

The beauty of coal

Why it is worth investing in coal mines today

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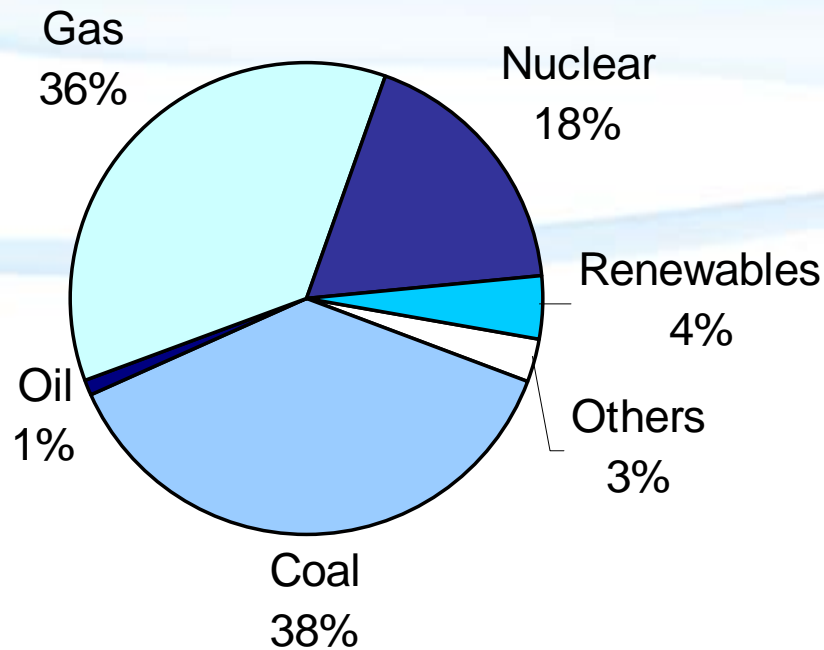

Introduction

What, why, where and how

- Coal is a key component of the UK's energy mix and this is a situation that is unlikely to change for at least the next decade – if not longer
- The reason for coal's resurgence is threefold
 - The dash for gas generated high prices which has put off the generators
 - The country's ageing nuclear fleet is nearing the end of its useful existence
 - Renewable generation growth has lagged far behind the Government's hopes
- Domestic coal production has been supplemented with increasing amounts of Russian coal meaning the country is increasingly a hostage to energy insecurity.
- To offset this threat surface mine production has been increasing and we expect further growth in this area over the next couple of years.

Coal has a cleaner future than its dirty past

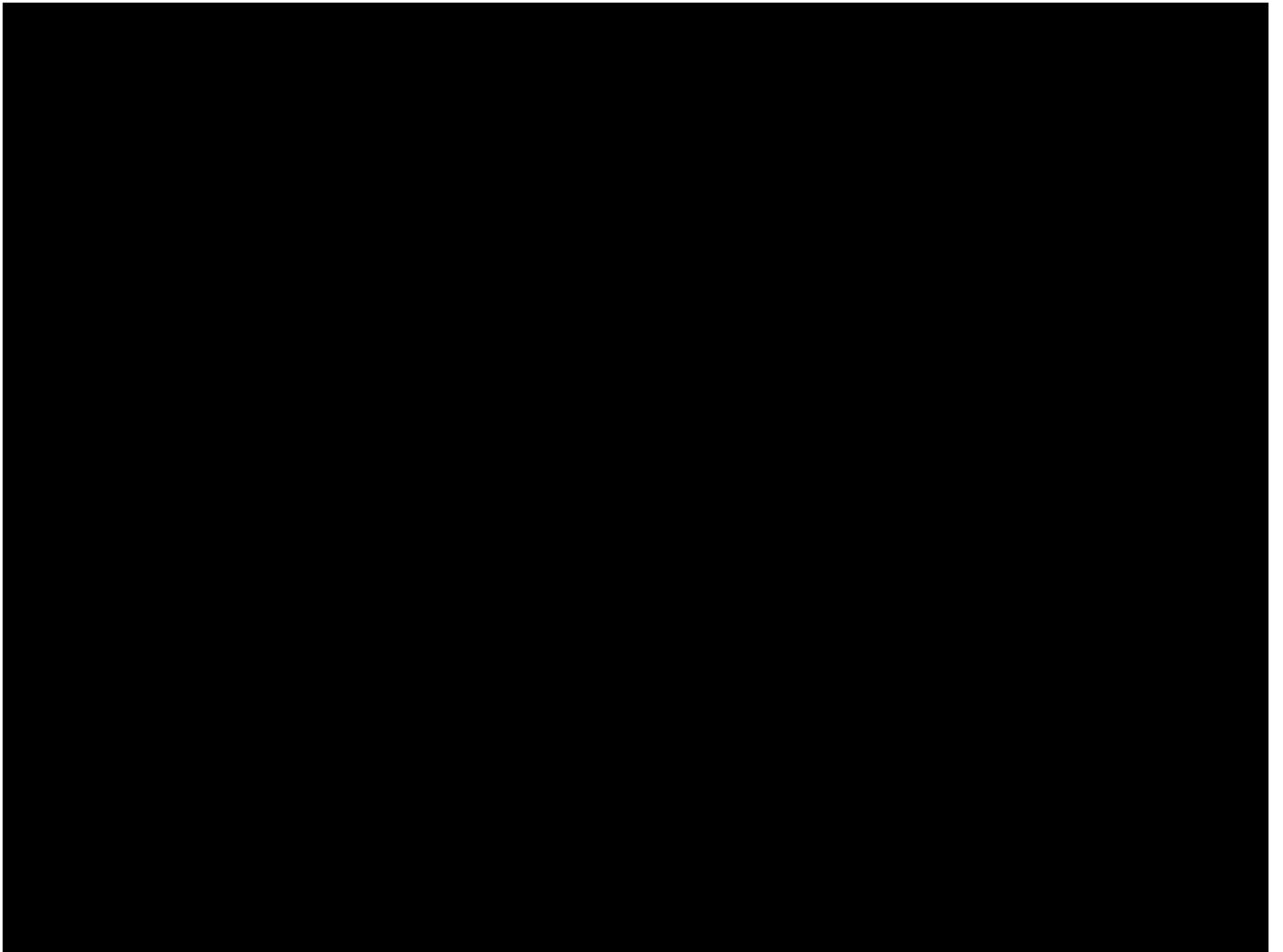
Coal in the UK's electricity generation mix



