



2011/12 HALF YEAR RESULTS PRESENTATION

BRENDAN MCPHERSON
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

TIM CROSSLEY
DEPUTY CHIEF EXECUTIVE
OFFICER

28 February 2012

GLOUCESTER COAL

HALF YEAR RESULTS PRESENTATION

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AGENDA

- 1.HIGHLIGHTS
- 2.FINANCIAL RESULTS
- 3.OPERATIONS UPDATE
- 4.OUTLOOK
- 5.QUESTIONS



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Past Performance

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2011/12 HALF YEAR RESULTS

HIGHLIGHTS



- ✓ Integration of Donaldson operations into Gloucester Coal following completion in July 2011
- ✓ Middlemount ramp up of operations progressed substantially
- ✓ Substantial upgrade to Monash Resources by 101%
- ✓ 4 year EBAs in place for Donaldson
- ✓ Project approvals process to deliver 10 million tonnes per annum of production by 2016 progressed
- ✓ Review of Donaldson operations and Gloucester Basin geology completed
- ✓ Merger Proposal Deed entered into with Yanzhou Coal and subsidiary Yancoal Australia
- ✓ Following interest from Asian investors Gloucester commenced a process to identify opportunities to undertake a partial sell down of one or more of its assets (process put on hold following signing of Merger Proposal Deed with Yanzhou Coal)

2011/12 HALF YEAR RESULTS

OVERVIEW



	Dec. 2011	Dec. 2010	Change
Total product (kt) ¹	2,058	889	131%
Total sales (kt) ²	1,739	1,028	69%
Revenue (\$m)	227.0	137.5	65%
EBITDA (\$m) ³ (excluding transaction costs)	34.8	40.1	(13%)
EBITDA Margin (%) ³ (excluding transaction costs)	15%	29%	(14%)
Reported EBITDA (\$m)	(6.5)	36.0	(118%)
Reported NPAT (\$m)	(36.9)	23.2	(259%)

1. Production reported inclusive of stockpile adjustments for the half year ended 31 December 2011, Middlemount production shown on an equity share basis for the period of joint control and Donaldson production shown for the period of control.
2. Sales data includes Donaldson sales for the period of control and equity share of Middlemount sales for the period of joint control.
3. Transaction costs of \$41.3m were incurred during the period in connection with the Donaldson acquisition effective 14 July 2011 (\$37.9m (includes \$31m associated with Stamp Duty)) and the potential Yancoal merger announced on 23 December 2011 (\$3.4m). Transaction costs of \$4.1m were incurred during the half year ended 31 December 2010 in connection with the Middlemount acquisition.

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FINANCIAL RESULTS



PRODUCTION AND SALES OVERVIEW



	Dec. 11	Dec.10	Change
Production volumes (kt)¹			
Total ROM coal delivered to CHPP	3,416	1,515	125%
ROM coal processed	3,196	1,489	115%
Product yield	64%	60%	4%
Total product	2,058	889	131%
Sales volumes (kt)²			
Coking coal	499	351	42%
Thermal coal	1,240	677	84%
Total sales	1,739	1,028	69%
Purchases	(9)	(50)	

- Production and sales volumes increased compared to the corresponding period due to addition of Donaldson and Middlemount operations
- Operations impacted by adverse weather at Gloucester Basin and difficult mining conditions at Donaldson
- Metallurgical coal prices over the period were volatile reflecting a deteriorating export coal market
- Thermal coal prices remained relatively stable
- Total realised price per tonne for all coal sold was \$131

1. Production reported inclusive of stockpile adjustments for the half year ended 31 December 2011, Middlemount production shown on an equity share basis for the period of joint control and Donaldson production shown for the period of control (from 14 July to 31 December 2011).
2. Sales data includes Donaldson sales for the period of control and equity share of Middlemount sales for the period of joint control.

