



GLOUCESTER COAL

GLOUCESTER COAL LTD

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ASX ANNOUNCEMENT

GLOUCESTER COAL TO MOVE TO FULL OWNERSHIP OF ITS STRATFORD OPERATIONS

-  **GCL WILL ACQUIRE ITOCHU'S 10% INTEREST IN THE STRATFORD OPERATION FOR A\$8.9 MILLION.**
-  **GCL WILL ISSUE 4.15 MILLION SHARES TO ITOCHU**

“Gloucester Coal Ltd is pleased to announce the proposed acquisition of Itochu Corporation’s 10% interest in the Stratford Joint Venture. At the same time, Itochu will take up a share placement in Gloucester Coal and enter into a new Coal Sales Agency Agreement, continuing the strong relationship between the companies.”



Gloucester Coal and Itochu have been close partners in Stratford since operations commenced in 1995. In 2003 Gloucester commissioned and integrated the 100% owned Duralie coal mine into the Stratford operation. Itochu will maintain its strong relationship with Gloucester taking up a 5% shareholding in Gloucester Coal Ltd and agreeing to sell their 10% interest in Stratford. The shares will be placed with Itochu at a price of A\$3.32. The funds will be used to acquire all Itochu's share of the Stratford operations, including freehold land, coal-handling plant, mining operations, undeveloped reserves and resources. After the purchase, GCL will have a net cash increase of approximately \$4 Million.

The proposed acquisition is an important step in rationalising and further optimising its Gloucester operations. Gloucester expects to benefit from:

- Administration efficiencies can now be achieved across the 100% owned Gloucester operations;
- Consolidating its 100% ownership of the Gloucester Basin coal tenements;
- Providing a cleaner corporate structure;
- Gloucester's share of annual production to increase by 11% from July;
- A clear focus on maximising the value of its 100% owned Gloucester Basin assets and,
- Itochu's continued exclusive representation of Gloucester Coal to Japan and ongoing marketing support for the promotion of Gloucester Coking and Thermal Coal products internationally.

Gloucester believes this arrangement demonstrates the desire of both parties to further enhance the future outlook for Gloucester Coal.

Gloucester is on target to meet a balanced distribution of funds between debt reduction, dividend repatriation and resource development.

The transactions are subject to final documentation and regulatory approvals and are expected to be completed in the next 60 days.

For further information

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Chief Executive Officer

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