



MEDIA RELEASE

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2009 Annual Results

Strong results ahead of infrastructure improvements

SUMMARY

- Revenue was \$2,319 million, down 13 per cent compared with \$2,665 million for 2008
- Profit after tax was \$586 million compared with \$804 million in 2008
- Final dividend of \$3.50 per ordinary share, fully franked

Commenting on the full year results, Coal & Allied's Managing Director Bill Champion said: "Coal & Allied's profit in 2009 is very pleasing in light of the global financial crisis.

"Revenue was lower in 2009 compared with 2008 because of lower US dollar denominated coal prices, which were only partially offset by a weaker Australian dollar against the US dollar. The average USD:AUD exchange rate in 2009 was 79 cents compared with an average of 86 cents in 2008. Average Australian dollar realised coal prices were 14 per cent lower in 2009 compared with 2008 while Coal & Allied's total coal shipments through the Port of Newcastle were in line with the prior year and in line with allocated port capacity."

Mr Champion said higher stripping ratios and increased overburden removal meant an increased workload and higher operating costs in 2009 compared with 2008. Mr Champion also noted that the profit of \$586 million for the year benefited from one-off items amounting to \$36 million.

"We expect to see markets continue to strengthen in 2010, with thermal coal and semi soft coking coal demand remaining buoyant," Mr Champion said.

"Coal & Allied has entered into long term take or pay contracts for port nominations at Port Waratah Coal Services effective from 1 January 2010. This will provide the certainty that is necessary to commit to investing in increased production.

A final dividend of \$3.50 per ordinary share, fully franked, has been declared.

Note: All currency is denominated in Australian currency, unless otherwise stated.

SUMMARY OF PERFORMANCE

Coal & Allied's results for 2009 are shown below, together with comparative results for 2008.

	Year ended 31 December		Change %
	2009	2008	
All Injury Frequency Rate (per 200,000 hours)	0.58	0.58	-
Revenue (\$ million)	2,319	2,665	(13)
Profit before tax (\$ million)	791	1,138	(31)
Profit after tax (\$ million)	586	804	(27)
Operating cash flow (\$ million)	531	1,206	(56)
Final dividend (dollars per share)	3.50	5.50	(36)
Coal production ¹ (million tonnes)	25.2	25.1	-
Coal shipments ¹ (million tonnes)	25.0	25.1	-

¹ Production and shipments are shown on a 100 per cent basis. Shipments exclude purchased coal.

Safety

The All Injury Frequency Rate in 2009 was comparable with the rate in 2008 following a number of years of significant improvement. The severity of injuries in 2009 also remained at comparable levels to those in 2008.

Profit

Profit after tax was \$586 million, which was 27 per cent lower than 2008. This was largely a result of lower revenue attributable to lower realised coal prices. Production costs were \$66 million higher in 2009 primarily due to increased costs associated with increased overburden removal. The effective income tax rate for 2009 of 27 per cent was below the statutory rate of 30 per cent due to the recognition of capital losses with a tax benefit of \$23 million.

Production

Managed production of saleable coal was 25.2 million tonnes for the full year with coal shipments of 25.0 million tonnes being in line with Coal & Allied's available port capacity through the Port of Newcastle.

Revenue

Revenue was \$346 million lower in 2009 compared with 2008 with sales revenue being lower by \$365 million and other revenue being higher by \$20 million.

Sales revenue for 2009 was lower than 2008 due mainly to a 20 per cent decrease in realised US dollar coal prices compared to 2008. This was partly offset by a favourable foreign exchange movement due to the fall in the value of the Australian dollar against the US dollar, averaging 79 cents for 2009 compared with 86 cents in 2008.

Revenue in the second half of 2009 benefited from a higher proportion of thermal coal sales with pricing linked to spot prices. Also, returning demand in semi soft markets enabled several shipments to be made on a spot basis, taking advantage of the higher available prices.

Benchmark export coal prices for the 2009/2010 Japanese fiscal year decreased 45 per cent for thermal coal and 65 per cent for semi soft coking coal.

The maturity of forward sales contracts for thermal coal reduced sales revenue by \$39 million (2008: \$113 million) after tax. Coal & Allied's hedge book was closed out in January 2010 realising the net \$4 million liability held in the statement of financial position at 31 December 2009.

