

GLOUCESTER COAL
QUARTERLY REPORT
Period Ended 30 September 2009



FIRST QUARTER HIGHLIGHTS

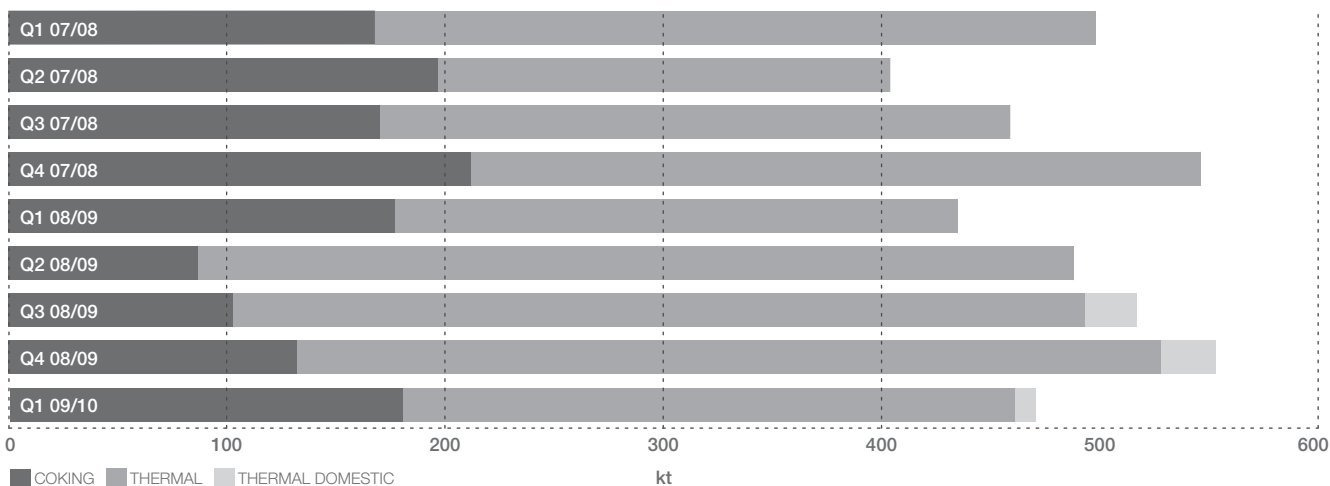
1. Strong margins continue as coking coal off take increases
2. Global coking coal demand improves
3. Thermal coal sales volumes increase 12%
4. Reliable production
5. Exploration – continued focus delivering results
6. JORC Reserves upgraded at Stratford

SALES

The Company recorded a total sales volume of 470kt during the quarter representing an increase of 8% over the previous corresponding period.

FIRST QUARTER 2009/10 SALES

	SEPT 08	SEPT 09	CHANGE
COAL TYPE	kt	kt	%
Coking	176	180	2%
Thermal	258	280	9%
Thermal Domestic	-	10	n/a
TOTAL SALES	434	470	8%
Purchases	(34)	(49)	(44%)
NET SALES	400	421	5%



COKING COAL

Sales of Gloucester coking coal (180kt) were 2% higher than the previous corresponding period. This reflected the recovery of coking coal markets following the worldwide downturn in late 2008.

Signs of recovery are now being observed in Japan, with the Company's Japanese Steel Mill customers increasing their off take of coking coal.

Gloucester Coal remains committed to the Japanese market for coking coal sales and is actively seeking other opportunities, as the Company increases the volume of coking coal production.