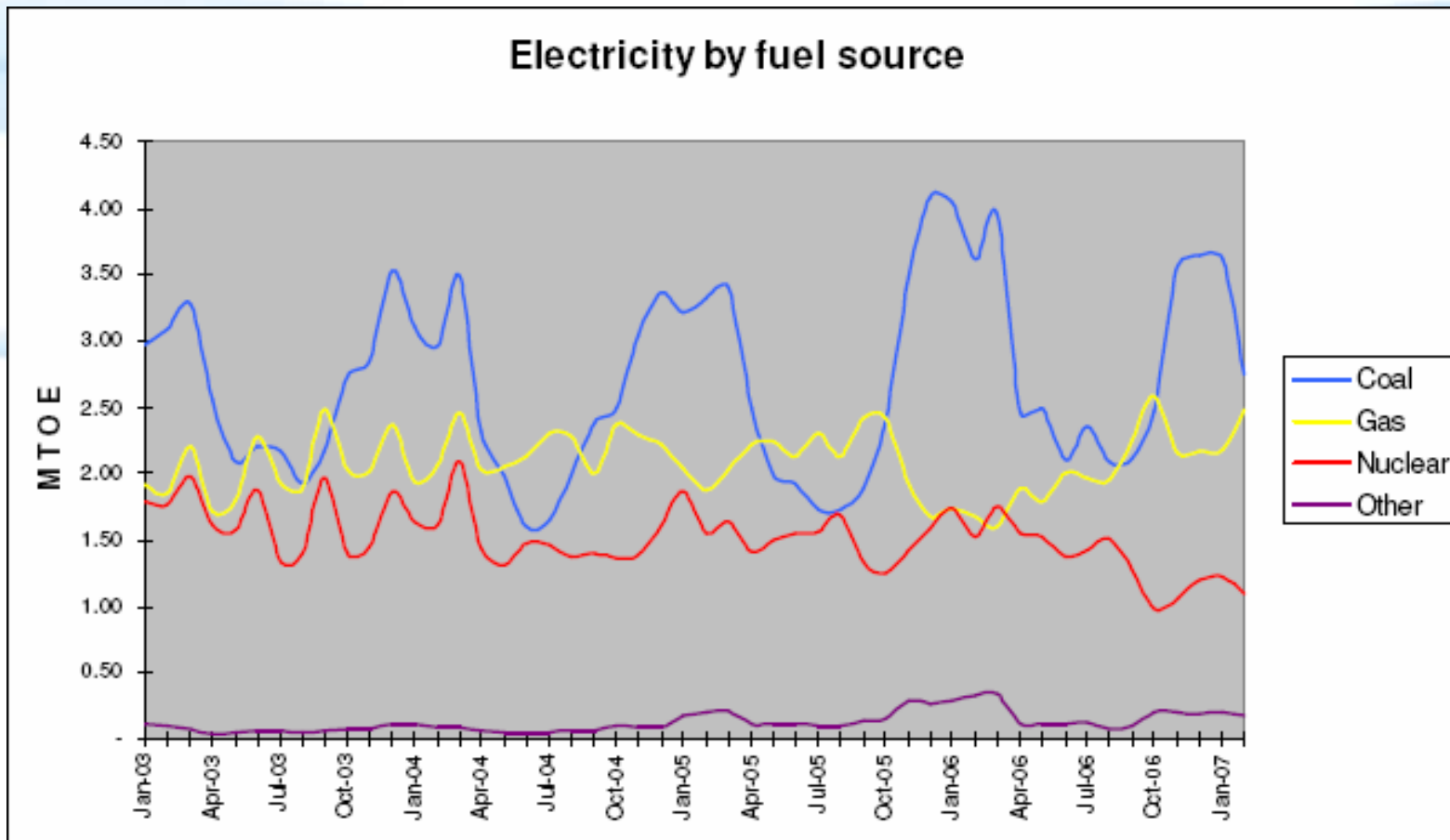
Coal foundation

- Coal provides the fuel for 38% of the electricity generated in the UK.
- Without coal...

