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6 March 2012

GLOUCESTER COAL

Revised Merger Proposal – Further Information

Please see attached further information in relation to the revised Merger Proposal announced earlier this morning.

For Further Information
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GLOUCESTER COAL

Revised Merger Proposal with Yancoal Australia

March 2012

DISCLAIMER

General: This document has been prepared by Gloucester Coal Ltd ACN 008 881 712 (Gloucester) (ASX; GCL) to provide general information on the updated merger proposal announced by Gloucester to ASX on 6 March 2012. This document (a) does not contain or summarise all information that an investor should consider when making an investment decision in relation to Gloucester Shares, Yancoal Australia Shares, CVR Shares or any other financial products; and (b) contains information that may be subject to assumptions and qualifications the appropriateness of which may be subject to significant uncertainties and contingencies outside Gloucester's control. This document should be read as subject to the further and more specific information that will be provided in the Explanatory Booklet that Gloucester intends to publicly release in April 2012 in relation to the merger proposal and the capital return.

Reliance on information from Yancoal Australia: The information in this document relating to Yancoal Australia, and those parts of the information relating to the Merged Group which relate to Yancoal Australia, has been prepared by Gloucester in reliance on information provided to it by Yancoal Australia. To the maximum extent permitted by law, neither Gloucester nor Yancoal Australia assumes any responsibility for the accuracy or completeness of those parts of this document that may be derived from information supplied by Yancoal Australia, and Yancoal Australia does not assume any responsibility for the accuracy or completeness of the information in this document relating to Gloucester or those parts of the information relating to the Merged Group which relate to Gloucester.

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Financial data and rounding: All dollar values are in Australian dollars (A$) unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this document are subject to the effect of rounding.

Other: "CY" refers to Calendar year.

AGENDA

1. Overview of Gloucester Half Year Results
2. Revised Merger Proposal with Yancoal Australia
3. Appendices

1. Overview of Gloucester Half Year Results

2011/12 GLOUCESTER HALF YEAR RESULTS
OVERVIEW

	Dec. 2011	Dec. 2010	Change
Total product (kt)[1]	2,058	889	131%
Total sales (kt)[2]	1,739	1,028	69%
Revenue ($m)	227.0	137.5	65%
EBITDA ($m)[3] (excluding transaction costs)	34.8	40.1	(13%)
EBITDA Margin (%)[3] (excluding transaction costs)	15%	29%	(14%)
Reported EBITDA ($m)	(6.5)	36.0	(118%)
Reported NPAT ($m)	(36.9)	23.2	(259%)

Note:
1) Production reported inclusive of stockpile adjustments for the half year ended 31 December 2011, Middlemount production shown on an equity share basis for the period of joint control and Donaldson production shown for the period of control.
2) Sales data includes Donaldson sales for the period of control and equity share of Middlemount sales for the period of joint control.
3) Transaction costs of $41.3m were incurred during the period of that $37.9m (includes $31m in Stamp Duty) in connection with the Donaldson acquisition effective 14 July 2011 and the potential Yancoal merger announced on 23 December 2011 ($3.4m). Transaction costs of $4.1m were incurred during the half year ended 31 December 2010 in connection with the Middlemount acquisition.

2011/12 GLOUCESTER HALF YEAR RESULTS
HIGHLIGHTS

- ✓ Integration of Donaldson operations into Gloucester Coal following completion in July 2011
- ✓ Middlemount ramp up of operations progressed substantially
- ✓ Substantial upgrade to Monash Resources by 101%
- ✓ 4 year EBAs in place for Donaldson
- ✓ Project approvals process expected to deliver 10 million tonnes per annum of production by 2016 progressed
- ✓ Review of Donaldson operations and Gloucester Basin geology completed
- ✓ Merger Proposal Deed entered into with Yanzhou Coal and subsidiary Yancoal Australia
- ✓ Following interest from Asian investors, Gloucester commenced a process to identify opportunities to undertake a partial sell down of one or more of its assets (process put on hold following signing of Merger Proposal Deed)

2. Revised Merger Proposal with Yancoal Australia

Revised Merger Proposal with Yancoal Australia

- Revised proposal from Yancoal Australia Limited ("Yancoal") received after completion of due diligence by Gloucester and Yancoal as per previously announced Merger Proposal Deed announced on 23 December 2011
- Key changes to proposed transaction:

1
- Changes in net debt[1] contributed to MergeCo:
  - Yancoal expected to contribute c.$300m less net debt to MergeCo[2]
  - Terms recognise Gloucester's half year reported net debt position of $379m

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2
- 1% increase in equity share of MergeCo to Yanzhou Coal
  - Gloucester shareholders will hold 22% of MergeCo, Yanzhou Coal 78%

3
- Removal of Yancoal's option to extend CVR share term if ASX200 falls >20% from pre-merger levels

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- Special dividend and capital return of $3.15 to now consist of approximately $0.44 fully franked special dividend[3] and approximately $2.71 capital return[4]
- Gloucester Board unanimously recommend the revised merger proposal, in the absence of a superior proposal and subject to the Independent Expert concluding the merger proposal is in the best interests of shareholders

Note:
1) Both Yancoal and Gloucester's debt position can vary in the ordinary course of business.
2) The reduction in Yancoal contributed debt is a result of predominately operating cash flow during the period since November 2011, and a reduction in the AUD value of Yancoal's USD denominated debt.
3) Amount of special dividend will depend on Gloucester's trading performance up to the Capital Return record date.
4) A ruling has been sought from the Australian Taxation Office ("ATO") in relation to the treatment of the special dividend and capital return amounts being paid to Gloucester shareholders. Gloucester notes that this ruling is yet to be received.

Revised Merger Proposal with Yancoal Australia (cont'd)

- Merger of Gloucester and Yancoal assets is expected to create Australia's largest listed pure-play coal company by saleable production(1)
- Gloucester's largest shareholder, Noble Group, has informed Gloucester that it will:
  - vote in favour of the merger in the absence of a superior proposal; and
  - elect all Yancoal Shares as its scheme consideration (ie, the alternative that does not include a combination of CVR Shares and Yancoal Shares)
- The merger remains conditional on Chinese regulatory approvals, Gloucester shareholder approval and court approval, Foreign Investment Review Board ("FIRB") approval and the Independent Expert concluding that the merger proposal is in the best interests of shareholders, as well as a number of other conditions(2)
- Merger to be effected by scheme of arrangement between Gloucester and its shareholders under which Yancoal will acquire Gloucester for Yancoal shares, with Yancoal to list on ASX as MergeCo

1) Based on CY11 saleable production.
2) Refer to slide 20 for a summary of key conditions. Please refer to Gloucester's ASX announcement of 23 December 2011 for a comprehensive summary of the merger proposal conditions.

What Will Gloucester Shareholders Receive?

