



**GLOUCESTER  
COAL**

## **QUARTERLY REPORT**

PERIOD ENDED 30 JUNE 2011

### **FOURTH QUARTER HIGHLIGHTS**

- Announced Donaldson Coal and Monash Group acquisitions (completed July 2011)
- Record total material movement in Gloucester Basin operations
- Stratford Coal Handling Preparation Plant Stage 1 Upgrade completed
- Total coal sales increased 16% on previous corresponding quarter
- Executed 5 year mining contract with NRW at Middlemount
- Middlemount shipped 51kt of PCI product via the Dalrymple Bay Coal Terminal (DBCT)
- Successful equity raising of \$230m

## OVERVIEW

The fourth quarter was a significant period for Gloucester Coal for a number of reasons. During this time a record amount of material movement occurred in the Gloucester Basin, significant progress was made in the development of the Middlemount Coal Project and the Company successfully completed a \$230 million equity raising. This was achieved at the same time the Company was progressing major transactions that would result in a complete transformation of Gloucester Coal.

These major transactions, approved by shareholders on 8 July 2011, involved the acquisition of Donaldson Coal and the Monash Group. These acquisitions increase Gloucester Coal's annual production by 82% (based on FY12 forecast), its resources by 345% and its reserves by 124% and provide a strong platform for substantial growth.

## GLOUCESTER BASIN UPDATE

During the quarter, Gloucester moved record volumes of material within its Gloucester Basin operations. Pit inventories, which had been adversely affected by the delays in the Duralie and Stratford extension approvals, have continued to be restored during the period and are now approaching a stable position.

The Stratford coal processing plant expansion works progressed through to commissioning stage in late June. This work completes the required plant circuit upgrades to allow plant feed of 600tph at optimised yields. Further plant upgrade works are planned for mid FY12 to increase plant feed rates to 700tph.

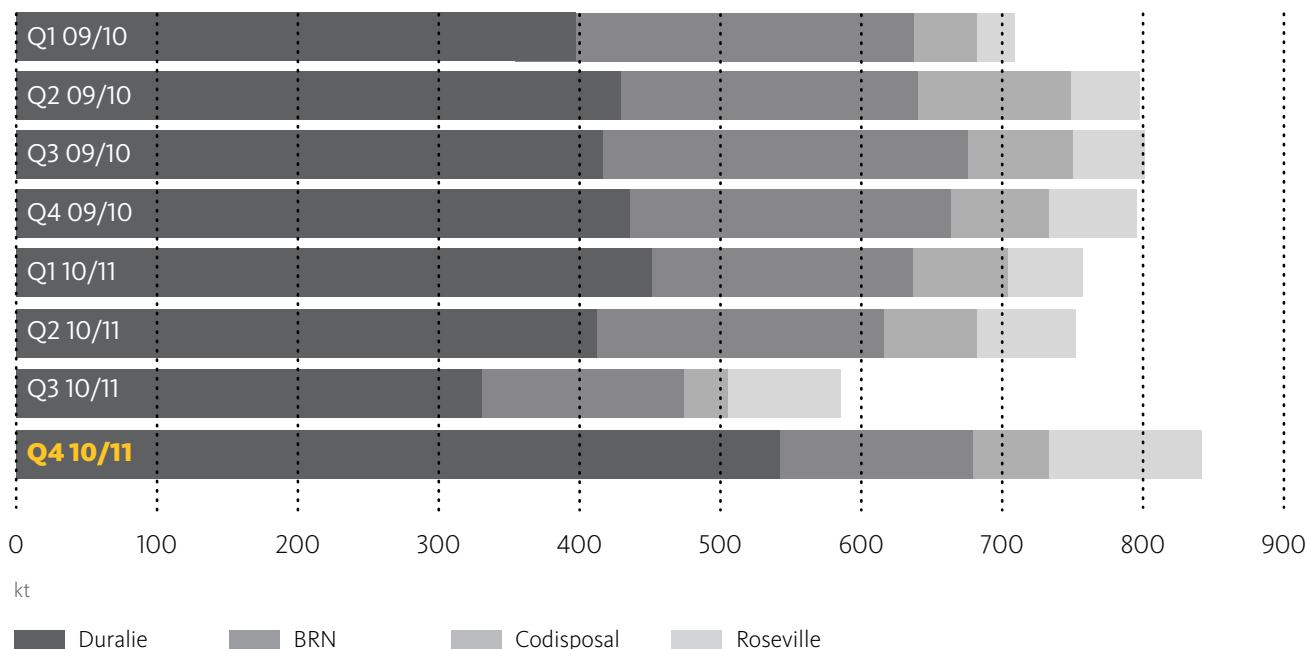
New coal wagons were successfully commissioned during the quarter allowing for heavier trains to run between Duralie and Stratford. Subject to minor modifications to operating hour consents these heavier trains will enable annualised haulage rates of up to 3mtpa.

