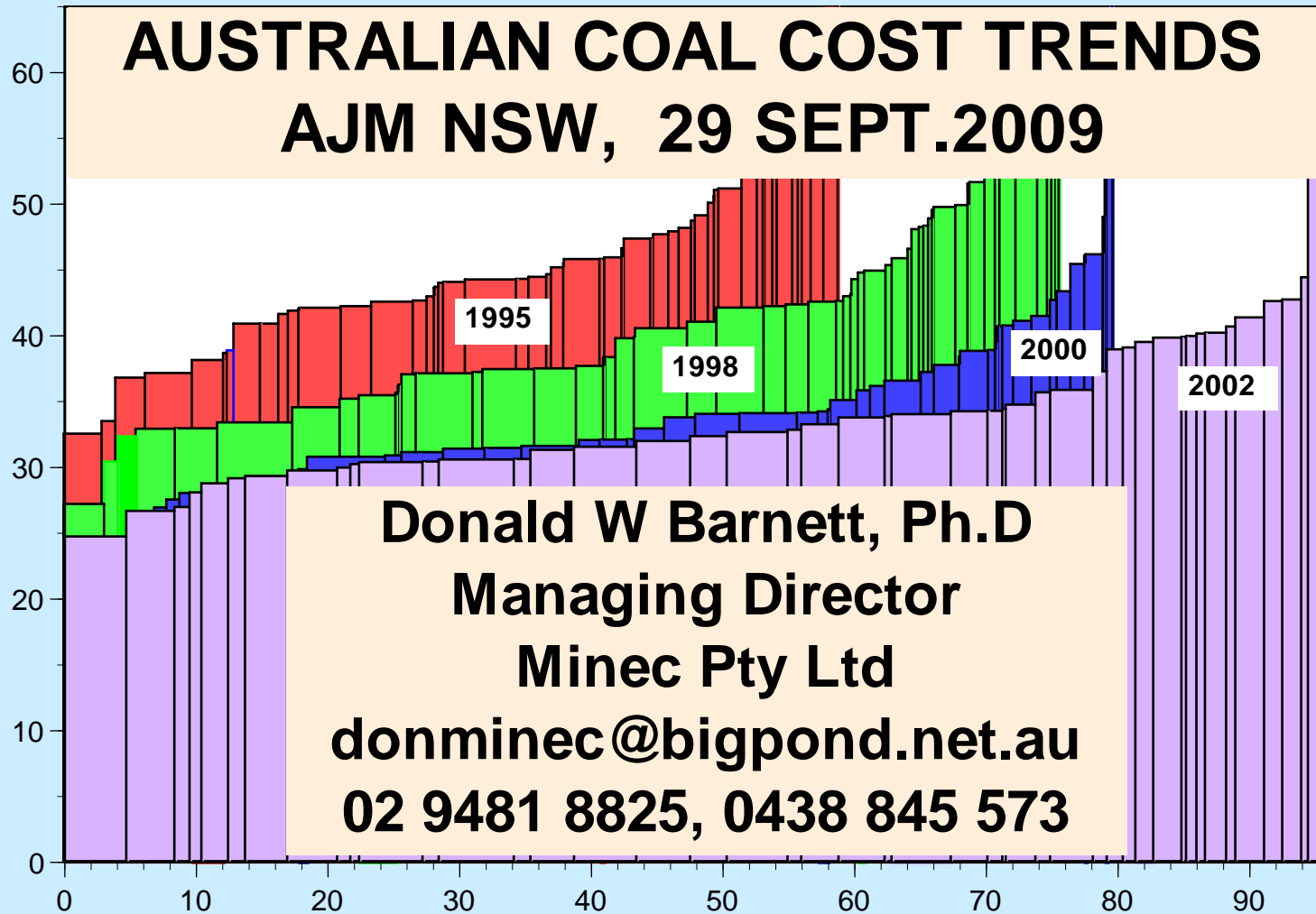


AUSTRALIAN COAL COST TRENDS

AJM NSW, 29 SEPT.2009



Donald W Barnett, Ph.D
Managing Director
Minec Pty Ltd

donminec@bigpond.net.au
02 9481 8825, 0438 845 573

Contents

- Australian Coal Exports
- Study of 4 Mines' Costs, June.03–June.09
- Other Mines' Cost Movements -MCC
- Coal Prices
- New Qld Ports Expensive, NSW OK
- Outlook: HC OK, New Steam probs. if A\$ strong + Fugitive Emissions

Fig.3 Australian Hard Coking Coal Exports, Sept.2005 to Mar.2009, Mil.Tonnes

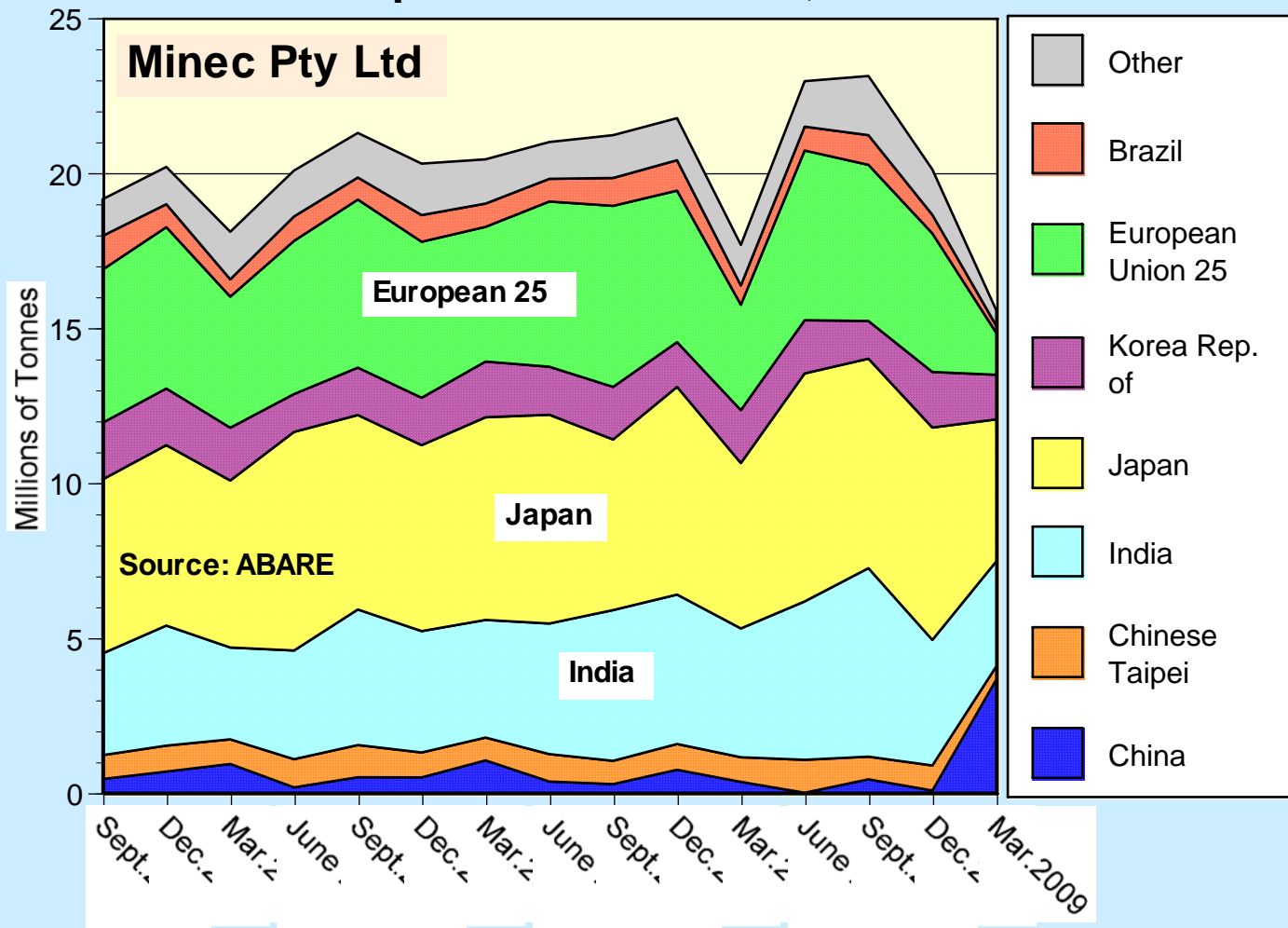


Fig.4 Australian Other Metallurgical Coal Exports, Sept.2005 to Mar.2009, Mil.Tonnes

