

## **Chief Executive Officers AGM Address 20 May 2004**

This is the third year of Gloucester Coal Ltd's rebuild and consolidation and I am pleased to report the company is now well positioned in the face of strong international demand for all coal products.

During the past few years Gloucester Coal Ltd has concentrated on developing and building two low cost coal mines within the Gloucester Basin, namely the Bowens Road North and Duralie operations.

Fundamental cost control at these operations is achieved by reliable contract mining operations within an uncomplicated geological setting. GCL manage the coal mines with a continuous improvement philosophy, and continued refining of systems and process improvements will see additional cost savings. Revenue is more appropriately managed as the Board and Management of GCL now have a prudent Foreign Exchange policy to effectively insure the risk against volatile currency fluctuations.

External influences, which include the operations at the Port of Newcastle and NSW Government policy, continue to create anomalies beyond the control of management. Recent and continued improvements in systems and operations at the Port have and will see a decrease in the vessel queue and subsequent lower demurrage costs. However, proposed increases to the NSW Royalty payments, which are yet to be detailed, have created an uncertainty in NSW largest export earning industry.

It is however; the magnitude of GCL's overall revenue increases that so significantly and positively affects the company's financial future. The high level of growth of the Chinese economy has created an appetite for raw materials. It is this growth that has resulted in an unanticipated demand beyond supply, particularly in the coking coal market. It has become apparent to many international coal consumers that the recent trend to move away from long term reliable contracts to the more fluid spot dominated market has caused supply panic at the first sign of market undersupply. Over the past few months the coal market has experienced meteoric price increases often well in excess of 50% for both thermal and coking coals.

The continued growth of China, even with Government attempts to slow the economy, is predicted to continue for some time. The question is how long?

To achieve the maximum financial benefit for shareholders GCL will focus on four major areas over the next stage of the company's evolution;

- Continuous improvement philosophy within operations
- Prudent management of Foreign Exchange
- Market strategy to capitalise on strong international demand
- Develop and exploit additional coal resources to expand the company's operational life.

Gavin May  
Chief Executive Officer  
Gloucester Coal Ltd