



GLOUCESTER COAL LTD

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MARKET RELEASE

GLOUCESTER COAL EXPANDS COAL EXPLORATION

- EXPLORATION TARGETS OF UP TO 275 MILLION TONNES OF ADDITIONAL COAL
- RESOURCES AND RESERVES UPDATE EXPECTED IN FEBRUARY 2009

Gloucester Coal today announced an expanded coal exploration program in the Gloucester Basin. The program will continue over a period of several years with the aim of further establishing the mining potential of the company's Gloucester Basin tenements.

The additional exploration will be funded through existing cash balances and operating cash flows. Gloucester Coal has a strong balance sheet and currently no term debt.

The exploration is expected to add significant coal resources, with exploration targets of between 180 and 275 million tonnes of additional coal. Exploration expenditure in the previous three years has identified an additional 32.2mt of Measured and Indicated Resources, and 15mt of Inferred Resources at a cost of \$0.15 per resource tonne.

Gloucester Coal CEO Rob Lord said the expanded exploration program and the confirmation of additional coal will underpin the long term future of Gloucester Coal's mining operations and allow for increased production capability.

"Concept studies are now underway to support mining beyond 2030, at production rates of 3.5 million tonnes pa of product coal. The proportion which is higher value semi-hard coking coal should also increase (up to 45%) with the introduction of higher quality Clareval seam coal.

"Gloucester Coal now owns more than 5,000 hectares of land in the Gloucester Basin for prospective development, including buffer zones and potential offset areas. The expanded exploration activities are designed to increase the company's coal resources and cement the long term future of the company as a low cost provider of thermal and semi-hard coking coal.

"Our previous exploration activities in the Gloucester Basin have yielded positive results. For example, in 2008 we announced an exciting and

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significant new coal deposit, with a major seam of coking coal near our existing Stratford operations. I am confident there is more good news to come,” he said.

The 2009 exploration programme is based on drilling rigs operating on targets in the Stratford and Duralie areas, with the number of drilling rigs operating increasing from two to four.

Gloucester coal expects to announce an updated Resources and Reserves statement in February 2009.

The following Exploration Target Statement indicates target areas for exploration activity over the next three to five year period.

EXPLORATION TARGET STATEMENT

In addition to the current estimates of Coal Resources and Reserves, the Company has exploration targets totaling between 180 and 275 million tonnes of additional coal.

BASIS FOR EXPLORATION TARGET STATEMENT

The targets are based on improved knowledge of the major coal seams within the Gloucester Basin, especially the Clareval seam and other exploration successes since 2006.

