



# GLOUCESTER COAL



## Middlemount Acquisition and Equity Raising Investor Presentation – August 2010

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# Disclaimer

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This Presentation has been prepared by Gloucester Coal Ltd ACN 008 881 712.

## Summary of information

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- Gloucester's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au); and
- In respect of the Middlemount project, Macarthur's periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

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# Disclaimer

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- ii. to "professional investors" as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876, being:
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  - B. any legal entity which is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and which has two or more of:
    - I. an average of at least 250 employees during the last financial year;
    - II. a total balance sheet of more than €43,000,000; and
    - III. an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
  - C. any natural person who is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and who has two or more of:
    - I. an average executive of at least ten – 10 – transactions in securities of significant volume per quarter for the last four quarters;
    - II. a portfolio of securities with a market value of at least €500,000; and
    - III. at least one – 1 – year of experience working within the financial markets in a position which presupposes knowledge of investing in securities;
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Prospective investors are informed that (i) the transaction does not require a prospectus to be filed with the Autorité des Marchés Financiers for approval, (ii) such prospective investors may only take part in the transaction solely for their own account, as provided in Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code Monétaire et Financier and (iii) the new shares and entitlements may not be further distributed, directly or indirectly, to the public in the French Republic otherwise than in accordance with Article L. 411-1, L. 411-2 II, L. L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code Monétaire et Financier and applicable regulations thereunder.

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This offer is made in reliance on certain exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), and is not made in or accompanied by a prospectus that is registered by the Monetary Authority of Singapore (the "Authority"). Conversely, the disclosure materials have not been and will not be registered as a prospectus with the Authority. Accordingly, the disclosure materials and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of new shares and entitlements may not be circulated or distributed, nor may new shares and entitlements be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.



# Selling restrictions

## Singapore (cont'd)

Where new shares and entitlements are subscribed for or purchased under Section 275 by a relevant person which is:

- i. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- ii. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

then the securities (as defined in Section 2 of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the new shares and entitlements pursuant to an offer made under Section 275 except:

- A. to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such securities of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further (in the case of the corporation), the transfer of securities of that corporation arise from an offer made in accordance with the conditions specified in Section 275 of the SFA;
- B. where no consideration is or will be given for the transfer; or
- C. where the transfer is by operation of law.

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### WARNING

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- i. to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that ordinance; or
- ii. in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance.

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# Selling restrictions

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# Selling restrictions

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This Presentation or any other documentation in connection with the offer is not a prospectus for the purposes of the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument). The securities are being offered to qualified investors and the securities are being offered to a limited number of investors therefore this Presentation has not been or will not be approved by the Swedish Financial Supervisory Authority and may not be published or otherwise distributed, in whole or in part, in Sweden. This Presentation has been prepared on the basis that this offer of securities within Sweden will be made pursuant to an exemption under the Swedish Financial Instruments Trading Act from the requirement to prepare and register a prospectus for offers of securities. Accordingly, this Presentation may not be made available, nor may the offering otherwise be marketed in Sweden, other than in circumstances which are deemed not to be an offer for which a prospectus is required to be prepared and registered pursuant to the Swedish Financial Instruments Trading Act.



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# Executive summary – Gloucester overview

## Gloucester's strategy

- To create a major Australian independent, diversified metallurgical coal producer
  - target annual production of c.4.0Mt (equity share) of metallurgical coal by financial year (ending 30 June) ("FY") 2014<sup>1,2</sup>

## Overview of Gloucester

- FY10 sales of c.2.0Mt, including 0.75Mt of metallurgical coal
- Targeting c.3.5Mtpa of product coal (c.2.0Mtpa metallurgical coal) by FY14 from its existing operations<sup>1</sup>
- Currently has 74.8Mt of JORC reserves
  - 31% increase announced late July 2010
  - target of c.130Mt by mid calendar year (ending 31 December) ("CY") 2011
    - on track to deliver 12 months ahead of schedule<sup>1</sup>

## Noble's position

- Noble owns 87.7%<sup>3</sup> of Gloucester
- Noble has made a takeover offer to acquire all Gloucester shares (on issue as at 1 June 2010) it does not own for \$12.60 per share (the "Noble Offer")
- However, Noble has a preference to maintain Gloucester as a listed company
- Any new shares issued under the equity raising will **not** be eligible to accept the Noble Offer

### Notes:

1. Projected saleable production, reserves and resources figures are estimates only and are subject to the risks outlined in "Key risks" (refer to Appendices)
2. Assumes that the acquisition of the Middlemount Assets, completion of the acquisition of the Middlemount Deferred Equity and exercise of the Middlemount Option occurs
3. As at 30 July 2010, Noble has acceptances under the Noble Offer for a further 5.2% of the shares in Gloucester. Refer to page 42 for further details



# Executive summary – Middlemount overview

## Overview of Middlemount

## Middlemount JV

- Middlemount is a metallurgical coal development project in Queensland’s Bowen Basin
  - Middlemount has published JORC reserves of 57.0Mt
    - further drilling work is underway at Middlemount and has been since the initial reserve was defined in early 2009. Gloucester management has based its analysis on its expectation that total coal mined over the life of mine will be approximately 100Mt, consistent with the Middlemount Coal Project Stage 2 Initial Advice Statement<sup>1</sup>
  - Stage 1 production of 1.8Mtpa (gross) ROM coal is expected to commence in FY12<sup>2</sup>
  - Stage 2 approval for 5.0-5.4Mtpa (gross) ROM coal production capacity is expected in the second half of CY12<sup>2</sup>
  - Targeted product mix of c.70% semi-hard coking coal and c.30% LV PCI, at a yield of c.78%<sup>2</sup>
  - c.\$200 million has been spent to date on the project and a further \$200 million of development capex is expected to be spent between now and June 2012<sup>2</sup>
- 
- The Middlemount JV owns Middlemount and is currently 72.48% owned by Macarthur and 27.52% owned by Noble

### Notes:

1. This is a Gloucester internal management assumption only. There are a number of factors that will influence the total amount of coal mined at Middlemount and investors should refer to the risks outlined in “Key risks” (refer to Appendices)
2. Projected production, product yield and capex figures are estimates only and are subject to the risks outlined in “Key risks” (refer to Appendices)



# Executive summary – Middlemount acquisition

## Acquisition of the Middlemount Assets

- Gloucester proposes to acquire the following assets from Noble for \$269.5 million:
  - a 27.52% interest in the Middlemount JV (the “Middlemount Equity”)
  - a further 2.48% interest in the Middlemount JV for a further \$8 million payable following completion of a certain shipping milestone (the “Middlemount Deferred Equity”)
  - an option to acquire a further 20% interest in the Middlemount JV from Macarthur for an exercise price of \$100 million. This option can be exercised at any time up to 18 months from after CHPP completion (the “Middlemount Option”)
- In addition, Gloucester proposes to acquire from Noble the right to receive a royalty of 4% of FOBT sales from the Middlemount JV<sup>1</sup> for \$168 million (the “Middlemount Royalty”)
- The total day one price payable of \$437.5 million will comprise cash of \$337.5 million and the issue of \$100 million of new Gloucester shares to Noble, which will be issued at the same price per share as the shares to be issued to investors under the equity raising
- The proposed acquisition of the Middlemount Assets and the issue of \$100 million of new Gloucester shares to Noble is subject to various conditions, including Gloucester shareholder approval (excluding Noble)
  - an Independent Expert’s Report will be prepared in relation to the above

Note:

1. Or such other amount as Noble receives under the Royalty Deed



# Executive summary – Equity raising

## Equity raising

- Gloucester is undertaking an accelerated non-renounceable pro-rata entitlement offer of up to c.\$455 million at an offer price of \$9.25/share:
  - underwritten institutional component of c.\$410 million; and
  - non-underwritten retail component of up to c.\$45 million
- Subject to sufficient demand, Gloucester reserves the right to raise up to an additional c.\$90 million through an institutional placement (at the same offer price as under the entitlement offer)
- Noble is not participating in the equity raising
- The equity raising is **not** conditional on Gloucester shareholders approving the acquisition of the Middlemount Assets
- The equity raising will significantly increase the size and liquidity of Gloucester
- After the equity raising and the issue of \$100 million of new Gloucester shares to Noble, Noble's ownership of Gloucester will be c.61-63%<sup>1,2,3</sup>

### Notes:

1. Figures are approximations based on shareholdings and acceptances under the Noble Offer as at 30 July 2010 assuming that the issue of \$100 million of new Gloucester shares to Noble is approved by Gloucester shareholders, Noble does not acquire any further shares and shareholders that have previously accepted the Noble Offer do not withdraw their acceptances
2. Final shareholdings will depend on various matters including the level of participation in the equity raising by retail shareholders, the level and timing of acceptances and transfers under the Noble Offer and the extent to which withdrawal rights are exercised
3. If Gloucester proceeds with an institutional placement to raise an additional c.\$90 million, Noble's shareholding in Gloucester is expected to reduce to c.57-59%



## Executive summary – If the acquisition does not proceed

What if the acquisition of the Middlemount Assets does not proceed?

- The acquisition of the Middlemount Assets will be subject to various conditions, including Gloucester shareholder approval (excluding Noble)
- If the acquisition of the Middlemount Assets does not proceed (due to failure of shareholder approval or for any other reason), then monies raised under the equity raising will be used to:
  - fund new opportunities and strategic initiatives in line with Gloucester’s strategy of becoming a major Australian independent, diversified metallurgical coal producer; and
  - fund capex and working capital
- In this instance, \$100 million worth of new Gloucester shares as part of the consideration payable for the Middlemount Assets will not be issued to Noble



# Executive summary – Sources & uses of funds<sup>1</sup>

## Sources

	\$m
Gloucester equity raising <sup>2</sup>	409.4
Issue of shares to Noble <sup>3</sup>	100.0
Debt required by Gloucester <sup>4</sup>	140.6
<b>Total sources of funds</b>	<b>650.0</b>

## Uses

	\$m
Purchase of Middlemount Assets <sup>5</sup>	269.5
Purchase of Middlemount Royalty	168.0
	<u>437.5</u>
Consideration for the Middlemount Deferred Equity and payment for exercise of the Middlemount Option	108.0
Share of Middlemount capex <sup>6</sup>	60.0
Contingency, working capital, fees and cash balance	44.5
<b>Total uses of funds</b>	<b>650.0</b>

### Notes:

1. Indicative only. Assumes that the acquisition of the Middlemount Assets occurs, and includes incremental sources and uses of funds between now and FY12 as a result of the acquisition of the Middlemount Assets. It excludes the impact of cashflows within the existing Gloucester business
2. Excludes any proceeds from the non-underwritten retail entitlement offer or any institutional placement
3. Assumes \$100 million of new Gloucester shares are issued to Noble as part consideration for the acquisition of the Middlemount Assets, and this is approved by Gloucester shareholders (excluding Noble)
4. Debt to be primarily incurred when the Middlemount Option is exercised
5. Excluding Middlemount Royalty
6. Assumes Gloucester funds 30% (\$60 million) of Middlemount capex between now and the end of FY12