KEY FINANCIAL RESULTS



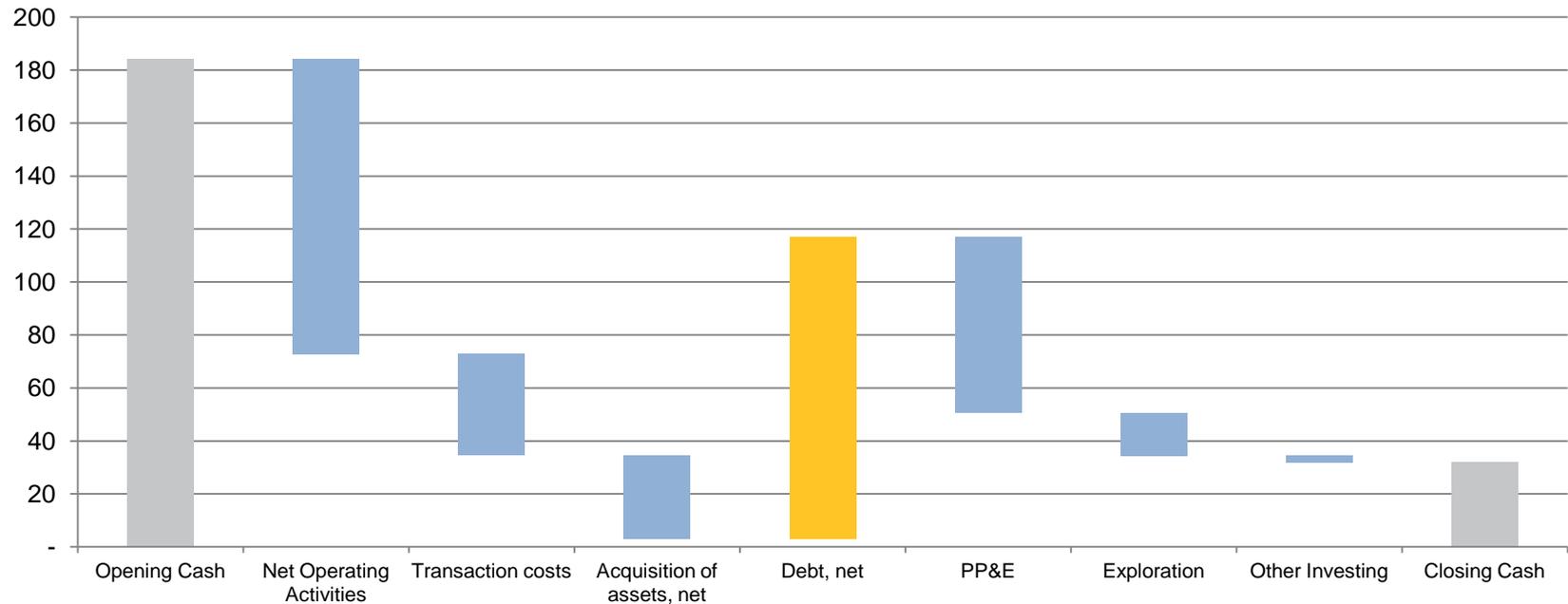
	Dec. 2011	Dec. 2010
Revenue from sale of coal (\$m)	227.0	137.5
EBITDA (\$m) (excluding transaction costs)	34.8	40.1
Transaction costs (\$m)	(41.3)	(4.1)
Depreciation and amortisation	(26.3)	(7.8)
Profit /(loss) before tax (\$m)	(56.9)	31.3
Income tax (expense)/benefit (\$m)	20.0	(8.2)
Reported NPAT(\$m)	(36.9)	23.2
Net Assets (\$m)	1,295	762

- Revenue reflects difficult global coal export market
- Transaction costs associated with acquisition of Donaldson (\$37.9m) and potential Yancoal merger (\$3.4m)
- Depreciation and amortisation increased substantially due to acquisition of Donaldson, Monash and Middlemount assets
- Net Debt as at 31 December 2012 was \$379.1m
- Process commenced to identify opportunities to undertake a partial sell down of one or more of its assets to assist funding future capital expenditure as well as other commercial benefits (NB: process suspended following signing of Merger Proposal Deed)