$3.15 Cash

- $0.44 fully franked Special Dividend paid prior to the Effective Date(1)
- $2.71 Capital Return(2)

1 Share in MergeCo(3)

- Gloucester shareholders will hold 22% of MergeCo, Yanzhou Coal will hold 78%

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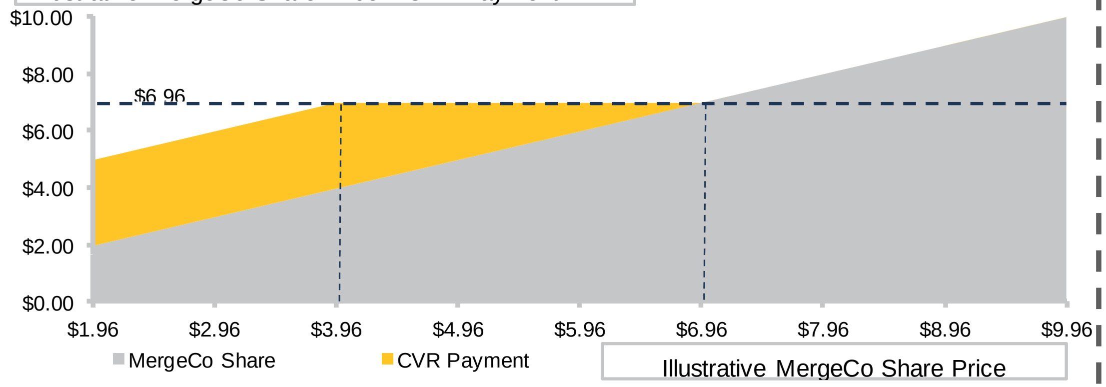
CVR

- Right to receive consideration by amount MergeCo share price is less than $6.96 based on the 90 day VWAP 18 months after merger implementation
- Subject to a cap of $3.00 per share and other conditions

Illustrative MergeCo Share Price + CVR Payment(4)



1) Amount of special dividend will depend on Gloucester's trading performance up to the record date to determine entitlements to the special dividend and capital return. This record date (to be subsequently announced) is proposed to occur at least two Business Days prior to the Effective Date of the Scheme.
2) Paid by promissory note(s) delivered to independent trustee prior to the Effective Date, with the promissory note to be paid 6 months after the implementation date of the scheme.
3) For shareholders registered as such on the Scheme Record Date. Noble has informed Gloucester that it will elect to not receive CVR's.
4) Illustrative total value ignores time value of money. This is provided by way of illustration only. This is not a representation of Gloucester's expectation of the share price performance of MergeCo. Share prices may fall or rise and will be affected by both the operating and financial performance of MergeCo as well as by general market conditions.

Snapshot of MergeCo

✓ Scale

- Multi-mine and multi product producer of global scale, with a portfolio of quality, expandable mines
- Significant reserves (701 Mt) and resources base (3.5 Bt)[(1)]

✓ Diversification

- Diversified production base with 7 operating mines across NSW and Queensland, pro forma CY11 saleable production of 12.8 Mt[(2)]
- Diversified product mix of metallurgical and thermal coal

✓ Growth

- Large pipeline of organic growth projects across all stages of development
- Targeting increase in group saleable production to c.25-30 Mtpa by CY16[(3)]
- NSW port infrastructure holdings, including 27% of NCIG, to underpin long-term growth

✓ Potential Synergies

- Potential synergies from coal blending and marketing, procurement & logistics savings, equipment and knowledge sharing and corporate savings

Note:

1) Reserves and resources on an equity basis.
2) Saleable production on an equity basis. Yancoal production excludes Excluded Assets (refer Gloucester's announcement of 23 December 2011) and changes in equity for Ashton have been pro-rated on an annual basis. Includes full 12 months of Donaldson production, acquisition of Donaldson effective 14 July 2011.
3) Projected production figures are estimates only and are subject to the risks outlined in the Key Risks section, including but not limited to risks relating to reserve and resource estimates, exploration and development, land title and access (including acquisition of required land and native title negotiation), mining approvals, rail access, port allocation and capacity, operational risks (including but not limited to transport and infrastructure), and the availability (or continuation) of financing. Forward looking statements are not a guarantee of future performance and involve unknown risks, uncertainties and other factors, many of which will be outside the control of the Merged Group.

Snapshot of MergeCo (cont'd)

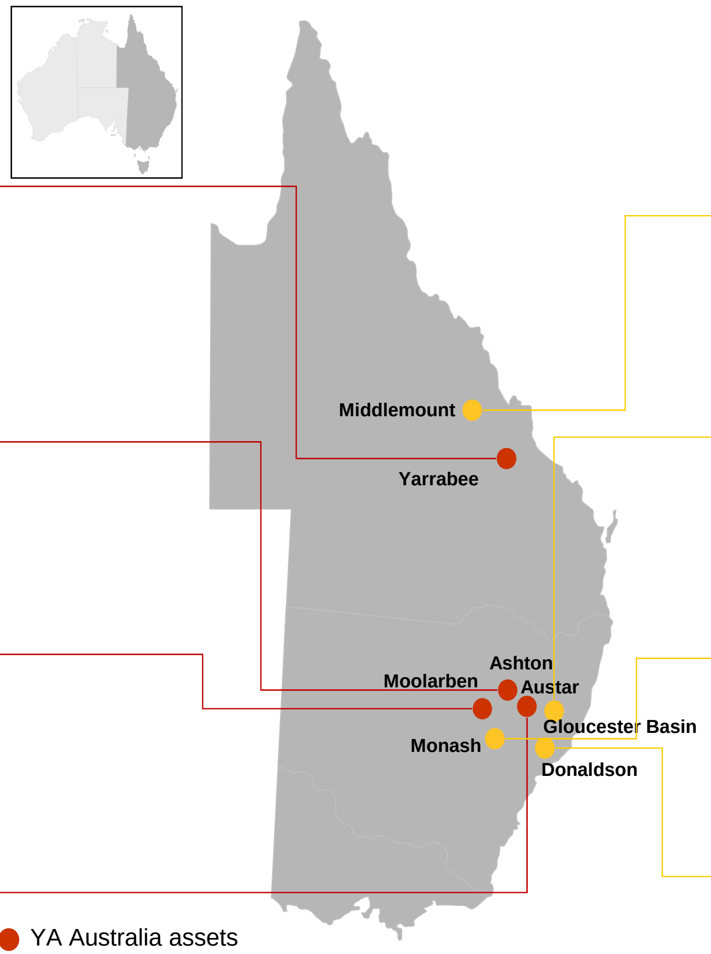
YANCOAL (1)

Yarrabee	Operating
100% owned	
Open cut	
Low volatile PCI	
Reserves	57Mt
Resources (M&I&I)	170Mt
Saleable Production (CY11A)	2.4Mt

Ashton	Operating & Development
90% owned	
Open cut and underground	
Semi-soft coking coal and export thermal coal	
Reserves	57Mt
Resources (M&I&I)	333Mt
Saleable Production (CY11A)	1.2Mt

Moolarben	Operating & Development
80% owned	
Open cut and underground	
Export thermal coal	
Reserves	315Mt
Resources (M&I&I)	1,183Mt
Saleable Production (CY11A)	5.0Mt

Austar	Operating
100% owned	
Underground	
Semi-hard coking coal and export thermal coal	
Reserves	44Mt
Resources (M&I&I)	221Mt
Saleable Production (CY11A)	1.6Mt



YA Australia assets

G assets

GLOUCESTER COAL

Middlemount	Operating
~50% owned	
Open-cut	
PCI & semi-hard coking coal	
Reserves	96Mt
Resources (M&I&I)	123Mt
Saleable Production (CY11A)	0.5Mt

Gloucester Basin	Operating & Development
100% owned	
Open-cut	
Semi-hard coking coal and export thermal coal	
Reserves	87Mt
Resources (M&I&I)	316Mt
Saleable Production (CY11A)	1.9Mt

Monash	Exploration
100% owned	
Underground	
Semi-hard coking coal and export thermal coal	
Reserves	-
Resources (M&I&I)	577Mt
Saleable Production (CY11A)	n.a.