## FOURTH QUARTER 2010/11 PRODUCTION

	June 2010	June 2011	Change	YTD June 2010	YTD June 2011
	kbcm	kbcm	%	kbcm	kbcm
<b>Mining</b>					
Total material movement	3,802	4,350	14%	13,506	15,244
<b>Mining</b>	<b>kt</b>	<b>kt<sup>(1)</sup></b>	<b>%</b>	<b>kt</b>	<b>kt<sup>(1)</sup></b>
Duralie	441	548	24%	1,694	1,753
Bowens Road North (BRN)	226	134	(41%)	933	652
Co-disposal	69	53	(23%)	304	229
Roseville	58	105	82%	170	309
<b>Total ROM Coal Delivered to CHPP</b>	<b>794</b>	<b>840</b>	<b>6%</b>	<b>3,101</b>	<b>2,943</b>
<b>Preparation Plant</b>					
ROM Coal processed	764	855	12%	2,919	2,965
Total Yield	64.3%	62.4%	(2%)	65.7%	61.2%
<b>Total Product</b>	<b>491</b>	<b>534</b>	<b>9%</b>	<b>1,918</b>	<b>1,814</b>

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

### ROM PRODUCTION BY QUARTER



## ROM PRODUCTION

### OPEN CUT PRODUCTION

ROM production rebounded strongly from the third quarter. Of significance was the turnaround in ROM tonnes mined at Duralie aided by the opening up of the Clareval seam and improved working areas at Weismantel. Challenging conditions in both April and June due to wet weather held performance back from achieving record levels.

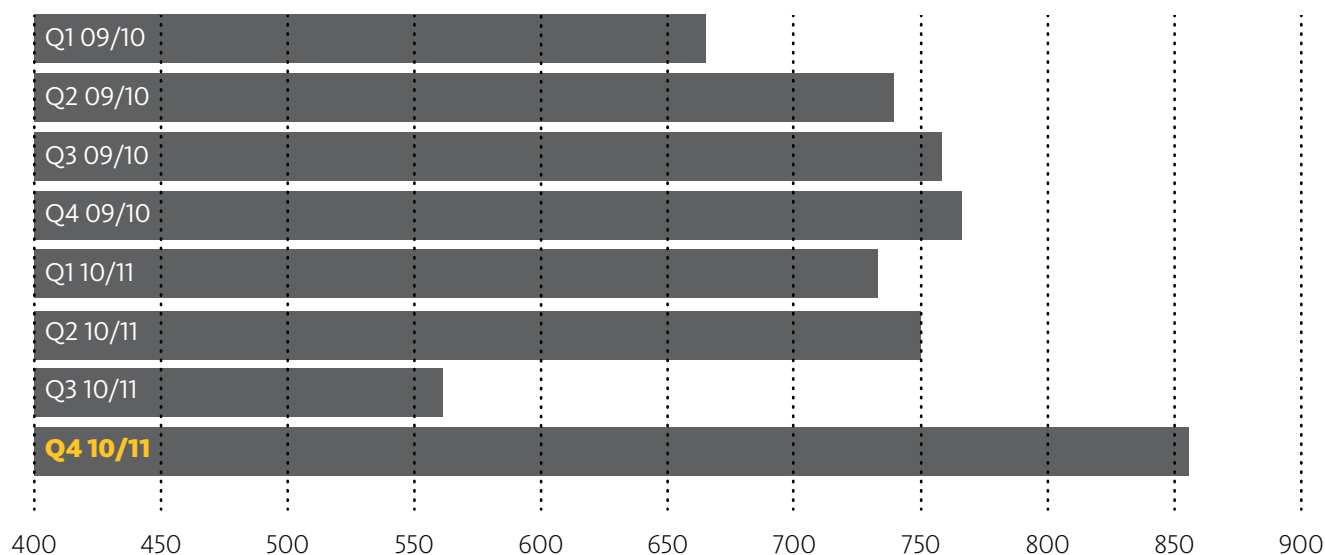
Full year ROM mining performance at 2.9mt was consistent with the prior year at 3.1mt.

Duralie's Enterprise Bargaining Agreement negotiations were concluded during the fourth quarter, with mining operations extending from a 6 day to a 7 day a week operation beginning the first week of June.