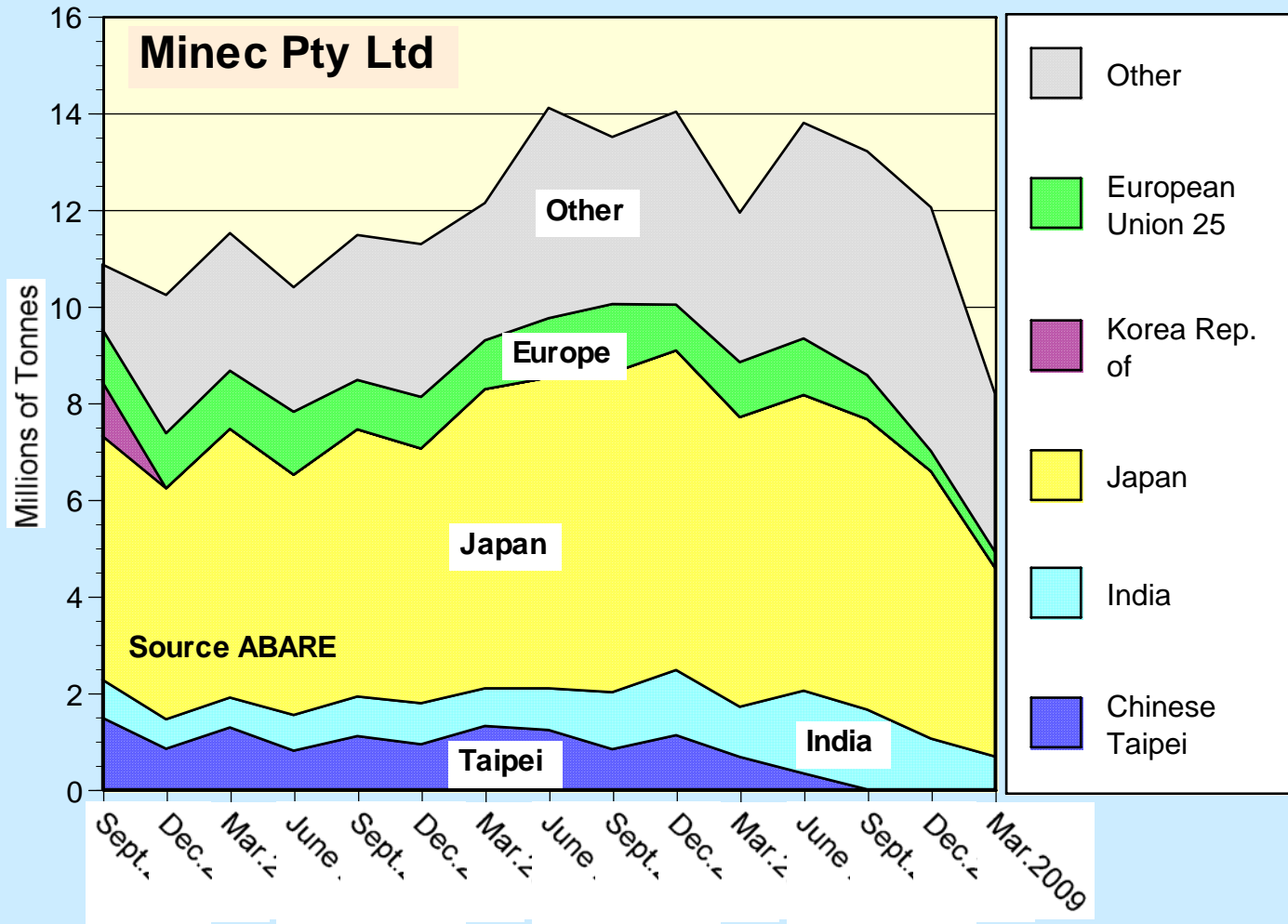
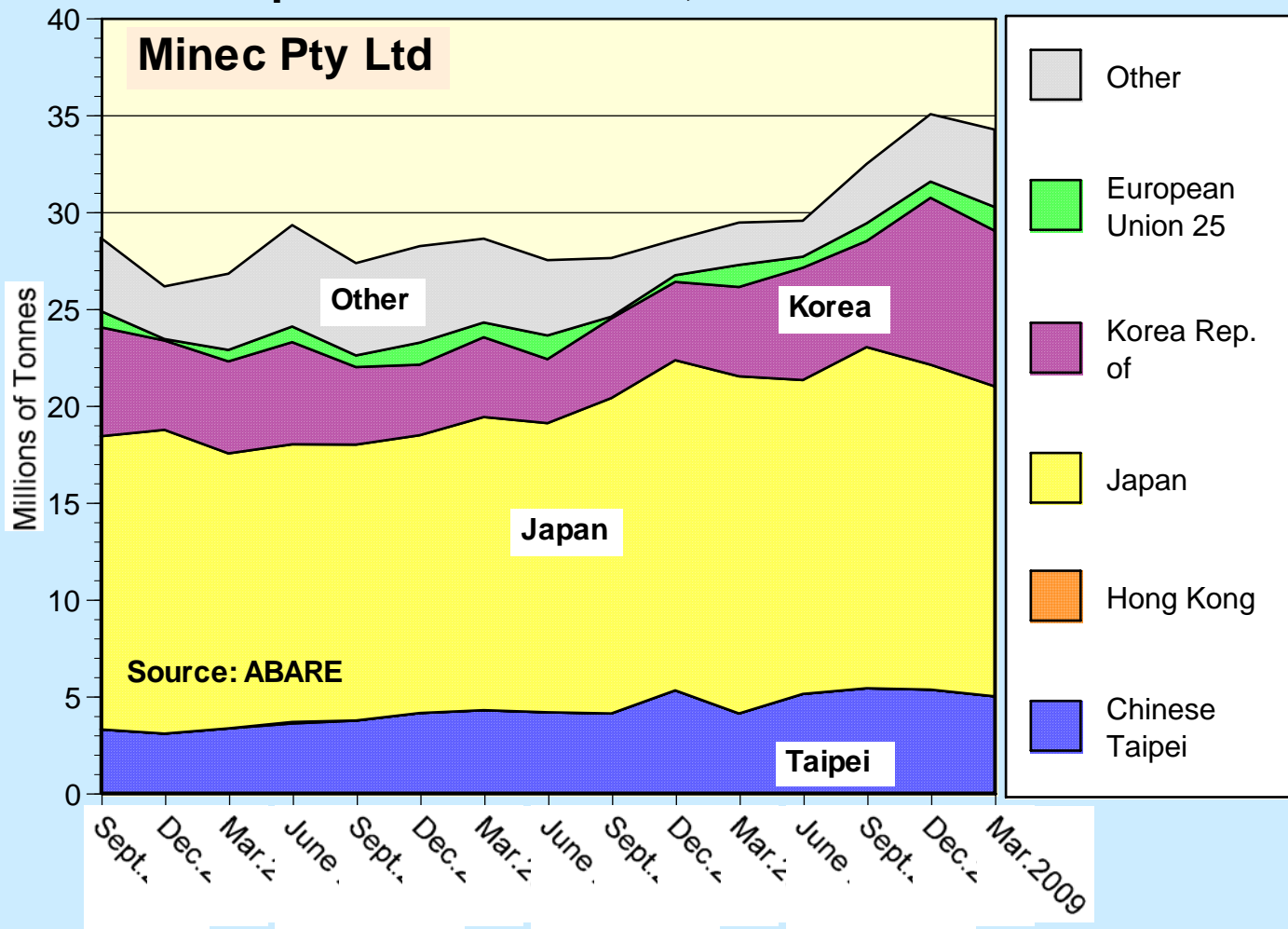