Donaldson	Producing
100% owned	
Open cut & Underground	
Semi-soft coking coal and export thermal coal	
Reserves	161Mt
Resources (M&I&I)	885Mt
Saleable Production (CY11A)	1.6Mt(2)

Note: All figures shown are on a 100% basis. Reserves and Resources figures shown are JORC compliant. M&I&I is Measured, Indicated and Inferred Resources

(1) All information relating to Yancoal based on information provided by Yancoal.

(2) Note Donaldson production shown for CY11. Acquisition of Donaldson effective 14 July 2011.

(3) Middlemount Reserves and Resources: Refer to page 16 of the Gloucester Coal Ltd 2011 Annual Report lodged with the ASX on 30 September 2011 (GCL 2011 Annual Report). Middlemount Reserves and Resources has been presented on a 100 per cent basis. Middlemount Reserves on an equity basis are 48Mt

(4) Gloucester Basin: Includes additional reserves and resources at Wenham Cox Road. Refer to pages 14 to 15 of the GCL 2011 Annual Report and Gloucester Coal Ltd's ASX Announcement dated 6 February 2012 titled 'Wenham Cox Road Resources and Reserves'

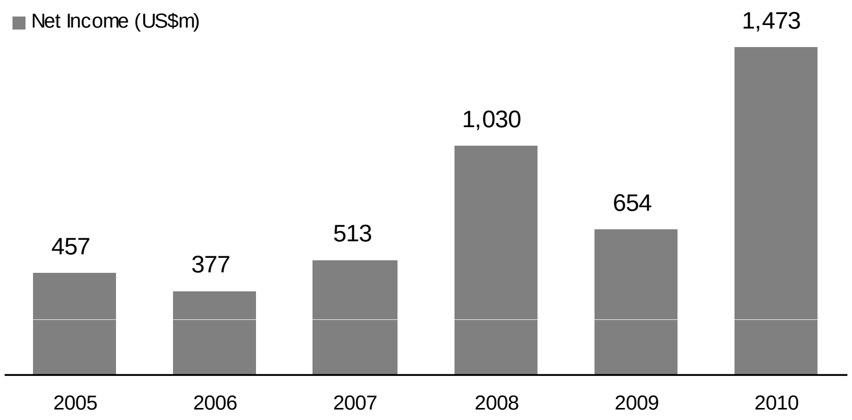
(5) Monash Reserves and Resources: Refer to Gloucester Coal Ltd's ASX announcement dated 16 November 2011 titled 'Monash Resources Update'

(6) Donaldson: Refer to Gloucester Coal Ltd's ASX announcement dated 23 February 2012 titled 'Donaldson Resources and Reserves'

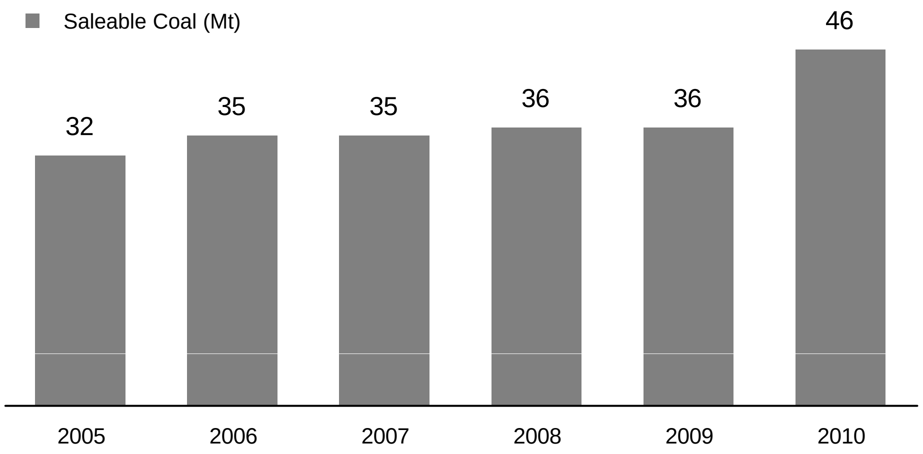
Strong Partner in Yanzhou Coal

- Leading international coal mining company with current market capitalisation of US$16.8bn and stock exchange listings in Shanghai, Hong Kong, and United States
- Currently owns and operates 14 coal mines
  - 8 mines in China and 6 Australia operations (owned through Yancoal Australia)
  - Produces both thermal and metallurgical coal
  - 51,254 employees as at 30 June 2011
- Leading exponent of Longwall Top Coal Caving
- Post transaction Yanzhou Coal will own 78% of the Merged Group

Net income (2005 – 2010A)



Coal production (2005 – 2010A)



Source: Company filings, Bloomberg. Market data as at 5 March 2012.

Key Benefits for Gloucester Shareholders

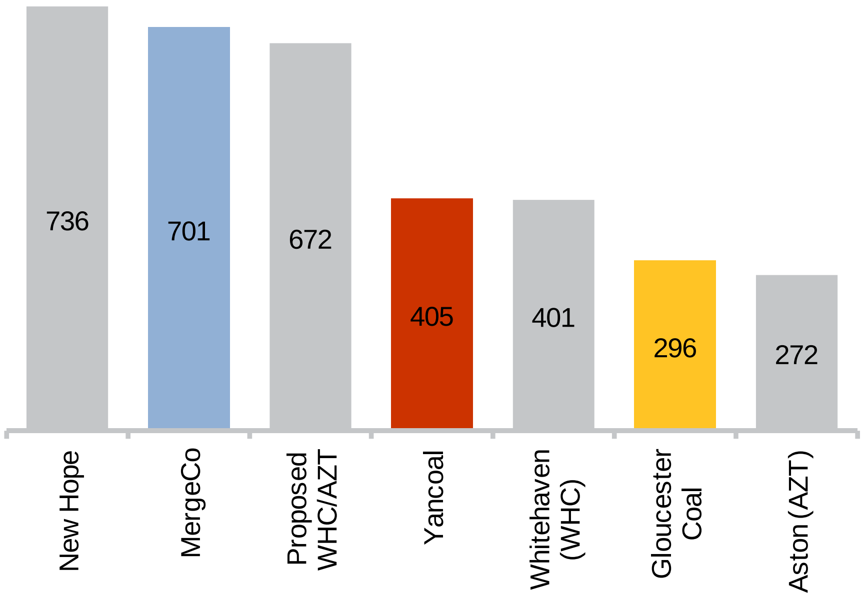
The Gloucester Board believes that the combination of Gloucester and Yancoal Assets should provide a number of benefits to Gloucester shareholders, which include:

