



GLOUCESTER COAL LTD

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15 September 2008

Dear Shareholder

I have great pleasure in enclosing your Notice for the 2008 Annual General Meeting of Gloucester Coal Ltd. The Meeting will be held on Wednesday 29 October 2008 at 10:00am, at The Westin Hotel 1 Martin Place Sydney.

On the following pages is a Notice of Meeting detailing the business to be undertaken at the AGM. The items of business will be familiar to you. Shareholders will be asked to consider four items of Ordinary Business. These include:

- To receive the Financial Report;
- The adoption of the Remuneration Report (included within the Directors' Report); and
- The re-election of two Directors who, under the Company's Constitution, retire and offer themselves for re-election.

In addition to the ordinary business Shareholders will be asked to consider an item of Special Business. This is to approve the Company's Employee Share Option Plan. The Board of Directors considers that a share scheme is a method of creating an incentive for greater efforts by the Company's employees at no cash cost to the Company.

You are encouraged to read the enclosed Notice of Annual General Meeting and to attend the meeting or return your Proxy Form as soon as possible. When completing the Proxy Form please vote either for or against the resolutions.

I hope that you are able to attend the meeting and take the opportunity to meet and talk with Directors and senior executives of the Company. You are invited to join us for refreshments at the conclusion of the meeting.

Yours sincerely

Andy Hogendijk
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Members of the Company will be held at 10:00am on Wednesday 29 October 2008 at The Westin Hotel Sydney, 1 Martin Place Sydney NSW 2000, to consider and if thought fit, to pass the following resolutions:

ORDINARY BUSINESS

1. To receive the Financial Report in respect of the Company and its controlled entities for the year ended 30 June 2008, together with the Directors' Report in relation to that financial period and the Auditor's Report in respect of that Financial Report.
2. That the Remuneration Report for the financial year ended 30 June 2008 be adopted.
3. That Mr Ian Warwick Levy, who retires as a Director in accordance with the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.
4. That Mr Christopher Alan Sadler being a Director appointed since the last Annual General Meeting, who retires as a Director in accordance with the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.

SPECIAL BUSINESS

5. **Approval to issue securities under the Employee Share Option Plan (ESOP)**

To consider and, if thought fit, to pass the following resolution:

That for the purposes of ASX Listing Rule 7.2 (exception 9), the issue of securities under the Gloucester Coal Ltd Employee Share Option Plan, on the terms and conditions set out in the Explanatory Statement, be approved as an exception to ASX Listing Rule 7.1.

Further information in relation to these resolutions is set out in the Explanatory Statement attached to this Notice.

Voting Exclusion Statement

In respect of Resolution 5 the Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of such Directors.

However the Company need not disregard any vote by any such persons if:

- it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by any of them who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED this 15th day of September 2008

BY ORDER OF THE BOARD



James Beecher
Company Secretary

NOTES

1. Gloucester Coal Ltd (as convenor of the Meeting) has determined that a person's entitlement to vote at the Annual General Meeting, will, in accordance with the Corporations Act, be the entitlement of that person set out in the register of members as at 10:00am on the 27th day of October 2008.

This means that any holder registered at 10:00am on the 27th day of October 2008 is entitled to attend and vote at the General Meeting.
2. A member entitled to attend this Meeting and vote is entitled to appoint not more than two proxies to attend and vote in his stead. Where more than one proxy is appointed each proxy must be allocated a proportion of the member's voting rights. A proxy need not be a member. A form of proxy accompanies this notice.

EXPLANATORY STATEMENT

ANNUAL GENERAL MEETING 10:00AM, WEDNESDAY 29 OCTOBER 2008

Resolution 1.

“To receive the Financial Report in respect of the Company and its controlled entities for the year ended 30 June 2008, together with the Directors’ Report in relation to that financial period and the Auditor’s Report in respect of that Financial Report”

To enable shareholders to receive and consider the Financial Report.

Resolution 2.

“That the Remuneration Report for the financial year ended 30 June 2008 be adopted”

The Corporations Act 2001 requires that a resolution be put to the members to adopt the Remuneration Report as disclosed in the Directors’ Report. The vote on this resolution is advisory only and non-binding. The resolution gives the members the opportunity to ask questions or make comments concerning the Remuneration Report during the meeting.

The Remuneration Report:

- discusses the Company’s policy on remuneration of Directors and the link between remuneration and the Company’s performance; and
- details the remuneration arrangements in place for each Director.

A Remuneration Report must also discuss the Company’s policy on remuneration of employees. Similarly, a Remuneration Report must explain the differences in remuneration between executive and non-executive Directors.

Resolution 3.

