



Chairman's Address - 2006 Annual General Meeting

Operations and Activities

Centennial Coal Company Limited ("Centennial") achieved control of Austral in April 2005, following an off-market takeover, and took over management control of the Company's Tahmoor coking coal mine shortly thereafter. Under Centennial's management, immediate steps were taken to rectify the mine's underperformance and secure Tahmoor's long-term future.

A number of issues were quickly identified and action taken to improve performance, including:

- a restructuring of the local management team – introducing experienced senior personnel with a broad industry background; and
- the introduction of proven process management systems – to provide a management structure and framework and therefore greater clarity with regards to decision making, responsibility and accountability.

Shortly after the new Management team was installed, in-seam drilling identified an igneous intrusion cutting across LW23, effectively splitting LW23 into two parts (23A and 23B) and requiring an additional "side-step" changeover. This meant that Tahmoor had two longwall changeovers within the 2006 financial year. During the first of these longwall moves, the opportunity was taken to design out some inherent engineering problems on the new longwall equipment that was constraining the efficient operation of the face, with immediate benefit.

Mine ventilation was the other major issue facing Tahmoor during the 2006 financial year. During the year, work was undertaken to improve the mine's ventilation, including a re-design of the mine's ventilation system, general housekeeping around old "stoppings" and the installation of a secondary fan during the "step-around" in the June quarter. A new main fan will be installed upon the conclusion of LW24 at the end of the 2007 financial year, which will ensure that the mine has adequate ventilation for the remainder of the Tahmoor North area – providing confidence that the mine will meet its targeted production rate of 3.5 million tonnes ROM per annum by the 2009 financial year.

Development activities, crucial to longwall continuity, were also reorganised with an immediate uplift in productivity – most noticeably during the second half of the year when the mine enjoyed excellent development performance. Since year-end, Development activities have again set a new record, achieving 4.5 kilometres for the September 2006 Quarter, 500 metres better than the previous record set in the preceding quarter.

Overall, longwall production for the 2006 financial year was slightly ahead of budget with development marginally down, producing 1.915 million tonnes against a budgeted 2.0 million tonnes, with a good final quarter despite some production difficulties. While short of target for the year, Tahmoor has clearly demonstrated its potential.

Although Tahmoor did not quite reach the targets set for it, it nonetheless returned to profitability, regained the confidence of its customers and made great strides toward a medium-term goal to produce in excess of 3.5 million tonnes in the 2009 financial year.

Since year-end, Tahmoor has completed a longwall changeover and returned to longwall production, a little later than planned, after the mine experienced unexpected variable conditions in the final stages of the LW23. This not only impacted production, but has also led to an increase in costs and will result in some sales slipping into the 2008 financial year.

In conclusion, it should be noted that Austral has made significant progress under Centennial's Management, but much remains to be done. As a result of the progress made to-date, the Directors remain confident in achieving Tahmoor's stated growth objectives and anticipate a significant increase in profitability for the current year when compared with 2006.

Notice of Intention to Remove the Company's Shares from the Official List of the ASX

Now turning to the matter of Austral's ASX listing. The Austral Board has determined, in light of two shareholders holding 99.5% of the Company's shares that it is no longer in the interests of Austral to maintain its ASX listing and that the cost of maintaining and running a public company cannot be supported.

Accordingly, an application to delist Austral's shares has been submitted to ASX and ASX has agreed to the Company's request on the proviso that Austral:

- give Shareholders a minimum of three months' notice that the Company's ordinary shares will be removed from the Official List; and
- send a letter to all Shareholders currently on the register as formal notice of this intention.

A formal notice has been made to ASX, together with this Chairman's Address, and a letter will be mailed to each remaining Shareholder this evening.

The Directors confirm that it is their intention that the Company's shares be removed from the Official List of the Australian Stock Exchange as soon as practical after the expiry of the required three months' notice period on 16 February 2007.

Dr Paul J Moy
Chairman of Austral Coal Limited
15 November 2006