



**GLOUCESTER COAL LTD**

**2005 ANNUAL GENERAL MEETING**

**Wednesday 18 May 2005**



# Gloucester Coal Ltd

## Annual General Meeting

-  Welcome & Introduction
-  Chairman's Address
-  Chief Executive Officer's Report
-  Future Directions
-  Ordinary Business of the Meeting
-  Special Business



- ✦ Your Board is committed to
  - ✦ Managing Safe and Efficient coal mining operations
  - ✦ Building and extend the Company's life of operation
  - ✦ Providing sustainable returns to shareholders
  - ✦ Consolidating GCL as a strong and robust coal company
- ✦ Company recorded a \$15.8 Million profit, the year ending 31 December 2004
- ✦ Financial health of the Company continuing to grow



## **Two major announcements today, consistent with the Board's Capital Management Plan for 2005**

- 50%+ increase in Duralie's mineable reserves extending Mine life to 2017
- We anticipate that the profit and cash flow for the six months ending June 2005 should be adequate to enable the Directors to declare an unfranked dividend of 10 cents per share payable following the release of the 30 June results. (GCL changing to June year end)



# Gloucester Coal Ltd

- Strong focus on Safe & Efficient Operations
- Independent coal company
- Marketing high value, high fluidity coking coals
- Coal rights over entire Gloucester Basin, 100 km North of Newcastle
- Healthy relationship with Community and Regulatory Agencies
- Delivering sustainable returns to Shareholders



## **BOWENS ROAD NORTH OPEN CUT**

- 6+ Mt Open cut Reserve - Thermal and Coking coal
- Low Strip Ratio, 1.6:1 – BRN seam >12 m thick
- 994 Excavator with 4 – 5 Truck fleet
- Consented to produce 900,000 ROM tonnes per annum
- Low risk operation

## **STRATFORD PREPARATION PLANT**

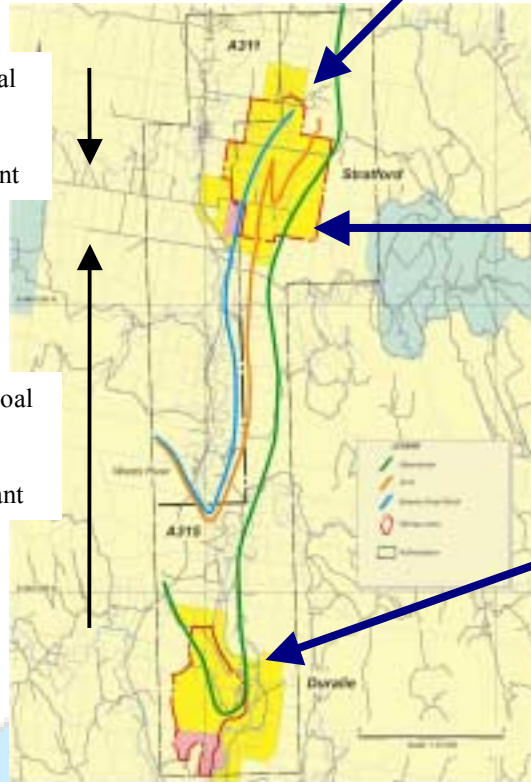
- Two stage 475 t/hr plant
- Primary circuit – Coking; DMC/Spirals/TBS/Flotation
- Secondary circuit – Thermal; DMC/Spirals
- Efficient and cost effective plant suited to Gloucester Basin coals

## **DURALIE OPEN CUT – Updated 1 May 2005**

- 20+ Mt Open cut Reserve - Coking and Thermal coal
- Low Strip Ratio <3.2:1 – Weismantel Coal Member >10m thick
- 994 Excavator with 2 – 3 Truck fleet (Demag backup)
- 1,800,000 ROM tonnes pa – 2005 forecast
- Low mining risk operation
- Environmentally sensitive area – Nil mine water discharge

BRN ROM Coal  
Trucked 3 km  
to Stratford  
Preparation Plant

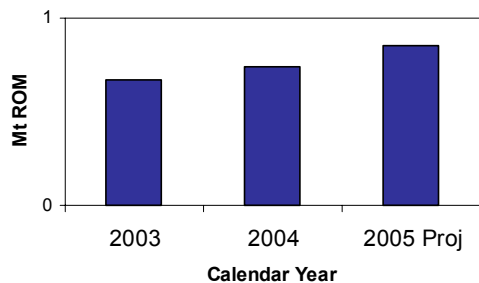
Duralie ROM Coal  
Railed 20 km  
to Stratford  
Preparation Plant