Fig.5 Australian Thermal Coal Exports, Sept.2005 to Mar.2009, Mil.Tonnes



**Fig.6 NSW Coal Mine Labour Costs for 1986/7 to 2007/8
in Aust Dollars per Saleable Tonne**

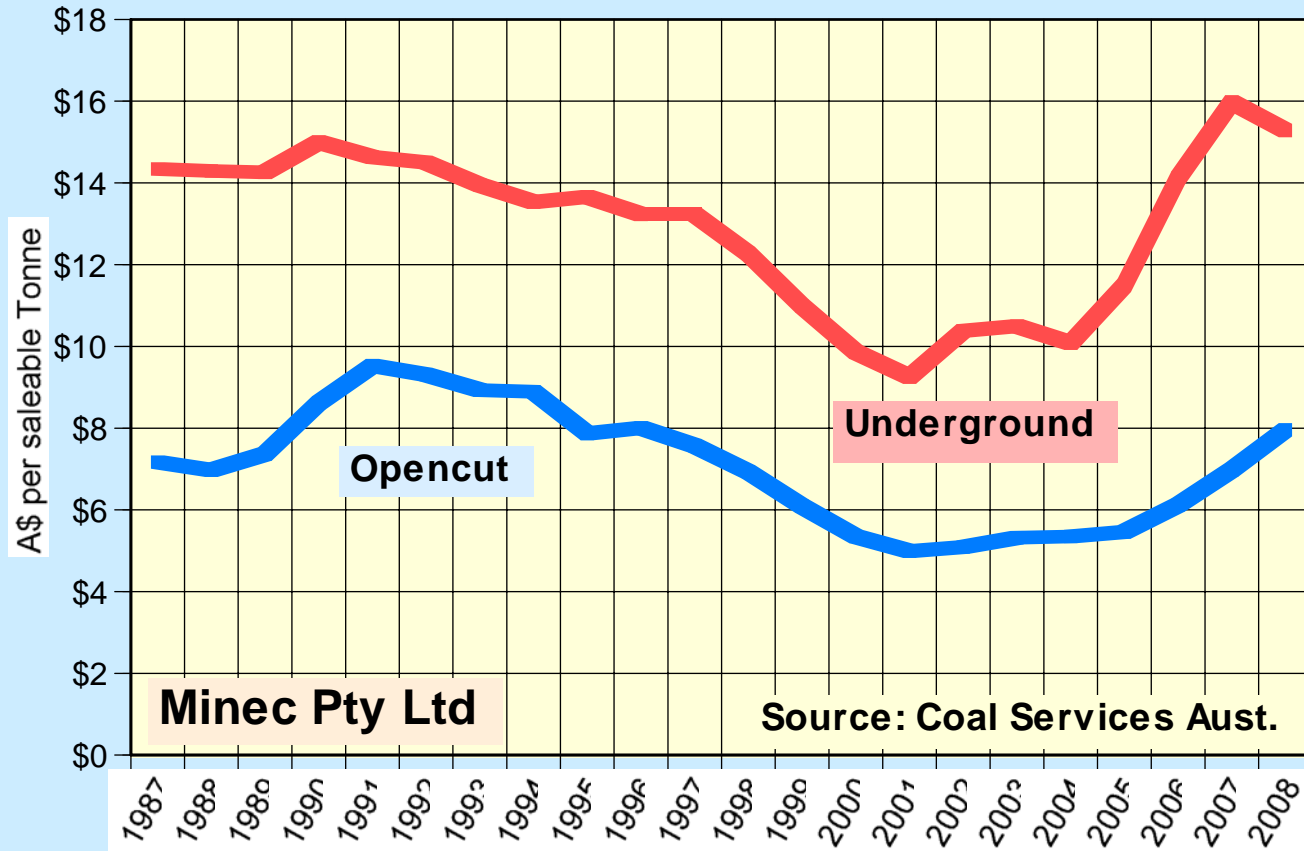


Fig.7 Company Saleable Production, Mil. Tonnes

