



GLOUCESTER COAL LTD

Q2 2005/6 Quarterly Report

and

Half Year Summary

Period ending 31 December 2005

HALF YEAR HIGHLIGHTS

- **Half year ended 31 December 2005 brings increased profits and strong cash flow**
 - NPAT (unaudited) for first half of \$21.7 million
 - Directors have declared an 11 cent interim dividend (unfranked), payable in February 2006
- **Operations performing safely and on target**
 - GCL managed operations achieve four years Lost Time Injury Free
 - Sales and production in line with expectations
 - Novation of mining contracts from HWE to Leighton nearing completion
- **Capital management initiatives on track**
 - 30% of share buy-back achieved to date

SAFE PRODUCTION

The GCL managed operations at Gloucester including the Stratford coal preparation plant achieved four years without a lost time injury in December. This achievement by the workforce is a direct result of the

positive attitude towards common sense and a safe workplace culture. The directors commend the workforce for their continued positive attitude to safe production.

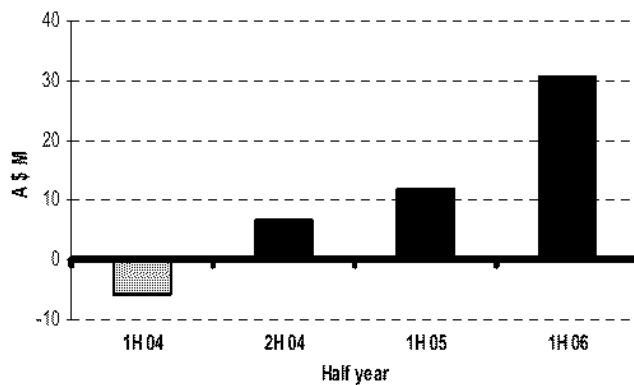
**GLOUCESTER
COAL**



PROFITABILITY

GCL is pleased to report the unaudited net profit after tax for the December half year of \$21.7 Million (NPAT), on total sales of \$79 million. This result reflects strong demand for all Gloucester Coal products, supported by efficient operations. The Directors have declared an interim dividend of 11 cents per share (unfranked), payable on 28 February 2006 (record date 10 February 2006).

GCL Half Yearly Earnings (before taxation)

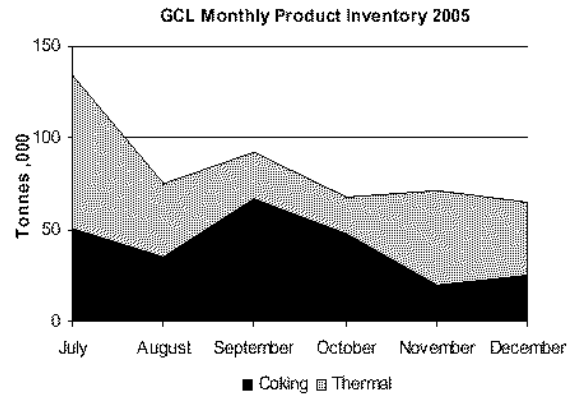


QUARTERLY COAL SALES

Period	Dec 2004* Kt	Dec 2005 Kt	Change	YTD (half year) Dec 04* Kt	YTD Dec 05 Kt
Coal Type					
Coking	179	236	32%	303	406
Thermal					
-Export	277	329	19%	470	694
-Domestic	13	0	(100%)	86	0
Total Sales	469	565	20%	859	1100

* GCL's 90% share of sales in 2004 year

COAL INVENTORY



MARKETING

Sales – experienced significant growth

- December quarter coking coal sales were 32% higher than the previous quarter and 32% higher than the comparative quarter in 2004.
- Export thermal coal sales for the quarter were 19% higher than the comparative quarter 2004. GCL continues to sell all thermal coal into the export market at higher prices than might be achieved in the domestic market.
- GCL achieved coking and thermal sales prices of A\$133 and A\$52 per tonne respectively. Some third party coal was purchased (Dec 05 Qtr 41Kt) to optimise and manage shipping logistics and cargo trimming.

Demand - consistent

- Demand for Gloucester coking coal from the four major Japanese steel mills has been reasonably even and consistent.
- GCL continues to align marketing and production to minimise inventory levels.

