



30 January 2007

QUARTERLY REPORT for the quarter ended 31 December 2006

Directors are pleased to submit the following report on the operating performance of Austral Coal Limited for the December 2006 Quarter.

1 PRODUCTION & SALES (Tahmoor Colliery)

Sep Qtr 2006 '000 Tonnes		December Qtr 2006 '000 Tonnes		December YTD 2006 '000 Tonnes	
244	Run of mine ("ROM") Coal	609	640	853	859
153	Clean Coal	454	493	607	642
142	Coal Sold	433	456	575	677

Following a difficult longwall changeover, as reported in the September 2006 Quarterly Activities Report, the Tahmoor longwall recommenced production in the second week of the quarter producing 609,000 tonnes for the period, but well below expected levels with a knock-on effect on shipping schedules. This compares with 640,000 tonnes in the prior corresponding quarter, which was unaffected by longwall changeovers.

On a YTD basis, Tahmoor has produced 853,000 tonnes, similar to production in the prior corresponding half.

Production continues to be impacted by limited ventilation, with CO₂ gas trips halting production. The installation of new main ventilation fans, scheduled for the end of June 2007 Quarter, should see this problem permanently resolved. In the meantime, Tahmoor has completed the introduction of a 7-day manning roster, increasing employee numbers by 30, in anticipation of an increasing production profile. While still in the early stages, this has had the impact of increasing short-term costs without a commensurate and immediate increase in production. When combined with the benefits to be gained from the installation of the new main ventilation fan, Austral remains confident that the necessary increased production rates will be achieved.

Development advanced 4,057 metres, down on the preceding consecutive record-breaking quarters. Poor geology in one section and a lower than anticipated seam height in another section of the mine slowed advance rates. The development units have now successfully traversed through the areas of poor geology and low height.

Saleable coal production has not only been affected by these production issues, but also by a lower than anticipated coking coal yield. Investigations are currently underway to establish the cause and the necessary remedial action to return saleable product yields back to predicted levels.



CORPORATE INFORMATION

Directors: Dr Paul J Moy (Chairman)
Mr Robert G Cameron
Mr Robert J Dougall
Mr Roger W Knight
Mr David J Moul

Company Secretary: Tony Macko

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Issued Capital: At the date of this report there were 304,588,873 ordinary shares on issue and listed.

Substantial Shareholders: Centennial Coal Company Limited - 85.85%
Glencore International A.G. – 7.42%*

(* Note: Interest was declared before further allotments of Austral ordinary shares arising from the conversion of convertible notes by note holders prior to accepting Centennial's bid)

Contact: Tony Macko, Company Secretary on 9266 2700