



“Trim the sails, check the rudder”

Today’s Market, GCL’s Response

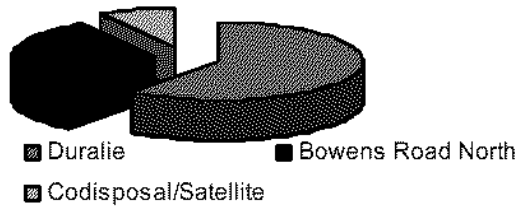
17 November 2005

Gavin May

**Chief Executive Officer
Gloucester Coal Ltd**



GCL ROM Coal by Deposit



ROM Coal Production

Duralie

1.75 Mtpa Strip ratio <3:1

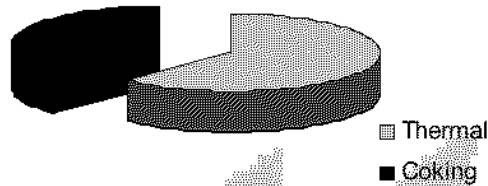
Bowens Road North

0.90 Mtpa Strap Ratio < 2:1

Codisposal and Satellite pits

0.25 Mtpa

GCL Production by Coal Type



Clean Coal Production

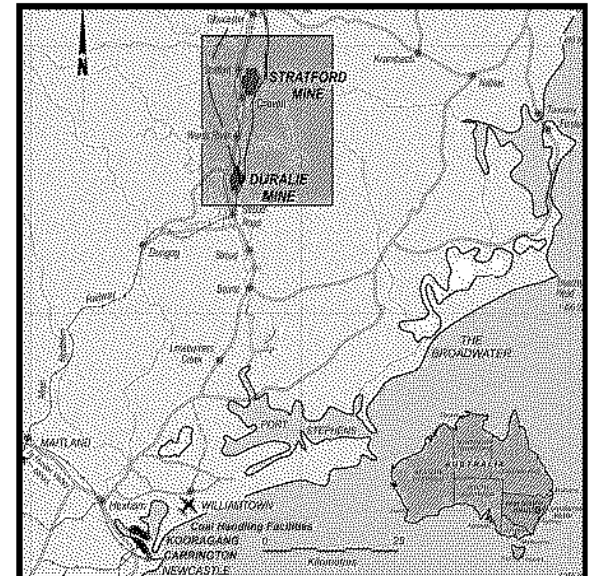
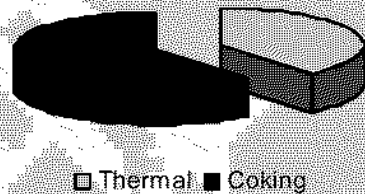
750 Kt

high fluidity, mid volatile coking coal

1150 Kt

high energy, high ash thermal coal

GCL Revenue by Coal Type



Production

- Henry Walker Eltin Contracting
 - Leighton has entered into a Heads of Agreement with the HWE Administrator to purchase the Australian and New Zealand contract mining assets
 - GCL aim to achieve the most reliable low cost mining option
- Costs
 - GCL cash costs have risen by 10 - 15% in the past year, as a result of fuel, consumable and NSW Govt royalty increases
- Port,
 - Minimal impact on GCL operations, reduced demurrage costs

Marketing

- Maintain 100% contracted coking coal production to Japanese Steel Mills
- Extend Premium pricing for high fluidity coking coal
- 1100 Kt of high ash thermal production under export contract at prices just under US\$40 tonne (6322 gar basis)
- Some thermal coal contracts in place to Q1 2007

Exploration and Development

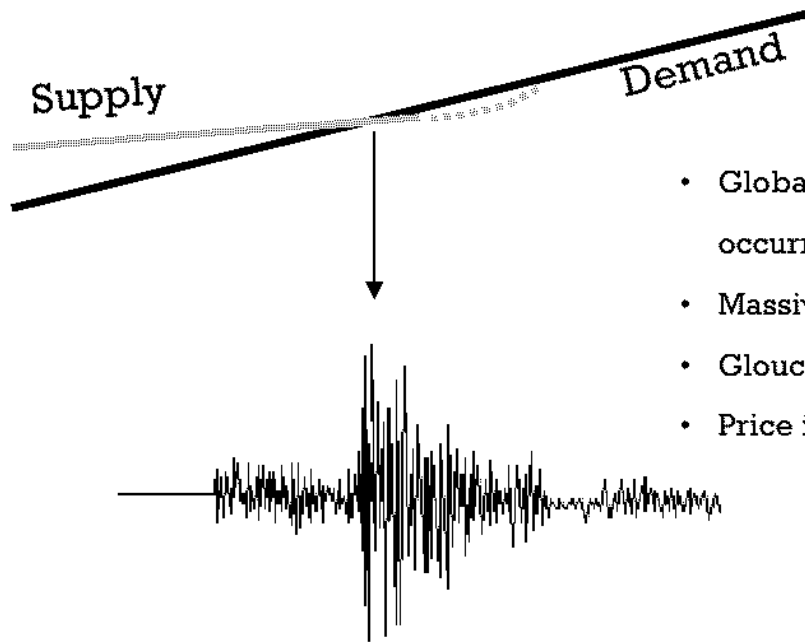
- Define sufficient open cut reserves at Stratford to extend mine towards 2020
- Approvals and planning for Duralie East open cut
- Seismic reprocessing over deeper underground resources at Duralie