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# Gloucester's objectives

## ✓ Create a major Australian independent, diversified metallurgical coal producer

- Sole producer in the Gloucester Basin of New South Wales, with two producing assets (Duralie and Stratford), established infrastructure and port capacity
- The addition of the Middlemount Assets – relating to a high quality development project in the Bowen Basin of Queensland – will provide Gloucester with geographical diversification over two coal basins
- Clearly defined growth strategy, with a focus on increasing metallurgical coal production
  - equity share of metallurgical coal production expected to grow from 0.6Mt in FY10 to c.4Mtpa by FY14 (post acquisition of the Middlemount Assets)<sup>1,2</sup>
- 328.9Mt resources and 103.3Mt reserves (equity share) post the acquisition of the Middlemount Assets<sup>2</sup>, with further work ongoing to define additional reserves
- Well placed to benefit from expected long term strength in metallurgical coal markets
  - strong long term relationships with major customers including JFE, Nisshin Steel, Nippon Steel and Kobe Steel
- Strategic value-adding shareholder in Noble
- Increased free float and liquidity following the equity raising

### Notes:

1. Projected saleable production figures are estimates only and are subject to the risks outlined in “Key risks” (refer to Appendices)
2. Assumes that the completion of the acquisition of the Middlemount Deferred Equity and exercise of the Middlemount Option occurs



# Why focus on metallurgical coal?

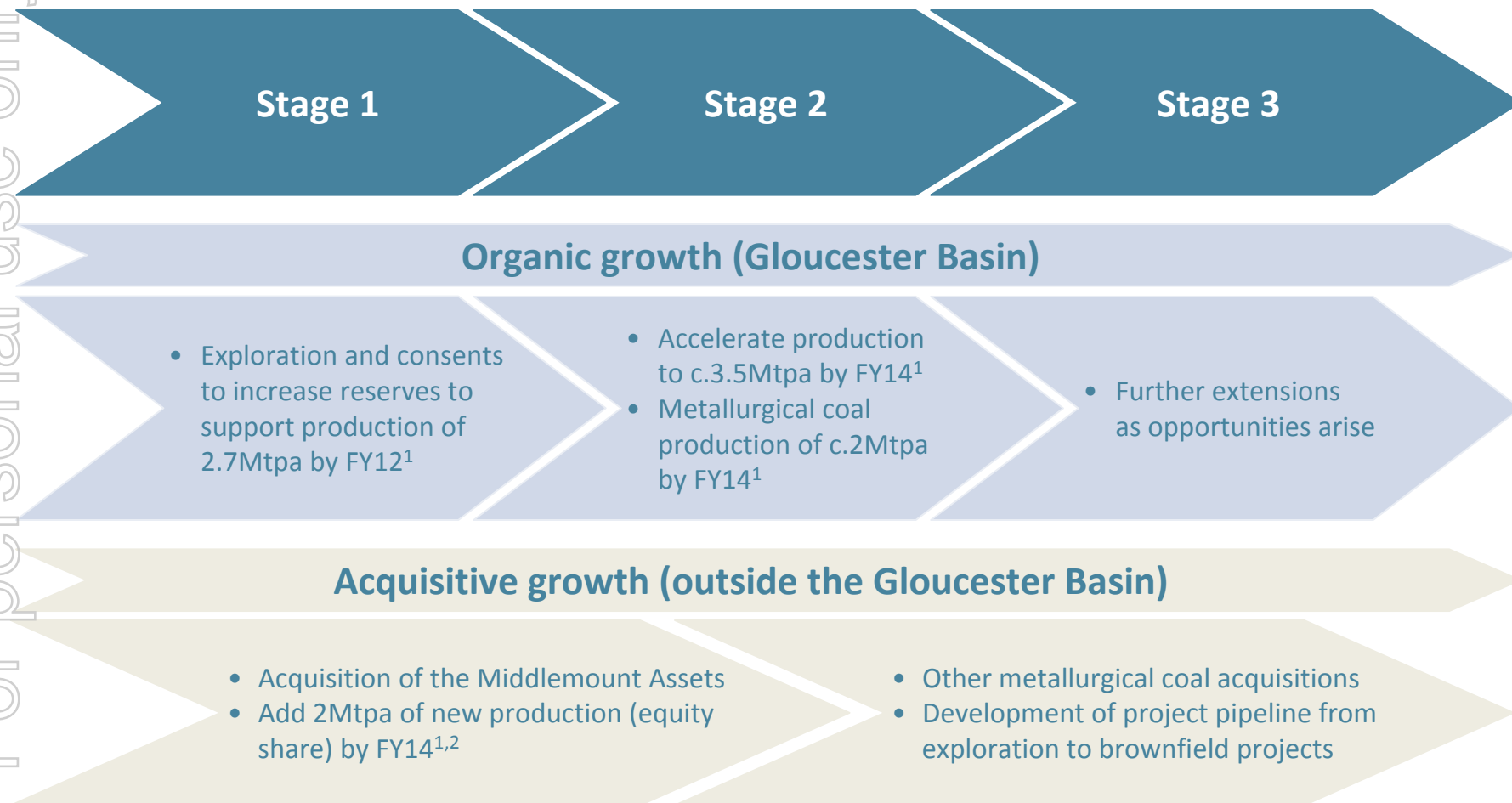
1. Tight supply (heavily influenced by one major producer) and fragmented demand drive potential for higher margins and sustainable profitability
2. Customers are expected to encourage development of independent producers to reduce their reliance on major producers
3. Potential for increased demand from China and India to drive higher margins
4. Value accretive opportunities for “specialised” projects which the major producers/end users may be overlooking
5. Specialised opportunities align with Gloucester’s capabilities in project development, marketing, mining and culture

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# Growth considerations – The future

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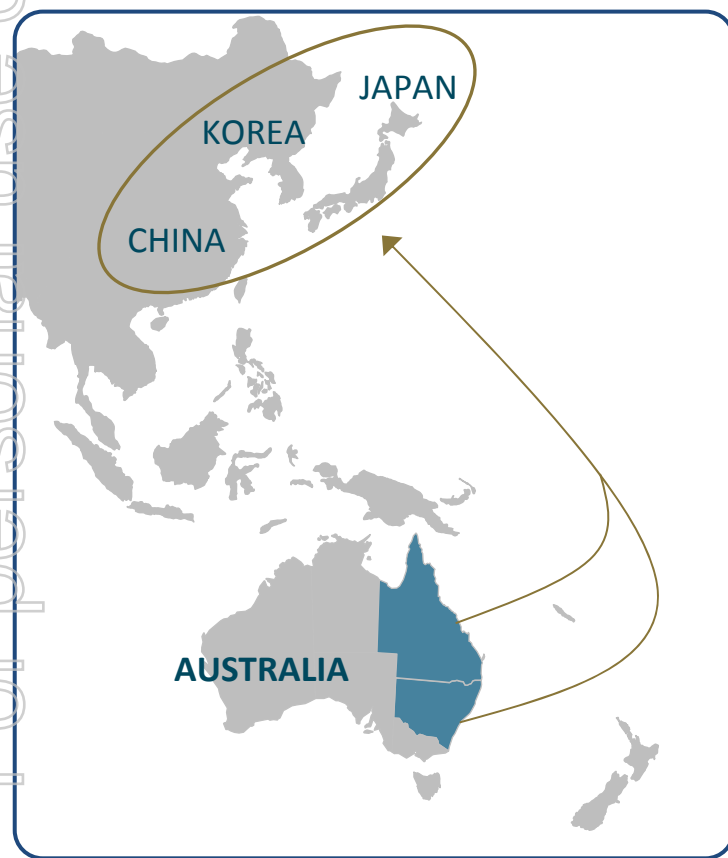
## Notes:

1. Projected saleable production figures are estimates only and are subject to the risks outlined in “Key risks” (refer to Appendices)
2. Assumes that the completion of the acquisition of the Middlemount Deferred Equity and exercise of the Middlemount Option occurs



# Strong support for coal markets

Australia has some of the world's highest quality coking coal basins, in which Gloucester holds its assets



- Tight supply and robust demand growth for metallurgical coal expected to continue in the medium term
- Emergence of China as a net importer of metallurgical coal supporting demand and pricing
  - China moved from being a net exporter of metallurgical coal in 2008 to a net importer in 2009 (34Mt)
  - BMA negotiation (concluded on 1 June 2010) for September quarter hard coking coal settled at US\$225/t – a 12.5% uplift over the previous quarter
  - June 2010 quarter pricing for PCI and semi soft coking coal settled at narrower discounts to hard coking coal prices than observed historically
- Energy demand in India and China expected to support coal prices in the medium term



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# Gloucester's operations

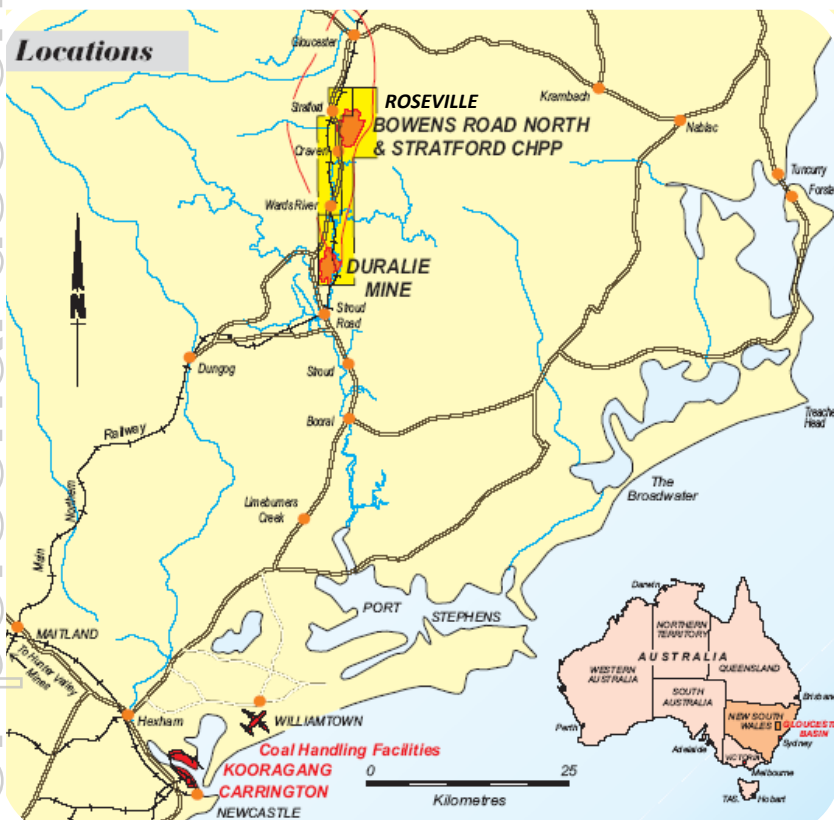
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- ASX listed metallurgical and thermal coal producer with open cut mining operations
- Sole producer in the Gloucester Basin of New South Wales
- Gloucester's metallurgical coal is a premium, high-value product and is noted for its high fluidity, which enhances pricing and supports demand
- FY10 sales of c.2.0Mt, including 0.75Mt of metallurgical coal
- Coal exported to Asia through the port of Newcastle
- Access to rail and port infrastructure
  - Gloucester currently holds 10 year take or pay contracts with PWCS for 90% of planned capacity expansions, and plans to acquire the final 10% in 2010
- Future mining of Clareval and Roseville seams is expected to deliver superior coking product yield
- Potentially significant exploration upside to extend mine life



# Gloucester's operations



- Two operating mining areas – Duralie and Stratford
- Integration of operations and blending of coal quality, with Duralie ROM coal transported to the Stratford CHPP for processing
- Coal is also blended from both mines
- Production expansion planned:
  - from 1.9Mtpa to 2.7Mtpa by FY12<sup>1</sup>
  - 2.7Mtpa to c.3.5Mtpa by FY14<sup>1</sup>
- Focusing on increasing the proportion of coking coal
  - FY14 target of c.2Mtpa of metallurgical coal<sup>1</sup>

