

Update : Coal Report

NOT FOR REDISTRIBUTION

9 October 2013

Ministry of Environment : Line Creek Operations Phase II granted conditional – Environment Minister Mary Polak and Energy and Mines Minister Bill Bennett have issued a conditional Environmental Assessment Certificate to Teck Coal Ltd. for the Line Creek Operations Phase II project, located in the Elk Valley, 20 km northeast of Sparwood. The decision was made after considering a review led by British Columbia's Environmental Assessment Office. The ministers also considered supplemental information concerning the Minister of Environment's Order for Teck Coal to develop an area-based Management Plan to address water quality in the Elk Valley, through which the company will stabilize and reverse trends in water contaminant concentrations from coal mining in the Elk Valley watershed. The Environmental Assessment Certificate includes various conditions, which together with the design specified in the Certified Project Description will mitigate potential impacts of the project. The project will extend the life of Teck's Line Creek Operations, which would otherwise exhaust coal reserves and cease operation in 2014. Phase II will produce 3.5 million tonnes of clean coal a year for an estimated 18 years.

Indian coking coal demand to grow by over 40% by 2015 – Indian steel industry in its quest for additional capacity is likely to catapult coking coal demand by an astounding 40% in the next couple of years. The crude steel production in India is likely to touch 95 million tonnes by 2015–16. Approximately 15 million tonnes addition steel capacity will result in about 13 million tonnes of additional demand for coking coal. Since domestic production is unlikely to pick up the bulk of the additional capacity will be imported. Going forward, the medium to long term steel production is projected to be 135 million tonnes by 2020 and 300 million tonnes by 2025.

Japan's coking coal imports increase by 10.5% in Jan–July – According to statistics released by Japan's Ministry of Finance, Japan's coking coal imports for the first seven months of 2013 amounted to 45.4 million metric tonnes, increasing by 10.5% year on year. Japan's coking coal imports in July this year totalled 6.98 million metric tonnes up 2.3% compared to July 2012.

Increasing risk digs at Indonesia – Churchill Mining PLC, a small London-listed resources firm, thought it had hit the big time when it found billions of dollars of coal in the jungles outside East Kutai on the island of Borneo. Churchill's share price surged. Then the company's dreams ran up against one man: Isran Noor. In 2011, the powerful local government regent issued a decree revoking Churchill's mining license because he said the company and its Indonesian partners had hacked down protected forest. Churchill disputed that and suggested Mr. Noor was trying to get control of the coal— which he denied. The fate of the giant deposit is stuck in an international court, with Churchill suing Indonesia for more than \$1 billion for what it considers an unlawful eviction. "I'm sure that people are weighing up the risk reward now", of trying to do business in Indonesia, said Churchill's executive chairman, David Quinlivan. "They are saying there are probably better opportunities elsewhere". Despite a surge in optimism about Indonesia over the past five years, companies have often found it too tough to profit here.

Market Snapshot

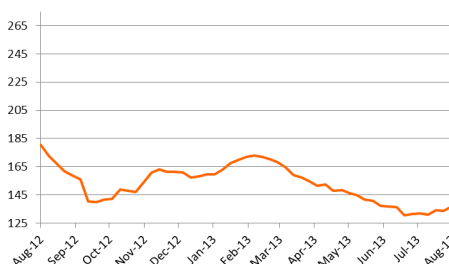
Company Name	Code	Price (\$)	% Change Since Jan 2
ASX LISTED Producers			
Blackgold Intl Holdings Ltd	BGG	0.17	11.1%
Coal of Africa Ltd	CZA	0.13	-36.0%
Cockatoo Coal Ltd	COK	0.06	-52.5%
Continental Coal Ltd	CCC	0.03	-14.3%
Gujarat NRE Coking Coal Ltd	GNM	0.08	3.0%
Kangaroo Resources Ltd	KRL	0.02	-44.1%
New Hope Corp Ltd	NHC	3.85	-9.4%
Whitehaven Coal Ltd	WHC	1.84	-45.4%
ASX LISTED Explorers/Developers			
Acacia Coal Ltd	AJC	0.010	-27.8%
African Energy Resources Ltd	AFR	0.096	-19.2%
Aspire Mining Ltd	AKM	0.055	-11.9%
Atrum Coal	ATU	1.575	361.5%
Bandanna Energy Ltd	BND	0.200	-50.0%
Blackwood Corporation Ltd	BWD	0.070	-63.3%
Carabella Resources Ltd	CLR	0.190	-52.8%
Coalbank Ltd	CBQ	0.007	-53.3%
Coalspur Mines Ltd	CPL	0.215	-61.1%
Cokal Ltd	CKA	0.185	12.5%
County Coal Ltd	CCJ	0.070	-43.3%
Draig Resources Ltd	DRG	0.025	-63.8%
Firestone Energy Ltd	FSE	0.007	-25.0%
Guildford Coal Ltd	GUF	0.125	-83.9%
Hodges Resources Ltd	HDG	0.035	-70.0%
Ikwezi Mining Ltd	IKW	0.030	-30.0%
International Coal Ltd	ICX	0.079	-22.4%
Intra Energy Corp Ltd	IEC	0.100	-50.0%
Jameson Resources Ltd	JAL	0.285	-12.5%
Lemur Resources Ltd	LMR	0.047	-53.8%
NuCoal Resources NL	NCR	0.065	-68.1%
Prairie Downs Metals	PDZ	0.280	-50.0%
Resource Generation Ltd	RES	0.240	-26.7%
Rey Resources Ltd	REY	0.078	-11.1%
Stanmore Coal Ltd	SMR	0.150	-30.0%
Tiaro Coal Ltd	TCM	0.072	-52.8%
Tigers Realm Coal Ltd	TIG	0.180	22.6%
Universal Coal Plc	UNV	0.094	-24.0%
Xanadu Mines Ltd	XAM	0.070	-6.3%
ZYL Ltd	ZYL	0.007	-44.4%
AVERAGE PERFORMANCE			-23.6%
ASX All Ordinaries		5,148.10	8.0%
TSX LISTED			
Cardero Resources Corp.	CDU	0.13	-83.1%
Coalspur Mines Ltd	CPT	0.21	-64.2%
Colonial Coal International	CAD	0.37	-65.0%
Corsa Coal Corp	CSO	0.14	-20.0%
EastCoal Inc	ECX	0.08	-93.5%
Forbes & Manhattan Coal	FMC	0.28	-46.0%
Pacific Coal Resources	PAK	0.24	252.9%
Prophecy Coal Corp	PCY	0.10	4.0%
South Gobi Energy	SGQ	1.17	-55.0%
Xinergy Ltd	XRG	0.62	-24.7%
AVERAGE PERFORMANCE			-19.5%
TSX COMPOSITE INDEX		12,788.25	1.2%

Thermal Coal Spot Prices (US\$ per tonne)



Source: Bloomberg
Notes: 1) FOB Newcastle

Hard Coking Coal Spot Price¹ (US\$ per tonne)



Source: Bloomberg
Notes: 1) FOB Australia Mid Volatile

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