- ✓ Ongoing participation in a globally significant coal company
- ✓ Exposure to potential benefits of scale and diversification
- ✓ MergeCo's cash flows, scale and shareholder relationships are expected to provide enhanced financial capacity to invest in growth projects through the coal cycle
- ✓ Enhanced organic growth opportunities, underpinned by a strategic infrastructure position
- ✓ Exposure to lower cost asset portfolio, including Yancoal's Moolarben open cut mine, which is expected to be a large scale, low cost mine
- ✓ Potential to realise synergies
- ✓ Attractive dividend profile

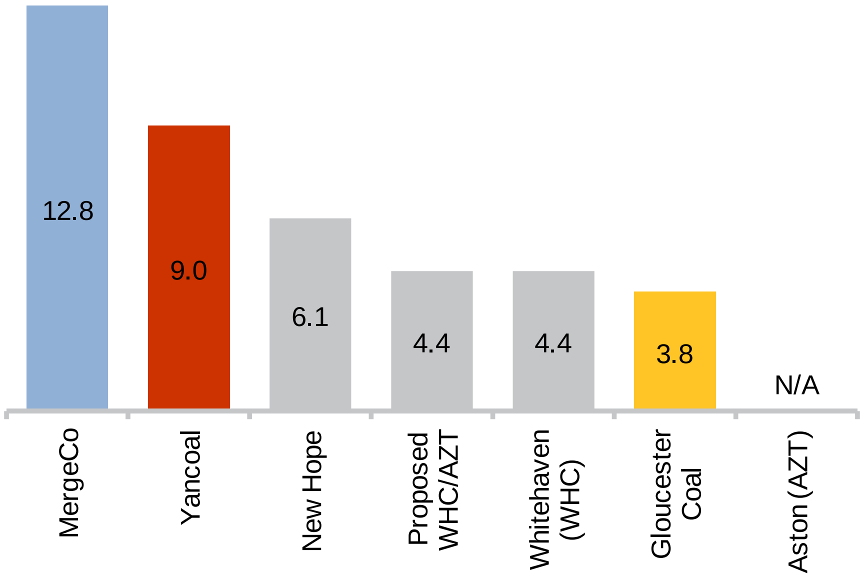
Creating Australia's Leading Listed Coal Producer

- MergeCo is expected to be Australia's largest listed pure-play coal company (based on saleable production)
- Portfolio of quality, expandable operating mines in NSW and a growing position in Queensland

Large and Diversified JORC Reserves Base[1]



Substantial Production Base[2]



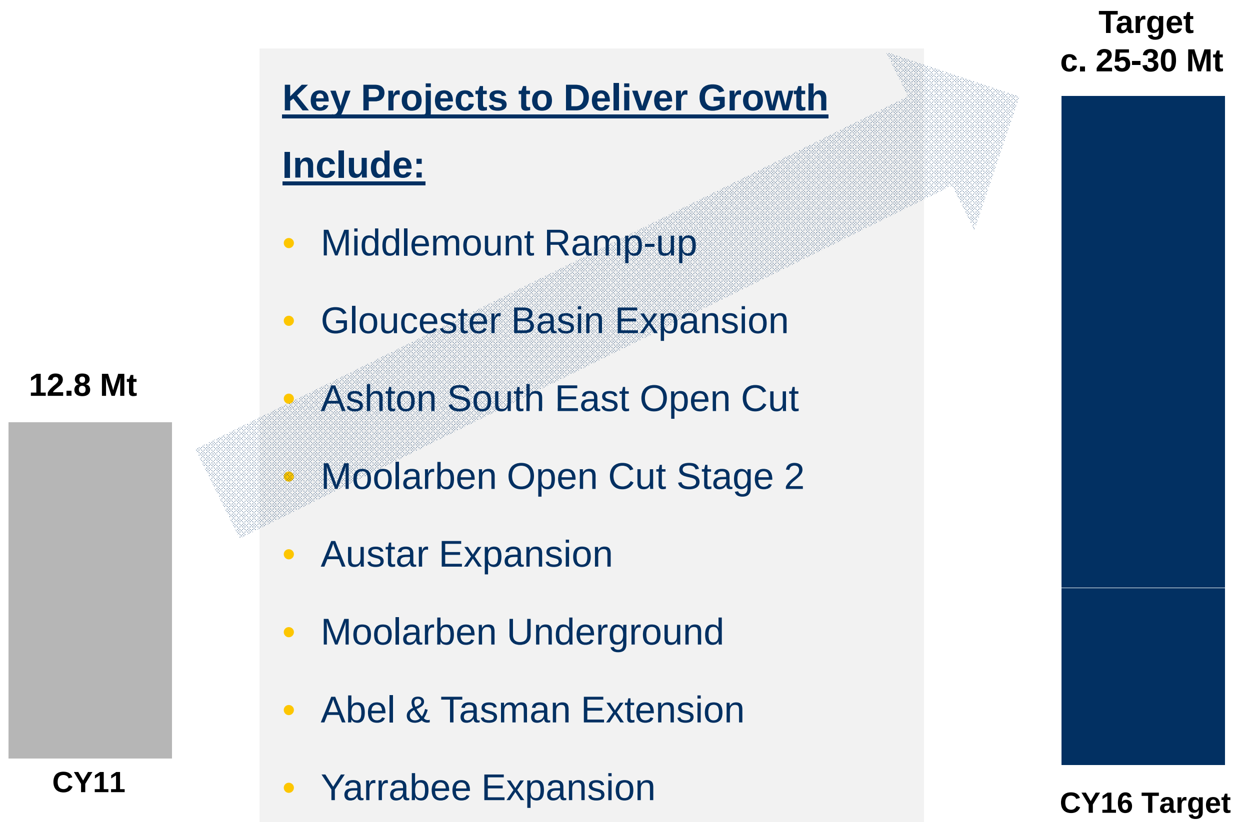
Source: Refers to ASX reported company information as at 5 March 2012. Comparative reserve figures sourced from public company filings. In respect of Yancoal reserves please refer to the competent person sign-off on slide 26.

Note:

1) Reserves refer to proven and probable recoverable reserves, and are shown on an equity basis.
2) Production based on CY11 reported production, except for New Hope which is 12 months to January 2012. Production shown on an equity basis. Gloucester production includes a full 12 months of Donaldson production, acquisition of Donaldson effective 14 July 2011. Yancoal production excludes Excluded Assets.

