

CORPORATE GOVERNANCE STATEMENT

The Gloucester Coal Ltd Board of Directors (“the Board”) is committed to achieving best practice in the area of corporate governance and business conduct. The Corporate Governance Statement and Compliance Table outline the main corporate governance principles and practices followed by Gloucester Coal Ltd.

The Company’s corporate governance practices were in place throughout the year ended 30 June 2009. The Board is comfortable that practices are satisfactory for a company of Gloucester Coal’s size. Below are the main corporate governance practices in place (unless otherwise stated) throughout the financial period, in relation to the corporate governance principles the ASX Corporate Council recommendations:

Principle 1

Lay solid foundations for management and oversight

The Company has a small board (five non-executive directors plus one executive director) and a small management team, so while the roles and functions have to be flexible to meet specific requirements, the Board and management functions have been formalised and approved by the Board. The statement of Board and Management responsibilities may be found within the Statement of Corporate Governance Practices on the Company’s website.

Principle 2

Structure the board to add value

The Board consists of six directors, of whom three hold their position in an independent non-executive capacity. The Chairman is an independent non-executive director. The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors’ Report. Directors of Gloucester Coal Ltd are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment. There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company’s expense.

The last formal evaluation of the performance of the Board was during the 2006 financial year and was carried out by the Corporate Governance Committee using external expert advisers, following membership changes during the 2009 year it is expected a review will be undertaken in the forthcoming year.

The policy and procedures for the selection and appointment of new Directors is that candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company’s scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

At each annual general meeting the following Directors (excluding the Managing Director) automatically retire and are eligible for re-appointment:

- a) One-third of the Directors or, if their number is not a multiple of three then the nearest to but not exceeding one-third of the Directors; and
- b) Any Director who, if that Director did not retire at that annual general meeting, would at the next annual general meeting, have held that office for more than three years.

The Human Resources and Nomination Committee Charter may be found on the Company’s website.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Principle 3

Promote ethical and responsible decision making

The Company has a formal code of conduct, approved by the Board. The Code requires directors and employees to conduct all business affairs legally, ethically and with integrity. The Code provides for reporting of breach of the Code by others.

The Code of conduct establishes

- i) Practices necessary to maintain confidence in the Company's integrity
- ii) Practices necessary to take into account legal obligations of stakeholders; and
- iii) Responsibility and accountability of individuals for reporting and investigating reports of unethical practices

The Company further has a policy and procedure, adopted by the Board, on dealing in the company's securities by directors, officers and employees.

These rules, unless stated otherwise, apply whether an employee's interest in such securities arose through the exercise of rights under a share option scheme operated by Gloucester Coal, or otherwise:

- iv) Employees must hold GCL, securities for long-term investment, not for short-term speculation.
- v) Save in the case of shares vesting under the operation of an employee share option scheme, employees are required to hold positions in GCL shares for a minimum period of 30 days.
- vi) Employees are not permitted to sell short or deal in derivatives involving GCL shares.
- vii) Employees are not permitted to deal in Gloucester Coal shares, bonds or other securities during blackout periods. These commence one month before the announcement of each of Gloucester Coal annual general meetings, Gloucester Coal Quarterly Activities Reports, Gloucester Coal half-yearly or yearly financial statements and end on the close of trading, the day these results are announced.
- viii) Employees must not deal in GCL or any other company's, securities at any time if in possession of inside information about Gloucester Coal, or that other company. Employees should note that the law on insider trading is applicable to employees at all times, irrespective of the window periods specified in subparagraph (iv) above and irrespective of any failure by the board or management of the Group to exercise any right that the Group may have to prevent the employee from trading under the operation of the Employee Share Trading Policy.
- ix) Employees must not deal in GCL shares or any other GCL securities (e.g. bonds) at any time that the employee is aware of inside information relating to any securities offering which any member of Gloucester Coal proposes to engage in.
- x) Employees must complete a share trading form and send it to Gloucester Coal Corporate Office (CEO) at least 24 hours before any proposed dealing in GCL shares. After the deal, a second form must be completed and filed with the Gloucester Coal Corporate Office (CEO).

Given the Company's major shareholder is Noble Group Limited the above policy also extends equally to Noble Group Limited's securities and information.