Other revenue was \$20 million higher in 2009 mainly because of an increase in interest income to \$25 million (2008: \$14 million) from higher average cash balances throughout the year.

In 2009, a foreign exchange loss of \$12 million (2008: \$53 million foreign exchange gain) was recognised on US dollar denominated working capital items.

Other income in 2009 benefited from \$11 million before tax received from settlement of an insurance claim.

Costs

Mine production costs were \$66 million higher in 2009 with increases for explosives, consumables and contractor expenses. Employee costs increased \$12 million compared to 2008, largely as a result of a restructure of the workforce at Mount Thorley Warkworth resulting in increased severance costs. External services costs increased \$40 million from 2008 largely due to the increased workload associated with greater volumes of overburden removal, particularly at Mount Thorley Warkworth. Overburden removal in 2009 increased seven per cent (Coal & Allied's share) also contributing to higher stripping ratios. Lower oil prices contributed to a 26 per cent decrease in fuel costs despite an increased truck fleet.

Selling and distribution costs were \$4 million lower in 2009, despite the NSW Government royalty rate increasing from 7.0 per cent to 8.2 per cent from 1 January 2009.

The costs of both purchased coal and sea freight are generally passed onto customers and the recovery of these costs is included in sales revenue. The revenue and costs associated with purchased coal and sea freight were lower in 2009 by \$77 million largely due to the reduction in coal prices and lower sea freight rates associated with the global financial crisis.

One off items

The 2009 full year result was impacted by a number of one-off items. These included \$11 million from settlement of insurance claims and a further \$10 million from the reversal of an impairment loss relating to Maules Creek, both included in other income. Also voluntary redundancy payments associated with workforce restructuring at Mount Thorley Warkworth amount to \$6 million included in employee costs, offset by settlement of commercial disputes and other one-off items of \$4 million included in administration costs and the recognition of capital losses amounting to \$23 million as a credit to income tax expense. In total, these items resulted in an increase to profit before tax of \$20 million and profit after tax of \$36 million.

In addition to the profit impacts above, the pending disposals of the Maules Creek and Vickery coal projects has led to the recognition of an income tax liability of \$128 million that will be payable in respect of the 2009 income tax year, provided the transactions progress to completion as anticipated. The liability is directly offset by a similar deferred tax asset that will unwind through the statement of comprehensive income when the transactions complete and the gain on disposal is recognised.

Income tax

The effective income tax rate for the full year is 26.9 per cent compared to 29.7 per cent for 2008. The recognition of previously unrecognised capital losses amounting to \$23 million reduced the marginal tax rate by 2.8 per cent.

Cash flow

Net operating cash flow of \$531 million was \$676 million lower than 2008 as a result of the lower profits before tax compared with 2008 and an increase in income tax payments of \$281 million. Capital expenditure was higher by \$34 million related predominately to replacement of heavy mobile equipment, construction of Bengalla's new ROM hopper and major cyclical maintenance. Free cash flow was \$351 million in 2009 compared with \$1,057 million in 2008.

Payment of dividends in 2009 amounted to \$615 million compared with \$160 million in 2008.

Debt

Coal & Allied ended 2009 with net cash of \$293 million compared with net cash of \$523 million at the end of 2008. Borrowings have reduced from \$258 million at the beginning of 2009 to \$61 million at year end.

Dividends

The directors declared a final dividend of \$3.50 per ordinary share fully franked at 30 per cent and a final dividend of 1.75 cents per preference share fully franked at 30 per cent, which will absorb \$303 million in cash.

The final ordinary dividend will be paid on 19 March 2010 to ordinary shareholders who are on the share register at the close of business on 4 March 2010. The ex-dividend date for ordinary shareholders is 26 February 2010.

The final preference dividend will be paid 19 March 2010 to preference shareholders who are on the share register at the close of business 4 March 2010. The ex-dividend date for preference shareholders is 26 February 2010.

Infrastructure

Coal & Allied welcomed the tripartite signing in 2009 of a long term port access agreement between the New South Wales government, Port Waratah Coal Services and Newcastle Coal Infrastructure Group. Coal & Allied has entered into long term take or pay contracts for port allocation with Port Waratah Coal Services which take

effect from 1 January 2010. Similar long term take or pay contracts to secure equivalent rail track access and rail freight are still being negotiated.

The expansion by PWCS to 113 million tonnes per annum was completed in 2009 and studies have commenced into a further expansion of PWCS to 145 million tonnes per annum.

