



GLOUCESTER COAL LTD

Q1 2006/07 Quarterly Report

Period ending 30 September 2006

FIRST QUARTER HIGHLIGHTS

- Gloucester Coal's mining and processing operations continue to perform to expectations
- Production remains strong but vessel queue at Newcastle causing delays to sales and increasing demurrage costs
- Exploration delivering positive results

GLOUCESTER COAL'S FUNDAMENTALS REMAIN POSITIVE

Gloucester Coal's production remains strong with the coal mining and processing operations continuing to perform to expectations.

Gloucester Coal's managed operations remain lost time injury free.

Exploration drilling to date has continued to extend the delineation of the Clareval seam at Duralie.

The Company advised that strong demand for coal products from the Port of Newcastle has seen a significant increase in the vessel queue. This queue is causing delays to Gloucester Coal's sales and is also responsible for increasing demurrage costs. The vessel queue resulted in delays of more than 10 days to Gloucester Coal shipments, however we are expecting a good December quarter with strong sales commitments and indications from customers.

GLOUCESTER COAL –FIRST QUARTER 2006/07 SALES AND PRODUCTION

Sales			
Period	Sept 2006 (Kt)	Sept 2005 (Kt)	Change
Coal Type			
Coking	158	170	(7%)
Thermal			
-Export	317	365	(13%)
-Domestic	13	-	n/a
Total Sales	488	535	(9%)
Purchases	-33	-44	(25%)
Net Sales	455	491	(7%)

Production			
Period	Sept 2006 (Kt)	Sept 2005 (Kt)	Change
Coal Source			
Duralie	488	437	12%
Bowens Road North	213	181	18%
Roseville	20	-	n/a
Co-disposal	88	80	10%
Total ROM coal delivered to CHPP	809	698	16%
Preparation Plant			
ROM Coal processed	811	719	13%
Total Yield	61%	66%	
Total Product	495	472	5%



QUARTERLY COAL SALES

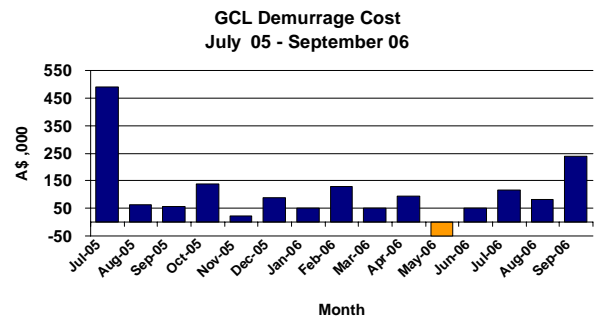
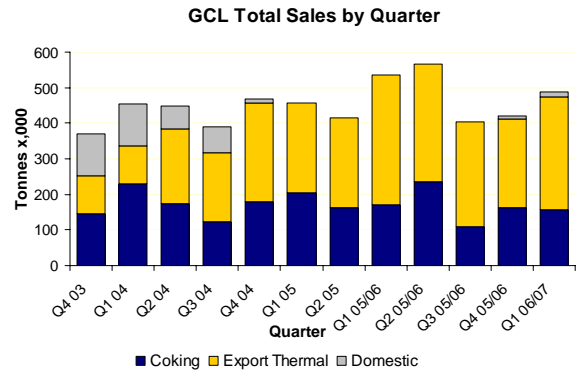
Coal Sales

Total coal sales were down marginally when compared to the corresponding period. Some September sales were delayed into October as the vessel queue at Newcastle resulted in delays of more than 10 days to Gloucester Coal shipments.

Total sales for the September quarter were 17% higher than the preceding quarter. Gloucester Coal is expecting a strong December quarter with strong sales commitments and indications from customers.

Port of Newcastle

The Hunter Valley port and rail logistic providers are continuing to build new infrastructure to increase total port capacity. Recent strong demand and a high vessel arrival rate have seen a large queue form off the Port. Loading delays in excess of 10 days are resulting in corresponding delays to Gloucester Coal's sales and increased demurrage costs. The graph shows the monthly demurrage costs Gloucester Coal has incurred over the past 15 months.