PORT OF NEWCASTLE – secured sufficient shipping capacity

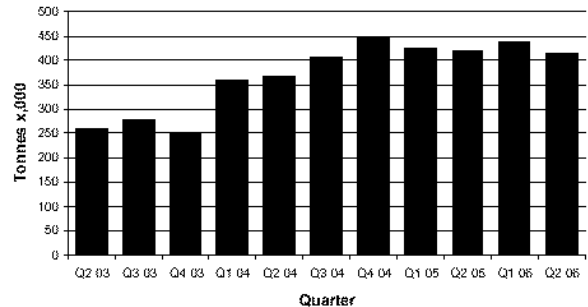
- GCL had a 2005 calendar year shipping allocation of 1.823 Mt, as a result of the PWCS Capacity Allocation Scheme. Additional tonnage allocation was acquired at nil cost from other Newcastle shippers (producers) who did not require their full allocation, enabling GCL to ship a total of 1.97 Mt.
- GCL has been realistic on annual shipping forecasts because under the current allocation scheme, unused shipping allocation incurs costly take or pay obligations.
- GCL has been granted a 1.75 Mt allocation as a result of the 2006 Capacity Allocation Scheme. GCL has already acquired additional allocation sufficient for Q1 requirements.
- GCL incurred less than A\$200K (<\$0.35 per tonne) of demurrage costs for the December quarter, significantly below the September quarter total of A\$611K.

MINING OPERATIONS & PRODUCTION

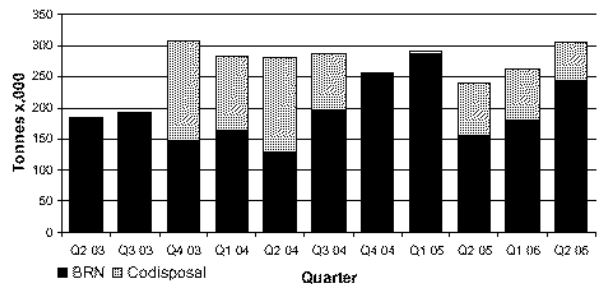
	Dec 2004* ('000 t)	Dec 2005 ('000 t)	YTD Dec 04 ('000t)	YTD Dec 05 ('000 t)
Coal Source				
Duralie	445	415	851	852
Bowens Road North	253	244	450	425
Co-disposal	2	60	92	140
Total ROM coal delivered to CHPP	700	719	1393	1417
Preparation Plant				
ROM Coal processed	679	712	1339	1431
Total Yield	76%	67%	73%	66%
Total Product	511	480	964	952
GCL's share of Production	460	480	868	952

* GCL's 90% share of sales in 2004 year.

Duralie ROM Production by Quarter



Bowens Road North & Codisposal ROM Production by Quarter



PRODUCTION AND MINING OPERATIONS

Duralie

Open cut operations advanced to the north with improved coal quality, away from the structurally complex southern nose of the deposit. GCL produced 415Kt from Duralie for the December quarter.

Bowens Road North

GCL produced 244 Kt of coal from the Bowens Road North open cut, in addition to recovering 60 Kt of Codisposal material.

Mining Contractor

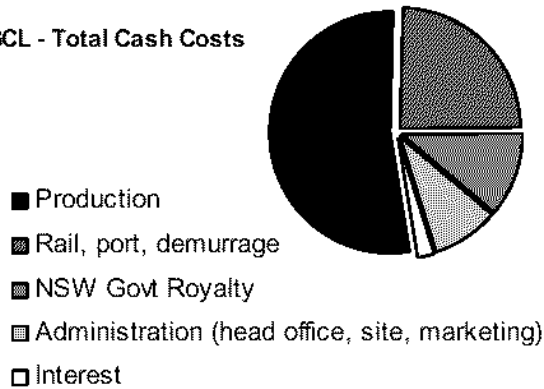
Discussions are nearing completion for the novation of the Company's existing schedule of rates mining contracts for Bowens Road North and Duralie to Leighton Contractors.

GCL regards the novation as a positive development, allowing continued, reliable and cost effective mining operations.

PRODUCTION COSTS

GCL has maintained total cash costs around the mid A\$40's for the December quarter. The distribution of total cash costs is shown in the attached chart.

