



GLOUCESTER COAL LTD

Q3 2005/6 Quarterly Report

Period ending 31 March 2006

THIRD QUARTER SUMMARY

- **Mining operations and production:**
 - **Duralie – Quarterly record for overburden removal**
 - **Bowens Road North & Codisposal Operations (Stratford) – Combined quarterly ROM coal production record**
 - **Roseville Extension open cut – Construction completed and on schedule for coal production in May**
 - **Mining contracts successfully novated to Leighton Mining**
 - **Enterprise Bargaining Agreement negotiations have been substantially progressed**

- **Sales – Thermal sales on target. Coking sales lower than prior quarter due to delayed loading of 40kt of March shipments into April and lower than expected stems**

- **Exploration:**
 - **Drilling continues to extend Clareval seam delineation**
 - **GCL renews dormant exploration areas in the Northern Territory**

SAFE PRODUCTION CONTINUES

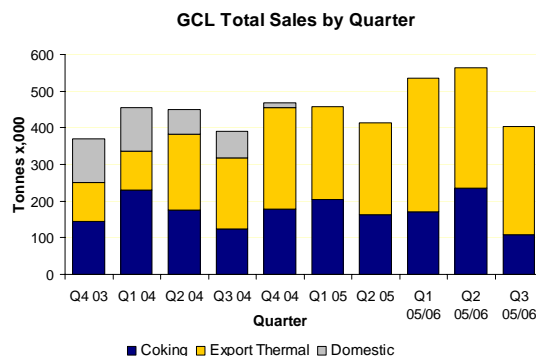
During the quarter the contract mining operations made the transition to Leighton Mining. GCL and Leighton Mining have substantially progressed negotiations for new Enterprise Agreements with their respective workforces. A number of days of production were lost due to protected industrial action. Despite this action the workforce continued to perform safely and efficiently. For the March quarter major achievements included a new quarterly coal production record at Stratford and a quarterly overburden removal record at Duralie.



QUARTERLY COAL SALES

Period	Mar 2005* Kt	Mar 2006 Kt	Change	YTD Mar 05* Kt	YTD Mar 06 Kt
Coal Type					
Coking	204	109	(46%)	507	515
Thermal -Export	253	295	16%	723	989
-Domestic	0	0		86	0
Total Sales	457	404	(11%)	1316	1504

* GCL's 90% share of sales in 2005 year



MARKETING

Coking coal

Following the strong December quarter, coking coal sales were reduced in the March quarter primarily due to around 40kt of tonnage from March slipping into the beginning of April. Shipping schedules and indications are showing the final quarter coking coal sales projections to be around 190kt.

Thermal coal

Export thermal coal sales for the quarter were 16% higher than the comparative quarter 2005. GCL increased production and sales of high ash thermal coal whilst the coking coal sales demand was lower in the beginning of the quarter.

Sales prices

GCL achieved coking and thermal sales prices of A\$135 and A\$51 per tonne respectively for the quarter. A small proportion of third party coal was purchased (17kt) to optimise and manage shipping logistics and cargo trimming.

Following the annual negotiations with the Japanese steel mills and as previously reported, GCL has achieved a new coking coal contract sales price from April 2006 of A\$113 per tonne.

MINING OPERATIONS & PRODUCTION

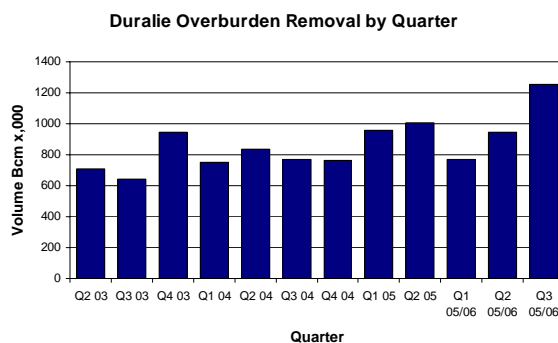
Mining contractor

During the quarter Leighton Mining assumed full control of both Bowens Road North and Duralie contract mining operations.