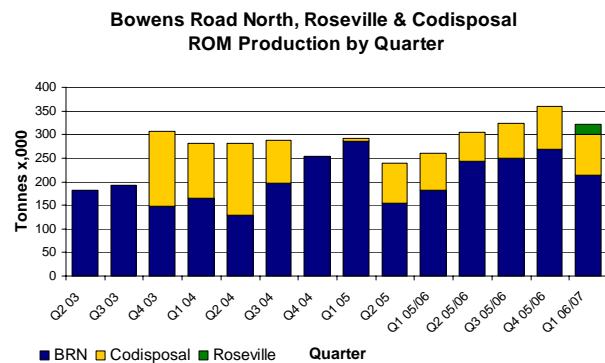
QUARTERLY PRODUCTION

Duralie Operation

Coal production and overburden removal continued to reflect the higher productivity levels Leighton Mining is achieving at the Duralie site. Duralie railed 488 Kt of ROM coal to Stratford (1.95Mt annualised) during the quarter.

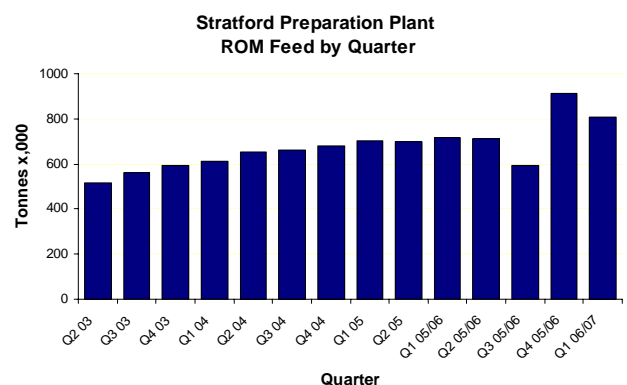
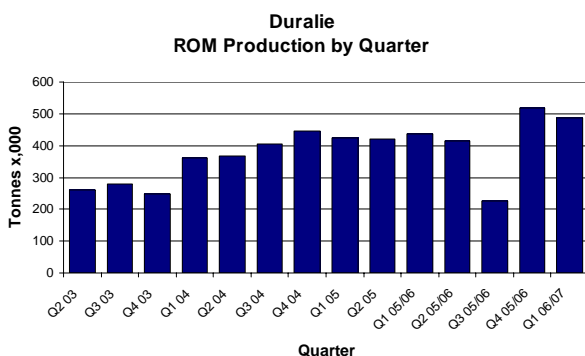
Stratford Operations

The Stratford operation production now includes the Roseville open cut which achieved 20,000 ROM tonnes for the first quarter. This was marginally behind plan however the decision to open up a larger expanse at the expense of coal production will benefit the future mine optimisation. The quality of the Roseville coal enhances the quality of our coking coal product.



Stratford Preparation Plant

Gloucester Coal is planning to process 3.2 million tonnes of coal for the 2006/07 financial year. The preparation plant is on target to achieve that figure.





EXPLORATION AND DEVELOPMENT

Expenditure

GCL spent \$0.2 million on exploration and resource evaluation during the quarter. The majority of activity related to planning and obtaining approvals for a major drilling programme in October and November.

Clareval Seam

As reported to the market in August, a small number of drill holes proved the existence of the Clareval seam on the eastern side of the Gloucester Basin.

Drilling has commenced in the north western area of Duralie where exploration is extending the delineation of the Clareval seam. Drill holes continue to intersect Clareval coal with thickness in excess of 12 metres. The results of this exploration

drilling should result in an increase in the mineable reserves at Duralie.

Regional Exploration and Gloucester Basin Resources

Regional drilling is also planned for the December quarter, in the Grant and Chainey areas of the Gloucester Basin.

Gloucester Coal intends to issue an updated Resources and Reserves statement in early 2007.

Roseville West Open Cut Development

Gloucester Coal submitted an application to the Department of Planning, to extend the Roseville open cut further to the west to extract the Cloverdale coal seam. Cloverdale coal is similar to the Roseville low ash low sulphur coking coal.

CORPORATE AND CAPITAL MANAGEMENT

Dividend

During the September quarter Gloucester Coal paid the final dividend of 12 cents (unfranked) in respect of the 2005/06 financial year. A Dividend Reinvestment Plan was implemented as part of the Company's capital management plan and had a take up of approximately 25%.

Foreign exchange

GCL continues its policy of hedging 80% of contracted sales. At the beginning of October 2006 GCL had US\$61.8 million hedged at an average rate of US\$0.739/A\$.

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