Source: DTI

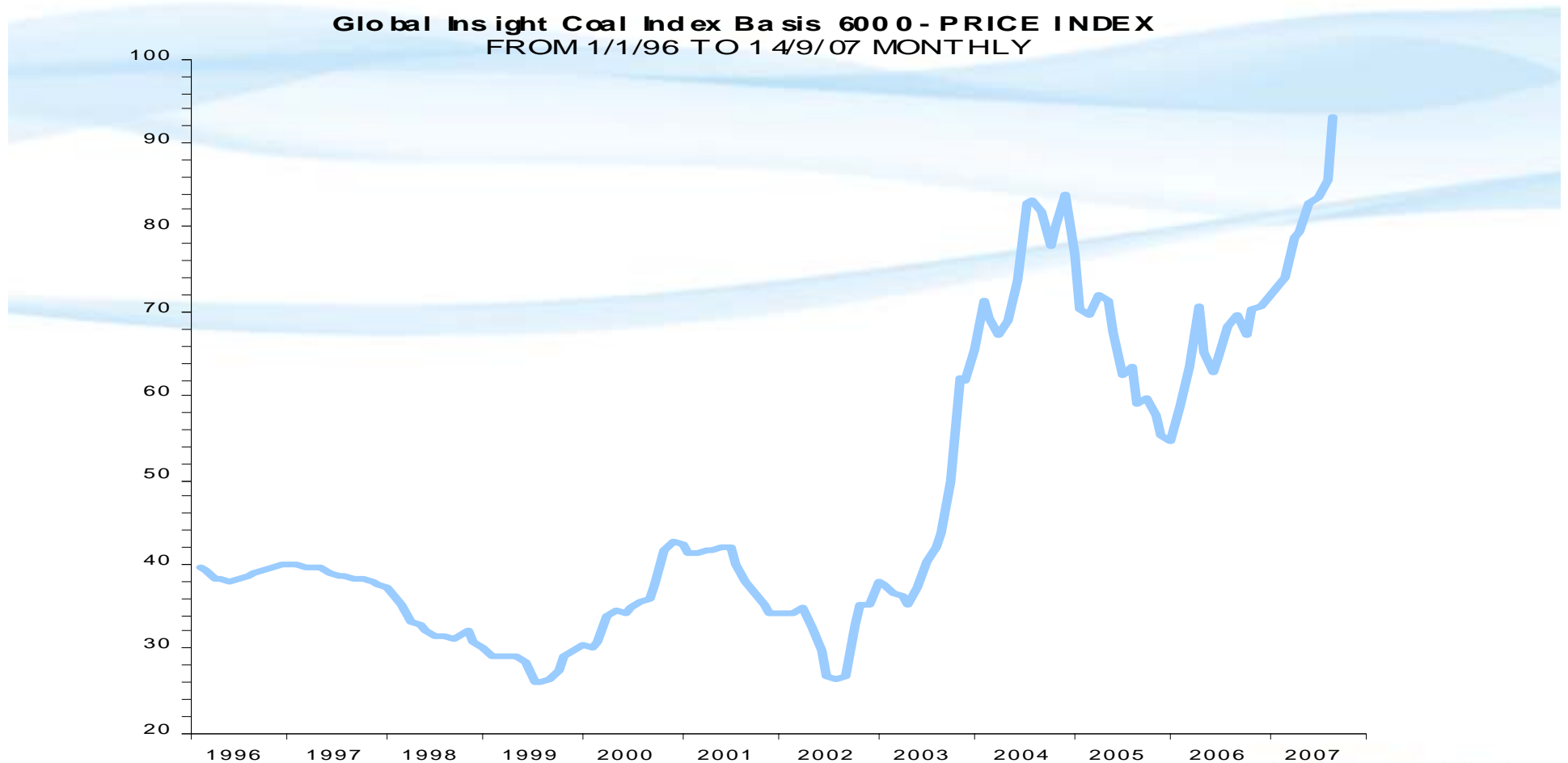


Coal covers the peaks and the troughs



Source: ATH from DTI data

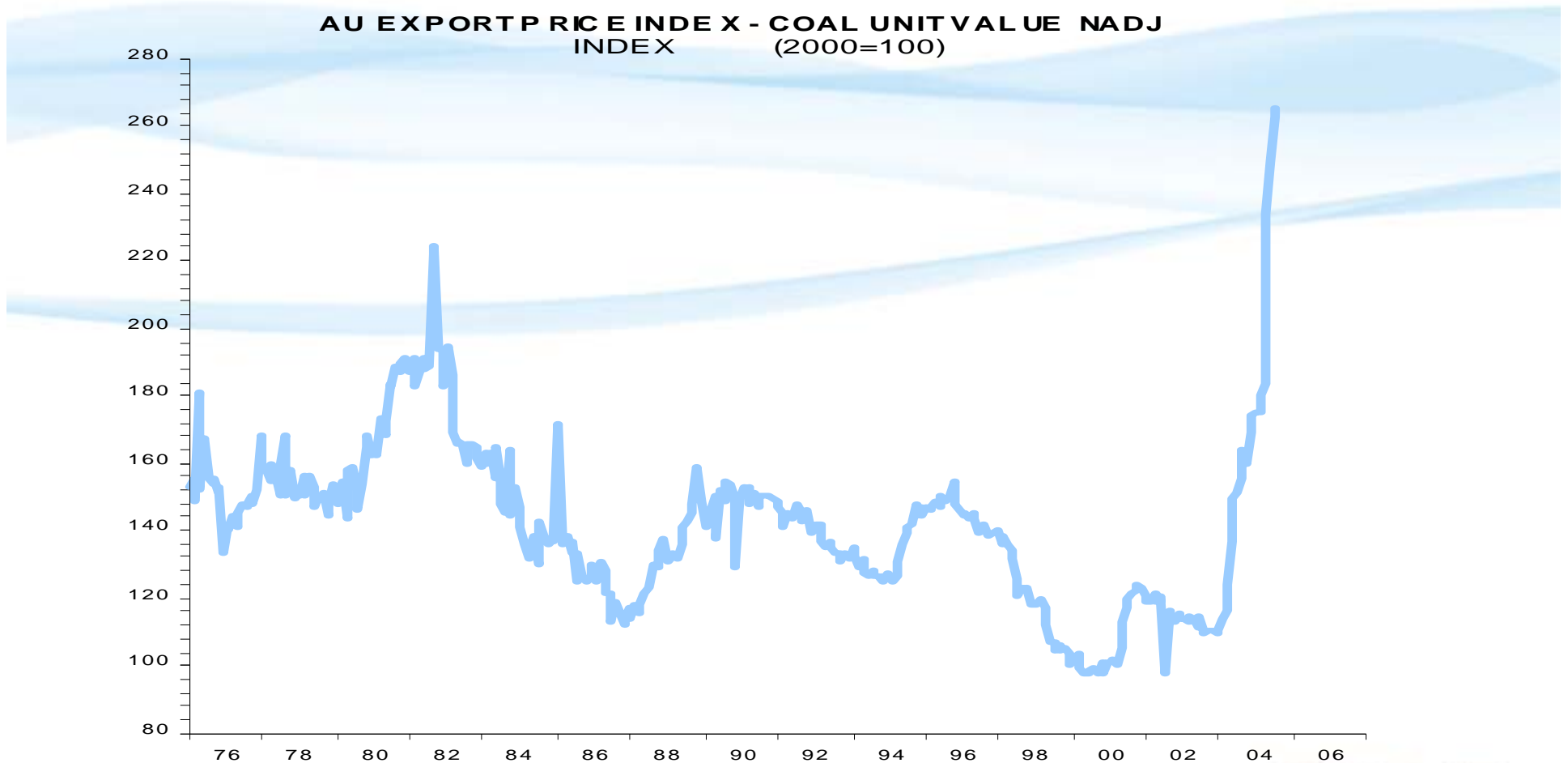
Coal prices reflect market demand – short term



