



**GLOUCESTER  
COAL**

**QUARTERLY REPORT  
PERIOD ENDED 30 SEPTEMBER 2011**

**FIRST QUARTER HIGHLIGHTS**

- Completion of the Donaldson and Monash acquisitions
- Commencement of drilling at Monash
- Record total material movement in Gloucester Basin
- Rainfall significantly impacted access to coal in Gloucester Basin
- Middlemount rail project progressing ahead of expectations
- Mining activities at Middlemount continue to ramp up with sales increased to 110kt (based on 100% of Middlemount sales)
- 4 year EBAs in place for Donaldson mines
- Applications submitted in October 2011 to Government to commence Tasman extension and Stratford extension approvals process.

## OVERVIEW

During the quarter Gloucester successfully completed its acquisitions of both Donaldson and Monash. Record total material movement in the Gloucester Basin was achieved as pit development works continued at Duralie. Development works and approvals continued to progress well at Middlemount with the rail spur expected to be completed before the end of the second quarter.

The Donaldson and Monash transactions were completed on 14 July 2011. A review of the Donaldson operations and future growth plans has commenced and is expected to be completed by the end of the second quarter. A drilling programme at Monash commenced in July and will continue over the next 12 months. In October 2011 applications were submitted to Government to commence the approval process for both the Stratford extension in the Gloucester Basin and the Tasman extension at Donaldson.

### FIRST QUARTER 2011/12 PRODUCTION

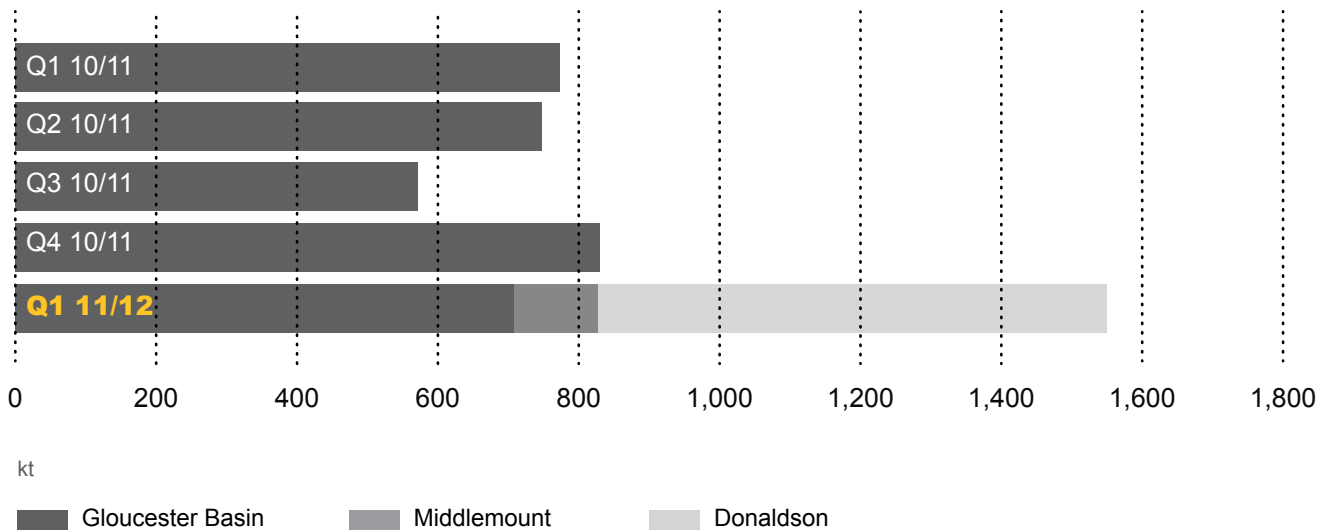
	Sept 2011	Sept 2010	Change
<b>Gloucester Basin</b> <sup>(1)</sup>	kt	kt	%
Total ROM Coal Delivered to CHPP Preparation Plant	710	760	(7%)
ROM Coal processed	709	740	(4%)
Total Yield	63%	61%	2%
Product	449	451	–
<b>Middlemount</b> <sup>(2)</sup>	kt	kt	%
Total ROM Coal Delivered to CHPP Preparation Plant	119	–	na
ROM Coal processed	92	–	na
Total Yield	76%	–	na
Product	70	–	na
<b>Donaldson</b> <sup>(3)</sup>	kt	kt	%
Total ROM Coal Delivered to CHPP Preparation Plant	718	–	na
ROM Coal processed	634	–	na
Total Yield	66%	–	na
Product	415	–	na
<b>Gloucester Coal Total Product</b>	<b>934</b>	<b>451</b>	<b>107%</b>

(1) Production reported inclusive of stockpile adjustments for the current quarter and year to date.

(2) Middlemount production shown on an equity share basis.

(3) Donaldson production shown for period of control.