Strong Growth Profile

Illustrative Saleable Production (Equity Basis) (Mt)



Key Projects to Deliver Growth Include:

- Middlemount Ramp-up
- Gloucester Basin Expansion
- Ashton South East Open Cut
- Moolarben Open Cut Stage 2
- Austar Expansion
- Moolarben Underground
- Abel & Tasman Extension
- Yarrabee Expansion

Note:

1) Projected production figures are estimates only and are subject to the risks outlined in the Key Risks section, including but not limited to risks relating to reserves and resources estimates, exploration and development, land title and access (including acquisition of required land and native title negotiation), mining approvals, rail access, port allocation and capacity, operational risks (including but not limited to transport and infrastructure) and the availability (or continuation) of financing. Forward looking statements are not a guarantee of future performance and involve unknown risks, uncertainties and other factors, many of which will be outside the control of the Merged Group.
2) If MergeCo is unable to either (i) acquire from relevant third party owners the land over which projected expansion projects are intended to take place; or (ii) otherwise reach commercial agreement with relevant land owners regarding the extraction of coal (including as to terms which are commercially acceptable to MergeCo); or (iii) obtain planning permission for the expansion projects (including as to terms which are commercially acceptable to MergeCo), there is a risk that such projects will not be able to proceed in their current form. This may have a material adverse effect on the projected production figures.

Significant Pipeline of Growth Projects

Projects Across All Stage of Development

Exploration	Gloucester Basin Exploration; Austar East; Monash; Stratford North
Pre-Feasibility	Ashton West Pit; Moolarben U/G 1 & 2
Feasibility	Tasman Extension; Abel Extension; Moolarben U/G 4; Moolarben O/C (Stage 2); Stratford East; Ashton O/C
Producing	Middlemount; Duralie / Stratford; Moolarben O/C; Yarrabee; Donaldson; Austar; Ashton U/G

- MergeCo is well positioned for growth
- Cashflows from large and diversified existing production base to support project development activities
- Pipeline of assets across all stages of the development curve
- Potential access to broader funding options

Strategic Infrastructure Holdings to Support Growth Plans

Overview

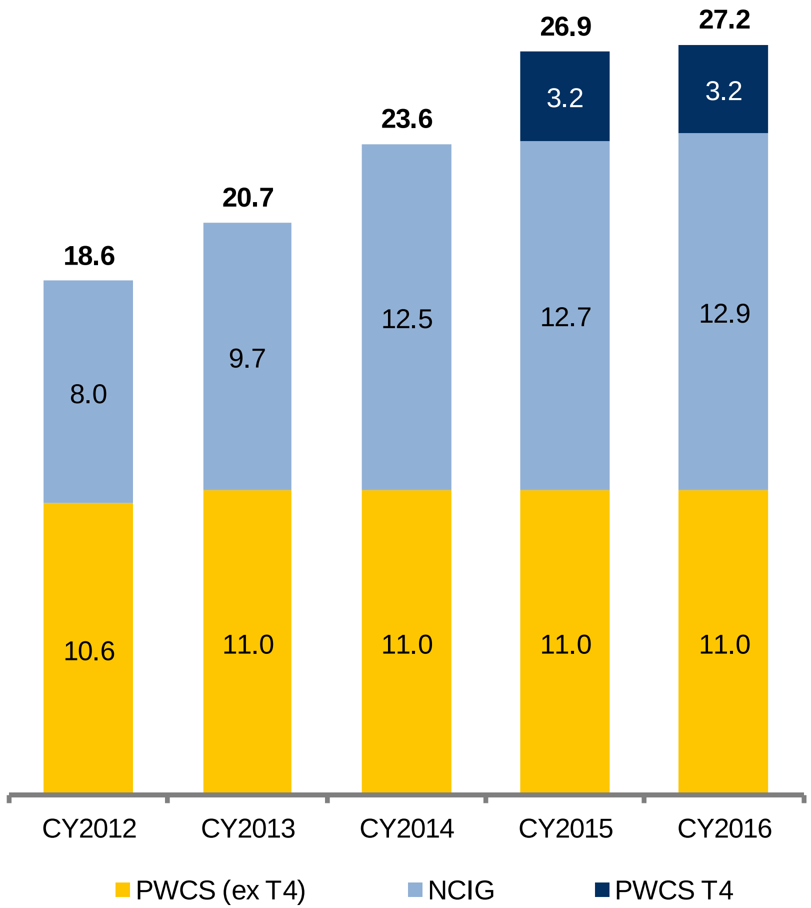
NSW

- Combined NSW port capacity of ~19 Mtpa in CY12, expected to increase to ~27 Mtpa in CY16
- 27% shareholding in NCIG and significant PWCS capacity allocations
- Potential opportunities for MergeCo to leverage growth projects to utilise excess NSW port capacity
- Well positioned in terms of port capacity
- Rail haulage contracts in place

Queensland

- Queensland port capacity at APCT, DBCT, RG Tanna, with a capacity allocation at Wiggins Island Stage 1

Combined NSW Port Capacity

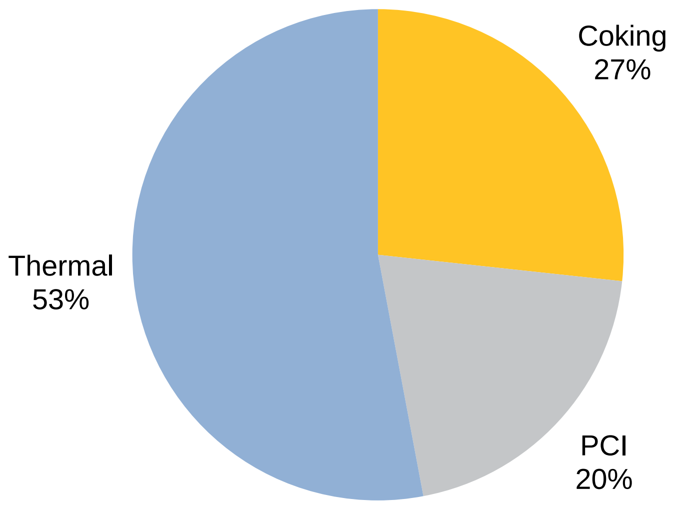


Note:
1) Based on current capacity at PWCS (and NCIG) and expected capacity allocations from NCIG shareholding and PWCS T4.
2) Gloucester's and Yancoal's PWCS T4 capacity for CY2015 and CY2016 is a provisional allocation only. The availability of this capacity is subject to a review by the Newcastle Port Corporation . If the completion of T4 is delayed or there is a shortfall of actual capacity against target capacity, this may have a material adverse effect on the projected port capacity.

Balanced Mix of Coal Products

- MergeCo will have a balanced mix of metallurgical and thermal coal production across most major coal product types
- Opportunities for blending and marketing synergies within the product portfolio
- Opportunity to shift volume between metallurgical and thermal coal in response to market conditions

Proforma Saleable Production Mix (CY11)[1]



Note:
1) Equity basis.

Pro forma Net Debt of Merged Group

- Long term USD-denominated debt with attractive margins
- Pro forma net debt position as at 31 December 2011 of $3.9bn(1)
- Under the terms of the Merger Proposal Deed, Yancoal is required to use all reasonable endeavours to:
  - Extend the principal repayments due under Yancoal Australia's existing US$2.9bn facility from 2012 and 2013 to 2017 and 2018 respectively
  - Procure an additional $700m in debt to fund the capital return and special dividend payable to eligible Gloucester shareholders
  - Ensure an additional $1,000m in debt to fund business expansion for the Merged Group
- Yanzhou has advised Gloucester that Yancoal has made progress in securing the new debt amount that it is responsible for, and in extending the 2012 and 2013 repayments under the existing Felix Acquisition Facility

Note:
1) Includes estimate of transaction costs. Yancoal expected to contribute approximately A$300 million less debt to the merged group. Both Yancoal and Gloucester's debt contribution can vary in the ordinary course of business.

