



**GLOUCESTER
COAL**

GLOUCESTER COAL LTD

ABN 66 008 881 712

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11 April 2005

Dear Shareholder

The 2005 Annual General Meeting is scheduled for 18 May 2005 at 11:00am. Shareholders will be asked to consider four items of Ordinary Business and three items of Special Business, as set out in the Notice.

Items of Ordinary business include the adoption of the Annual Financial Report, and the re-election of three Directors who, under the Company's Constitution, retire and offer themselves for re-election.

The first item of Special Business is to approve the Company's Employee Share Option Plan. The Board of Directors considers that a share scheme is a method of creating an incentive for greater efforts by the Company's employees at no cash cost to the Company.

The second item of Special Business is the proposal that, subject to the approval of the Employee Share Option Plan, the Company's shareholders approve the grant of 1,500,000 options on the same terms and conditions to the two Executive Directors of the Company. No Director shall participate in an issue under the Plan unless shareholders in general meeting approve the specific issue.

The third item of Special Business is the appointment of KPMG as auditors to the Company.

You are encouraged to read the enclosed Notice of Annual General Meeting carefully and to attend the meeting or return your Form of Proxy as soon as possible. When completing the Form of Proxy please vote either for or against the resolution.

Shareholders are invited to join the Directors for refreshments at the conclusion of the Annual General Meeting.

Yours sincerely

Andy Hogendijk
Chairman

GLOUCESTER COAL LTD

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members of the Company will be held at 11.00am on Wednesday 18 May 2005 at the Melbourne Room, Menzies Hotel, 14 Carrington Street, Sydney, New South Wales 2000, to consider and, if thought fit, to pass the following resolutions:

ORDINARY BUSINESS

1. To receive the financial report in respect of the Company and its controlled entities for the year ended 31 December 2004, together with the Directors' report in relation to that financial year and the auditor's report in respect of that financial report.
2. That Mr Andy John Hogendijk, who was appointed a Director since the previous Annual General Meeting, retires as a Director in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.
3. That Dr John Hamilton Bryan who was appointed a Director since the previous Annual General Meeting, retires as a Director in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.
4. That Mr Daniel James Buckley, who retires, as a Director in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect.

SPECIAL BUSINESS

5. Approval of the Employee Share Option Plan (ESOP)

To consider and, if thought fit, to pass the following resolution:

That for the purposes of Listing Rule 7.2 (exception 9) of the Australian Stock Exchange Limited, the Gloucester Coal Ltd Employee Share Option Plan, as set out in the Explanatory Statement be approved.

6. Participation by Directors in Employee Share Option Plan

To consider and, if thought fit, to pass the following resolution:

That the Company approve the grant of a maximum of 1,500,000 options to Executive Directors pursuant to the Employee Share Option Scheme for nil cash consideration, and subject to the exercise of those options and payment of the Exercise Price, the issue of that number of fully paid ordinary shares of the Company to the Directors as follows:

- | | | |
|-----|----------------------|-----------|
| (a) | Gavin Peter May | 1,000,000 |
| (b) | Daniel James Buckley | 500,000 |

NOTICE OF ANNUAL GENERAL MEETING (continued)

7. Appointment of Auditors

To consider and, if thought fit, to pass the following resolution:

That shareholders are asked to approve the appointment of KPMG as the Company's auditors.

Further information in relation to these resolutions is set out in the Explanatory Statement attached to this Notice.

Voting Exclusion Statement

In respect of Resolution 5 the Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of such Directors.

In respect of Resolution 6 the Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of such Directors.

However the Company need not disregard any vote by any such persons if:

- it is cast by any of them as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by any of them who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED this 11th day of April 2005

BY ORDER OF THE BOARD



Robert J Waring
Company Secretary

NOTICE OF ANNUAL GENERAL MEETING (continued)

NOTES

1. Gloucester Coal Ltd (as convenor of the Meeting) has determined that a person's entitlement to vote at the Annual General Meeting, will, in accordance with the Corporations Act, be the entitlement of that person set out in the register of members as at 11.00am on the 16th day of May 2005.

This means that any holder registered at 11.00am on the 16th day of May 2005 is entitled to attend and vote at the General Meeting.

2. A member entitled to attend this Meeting and vote is entitled to appoint not more than two proxies to attend and vote in his stead. Where more than one proxy is appointed each proxy must be allocated a proportion of the member's voting rights. A proxy need not be a member. A form of proxy accompanies this notice.

EXPLANATORY STATEMENT

Annual General Meeting 11.00am, Wednesday 18 May 2005

Resolution 1. "To receive the financial report in respect of the Company and its controlled entities for the year ended 31 December 2004, together with the Directors' report in relation to that financial year and the auditor's report in respect of that financial report"

To enable shareholders to receive and consider the financial report.

