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2009 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS

Despite a year of market extremes, from record coking coal prices in the first half followed by the global financial crisis and an unprecedented contraction in coking coal demand in the second half, Gloucester Coal achieved its highest ever profit whilst continuing to maintain exceptional environmental and safety standards.

This record result was achieved through a flexible response to the changing market conditions, based on sound operational management, long term customer relationships, and the efforts of our dedicated, skillful staff.

SAFETY

During the year the Company maintained an excellent safety record. Safety continues to be the number one priority for Gloucester Coal and a key goal of the Company is to instill a culture of safety awareness and best safety practices.

ENVIRONMENT

Gloucester Coal is a proud member of the Gloucester Basin community and has a long history of productive and environmentally responsible operations at Stratford and Duralie.

The Company has developed best practices for minimising its impact on the environment, through effective planning, monitoring and rehabilitation and continues to look for ways that this can be further reduced.

Progressive rehabilitation is undertaken as soon as possible after mining ceases. We have continued to rehabilitate mined and waste areas including tree plantings and irrigation of rehabilitated areas. Last month the company stated that it will maintain its existing policy of no water discharge into Mammy Johnsons Creek.

In order to reduce noise from operations, the Company has introduced a smaller sized truck fleet and an "Extra Quiet" stockpile dozer at the Stratford site and a new fleet of purpose built quieter trucks at Duralie.

CO2 emissions are being actively monitored and analysed so that the Company can develop appropriate reduction strategies. 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.

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 the Company delivered a record operational profit after tax of \$90.7 million, which represents earnings per share of 111 cents and an impressive net profit of \$46 per tonne of coal sold.



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.

OPERATIONAL HIGHLIGHTS

The year's production results demonstrate the flexibility of the Company to respond to changing market conditions.

As coking coal demand softened in the second half of the year, thermal coal sales were increased to maintain full utilisation of the Company's port allocation and production capability.

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 higher strip ratios. Future strip ratios will increase at Bowens Road North and at Duralie, as the Company moves to mine deeper economic coal reserves.

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. A key focus for the future is the delivery of an optimal production strategy that aims to maximise the life of mine and operating profit, 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 allowed the company to take advantage of the strong demand for Gloucester Coal's products.

MARKETING

Although demand for coking coal curtailed in the second half of the year, sales were contracted at the third highest prices ever received by the company. Discussions with Gloucester Coal's customers indicate a more positive outlook for coking coal and the Company is positioning itself to take advantage of this expected increase in demand.

Gloucester Coal continues to experience strong demand for its thermal coal. The Company continues to lock in thermal coal contracts which maximise profit margin, and deliver consistent offtake of thermal product.

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 and increased JORC reserves. The Board has committed to more than double expenditure on exploration and has appointed a dedicated Exploration Manager to drive exploration targets.

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.



LAND

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. We will continue to acquire strategic land holdings in the basin.

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 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.

FOR FURTHER INFORMATION

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