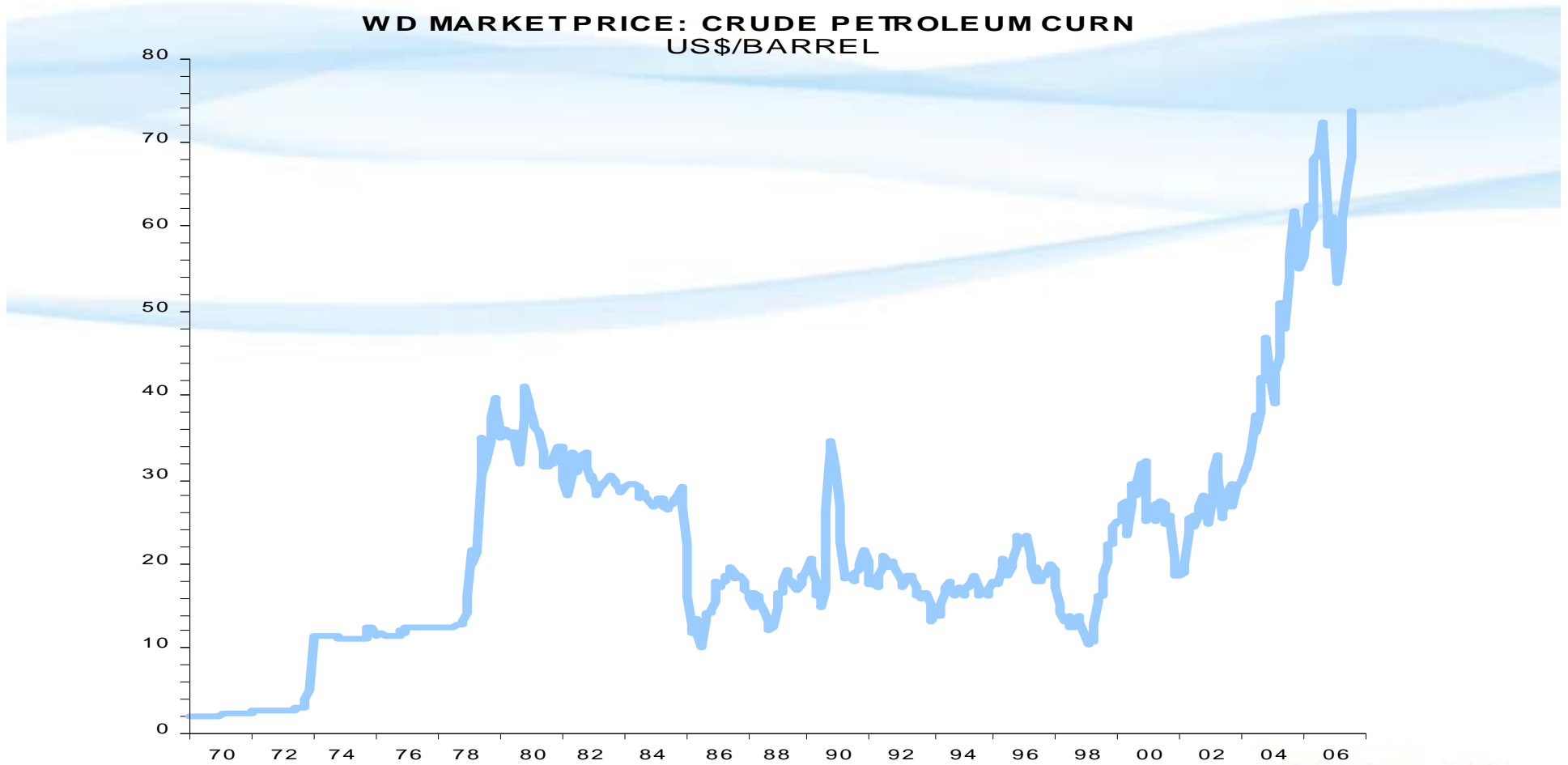
Source: Datastream



Coal prices reflect market demand – long term



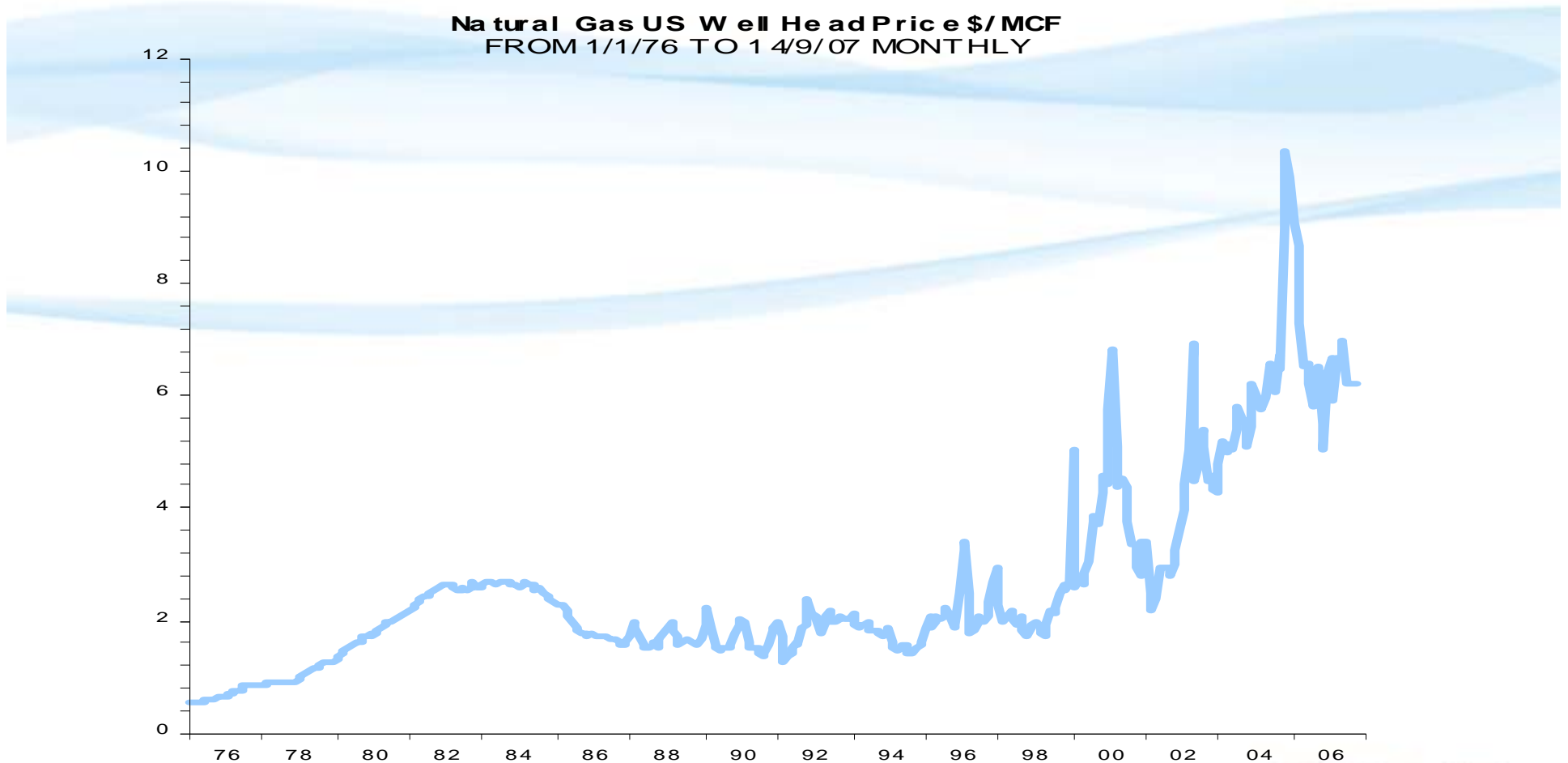
All energy prices on the rise – oil



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Source: Datastream

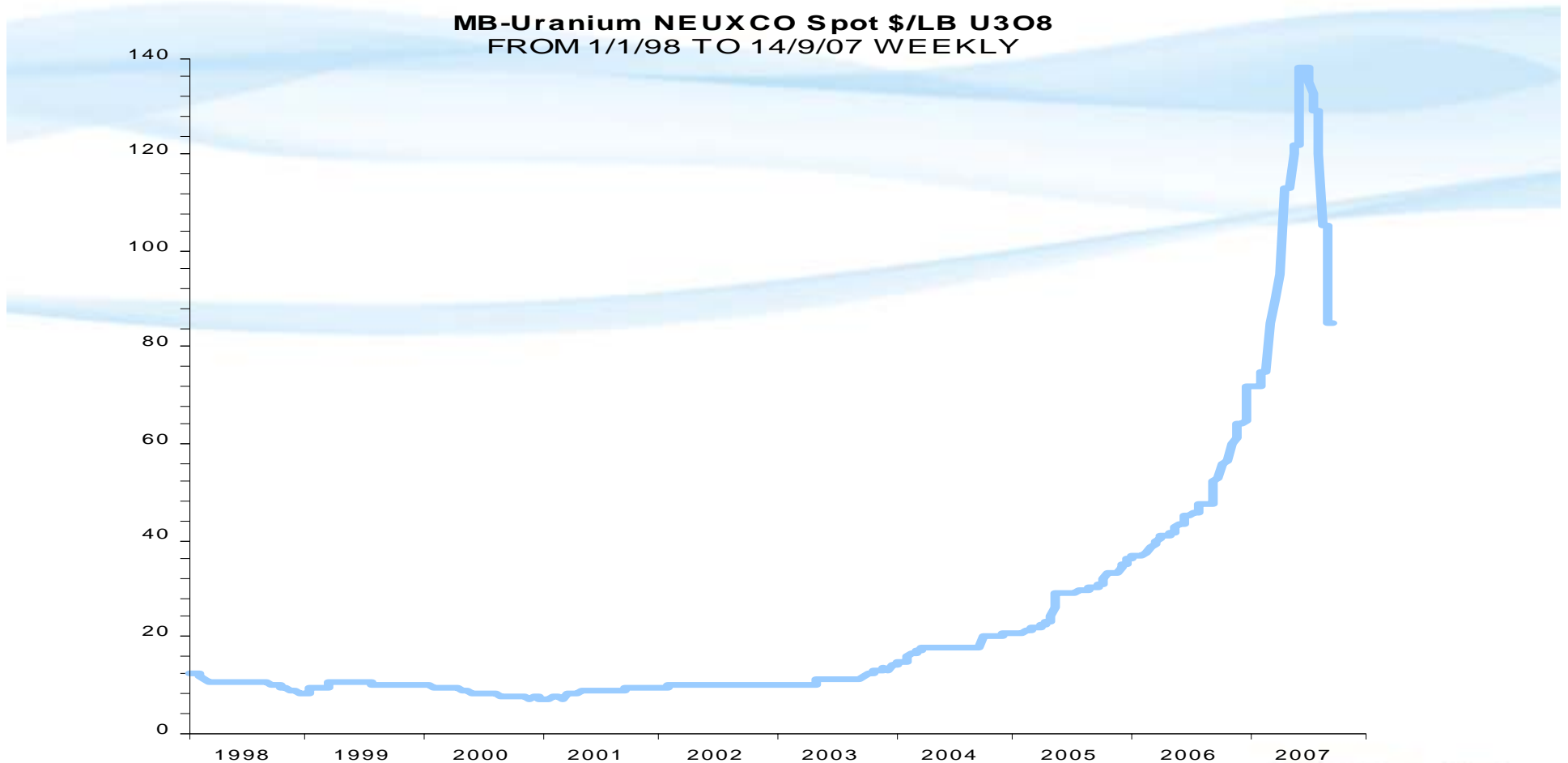
