

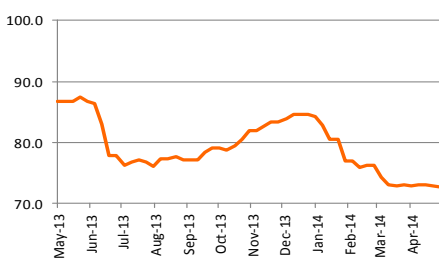
Update : Coal Report

Australia's Stanmore calls 40% of seaborne-traded thermal coal and 45% of internationally traded coking coal 'unprofitable' - Australian coal exploration company Stanmore Coal estimates that 40% of global seaborne-traded thermal coal production and 45% of internationally traded coking coal production is "unprofitable at current pricing levels", it said Tuesday in a presentation filed with the Australian Securities Exchange. That amounts to roughly 320 million mt of thermal coal and 135 million mt of coking coal supplied into the seaborne market as being unprofitable unless the current price rebounds. The company based its assertion on an analysis of separate production cost curves using Wood Mackenzie data for seaborne-traded thermal and coking coal and on a present-day spot price of \$113/mt FOB for coking coal and \$73/mt FOB for Newcastle thermal coal. "A significant percentage of seaborne coal producers are unprofitable at current pricing levels, an unsustainable position", Stanmore Coal said. Current prices for Australian thermal and coking coal are at the lowest levels since the global financial crisis suggesting that "a number of unprofitable producers will be forced to shut unless prices change". The company went on to suggest that higher-cost coal producers that continued to operate on a marginal basis through the recent coal price boom could be among the first miners forced to close.

Asian coal demand is set for robust revival, study says – Global coal markets are depressed amid a supply glut, but reports of the commodity's demise have been greatly exaggerated, a new study says. Prices for thermal coal, a commodity used by power plants to generate electricity, fell recently to less than \$75 (U.S.) a tonne, compared with \$190 in mid-2008. And prices for metallurgical (or coking) coal, a key ingredient used in the production of steel, have tumbled to \$120 a tonne, from \$300 in late 2011. Some industry observers have warned that there will be many more dark months ahead for the coal industry. But the long-term forecast calls for robust Asian demand, which should give producers hope, as long as they are able to ride out the tough times. "Despite increasing environmental opposition to the use of coal, coal still plays a crucial role in the global energy mix and will continue to do so for the foreseeable future", according to a study by Shoichi Itoh, senior analyst at the Tokyo-based Institute of Energy Economics. "The importance of coal use will be all the more important in Asia".

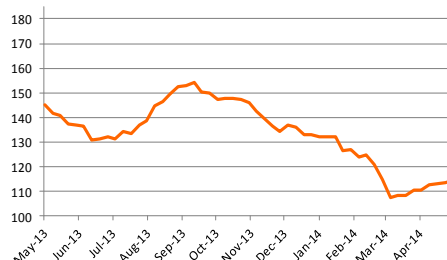
Ex-Gloucester CEO lines up \$200m to buy Asia-Pacific coal assets – The former boss of Australia's Gloucester Coal has lined up \$200 million from a private equity firm to buy metallurgical coal projects in Australia, New Zealand and Indonesia, taking advantage of weak valuations in the sector. The team at newly set up Pembroke Resources is looking to snap up small, potentially highly profitable projects that are undeveloped, under construction or producing, at a time when small miners are unable to raise capital on the market. "It's my perfect scenario: where equity markets are in the doldrums and it's all over as far as they're concerned, whereas in reality for metallurgical coal, I think the outlook is quite strong", said Pembroke Chief Executive Barry Tudor. Tudor and other former executives of Gloucester Coal, which was taken over two years ago by China's Yanzhou Coal, set up Pembroke with backing from Denham Capital, which is making its first Australian mining investment. The opportunity lies in snapping up coal resources with characteristics useful to particular steel mills and which are too small to attract the majors. "There's still an evenly weighted demand and supply for coking coal and it's still very much in demand. There isn't really an effective substitute", Tudor said.

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

NOT FOR REDISTRIBUTION

15 May 2014

Market Snapshot

Company Name	Code	Price (\$)	% Change Since Jan 2
ASX LISTED Producers			
Blackgold Intl Holdings Ltd	BGG	0.15	-3.2%
Coal of Africa Ltd	CZA	0.08	-24.8%
Cockatoo Coal Ltd	COK	0.03	-24.4%
Continental Coal Ltd	CCC	0.02	0.0%
Kangaroo Resources Ltd	KRL	0.01	-35.7%
New Hope Corp Ltd	NHC	2.99	-11.5%
Whitehaven Coal Ltd	WHC	1.46	-25.5%
ASX LISTED Explorers/Developers			
Acacia Coal Ltd	AJC	0.009	-18.2%
African Energy Resources Ltd	AFR	0.083	-27.8%
Aspire Mining Ltd	AKM	0.036	-41.9%
Atrum Coal	ATU	1.600	15.1%
Bandanna Energy Ltd	BND	0.095	-44.1%
Coalbank Ltd	CBQ	0.006	-33.3%
Coalspur Mines Ltd	CPL	0.140	-41.7%
Cokal Ltd	CKA	0.145	-27.5%
County Coal Ltd	CCJ	0.050	-38.3%
Draig Resources Ltd	DRG	0.018	-48.6%
Firestone Energy Ltd	FSE	0.006	-25.0%
Guildford Coal Ltd	GUF	0.075	-24.2%
Hodges Resources Ltd	HDG	0.011	-63.3%
Ikwezi Mining Ltd	IKW	0.011	-45.0%
International Coal Ltd	ICX	0.060	-40.0%
Intra Energy Corp Ltd	IEC	0.042	-56.3%
Jameson Resources Ltd	JAL	0.170	-22.7%
Lemur Resources Ltd	LMR	0.038	52.0%
NuCoal Resources NL	NCR	0.014	0.0%
Prairie Downs Metals	PDZ	0.490	55.6%
Resource Generation Ltd	RES	0.140	-26.3%
Rey Resources Ltd	REY	0.105	5.0%
Stanmore Coal Ltd	SMR	0.150	-21.1%
Tiaro Coal Ltd	TCM	0.100	33.3%
Tigers Realm Coal Ltd	TIG	0.155	-6.1%
Universal Coal Plc	UNV	0.099	-10.0%
Xanadu Mines Ltd	XAM	0.040	-42.9%
ZYL Ltd	ZYL	0.007	0.0%
AVERAGE PERFORMANCE			-19.1%
ASX All Ordinaries		5,492.30	2.3%
TSX LISTED			
Cardero Resources Corp.	CDU	0.10	-56.8%
Coalspur Mines Ltd	CPT	0.14	-41.7%
Colonial Coal International	CAD	0.19	-32.1%
Corsa Coal Corp	CSO	0.14	-20.6%
Forbes & Manhattan Coal	FMC	0.08	-44.8%
Pacific Coal Resources	PAK	0.35	-15.7%
Prophecy Coal Corp	PCY	0.06	-25.0%
South Gobi Energy	SGQ	0.57	-32.1%
Xinergy Ltd	XRG	0.40	40.4%
AVERAGE PERFORMANCE			-25.4%
TSX COMPOSITE INDEX		14,679.81	1.2%

Kasey Nelson

+61 8 9421 2111 | kasey@cipartners.com.au