### WET WEATHER

The Gloucester Basin experienced a higher than average number of wet weather days and rainfall during the quarter. This constrained potential output from mining operations and also limited irrigation opportunities to reduce stored water levels. The total stored water levels at Duralie were 83% at the end of the quarter.

## STRATFORD PREPARATION PLANT ROM FEED BY QUARTER



### STRATFORD COAL HANDLING PREPARATION PLANT ("CHPP")

ROM feed for the quarter was at near record levels. The current phase of the CHPP Stage 1 improvement and upgrade projects was completed in late June.

CHPP design capacity is now 600tph. A further upgrade is expected to be completed in FY12 to increase ROM feed to 700tph.

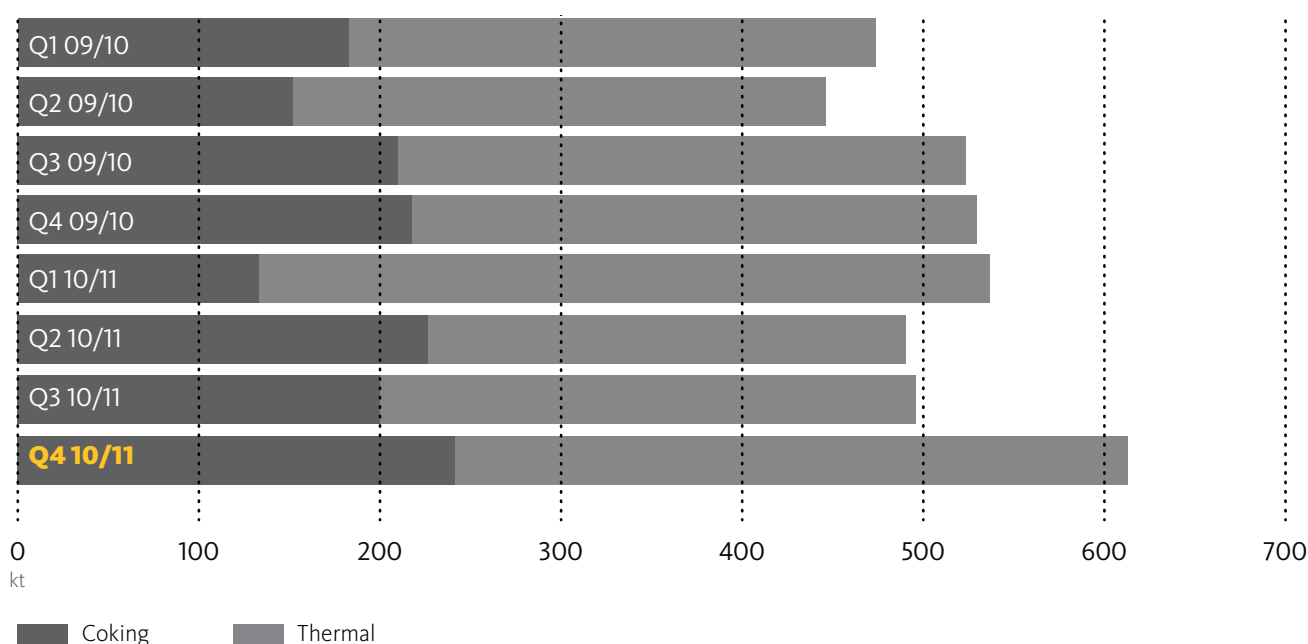
## SALES

Total sales of 612kt for the quarter were 16% (85kt) higher than the corresponding quarter (527kt).

The Company maximised sales for the quarter by taking advantage of its port capacity. Only minimal product stocks were on hand at the end of the quarter.

### FOURTH QUARTER 2010/11 SALES

	June 2010	June 2011	Change	YTD June 2010	YTD June 2011
Coal Type	kt	kt	%	kt	kt
Coking	215	239	11%	751	787
Thermal	312	373	19%	1,219	1,350
<b>Total Sales</b>	<b>527</b>	<b>612</b>	<b>16%</b>	<b>1,970</b>	<b>2,137</b>
Purchases	(38)	-	100%	(183)	(86)



### COKING COAL

Coking coal sales were 239kt for the quarter compared to 215kt for the previous corresponding quarter, an increase of 11%.

A drop off in demand from Japanese customers resulted in the placement of coking coal tonnages into the spot market to ensure mine stockpiles remained manageable.

### THERMAL COAL

Thermal coal sales of 373kt were up on the previous corresponding quarter (312kt). The Company had sales contracts covering thermal production for the quarter and demand remained robust with excellent off take occurring.

## EXPLORATION

The Company is continuing its programme of exploration in tenements A311, A315 and EL6904.