Key Conditions

Independent Expert	• Independent Expert concluding that merger proposal is in the best interests of Gloucester shareholders
Receipt of regulatory approvals in Australia and China	• The Treasurer of Australia approving the transaction under the Foreign Acquisitions and Takeovers Act 1975 and Australia's foreign investment policy • State-owned Assets Supervision and Administration Commission of the State Council of Shangdong Provincial Government; National Development and Reform Commission; China Securities Regulatory Commission; Ministry of Commerce of the People's Republic of China; State Administration of Foreign Exchange of China; Ministry of Finance of the People's Republic of China; any other relevant Regulatory Authority • Hong Kong Stock Exchange approval that Yanzhou may proceed with the separate listing of Yancoal on the ASX • ASX, ASIC and other relevant governmental consents • ASX approving the admission of Yancoal Australia to the official list of ASX
Gloucester shareholder approvals	• Approval of the Scheme by at least 75% of votes cast and a simple majority of shareholders by number • Approval of the capital reduction by a simple majority of votes cast
Debt Caps	• Yancoal Australia's and Gloucester's net debt positions not exceeding agreed levels
Elections not to receive CVR Shares	• Gloucester shareholders holding at least 130m Gloucester shares elect not to take CVR Shares (Noble has informed Gloucester that it will elect to not receive CVR Shares)
Financing	• Refinancing of Yancoal debt due in 2012 and 2013 to 2017 and 2018 respectively, and arranging $700m funding for the special dividend and capital reduction to Gloucester shareholders
Other	• No material adverse change, prescribed occurrences or material warranty breaches in relation to Gloucester and Yancoal

Note:
1) Refer to Gloucester's ASX announcement on 23 December 2011 for more details of merger proposal conditions.

Timetable

Event	Target date
Gloucester announces recommended Merger Proposal	6 March 2012[1]
First court hearing. Court convenes scheme meeting	End March/Early April 2012
Despatch explanatory booklet with Independent Expert Report (IER)	Early April 2012
Gloucester shareholder meetings to vote on scheme and capital reduction	Early May 2012
Fulfilment of other conditions, including FIRB, NDRC and Hong Kong Stock Exchange	May 2012
Second court hearing. Court approval of Scheme	Late May 2012
Record date for Capital Reduction and Special Dividend	Late May 2012
Payment of Capital Return[2] and Special Dividend	Early June 2012
Court orders lodged with ASIC. Scheme becomes effective	Early June 2012
Admission of MergeCo to ASX	Early/Mid June 2012
Record date for Scheme	Mid June 2012
Merger implementation	Late June 2012

Note:

1) All dates other than this one are subject to variation without prior notice
2) Paid by delivery of Promissory Note(s) payable six months after merger implementation.

Questions

Appendix 1: Overview of Yancoal Australia Resources and Reserves

YANCOAL
兖煤澳大利亚有限公司

Yancoal Resources

Attributable Resources (Mt)

Project[1]	Ownership	Measured	Indicated	Inferred	M&I&I
Moolarben	80%	376	598	208	1,183
Austar	100%	81	70	70	221
Ashton	90%	152	146	35	333
Yarrabee	100%	65	84	20	170
Total (100% basis)		**675**	**899**	**334**	**1,907**
Total (equity basis)		**584**	**764**	**289**	**1,637**

Note: Resources figures shown are compliant with the JORC Code 2004. See page 8 for Competent Person Statements.
(1) Excludes Resources for Harrybrandt, Athena, Wiilpeena, Cameby Downs and Premier.

Yancoal Reserves

Attributable Reserves (Mt)

Project[1]	Ownership	Proved	Probable	Total
Moolarben	80%	83	232	315
Austar	100%	13	32	44
Ashton	90%	43	15	57
Yarrabee	100%	38	19	57
Total (100% basis)		**176**	**297**	**474**
Total (equity basis)		**155**	**249**	**405**

Note: Reserves figures shown are compliant with the JORC Code 2004. See page 8 for Competent Person Statements.
(1) Excludes Reserves for Harrybrandt, Athena, Wiilpeena, Cameby Downs and Premier.

Competent Person’s Statement

The estimates of Coal Resources and Coal Reserves have been carried out in accordance with the “2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

The information in this presentation that relates to Coal Resources and Reserves is based on and accurately reflects reports prepared by the Competent Persons noted beside the respective information. All of these persons are consultants working for Yancoal Australia Ltd. (1) Robert Dyson, Member of Australiasian Institute of Mining and Metallurgy (MAusIMM) is a full time employee of McElroy Bryan Geological Services Pty Ltd. (2) Brad Willis, (MAusIMM) is a full time employee of Palaris Mining Pty Ltd. (3) Jonathon Barber, MAusIMM is the Principal Consultant with Jon Barber Consulting Pty. Ltd. (4) Ben Smedley, MAusIMM is a full time employee of Palaris Mining Ltd. (5) Greg Mattila, AusIMM is the Principal Consultant employed by Mattila Pty Limited.

The information in this presentation that relates to Yarrabbee and Moolarben has been prepared by Jonathan Barber

The information in this presentation that relates to Austar has been prepared jointly by Jonathan Barber and Robert Dyson

The information in this presentation that relates to Ashton has been prepared jointly by Jonathan Barber, Ben Smedley and Brad Willis

Named Competent Persons consent to the inclusion of material in the form and context in which it appears and have the relevant experience in relation to the mineralisation being reported on by them to qualify as Competent Persons as defined in the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).

Key Risks

KEY RISKS

- The following risk factors are relevant to each of Gloucester and Yancoal as stand alone entities. Accordingly, they will also be relevant to MergeCo if the Merger Proposal proceeds. A reference to MergeCo in this “Key Risks” section should therefore be taken to include both Yancoal and its assets, and Gloucester and its assets where relevant.
- The following risk factors are not exhaustive. They should be read as subject to the further and more specific information on risk factors that will be provided in the Explanatory Booklet that Gloucester intends to publicly release in April 2012 in relation to the merger proposal and the capital return. The following risk factors do not take account of the investment objectives, financial situation, particular needs or risk profiles of any individual.
- Factors affecting the operating and financial performance of Gloucester and /or MergeCo and the market price of Gloucester shares or MergeCo shares (as applicable) include domestic and international economic conditions and outlook, changes in government fiscal, monetary and regulatory policies, changes in legislation, changes in interest rates and inflation rates, changes to coal prices, the announcement of new technologies and variations in general market conditions and/or market conditions which are specific to the coal industry.

