

GLOUCESTER COAL
QUARTERLY REPORT
Period Ended 31 March 2010



OVERVIEW

During the quarter the Company has made good progress in all significant areas towards achieving its strategic objectives, including substantially increasing production and shifting to become a majority coking coal producer.

CEO Barry Tudor said: “The strategic shift of the Company’s production is on-track to produce two million tonnes of coking coal per annum from 2014/15. Towards that objective we have steadily improved the performance of our coal handling to record levels, coking coal sales have increased and thermal coal output allows us to optimise the capacity of our export chain.

“We continue to advance our longer term growth targets with an accelerated drilling programme confirming strong reserves and resources growth. This underpins the development of an expanded marketing strategy which has secured new customers and contracts in South East Asian growth markets.

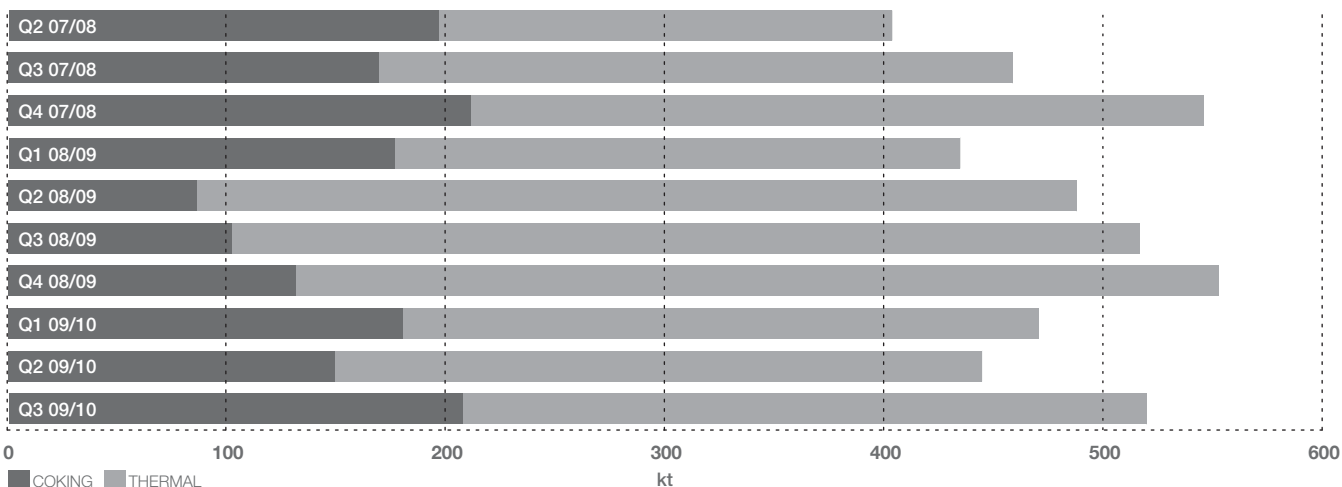
“This last 12 months has seen the Company become a larger, more efficient producer with an expanding coking coal capacity, strengthened marketing and a more focused growth path”, Mr Tudor said.

SALES

Sales of 529kt for the period represent an increase of 3% over the previous corresponding period, however the quarter showed a much higher proportion of coking coal sales compared to the same period in the prior year.

THIRD QUARTER 2009/10 SALES

	MAR 2009	MAR 2010	CHANGE	YTD MAR 2009	YTD MAR 2010
COAL TYPE	kt	kt	%	kt	kt
Coking	102	207	103%	364	536
Thermal	414	322	(22%)	1,073	907
TOTAL SALES	516	529	3%	1,437	1,443
Purchases	(18)	(63)	250%	(67)	(145)
NET SALES	498	466	(6%)	1,370	1,298



COKING COAL

Demand for the Company's semi-hard coking coal is robust and as steel production worldwide continues to recover, the general outlook is for a continued firming of demand and pricing for coking coal.

Sales of Gloucester coking coal (207kt) were 103% higher than the previous corresponding period and reflected the rapid recovery in demand for coking coal following the slowdown caused by the global financial crisis.

In line with recent market trends, agreements have been reached with customers in Asia to move contracts that were previously priced annually to a shorter term quarterly basis. Gloucester Coal has agreed pricing with major Japanese steel mill customers for the April - June 2010 quarter at an increase of approximately 100% over those achieved in the previous year. These prices are the second highest coking coal prices achieved by the Company.

In addition, contracts have been settled with new customers in Asia outside the Company's traditional Japanese markets. This provides additional sales for Gloucester's coking coal, as production is scheduled to increase in coming years.