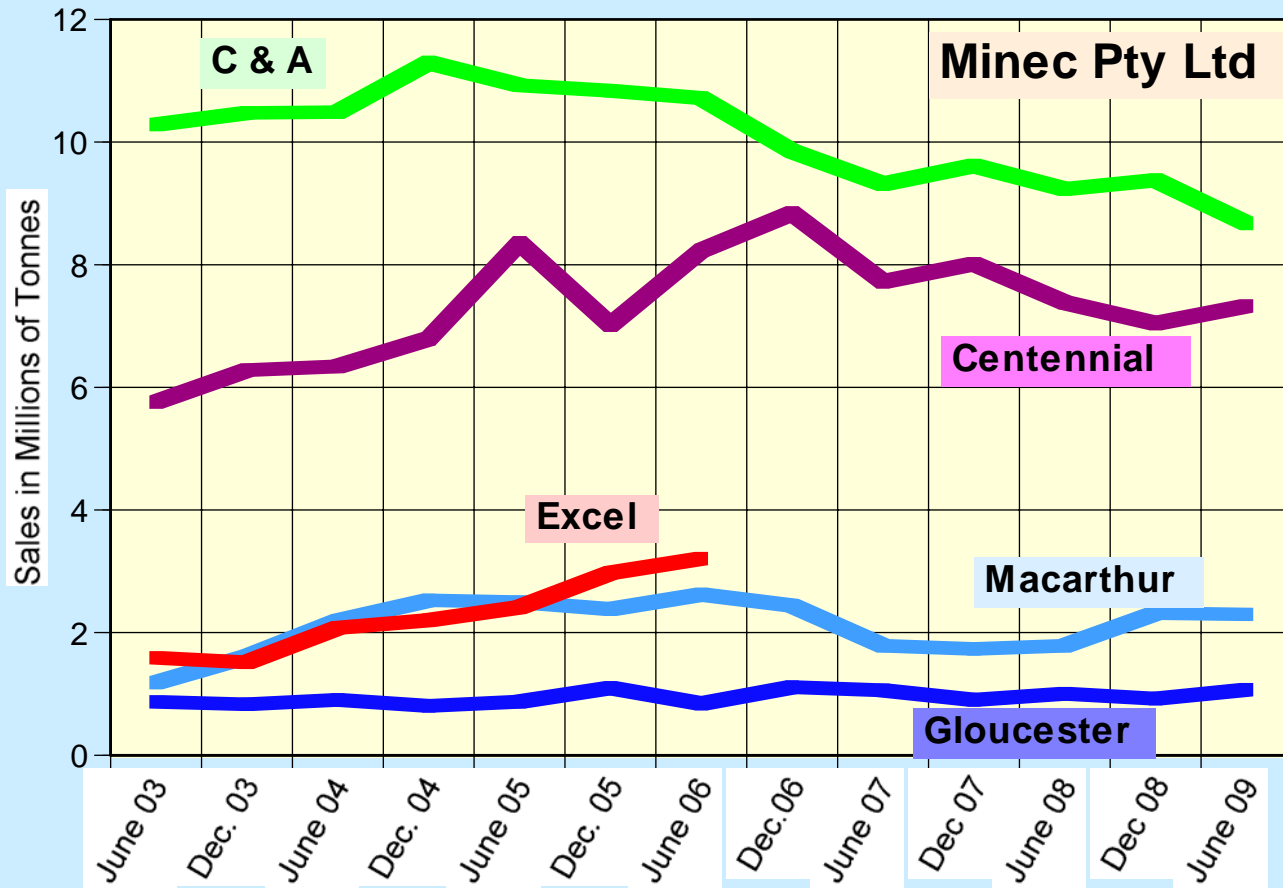


Fig.8 Company Average Revenue, \$A per Saleable Tonne

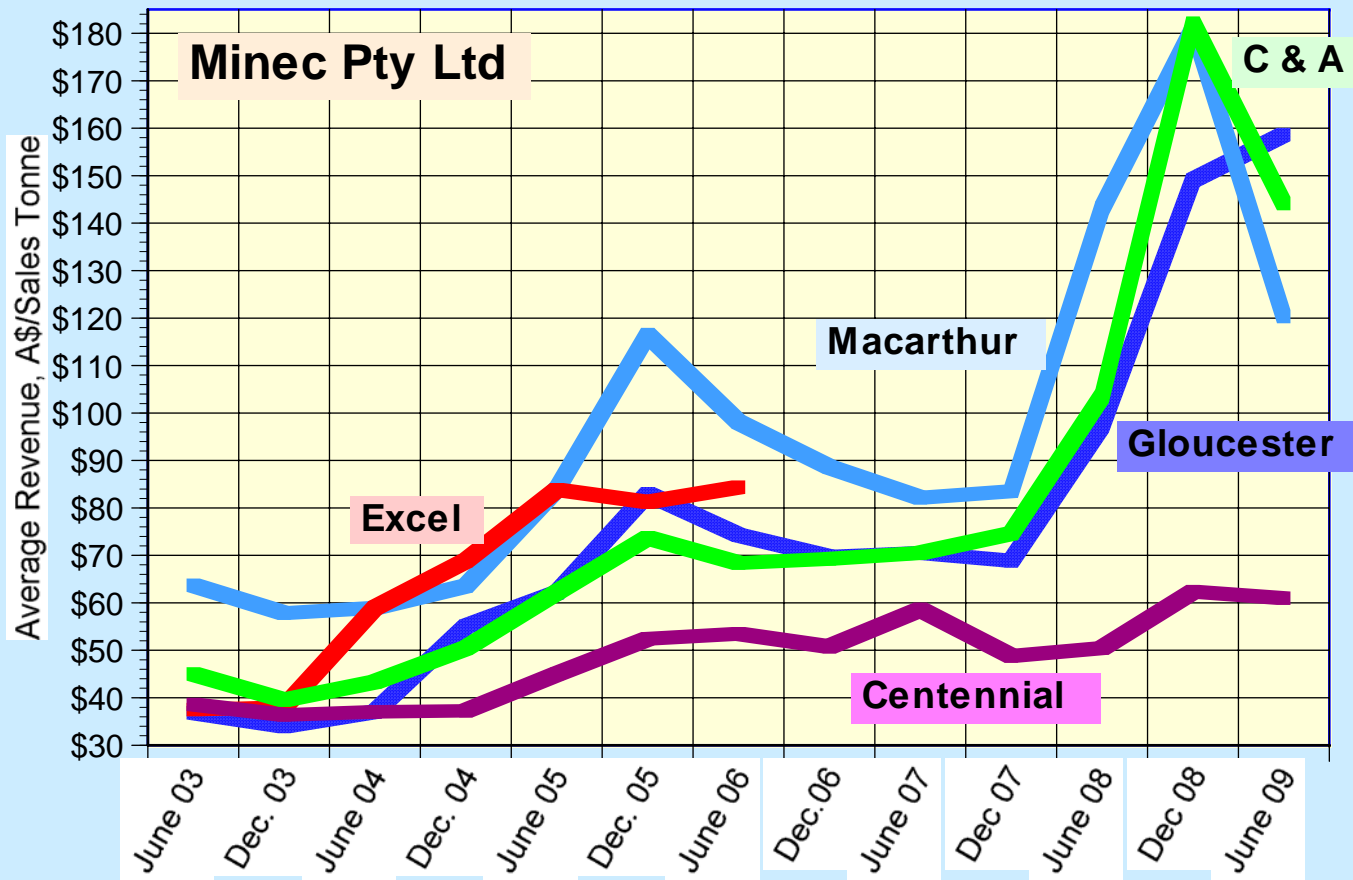


Fig.9 Operational EBIT , \$A per Saleable Tonne

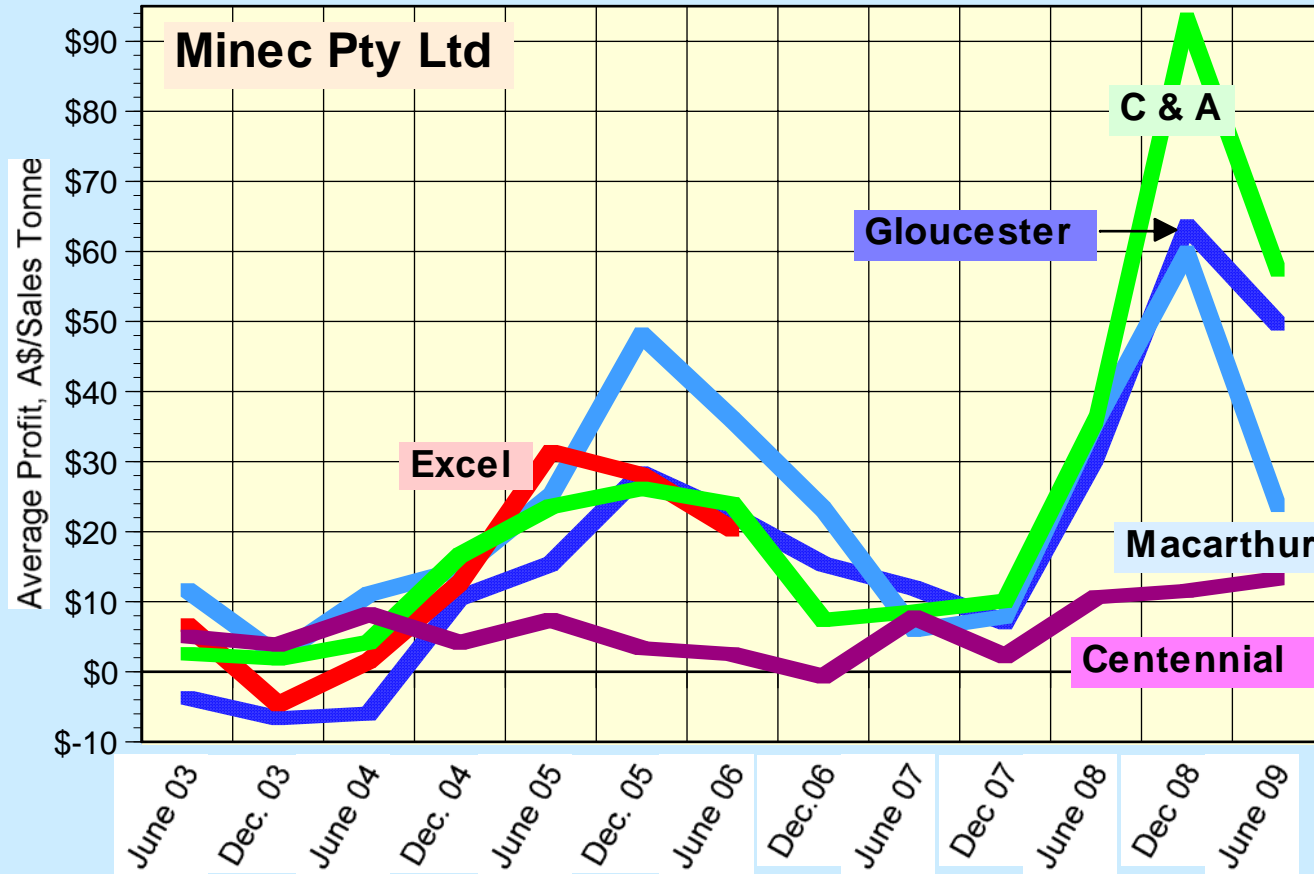


Fig.10 Coal & Allied FOB Cash Costs by Cost Centre

