

16 May 2011

[Ineligible Institutional Shareholder or Nominee]

Attention: «Name»

Email address: []

Phone contact: []

Dear Shareholder,

2-for-11 accelerated non-renounceable pro rata entitlement offer of new ordinary shares in Gloucester (New Shares) to raise up to A\$230 million

Ineligible Institutional Shareholder Letter

On Monday 16 May 2011 Gloucester announced an accelerated non-renounceable pro-rata entitlement offer (**Entitlement Offer**) to raise up to approximately A\$230 million. Under the Entitlement Offer, eligible Gloucester shareholders are entitled to subscribe for 2 New Shares for every 11 existing Gloucester ordinary shares held on the Record Date (7.00pm (AEST) 12 May 2011).

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

The Entitlement Offer includes:

- an underwritten non-renounceable institutional entitlement offer to raise approximately A\$210 million (**Institutional Entitlement Offer**); and
- an underwritten non-renounceable retail entitlement offer to raise up to approximately A\$20 million (**Retail Entitlement Offer**), at the price per New Share of A\$9.00 (**Offer Price**).

The Institutional Entitlement Offer will be conducted via a bookbuild process managed by the Underwriter.

This notice is to inform you about the Institutional Entitlement Offer. Under the terms of the Entitlement Offer, you are an ineligible institutional shareholder and are therefore not eligible to subscribe for New Shares. You will not be sent a copy of the offer documents relating to the Offer.

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

Why am I not eligible to participate in the Institutional Entitlement Offer?

The restrictions upon eligibility under the Institutional Entitlement Offer are in place because of legal limitations on making or extending an offer of shares 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 9(A)(3)(a) of the *Corporations Act 2001* (Cth) (**Act**), that it would be unreasonable to make or extend offers to shareholders in all countries under the Institutional Entitlement Offer. Your registered address with Gloucester is outside of the jurisdictions referred to below where the New Shares will be offered. 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 Institutional Entitlement Offer to you.

What will happen to my entitlement?

As the Institutional Entitlement Offer is non-renounceable (that is, entitlements cannot be assigned or transferred to any other person) 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 institutional shareholder.

Relevant Jurisdictions

No action has been or will be taken to register or qualify the New Shares or Entitlements in any jurisdiction outside Australia. The New Shares will be offered for subscription to eligible institutional shareholders in Australia, New Zealand, Singapore, Hong Kong, Ireland, the United Kingdom, Switzerland, Germany, France, the Netherlands and any other jurisdictions as agreed by Gloucester and the



Underwriter. Neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933 (**U.S. Securities Act**) or the securities laws of any state in the United States and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act), except in transactions exempt from, or not subject to registration under the U.S. Securities Act and relevant U.S. state securities laws. 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.

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. No cooling-off regime applies (whether the regime is provide for by law or otherwise) in respect of the acquisition of New Shares under the Institutional Entitlement Offer. If you are unsure of your position, please contact your stockbroker, accountant, taxation adviser, financial adviser or other professional adviser.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Craig Boyd', written in a cursive style.

Craig Boyd
Company Secretary and Acting Chief Financial Officer
Gloucester Coal Ltd