“That Mr Ian Warwick Levy, who retires as a Director in accordance with the Company’s Constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect”

In accordance with Article 12.11 of the Company’s Constitution, Mr Levy is eligible for re-election and has submitted himself for re-election at the Annual General Meeting.

Resolution 4.

“That Mr Christopher Alan Sadler, being a Director appointed since the last Annual General Meeting who retires as a Director in accordance with the Company’s Constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect”

In accordance with Article 12.7 of the Company’s Constitution, Mr Sadler is eligible for re-election and has submitted himself for re-election at the Annual General Meeting.

Resolution 5

Approve the issue of securities under the Gloucester Coal Employee Share Option Plan (ESOP)

ASX Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12 month period without requiring shareholder approval. Listing Rule 7.1 does not apply in certain cases set out in Listing Rule 7.2 allowing certain issues of securities to be excluded from the calculation of the number of securities issued in the 12 month period, including exception 9, where an issue under an employee incentive plan is made if within three years before the date of issue the terms of the plan are approved by shareholders. This resolution proposes that shareholders consider and approve the ESOP in accordance with ASX Listing Rule 7.2, exception 9, which would enable securities issued under the ESOP over the next three years to be excluded from any such calculations.

The Board last sought and obtained approval by holders of ordinary securities to the issue of securities under the ESOP as an exception to ASX Listing Rule 7.1 at the AGM held on 18 May 2005. The Board seeks approval under the ESOP as an exception to ASX Listing Rule 7.1 for the next three years. The majority of terms of the ESOP proposed by this resolution are the same as approved by shareholders in 2005, the only material changes being that:

- (a) the vesting date of options were previously two years and is now three years from the date of Board approval of the offer;
- (b) clarification to confirm that the number of Options the Company may issue under the ESOP remains in line with policy of the Australian Securities & Investments Commission (ASIC).

Exception 9 of Listing Rule 7.2 requires certain information to be included in the notice of general meeting as follows:

- (a) A summary of the terms of the ESOP which is set out below.
- (b) The number of securities issued under the ESOP since the last approval is 4,750,000. Of these 2,800,000 options have been exercised, 650,000 options have lapsed and been cancelled leaving 1,300,000 options currently on issue.

SUMMARY OF THE RULES

Set out below is a summary of the rules of the Gloucester Coal Ltd Employee Share Option Plan for approval.

Purpose of Plan

- The Plan is a key part of the longer term retention and incentive strategy of the Company.
- The Plan recognises that the growth and profitability of the Company is heavily dependant on the retention of key senior staff. This dependence is heightened by the Company's flat structure and the reliance on a very small number of senior executives. The Board designed the Plan to incentivise and utilise management skills in the delineation and development of mineable reserves particularly within the Company's Gloucester Basin tenements.

Term of Plan

The Plan commenced on 23 March 2005. It may be terminated at any time by resolution of the Board.

Issue of Options under the Plan

- The Board may in its absolute discretion make Offers of Options to Eligible Employees.
- The Company may issue such number of Options as the Board determines so long as no limit specified, imposed or calculated by any relevant policy or guideline of the Australian Securities & Investments Commission (ASIC), including any regulatory guide, class order or condition for relief, is exceeded.
- Eligible Employees include:
 - (a) a full or part-time employee or director of the Company and any associated bodies corporate; and
 - (b) certain casual employees or consultants of the Company as determined by the Board.

Options

- Options are issued for \$nil consideration.
- The Offer will specify the proposed Exercise Price of each Option as specified by the Board. Options are non-transferable.
- Options have a 3 year vesting period from the date the Board approves the Offer.
- Options lapse 5 years after they are issued or earlier if the Board determines.

Cessation of Employment

- Any Options issued under the Plan will automatically lapse and be forfeited if:
 - (a) 30 days after the date on which the option holder voluntarily resigns from employment with the Company (other than to take up employment with a related body corporate of the Company); or
 - (b) immediately, if the option holder is dismissed from employment with the Company for certain reasons.
- If the option holder dies, has a total permanent disability, retires or ceases employment under any other circumstances in which the Board believes it is fair and reasonable that the option holder retains their Options, they will have a period of 6 months to exercise their Options.

Takeovers

If a takeover bid is made for the shares in the Company, then at any time during the Takeover Period the Company may give the option holder not less than 21 days written notice of the

- intention of the Company to cancel one or more of the Options with effect from the expiry of the Takeover Period;
- at any time during the Takeover Period, after the bidder holds at least 50% of the Shares on issue, all Options vest and can be exercised.

Administration of the Plan

The Plan will be administered by the Board in accordance with the Rules of the Plan.

Listing Rules

The terms and conditions of the Plan must at all times comply with the Listing Rules. If there is any inconsistency between the terms and conditions of the Plan and the Listing Rules, then the Listing Rules will prevail.