Resolution 2. "That Mr Andy John Hogendijk, who was appointed a Director since the previous Annual General Meeting, retires as a Director in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect"

In accordance with Article 14.6 of the Company's Constitution, which provides for the retirement at the next General Meeting of any Director appointed to fill a casual vacancy, Mr Andy John Hogendijk is to retire at the Annual General Meeting on 18 May 2005. In accordance with Article 14.6 of the Company's Constitution, he is eligible for re-election and has submitted himself for re-election at the Annual General Meeting.

Mr Andy J Hogendijk, the non-executive Chairman brings a combination of finance skills and experience in the coal mining industry that complements the mix of skills on the GCL Board. Mr Hogendijk has extensive senior management and financing experience having previously been Chief Financial Officer, Suncorp Metway Ltd and Commonwealth Bank of Australia Limited. Mr Hogendijk has also held several senior positions with Shell Coal, Austen & Butta Limited and Australian Paper Manufacturers. He is currently a director of Hills Motorway Management Limited and Magnesium International Limited.

Resolution 3. "That Dr John Hamilton Bryan who was appointed a Director since the previous Annual General Meeting, retires as a Director in accordance with the Company's constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect"

In accordance with Article 14.6 of the Company's Constitution, which provides for the retirement at the next General Meeting of any Director appointed to fill a casual vacancy, Dr John Hamilton Bryan is to retire at the Annual General Meeting on 18 May 2005. In accordance with Article 14.6 of the Company's Constitution he is eligible for re-election and has submitted himself for re-election at the Annual General Meeting.

Dr Bryan has worked for 35 years as a consulting geologist, principally involved with coal exploration and coal mining companies in New South Wales and Queensland. His experience in coal exploration also extends to Indonesia, New Zealand, Canada, Thailand and Antarctica. His expertise in coal exploration and resource evaluation is derived from experience gained over many years at numerous coal mines and coal deposits, both open cut and underground.

EXPLANATORY STATEMENT (continued)

The Board's policy on board composition is to ensure that the Board comprises an appropriate mix of skills so as to provide the necessary breadth and depth of knowledge and experience, which is required to meet the Company's objectives.

Resolution 4. "That Mr Daniel James Buckley, who retires, as a Director in accordance with the Company's Constitution and being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect"

Mr Daniel James Buckley is to retire at the Annual General Meeting on 18 May 2005 in accordance with Article 14.3 of the Company's Constitution, which provides for the retirement by rotation at each Annual General Meeting of one-third of the Directors. In accordance with Article 14.3 of the Company's Constitution, Mr Daniel James Buckley is eligible for re-election and has submitted himself for re-election at the Annual General Meeting.

Resolutions 5 and 6. **Approve the Gloucester Coal Employee Share Option Plan (ESOP) and Participation by Directors**

Approve the ESOP

The ASX Listing Rule 7.1 allows the Company to issue a maximum of 15% of its expanded capital in any 12 month period without requiring shareholder approval. Listing Rule 7.1 does not apply in certain cases set out in Listing Rule 7.2, including exception 9, where an issue under an employee incentive plan is made if within three years before the date of issue the terms of the plan are approved by shareholders. This resolution proposes that shareholders consider and approve the ESOP.

Participation of Directors

It is proposed that 1,500,000 new options be issued to the two Executive Directors of the Company. In accordance with the ASX Listing Rules, shareholders are hereby advised of the following details concerning the proposed participation by Directors in the ESOP pursuant to the proposed issue of options for which your approval is sought:

- (a) the following Directors are eligible to participate in the ESOP, subject to your approval:
 - Gavin Peter May
 - Daniel James Buckley
- (b) the maximum number of options that may be issued to the Directors, subject to shareholder approval is as follows:
 - Gavin Peter May 1,000,000
 - Daniel James Buckley 500,000
- (c) the options will be issued pursuant to the ESOP for no cash consideration. These options may be exercised (and shares will be issued) at a price of \$4.00 and it is proposed that the options will expire if not exercised by 18 May 2010.
- (d) in accordance with ASX Listing Rule 10.15.7 we advise that the date by which the Company will issue the options is expected to be within one month of the meeting.

EXPLANATORY STATEMENT (continued)

COPY OF THE RULES

Set out below is a summary of the rules of the Gloucester Coal Ltd Employee Share Option Plan for approval.

Purpose of Plan

- The Plan is a key part of the longer term retention and incentive strategy of the Company.
- The Plan recognises that the growth and profitability of the Company is heavily dependant on the retention of key senior staff. This dependence is heightened by the Company's flat structure and the reliance on a very small number of senior executives. The Board designed the Plan to incentivise and utilise management skills in the delineation and development of mineable reserves particularly within the Company's Gloucester Basin tenements.

