

**GLOUCESTER COAL LTD**

Level 15  
Citadel Towers (Tower B)  
799 Pacific Highway  
Chatswood NSW 2067  
PO Box 137  
Chatswood NSW 2057

Tel: +61 (0)2 9413 2028  
Fax: +61 (0)2 9413 4802

E: [gcl@gloucestercoal.com.au](mailto:gcl@gloucestercoal.com.au)  
W: [www.gloucestercoal.com.au](http://www.gloucestercoal.com.au)

ABN: 66 008 881 712 ASX: GCL

**GLOUCESTER COAL**

## Gloucester Coal announces \$36.4 million<sup>1</sup> underlying net profit

- Underlying net profit after tax of \$36.4 million<sup>1</sup>
- Underlying EBITDA of \$57.6 million<sup>1</sup>
- Key milestones met to drive production capacity expansion to 2.8mt by the end of 2010 and 3.5mtpa by 2014
- Reserve upgrades delivering an increase of 97% in JORC Reserves and 33% in JORC Resources
- Improved processing volumes due to CHPP phased upgrade
- Exploration programme accelerated by one year
- Continued strong demand for Gloucester coking and thermal coal
- Recent increases in coking coal prices

Gloucester Coal Ltd (ASX: GCL) today announced a full year net profit after tax excluding transaction costs, of \$36.4 million. This result compares with \$90.7 million for the previous corresponding period, and was down as a result of a market correction in the record sales prices of coal in that year.

Net profit after tax including transaction costs was \$32.7 million. Sales revenue for the year was \$229.3 million (2009: \$306.8 million).

Gloucester coal Chief Executive Officer, Barry Tudor said despite the volatility in coal prices, costs were controlled and healthy margins maintained.

“Demand for coking coal has increased throughout the year and coal prices have staged a gradual recovery over the latter part of the year,” he said.

“We have continued to manage the coking and thermal coal mix along with the use of our port allocation.”

<sup>1</sup> After excluding transaction costs of \$5.3m (\$3.7m net of tax) incurred in connection with the Noble Group Limited and Macarthur Coal Limited takeovers.



## FINANCIAL PERFORMANCE: SUMMARY

	Year Ended 30 June 10 \$A Millions	Year Ended 30 June 09 \$A Millions
Revenue	229.3	306.8
EBITDA	57.6	120.4
EBITDA Margin	25%	39%
Net Profit After Tax	32.7	81.7
Earnings Per Shares (cents per share)	39.9	99.8
Coal Sales	1,970mt	1,989mt
Cash & Cash Equivalents	27.8	65.8
Current Ratio	2.4	2.0
Interest Bearing Loans	34.7	Nil
Net Assets	181.2	166.5

In the first half of the year, a strategic review was completed to identify the growth opportunities available to the company within the Gloucester Basin. The strategic review identified the opportunity for near-term growth by increasing production and optimising the use of existing assets. An extensive exploration program was launched with set targets within a three-year period.

The review put forward the following milestones:

- Increase in JORC Reserves to 130mt within three years to support operations until 2030;
- Increase in production to 3.5mtpa from 2014;
- Increase in production of Gloucester's high fluidity semi-hard coking coal to 2.0mtpa from 2014.

Mr Tudor said: "We have made excellent progress during the year to advance expansion plans and maximise the growth opportunities identified within the Gloucester Basin. JORC Reserves have been increased by 97% and we are one year ahead of schedule in meeting our target of 130mt. Our considerable exploration success has demonstrated the potential for the expansion of coking coal production which will make Gloucester Coal a significant exporter of coking coal by world standards."

"Expansion is well advanced with staged upgrades and improvements to the coal handling and preparation plant and doubling of stockpile capacity. The first phase of production increase to 2.8mt is due to commence this quarter."

## EXPLORATION SUCCESS

The acceleration and continued success of the exploration programme has resulted in a 97% increase in JORC Reserves to 74.8mt<sup>1</sup> and a 33% increase in Resources to 278.8mt<sup>1</sup> at 30 June 2010. This outperformance underpins the company's growth plans and has resulted in Gloucester expecting to reach its previously stated goal of 130mt of coal reserves by mid-calendar year 2011, a year ahead of schedule. Since July 2009, the company has announced, three upgrades to the ASX, with significant increases to its reserves and resources position.

<sup>1</sup> Gloucester Coal Ltd's JORC Coal Reserves and Resources was updated as at 30 June 2010 as detailed in the release to the ASX on 26 July 2010.



During the year, the coal exploration program has been further expanded, with ambitious exploration targets set and the resources put in place to deliver on those targets. Under the current program, expenditure was increased to \$16.9 million for the year, up from \$3.7 million in the previous year.

## FINANCIAL

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Cash on hand decreased from \$65.8 million to \$27.8 million as the company continued to fund its intensive drilling and exploration programme and expansion plans to increase production to 2.8mt. The balance sheet continued to strengthen with an increase in net assets to \$181.2 million. Net tangible assets decreased from 211.9 cents per share at June 2009 to 198.6 cents per share at June 2010, partially as a result of the increased expenditure on exploration activities during the year.

## OUTLOOK

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The company will continue to progress activities to meet the milestones set out in the strategic review.

Existing expansion plans are expected to allow for increased production to 3.5mtpa in coordination with an expansion of operations at the Stratford mine and the Duralie Extension from 2014.

The staged implementation and upgrade project for the CHPP is underway with production increases to 2.8mt to be realised by the end of 2010. Design work has also commenced on the next stage of the process to increase production to 3.5mtpa and is scheduled for completion by the end of 2013.

## NOBLE OFFER

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Noble Group Limited has made an offer to acquire the remaining Gloucester Coal Ltd's shares which it does not already own for \$12.60 per share. On 28 July 2010, Noble announced an extension to its Offer Period to 3 September 2010. Under the Corporations Act, certain Gloucester Shareholders are entitled to withdraw their acceptances under the Noble offer if they wish to do so. Noble has informed Gloucester that all Shareholders that have accepted the Noble Offer prior to 28 July 2010 have withdrawal rights. Shareholders who accepted the Noble Offer after it was extended on 28 July 2010 are not entitled to withdraw their acceptance.

Gloucester is in discussions with Noble regarding a potential transaction which would involve Gloucester acquiring certain Noble Australian coal assets, as announced on the ASX on 9 July 2010. No agreement has been reached between Gloucester and Noble and no decision has been made in respect of any capital raising.

## DIVIDEND

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The Directors have not declared a final dividend.

## AUDIT STATUS

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



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FOR FURTHER INFORMATION

**INVESTORS**

Barry Tudor

Chief Executive Officer

+61 (0)2 9413 2028

Neil McKenzie

Chief Financial Officer / Company Secretary

+61 (0)2 9413 2028

**MEDIA**

Sue Cato

+61 419 282 319

Matthew Horan

+61 403 934 958