All energy prices on the rise – gas



Source: Datastream



All energy prices on the rise – gas



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Source: Datastream

Demurrage



Source: Sydney Morning Herald

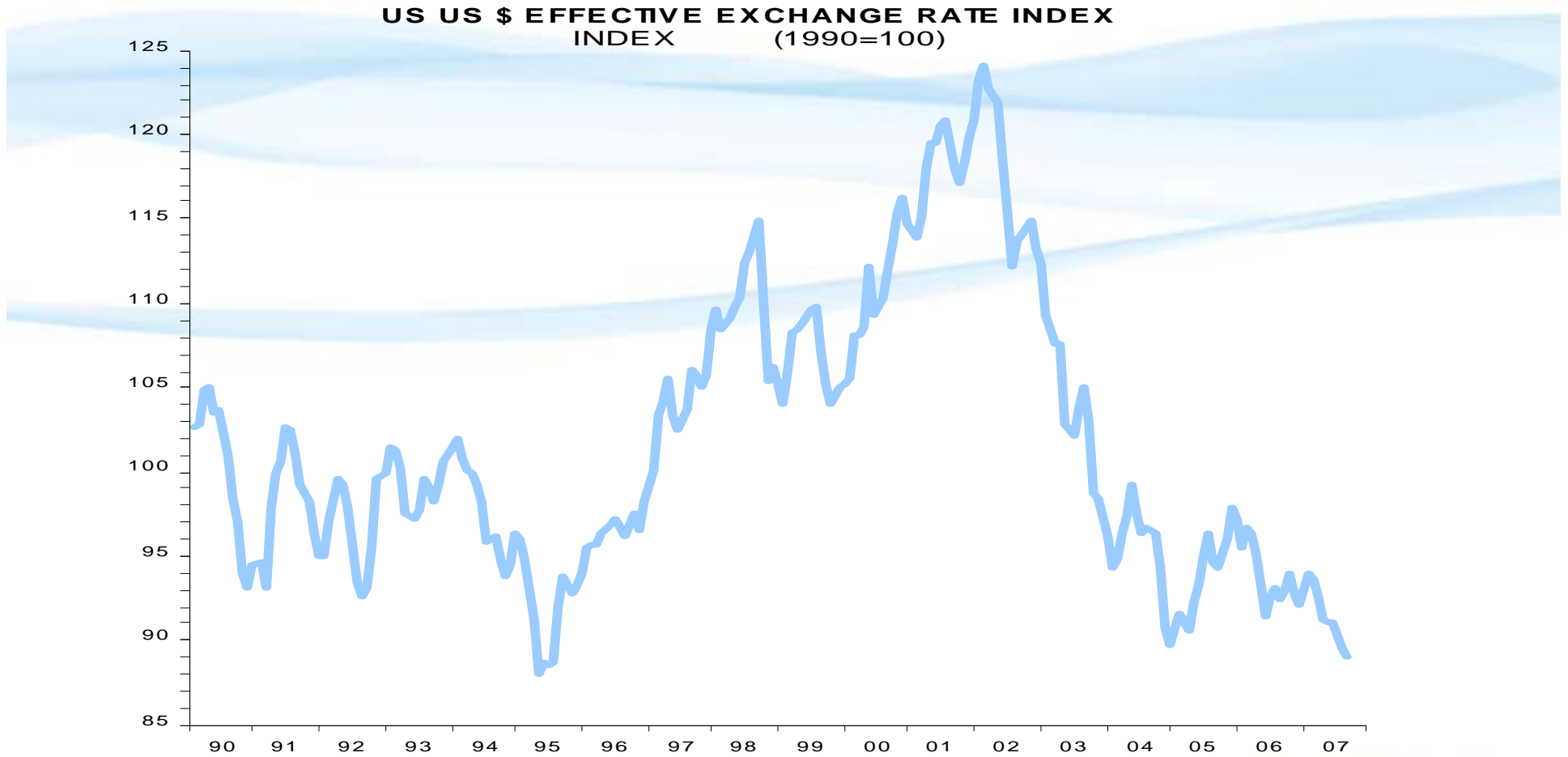
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Freight is also a major issue