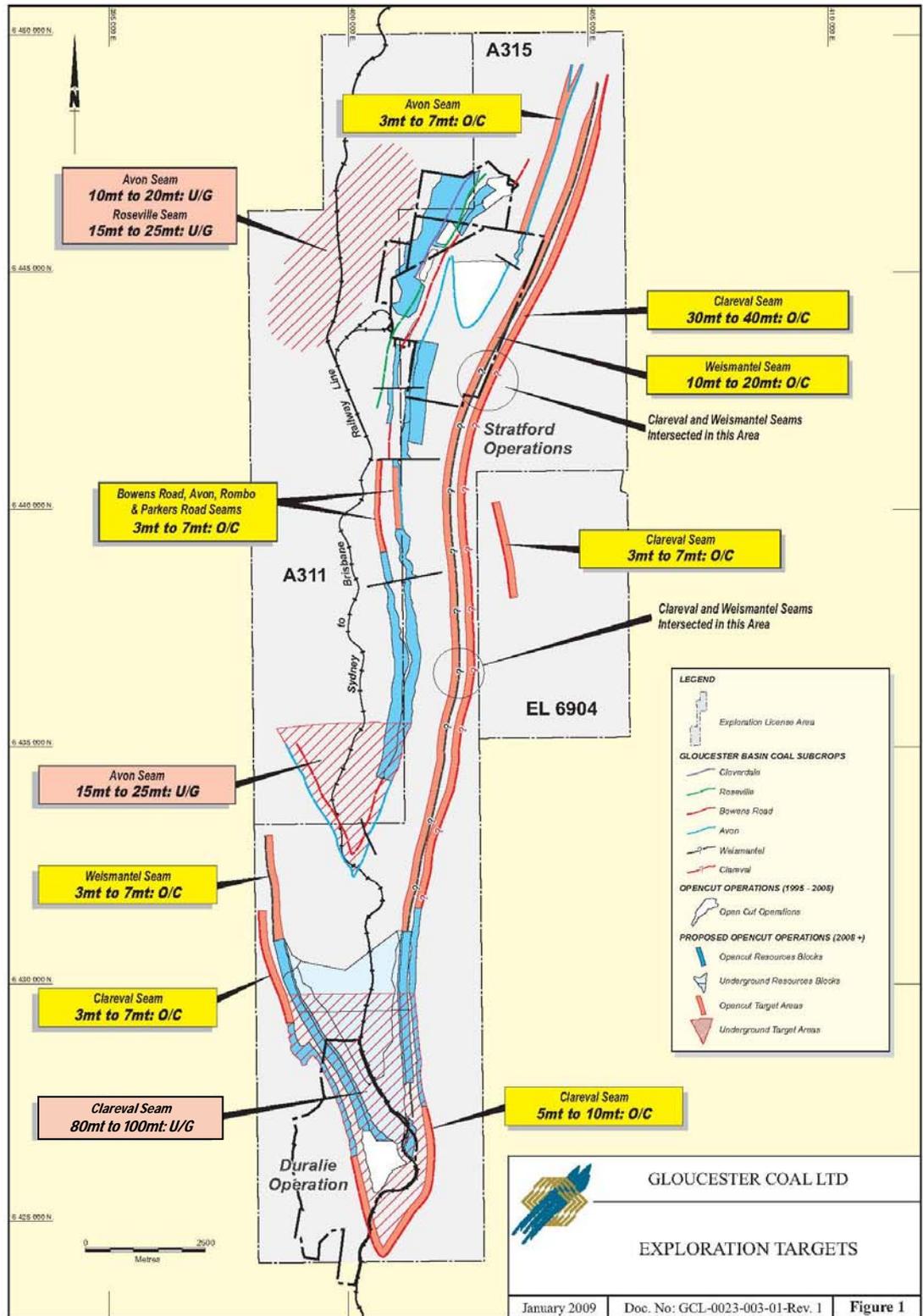
The targets are known coal occurrences located by widely-spaced reconnaissance drill holes and seismic surveys, and are extensions of known coal seams. These targets have not yet been drill tested in sufficient detail for the estimation of Coal Resources that can be reported in accordance with the JORC Code. Figure 1 shows the locations of the exploration targets which are tabulated in Table 1.

Whilst these targets are known occurrences of coal seams, tonnage and coal quality of each target will remain unconfirmed until the ongoing exploration program completes the required degree of in-fill drilling.

EXPLORATION TARGET: COAL TYPES

The targets are typical Gloucester Basin coals – a mixture of high energy thermal coals (“steaming coals”) and high fluidity semi-hard metallurgical coals (“coking coals”). The exploration targets are further divided into occurrences that appear suitable for open cut mining (“O/C” in figure 1) and those suitable for underground mining (“U/G” in figure 1). These classifications will be determined as exploration activities and resource evaluation progresses.

FIGURE 1: EXPLORATION TARGETS



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TABLE 1: EXPLORATION TARGETS

| Open Cut Exploration Targets | Target Size |
|---|------------------------|
| Stratford East/Grant & Chainey – Clareval Seam: | 30mt to 40mt. |
| Stratford East/Grant & Chainey – Weismantel Seam: | 10mt to 20mt. |
| Stratford North – Avon Seam: | 3mt to 7mt. |
| Grant & Chainey – Avon, Bowens Road, Rombo, Parkers Road Seams: | 3mt to 7mt. |
| EL6904 – Clareval Seam: | 3mt to 7mt. |
| Duralie West – Weismantel Seam: | 3mt to 7mt. |
| Duralie West – Clareval Seam: | 3mt to 7mt. |
| Duralie South – Clareval Seam: | 5mt to 10mt. |
| Total open cut exploration targets: | 60mt to 105mt. |
| Underground Exploration Targets | |
| Duralie – Clareval Seam: | 80mt to 100mt. |
| Grant & Chainey – Avon Seam: | 15mt to 25mt. |
| Stratford West – Avon Seam: | 10mt to 20mt. |
| Stratford West – Roseville Seam: | 15mt to 25mt. |
| Total Underground exploration targets: | 120mt to 170mt. |

Competent Persons Statement

The information in this report that relates to Exploration Results, Targets and Coal Resources is based on information compiled by Dr John Bryan BSc (Hons), PhD who is a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Bryan is a Director of Gloucester Coal and is employed by McElroy Brian Geological Services which provides geological consultancy services to Gloucester Coal.

Dr Bryan has sufficient experience which is relevant to the style of mineralisation and type of deposit being reported and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves’ (the JORC Code). Dr Bryan has consented in writing to the inclusion in this report of the matters based on the information in the form and context in which it appears.