KEY RISKS

Exploration and development projects, geological risk and resource and reserve estimates	▪ Some of Gloucester's and Yancoal's projects are at an early stage of exploration or development. Coal exploration and mine development generally involves a high degree of risk and are subject to hazards and risks including unusual and unexpected geological formations, seismic activity, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, any facilities, damage to life or property, environmental damage and possible legal liability. ▪ There is a risk that unforeseen geological difficulties will be encountered in Gloucester's and Yancoal's mining operations. This may cause a loss of revenue due to lower production than expected and/or higher operations and maintenance costs and/or ongoing unplanned capital expenditure in order to meet production cost targets. ▪ The information provided in this Presentation in relation to Gloucester's and Yancoal's projects is the current estimate of coal resources and reserves and capital and operating costs, as determined from geological data obtained from drill holes, other exploration techniques, feasibility studies, mine plans and projections conducted to date. Resource and reserve estimates are stated to be prepared in accordance with the JORC Code and are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made, but may change significantly when new information becomes available. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from the estimates. Resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resources and reserves could affect Gloucester's development and mining plans.
Approvals	▪ The successful development of some of Gloucester's and Yancoal's projects depends on Gloucester or Yancoal (as applicable) being able to obtain all necessary regulatory licenses and approvals, including exploration permits, mining leases or similar tenure planning approvals and environmental authorizations under applicable mining laws, environmental laws and other laws and regulations. There can be no guarantee that all such approvals will be obtained, either at all or on terms or in time to enable Gloucester or Yancoal to successfully develop those assets. Gloucester's and Yancoal's performance could be adversely affected as a result of delays in obtaining necessary government approvals or if applications lodged for exploration licences and mining leases are not granted, or exploration licences and mining leases that have been granted for a fixed term are not renewed upon expiry. ▪ Obtaining mining approvals can require reaching an agreement with or obtaining the consent of third parties. Some of Gloucester's and Yancoal's mines and associated exploration licences adjoin or are overlapped by petroleum exploration licences held by third parties. Gloucester and Yancoal (as applicable) require the agreement of third party petroleum exploration licence holders to proceed with some of their planned future mining operations. There is no guarantee that such agreement will be able to be obtained, will not be delayed or will be reached on terms which provide a satisfactory outcome for Gloucester or Yancoal (as applicable).

KEY RISKS

Operational risks	The exploration, mining and processing operations of Gloucester, Yancoal and MergeCo are (or will continue to be) subject to many risks and hazards, including industrial accidents, mine collapse, cave-ins or other failures relating to mine infrastructure, including tailings dams, periodic interruptions due to inclement or hazardous weather conditions, power interruption, critical equipment failure, fires, flooding and unusual or unexpected geological or mining conditions. Such risks could result in damage to applicable mines, personal injury, environmental damage, delays in mining production, monetary losses and possible legal liability. In addition, Gloucester, Yancoal and MergeCo are (or will be) dependent on, railways, ports and shipping to transport their coal, and any disruption to this transportation could have a material adverse effect on their operations. In respect of Gloucester's and Yancoal's coal transportation contracts, capacity is reserved on a long term basis (generally at least 10 years) and on 'take-or-pay' terms, meaning that the producer must pay for the capacity it has reserved whether or not that capacity is used. Gloucester or Yancoal may incur 'take-or-pay' liability in the future, including where development projects are delayed or modified, where production and transportation of coal are prevented or constrained for any other reason, or where there is a mismatch between capacities reserved to them. In addition, (i) under Gloucester's and Yancoal's below-rail contracts, capacity reserved for future years can be lost where actual usage falls below a specified percentage of the reserved capacity for a period, and (ii) if a project to expand PWCS or NCIG port capacity is delayed, the resulting shortfall in capacity is borne by customers who have utilised less than a specified percentage of their reserved port capacity over the preceding 18 months ahead of other customers.
Coal sales and prices	• Gloucester, Yancoal and MergeCo generate revenue from sales of coal. Historically, demand for coal and coal prices have been cyclical and volatile. The price for coal is determined predominantly by world markets, which are affected by numerous factors, including the outcome of future sale contract negotiations, general economic activity, industrial production levels, changes in foreign exchange rates, changes in energy demand and demand for steel, changes in the supply of seaborne coal, changes in international freight rates or other transportation infrastructure and costs, the cost of other commodities and substitutes for coal, market changes in coal quality requirements and government regulation which restrict the use of coal, tax impositions on the resources industry, all of which are outside the control of Gloucester, Yancoal or MergeCo and may have a material adverse impact on coal prices and demand. • Absent offsetting factors, significant and sustained adverse movements in demand for coal and coal prices may have a material adverse impact on the ongoing financial performance and financial position of Gloucester, Yancoal or MergeCo.
Environmental regulation	• Environmental regulation of mining activities at both State and Federal level imposes significant obligations on mining companies. Changes in these laws and regulations may adversely affect Gloucester's and Yancoal's operations, including profitability of the operations and ability to develop existing and new projects. • In addition, mining is an industry that has become subject to increasing environmental regulation. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environment regulation will not adversely affect Gloucester's or Yancoal's operations.

KEY RISKS

Key personnel	• A number of key management and personnel are important to attaining the business goals of Gloucester, Yancoal and MergeCo. One or more of these key employees could leave their employment or cease to actively participate in the management of MergeCo, and this may adversely affect the ability of Gloucester, Yancoal or MergeCo to conduct its business and, accordingly, affect its financial performance and its share price. There may be a limited number of persons with the requisite experience and skills to serve in MergeCo's senior management positions if existing management leave MergeCo. If MergeCo is unable to attract, train and retain qualified managers, MergeCo may be unable to successfully manage its growth or otherwise compete effectively in the Australian coal industry. • Where projects are being developed or expanded, large numbers of new employees may be required. There is currently a significant shortage of skilled workers in coal mining regions in Australia which could result in MergeCo having insufficient employees or contractors to operate its business. As such, there is a risk that Gloucester, Yancoal and MergeCo may not be able to procure the required numbers of skilled workers for any of its future operations or on terms that are not financailly prohibitive, which could have an adverse impact on their financial performance.
Risks related to proposed efficiencies/benefits under the proposed transaction	• The long term success of MergeCo will depend, amongst other things, on the success of management in integrating the respective businesses and the strength of management of MergeCo. There is no guarantee that the businesses of MergeCo will be able to be integrated successfully, or over the expected time period or at the implementation cost estimated in this Presentation. • There are risks that any integration of the businesses of Gloucester and Yancoal may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, inability to achieve expected synergy benefits and cost savings, and the potential loss of key personnel. • Any failure by MergeCo to ensure implementation costs remain below those anticipated may have a material adverse effect on the financial performance and position, and future prospects, of MergeCo.
Current and future finance	• Existing credit facilities and internally-generated funds may not be sufficient for expenditure that might be required for acquisitions, new projects, further exploration and feasibility studies. Gloucester, Yancoal and MergeCo may need to raise additional debt or equity in the future. No assurance can be given that any refinancing or additional financing (whether debt or equity) required from time to time will be on terms favourable to Gloucester, Yancoal and MergeCo. Securing funding for projects or other forms of financing for operations may depend on a number of factors, including commodity prices, interest rates, economic conditions, debt market conditions, share market conditions and country risk issues. Inability to obtain financing or refinancing could cause delays in development of projects or could result in higher financing costs and may adversely affect the financial condition and performance of Gloucester, Yancoal or MergeCo. • The ability of Gloucester, Yancoal or MergeCo to service its debt will depend on future performance and cash flows, which will be affected by many factors, certain of which are beyond the control of Gloucester, Yancoal or MergeCo. Any inability of Gloucester, Yancoal or MergeCo to service its existing debt may have a material adverse effect on Gloucester, Yancoal and MergeCo.