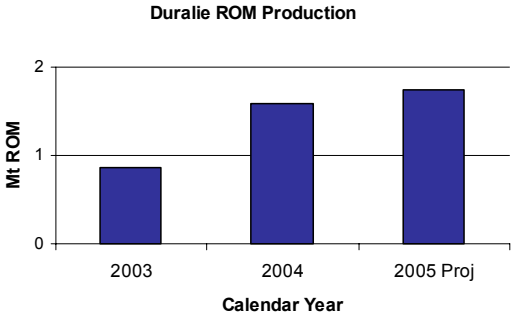
# Bowens Road North Open Cut & Stratford Preparation Plant



Bowens Road North ROM Production



# Duralie Open Cut



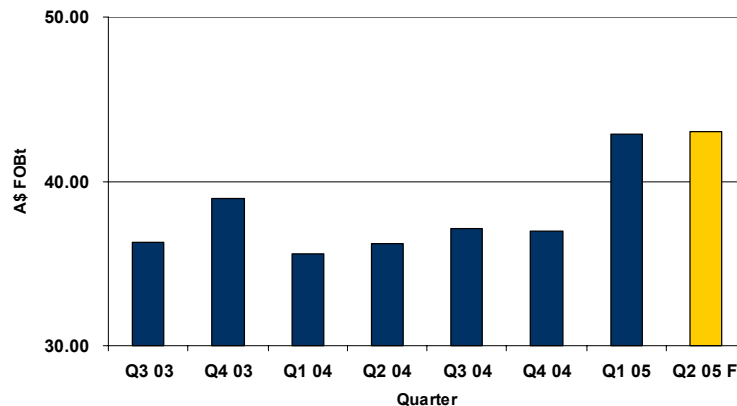
### Safe = Productive

- ✍ GCL employees have recorded more than 3 years without a LTI
- ✍ Senior executives actively promote safe culture
- ✍ Major focus for all engineering projects

### Productive

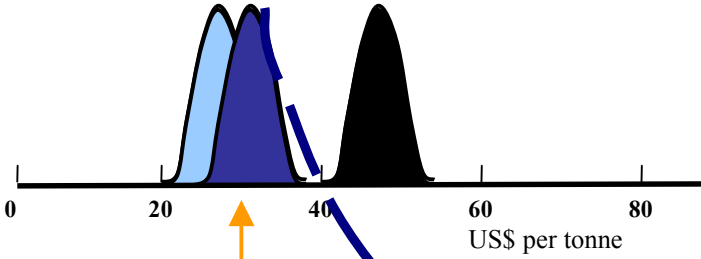
- ✍ GCL are managing Cash costs against
  - ✍ Rising fuel costs (approx \$0.50 tonne)
  - ✍ Increased NSW Govt Royalties (\$3.00 tonne)
- ✍ Cash costs forecast to be in the low A\$40's per tonne going forward