Note:

1. Projected saleable production figures are estimates only and are subject to the risks outlined in “Key risks” (refer to Appendices)

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## Recent achievements



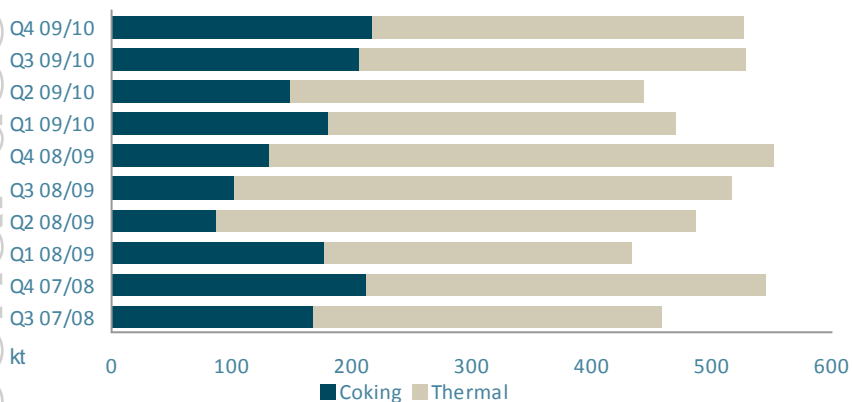
- ✓ Strategic review undertaken since appointment of new CEO and Board in June 2009
- ✓ Aggressive exploration program underway, with delivered results ahead of plan
  - 31% increase in JORC reserves announced in July 2010
  - further increases expected over the next 12 months
- ✓ Repositioned thermal coal products
- ✓ 100% increase in metallurgical coal price settlements reflecting continuing demand for Gloucester product in Asia
  - new markets opened in Korea
- ✓ Substantial overhaul of operations to maximise operating efficiency and development potential
  - optimisation of production through higher strip ratio



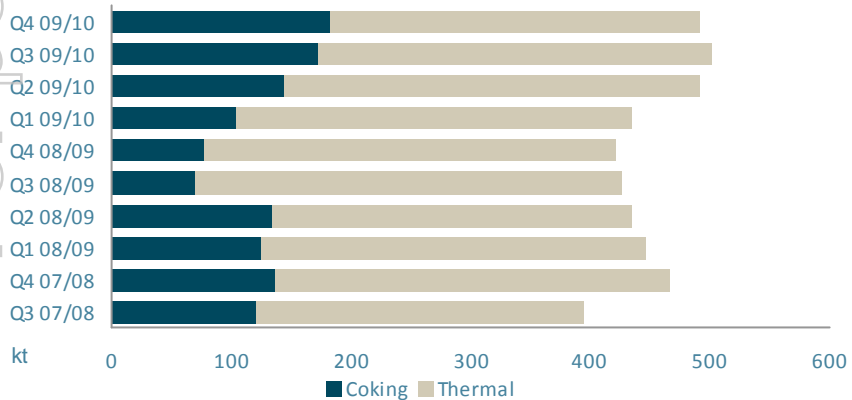
# Financial and operating performance

Consistent operating performance with growth expected from expansion plans and greater volumes of higher priced metallurgical coal<sup>4</sup>

## Historical sales – by quarter



## Historical production – by quarter



## FY10 operating and financial results<sup>1</sup>

Sales (kt)	1,970
- Coking	751
- Thermal	1,219
Production (kt)	1,918
- Coking	600
- Thermal	1,318
Opex (\$/t) <sup>2</sup>	85
EBITDA (\$m) <sup>3</sup>	57.6
NPAT (\$m) <sup>3</sup>	36.4

Notes:

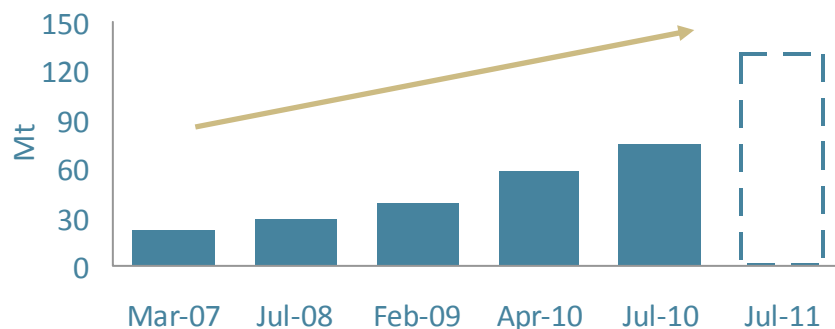
1. These are unaudited figures. Gloucester is in the process of auditing these figures
2. Own coal opex cost – includes royalties but excludes transaction costs, depreciation and interest
3. Excludes transaction costs
4. Projected growth is an estimate only and is subject to the risks outlined in “Key risks” (refer to Appendices)

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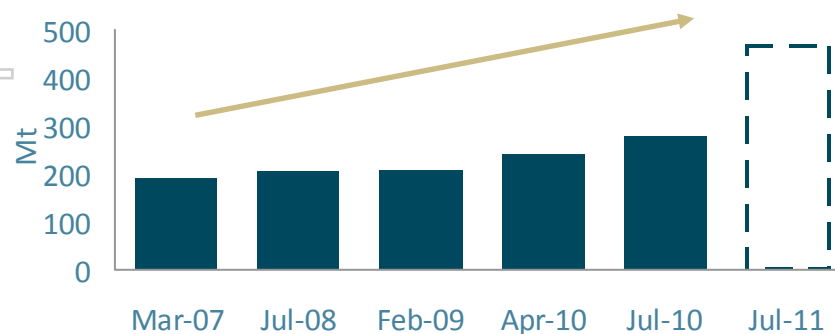


# Exploration success

## Coal reserves growth<sup>1</sup>



## Coal resources growth<sup>1</sup>



- Gloucester is undertaking an aggressive drilling program to target definition of resources in the Clareval and Weismantel seams
- 16 drill rigs operating, with 31,319 metres drilled in Q4 FY10
- Recent 31% reserve upgrade to 74.8Mt demonstrates the success of the drilling program which has been accelerated over the past six months
- Target of c.130Mt within 12 months (on track to deliver 12 months ahead of schedule)<sup>1</sup>

Refer to pages 58-61 for full statement of resources and reserves, and Competent Persons Statement

Note:

1. Projected reserves and resources figures are estimates only and are subject to the risks outlined in "Key risks" (refer to Appendices)

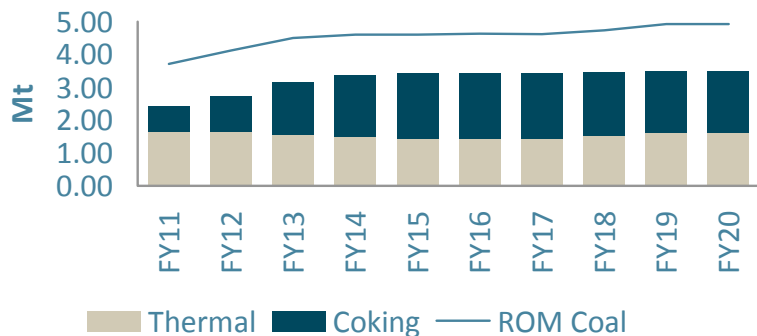
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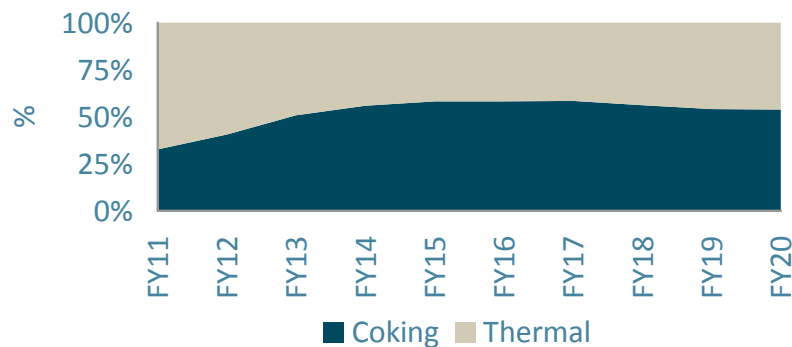
# Growth strategy – Gloucester operations

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## Targeted production growth<sup>1</sup>



## Increasing coking coal production<sup>1</sup>



### Duralie:

- Part 3A approval application for Duralie Mine
- Extension Plan approval expected by September 2010
- Scope includes:
  - increase up to 3Mtpa ROM
  - extension of Weismantel seam mining
  - expansion into development of Clareval seam, with its high quality metallurgical coal which can be blended with other Gloucester products

### Stratford:

- Consent Modification expected by September 2010
- Scope includes:
  - expansion of Roseville West Pit

Note:  
1. Projected production figures are estimates only and are subject to the risks outlined in “Key risks” (refer to Appendices)



# Value of Noble relationship

- Noble is a market leader in global supply chain management of agricultural, industrial and energy products
- Noble has been Gloucester's largest thermal coal customer over the last five years and a substantial shareholder (currently holds 87.7%<sup>1</sup>) of Gloucester since June 2007
  - Noble will hold more than 50% of the shares in Gloucester immediately after the completion of the equity raising. The Board will not change as a result of this transaction
- Noble's intentions are to be a long term strategic investor in a liquid, listed Australian independent metallurgical coal producer
- Over the past 12 months, Noble has added significant tangible value, assisting Gloucester in:
  - repositioning its products
  - opening new markets for products
  - providing strategic marketing experience
  - providing advice, structuring, and project development pipeline opportunities
- On 6 April 2010, Noble announced a takeover offer of \$12.60 per share for all Gloucester shares
  - the Noble Offer extends to all shares on issue as at 1 June 2010
  - shares to be issued under the equity raising are **not** eligible to be accepted into the Noble Offer and will trade under a separate ASX code to those on issue as at 1 June 2010 until the Noble Offer and any associated buy-out rights end (the Noble Offer is currently scheduled to close on 3 September 2010 but may be extended or withdrawn)

Note:

1. As at 30 July 2010, Noble has acceptances under the Noble Offer for a further 5.2% of the shares in Gloucester. Refer to page 42 for further details



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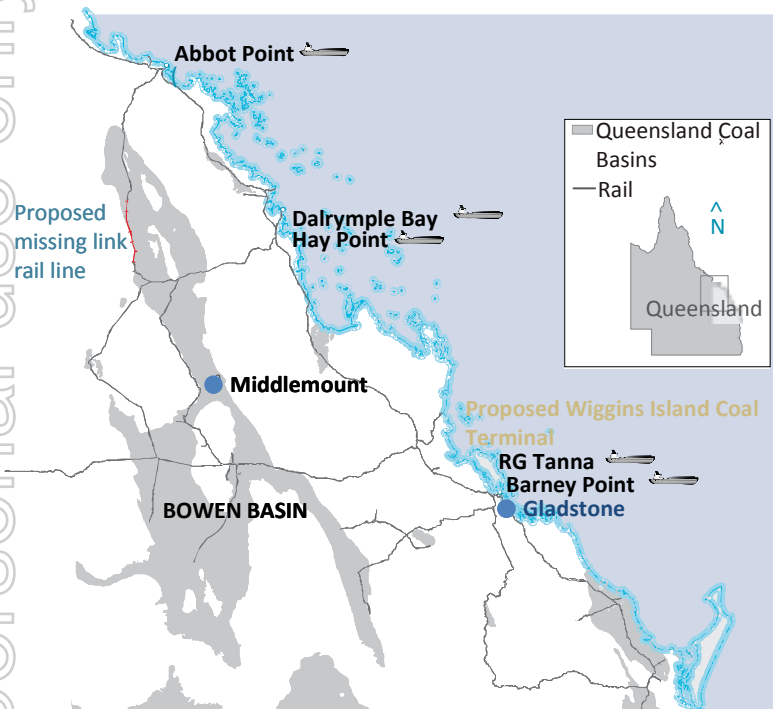
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# Middlemount overview