Cashflow (\$m)

June 2011 to Dec 2011



- Total capital expenditure (PP&E and Exploration) for 6 months to December 2011 was \$83m (including equity share of Middlemount)

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OPERATIONS UPDATE



GLOUCESTER BASIN OPERATIONS

Overview



	Dec. 11	Dec.10	Change
Production volumes (kt) ¹			
Total ROM coal delivered to CHPP	1,618	1,515	7%
ROM coal processed	1,551	1,489	4%
Product yield	64%	60%	4%
Total product	990	889	11%



- Production impacted by adverse weather in the first quarter, strong recovery in second quarter
- Significant advance stripping in first quarter due to difficulty accessing coal in flooded pit
- CHPP performance improved with record throughput in December 2011
- Unit costs impacted by advance stripping and reduced Co-Disposal mining
- Review of geological potential at Gloucester Basin identified Stratford North area may deliver 200-240mt additional ROM coal²
- Semi hard coking coal demand declined considerably during the period
- Stockpiles remained high at the end of the period due to difficulty in shifting Gloucester coking product

Note:

1. Production reported inclusive of stockpile adjustments for the half year ended 31 December 2011
2. This is not a JORC compliant Resource or Reserve and further exploration work will need to be completed to define a mineral resource (which may or may not result in the determination of a mineral resource.) Refer page 8 of Half Year Report dated 28 February 2012.

MIDDLEMOUNT OPERATIONS

Overview



	Dec. 11	Dec.10	Change
Production volumes (kt) ¹			
Total ROM coal delivered to CHPP	367	-	-
ROM coal processed	329	-	-
Product yield	69%	-	-
Total product	226	-	-



Note:

1. Middelmont production shown on an equity basis for the period of joint control

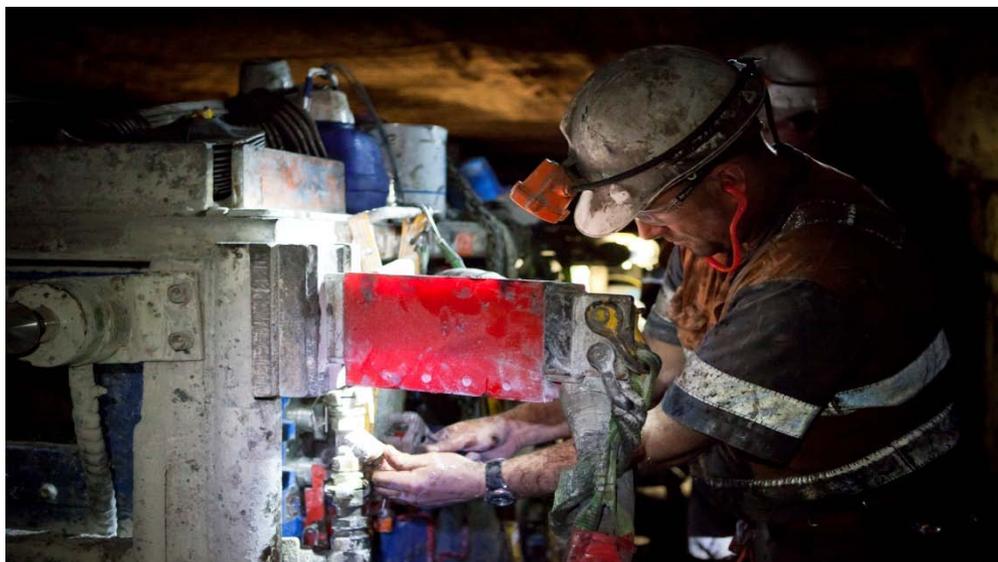
- Earlier than expected commissioning of rail spur and load out facility
- ML 70417 approved providing overburden area to deliver forecast production
- CHPP commenced 24/7 operations in second quarter and performing reliably
- 100% LVPCI produced to date
- Environment Authority to move from 1.8m ROM tpa to 5.4m ROM tpa progressed substantially - awaiting approval
- Operating costs reflect ramp up of operations with all costs up to November 2011 capitalised
- LVPCI sold in line with market conditions