GCL FOB Cash Costs

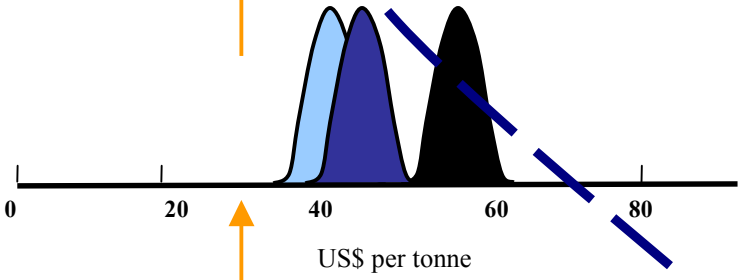


# Coking Coal Quality & Sale Price Shift - US\$

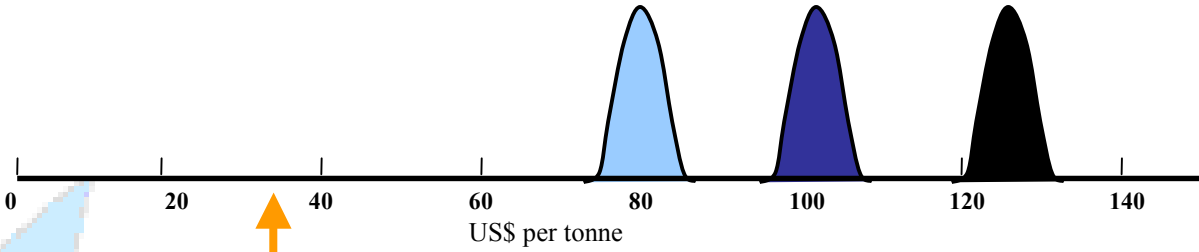
2003



2004






2005

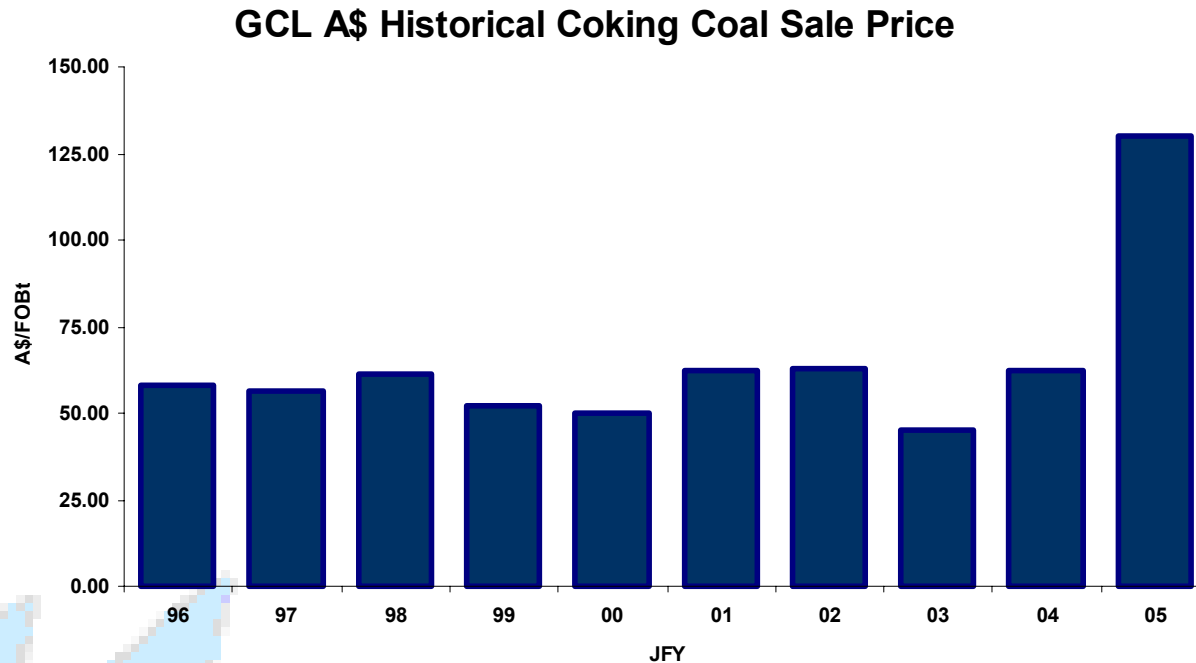


GCL Cost of Production US\$

### Coal Types Legend

-  Hard Coking
-  Gloucester High Fluidity Coking
-  Standard Semi Soft





### Foreign Exchange Policy

- GCL has a Foreign Exchange policy designed to lock in A\$ revenue
- At the beginning of Q2 2005 GCL had US\$78 Million in Hedge Contracts at an average rate of just less than US\$/A\$ 0.75
- GCL's policy is to have 80% of all contracted coal under forward exchange contracts



## **GCL's view of the market**

- Significant market divergence between coking and thermal coals
- Coking coals are experiencing sustained increasing demand – market shift
- Highlighted that coking coal properties are a rarer commodity, ie CSN, Fluidity, CSR
- Market price is reflecting scarcity as demand rises faster than supply
- Coking coal market will remain strong for next 2 – 3 years
- GCL is well positioned BUT pragmatic in its capital expenditure planning