- Near term, open cut development project located in Queensland's Bowen Basin
- Mining lease granted in September 2009
- Construction underway – CHPP to be completed during the year ending June 2011
- Rail loop expected to be completed during the year ending June 2012, subject to regulatory approvals
- Macarthur has extended a portion of its port allocation
- Below rail access to APCT, secured for 3Mtpa
- Long term take or pay haulage contract with Pacific National for 3Mt from January 2012 and 3Mt port capacity at APCT
- Estimated FOB costs (including state royalties) are c.\$110 to c.\$115/t (life of mine)<sup>1</sup>:
  - \$86/t, includes mining costs, washing and handling, site administration and rail and port<sup>2</sup>
  - in its analysis, Gloucester has allowed for additional costs based on its industry knowledge and as a contingency against possible cost increases, including \$15/t to allow for export through APCT and DBCT access charge

**The acquisition of the Middlemount Assets is expected to materially augment Gloucester's metallurgical coal exposure, add scale and diversify Gloucester's operations by product, port and mine**

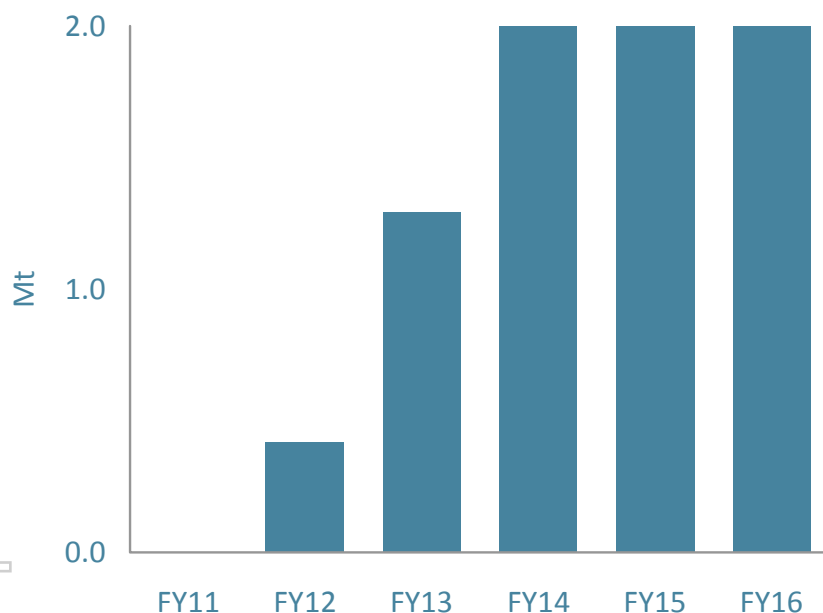
## Notes:

1. Projected cost figures are estimates only and are subject to the risks outlined in "Key risks" (refer to Appendices)
2. Per Lonergan Edwards report (26 February 2010)



# Middlemount development strategy

## Projected saleable production<sup>1,2</sup>



- Stage 1 development:
  - current mining lease allows for production up to 1.8Mtpa ROM (gross basis) with first production expected in FY12<sup>2</sup>
- Stage 2 development:
  - expansion to production of 5.0-5.4Mtpa ROM (gross basis)
  - EIS underway in preparation for Environmental Approval to allow for increased production capacity in the second half of CY12
- Growth capital expenditure over the next two years is expected by Gloucester to be c.\$60 million<sup>3,4</sup>, with sustaining capex expected to be \$20 million<sup>5</sup> over life of mine
  - key expenditure items include CHPP, rail loop and civil works

### Notes:

1. Net to Gloucester, assuming the Middlemount Option is exercised at the start of FY13
2. Projected production figures are estimates only and are subject to the risks outlined in “Key risks” (refer to Appendices)
3. Net to Gloucester, assuming the Middlemount Option is not exercised
4. Gross capex of c.\$200 million has been spent to date on the development of Middlemount by the Middlemount JV
5. Net to Gloucester, assuming the Middlemount Option is exercised



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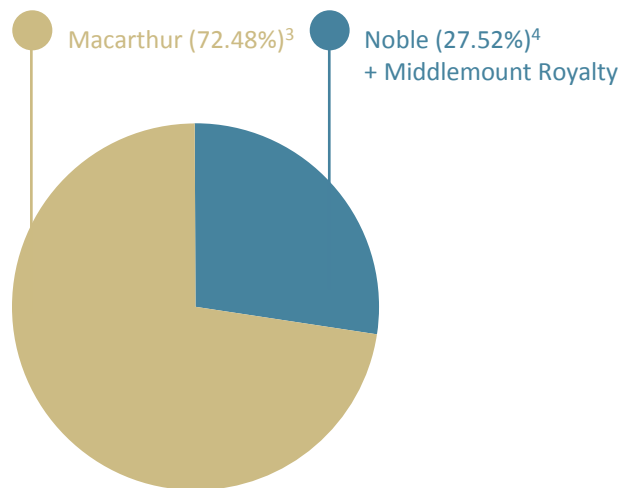
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# Middlemount ownership structure

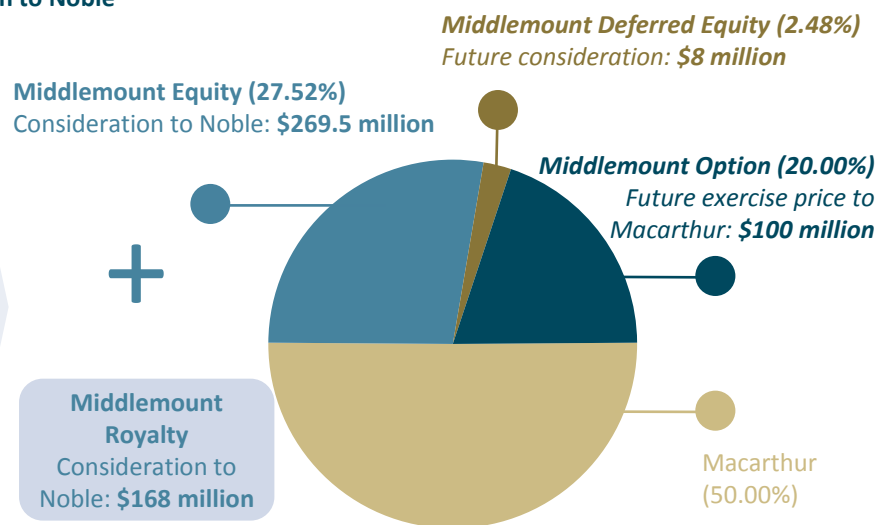
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## Current structure



## Post-transaction structure<sup>1</sup>

\$437.5 million<sup>2</sup>  
consideration to Noble



Notes:

1. Subject to approval from Gloucester shareholders (excluding Noble)
2. \$437.5 million is payable immediately and will consist of cash of \$337.5 million and the issue of \$100 million worth of new Gloucester shares to Noble
3. Reducing to 50% subject to Gloucester completing the acquisition of the Middlemount Deferred Equity and receiving shares on the exercise of the Middlemount Option
4. With the right to increase interest to 50%



# Proposed acquisition of the Middlemount Assets

Middlemount  
Equity,  
Middlemount  
Deferred Equity  
and  
Middlemount  
Option

- Proposal to acquire the following assets from Noble for \$269.5 million:
  - Middlemount Equity: Noble's 27.52% interest in the Middlemount JV
  - Middlemount Deferred Equity: a further 2.48% interest in the Middlemount JV for a further \$8 million
    - further \$8 million payable following completion of a certain shipping milestone
  - Middlemount Option: option to acquire a further 20% interest in the Middlemount JV from Macarthur for an exercise price of \$100 million
    - option can be exercised at any time up to 18 months from after CHPP completion
    - until exercise, Gloucester is not required to contribute funding of capital expenditure in respect of this 20%

Middlemount  
Royalty

- Proposal to acquire from Noble the right to receive a royalty for \$168 million:
  - royalty of 4% of FOBT sales from the Middlemount JV<sup>1</sup>

Cash and shares  
consideration

- The total day one price payable to Noble of \$437.5 million will comprise cash of \$337.5 million and the issue of \$100 million of new Gloucester shares to Noble

Subject to  
shareholder  
approval

- The proposed acquisition of the Middlemount Assets and the issue of \$100 million of new Gloucester shares to Noble will be subject to various conditions, including the approval of Gloucester shareholders (excluding Noble), to be obtained at a General Meeting
- Expected to occur on or around 27 September 2010

Note:

1. Or such other amount as Noble receives under the Royalty Deed

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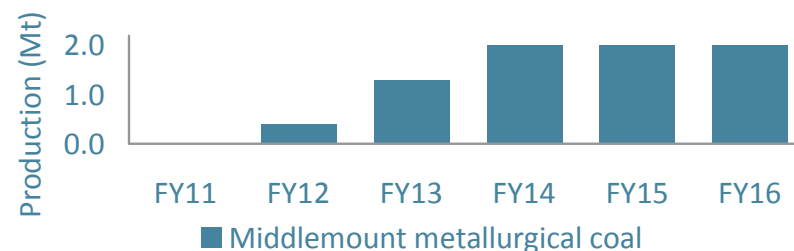
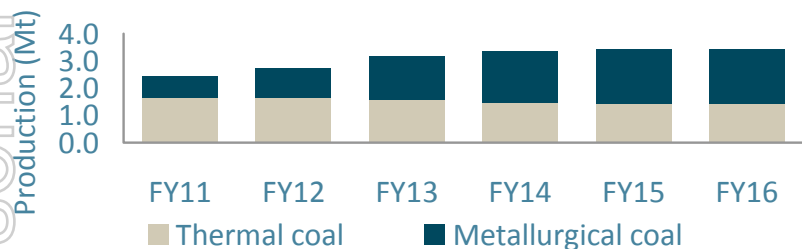
# Pro forma impact on equity volumes of the Acquisition

## Gloucester<sup>1</sup>

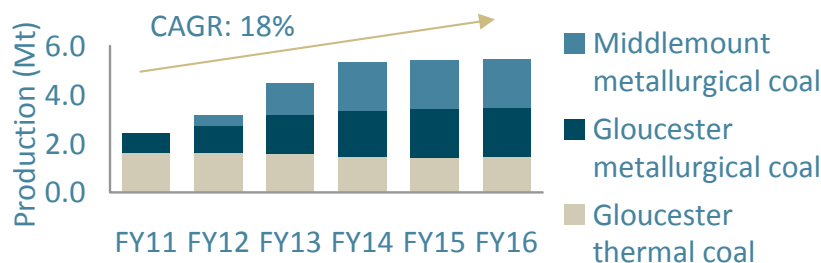
- Existing producer of 1.9Mtpa in the Gloucester Basin (NSW), with growth plans to reach steady-state of c.3.5Mtpa by June 2014 (FY14)