THERMAL COAL

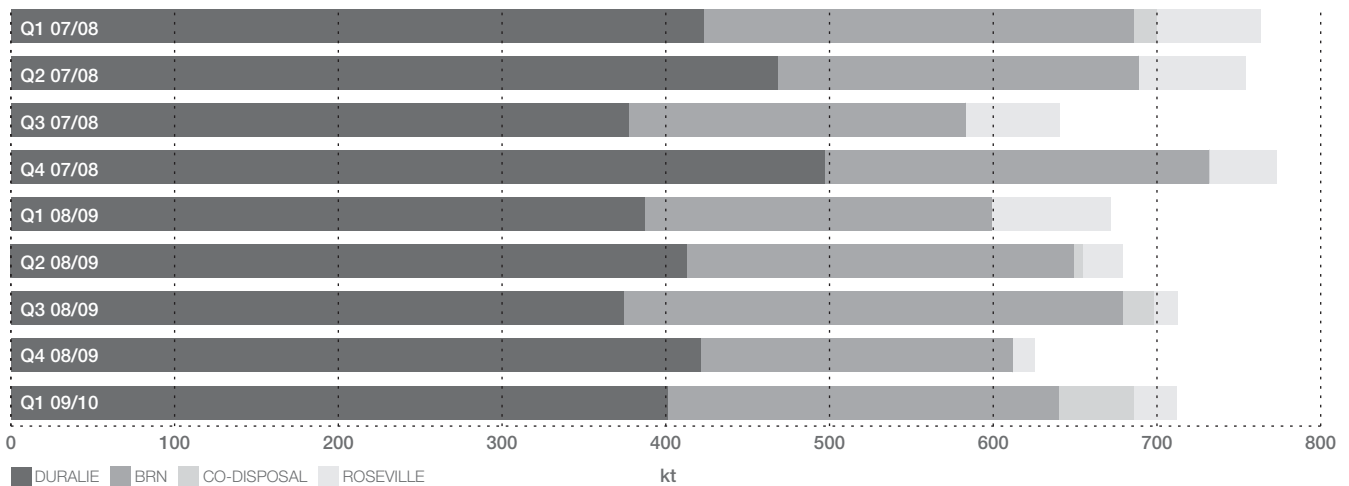
Sales of Gloucester thermal coal (290kt) increased 12% on the previous corresponding period and reflect the continued strong demand for the Company's thermal coal product. Export thermal coal prices have improved since the end of the 2009 financial year.

The Company will continue to pursue forward sales of thermal coal where appropriate to maximise profit and to secure reliable off take.

FIRST QUARTER 2009/10 PRODUCTION

	SEPT 08	SEPT 09	CHANGE
COAL SOURCE	kt	kt	%
Duralie	387	401	4%
Bowens Road North	212	239	13%
Co-disposal	-	46	n/a
Roseville	73	26	(64%)
Total ROM Coal Delivered to CHPP	672	712	6%
Preparation Plant			
ROM Coal processed	663	657	(1%)
Total Yield	67%	66%	(1%)
Total Product	446	434	(3%)

ROM PRODUCTION BY QUARTER



PRODUCTION

Open Cut Production

Although coal volumes from Duralie were down in July due to the consequential effects of the wet weather in the previous quarter, mining volumes recovered later in the period to within 4% of forecast, and are expected to fully recover during the next period as trucking capacity increases at Duralie. Waste removal volumes were in line with mining schedules.

It is planned that an additional 350T excavator will be mobilised at Duralie in the coming quarter to deliver waste removal volumes in line with current mining schedules as stripping ratios slightly increase.

Adequate stocks of product coal continue to satisfy sales demands.

Roseville production was lower by 64% when compared to the comparable period last year but represented an increase of 100% over the previous quarter. Mining activities over the past 6 months have been focused on waste removal to facilitate the expanding of the Roseville operations to the west. Coal volumes are scheduled to increase over the coming months to suit coking coal blend requirements.

Recovery of co-disposal material recommenced during the quarter to provide additional lower cost feed to the Stratford CHPP.

Management and irrigation of excess mine water at Duralie continues as a high priority. Irrigation activities were ramped up as dry conditions prevailed in August and September, with some 144ML of water disposed. The overall storage level held in the dams was 67.5% (1,266ML) at the end of the period, with no water held in the pit.

An application to modify the Duralie consent to allow a slight increase in pit area within the consented project area has been assessed by the NSW Department of Planning and approval of the modification is expected shortly.

Mining Contract - Duralie

The new mining operations contract with Leighton Mining commenced 1 July 2009, providing a smooth changeover from the previous contract.