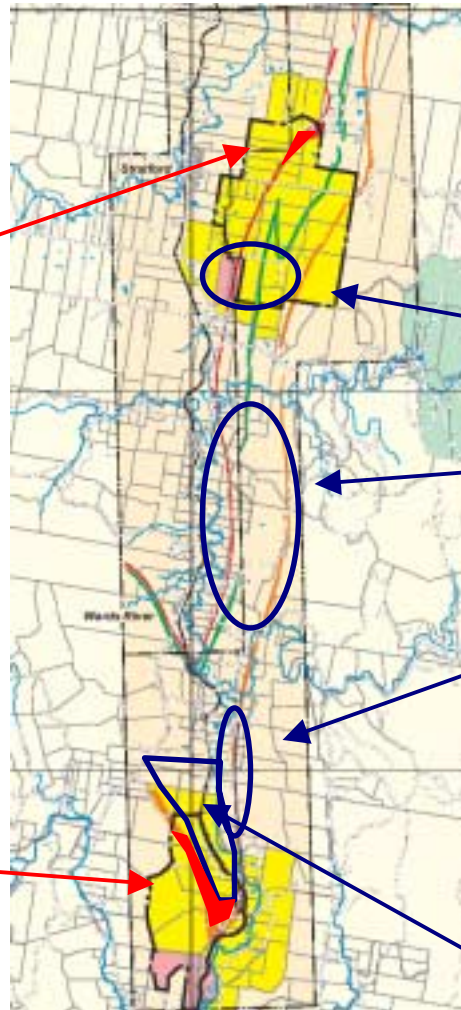


**Reserves & Resources**

Bowens Road North Open cut  
Mineable Reserves  
> 5 Mt

Avon North & Roseville Open Cuts  
Mineable Reserves & Resources  
~1.0 Mt

Duralie Open cut & Underground  
Mineable Reserves  
> 20 Mt  
Resources  
> 115 Mt



**Exploration Targets**

South Stratford  
>2 km strike length of shallow Avon & Bowens Road Coal subcrops

Grant & Chainey  
>10 km strike length of shallow Avon & Bowens Road Coal subcrops

Duralie North Extension  
>3 km strike length of shallow Weismantel coal subcrop

Duralie Underground  
Planned trial underground





## Duralie Development Priorities

- EIS Process Eastern Open cuts
- Open cut extension alternative underground entry
- Geotechnical and Coal Quality evaluation over Underground
- Highwall Optimisation Years 06 – 11 of existing Open cut – potential increase
- Overall Integration Strategy - scheduling
  - 2 Open cuts
  - Underground
  
- Underground Resources of 115 Mt Indicated & Inferred (reported to JORC standard)



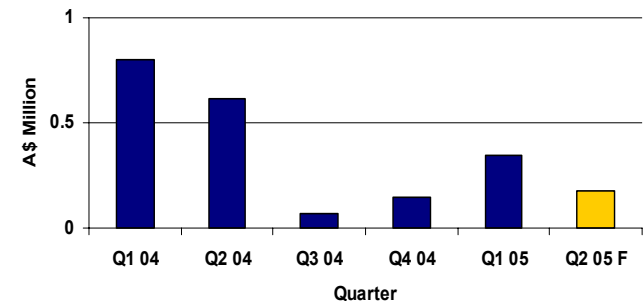
## Stratford Development Priorities

- # Bowens Road & Avon Coal Members Southern Extensions
- # Kara Prospect
- # Overall Integration Strategy – timing and scheduling
  - # Roseville Extension
  - # Potential new Open cuts



- ✍ Henry Walker Eltin Contracting under Administration
  - ✍ No materially adverse impact on GCL envisaged
- ✍ Duralie Water Management
  - ✍ Emphasis on Irrigation and Water Management Plans
- ✍ Newcastle Port Allocation
  - ✍ GCL has gained additional sufficient allocation
  - ✍ Demurrage costs down

GCL Demurrage Costs



- ✍ Resources boom creates down stream demand
  - ✍ Staff, geologists/engineers
  - ✍ Equipment & Consumables
  - ✍ Exploration Rigs



	Forecast 30 June 2005	TARGET
<b>DEBT</b>	<b>\$12 M Reduction</b>	<b>40% Reduction (\$22 M)</b>
<b>DIVIDEND</b>	<b>\$0.10 Dividend (\$8 M)</b>	<b>30% Payout on EPS</b>
<b>DEVELOPMENT</b>		<b>Exploration/Development/Cash</b>



# Gloucester Coal

- **Growth can be achieved within the Gloucester Basin**
- **Excellent exposure to coking and thermal coal markets**
- **Promoting culture of safe & efficient, low risk operations**
- **Focus on optimising existing capital and profit per tonne**
- **Strong potential for mine life growth beyond current mine plans**