Duralie

The mining operation concentrated on overburden removal and achieved a quarterly record in waste removal. During the quarter 215kt of ROM coal was recovered and 1.25 million cubic metres of overburden was removed. The operation has scheduled 450kt of ROM coal production for the fourth quarter which will be required to meet the forecast coking coal sales.

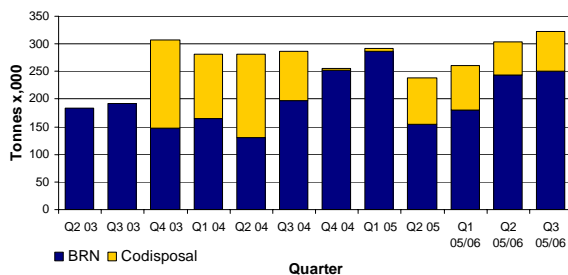
Duralie mine operations took full advantage of the increased overburden mining capacity as Leighton Mining commissioned a new Liebherr 9250 excavator late in the quarter which has already contributed to production capacity and reliability.



Bowens Road North and Codisposal

286kt of ROM coal was mined from the Bowens Road North open cut, in addition to the recovery of 73kt of Codisposal material. This is a quarterly production record for the combined operations.

**Bowens Road North & Codisposal
ROM Production by Quarter**



Roseville Extension Open Cut

Construction of the access roads and water management structures which commenced in February have been completed. Production of Roseville low ash coking coal which will contribute to an improved coking coal product is scheduled to commence in May.

PRODUCTION COSTS

GCL has maintained total cash costs around the mid \$40's for the March quarter.

EXPLORATION AND DEVELOPMENT

GCL spent \$295,000 on exploration and resource evaluation during the quarter.

Duralie – Application to extend open cut mine

GCL submitted an application to the NSW Department of Planning to extend the open cut operation to recover an additional 1.4Mt of low strip ratio ROM coal.

Duralie – Clareval Seam

Drilling continues to extend the definition of the low ash coking coal Clareval Seam. To date GCL has defined more than 1 km of strike length of thick Clareval seam which represents more than 1 million tonnes of low strip ratio coking coal. (Not reported to JORC standard).

Northern Territory exploration area

In late 2005 two Northern Territory Exploration Licence Applications, lodged by the company in 1994, completed their Northern Territory Aboriginal Land Rights Act moratorium periods. These ELAs located approximately 300 km north west of Tennant Creek, cover approximately 2500 km² and include two large identified geophysical anomalies. Whilst gold was identified as the original target the full mineral prospectively of the areas is currently unknown.

The company has not carried out any work in these areas for over a decade due to Land Rights Act moratorium. Rather than let the ELAs lapse the Applications were simultaneously withdrawn and renewed resulting in new ELAs being advertised on 22 March 2006.

Following the closure of the advertising period and subsequent NT departmental assessment it is expected that the Minister will give consent for GCL to negotiate with the Aboriginal land owners.

If successful in gaining Aboriginal Land Council Consent and having these ELAs granted, GCL will commit over \$120,000 towards the first of a two year exploration programme.

CORPORATE AND CAPITAL MANAGEMENT

Dividend

On the 28th February, GCL paid an 11 cent (unfranked) interim dividend, on the back of a first half NPAT of \$21.7M.

Share buy-back

At the time of this report GCL has bought back 4.2 million shares at an average price of \$2.95 per share. There are now approximately 78 million shares on issue.

Foreign exchange

GCL continues its policy of hedging contracted sales. At 1 April 2006 GCL had US\$64 million hedged at an average rate of US\$0.734/A\$.



Gloucester Basin land acquisition

During the quarter GCL acquired an additional 150 Ha of strategic land adjacent to existing operations bringing the total GCL landholding in the Gloucester Basin to more than 4200 Ha. GCL's landholding has recently been valued around \$20 Million.

Growth

GCL growth aspirations are based on a strategy of aggressively exploring but calmly examining opportunities. GCL continues to be active in assessing potential opportunities, including recent work on a specific external target (now on hold as the potential acquisition was not considered sufficiently robust).

For further information:

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21 April 2006