Source: Datastream

The weaker US currency also helps dollar prices



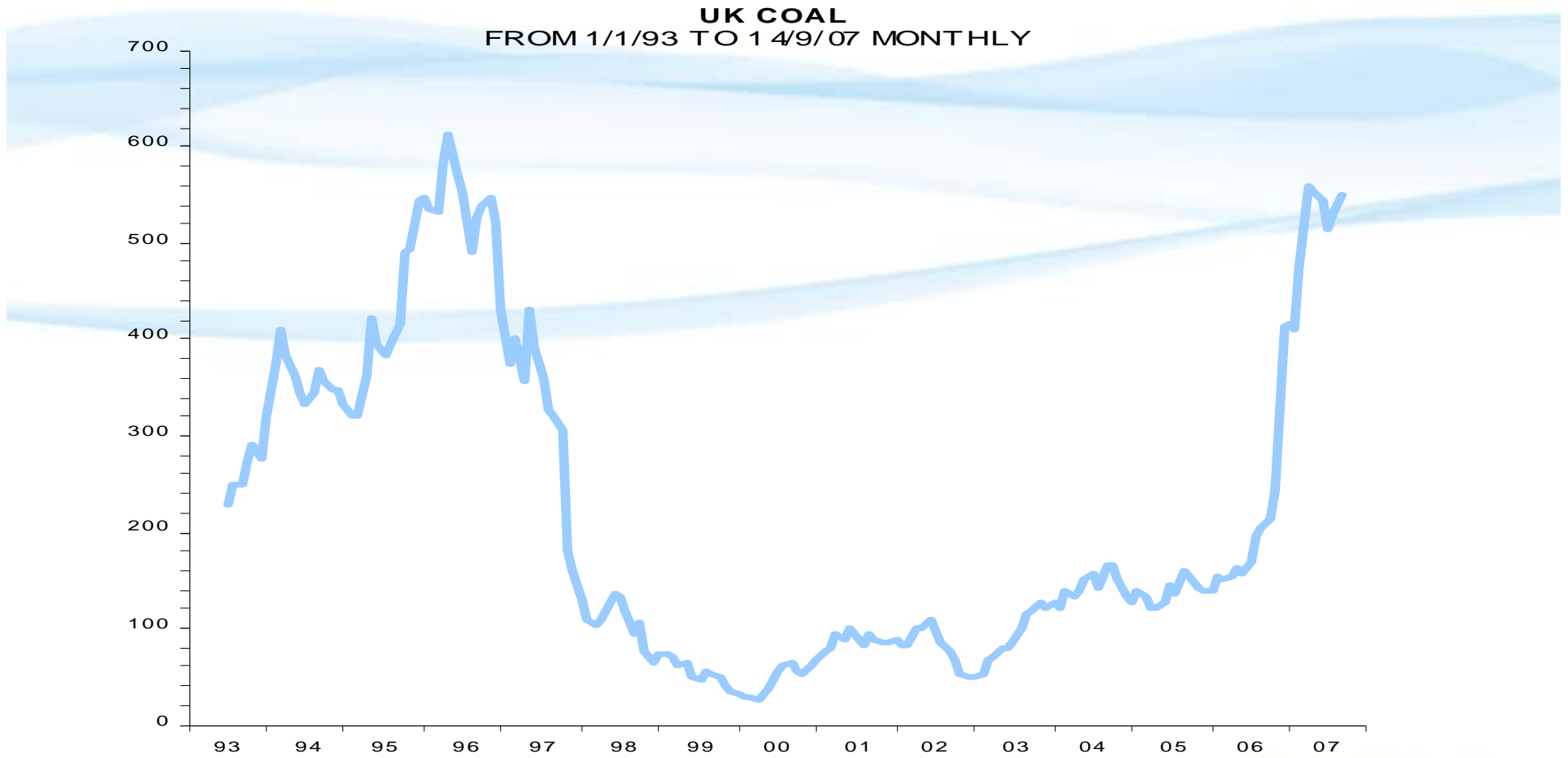
Source: Datastream



The companies



UK Coal – share price performance



Source: Datastream

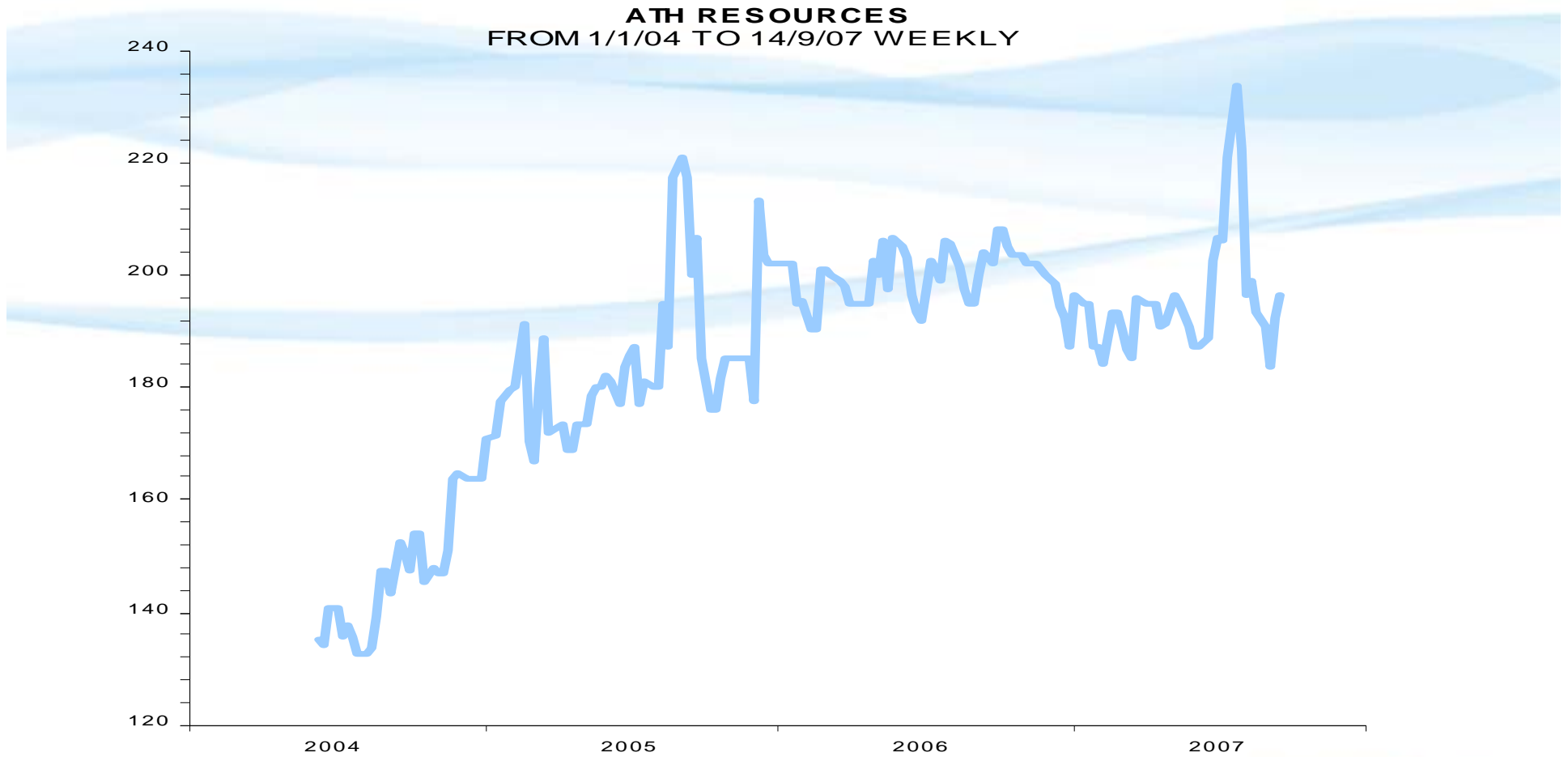
UK Coal – share price performance



