	54,562	32,730
Adjustments for:		
Loss on sale of fixed assets	-	15
Depreciation and amortisation	18,701	11,306
Loan fee amortisation	778	137
Share of loss from associate	656	-
Equity settled share based payments expense	158	533
Cash flow hedge (gains)/losses transferred to income statement	8,281	(10,333)
Investment income	(3)	(3)
Interest income (unwinding of discount)	(12,161)	-
Mark to market on royalty receivable	(1,839)	-
Unrealised foreign exchange gains/(losses)	(2,552)	-
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(6,175)	4,909
(Increase)/Decrease in inventories	11,903	(14,000)
(Increase)/Decrease in waste in advance	(26,179)	(1,194)
(Increase)/Decrease in other financial assets (derivatives)	(4,212)	10,003
Increase/(Decrease) in creditors and provisions	18,592	(4,494)
Increase/(Decrease) in income tax liability	(239)	(25,830)
Increase/(Decrease) in deferred tax liability	4,583	(746)
Net cash inflow/from operating activities	**64,854**	**3,033**

13. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Office equipment $'000	Motor vehicles $'000	Mining property & development $'000	Total $'000
Cost							
Balance 1 July 2009	30,536	633	73,254	464	789	59,456	165,132
Additions	4,925	98	53,004	285	357	523	59,192
Disposals	-	-	-	-	(65)	-	(65)
Balance 30 June 2010	**35,461**	**731**	**126,258**	**749**	**1,081**	**59,979**	**224,259**
Balance 1 July 2010	35,461	731	126,258	749	1,081	59,979	224,259
Middlemount acquisition	6,170	-	-	-	-	563,251[9]	569,421
Additions	33,504	549	19,340	440	361	56,548	110,742
Disposals	-	(100)	(112)	-	(134)	-	(346)
Balance 30 June 2011	**75,135**	**1,180**	**145,486**	**1,189**	**1,308**	**679,778**	**904,076**
Depreciation and amortisation							
Balance 1 July 2009	-	345	31,628	293	380	34,196	66,842
Depreciation and amortisation for the period	-	43	8,810	88	160	2,205	11,306
Disposals	-	-	-	-	(15)	-	(15)
Balance 30 June 2010	**-**	**388**	**40,438**	**381**	**525**	**36,401**	**78,133**
Balance 1 July 2010	-	388	40,438	381	525	36,401	78,133
Depreciation and amortisation for the period	1,659[10]	10	15,055	53	157	1,767	18,701
Disposals	-	(81)	(49)	-	(66)	-	(196)
Balance 30 June 2011	**1,659**	**317**	**55,444**	**434**	**616**	**38,168**	**96,638**
Carrying Amounts							
At 1 July 2009	30,536	288	41,626	171	409	25,260	98,290
At 30 June 2010	35,461	343	85,820	368	556	23,578	146,126
At 1 July 2010	35,461	343	85,820	368	556	23,578	146,126
At 30 June 2011	**73,476**	**863**	**90,042**	**755**	**692**	**641,610**	**807,438**

9 Included in mining property and development is reserves acquired on acquisition of Middlemount with a value of $446.7m – refer to note 18 for further detail.
10 Represents amortisation of premiums paid on land acquisitions.

14. INTEREST BEARING LOANS AND BORROWINGS

This note provides information about contractual terms of the Group's interest bearing loans and borrowings.

	CONSOLIDATED	
	30 Jun 11 $'000	**30 Jun 10 $'000**
Current		
Chattel mortgage facility – secured[9]	3,525	4,538
Loan from Noble Group – unsecured	32,622	-
Middlemount shareholder loan	38,408	-
	74,555	**4,538**
Non-Current		
Chattel mortgage facility – secured[11]	20,209	30,190
Middlemount shareholder loan	4,358	-
	24,567	**30,190**
Chattel Mortgage Facility- Secured		
Effective interest rate	5.68%	5.68%
Maturity	30-Jun-17	30-Jun-17
Loan from Noble Group - Unsecured		
Effective interest rate	2.69%	n.a
Maturity	30-Jun-12	n.a
Middlemount Shareholder Loan		
Effective interest rate	8.39%	n.a
Maturity	24-Dec-15	n.a

	CONSOLIDATED	
	30 Jun 11	**30 Jun 10**
Financing Facilities		
At reporting date, the following financing facilities had been negotiated and were available		
Total facilities		
- Loans	140,994	43,728
- Bank guarantees	23,000	23,000
Total facilities available at reporting date	**163,994**	**66,728**
Facilities used at reporting date		
- Loans	99,121	34,728
- Bank Guarantees	21,266	20,129
Total facilities used at reporting date	**120,387**	**54,857**
Facilities unused at reporting date	**43,607**	**11,871**

11 Excluded from the above bank loans are capitalised loan establishment fees of $224,000 which are being amortised over the term of the Chattel Mortgage facility.

14. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Excluded from the financing facilities noted above is a facility agreement of $80 million held by Middlemount (at 100%) ($15 million term loan – nil drawn as at 30 June 2011 and $65 million letter of credit; however to the extent the letter of credit portion is not utilised it can be converted to a term loan) with Noble Group Limited for the provision of a term loan and a letter of credit facility. The facility is secured by:

(i) fixed and floating charge over the assets of the Middlemount Group, including a share mortgage over the Ribfield Pty Ltd shares, and

(ii) a share mortgage over the Company's shares held by one of its shareholders, Custom Mining Pty Ltd (formerly Custom Mining Ltd).

At 30 June 2011 Middlemount has provided guarantees totalling $12.4 million.

15. SHARE CAPITAL AND RESERVES

Movements in ordinary share capital

	Date issued	Number issued and quoted	Issue Price $
Fully paid shares at 30 June 2010		81,962,133	various
Issue of shares under the Institutional Equity Raising	18-Aug-10	46,870,700	9.25
Issue of shares under the Retail Equity Raising	6-Sep-10	803,418	9.25
Issue of shares to Noble Group Limited	30-Sep-10	10,810,811	9.30
Issue of shares under the Institutional Equity Raising	24-May-11	24,301,090	9.00
Issue of shares under the Retail Equity Raising	16-Jun-11	1,234,739	9.00
Fully paid shares at 30 June 2011		**165,982,891**	

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 (net of tax) 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.

16. UNQUOTED EMPLOYEE OPTIONS

Long Term Incentive Plan

The Group established the long term incentive plan to replace the employee share option plan in November 2009 to provide directors and other senior management the opportunity to purchase shares in the Company.

Option issues have been made during the year to Employees as per the table below. In accordance with this program, 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.

Grant date	Employees entitled	Number of options	Vesting date	Vesting conditions	Contractual life of options
7-Jan-11	Senior Management	375,000	1-Jul-13	Employment at vesting date	7 years
7-Jan-11	Senior Management	187,500	1-Jul-14	Employment at vesting date	7 years
7-Jan-11	Senior Management	187,500	1-Jul-15	Employment at vesting date	7 years
7-Jan-11	Senior Management	365,233	1-Sep-13	Employment at vesting date	7 years
7-Jan-11	Senior Management	182,617	1-Sep-14	Employment at vesting date	7 years
7-Jan-11	Senior Management	182,617	1-Sep-15	Employment at vesting date	7 years
13-Apr-11	Senior Management	1,000,000	23-Feb-14	Employment at vesting date	7 years
13-Apr-11	Senior Management	1,000,000	23-Apr-16	Employment at vesting date	7 years

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

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at the beginning of the period	$5.65	1,000,000	-	-
Issued during the period	$11.23	3,480,467	$5.65	1,000,000
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Cancelled during the period	$7.56	1,934,339	-	-
Outstanding at the end of the period	$11.83	2,546,128	$5.65	1,000,000

Equity settled employee expenses are as follows:

	CONSOLIDATED	
	30 Jun 11 $'000	30 Jun 10 $'000
Share options	158	533
	158	**533**

17. DETAILS OF SUBSIDIARIES AND JOINT VENTURE ENTITIES

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

Name	Country of incorporation	2011	2010
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%
Gloucester (SPV) Pty Ltd	Australia	100%	-
Gloucester (Sub Holdings 1) Pty Ltd	Australia	100%	-
Gloucester (Sub Holdings 2) Pty Ltd	Australia	100%	-
Jointly controlled entities			
Middlemount Coal Pty Ltd[12]	Australia	Approximately 50%	-
Ribfield Pty Ltd[12]	Australia	Approximately 50%	-
Middlemount Mine Management Pty Ltd[12]	Australia	Approximately 50%	-

The consolidated entity, via two legal entities, has a 100% participating interest in the Stratford Joint Venture, whose principal activity is coal mining.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

Initial Acquisition of the Middlemount Project

On 30 September 2010, the Company acquired the following Middlemount Assets from Noble Group Limited:

- 27.52% interest in Middlemount Project ("Middlemount")
- Right to acquire a further 2.48% interest in Middlemount from Macarthur Coal Limited for a further $8 million, payable following completion of a certain shipping milestone
- Option to acquire a further 20% interest in Middlemount from Macarthur Coal Limited for an exercise price of $100 million, to be exercised at any time up to 18 months from completion of the CHPP
- Right to receive a royalty of 4% of Free on Board Trimmed sales from Middlemount

Consideration was $398.7 million, consisting of $298.2 million in cash and $100.5 million of new Gloucester Coal Ltd shares issued to Noble Group Limited, 10,810,811 shares with a fair value of $9.30 per share, being the closing market price of Gloucester shares at the acquisition date.

