



GLOUCESTER COAL LTD

ABN 66 008 881 712

MARKET RELEASE

GLOUCESTER COAL ANNOUNCES AUDITED FY08 FULL YEAR RESULTS

PROFITABILITY INCREASES BY 30%

FINAL DIVIDEND OF 16 CENTS PER SHARE

**STRONG OUTLOOK - IMPROVEMENTS SET TO
CONTINUE IN 2009**

- Net profit after tax of \$23.4 million.
- Final dividend of 16cps declared, total dividends for the year 21cps.
- EBITDA of \$41.9 million.
- Revenue from ordinary activities of \$159.6 million.
- JORC standard reserves added 10.3 million tonnes; resources added 23.0 million tonnes.
- Negotiated 2008/09 coking coal prices achieving 270% increase.
- Coal chain infrastructure constraints offset by increased coking coal sales.
- Solid operational performance and excellent safety record.
- Significant discovery of high quality coking coal to underpin future growth.

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Gloucester Coal Ltd (ASX: GCL) today announced financial results for the year ended 30 June 2008, with net profit after tax (NPAT) of \$23.4 million and earnings before interest, tax, depreciation and amortization (EBITDA) of \$41.9 million. The results are in line with profit guidance and reflect a successful year for the company.

Revenue from ordinary activities was \$159.6 million and sales margins were 3 per cent higher than the previous year. Total sales tonnage decreased 12 per cent compared to the previous year, mainly as a result of reduced capacity allocation at the Port of Newcastle, with 743kt of coking coal and 1,160kt of thermal coal sold during the year.

Sales revenues increased during the year with continued strong demand for Gloucester's coking and thermal coal. Whilst lower prices prevailed for much of the year, coal prices rose in the second half of the

financial year providing a boost to revenue. Coking coal prices are negotiated annually based on the Japanese fiscal year ending 31 March and the company's earnings benefited from the significant price increases achieved in the latter months of the financial year.

Several factors outside of the control of the company impacted profit in 2008 including higher average Australian dollar exchange rates and ongoing constraints through the Hunter Valley coal chain and the Port of Newcastle. Production was pared back to meet reduced port allocation leading to lower sales volumes. To make best use of the available capacity the company focused on producing higher-margin coking coal: the proportion of coking coal sales to total coal sales increased from 33% to 39% which had a positive effect on EBITDA margin.

A final dividend of 16 cents per share (fully franked) has been declared, taking total dividends for the year to 21 cents per share. The record date for the dividend is 10 September 2008 and the payment date is 7 October 2007.

The Gloucester Coal Dividend Reinvestment Plan will not apply to the 2008 final dividend.

FINANCIAL PERFORMANCE: SUMMARY

	Year Ended 30 June 08 A\$ Millions	Year Ended 30 June 07 A\$ Millions
Revenue	159.6	151.9
EBITDA	41.9	34.3
EBITDA Margin	26%	23%
Net Profit After Tax	23.4	18.0
Earnings per Share	28.8 cents	23.0 cents
Coal Sales	1.903Mt	2.166Mt
Cash & Cash Equivalents	5.6	16.5
Current Ratio	2.5	0.8
Interest Bearing Loans	9.7	24.8
Net Debt	4.1	8.3
Net Assets	101.7	73.2

Commenting on the results, Gloucester Coal CEO Mr Rob Lord said:

“These are solid results and the company has continued to make good progress during the year. Throughout the year international commodity markets continued to strengthen and demand for Gloucester Coal’s product remained robust.

“We recently completed coking coal price negotiations with key Japanese customers for the 2008/09 Japanese Financial Year, resulting in averaged USD price increases in excess of 270% on 2007/08 contracts.

“While the benefits of these increased coal prices did have a positive impact on 2007/08 revenues (primarily the last few months), the benefits are anticipated to accrue substantially in 2008/09 and beyond.

“We have also continued to invest in exploration and resource evaluation, spending \$2.2 million on exploration during the year. Exploration activities have delivered outstanding results during the year with the addition of 10.3 million tonnes JORC standard coal reserves and 23 million tonnes to resources, and I am confident there is more good news to come.

“On the down side, we faced a headwind of the appreciating Australian dollar, which traded at 28 year highs during the year, along with slightly higher production costs flowing from cost pressures prevalent in the industry. Both these factors partially offset the pricing improvements we achieved during the year,” Mr Lord said.

OPERATIONS

Mr Lord said the operations continue to perform well.

“Our operational performance during the year was sound, and safety was once again a highlight. The company’s operations have reached 547 days lost time injury free, an outstanding effort and a credit to all our staff.

“Building on our strong exploration successes, we have a major capacity expansion program in progress with the goal of increasing our capacity from 3.2 million tonnes per annum to 4.0 million tonnes per annum.

“During the year we made good progress in implementing this expansion program, with our attention primarily focused on improving our stockpiling and handling areas.

“The total project cost has been revised up by approximately 10% to \$33 million following general industry cost increases and is scheduled to be completed late 2009,” he said.

OUTLOOK

Mr Lord said the future for Gloucester Coal is positive, and that the Board and management of Gloucester Coal were focused on delivering value for shareholders.



“The year ahead looks promising for the company. Both demand and prices for coal are likely to stay strong and within this context, I am confident we will be able to further increase our revenues and profitability in the coming years.

“We have a robust balance sheet and healthy margins in place, both of which are set to improve in the year ahead. This places us in a good position to grow the company.

“The company will continue to focus on its successful exploration program to identify further resources in the Gloucester basin and convert our coal inventory to JORC standard where possible.

“Given such a positive environment, the challenge for Gloucester Coal will be to ensure we take best advantage of the opportunities we are presented with and continue striving to deliver on our potential,” Mr Lord said.