

GLOUCESTER COAL LTD

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GLOUCESTER COAL

Gloucester Coal FY10

Half Year Results

- Net profit after tax of \$18.1 million in line with expectations
- EBITDA of \$25.5 million, strong EBITDA margin of 25%
- Earnings per share of 22.1 cents
- Proposed takeover offer from Macarthur Coal
- Emphasis on exploration delivering results
- Duralie extension on track for 2.8mtpa and expansion plans underway to further increase production to 3.5mtpa
- Significant capital investment and negotiation of “ship or pay” contracts support expansion
- Optimisation of mining operations

Gloucester Coal Ltd (ASX: GCL) today announced a net profit after tax (NPAT) of \$18.1 million for the half year ended 31 December 2009 on the back of continued strong demand for the Company's coking and thermal products which is in line with expectations.

The result compares to NPAT of \$44 million for the first half of FY09, when coking coal prices were at historic highs.

Gloucester Coal Chief Executive Officer Barry Tudor said “We are pleased to have achieved this strong financial result despite the volatile economic conditions. Although the sales price of our semi-hard coking coal fell by over 60% from last year, the company was able to maintain healthy volumes and solid margins”.

“Over this half year the Company has delivered excellent production performance, additional JORC reserves from a continuing focus on exploration and progress on our expansion plans” Mr Tudor said.



PROPOSED TAKEOVER OFFER

The Company announced it had received a proposed takeover offer from Macarthur Coal Ltd on 22 December 2009. Macarthur Coal intends to acquire all of the issued shares of Gloucester Coal with terms of each Gloucester share worth 0.84 Macarthur shares or alternatively \$8.00 cash. An update to the proposed takeover offer was announced on 29 January 2010, estimating the distribution of the Bidder's Statement to Gloucester shareholders in early March 2010 and the offer to close in early May 2010, subject to extension.

FINANCIAL PERFORMANCE: SUMMARY

	6 Months Ended 31 December 2009	6 Months Ended 31 December 2008
Revenue (A\$ m)	103.7	137.3
EBITDA (A\$ m)	25.5	63.1
EBITDA Margin (%)	25	46
Net Profit After Tax (A\$ m)	18.1	44.0
Earnings Per Share (cents)	22.1	53.6
Coal Sales (kt)	914	921
Cash (A\$ m)	4.4	25.0
Current Ratio	2.9	0.9
Interest Bearing Loans (A\$ m)	Nil	Nil
Net Cash (A\$ m)	4.4	25.0
Net Assets (A\$ m)	180.7	105.4

Cash at the end of the period (\$4.4 million) was lower than the corresponding period due to the acquisition of eight CAT 785C XQ dump trucks and the final tax payment for 2009.

Subsequent to year end, the Company entered into a seven year Chattel Mortgage Facility for up to US\$33 million to finance the acquisition of eleven CAT 785C XQ dump trucks. Eight of these trucks were acquired during the six month period ending 31 December 2009 with the remaining three trucks expected to be commissioned by June 2010. The trucks acquired during the year were funded with cash on hand totaling A\$26.5 million. The above facility provides funding for these purchases which will be available for working capital purposes and will bolster cash balances.

The balance sheet continued to strengthen over the period with the net tangible assets increasing from 127.9 cents per share at 31 December 2008 to 221.0 cents per share at 31 December 2009.

Current year profits have been retained to fund the Company's expansion projects.

OPERATIONS

Operations continued to perform well during the period with the last quarter production the highest since June 2007. Significant progress has been made on the Company's facility upgrade program, with the new stockpile and Coal Handling and Processing Plant upgrade (to 4.3mtpa) being implemented and progressively commissioned in stages and is scheduled for completion by December 2010.



An Environmental Assessment has been lodged with the NSW Department of Planning for the Duralie extension. The extension at Duralie is an important component in the company's expansion plans.

The Company continues to focus on exploration and has further increased drilling rates as exploration continues to target the definition of resources in the Clareval and Weismantel seams.

An update to JORC reserves is expected to be announced by the beginning of the fourth quarter of financial year 2009/10.

During the period the Nomination and Allocation Process was implemented by Port Waratah Coal Services. The Company has obtained a portfolio of "ship or pay" contracts for ten years for capacity of 2.05mt in 2010 increasing to 3.12mt in 2012. Additional contracts are expected to be sought to provide for capacity in line with the expansion expectations.

OUTLOOK

The outlook for Gloucester Coal remains positive, with the outlook for coking coal very strong. Spot hard coking coal sales have been reported at prices substantially higher than those seen in the previous financial year and the company recently entered into a contract to supply coal at US\$164 per tonne.

Gloucester Coal's recently completed Strategic Review highlighted growth opportunities, including an increase in production to 3.5mt per annum. The current expansion to increase production to 2.8mtpa is currently well advanced and expected for completion by late 2010. In addition, the Company has adjusted plans to mine at higher strip ratios to access more economic reserves and extend the mine life.

New strategic markets are being identified to diversify sales of thermal and coking coal and provide new markets for the increase in production to 3.5mtpa.

The strong half year result, combined with the company's recently announced strategic initiatives place Gloucester Coal in a good position to capitalise on a strengthening market.

FOR FURTHER INFORMATION

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