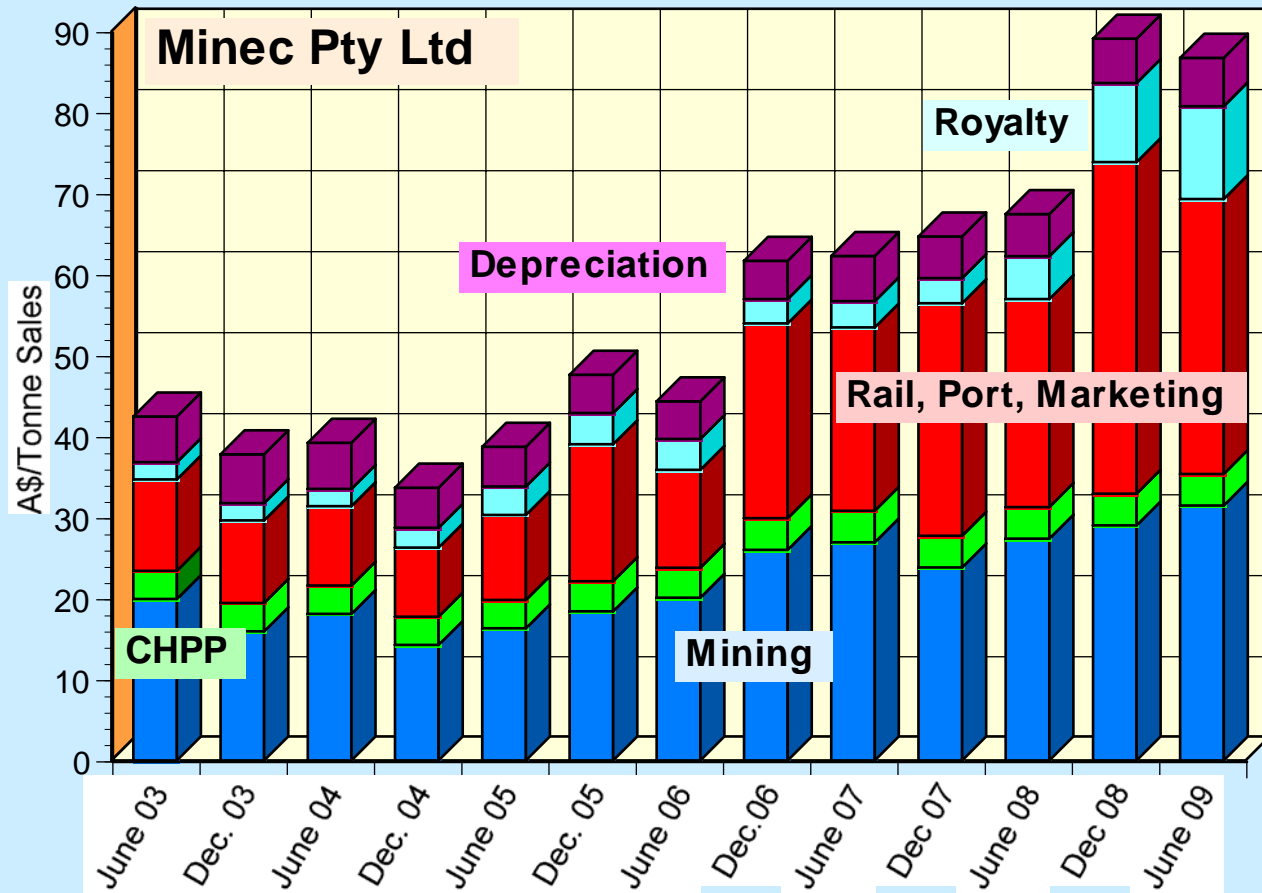


Fig.11 Gloucester FOB Cash Costs by Cost Centre

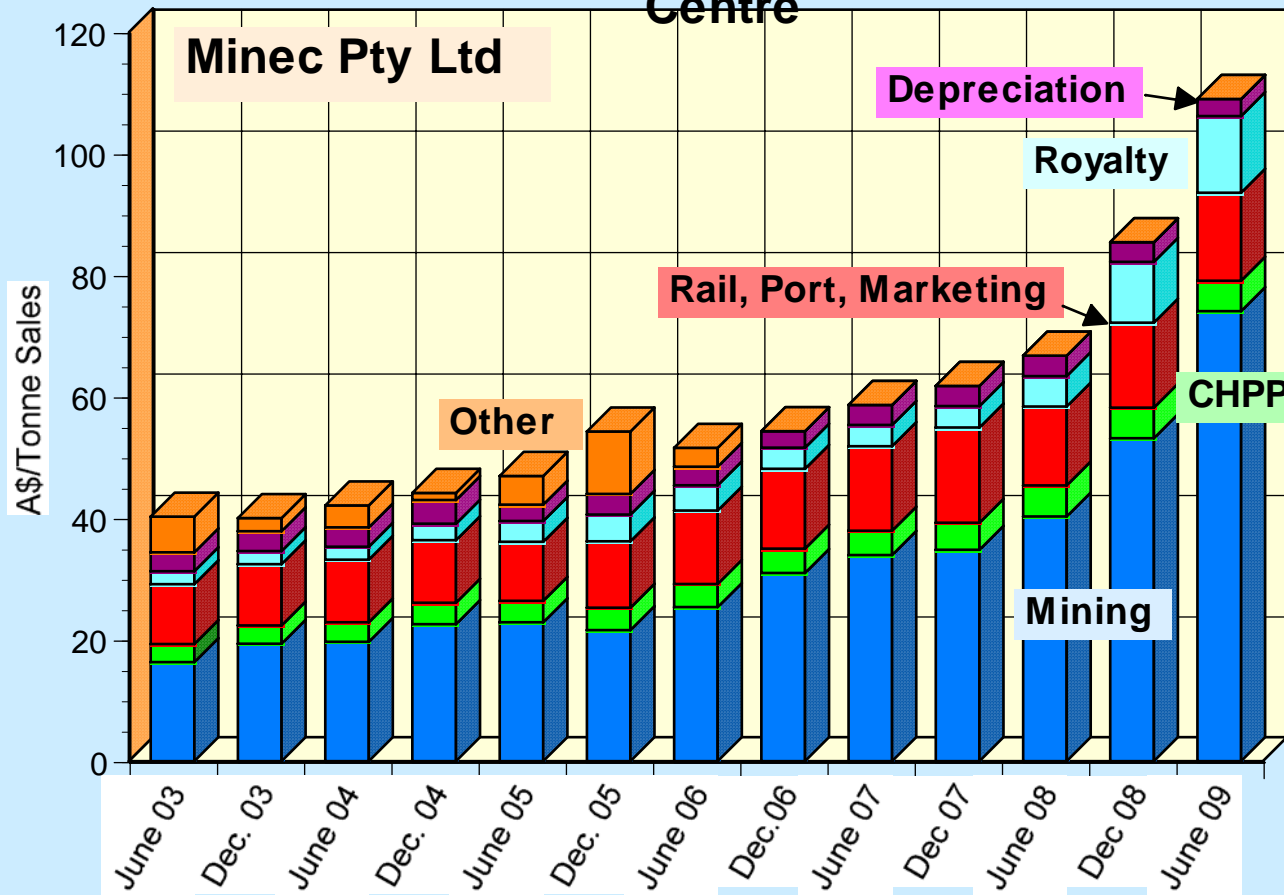


Fig.12 Macarthur FOB Cash Costs by Cost Centre

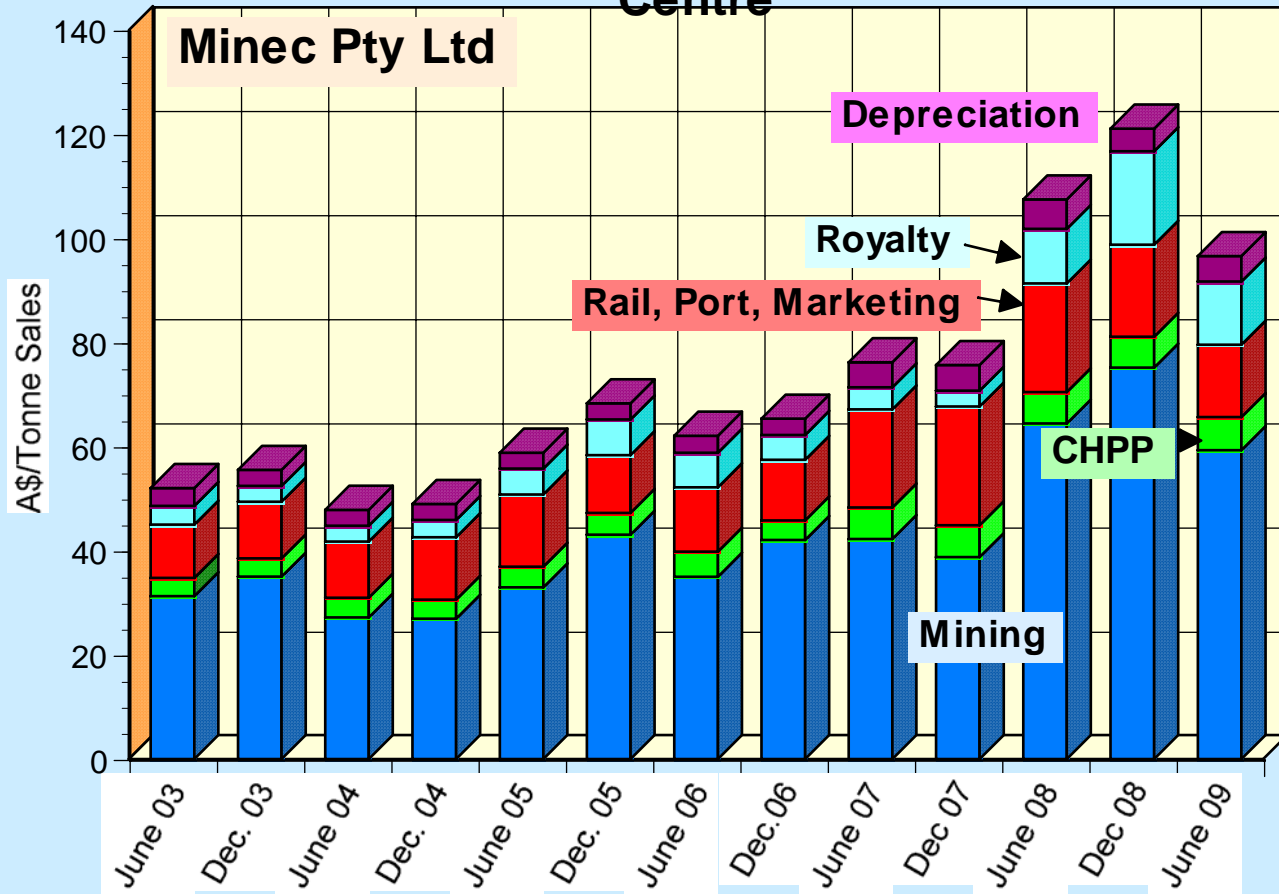
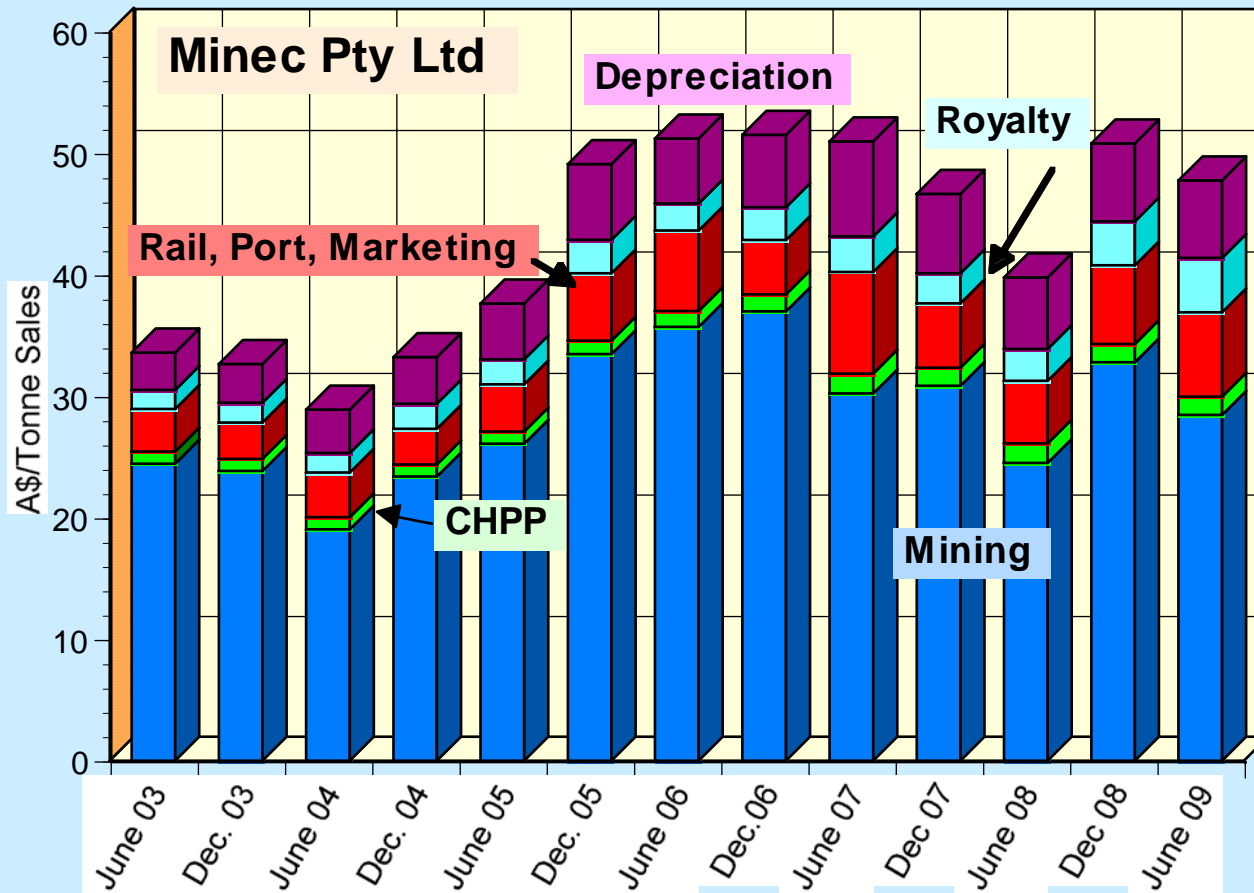