THERMAL COAL

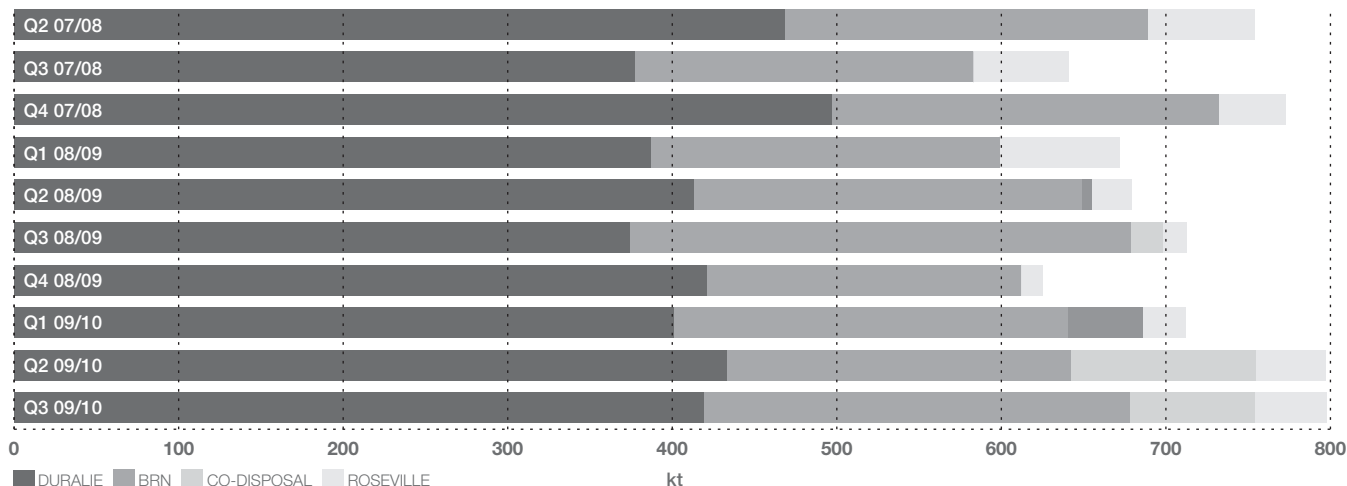
Sales of thermal coal of 322kt represents a reduction of 22% compared to the previous corresponding period. The Company continues to maximise higher value coking coal sales with the remaining thermal sales utilising the balance of available port allocation.

Thermal coal prices ex-Newcastle have remained firm with recent reports indicating that thermal coal sales by Newcastle producers have been settled for the 2010 Japanese fiscal year at prices higher than the previous period. The Company is well placed to benefit from the increased price levels for the thermal coal volumes not yet contracted.

THIRD QUARTER 2009/10 PRODUCTION

	MAR 2009	MAR 2010	CHANGE	YTD MAR 2009	YTD MAR 2010
COAL SOURCE	kt	kt	%	kt	kt
Duralie	374	419	12%	1,174	1,253
Bowens Road North	305	259	(15%)	753	707
Co-disposal	19	76	300%	25	235
Roseville	15	44	193%	112	112
Total ROM Coal Delivered to CHPP	713	798	12%	2,064	2,307
PREPARATION PLANT					
ROM Coal processed	647	757	17%	1,954	2,155
Total Yield	66%	66%	0%	67%	66%
TOTAL PRODUCT	427	502	18%	1,307	1,427