Source: Datastream

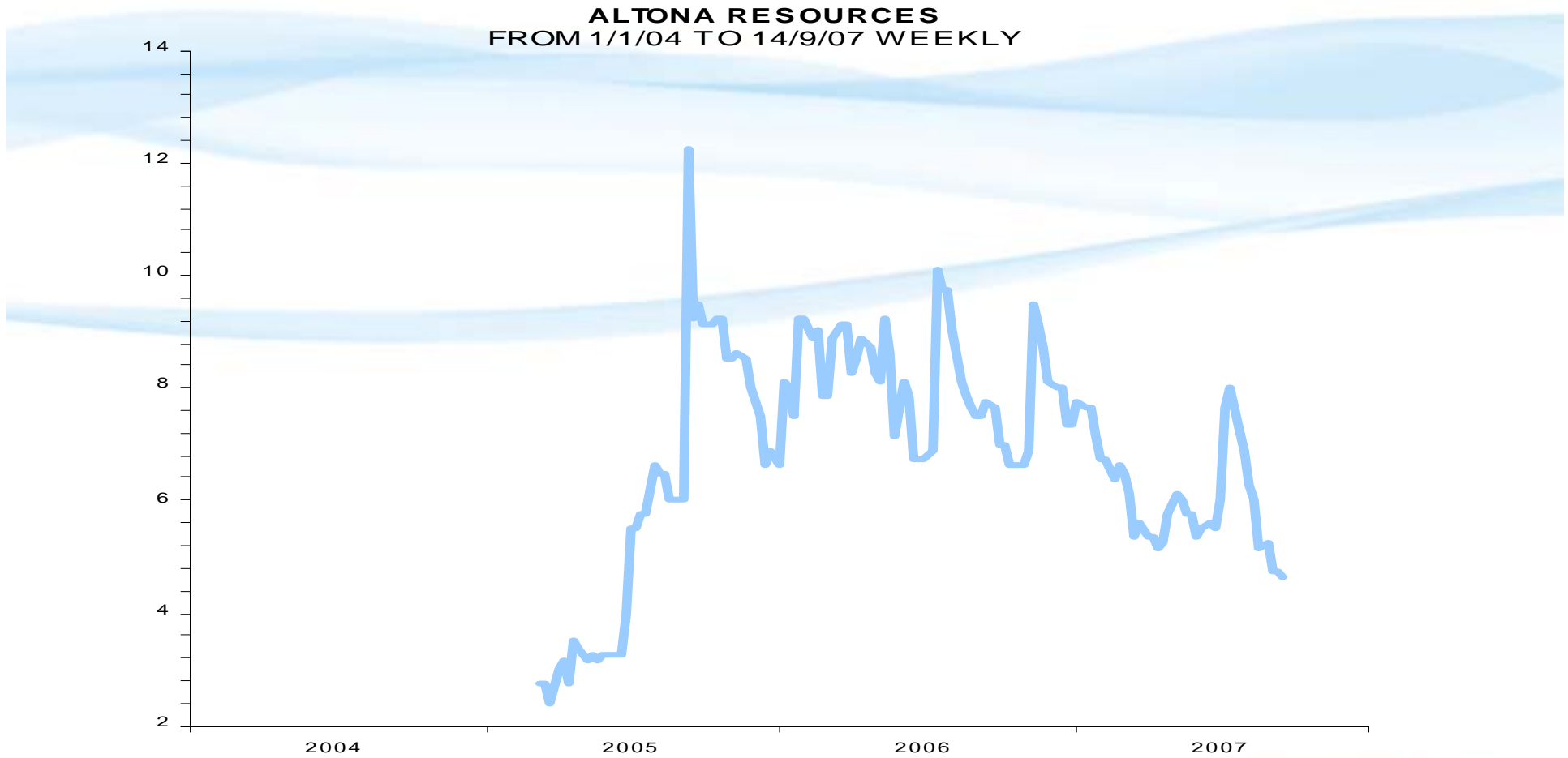
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ATH Resources – share price performance



Source: Datastream

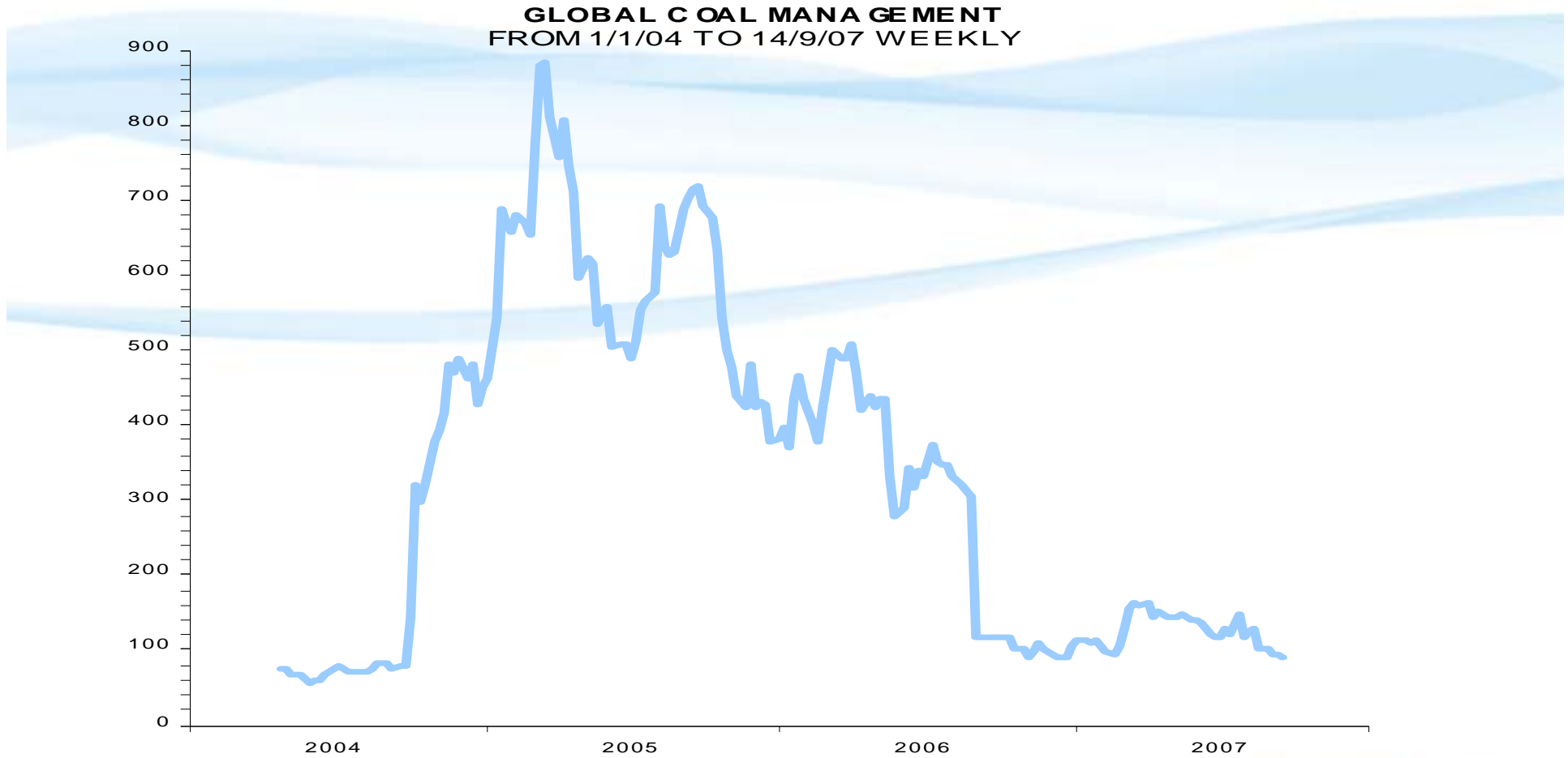
Altona Resources – share price performance