Fig.13 Centennial FOB Cash Costs by Cost Centre



**Fig.14 Average FOB Cash Costs Incl. Depreciation,
\$A per Saleable Tonne**

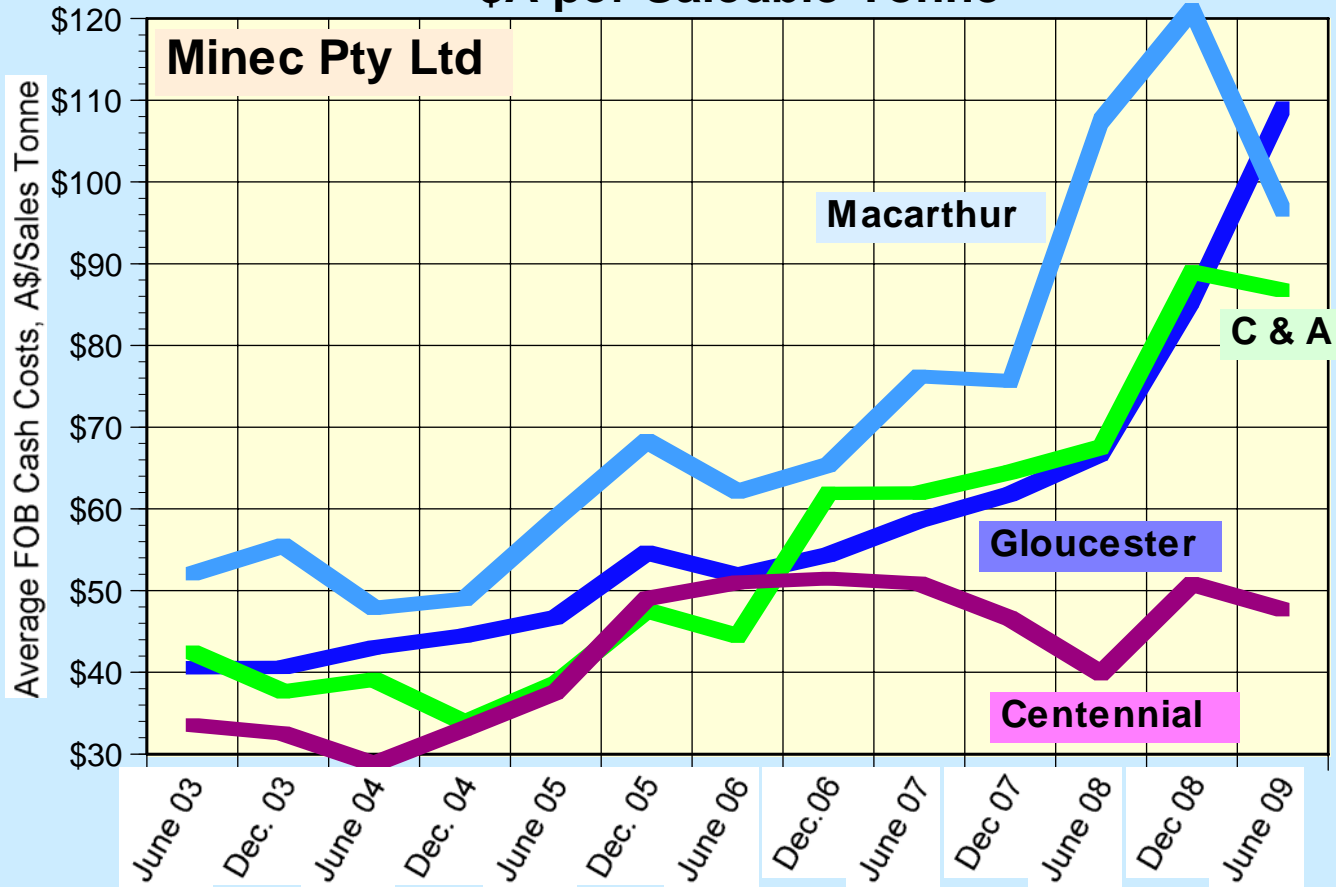
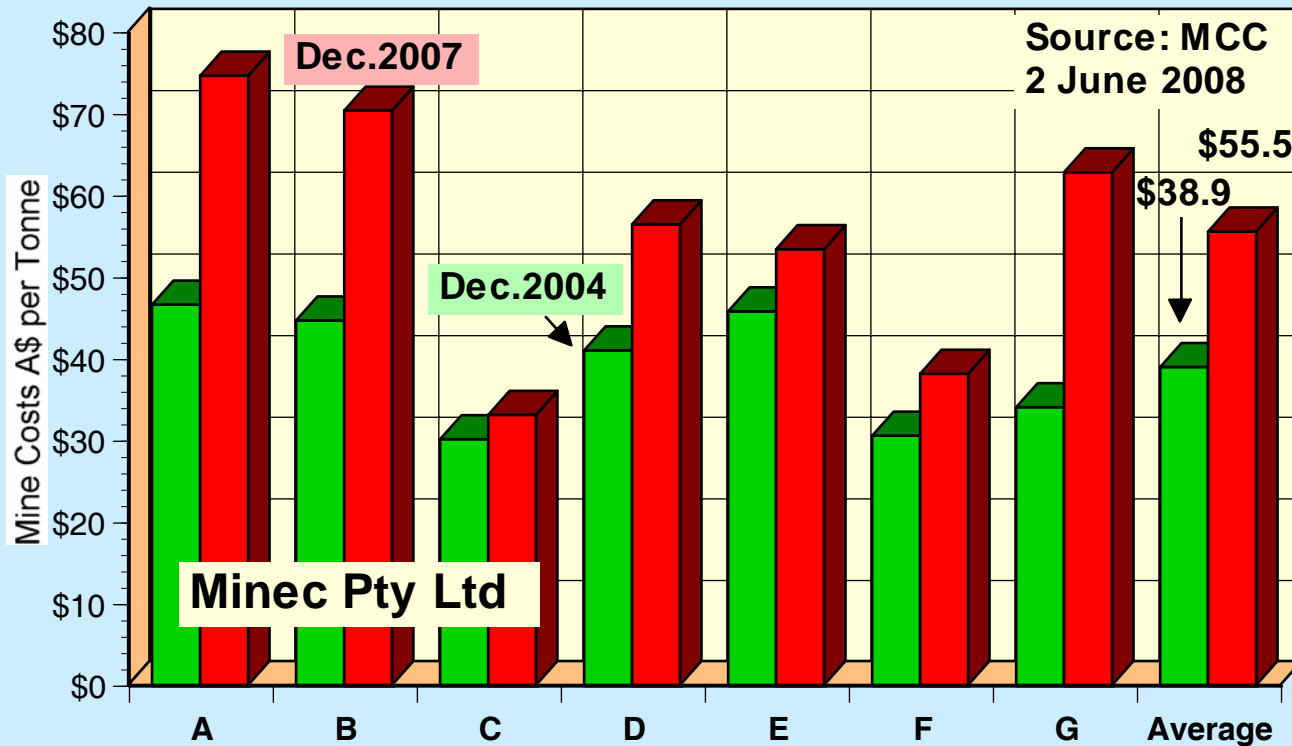
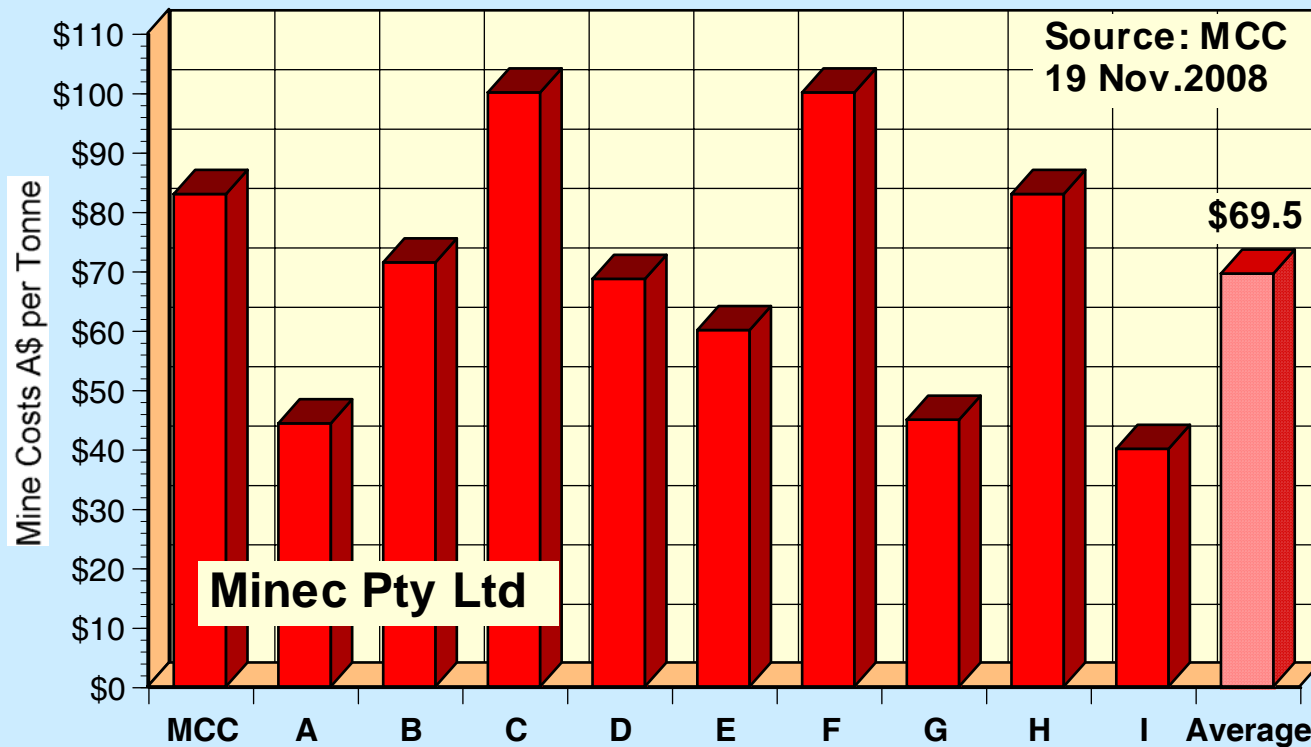