DONALDSON OPERATIONS

Overview



	Dec. 11	Dec.10	Change
Production volumes (kt) ¹			
Total ROM coal delivered to CHPP	1,431	-	-
ROM coal processed	1,316	-	-
Product yield	64%	-	-
Total product	842	-	-



- Four year EBA agreed and signed
- Underground mine production impacted by challenging mining conditions and equipment reliability issues
- Unit costs impacted by lower than expected development rates and flow on effects to extraction rates
- Open cut mine production impacted by adverse weather in second quarter
- Higher ratio of thermal coal produced to align with export coal market conditions
- Operating costs impacted by high fixed cost base on lower production volumes
- Review of Donaldson operations completed
- Semisoft coking coal demand declined during the period
- Thermal coal price remained relatively stable

Note:

1. Donaldson production shown for the period of control . Acquisition of Donaldson effective 14 July 2011.

OPERATING COSTS

For the six month period to 31 December 2011



The total Free on Board Cash Cost for Gloucester Coal was \$111
(excluding Middlemount which is in ramp up mode, royalties and interest)

Gloucester Basin

- FOB cash cost was 7% above management expectations (17% if including waste in advance) due to adverse weather conditions resulting in the flooding of the Clareval pit in quarter one. The inability to access coal during this period led to:
 - High advance stripping of waste (cost of approximately \$9/tonne)
 - Lower than expected production volumes
- Operations since October 2011 have performed at or above forecast mining rates, however the ability to recover the full production loss during the first quarter has been constrained by the continued restriction of shuttle rail haulage hours of operations

Donaldson

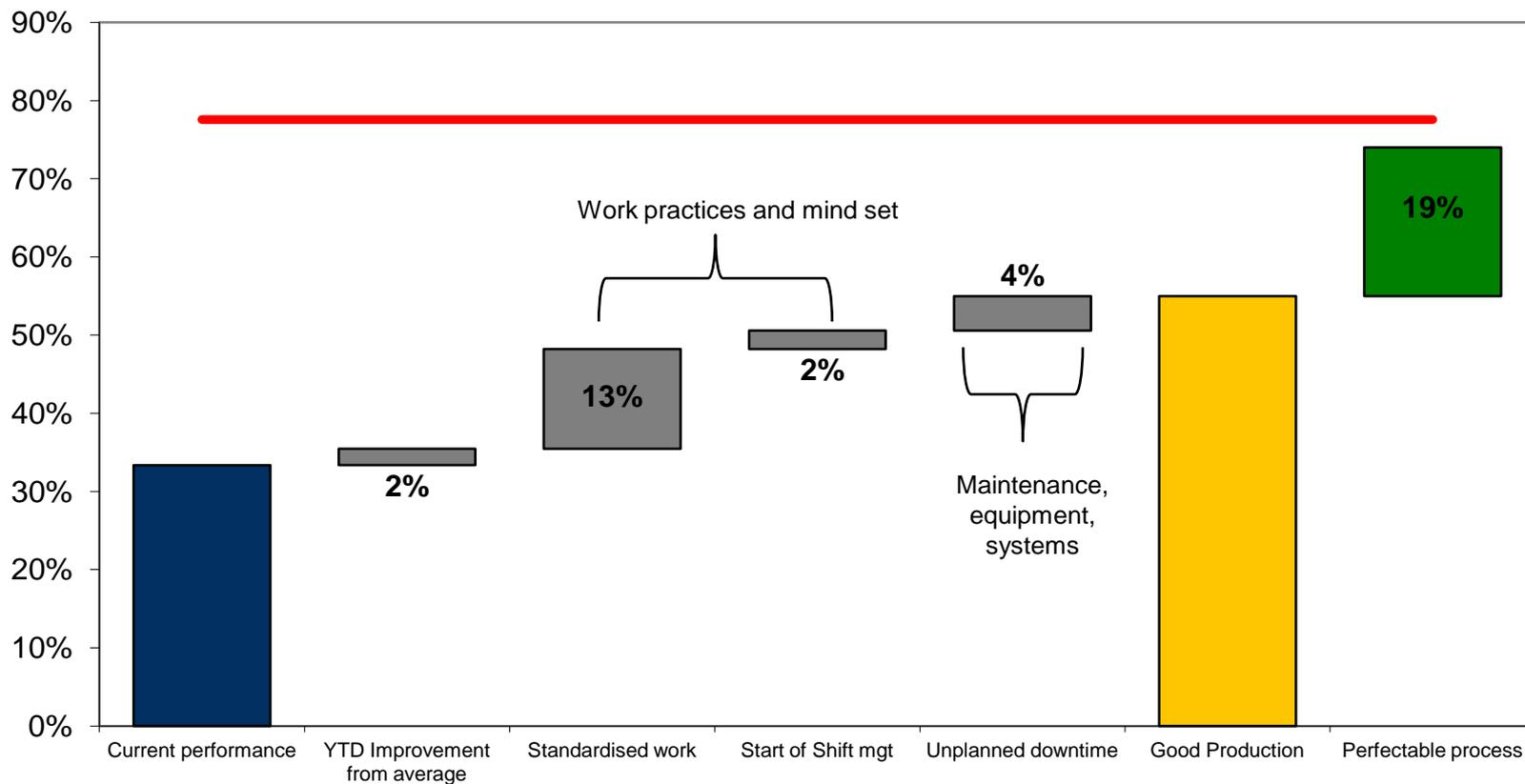
- FOB cash cost was 4% above management expectations due to lower than expected production volumes primarily due to :
 - Lower than expected development mining rates – with flow on to extraction rates
 - Difficult mining conditions and equipment reliability issues