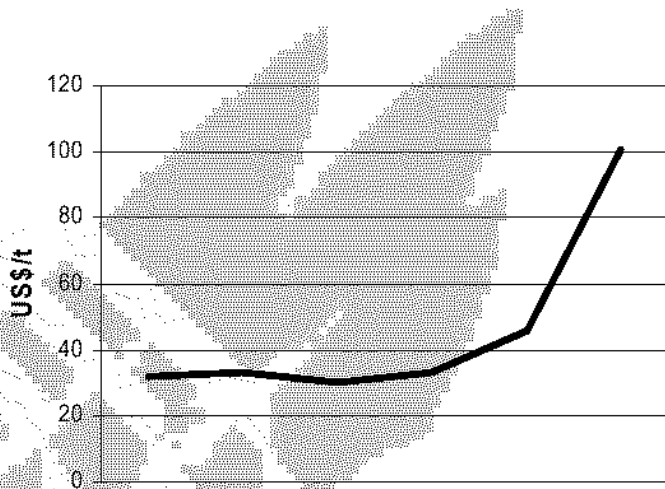
		November 2004	November 2005
Financials			
“Strengthening”	Debt	\$52M	\$30M
	Gearing (Debt/Market Cap)	39%	14%
	Dividend	Policy	10c paid September
	Share buy-back	Not contemplated	Active
Mine Life			
“Extended”		2011	2016+
Production Capacity			
“Stable”			
	Coking Coal	750Kt	750Kt
	Thermal Coal	1150 Kt	1150 Kt



Earthquake Response to Supply & Demand



- Global imbalance in supply-demand for all coal products occurred in 2004
- Massive increase in prices in 2005
- Gloucester coking coal re-rated towards hard coking coal
- Price increased from US\$46 to US\$101



- **Coking Coal Market Observations in 2005**
 - Thermal, semi soft & hard coking all at different positions on supply demand curve
 - JSM focus on quality over quantity
 - Hard coking coal preference over semi soft coking coals



GCL's view of the coking coal market, today.

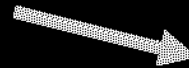
- Significant market divergence between premium coking coal and thermal coals
- Premium coking coals are experiencing sustained demand
- Gloucester coking coal demand still constant – due to 34% vols, fluidity, coke strength, swell

Gloucester Coal reaction & strategy to maintain market position

- Greater focus on coal quality
- GCL will reduce ash content on coking coal as a result of
 - Duralie operation moving back to the north (from southern end of syncline)
 - Further improve coal quality (lower sulphur), CSR with Roseville coal in the blend from Q1 2006
- Contractual ash content lowered to 9.9% (adb)