KEY RISKS

Transport and infrastructure	Coal produced from Gloucester's and Yancoal's mining operations are transported to customers by a combination of road, rail and sea. A number of factors could affect these transport services, including weather related problems, rail or port capacity constraints, insufficient rail and port capacity allocations or entitlements, delays in the construction of new rail or port terminal infrastructure, delays in the approval of access conditions for regulated infrastructure by the relevant regulators, key equipment and infrastructure failures, cost and development of and access to new port and rail infrastructure, and industrial action, impairing Gloucester's and Yancoal's ability to supply coal to customers which may have a material adverse effect on Gloucester, Yancoal, and (if the Merger Proposal proceeds), MergeCo.
Expansion of NCIG and PWCS Terminal – associated risks	NCIG and PWCS are expanding the capacity of their terminals at Newcastle Port and PWCS is seeking approvals for a further 'Terminal 4' expansion. There is a risk that changes to or delays in these projects will adversely affect Gloucester's and Yancoal's entitlements to port capacity, and that costs overruns, market conditions, adverse foreign exchange movements and other costs and liabilities experienced by NCIG or PWCS in connection with these projects will result in increased tariffs payable by Gloucester and Yancoal for their port capacity.
Regulation of Coal Supply Chain/Port Capacity	Newcastle Port Corporation (NPC), NCIG and Port Waratah Coal Services Ltd (PWCS) have agreed a framework for the implementation of a long term solution for access to and expansion of export capacity at the Port of Newcastle. The ACCC has authorised the framework document and related agreements (the Framework Arrangements) to 31 December 2024. The ACCC has the power to review the authorisation in certain circumstances. There is a risk that at some time over the life of Gloucester's or Yancoal's port usage agreements with NCIG and PWCS, the ACCC will conduct such a review, or that the authorisation will not be renewed (or renewed on the same terms) beyond 2024. In that event, the contractual rights of Yancoal and Gloucester to use port capacity may be adversely affected.
Sanctions for breach of open access obligations for NCIG	Under the Framework Arrangements, NPC can impose material contractual sanctions on all NCIG shippers if NCIG fails to give effect to and enforce certain contractual obligations of its shippers that are intended to facilitate open access to a shipper's excess NCIG capacity. The possible sanctions include the suspension of the right to nominate for additional PWCS throughput capacity until the failure is rectified to NPC's satisfaction, and loss by NCIG shippers (whether or not at fault) of certain of their capacity entitlements through the PWCS port facilities. Also, if an NCIG shipper's wilful act or omission contributes to NPC imposing the above sanctions on all NCIG shippers, that NCIG shippers could be made to transfer some or all of its capacity to the other NCIG shippers, to compensate for the loss of PWCS capacity. Also, the NCIG shipper to whom NCIG's failure relates could be made to transfer some or all of its NCIG capacity to the other NCIG shippers, to compensate for their loss of PWCS capacity. Yancoal and Gloucester are parties to these arrangements with NPC.
Availability and Cost of Key Equipment	Gloucester and Yancoal have significant new equipment requirements and any delay on the part of equipment suppliers to deliver to schedule, or any cost increases could have an adverse impact on Gloucester's or Yancoal's financial performance and/or financial position.
Forward Sales	Gloucester and Yancoal sell coal on a spot basis and under longer term contracts. Longer term contracts with a fixed sale price (or a price fixed for a period of time) can provide a hedge against adverse changes in market price over the period to which the price applies, but they may also reduce the ability to benefit from increases in market price over the relevant period. In addition, whilst longer term contracts reduce marketing risk over the term of the contract, the risk of and exposure to contractual liability to deliver coal in accordance with the contractual commitments are increased.

KEY RISKS

Water and power management	▪ Gloucester and Yancoal use water to suppress dust on mine sites and to wash coal. Power is necessary for operation of the continuous miners and the CHPPs. In the future, no assurance can be given that sufficient water or power will be available or that access to water and power will not be disrupted. Climate changes (including drought) and changes to water allocations and to government policy may affect Gloucester's or Yancoal's access to water and power necessary for existing and future mining operations.
Industrial Action	▪ There can be no assurance that the operations of Gloucester, Yancoal or MergeCo will avoid industrial relations action in the future or that work stoppages will not adversely affect operations or financial results.
Health and Safety	▪ Health and safety regulation affects Gloucester's and Yancoal's activities. Coal production and underground mining are potentially hazardous activities. If any injuries or accidents occur in a mine, this could have financial implications for Gloucester and Yancoal including potential production delays or stoppages and this may have an adverse effect on Gloucester's or Yancoal's financial performance and/or financial position.
Wars, terrorism, political, economic and natural disasters	▪ Events may occur within or outside Australia that could impact upon the world economy, the market for coal, the operations of Gloucester and Yancoal and the price of Gloucester's and MergeCo's shares. For example, war, acts of terrorism, civil disturbance, political intervention and natural phenomena such as earthquakes, floods, fire and poor weather could each affect the transport and mining of coal. Gloucester and Yancoal have a limited ability to insure against some of these risks.
Native title and land ownership	▪ Any native title claims or cultural heritage issues arising may delay production from exploration areas where Gloucester or Yancoal does not already hold mining leases or freehold title. ▪ If MergeCo is unable to either (i) acquire from relevant third party owners the land over which projected expansion projects are intended to take place; or (ii) otherwise reach commercial agreement with relevant land owners regarding the extraction of coal (including as to terms which are commercially acceptable to MergeCo); or (iii) obtain planning permission for the expansion projects (including as to terms which are commercially acceptable to MergeCo), there is a risk that such projects will not be able to proceed in their current form. This may have a material adverse effect on MergeCo's operations.
Joint ventures and reliance on third parties	▪ Through Gloucester's and Yancoal's participation in joint ventures and their use of contractors and other third parties for exploration, mining and other services generally, they each rely on a number of third parties for the success of some of their respective current operations and for the development of some of their respective growth projects. While this is normal for the mining and exploration industry, problems caused by third parties may arise which have an impact on the performance and operations of Gloucester and Yancoal. Additionally, the terms of the particular joint venture agreements may require agreement to be reached with all joint venture participants before certain developments proceed or committments are made. Subject to relevant joint venture agreements, MergeCo cannot control the actions of joint venturers, and therefore, cannot guarantee that joint ventures will be operated or managed in accordance with MergeCo's preferred direction or strategy. Any failure by counterparties and contractors to perform their obligations may have a material adverse effect on Gloucester, Yancoal and MergeCo. There can be no assurance that Gloucester would be successful in attempting to enforce any of its contractual rights through legal action.