Fig.15 Australian Coal Mine Costs Dec.Half 2004 to Dec. Half 2007, A\$ per Tonne



**Fig.16 Australian Coal Mine Costs June Half 2008,
A\$ per Tonne**



Average Cost Movements

- Minec's 4 Cos. June03-June09: 100%
- Minec's 3 Xpt Cos Jun03-June09:120%
- Centennial Coal June 03-June 09: 42%
- MCC's 7 Cos Dec 04 – Dec 07: 43%
- MCC's 10 June08 over MCC's 7's
Dec.04 Costs: 78%

Fig.18 Price of Australian Export Hard Coking Coal, Other Coking Coal and Steam Coal (Sept.2004 to Mar.2009)

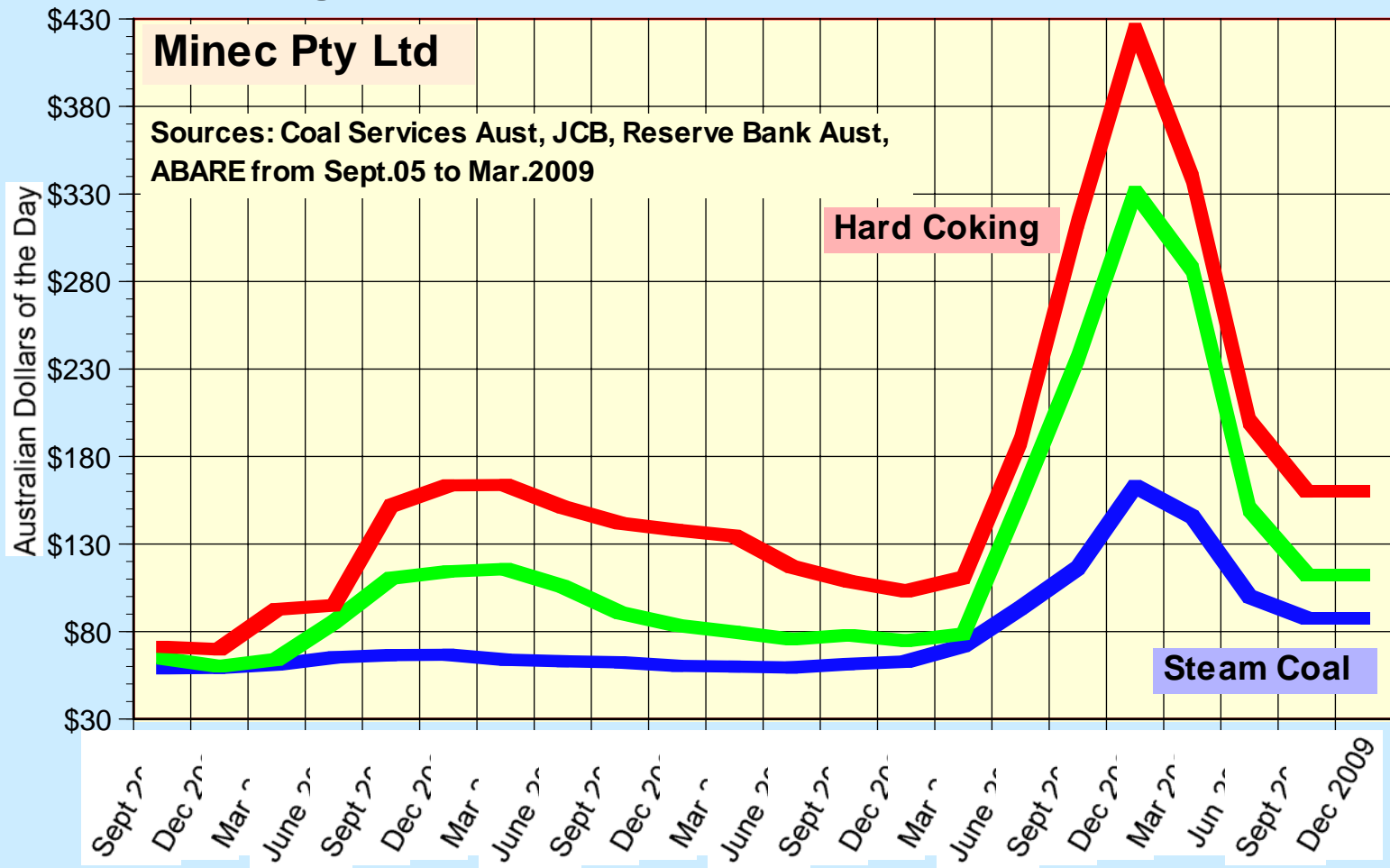


Fig.30 Price of Australian Export Hard Coking Coal in USA and Australian Dollars of the Day

Sources: Abare Commodity Stats, Coal Services Aust, JCB, Reserve Bank Aust.