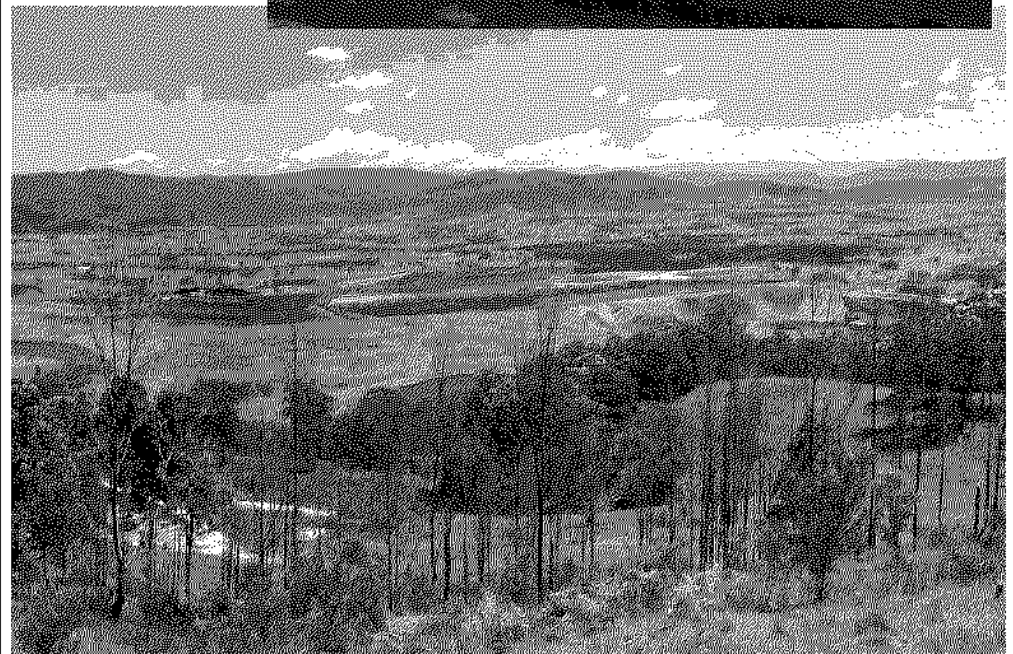
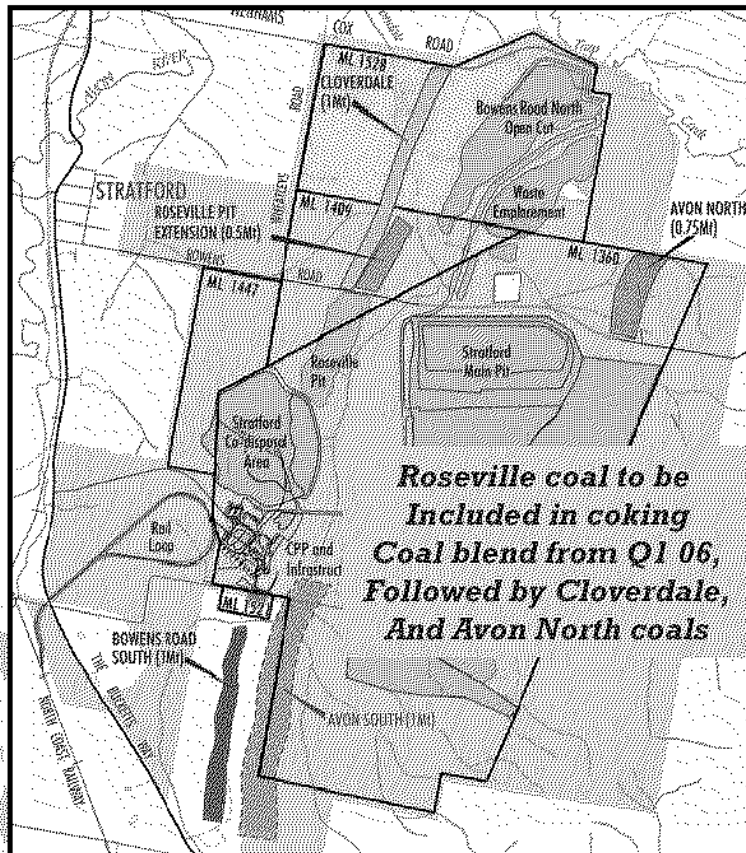
Gloucester coking coal – position in coking coal spectrum

Gloucester coking coal
High fluidity, 34 % volatiles
Ash content reducing to 9.9%



Stratford

- Following Roseville extension approval Roseville coal (similar to Avon coal) to be included in the coking coal blend from Q1 06
- Further reducing sulphur content and increasing CSR



GCL's view of the investment market with respect of independent coal suppliers

- Anticipates a strong over reaction to any price cuts – evidenced already
- Post 2006 contract negotiations - growth plans and future investment will need to be reviewed

Gloucester Coal Anticipated Reaction

- Maintain constant production 2 Mtpa (Coking Coal 750 Kt)
- No significant capital investment in production increases
- Prudent capital management



GCL Capital Management

- Capital investment in
 - Exploration to extend mine life A\$1 - 2 Million per annum
 - Duralie Mine extensions, approvals, land and infrastructure A\$19M
 - Preparation plant optimisation and stockpile extensions A\$ 2-3 M
- Maintain shareholder support with dividend policy
- Share buy-back, earnings accretive (sound use of excess cash)
- Reduce total debt to 10% of market capitalisation. (13.7% at end Nov 05)



Operations

Safe & Efficient low risk open cut mines

Discipline

Technically focused, cost conscious management team

Marketability

Strong demand for Gloucester high fluidity coking coal

Optionality

Strong financials and larger resources give greater flexibility

Value

Robust coal company committed to sustainable returns to shareholders

