



GLOUCESTER COAL

Gloucester Coal Ltd - 2006 Annual General Meeting

Chairman's Address

The 2006 financial year was an outstanding year for Gloucester Coal. The Company reported record revenue on the back of strong coking and thermal sales prices which, when combined with the Company's low cost of production, delivered record profits.

Gloucester Coal reported a Net Profit after Tax of \$40.3 million including the recovery of \$5.8million of tax losses. This was an increase of 77% over the comparable twelve month period and equated to earnings per share of 50.8 cents. This is the result of many years of careful planning and persistent effort.

A final unfranked dividend of 12 cents per share was paid on 6 October 2006 giving a total dividend for the 2006 year of 23 cents per share. This represents a payout ratio of 45%.

The Company recorded another year of excellent environmental and safety performance, with four years without a lost time injury for Company employees, and compliance with all environmental requirements.

In September 2005, the Company purchased the remaining 10% share in the Stratford Joint Venture. The Company now owns 100% of all operations.

In January 2006, the mining contracts for the Company's Bowens Road North and Duralie operations were successfully transferred to Leighton Mining. This ended an extended period of uncertainty when the contracts were operated by Henry Walker Eltin under administration.

The discovery of the Clareval seam in March 2006 was the most exciting news for Gloucester Coal this year. The shallow, thick coal seam has been subsequently discovered on the eastern side of the basin, which will substantially increase reserves and mine life.

In May 2006, the Company commenced operations on the Roseville extended open cut. This coal is high quality coking coal and will be blended to further improve the quality and competitiveness of Gloucester coking coal.

Following a third quarter realignment, production in the fourth quarter established new record levels, demonstrating the ability of our operations to increase production as reserves are proven.

The Company has continued to maintain a focus on responsible capital management, delivering the following initiatives during the 2006 financial year:

- Exploration within the Gloucester Basin, which resulted in the discovery of the Clareval Seam;
- Strategic land acquisitions, helping to secure the extension to the life of mine;

- On-market share buy-back. Over four million shares were bought back at an average price of \$2.96 per share;
- Interim and final Dividends totaling 23 cents per share; and
- Repayment of borrowings of approximately \$10 million.

I'm pleased to report that the financial position of the Company has significantly strengthened. All balance sheet ratios have dramatically improved. The Company's gross debt to market Capitalisation is now approximately 11%. The low gearing and a stronger balance sheet will provide the Company with the ability to pursue growth opportunities.

Turning to the outlook for the Company, we continue to have a clear focus on growth prospects both within and outside of the Gloucester Basin. During the year, a significant amount of exploration was carried out within our exploration leases. The Clareval discovery will offer the opportunity to increase production in the near term. We will continue to dedicate substantial resources to our exploration program, and are confident that this will add additional resources and reserves to extend the mine life.

Outside the Gloucester Basin, the Company is committed to actively pursuing value enhancing growth opportunities, to add scale and diversification to existing operations. It is our belief that the expertise demonstrated in extracting maximum value from Gloucester Basin operations can be applied to other acquisitions to maximise shareholder value.

Finally, I would like to thank all Gloucester Coal employees and the executive team, for their exceptional performance and ongoing commitment to safe, efficient and profitable operations. I also wish to formally acknowledge the support of the many other groups whose support is also critical to the success of the Company. These include our customers, our operations contractors, our bankers and the community of the Gloucester Basin.

Finally, I would like to sincerely thank my fellow directors for their continued valuable contribution to the Board and their commitment to your Company's success.



Andy Hogendijk
Chairman
Gloucester Coal Ltd