REVIEW OF DONALDSON OPERATIONS

Key outcomes



- Review identified opportunities for improvement across planning, time usage, standardising work practices, standards and processes and reducing unplanned downtime
- First phase of improvement program focussed on Abel mine productivity



Abel Mine - Metres per shift improvement targets



Duralie Extension

- Approved November 2011 with revised conditions including ongoing restricting of shuttle rail haulage hours of operations
- Lodgement of S75W to amend condition restricting rail haulage hours of operations expected in second half

Stratford Extension

- Preliminary Environmental Assessment lodged in October 2011, Director-General requirements issued 14 December 2011
- Plan to submit Environmental Impact Assessment mid 2012 calendar year

Tasman Extension

- Director-General requirements received 14 December 2011
- Plan to submit Environmental Impact Assessment mid 2012 calendar year
- Community consultation commenced

Abel Project Modification

- 75W modification to allow shortwall and longwall mining in approved area progressed
- Project description and Preliminary Environmental Assessment lodged with request for Director-General requirements

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OUTLOOK





OPERATIONS OUTLOOK

- Strong recovery of production volumes in Gloucester Basin (subject to removal of restricted shuttle rail haulage hours of operations)
- Donaldson improvement program to deliver higher productivity and increased production volumes
- Middlemount ramp up to continue. Access to coking quality coal expected during 4th quarter.

FY12 OUTLOOK COMMENTS:

- The export coal market, particularly the metallurgical market, is expected to remain weak for the balance of the financial year
- Production volumes for the 12 months to 30 June 2012 are expected to be circa 5 million tonnes
- Capex spend for the year is forecast to be approximately \$170m
- EBITDA forecast for the FY12 period is currently between \$45m and \$55m (excluding transaction costs). This is dependent on the performance of global coal export market remaining subdued during the second half of the financial year.

Yanzhou merger proposal update

- The process regarding the proposed merger with Yanzhou Coal and its subsidiary Yancoal Australia has progressed as per the schedule and discussions with Yanzhou are continuing.
- We expect to be in a position to update the market next week.

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