Market conditions

The overall demand for thermal coal within the Asian region improved throughout 2009 following a generally weak economic first half of the year in the more traditional markets for Australian coal. China's demand for imported coal in 2009 was particularly strong and this supported improved prices by year end. The prices were lower however than the records achieved in 2008. Global steel demand was also weak in the first half of 2009 but has improved in all markets in the second half of the year and has led to strong demand for semi soft coking coal.

Divestments

Coal & Allied has previously announced the sale of both the Maules Creek and Vickery Coal Projects.

Coal & Allied entered into an agreement with Aston Resources Pty Limited to sell its undeveloped Maules Creek Coal Project in the Gunnedah Basin. Consideration for the transaction is \$480 million in cash. The transaction is expected to complete in early 2010 and is subject to customary closing conditions, including regulatory approvals. As a result of this proposed sale and the application of Australian Income Tax Law an income tax liability amounting to \$119 million for the potential capital gain on this transaction has been recognised as at 31 December 2009. The capital gains tax liability has been reduced by \$23 million for capital losses that have not previously been recognised in the financial statements. A corresponding asset for capital gains tax recognised in advance has been included in the deferred tax balances. Further, an impairment provision amounting to \$10 million before tax relating to Maules Creek has been reversed in 2009 in anticipation of the disposal. These adjustments result in an after tax profit associated with the disposal of Maules Creek of approximately \$345 million.

In regard to the Vickery Coal Project, Coal & Allied entered into an agreement with Whitehaven Coal Mining Limited to sell the project located in the Gunnedah Basin for \$31.5 million in cash and a 1,156ha parcel of land. Completion is also expected to occur in early 2010. Coal & Allied expects an after tax gain of approximately \$22 million from the sale once the transaction completes. As with Maules Creek, Australian Income Tax Law requires the recognition of the potential income tax liability, in this case \$9 million, which is also offset by a similar deferred tax asset.

Climate change

In 2009, Coal & Allied introduced systems to meet new Australian government legislation, completing the requirements of the National Greenhouse and Energy Reporting Act and assessments required by the Energy Efficiency Opportunities Act.

Mount Pleasant

In 2008, Coal & Allied completed an engineering feasibility study on the Mount Pleasant thermal coal project located adjacent to the Bengalla coal mine near Muswellbrook in the Hunter Valley. The company is currently reviewing the 2008 engineering feasibility study to update the economic assumptions and technical design considerations. Coal & Allied anticipates being able to secure long term take or pay contracts with PWCS for Mount Pleasant. In the meantime, Coal & Allied is in the process of identifying modifications that may be required to the existing regulatory consents and approvals, and the company is proceeding to apply for those remaining regulatory consents and approvals which are required to progress the proposed development of Mount Pleasant.

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

Coal & Allied Financial and Operating Statistics

	2009 '000 tonnes	2008 '000 tonnes
Production and shipments		
Total saleable production³		
Hunter Valley Operations	11,232	10,752
Mount Thorley Operations	3,342	2,948
Bengalla	5,466	5,357
Warkworth	5,162	6,038
Total	25,202	25,095
Coal & Allied equity share of production		
Hunter Valley Operations (100%)	11,232	10,752
Mount Thorley Operations (80%)	2,674	2,358
Bengalla (40%)	2,186	2,143
Warkworth (55.57%)	2,869	3,356
Total	18,961	18,610
Total shipments¹	24,976	25,084
Shipments by market^{1,2}		
Japan	10,404	12,406
Asia (excluding Japan)	6,123	6,500
Europe	792	1,146
Domestic	1,647	1,180
Other	6,010	3,852
Total	24,976	25,084
Shipments by product¹		
Export thermal	19,087	19,281
Domestic thermal	1,676	1,179
Semi soft coking	4,212	4,624
Total	24,976	25,084
Financial		
	\$ million	\$ million
Total assets	2,522	2,836
Capital expenditure	183	149
Depreciation and amortisation expenses	119	99
Net debt to net debt + equity (%)	(24)	(55)
Earnings per share (cents)	676	928

¹ Shipments are on a 100% basis and exclude purchased coal

² 2008 shipments by market have been restated to allocate sales to intermediaries to category 'Other' in order to maintain comparability with 2009

³ Production is on a 100% basis