## Acquisition of the Middlemount Assets<sup>1,2</sup>

- Metallurgical coal development project in the Bowen Basin (QLD)
- Gloucester equity share of production is expected to reach steady-state of 2.0Mtpa in the year ending June 2014 (FY14)



## Pro forma Gloucester<sup>1,2</sup>



Notes:

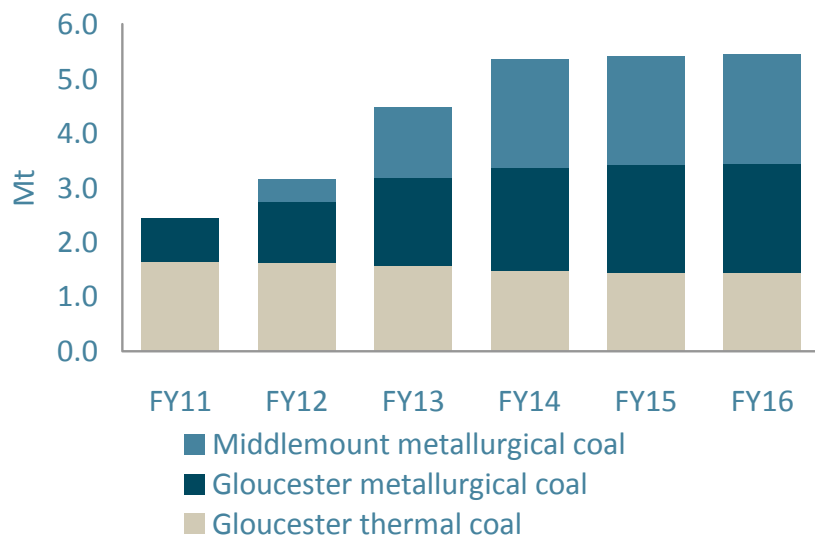
- Projected saleable production figures are estimates only and are subject to the risks outlined in "Key risks" (refer to Appendices)
- Net to Gloucester, assuming Gloucester completes the acquisition of the Middlemount Deferred Equity and exercises the Middlemount Option at the start of FY13

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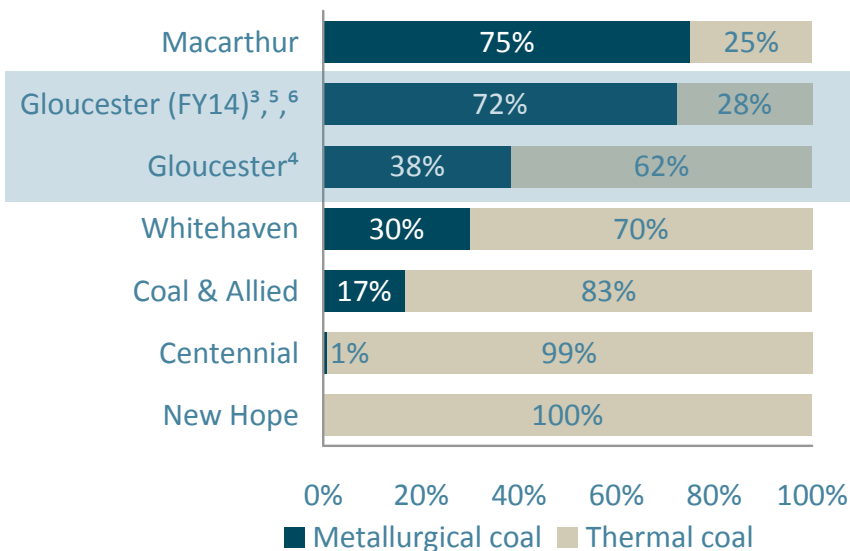


# Pro forma impact of the Middlemount acquisition

## Projected saleable production<sup>1,6</sup>



## Production split of selected Australian peers<sup>2</sup>



Notes:

1. Net to Gloucester, assuming Gloucester completes the acquisition of the Middlemount Deferred Equity and exercises the Middlemount Option at the start of FY13
2. Based on FY09 production/sales figures
3. Planned production split by FY14, assuming Gloucester completes the acquisition of the Middlemount Deferred Equity and exercises the Middlemount Option at the start of FY13
4. Based on FY10 sales
5. Mostly coking coal
6. Projected saleable production figures are estimates only and are subject to the risks outlined in "Key risks" (refer to Appendices)

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# Pro forma summary balance sheet

\$m	Gloucester 30-Jun-10 Unaudited <sup>2</sup> (Note 1)	Equity raising Reviewed <sup>1,2</sup> (Note 2)	Sub-total	Proportionate Middlemount 31-Dec-09 Not Reviewed <sup>2</sup> (Note 3)	Purchase price adjustments Reviewed <sup>1,2</sup> (Note 4)	Acquisition of Middlemount Royalty Reviewed <sup>1,2</sup> (Note 5)	30-Jun-10 pro forma balance sheet
Total current assets	93.1	397.8	490.9	5.6	(171.8)	(168.0)	156.7
Total non-current assets	171.8	-	171.8	43.1	279.3	168.0	662.2
<b>Total assets</b>	<b>264.9</b>	<b>397.8</b>	<b>662.7</b>	<b>48.7</b>	<b>107.5</b>	<b>-</b>	<b>818.9</b>
Total current liabilities	38.5	-	38.5	35.2	(29.1)	-	44.6
Total non-current liabilities	45.3	-	45.3	2.9	49.5	-	97.7
<b>Total liabilities</b>	<b>83.8</b>	<b>-</b>	<b>83.8</b>	<b>38.1</b>	<b>20.4</b>	<b>-</b>	<b>142.3</b>
Net assets (Note 6) <sup>2</sup>	181.1	397.8	578.9	10.6	87.1	-	676.6
<b>Total equity</b>	<b>181.1</b>	<b>397.8</b>	<b>578.9</b>	<b>10.6</b>	<b>87.1</b>	<b>-</b>	<b>676.6</b>

## Notes:

1. Review procedures undertaken by Ernst & Young, and primarily consist of analytical review, management inquiries and reading of key documents. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit
2. Refer to page 47 for the comprehensive pro forma balance sheet and page 48 for notes



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# Equity raising

## Entitlement offer

- Accelerated non-renounceable pro-rata entitlement offer of up to c.\$455 million
- Institutional entitlement offer of c.\$410 million
  - underwritten
  - Noble is not participating in the entitlement offer (87.7%<sup>1</sup> holding)
- Retail entitlement offer of up to c.\$45 million
  - not underwritten
- Gloucester shareholders registered as such at 7:00pm (AEST) on the record date are entitled to participate in the pro-rata entitlement offer, regardless of whether or not they have accepted the Noble Offer

## Offer price

- \$9.25/share

## Institutional placement

- Subject to sufficient demand, Gloucester reserves the right to raise up to an additional c.\$90 million through an institutional placement (at the same offer price as under the entitlement offer)

## JLMs

- UBS and RBS are acting as Joint Lead Managers

## Dividends

- New shares issued will rank equally for dividends with existing shares
- Gloucester intends to start paying dividends post completion of Stage 1 of Middlemount (currently expected during FY12)<sup>2</sup>

## Noble Offer

- Shares to be issued under the equity raising are **not** eligible to be accepted into the Noble Offer and will trade under a separate ASX code to those on issue as at 1 June 2010 until the Noble Offer and any associated buy-out rights end (the Noble Offer is currently scheduled to close on 3 September 2010 but may be extended or withdrawn)

### Notes:

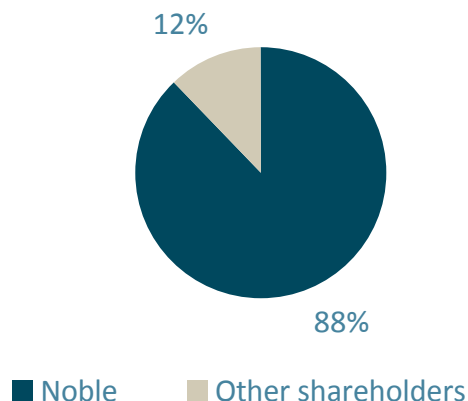
1. As at 30 July 2010, Noble has acceptances under the Noble Offer for a further 5.2% of the shares in Gloucester. Refer to page 42 for further details
2. Production commencement figures and timing are estimates only and are subject to the risks outlined in “Key risks” (refer to Appendices)



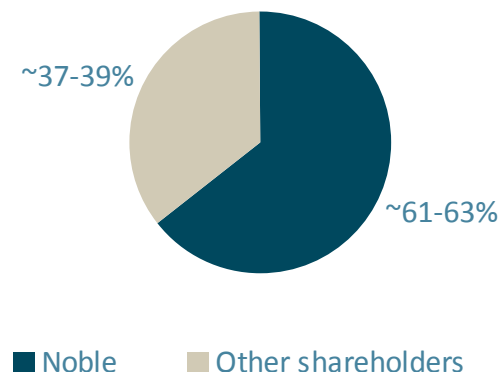
# Substantial enhancement of free float

- Enhanced free float is anticipated post equity raising (up to 37-39%)<sup>1,3,4</sup>
- Potential for inclusion in ASX 200 index (subject to liquidity post raising)

Current Gloucester register<sup>2</sup>



Gloucester register post equity raising and share issue to Noble<sup>1,3,5</sup>



Notes:

1. Figures are approximations based on shareholdings and acceptances under the Noble Offer as at 30 July 2010 assuming that the issue of \$100 million of new Gloucester shares to Noble is approved by Gloucester shareholders, Noble does not acquire any further shares and shareholders that have previously accepted the Noble Offer do not withdraw their acceptances
2. As at 30 July 2010, Noble has acceptances under the Noble Offer for a further 5.2% of the shares in Gloucester. Refer to page 42 for further details
3. Final shareholdings will depend on various matters including the level of participation in the equity raising by retail shareholders, the level and timing of acceptances and transfers under the Noble Offer and the extent to which withdrawal rights are exercised
4. If Gloucester proceeds with an institutional placement to raise an additional c.\$90 million, free float is expected to increase to c.41-43%
5. If Gloucester proceeds with an institutional placement to raise an additional c.\$90 million, Noble's shareholding in Gloucester is expected to reduce to c.57-59%

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# Interaction with the Noble Offer

- Noble has made a takeover offer to acquire all Gloucester shares (on issue as at 1 June 2010) it does not own for \$12.60 per share
- The Noble Offer remains open and is subject to a certain condition. Noble has announced that it will not rely on that condition or reduce the \$12.60 offer price merely as a result of the equity raising and the proposed acquisition of the Middlemount Assets
- The Noble Offer represents a:
  - 35.3% premium to the closing price of Gloucester shares on 1 April 2010, being the last trading day before the announcement of the Noble Offer;
  - 36.5% premium to the 1 month VWAP of Gloucester shares up to and including 1 April 2010; and
  - 43.3% premium to the 3 month VWAP of Gloucester shares up to and including 1 April 2010
- New shares issued through the equity raising will rank equally with existing shares, however, shares to be issued under the equity raising are **not** eligible to be accepted into the Noble Offer and will trade under a separate ASX code to those on issue as at 1 June 2010 until the Noble Offer and any associated buy-out rights end
- As at 30 July 2010, Noble has acceptances under the Noble Offer for a further 5.2% of the shares in Gloucester. Acceptances under the Noble Offer are not final and may increase or decrease. On 28 July 2010, Noble extended its offer to 7:00pm (AEST) on 3 September 2010 (unless further extended or withdrawn). Noble has informed Gloucester that Gloucester shareholders that have accepted the Noble Offer prior to the extension on 28 July 2010 have withdrawal rights. Shareholders who accepted the Noble Offer after it was extended on 28 July 2010 are not entitled to withdraw their acceptances