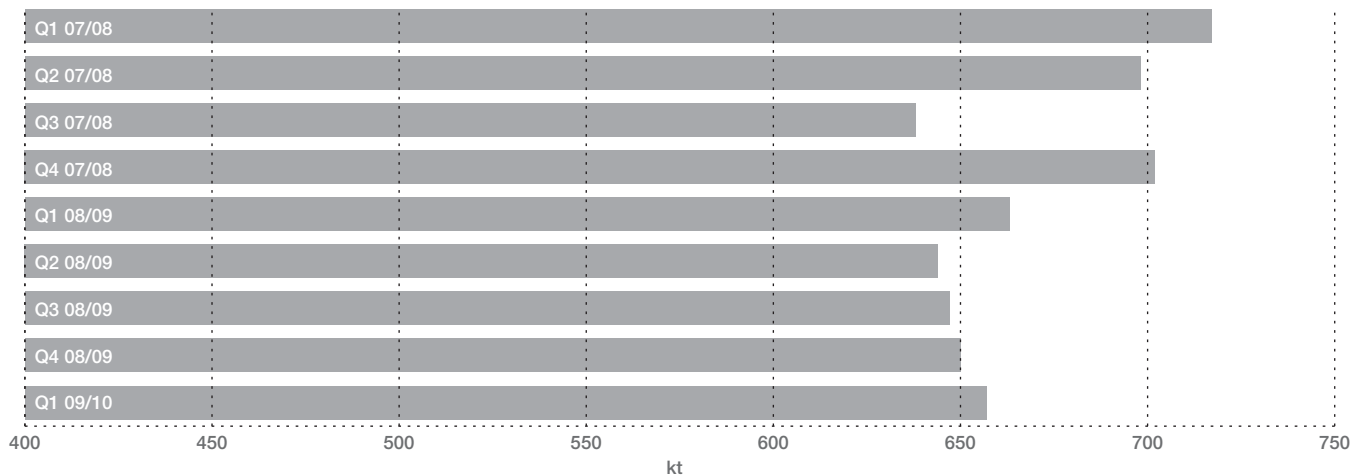
Deliveries of the new CAT 785C XQ haul trucks are on schedule, with the first 8 of the 11 trucks scheduled to commence service at Duralie progressively from early November 2009.

Part 3A Application - Duralie

Effective management of water continues at Duralie and the no-release of water policy will not change with the proposed extension to the mine.

Preparation of the Part 3A application and environmental assessment for the Duralie extension project has reached the advanced stage and the EA is now under draft and planned for submission to the NSW Department of Planning by the end of November 2009. Special reports are essentially complete and the consultation process with various stakeholders is in progress.

STRATFORD PREPARATION PLANT ROM FEED BY QUARTER



Stratford Coal Preparation Plant

The Coal Handling Preparation Plant (CHPP) continued to run efficiently, with routine performance in line with forecast.

Coal processing tonnage for the period was below target due to low ROM coal stocks, especially in July, although product coal stocks and production levels were sufficient to satisfy sales commitments.

The Product Pile Expansion is now ready to accept delivery of product coal. The upgrade and refurbishment works on the CHPP continues in readiness for the additional tonnages from Duralie in the latter half of 2010.

EXPLORATION

Exploration remains a key focus to identify the extent of the Company's coal resources within its Exploration Licence areas. The appointment of a dedicated Exploration Manager in August will ensure these activities will be further ramped up over the coming months.

Exploration drilling continues to target definition of resources in Clareval and Weismantel seams within the 180 to 275 million tonnes of Gloucester basin exploration targets as announced on 2 February 2009.

During the quarter the Company maintained drilling rates, achieving a total of 48 holes were completed for a total of 7,216 metres. The number of dedicated drill rigs has increased from 3 to 5, with plans underway for further increases in drilling capacity.

Drilling in Duralie Northwest continues and is required to finalise geological modelling for mine planning.

During the quarter the Company spent \$1.42 million on exploration activity.

On 21 October 2009 the Company announced an increase of 7.3 million tonnes of recoverable reserves at its Stratford coal mine.

These identified reserves have not previously been reported and are in addition to the total reserves announced as at 31 December 2008 of 38.0 million tonnes. For the period from 1 January 2009 to June 2009 1.3 million tonnes has been mined from the Stratford and Duralie Operations.

