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## **SIGNIFICANT UPGRADE IN CLAREVAL SEAM RESOURCES PRODUCTION INCREASE PLANNED**

- **Drilling intersects Clareval seam with true thickness in excess of 30 metres**

Gloucester Coal Ltd (ASX: GCL) is pleased to announce that during the last week of October 2006 exploration drilling at its Duralie coal mine in New South Wales intersected the Clareval seam with true thickness in excess of 30 metres.

GCL Chief Executive Officer Mr Gavin May said that at the conclusion of the exploration programme, Gloucester Coal will report a significant increase in mineable reserves at Duralie.

Gloucester Coal has identified sufficient reserves to commence planning and pre-engineering to increase saleable production by 40% from 2.0 million tonnes per annum (Mtpa) to 2.8Mtpa from 2009. The production increase can be achieved with modest capital expenditure of less than \$30 million by adding an additional module within the existing facility at Stratford and a new product stockpile.

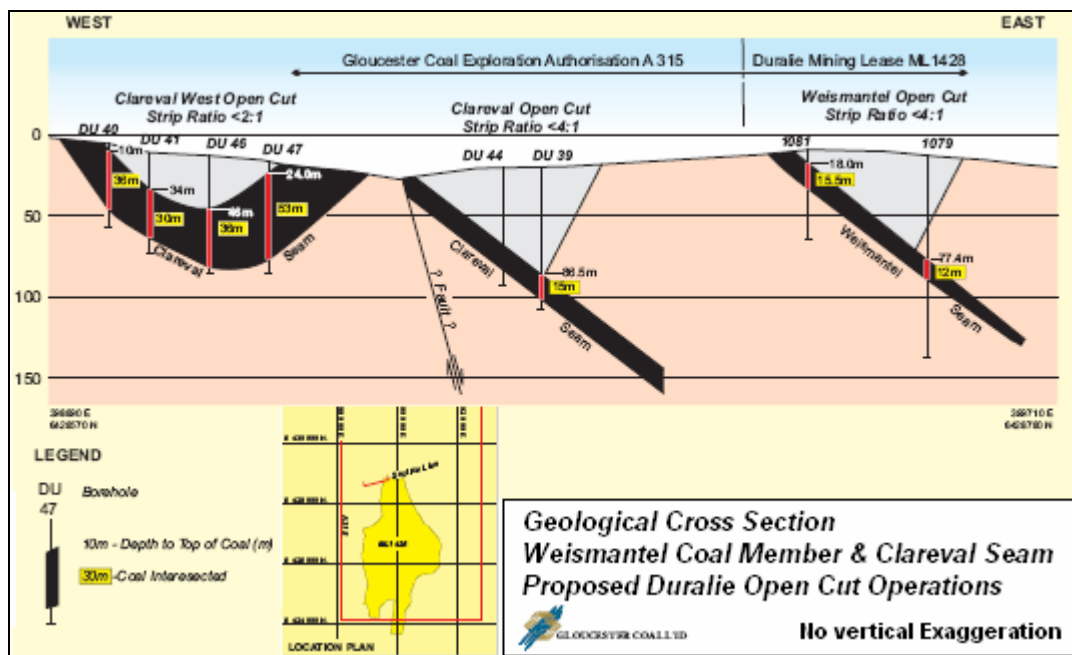
“Since exploration recommenced in earnest in 2005, GCL has focused on expanding the reserves and resources base to extend mine life. An increase in production would follow with sufficient mineable reserves. We believe that the recent Clareval seam discovery is the catalyst to expand production capacity”, Mr May said.

The Company reported that the October – November exploration drilling programme planned to delineate the subcrop of the Clareval seam in the North-western area of Duralie. In the last week of October, the geologists intersected an anomalous structure containing very thick intersections of Clareval seam at shallow depth, with a strike length over a few hundred metres.

“This discovery will add considerably to the Duralie resources, however, it will be some months before GCL reports a resource and reserve statement to JORC standard. We are confident that the coal find adds significant value to the Company” Mr May said.

“This is an exciting geological discovery, as it represents one of the thickest intersections of coal found in New South Wales”.

The diagram below shows a cross section with recent drill holes adjacent to the Weismantel seam as currently mined in the Duralie open cut.



GCL estimates a capital expenditure of circa \$30 million will allow a 40% increase in saleable production to 2.8 Mtpa. The required investment is expected to be funded from GCL’s cash flow from existing coal operations.

Gloucester Coal is in the fortunate position having existing infrastructure to minimise the cost of the production increase. An additional module would replace the obsolete dense medium bath, within the existing preparation plant facility at Stratford. The recently upgraded reject system and emplacement area is considered to have sufficient capacity to accommodate the

production increase. GCL acknowledges that this proposal will require assessment of environmental and economic impacts as part of Development Consent and Mining Approval.

The Company is undertaking a more extensive coal quality testing programme of the Clareval coal to determine raw coal washability and saleable coal quality.

“Gloucester Coal’s high fluidity coking coal specification will improve with the inclusion of the low ash Clareval coal and we are confident of continued strong market support for the Company’s range of coal products. We are continuing to explore and extend the Clareval limits through the Gloucester Basin and look forward to more exciting discoveries”, Mr May said.

For further information:

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