# Indicative timetable

Event	Date <sup>1</sup>
Institutional entitlement offer period (bookbuild)	4 Aug
Record date for the entitlement offer	9 Aug
Retail entitlement offer opens	12 Aug
Institutional settlement date	17 Aug
Retail entitlement offer closes	27 Aug
Retail settlement date	3 Sep
Record date for shareholder meeting	25 Sep <sup>2</sup>
Shareholder meeting (approve the acquisition of the Middlemount Assets and the issue of \$100 million of new Gloucester shares to Noble)	27 Sep

## Notes:

1. All dates are subject to change at the Gloucester Board's discretion
2. Effective 7:00pm (AEST)



# Summary

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- ✓ Gloucester is one of the few, independent metallurgical coal companies listed on ASX
- ✓ Gloucester will have exposure to two coal producing basins, the Gloucester Basin and the Bowen Basin if it acquires the Middlemount Assets
- ✓ Gloucester has established strong long-term relationships with major customers
- ✓ Acquisition of the Middlemount Assets will enable Gloucester to increase its exposure to metallurgical coal and assist Gloucester in achieving its objective of becoming a predominantly metallurgical coal producer
- ✓ Increased free float and liquidity expected following the equity raising
- ✓ Gloucester's experienced management team has a proven track record
- ✓ Noble is a strategic value-adding shareholder for Gloucester



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1 Executive summary

2 Gloucester's strategy

3 Overview of Gloucester

4 Overview of Middlemount

5 Acquisition of the Middlemount Assets

6 Equity raising

7 Appendices



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## Appendices

- Pro forma balance sheet & notes
- Gloucester's coking coal quality
- Gloucester's history
- Experienced Board
- The Minerals Resource Rent Tax
- Key risks
- JORC resource and reserve statement
- Competent Persons Statement
- Glossary



# Pro forma balance sheet

\$m	Gloucester 30-Jun-10 Unaudited <sup>2</sup> (Note 1)	Equity raising Reviewed <sup>1,2</sup> (Note 2)	Sub-total	Proportionate Middlemount 31-Dec-09 Not Reviewed <sup>2</sup> (Note 3)	Purchase price adjustments Reviewed <sup>1,2</sup> (Note 4)	Acquisition of Middlemount Royalty Reviewed <sup>1,2</sup> (Note 5)	30-Jun-10 pro forma balance sheet
<b>Current assets</b>							
Cash and cash equivalents	27.8	397.8	425.6	0.3	(171.8)	(168.0)	86.1
Inventories	19.2	-	19.2	2.8	-	-	22.0
Property, plant and equipment	29.5	-	29.5	-	-	-	29.5
Other current assets	16.6	-	16.6	2.5	-	-	19.1
<b>Total current assets</b>	<b>93.1</b>	<b>397.8</b>	<b>490.9</b>	<b>5.6</b>	<b>(171.8)</b>	<b>(168.0)</b>	<b>156.7</b>
<b>Non-current assets</b>							
Property, plant and equipment	171.7	-	171.7	36.9	165.0	-	373.6
Middlemount Deferred Equity, Middlemount Option and Middlemount Royalty	-	-	-	-	61.7	168.0	229.7
Goodwill	-	-	-	-	52.6	-	52.6
Other non-current assets	0.1	-	0.1	6.2	-	-	6.3
<b>Total non-current assets</b>	<b>171.8</b>	<b>-</b>	<b>171.8</b>	<b>43.1</b>	<b>279.3</b>	<b>168.0</b>	<b>662.2</b>
<b>Total assets</b>	<b>264.9</b>	<b>397.8</b>	<b>662.7</b>	<b>48.7</b>	<b>107.5</b>	<b>-</b>	<b>818.9</b>
<b>Current liabilities</b>							
Trade and other payables	20.4	-	20.4	4.5	-	-	24.9
Provisions	3.9	-	3.9	-	-	-	3.9
Loans and borrowings	4.5	-	4.5	30.7	(29.1)	-	6.1
Other current liabilities	9.7	-	9.7	-	-	-	9.7
<b>Total current liabilities</b>	<b>38.5</b>	<b>-</b>	<b>38.5</b>	<b>35.2</b>	<b>(29.1)</b>	<b>-</b>	<b>44.6</b>
<b>Non-current liabilities</b>							
Deferred tax liabilities	7.2	-	7.2	2.6	49.5	-	59.3
Provisions	7.9	-	7.9	0.3	-	-	8.2
Loans and borrowings	30.2	-	30.2	-	-	-	30.2
<b>Total non-current liabilities</b>	<b>45.3</b>	<b>-</b>	<b>45.3</b>	<b>2.9</b>	<b>49.5</b>	<b>-</b>	<b>97.7</b>
<b>Total liabilities</b>	<b>83.8</b>	<b>-</b>	<b>83.8</b>	<b>38.1</b>	<b>20.4</b>	<b>-</b>	<b>142.3</b>
<b>Net assets (Note 6)<sup>2</sup></b>	<b>181.1</b>	<b>397.8</b>	<b>578.9</b>	<b>10.6</b>	<b>87.1</b>	<b>-</b>	<b>676.6</b>
<b>Equity</b>							
Share capital	137.2	397.8	535.0	17.8	82.2	-	635.0
Reserves	(4.1)	-	(4.1)	-	-	-	(4.1)
Retained earnings	48.0	-	48.0	(7.2)	4.9	-	45.7
<b>Total equity</b>	<b>181.1</b>	<b>397.8</b>	<b>578.9</b>	<b>10.6</b>	<b>87.1</b>	<b>-</b>	<b>676.6</b>

## Notes:

1. Review procedures undertaken by Ernst & Young, and primarily consist of analytical review, management inquiries and reading of key documents. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit
2. Refer to the next page for notes



# Pro forma balance sheet (notes)

**Note 1:** Derived from the unaudited and unreviewed 30 June 2010 Appendix 4E of Gloucester.

**Note 2:** Represents the issue of new shares raising \$409.4 million (excludes any proceeds from the non-underwritten entitlement offer or any institutional placement) less transaction costs of \$11.6 million.

**Note 3:** Calculated by multiplying the Middlemount balance sheet as at 31 December 2009, being the most recent available public financial information for Middlemount, (extracted from the bidder's statement released by Macarthur on 26 February 2010) by 27.52%. If 30 June 2010 Middlemount financial information had been used the pro forma assets and liabilities would be different to those presented, however, the pro forma net assets position would be unchanged.

**Note 4:** Represents the Purchase Price Adjustments relating to the acquisition of the Middlemount Equity, Middlemount Deferred Equity and Middlemount Option. Consideration to Noble for this acquisition is \$169.5 million cash, plus \$2.3 million in incidental transaction costs, and \$100 million in Gloucester shares. The purchase price allocation is considered "provisional" under AASB3: Business Combinations. The pro forma adjustment does not include the impact of the future exercise of the rights and options to acquire the further 22.48%. This acquisition would require the payment of \$108 million plus incidental costs such as land rich duties. Any incidental costs associated with this acquisition would be immediately expensed under AASB3. These amounts are not reflected in the pro forma balance sheet.

As at 31 December 2009, Middlemount had total "Loans and Borrowings" of \$111.5 million. Of this, \$91.3 million was identified in the Macarthur Explanatory Memorandum dated 26 February 2010 as being from Macarthur (\$63.8 million, being 70% of \$91.3 million) and Noble (\$27.5 million, being 30% of \$91.3 million and hereafter referred to as the Noble Shareholder Loan). As part of acquisition of the Middlemount Assets, Noble will transfer the Noble Shareholder Loan to Gloucester for no additional consideration.

**Note 5:** Represents the acquisition of the Middlemount Royalty for \$168 million.

**Note 6:** Reconciliation of net assets:

	\$m
Net assets of Gloucester as reported at 30 June 2010	181.1
Shares issued to Noble	100.0
Equity raising (note 2)	409.4
Transaction costs – acquisition of shares (note 4)	(2.3)
Transaction costs – equity raising (note 2)	(11.6)
<b>Pro forma net assets</b>	<b>676.6</b>

Note:

1. Review procedures undertaken by Ernst & Young, and primarily consist of analytical review, management inquiries and reading of key documents. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit



# Gloucester's coking coal quality

## Gloucester's coking coal is high quality coal

- Gloucester coking coal is a premium product and is noted for its high fluidity
- High fluidity enhances pricing and helps secure demand

### Gloucester's coking coal<sup>1</sup>

Ash (%)	9.9
CSN (swell index)	8.5
Inherent moisture (%)	1.5
Volatile matter (%)	33.0-34.0
Rank (Ro Max)	0.85
Max. fluidity (ddpm)	> 5,000

Note:

1. The coal quality data is representative based on studies conducted to date, and is subject to the risks outlined in "Key risks" (refer to Appendices)

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# Gloucester's history

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2010

- Macarthur obtained consent from ASIC to withdraw all unaccepted offers effective as of 19 May 2010
- Gloucester received a takeover offer from Noble for all of the shares in Gloucester that it did not already own

2009

- Gloucester received a takeover offer from Macarthur, offering 0.84 Macarthur shares for every 1 Gloucester share held or a cash alternative of \$8.00 per share
- Noble became an 87.7% shareholder in Gloucester
- Gloucester announced the withdrawal of the takeover offer for Whitehaven
- Noble, a 21.7% shareholder in Gloucester, announced a cash based takeover offer for Gloucester, conditional on Gloucester's proposed takeover of Whitehaven not proceeding
- Gloucester announced a scrip takeover offer for Whitehaven

2008

- Reserves and resources increased significantly as a result of extensive exploration works

2007

- Xstrata launched an unsuccessful takeover offer for Gloucester

2006

- Clareval seam discovered at East Duralie



# Experienced Board



**James MacKenzie**  
*Chairman and Independent  
Non-Executive Director*

- Chairman of the Mirvac Group and Pacific Brands Limited, and Director of Melco Crown Entertainment Limited
- Formerly Chairman of the TAC and Victorian WorkCover Authority, Director of Donaldson Coal and Partner in both the Melbourne and Hong Kong offices of a Deloitte antecedent firm



**David Brownell**  
*Independent Non-Executive  
Director*

- Organisation and strategy consultant by background
- Formerly Senior Vice President in Boston Consulting Group's Melbourne Office and the Asia-Pacific Leader of BCG's Organization Practice Group, and Director of Donaldson Coal



**Greg Fletcher**  
*Independent Non-Executive  
Director*

- Chartered Accountant by background with over 30 years of experience, including 16 years as a Senior Partner at Deloitte specialising in external audit, internal audit and risk management
- Currently a Director of WDS Limited, former Director of Railcorp and serves on the Panel of Audit and Risk Committee Independent Chairs and Members for NSW public sector entities



**Barry Tudor**  
*Chief Executive Officer and  
Managing Director*

- Formerly Director – Australian Assets for Noble Energy, responsible for Noble's coal assets in Australia and the group's strategic expansion into coal asset ownership
- Formerly CFO of Gloucester. Commenced his career at KPMG and held several senior regional and international roles
- Chartered Accountant and a Member of the Institute of Company Directors in Australia



**Ricardo Leiman**  
*Non-Executive Director*

- CEO of Noble
- Formerly COO North America, EMEA and Asia and COO Soft Commodities at Louis Dreyfus, and held management positions with Louis Dreyfus in Brazil, Eximcoop in the Netherlands and Trader Classified Media in London and Paris