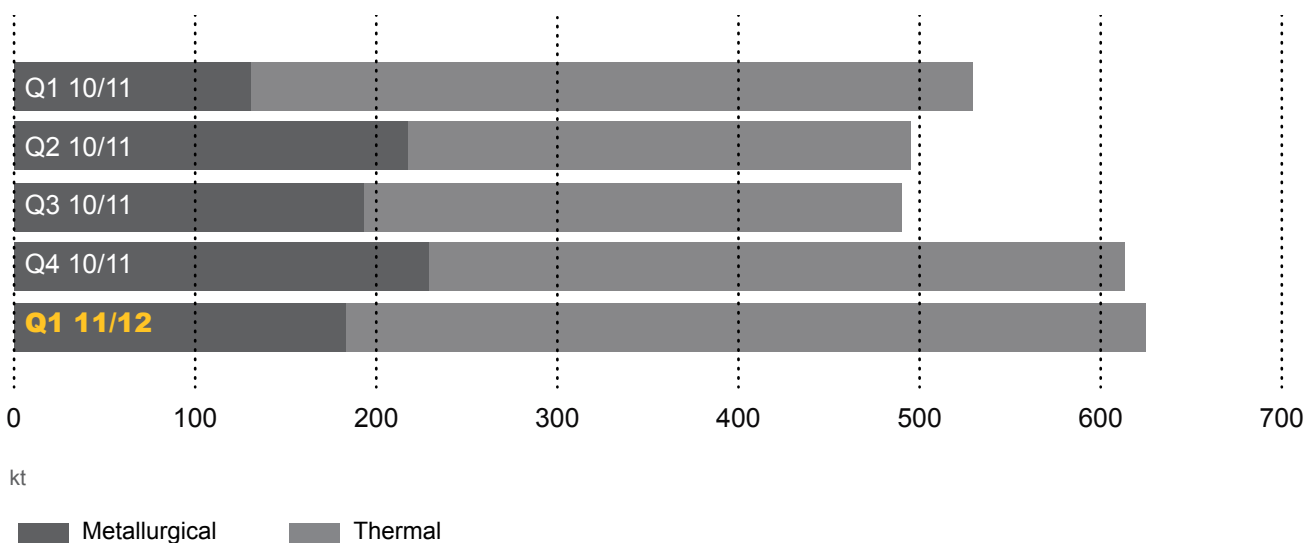
## ROM PRODUCTION BY QUARTER



## FIRST QUARTER 2011/12 SALES

	Sept 2011	Sept 2010	Change
Coal Type	kt	kt	%
Metallurgical	186	130	43%
Thermal	441	405	9%
<b>Total Product</b>	<b>627</b>	<b>535</b>	<b>17%</b>
Purchases	(9)	(20)	(53%)

(1) Sales data includes Donaldson sales for period of control and equity share of Middlemount sales.



## PRODUCTION

### GLOUCESTER BASIN

Gloucester Basin total material movement activities continued to perform above expectations, achieving a total material movement record. This was a result of substantial development works continuing at Duralie.

ROM production was behind the previous corresponding quarter predominately due to restricted access to coal in the Clareval pit. Extreme wet weather events in both June and July and subsequent pit dewatering activities filled existing dam capacity. The Clareval pit was required to be used as a temporary water storage facility in the interim while new dam storage capacity is being constructed as part of the Duralie extension activities. It is expected that the access to coal in Clareval pit will continue to be impacted through to the end of October by which time the pit will be fully dewatered into the new dam storage facility.

### MIDDLEMOUNT

The ramp-up of mining operations continued during the quarter. The five year mining services contract with NRW Holdings Limited commenced on 1 July 2011. This contract includes the ramp-up of coal mining to support the expansion of operations following completion of the rail loop in the December 2011 quarter and environmental approvals for increased production expected by the end of the 2011 Financial Year.

Further commissioning testing of the CHPP was undertaken during the quarter. A total of 110,000 tonnes (on a 100% basis) of product coal was transported via trucks to a third party rail load out facility and then shipped via the Dalrymple Bay Coal Terminal (DBCT) for export. Further preliminary sales will be undertaken via this rail load out facility until the Middlemount Rail Spur is completed. These preliminary sales enable bulk samples to be shipped to customers to help build product awareness of Middlemount Coal ahead of large scale mining at the end of the calendar year.

### DONALDSON

Operations at the Donaldson mines continued broadly in line with expectations. Underground ROM production was impacted to some extent by mechanical issues and difficult strata conditions at the Abel mine, however, overall mining conditions at Tasman improved in the pillar and extraction panel during the quarter. Various initiatives to improve development rates at the Abel mine are being investigated. Open cut ROM production was impacted by well above average rain fall during the period.

A review of the existing operations and the future growth plans of the Donaldson mines was a key focus during the quarter. A business improvement consultant was appointed to assist with the review and development of a Performance Improvement Program. A considerable amount of work has been undertaken to date and the implementation of the program is expected to commence in the third quarter of this financial year.

Both Tasman and Abel successfully concluded EBA negotiations and agreements were signed with four year terms.

## SALES

Total sales of 627kt for the quarter were 17% (92kt) higher than the corresponding quarter (535kt). Stockpiles across all products at the end of the quarter were relatively high at 463kt. There are contracts in place and strategies being developed to reduce stockpiles to more normalised levels in the second quarter.