ROM PRODUCTION BY QUARTER



PRODUCTION

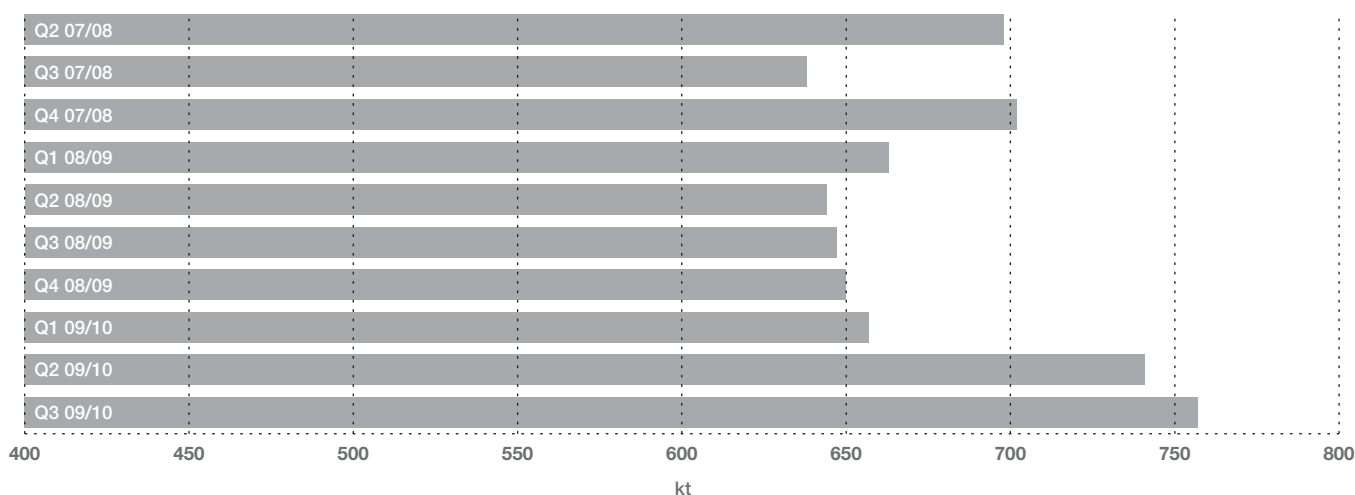
Open Cut Production

Mining operations are continuing as planned and in line with expectations. Recovery of co-disposal material at Stratford continues to provide low cost feed to the Stratford CHPP.

Part 3A Application - Duralie Extension

The Environmental Assessment (“EA”) for the Duralie extension project was placed on public exhibition during the quarter. Submissions have been received by the NSW Department of Planning (“DoP”) which will require Gloucester’s review and responses. The current timing for the review and approval process remains on track.

STRATFORD PREPARATION PLANT ROM FEED BY QUARTER



Stratford Coal Preparation Plant

The Coal Handling Preparation Plant (CHPP) continued to show improved efficiency and performance as the staged upgrade progresses.

Coal processing tonnage for the period was the highest in the last 10 periods.

The new product stockpile system is in full operation, increasing the product stockpile capacity to approximately 400kt, providing greater flexibility and improved segregation of product coal types.

The upgrade and refurbishment works on the CHPP continues on schedule and budget to increase throughput up to 4.3mt by late 2010.

EXPLORATION

The aggressive exploration drilling programme continues to target definition of resources in the Clareval and Weismantel seams within previously advised Gloucester basin exploration targets of 180 to 275mt.

During the quarter the Company increased drilling rigs to 14, with an additional 3 rigs to be operating in the coming weeks.

The Company spent \$3.4 million on exploration activity and drilled a total of 23,530 metres during the quarter.

An increase in JORC Reserves and Resources as at 1 March 2010 was announced during the period. JORC Reserves have increased to 57.2mt or 28%¹ over the previously announced Reserves. JORC Resources have increased to 239.9mt, or 10%¹ over previously announced Resources. The increase in JORC Reserves will provide Gloucester Coal the opportunity to nominate for further port capacity allocations at Port Waratah Coal Services.

Gloucester Coal remains committed to the exploration programme and is on track to meet the goal of 130mt of coal reserves, within three years as previously announced.

FINANCE

During the quarter Gloucester Coal entered into a Chattel Mortgage Facility with ANZ for up to US\$33 million to finance eleven CAT785C XQ dump trucks. The financing was received during the quarter for the eight trucks commissioned in November and December 2009, increasing the Company's cash balance by US\$23 million. The financing for the remaining three dump trucks is expected to be received once the trucks are delivered, currently scheduled to be in May 2010.

PROPOSED TAKEOVER OFFER

As announced on 22 December 2009 and 29 January 2010, the Company is the subject of a takeover offer from Macarthur Coal. The Noble Group holds 87.7% of Gloucester shares and at the Noble Special General Meeting on 19 April 2010 the Noble shareholders did not approve Noble to accept the takeover offer by Macarthur Coal and enter the Middlemount Transaction. A condition of the Macarthur Offer was a 90% minimum acceptance. If Macarthur does not waive this condition the takeover will not proceed. Macarthur Coal stated on 19 April 2010 that it is unlikely that the Macarthur Offer (among other proposals) will proceed in its current form.

Noble announced on 6 April 2010 its intention, subject to a number of conditions including the Macarthur Offer not proceeding, to make a takeover offer of A\$12.60 per share for the shares it does not hold in Gloucester. Gloucester is yet to receive any documents from Noble regarding their proposal.

For further details refer to the Company's Target Statement dated 4 March 2010, Supplementary Target Statement dated 22 April 2010 and various ASX announcements which can be found on Gloucester Coal's website: www.gloucestercoal.com.au.

1. Based on Reserves and Resources as at 30 June 2009.