**William Randall**  
*Non-Executive Director*

- Currently Head of the Coal & Coke Division at Noble and member of the Noble Executive Board
- Assumed management of the Steel & Ferro Alloys business of Noble in April 2010
- Formerly Director of Noble Energy Inc, and established Noble's coal operations, mining and supply chain management businesses



# The Minerals Resource Rent Tax<sup>1</sup>

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1. On 2 July 2010, the Federal Government announced material revisions to its proposed RSPT, replacing it with the newly designed MRRT
    - the new resource tax, if implemented, will apply from 1 July 2012 only to mined iron ore and coal – all other minerals are excluded
  2. Key elements of the MRRT include:
    - 30% tax is applied, with unutilised MRRT losses carried forward at the long-term bond rate plus 7% uplift rate
    - projects will be entitled to a 25% extraction allowance
    - miners may elect to use the book or market value as the starting base for project assets
      - book value starting base will be uplifted with the long term bond rate, plus 7% (accelerated depreciation for existing balance still allowed)
      - no uplift if market value is used (must be depreciated over the life of asset, maximum of 25 years)
  3. It is proposed that the company tax rate will be reduced to 29% in FY14
  4. To ensure the smooth implementation of the new arrangements, the Government is establishing a Policy Transition Group (PTG) led by Resources Minister Martin Ferguson AM and Mr Don Argus AC (former Chairman of BHPB) to consult with industry and advise the Government on the implementation of the new MRRT arrangements

## Note:

1. This is a summary only of the MRRT as proposed by the Federal Government and does not include proposals by the major political parties other than the ALP – limited details are available at this stage, and the impact of the MRRT is yet to be determined. Depending on the outcome of the upcoming Federal election, the form of the MRRT and the consequential effect on the company tax rate (if any) may differ from this summary. Investors should seek their own advice to form their own assessment of the impact of the MRRT



# Key risks

There are various risks associated with investing in Gloucester, as with any stock market investment and, specifically, because of the nature of Gloucester's coal exploration and production business and the present stage of development of Gloucester's operations. This includes projects in which Gloucester has an interest including, if acquired, the Middlemount Assets. A reference to Gloucester in this "Key risks" section should therefore be taken to include, where relevant, a reference to those project interests.

Potential investors should consider whether the shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. Many of those risk factors are outside the control of the Directors.

It is important to recognise that share prices might fall or rise and shareholders may or may not be entitled to receive dividends. Factors affecting the operating and financial performance of Gloucester and the market price of Gloucester shares include domestic and international economic conditions and outlook, changes in government fiscal, monetary and regulatory policies, changes in interest rates and inflation rates, changes to commodity prices, the announcement of new technologies and variations in general market conditions and/or market conditions which are specific to a particular industry. In addition, share prices of many companies are affected by factors which might be unrelated to the operating performance of the relevant company. Such factors might adversely affect the market price of Gloucester shares.

The forward-looking information provided in this Presentation with respect to, but not limited to, production forecasts, growth forecasts of Gloucester's resources and reserves, sales, earnings and capital expenditure estimates is based on certain assumptions which are inherently subject to significant uncertainties. The actual results of Gloucester's operations in future years may therefore differ from its current estimates.

## **Risks related to the acquisition of the Middlemount Assets**

If the acquisition of the Middlemount Assets proceeds, Gloucester will initially own 27.52% of the Middlemount JV and 50% following the acquisition of shares on the exercise of its rights under the Middlemount Option and the acquisition of the Middlemount Deferred Equity. As a result, Gloucester is subject to the risks associated with the Middlemount JV, which include potential disagreements with respect to contractual, operational and financial matters, including failure to agree on work programmes and budgets for proposed developments or exploration and/or the JV partners failing to meet their obligations under the Middlemount JV (including contributions to fund capital expenditure). Where a JV partner does not act in the best commercial interest of the Middlemount JV, it could have a material adverse effect on the interests of Gloucester. In addition, any disputes and/or litigation between the Middlemount JV partners on the financial failure of the other JV partner may destabilise the operation of the Middlemount project.

There is also a risk that any potential efficiencies and/or benefits for Gloucester of the acquisition of the Middlemount Assets are not achieved in full or in a timely manner.

In addition, a number of third parties are party to contractual arrangements concerning the Middlemount JV and the Middlemount Assets. Third parties may seek to challenge, set aside or reverse Gloucester's acquisition of the Middlemount Assets. Although Gloucester is confident that its acquisition of the Middlemount Assets will withstand any such challenge, litigation can give rise to uncertainties and the process and consequences of any such challenge may have a material adverse impact on Gloucester's operational and financial performance and/or position.

As Middlemount is a development project, there is a risk that the production rates, product mix, capital and operating costs differ from those currently expected.



# Key risks

## Coal sales and prices

Gloucester derives its revenue from the sale of coal. Its coal supply agreements are generally renegotiated quarterly/annually. Difficulties encountered in those negotiations may adversely affect Gloucester's financial performance if the price that customers are willing to pay and/or the quantity of coal required by customers are below expectations.

Coal prices may fall as a result of a number of factors beyond Gloucester's control, including increased global supply, decreased demand, currency exchange rates, general economic conditions and other factors. Gloucester can give no assurance as to the prices it will achieve for any of its coal products in the future.

## Impact of inflation on costs

Higher than expected inflation rates generally, or specific to the mining industry in particular, could be expected to increase operating and development costs and potentially reduce the value of future project developments. While, in some cases, such cost increases might be offset by increased selling prices, there is no assurance that this would be possible.

## Exchange rate risks and hedging

Gloucester sells the majority of its coal product overseas and such sales are priced in US\$. Accordingly, fluctuations in the A\$ relative to the US\$ may materially affect the cash flow and earnings which Gloucester will realise from its operations in A\$ terms.

## Operational risks

Gloucester's mining operations may be affected by (amongst other things) the following: weather/natural disasters; unexpected maintenance or technical problems; unplanned capital expenditure; variations in coal seam thickness and quality; variations in the amount of rock and soil overlaying coal deposits and other variations in geological conditions; and increases in labour costs.

## Exploration and development projects

Some of the projects in which Gloucester has an interest, including, if acquired, the Middlemount Assets, are at an exploration or development stage. Coal exploration and mine development generally involves a high degree of risk and is subject to hazards and risks including unusual and unexpected geological formations, seismic activity, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, any facilities, damage to life or property, environmental damage and possible legal liability.

The information provided in this Presentation in relation to Gloucester's projects is the current estimate of coal resources and reserves, capital and operating cost, as determined from geological data obtained from drill holes and other exploration techniques and feasibility studies conducted to date.

## Resource and reserve estimates

Resource and reserve estimates are stated to be prepared in accordance with the JORC Code and are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made, but may change significantly when new information becomes available. There are risks associated with such estimates, including that coal mined may be of a different quality, tonnage or strip ratio from the estimates. Resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resources and reserves could affect Gloucester's development and mining plans.



# Key risks

## Infrastructure and transport

Gloucester's future growth is contingent on government and private sector delivery of proposed transport infrastructure. The development of this infrastructure and the future cost of access to new and existing infrastructure is outside Gloucester's control. Coal produced from Gloucester's mining operations is transported to customers by a combination of rail and sea. A number of factors could disrupt these transport services, including weather-related problems, rail or port capacity constraints, key equipment and infrastructure failures and industrial action, impairing Gloucester's ability to supply coal to its customers.

## Government policy and taxation

Changes in relevant taxation laws, interest rates, other legal, legislative and administrative regimes, and government policies in Australia may have an adverse effect on the assets, operations and ultimately the financial performance of Gloucester and the market price of Gloucester shares.

## Industry and commodity cycles

The demand for, and price of, coal is highly dependent on a variety of factors, including international supply and demand, the price and availability of alternative fuels, actions taken by governments, and global economic and political developments.

Gloucester will be affected by prevailing steel market and electricity generation conditions in the countries and sectors in which it sells its product. Adverse changes in market sentiment or conditions can and will impact Gloucester's ability to manage operating costs and have sales meet installed production capacity. These impacts could lead to a reduction in earnings and the carrying value of assets that are outside of Gloucester's control.

## Minerals Resource Rent Tax<sup>1</sup>

The Federal Government announced on 2 July 2010 that it intends to introduce a Minerals Resource Rent Tax (MRRT) from 1 July 2012, payable at the rate of 30% on profits made from the exploitation of Australia's non-renewable resources. The MRRT will apply to all coal and iron ore mining projects in Australia. Projects coming under the MRRT regime will also be entitled to a 25% extraction allowance.

Although at this stage, exact details concerning the MRRT remain uncertain and the extent to which the MRRT may impact on Gloucester and/or its operations is yet to be determined, the introduction of the MRRT has the potential to increase Gloucester's effective tax rate, which could adversely affect Gloucester's financial performance and share price. Refer to page 52 for a summary of the MRRT.

### Note:

1. This is a summary only of the MRRT as proposed by the Federal Government and does not include proposals by the major political parties other than the ALP – limited details are available at this stage, and the impact of the MRRT is yet to be determined. Depending on the outcome of the upcoming Federal election, the form of the MRRT and the consequential effect on the company tax rate (if any) may differ from this summary. Investors should seek their own advice to form their own assessment of the impact of the MRRT



# Key risks

## **Joint ventures and reliance on third parties**

Through Gloucester's participation in joint ventures and its use of contractors and other third parties for exploration, mining and other services generally, it is reliant on a number of third parties for the success of its current operations and for the development of its growth projects. While the situation is normal for the mining and exploration industry, problems caused by third parties may arise which have the potential to impact on the performance and operations of Gloucester. Any failure by counterparties to perform their obligations may have a material adverse effect on Gloucester and there can be no assurance that Gloucester would be successful in attempting to enforce any of its contractual rights through legal action.

## **Environmental regulation**

Environmental regulation of mining activities at both State and Federal level imposes significant obligations on mining companies. Changes in these laws and regulations may adversely affect Gloucester's operations, including profitability of the operations.

In addition, mining is an industry that has become subject to increasing environmental responsibility and liability. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environment regulation, if any, will not adversely affect Gloucester's operations.

## **Global Warming – Carbon trading/carbon tax**

The regulatory response to the risk of global warming, including unilateral action by Australia, may affect coal prices and the competitiveness of Gloucester's products in the world energy market. Unilateral action by Australian governments (or multilateral action involving Australian governments which is not universal) may decrease the competitiveness of Australian coal exports relative to competing coal exporters (e.g. South Africa and South American countries).

## **Water management**

Climate changes and changes to water allocations and to government policy may affect Gloucester's access to water and power necessary for existing and future mining operations.

## **Competition**

Competition from Australian and international producers of coal may affect the cash flow and earnings which Gloucester will realise from its operations. Gloucester may also encounter competition from other mining companies for the acquisition of new projects to sustain or increase its coal production, affecting its ability to acquire new interests on acceptable terms.

## **Reliance on third parties**

The use by Gloucester of contractors and other third parties for exploration, mining and other activities creates reliance on others for the success of current operations and for the development of exploration projects. Problems caused by third parties may arise with the potential to affect the financial performance of Gloucester.



# Key risks

## Reliance on major customers for sales

Gloucester derives revenues from annual and longer term contracts. If these contracts expire and are not renewed, or customers default and other replacement customers are not found, the financial results of Gloucester may be adversely affected. Active spot markets for coal in Australia and overseas partially mitigate this risk.