### METALLURGICAL COAL

Metallurgical coal sales were 186kt for the quarter compared to 130kt for the previous corresponding quarter, an increase of 43%. This was influenced by the inclusion of Donaldson for the period of control and the equity share of the Middlemount sales which commenced in this period. Middlemount dispatched trial cargoes of LVPCI during the quarter which are finding positive interest in the market.

Demand for the metallurgical coals from Gloucester and Donaldson has weakened in line with the general market for metallurgical coals.

### THERMAL COAL

Thermal coal sales of 441kt were up on the previous quarter (405kt) an increase of 9%, influenced primarily by the inclusion of Donaldson for the period of control. While prices have softened slightly, demand for thermal coal remains strong. Thermal coal sales have remained stable, however the Company has deferred some deliveries while it completes its analysis of blending opportunities between Gloucester Basin and Donaldson coals.

## DEVELOPMENT PROJECTS

### DURALIE EXTENSION

There is no further update on the Duralie Extension Merits appeal. The appeal was heard by the land and environment court. Hearings concluded in early July 2011. Gloucester coal is awaiting a decision from the Court.

### STRATFORD EXTENSION

Significant progress was made in defining the Stratford Extension Project including Board approval to commence land acquisitions and to secure build slots for long lead items. The Preliminary Environmental Assessment application for this project was submitted in mid-October 2011. The Stratford Extension Project will increase production from the Gloucester Basin to 3.5mtpa. The final environmental application is expected to be submitted by April 2012.

## DEVELOPMENT PROJECTS (CONTINUED)

### TASMAN AND ABEL EXTENSION

Work continued on the Abel 75W approval process that will allow a change in mining method from board and pillar to shortwall and longwall. Community consultation commenced during the quarter. A mine plan is being prepared showing the integrated shortwall, board and pillar and longwall mine plan for the Abel 75W approval area.

### MIDDLEMOUNT PROJECT

#### DEVELOPMENT

During the quarter, the public notification period for Mining Lease Application MLA70417 concluded. No objections were lodged in relation to the MLA. MLA70417 is a 1,080 hectare area immediately east of the existing Middlemount mining lease and is designed to provide additional out of pit dump space to maximise the total resource within the current granted mining lease. As a result of there being no objections, it is expected that the mining lease will be granted by the end of the 2011 calendar year.

In early July, Middlemount Coal submitted a Supplementary Environmental Impact Statement (EIS) in relation to its proposal to increase the production levels at the project from 1.8mtpa ROM up to 5.4mtpa ROM. No comments were received on the draft EIS from non-government organisations or members of the general public. Middlemount Coal expects to obtain approvals to increase production by mid-2012 calendar year.

#### CONSTRUCTION

Ongoing dry weather throughout the quarter enabled significant progress on completion of the rail spur to join the Middlemount Mine to the Goonyella rail network. With this progress, Middlemount Coal is confident of first railings from the site during the December quarter.

Construction of a workshop and maintenance facility was completed during the quarter. The project which incorporates a workshop with undercover maintenance area was commissioned in July and is now being fully utilised by the project's mining services contractor, NRW.

In September, construction work commenced on a product screening plant and product stockpile upgrade. This \$22.5m upgrade to the project's CHPP project is being undertaken by Sedgman Limited and will enable Middlemount Coal to maximise the proportion of hard coking coal produced from the project and improve stockpile utilisation.

## EXPLORATION

Exploration expenditure during the quarter was \$5.3 million.

### GLOUCESTER BASIN

The Company continued its programme of exploration and resource definition on tenements A311, A315 and EL 6904.

Up to 7 rigs operated on exploration targets during the quarter. A total of 15,936 meters of drilling was completed. Drilling was focused on targets to the north of the existing Stratford operations. In addition, drilling focusing on strategic understanding of the Gloucester Basin was also undertaken.

### DONALDSON

The Company continued its programme of exploration and resource definition on EL 5498.

Up to 2 rigs operated during the quarter. Drilling focused on the West Borehole seam as part of the Tasman Extension MLA. A total of 1,497 metres of drilling was completed.

### MONASH

The Company commenced its programme of exploration at Monash.

A preliminary pilot hole at MN001 was completed as an open hole to 419 metres. A second hole at MN001A was completed to 488 metres for the purpose of gathering coal quality samples of selected seams. Samples were dispatched and results are pending.

## FOR FURTHER INFORMATION

### GLOUCESTER COAL LTD

ABN 66 008 881 712

Level 7, 167 Macquarie Street  
Sydney NSW 2000

Telephone: +61 (0)2 9220 9900

Fax: +61 (0)2 9220 9999

Web: [www.gloucestercoal.com.au](http://www.gloucestercoal.com.au)

### ENQUIRIES

MARIE FESTA

Investor Relations Director

Telephone: +61 (0)2 9220 9906

Mobile: +61 405 494 705

Email: [marie.festa@gcl.com.au](mailto:marie.festa@gcl.com.au)

ASX: GCL

