



GLOUCESTER COAL LTD

ABN 66 008 881 712

MARKET RELEASE

GLOUCESTER COAL ANNOUNCES FULL YEAR RESULTS

RESULTS IN LINE WITH PREVIOUSLY FLAGGED EXPECTATIONS

- **Net profit after tax of \$18 million¹, in line with previously flagged expectations**
- **Earnings before interest, tax, depreciation and amortization of \$34.2 million**
- **Revenue from ordinary activities of \$151.9 million**
- **Production strong, sales strong, tonnes sold increased 13 per cent**
- **Profitability impacted by increases to demurrage costs, caused by port congestion, the appreciation of the Australian dollar and coking coal prices.**

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Gloucester Coal Ltd (ASX: GCL) today announced financial results for the year ended 30 June 2007, with net profit after tax (NPAT) of \$18 million (\$19.2 million excluding costs associated with Scheme of Arrangement) and earnings before interest, tax, depreciation and amortization (EBITDA) of \$34.2 million. The results are in line with expectations previously flagged.

Revenue from ordinary activities was \$151.9 million. Total sales tonnage was 13 per cent higher than the previous year, reflecting the strong demand for Gloucester Coal's products. Gloucester Coal sold 706kt of coking coal and a record of 1,447kt of thermal coal during the year.

Profitability was impacted by a range of factors, in particular the increase in demurrage costs due to continuing congestion at the port of Newcastle, which also restricted coal sales. The appreciation of the Australian dollar on foreign exchange markets and lower coking coal prices from the record highs of the previous year also impacted profit.

A final dividend of 6 cents per share (fully franked) has been declared, taking total dividends for the year to 14 cents. The record date for the

dividend is 19 September 2007 and the payment date is 5 October 2007. The Gloucester Coal Dividend Reinvestment Plan will apply to the 2007 final dividend with a 2.5 per cent discount.

FINANCIAL PERFORMANCE: SUMMARY

	Year Ended 30 JUNE 07 A\$ Millions	Year Ended 30 JUNE 06 A\$ Millions
Revenue	151.9	153.7
EBITDA	34.2	58.2
EBITDA Margin	23%	38%
Net Profit After Tax	18.0	40.3
Earnings per Share	23.0 cents	50.8 cents
Coal Sales	2.166Mt	1.925Mt
Cash & Cash Equivalents	16.5	13.6
Current Ratio	0.8	1.6
Interest Bearing Loans	24.8	29.4
Net Debt	8.3	15.8
Net Assets	73.2	64.0

Gloucester Coal Chairman Mr Andy Hogendijk said the operations had performed well, however the overall result had been impacted by factors outside of the Company's control, including Newcastle Port constraints, demurrage, foreign exchange and coking coal prices.

"Market conditions moved against Gloucester Coal. The outlook for coking and thermal coal looks very favourable, however in the past year foreign exchange movements have had a significant impact on our profitability, with the dollar trading at near 17-year highs at the end of the reporting period. The price of Gloucester Coking coal also declined from the previous period, where prices were at record highs".

"Despite these pressures, Gloucester Coal has made good progress in executing its business strategy. Coal production has increased strongly, with total sales tonnes up 13 per cent on the previous year. With the exception of demurrage, costs have been contained in line with expectations set at the commencement of the financial year. It is very pleasing to see the expansion of the washery proceeding according to schedule and on budget. This, along with the major production increase of 40% when the Clareval seam is mined, will add a great deal of value to the Company in the next phase of development."

“We have continued our focus on land acquisition over prospective areas and converting resources into mineable reserves.”

“We have also continued to invest in exploration and resource evaluation, spending \$1.6 million on exploration during the year. Exploration activities have delivered outstanding results including a 49mt increase in coal resources.” he said.

CORPORATE ACTIVITY

A shareholder meeting was held on 5 July 2007 to vote on an offer from Xstrata to acquire all the shares in Gloucester Coal for \$4.75 via a Scheme of Arrangement. A sufficient number of shareholders did not vote in support of the Scheme, and as a result, the Scheme was not implemented.

OUTLOOK

Mr Hogendijk said the future for Gloucester Coal is positive, and that the Board and management of Gloucester Coal were focused on implementing the company’s defined strategies.

“Following the significant discovery of coal resources in the Clareval seam, Gloucester Coal is working on a program of continual productivity improvements and an expansion of mine facilities. Productivity improvements are concentrated on maximizing the proportion of coking coal to total coal sold, and increasing product yield.”

“The expansion program will see the capacity of the wash plant increased from 3.2 million tonnes per annum to 4.0 million tonnes per annum together with additional product handling facilities. The total project is expected to cost approximately \$30 million. The project is on target to be completed in 2009.”

“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,” Mr Hogendijk said.

NEW CEO

The Board of Gloucester Coal has appointed Mr Rob Lord as Chief Executive Officer. Mr Lord commenced on 27 August 2007 and said he was looking forward to working with the Board and Management of Gloucester Coal.

“I am delighted to be joining Gloucester Coal. I believe the Company has the right strategies in place and I look forward to working with management to execute those strategies and deliver increasing returns to shareholders.”

“My primary focus is pursuing growth opportunities for the company outside the Gloucester basin, optimising production and marketing and leading a strongly performing team,” he said.

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1 Includes costs associated with Scheme of Arrangement

2 Current finance facilities expire in March 2008 – New finance facilities are expected to be in place by 30 September 2007.