## Wars, terrorism, political, economic and natural disasters

Events may occur within or outside Australia that could impact upon the world economy, the market for coal, the operations of Gloucester and the price of Gloucester's shares. For example, war, acts of terrorism, civil disturbance, political intervention and natural activities such as earthquakes, floods, fire and poor weather affecting the transport and mining of coal. Gloucester has a limited ability to insure against some of these risks.

## Enforcement of legal rights

Gloucester has entered into contracts which are important to the future of their businesses. Any failure by counterparties to perform those agreements may have a material adverse effect on Gloucester and there can be no assurance that it would be successful in enforcing any of its contractual rights through legal action.

## Native title

Any native title claims or cultural heritage issues arising in the future may delay production from exploration areas where Gloucester does not already hold mining leases or freehold title.

## Current and future finance

No assurance can be given that any refinancing required from time to time will be available on terms favourable to Gloucester. In such circumstances, if Gloucester is unable to secure refinancing or refinancing on favourable terms, this may have a material adverse effect on Gloucester.

Gloucester's ability to service its debt will depend on its future performance and cash flows, which will be affected by many factors, certain of which are beyond Gloucester's control. Any inability of Gloucester to service its existing debt may have a material adverse effect on Gloucester.

Existing credit facilities and internally-generated funds may not be sufficient for expenditure that might be required for acquisitions, new projects, further exploration and feasibility studies. Gloucester may need to raise additional debt or equity in the future. There is no assurance that Gloucester will be able to obtain additional debt or equity funding when required, or that the terms associated with that funding will be favourable, which may have an adverse effect on Gloucester.

## Key personnel

Gloucester has a number of key management personnel on whom it depends to run Gloucester's business. The loss of any of these officers or other key personnel, coupled with any inability to attract suitably qualified replacement personnel due to a shortage of labour, could have a material adverse effect on Gloucester's financial performance.

## Approvals

Gloucester's financial performance could be adversely affected as a result of delays in obtaining necessary government approvals or if applications lodged for exploration licences are not granted, or exploration licences that have been granted for a fixed term are not renewed upon expiry.



# Gloucester – Coal Resources as at 30 June 2010<sup>1</sup>

## Gloucester's existing portfolio

Region	Area	Resources (Mt)			
		Measured	Indicated	Measured & Indicated	Inferred
<b>Stratford</b>	Bowens Road North (A)	2.7	0.6	3.3	—
	Avon North (A)	—	3.0	3.0	—
	Roseville West (A)	—	35.5	35.5	5
	Co-disposal area (A)	—	2.3	2.3	—
	Stratford East (B)	—	5.8	5.8	4
<b>Grant &amp; Chainey (B)</b>	Grant & Chainey	—	56.8	56.8	25
<b>Duralie (A)</b>	Duralie Main Pit	0.7	8.3	9.0	—
	Duralie North West	9.9	4.5	14.4	1
	Duralie East	—	9.2	9.2	3
	Railway Pit	1.2	0.5	1.7	—
<b>Total</b>	Open Cut	14.5	126.5	141.0	38
<b>Duralie (A)</b>	Duralie Underground	0.9	39.9	40.8	59
<b>Total</b>	Open Cut & Underground	15.4	166.4	181.8	97

Refer to page 61 for the Competent Persons Statement

Note:

1. As detailed in the JORC Coal Reserves and Resources Update in the ASX announcement on 26 July 2010

Not for distribution or release into the United States or to US persons



# Gloucester – Coal Reserves as at 30 June 2010<sup>1</sup>

## Gloucester's existing portfolio

Region	Area	Reserves (Mt)		
		Proven	Probable	Proven & Probable
<b>Duralie</b>	Main Pit (B)	—	6.2	6.2
	Clareval West (B)	10.6	0.6	11.2
	Railway Pit (A)	0.9	—	0.9
	North East (A)	—	6.5	6.5
<b>Stratford (B)</b>	Avon North	—	3.1	3.1
	Bowens Road North	1.8	0.4	2.2
	Co-disposal area	—	2.2	2.2
	Grant & Chainey	—	15.0	15.0
	Stratford East	—	2.9	2.9
	Stratford South	—	6.5	6.5
	Roseville West (& South)	—	18.1	18.1
<b>Total</b>	Open Cut Reserves	13.3	61.5	74.8

Refer to page 61 for the Competent Persons Statement

### Note:

1. As detailed in the JORC Coal Reserves and Resources Update in the ASX announcement on 26 July 2010

Not for distribution or release into the United States or to US persons



# Resource and reserve statements – Middlemount

## Middlemount<sup>1,2</sup>

	Resources (Mt)				Reserves (Mt)		
	Measured	Indicated	Inferred	Total	Proved	Probable	Total
<b>Middlemount</b>	30.6	37.8	31.7	100.1	29.0	28.0	57.0

Notes:

1. Sourced from Macarthur website
2. 100% basis – as at 30 June 2009



# Competent Persons Statement – Gloucester

This Competent Persons Statement is in relation to Gloucester's reserves and resources only, and does not cover reserves and resources reported for Middlemount.

## Notes on JORC resources

The estimates of coal resources have been carried out in accordance with the "2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)" prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. Coal resources are reported inclusive of coal reserves (i.e. coal reserves are not additional to coal resources).

Coal resources have been updated by subtraction of mined tonnes for Duralie Main Pit, Roseville West and Co-disposal area.

The information that relates to Gloucester's coal resources on page 58 is based on information compiled by:

- (A) Ms Janet Bartolo, a full-time employee of McElroy Bryan Geological Services Pty Ltd; and
- (B) Mr Shaun Tamplin, a full time employee of Tamplin Resources Pty Ltd.

Ms Janet Bartolo and Mr Shaun Tamplin are members of the Australasian Institute of Mining and Metallurgy and have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as competent persons as defined in the JORC Code.

Ms Janet Bartolo and Mr Shaun Tamplin consent to the inclusion in this Presentation of the matters based on their information in the form and context in which it appears.

## Notes on JORC reserves

The estimates of coal reserves have been carried out in accordance with the "2004 Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)" prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. Coal resources are reported inclusive of coal reserves (i.e. coal reserves are not additional to coal resources).

The information that relates to Gloucester's coal reserves on page 59 is based on information compiled by:

- (A) Mr Robert MacKenzie, a full-time employee of Runge Ltd trading as Minarco-MineConsult; and
- (B) Mr Shaun Tamplin, a full-time employee of Tamplin Resources Pty Ltd.

Mr Robert MacKenzie and Mr Shaun Tamplin are members of the Australasian Institute of Mining and Metallurgy. Mr Robert MacKenzie and Mr Shaun Tamplin have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as competent persons as defined in the JORC Code.

Mr Robert MacKenzie and Mr Shaun Tamplin consent to the inclusion in this Presentation of the matters based on their information in the form and context in which it appears.



# Glossary

<b>AASB3</b>	Australian Accounting Standards Board 3: Business Combinations
<b>ALP</b>	Australian Labor Party
<b>APCT</b>	Abbot Point Coal Terminal
<b>ASX</b>	Australian Securities Exchange
<b>ASX 200</b>	Market-capitalisation weighted and float-adjusted stock market index of the top 200 ASX listed stocks
<b>BHPB</b>	BHP Billiton Limited
<b>BMA</b>	BHP Billiton Mitsubishi Alliance
<b>Board</b>	Gloucester Board of Directors
<b>Capex</b>	Capital expenditure
<b>Centennial</b>	Centennial Coal Limited
<b>CHPP</b>	Coal handling and preparation plant
<b>Coal &amp; Allied</b>	Coal & Allied Industries Limited
<b>Consent Modification</b>	Modification of development consent
<b>CSN</b>	Crucible swelling number
<b>CY</b>	Calendar year ending 31 December
<b>DBCT</b>	Dalrymple Bay Coal Terminal
<b>DDPM</b>	Dial divisions per minute
<b>Deloitte</b>	Deloitte Corporate Finance Pty Limited
<b>Directors</b>	James MacKenzie, David Brownell, Greg Fletcher, Barry Tudor, Ricardo Leiman and William Randall
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortisation
<b>EIS</b>	Environmental Impact Study
<b>Environmental Approval</b>	Approval sought, for commencement of Stage 2 development at Middlemount, to enable increased production in early FY12
<b>Ernst &amp; Young</b>	Ernst & Young LLP
<b>FOB</b>	Free on board
<b>FOBT</b>	Free on board trimmed



# Glossary

<b>FY</b>	Financial year ending 30 June
<b>General Meeting</b>	Meeting to be held to provide shareholders with information on the running of the company and to approve the acquisition of the Middlemount Assets and issue of shares to Noble. Expected to be held on 27 September 2010
<b>Gloucester</b>	Gloucester Coal Limited
<b>Independent Directors</b>	James MacKenzie, David Brownell and Greg Fletcher
<b>Independent Expert</b>	Deloitte
<b>JLMs</b>	Joint Lead Managers
<b>JORC</b>	Australasian Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
<b>JORC Code</b>	2004 Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by JORC
<b>JV</b>	Joint venture
<b>Loneragan Edwards</b>	Loneragan Edwards & Associates Limited
<b>LV</b>	Low volatile
<b>m</b>	Million
<b>Macarthur</b>	Macarthur Coal Limited
<b>Middlemount Assets</b>	Includes Middlemount Equity, Middlemount Option, Middlemount Deferred Equity and Middlemount Royalty
<b>Middlemount Deferred Equity</b>	Further 2.48% interest in the Middlemount JV to be acquired for a further \$8 million following completion of a certain shipping milestone
<b>Middlemount Equity</b>	Noble's current 27.52% held interest in the Middlemount JV
<b>Middlemount JV</b>	Joint venture between Noble and Macarthur over the Middlemount development project
<b>Middlemount Option</b>	Option to acquire a further 20% interest in the Middlemount JV from Macarthur for \$100 million. Can be exercised at anytime up to 18 months from after CHPP completion
<b>Middlemount Royalty</b>	Right to receive a royalty of 4% of FOBT sales or such other amount as Noble receives under the Royalty Deed for \$168 million
<b>MRRT</b>	Minerals Resource Rent Tax
<b>Mt</b>	Million tonnes



# Glossary

<b>Mtpa</b>	Million tonnes per annum
<b>Noble</b>	Noble Group Limited and its subsidiaries
<b>Noble Offer</b>	Noble's Offer to acquire all Gloucester shares (on issue as at 1 June 2010) it does not own for \$12.60 per share
<b>NAV</b>	Net asset value
<b>NPAT</b>	Net profit after tax
<b>NSW</b>	New South Wales
<b>Opex</b>	Operating expense
<b>Part 3A Approval</b>	Permission granted by the relevant authority to proceed with a project under Part 3A of the <i>NSW Environmental Planning and Assessment Act 1979</i>
<b>PCI</b>	Pulverised coal injection
<b>PTG</b>	Policy Transition Group
<b>Purchase Price Adjustments</b>	Captures the projected change in value of Middlemount between the negotiation and closing
<b>PWCS</b>	Port Waratah Coal Services
<b>QLD</b>	Queensland
<b>ROM coal</b>	Run of mine coal
<b>Ro Max</b>	Mean maximum reflectance of vitrinite in oil
<b>Royalty Deed</b>	Agreement between Macarthur and Noble under which Noble is entitled to a royalty of 4% of FOBT sales or such other amount at Noble receives pursuant to this agreement
<b>RSPT</b>	Resource Super Profits Tax
<b>t</b>	Tonnes
<b>VWAP</b>	Volume weighted average price
<b>Whitehaven</b>	Whitehaven Coal Limited