The Middlemount Project is a development mine located in Queensland's Bowen Basin forecast to produce semi-hard coking coal and LV PCI.

As the Company had significant influence over the entity, it was accounted for under equity accounting.

12 On 30 September 2010, the Company acquired a 27.52% interest in the Middlemount Project. On 24 December 2010, the Company announced the early exercise of an option and other rights to acquire additional shares in Middlemount from Macarthur Coal Limited to move to a near 50% interest.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Step-up of Acquisition of Middlemount

On 24 December 2010, the Company announced the early exercise of an option and other rights to acquire additional shares in Middlemount from Macarthur Coal Limited to move to a near 50% interest.

Total consideration was $97.6 million, including deferred consideration of $45.0 million paid on 30 June 2011.

As of 24 December 2010, the Company gained joint control of Middlemount and is accounting for its investment under the proportionate consolidation method of accounting.

The Group has recognised the fair values of the identifiable assets and liabilities of Middlemount as follows:

	Fair value at acquisition date $'000
Property, plant and equipment	122,703
Reserves[13]	446,718
Exploration and evaluation	14,767
Deferred tax assets	13,786
Cash and cash equivalents	6,110
Trade and other receivables	6,687
Inventories	2,064
Waste in advance	2,098
Financial asset – royalty receivable	168,000
Term deposits at call	828
Total assets	**783,761**
Trade and other payables	(12,234)
Accrued take or pay[14]	(12,013)
Loans and borrowings	(121,717)
Provisions	(1,569)
Deferred tax liabilities (at nominal value)	(140,568)
Total liabilities	**(288,101)**
Fair value of identifiable net assets	495,660
Share of loss since acquisition	656
Total	**496,316**
Acquisition date fair value of consideration transferred:	
Shares issued, at fair value	100,540
Cash paid	395,776
Consideration transferred	**496,316**
Cash outflow on acquisition is as follows:	
Net cash acquired with the Middlemount assets[15]	6,110
Cash paid	(395,776)
Net consolidated cash outflow	**(389,666)**

The carrying value equals the fair value of the net assets acquired, with the exception of reserves and resources and the associated deferred tax liability, which had a nil value.

Loans to jointly controlled entity

Since acquisition the Company has provided net loans to the jointly controlled entity of $120.0 million.

13 Reserves are classified as property, plant and equipment in the balance sheet.
14 Classified as current trade and other payables and other non-current liabilities on the balance sheet.
15 Includes restricted cash of $2.0 million.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

Profit and loss impact of the acquiree

It was determined that the Company had significant influence over the acquired entity prior to joint control, therefore equity accounting was undertaken until the option and right were exercised and joint control was obtained. The equity share of the loss of the associate of $0.7 million was recognised prior to obtaining control.

Had the acquisition of Middlemount occurred at the beginning of the period, the income statement would have included a loss of $3.7 million.

Acquisition related costs

Total business combination expenses for the period of $4.1 million are included in administration expenses.

19. EVENTS AFTER BALANCE SHEET DATE

On 14 July 2011, the Company acquired a 100% interest in Donaldson Coal from Noble Group Limited ("Noble"), a related party, for an enterprise value of $585 million including $225 million net debt assumed. Consideration paid was $585 million, consisting of the repayment of debt of $225 million and the issuance of 36,923,076 new Gloucester Coal Ltd shares. The Donaldson transaction was approved by the Company's minority shareholders on the 8 July 2011. Post transaction, Noble Group Limited owns a 63.4% interest in Gloucester Coal Ltd.

In addition, on 14 July 2011, the Company acquired a 100% interest in Ellemby Holdings Pty Ltd for consideration of $30 million cash and the issuance of 1,000 converting shares. A Company owned and controlled by Gloucester Coal Ltd CEO Brendan McPherson and his spouse held a minority interest in Ellemby Holdings Pty Ltd prior to acquisition by Gloucester Coal Ltd. The Ellemby transaction was approved by the Company's minority shareholders on the 8 July 2011.

On 14 July 2011, the Company entered into an A$400 million debt facility with Noble. The facility matures on 1 July 2015 replacing the current US$80 million facility with Noble. On 15 July 2011, the Company completed a drawdown of $175.5 million from the debt facility with Noble to repay debts owed by Gloucester and Donaldson. Interest is calculated at a rate of BBSY plus 3.0% per annum, payable quarterly.

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.

GENERAL INFORMATION

DIRECTORS

James MacKenzie
Chairman

David Brownell
Non-Executive Director

Gregory Fletcher
Non-Executive Director

Denis Gately
Non-Executive Director

Ricardo Leiman
Non-Executive Director

William Randall
Non-Executive Director

COMPANY SECRETARIES

Hemang Shah

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