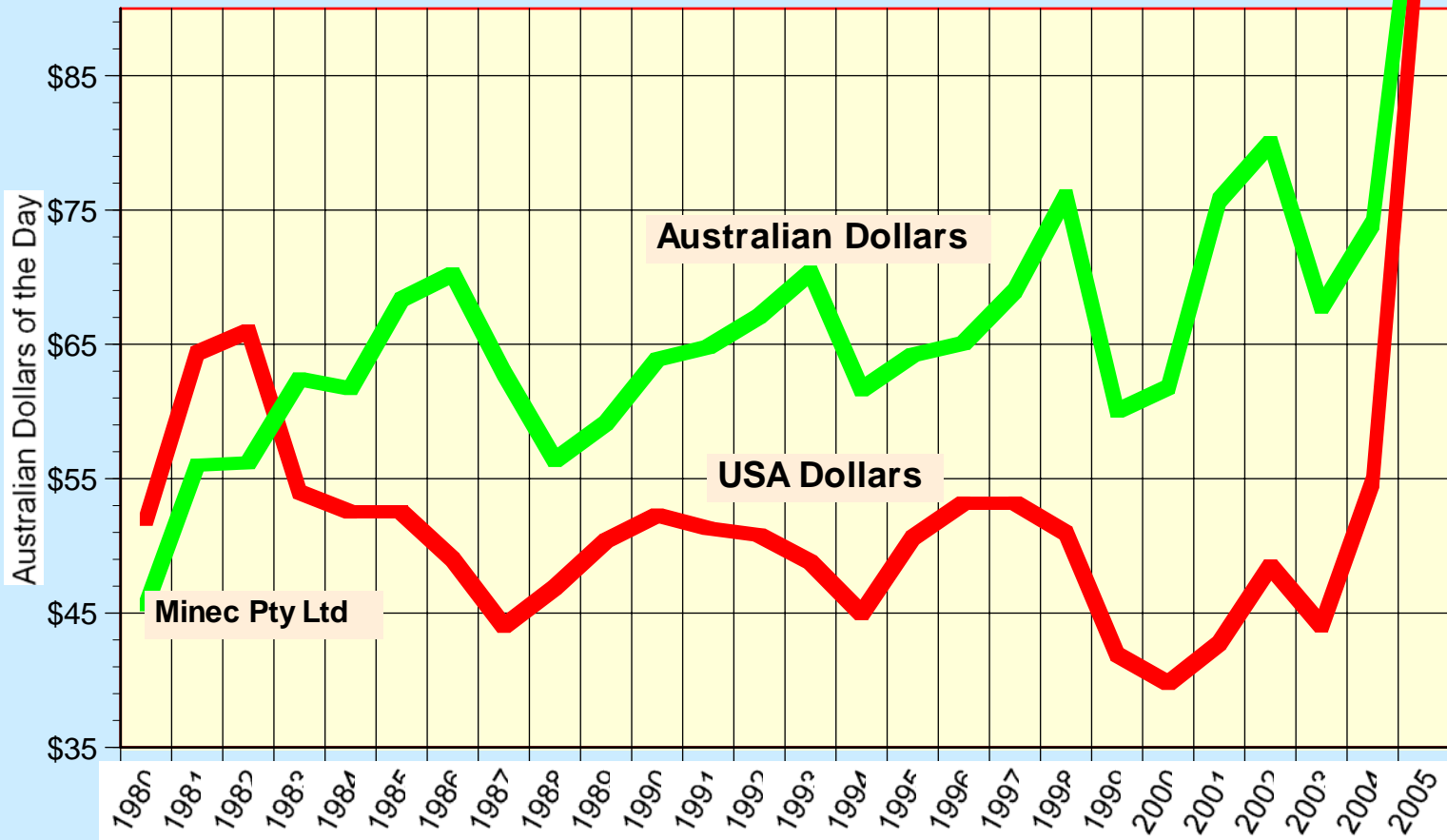


Fig. 20 Port and Rail Charges for NSW Systems, 2008 to 2023

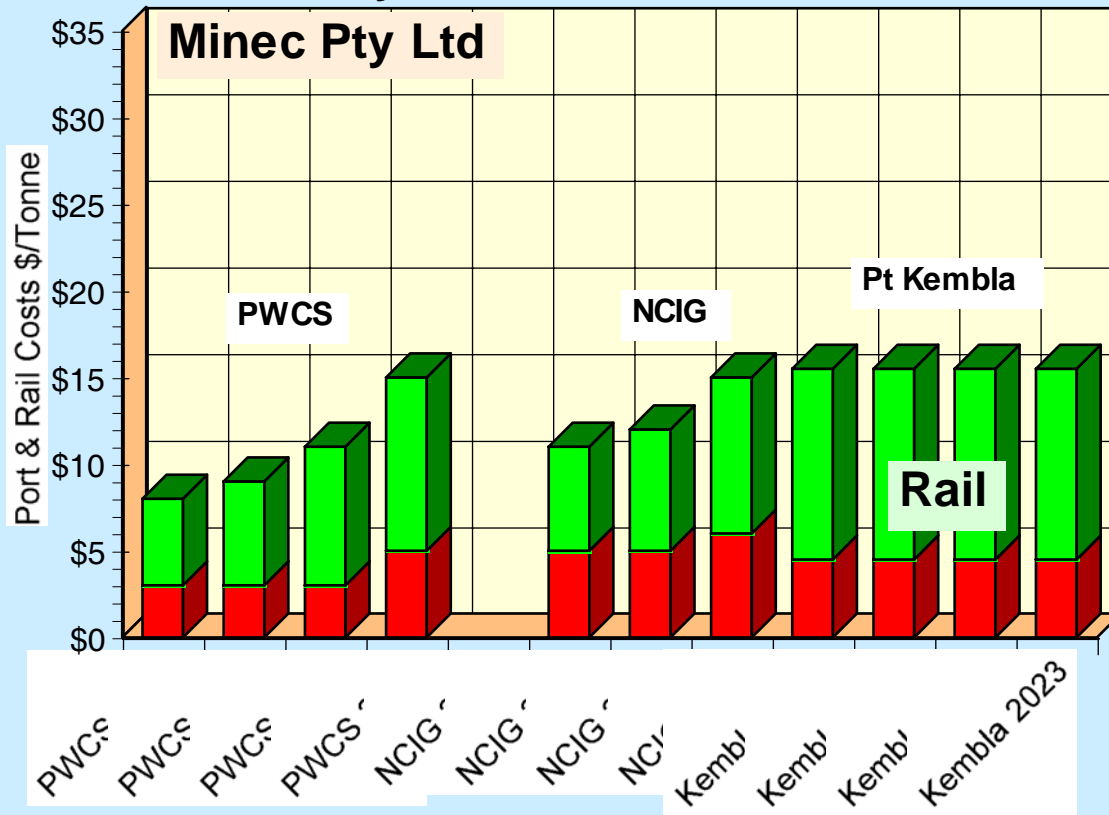
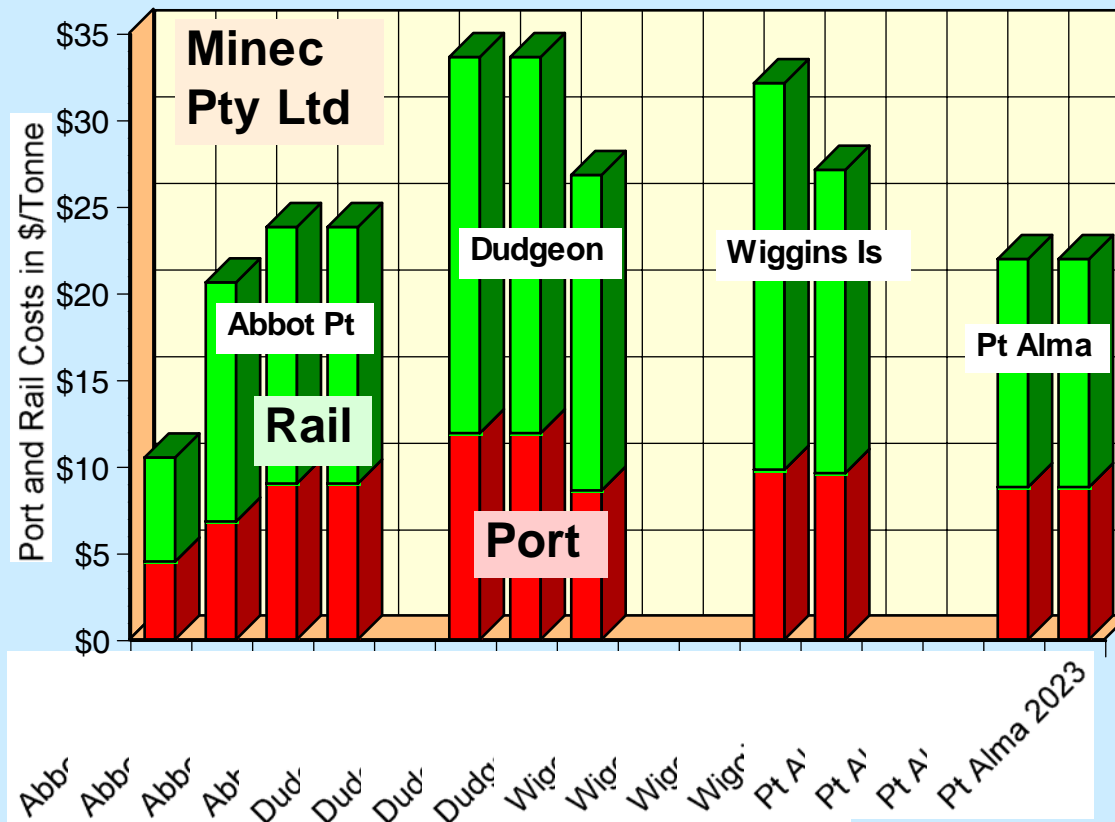


Fig. 21 Port and Rail Charges for New QLD Systems, 2008 to 2023



Is there a Cost Price Squeeze? No Carbon-Methane Taxes

	Steam Coal		Hard Coking
Exchange Rate US\$/A\$	Margin: Cash + Depreciatn	Exchange Rate US\$/A\$	Margin: Cash + Depreciatn
US\$0.60	A\$46	US\$0.60	A\$120
US\$0.80	A\$21	US\$0.80	A\$70
US\$0.95	A\$8	US\$0.95	A\$48

Add Methane Fugitive Emissions Tax

Seamus French Anglo: fugitive emissions cost Av.\$12/t

Tax Aver. \$12/tonne	Steam Coal	Tax Aver. \$12/tonne	Hard Coking
Exchange Rate US\$/A\$	Margin: Cash, Depn and Tax	Exchange Rate US\$/A\$	Margin: Cash, Depn and Tax
US\$0.60	A\$34	US\$0.60	A\$108
US\$0.80	A\$9	US\$0.80	A\$58
US\$0.95	Minus A\$4	US\$0.95	A\$36

Is there a Cost Price Squeeze?

- Not for existing Hard Coking Coal producer
- For existing thermal producers V.tough if exchange rate near parity + Fugitive tax
- New thermal producer requiring access to new rail-port systems vulnerable >US\$0.7
- New Thermal, Semi soft, PCI mines incl. Fugitive taxes NEED HIGHER prices
- If A\$ high + Fugitive tax: Even new Hard Coking projects needing new rail/port not economic, after full capital, at price US\$125