Up to six drill rigs operated on exploration targets during the quarter. A total of 7,496 metres of drilling was completed including 500 metres of core providing for coal quality analysis. Drilling was focused on exploration targets to the north of existing mining operations at Stratford and, to a lesser extent, targets near the Duralie operation. Geological interpretation, seam correlation and data validation of the multi seam stratigraphy is continuing.

Exploration expenditure during the quarter was \$3.3 million, compared to \$6.3 million in the previous quarter.

## DURALIE EXTENSION PROJECT MERITS APPEAL UPDATE

The Duralie Extension Project merits appeal hearing was heard in the Land and Environment Court by Chief Judge Preston. Hearings commenced on 9 May 2011 and concluded on 1 July 2011. Gloucester Coal is awaiting a decision from the Court.

## MIDDLEMOUNT UPDATE

### DEVELOPMENT

During the quarter, Middlemount Coal prepared a Supplementary Environmental Impact Statement (EIS) in relation to its proposal to increase the production level from 1.8mtpa ROM up to 5.4mtpa. The Supplementary EIS addresses the issues raised in 11 submissions made by Government Agencies during the public comment period following the release of a Draft EIS in Feb-Mar 2011. No comments were received on the Draft EIS from non-government organisations or members of the general public. Middlemount Coal expects to obtain approval to increase production by mid 2012.

The public Notification Process for Mining Lease Application (MLA) 70417 commenced during the quarter and closed on 25 July 2011. This proposed mining lease is designed to provide additional out of pit dump space to maximise the total resource within the current granted mining lease.

### CONSTRUCTION

Reduced wet weather in the quarter enabled significant progress on the construction of the Rail Spur to join the Middlemount Mine to the Goonyella rail network. With this progress and subject to no further significant wet weather events, Middlemount Coal is confident the Rail Spur will be completed late in 2011.

Works on the construction of a workshop and maintenance facility were substantially progressed during the quarter. The project which incorporates a workshop with an undercover maintenance area for up to six haul trucks, a fuel farm, tyre handling area and vehicle washdown area is expected to be commissioned in July.



## **MIDDLEMOUNT UPDATE (CONTINUED)**

### **OPERATIONS**

On 13 April 2011, Middlemount Coal and NRW Holdings Limited (ASX: NWH) executed a contract appointing NRW to undertake mining services for five years commencing 1 July 2011. NRW will carry out clearing, overburden removal, drill and blast, coal mining, haulage and associated activities. Overburden stripping commenced in April 2011 and the first coal was mined in June 2011. The ramp-up of operations from this preliminary production is subject to the timing of completion of the rail loop and environmental approvals for increased production.

Further commissioning testing of the CHPP was undertaken during the quarter. A total of 51kt of product coal was sold and exported via trucks to a third party rail loadout and then shipped via the Dalrymple Bay Coal Terminal (DBCT). Further sales are expected to be undertaken via this rail loadout in the September and December quarters until the Middlemount Rail Spur is completed.

## **DONALDSON AND MONASH ACQUISITIONS UPDATE**

On 16 May 2011, the Company announced a 2 for 11 fully underwritten accelerated non-renounceable pro-rata entitlement offer to raise approximately \$230 million and a proposal to acquire Donaldson Coal and the Monash Group.

The Company issued 24.3 million shares on 24 May 2011 in respect of the Institutional Entitlement Offer and 1.2 million shares on 16 June 2011 in respect of the Retail Entitlement Offer at a price of A\$9.00 per share raising approximately \$230 million.

Subsequent to quarter end, with effect from 14 July 2011, the Company completed the Donaldson Coal acquisition from Noble Group Limited comprising \$225 million net debt assumed and the issuance of 36.9 million new Gloucester Coal Ltd shares. The Donaldson transaction was approved by the Company's shareholders on 8 July 2011.

Subsequent to quarter end, with effect from 14 July 2011, the Company completed the acquisition of the Monash Group for consideration of \$30 million cash and the issuance of 1,000 converting shares. The Monash Group transaction was approved by the Company's shareholders on 8 July 2011.

## FINANCE

On 30 June 2011, the Company made a final payment of \$45m to Macarthur Coal Ltd in relation to the transaction announced on 24 December 2011 involving the exercise of Gloucester Coal's call option for an additional 20% interest in Middlemount Coal Pty Limited.

Subsequent to quarter end, in connection with the Donaldson and Monash acquisitions, the Company entered into a \$400 million unsecured loan facility with Noble Group Limited replacing the US\$80 million facility with Noble Group Limited. On 15 July 2011, \$175.5 million was drawn down under this facility.

## FOR FURTHER INFORMATION

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