The full Code of Conduct and Share Trading Policy may be found on the Company's website.

Principle 4

Safeguard integrity in financial reporting

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit, Risk and Corporate Governance Committee.

The Company has an Audit, Risk and Corporate Governance Committee with a formal charter, approved by the Board. The Audit, Risk and Corporate Governance Committee consists of the three non-executive directors with the most applicable expertise and skills for this committee. The Chairman of the Audit, Risk and Corporate Governance Committee is not the Chairman of the Board. The Chief Executive Officer and the Chief Financial Officer are invited to audit, risk and corporate governance committee meetings at the discretion of the Committee.

The main responsibilities of the Audit, Risk and Corporate Governance Committee are to:

- Review and report to the Board on the annual report, the annual and half-year financial reports and all other financial information published by the Company or released to the market;
- Assist the Board in reviewing the effectiveness of the Company's internal control environment covering effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.
- Oversee the effective operation of the risk management framework – see Principle 7 below;

- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit; and
- Review and assess the various risk factors that can impact on the Company's business – see Principle 7 below.

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that the financial records of the Company for the financial period have been properly maintained, the Company's financial reports for the period ended 30 June 2009 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually. The external auditor is invited to Audit Committee meetings at the discretion of the committee. The external auditor met with the Audit Committee and the Board of Directors two times during the period.

The Audit, Risk and Corporate Governance Committee Charter may be found on the Company's website.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further the successful candidate must have arrangement in place for the rotation of the audit engagement partner on a regular basis. The Company's auditor, KPMG, has a policy of partner rotation every five years.

The Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

The Board will review the performance of the external auditor on an annual basis.

Principle 5

Make timely and balanced disclosure

The Company, its directors and staff are acutely aware of continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure. The Company has formal written policies regarding disclosure to ensure compliance with ASX listing rule disclosure and accountability at a senior executive level for that compliance.

The Disclosure Program and Procedures may be found on the Company's website.

Principle 6

Respect the rights of shareholders

The Company provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases.

The Company has a communications strategy to promote effective communication with shareholders. Subject to ASX rules on disclosure, the Company communicates regularly with shareholders, brokers and analysts and maintains a review of information provided on its website.

The Company's arrangements regarding communication with and participation of shareholders are contained within the Company's Statement of Corporate Governance Practices which may be found on the Company's website.

Shareholders are encouraged to attend the Company's Annual General Meeting and use this opportunity to ask questions. The External Auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7

Recognise and manage risk

The Company believes that there is significant need for formal policies on risk oversight and management and accordingly risk matters are formally addressed at each Board meeting.

Risk management arrangements are reviewed by the Board, senior management and collectively with bi-annual review by the Audit, Risk and Corporate Governance Committee.

The Audit, Risk and Corporate Governance Committee Charter may be found the Company's website.

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that the s. 295A declaration is founded

on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.

The categories of risk reported on or referred to in the annual report are:

- Credit risk
- Liquidity risk
- Market risk

The Board has required management to design and implement a risk management and internal control system to manage the entity's material business risks

The Board has required management to report to it on whether those risks are being managed effectively

Management reported to the Risk Committee as to the effectiveness of the entity's management of material business risks.

The Company's policies on risk oversight and management of material business risks may be found in the Audit, Risk and Corporate Governance Committee Charter. This document may be found on the Company's website.

Principle 8

Remunerate fairly and responsibly

The Company has a Human Resources and Nomination Committee, which was previously known as the Remuneration and Nomination Committee, which meets as and when required, to review performance matters relating to senior employees.

The Company's Human Resources and Nomination Committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors of the Company and senior management. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies. The Board policy is that the Human Resources and Nomination Committee will comprise a majority of independent non-executive directors. The directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies.

The Committee or its individual members will and did seek independent external advice and market comparisons as necessary. In accordance with Corporations Act requirements, the Company discloses the fees or salaries paid to all directors.

The Company's share trading policy prohibits transactions in associated products which limit risk of participating in unvested elements under any equity based remuneration scheme. This policy may be found on the Company's website.

The Human Resources and Nomination Committee Charter may be found on the Company's website.