Term of Plan

The Plan commenced on 23 March 2005 and may be terminated at any time by resolution of the Board.

Issue of Options under the Plan

- The Board may in its absolute discretion make Offers of Options to Eligible Employees.
- The Company may issue such number of Options as the Board determines, so long as:
 - (a) the total number of Shares the subject of Options which are both unexercised and unexpired during the previous 5 years; and
 - (b) the number of Shares issued as a result of the exercise of Options, does not exceed 5% of the number of shares in the Company on issue.
- Eligible Employees include:
 - (a) a full or part-time employee or director of the Company and any associated bodies corporate; and
 - (b) certain casual employees or consultants of the Company as determined by the Board.

Options

- Options are issued for \$nil consideration.
- The Offer will specify the proposed Exercise Price of each Option as specified by the Board.
- Options are non-transferable.
- Options have a 2 year vesting period from the date the Board approves the Offer.
- Options lapse 5 years after they are issued or earlier if the Board determines.

Cessation of Employment

- Any Options issued under the Plan will automatically lapse and be forfeited if:
 - (a) 30 days after the date on which the option holder voluntarily resigns from employment with the Company (other than to take up employment with a related body corporate of the Company); or
 - (b) immediately, if the option holder is dismissed from employment with the Company for certain reasons.
- If the option holder dies, has a total permanent disability, retires or ceases employment under any other circumstances in which the Board believes it is fair and reasonable that the option holder retains their Options, they will have a period of 6 months to exercise their Options.

EXPLANATORY STATEMENT (Continued)

Takeovers

If a takeover bid is made for the shares in the Company, then at any time during the Takeover Period the Company may give the option holder not less than 21 days written notice of the

- intention of the Company to cancel one or more of the Options with effect from the expiry of the Takeover Period;
- at any time during the Takeover Period, after the bidder holds at least 50% of the Shares on issue, all Options vest and can be exercised.

Administration of the Plan

The Plan will be administered by the Board in accordance with the Rules of the Plan.

Listing Rules

The terms and conditions of the Plan must at all times comply with the Listing Rules. If there is any inconsistency between the terms and conditions of the Plan and the Listing Rules, then the Listing Rules will prevail.

Resolution 7. Approval of Appointment of Auditors

Following a tender process for the Company's audit function, KPMG were selected by the Audit Committee and Board of directors to be the auditors of the Company. Shareholders are asked to approve that appointment.

Level 9
799 Pacific Highway
Chatswood NSW 2067
PO Box 137
Chatswood NSW 2057

Telephone: 61 2 9413 2028
Facsimile: 61 2 9413 4802

I/We _____

of (address) _____
(please print)

being a member of Gloucester Coal Ltd appoint:

Name of proxy _____

or failing him or her the Chairman of the Meeting as my proxy to vote on my behalf at the Annual General Meeting of the Company to be held on 18 May 2005 and any adjournment of the Meeting.

Please note that the Chairman will vote in favour of all resolutions for any undirected proxies held by him.

If you do not wish to direct your proxy how to vote, please place a mark in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

If you do wish to direct the Proxy how to vote, you should place a cross in the appropriate box(es) below. If two proxies are being appointed, the proportion of voting rights that this proxy is authorised to exercise is []%. (The Company will supply an additional form on request).

I/We instruct my/our proxy vote as follows:

		For	Against	Abstain
ORDINARY BUSINESS				
Resolution 1.	Receiving the Accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.	Re-election of Mr Andy J Hogendijk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3.	Re-election of Dr John H Bryan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4.	Re-election of Mr Daniel J Buckley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS				
Resolution 5.	Approve the ESOP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6.	Participation by Directors in the ESOP:			
Resolution 6(a).	Mr Gavin P May	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6(b).	Mr Daniel J Buckley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7.	Approval of appointment of auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed by _____
(Print)

Signature of Shareholder/s

Dated this day of 2005

PROXY FORM (Continued)

NOTES

1. A member entitled to attend and vote at a meeting is entitled to appoint more than two proxies. Where two proxies are appointed, a separate form should be used for each, and each proxy must be appointed to represent a specified proportion of the member's rights.
2. A proxy need not be a member of the Company.
3. A proxy form must be signed by the member or his or her attorney. Proxies given by corporations must be executed in the manner permitted by its constitution and the Corporations Act.
4. To be valid the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy) must be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting. This proxy may be forwarded by facsimile to (02) 9413 4802 not less than 48 hours before the time for holding the meeting.
5. Unless a member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.