GCL - Total Cash Costs



ENVIRONMENTAL UPDATE

Duralie Mine Water management and Irrigation

GCL has directed considerable effort towards reducing the volume of stored mine water at Duralie through an extensive irrigation scheme. Recently the third stage of the irrigation scheme was commissioned.

The combined irrigation capacity over a hot Christmas period has seen stored mine water reduce by 150 million litres or about 20%, providing adequate future capacity. More importantly some of this water is being used to grow fodder crops as part of the Duralie trial cropping scheme.

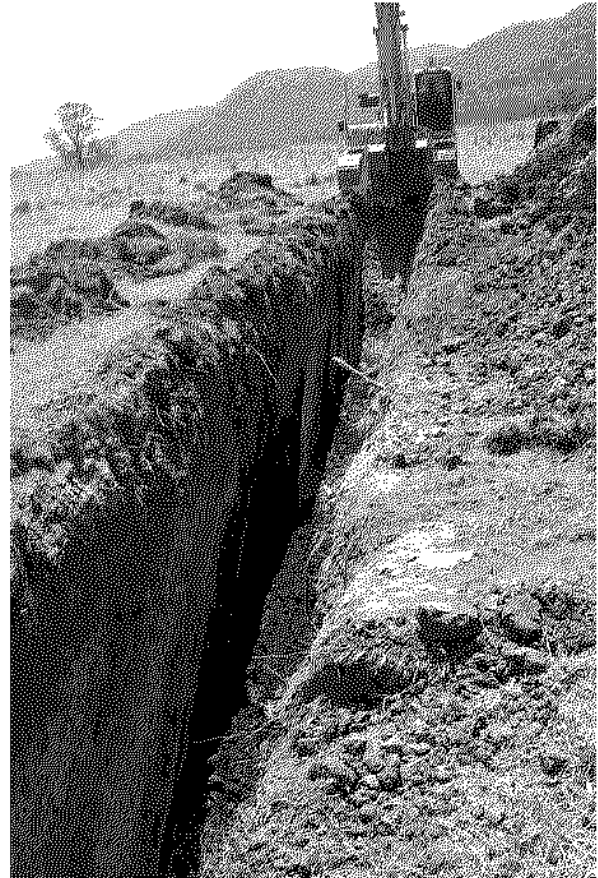
EXPLORATION AND DEVELOPMENT

GCL spent \$205,000 on exploration and resource evaluation during the quarter. Exploration activities were restricted in October and November due to wet weather.

South Stratford

The greatest effort has gone to resource delineation in the South Stratford area. The drilling data from the Bowens Road South pit is being evaluated and resources will be included in a revised Resources Statement, to be issued by the end of February 2006.

A series of trial trenches in the South Stratford area were successfully undertaken to assist with structural and subcrop definition.



Excavator exposing the Avon Coal Member subcrop in the South Stratford area

Duralie

Reprocessing of the Duralie seismic data which covers the prospective deep underground resource, should be completed in February. Of note, GCL intersected 7 metres of coal while drilling an anomalous horizon outside the Weismantel subcrop which was identified on a previously reprocessed seismic traverse. This unknown coal intersection will be the target of additional drilling in February.



CORPORATE AND CAPITAL MANAGEMENT

Dividend

The Directors have declared an interim dividend of 11 cents per share (unfranked) payable on 28 February 2006 (record date 10 February 2006).

Share Buy-back

At the time of this report GCL has bought back just over 2.5 million shares at an average price of \$2.90 per share. There are now 79.5 million shares on issue.

Foreign Exchange

GCL continues its policy of hedging 80% of contracted sales. At 1 January 2006 GCL had US\$52.5 million hedged at an average rate of US\$0.7418/A\$.

Gloucester Basin Land Acquisition

At this time, GCL has made a number of offers on properties adjacent to existing mining operations in both the Stratford and Duralie prospects.

Growth

Whilst the Company's primary focus has been on growth and mine life extension within the Gloucester Basin, during the quarter GCL has studied a number of potential acquisitions and growth option strategies.

The Company will continue to evaluate a number of identified opportunities.

GCL considers that it has a solid financial foundation within the Gloucester Basin operations. Strong cash flows and low debt provide GCL with optionality to pursue a range of organic and external growth opportunities, which are being actively pursued.

For further information:

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19 January 2006