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**GLOUCESTER
COAL**

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Gloucester Coal Ltd (Gloucester) Accelerated non-renounceable pro rata entitlement offer – Letter to ineligible retail shareholders

Attached is a sample letter being mailed to retail shareholders who are ineligible to participate in the Retail Entitlement Offer.

This letter will be mailed to ineligible retail shareholders today.

Yours sincerely

Craig Boyd

Company Secretary

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20 May 2011

[MR A B SAMPLE
Overseas Address 1
Overseas Address 2
Overseas Address 3]

Dear Shareholder,

GLOUCESTER ENTITLEMENT OFFER NOTIFICATION TO INELIGIBLE RETAIL SHAREHOLDERS

On Monday 16 May 2011 Gloucester Coal Ltd (**Gloucester**) announced an accelerated non-renounceable pro-rata entitlement offer (**Entitlement Offer**) to raise up to approximately A\$230 million comprising:

- an underwritten non-renounceable institutional entitlement offer (**Institutional Entitlement Offer**); and
- an underwritten non-renounceable retail entitlement offer (**Retail Entitlement Offer**).

Under the Entitlement Offer, eligible shareholders may apply for 2 new Gloucester ordinary shares (**New Shares**) for every 11 existing Gloucester shares held at 7.00pm (AEST) on 12 May 2011 (**Record Date**), at an offer price of A\$9.00 per New Share (**Offer Price**).

The Entitlement Offer is fully underwritten by Citigroup Global Markets Australia Pty Limited and UBS AG, Australia Branch (together, **Underwriters**).

On 17 May 2011 Gloucester announced it had raised approximately A\$218 million through the Institutional Entitlement Offer.

The Entitlement Offer is being made by Gloucester without a disclosure document or product disclosure statement in accordance with section 708AA of the Corporations Act 2001 (**Act**) as modified by the Australian Securities and Investments Commission Class Order o8/35.

Details of the Retail Entitlement Offer

The Retail Entitlement Offer which may raise up to approximately A\$12 million, is being made to Eligible Retail Shareholders (as defined below), on the basis of 2 New Shares for every 11 existing Gloucester shares (**Shares**) held at 7:00pm (AEST) on the Record Date at the Offer Price.

A booklet in relation to the Retail Entitlement Offer was lodged with the ASX on 20 May 2011 (**Retail Entitlement Offer Booklet**) and will be mailed to Eligible Retail Shareholders.

Eligibility criteria

The restrictions upon eligibility under the Retail Entitlement Offer are in place because of legal limitations on making or extending an offer of securities in some countries, the relatively small number of shareholders in those countries, the number and value of shares for which those shareholders would otherwise be entitled to subscribe and the potential cost of complying with regulatory requirements in those countries.

Gloucester has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3)(a) of the Act, that it would be unreasonable to make or extend offers to shareholders in countries outside of Australia and New Zealand under the Retail Entitlement Offer. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Act, Gloucester wishes to advise you that it will not be extending the Retail Entitlement Offer to you and you will not be able to apply for New Shares under the Retail Entitlement Offer.

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are shareholders who:

- a) were registered as a holder of Shares as at 7.00pm (AEST) on the Record Date (12 May 2011);
- b) have a registered address on Gloucester's share register in Australia or New Zealand;
- c) are not in the United States and are not U.S. Persons (as defined under Regulation S under the United States Securities Act of 1933) or acting for the account or benefit of a U.S. Person;
- d) are not an institutional shareholder (whether or not eligible to participate under the Institutional Entitlement Offer); and
- e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or other formal offer document to be lodged or registered.

Unfortunately, as you do not satisfy the eligibility criteria for an Eligible Retail Shareholder, you will not be able to apply for New Shares or be sent the Retail Entitlement Offer Booklet.

You are not required to do anything in response to this letter. This notice is to inform you about the Retail Entitlement Offer. This notice is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares.

What will happen to my entitlement?

As you are not an Eligible Retail Shareholder you will not receive any payment or value for any entitlement in respect of any New Shares that would have been offered to you if you were an Eligible Retail Shareholder.

Further information

If you have any questions in relation to any of the above matters, please contact the Gloucester Entitlement Offer Information Line on 1300 579 638 (local call cost within Australia) or +61 3 9415 4336 (from outside Australia) from 8.30am to 5.00pm (AEST) Monday to Friday during the Retail Entitlement Offer period. For other questions, you should contact your stockbroker, accountant, taxation adviser, financial adviser or other professional adviser.

Yours sincerely



Craig Boyd
Chief Financial Officer and Company Secretary

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to, or for the account or benefit of, any U.S. Person (as defined in Regulation S under the U.S. Securities Act of 1933 (the "U.S. Securities Act") ("**U.S. Person**")). Securities may not be offered or sold, directly or indirectly, in the United States or to or for the account or benefit of U.S. Persons unless the securities have been registered under the U.S. Securities Act or an exemption from registration under the U.S. Securities Act and applicable U.S. state securities laws is available. The



securities to be offered and sold in the offer have not been and will not be registered under the U.S. Securities Act, or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons unless the securities are registered under the U.S. Securities Act or in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Neither this announcement nor any of its accompanying documents may be distributed to, or relied upon by, a U.S. Person or a person acting for the account or benefit of a U.S. Person.

IMPORTANT NOTICE TO NOMINEES: Because of legal restrictions, you must not send copies of this letter nor any material relating to the Entitlement Offer to any of your clients (or any other person) in the United States or to any U.S. Person or any other person acting for the account or benefit of a U.S. Person or to any person in any other jurisdiction outside of Australia and New Zealand. Failure to comply with these restrictions may result in violations of applicable securities laws.

The provision of this notice is not, and should not be considered as, a securities recommendation or financial product advice. The information in this notice is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Gloucester Coal Ltd is not licensed to provide financial product advice. If you are unsure of your position, please contact your stockbroker, accountant, taxation adviser, financial adviser or other professional adviser.