Source: Datastream



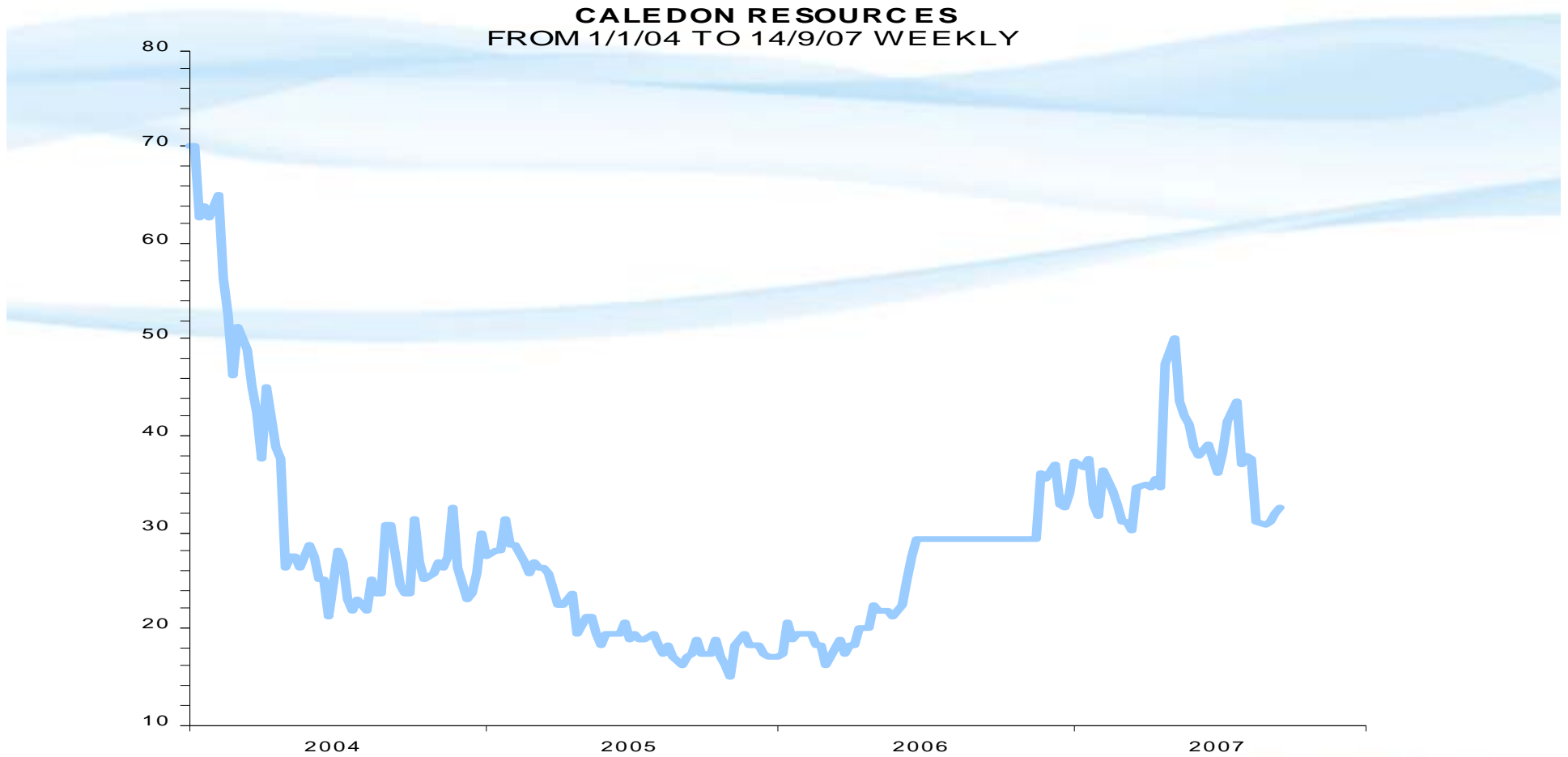
Global Coal Management – share price performance



Source: Datastream



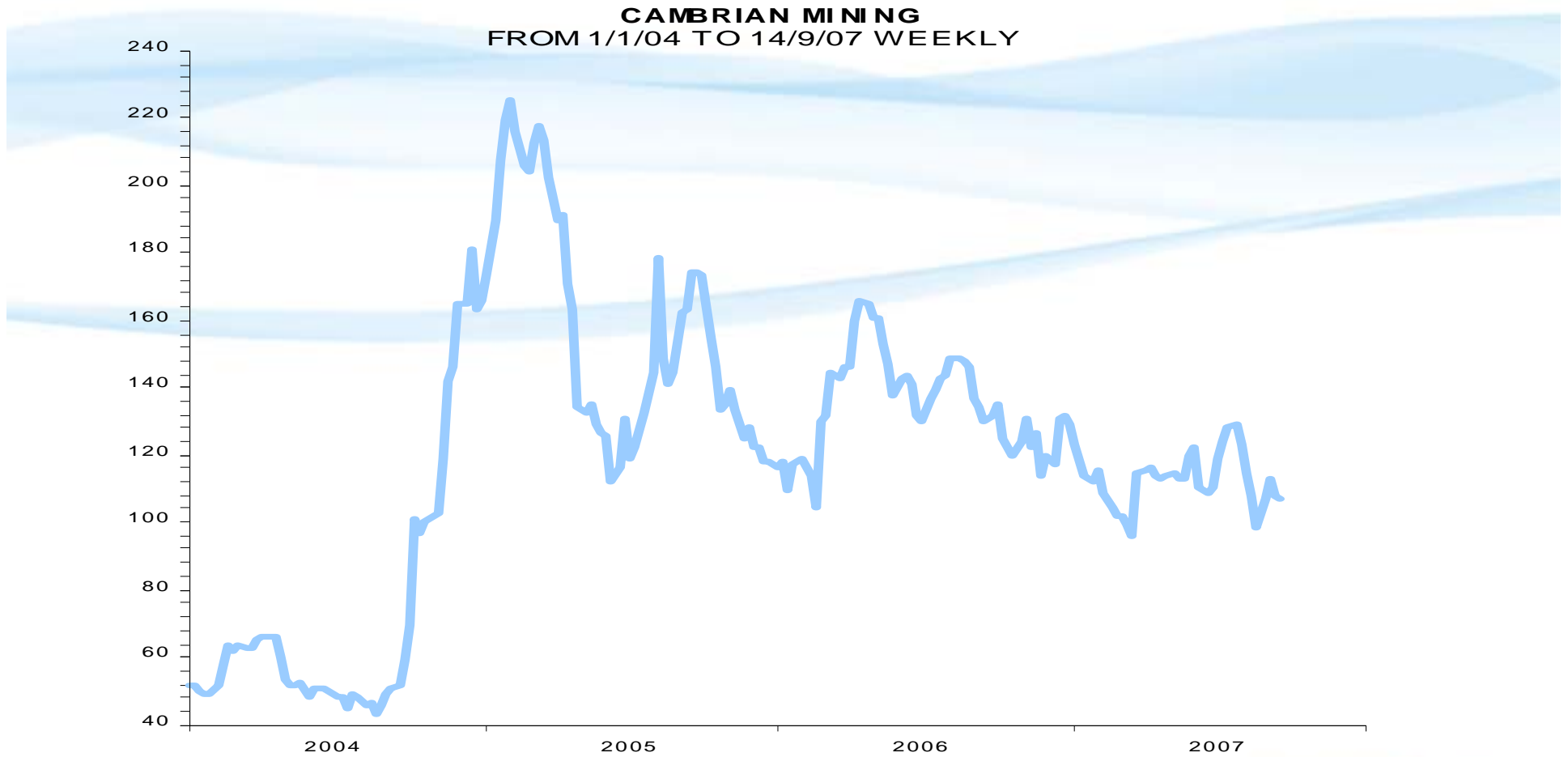
Caledon Resources – share price performance



Source: Datastream



Cambrian Mining – share price performance



Source: Datastream

Coal International – share price performance



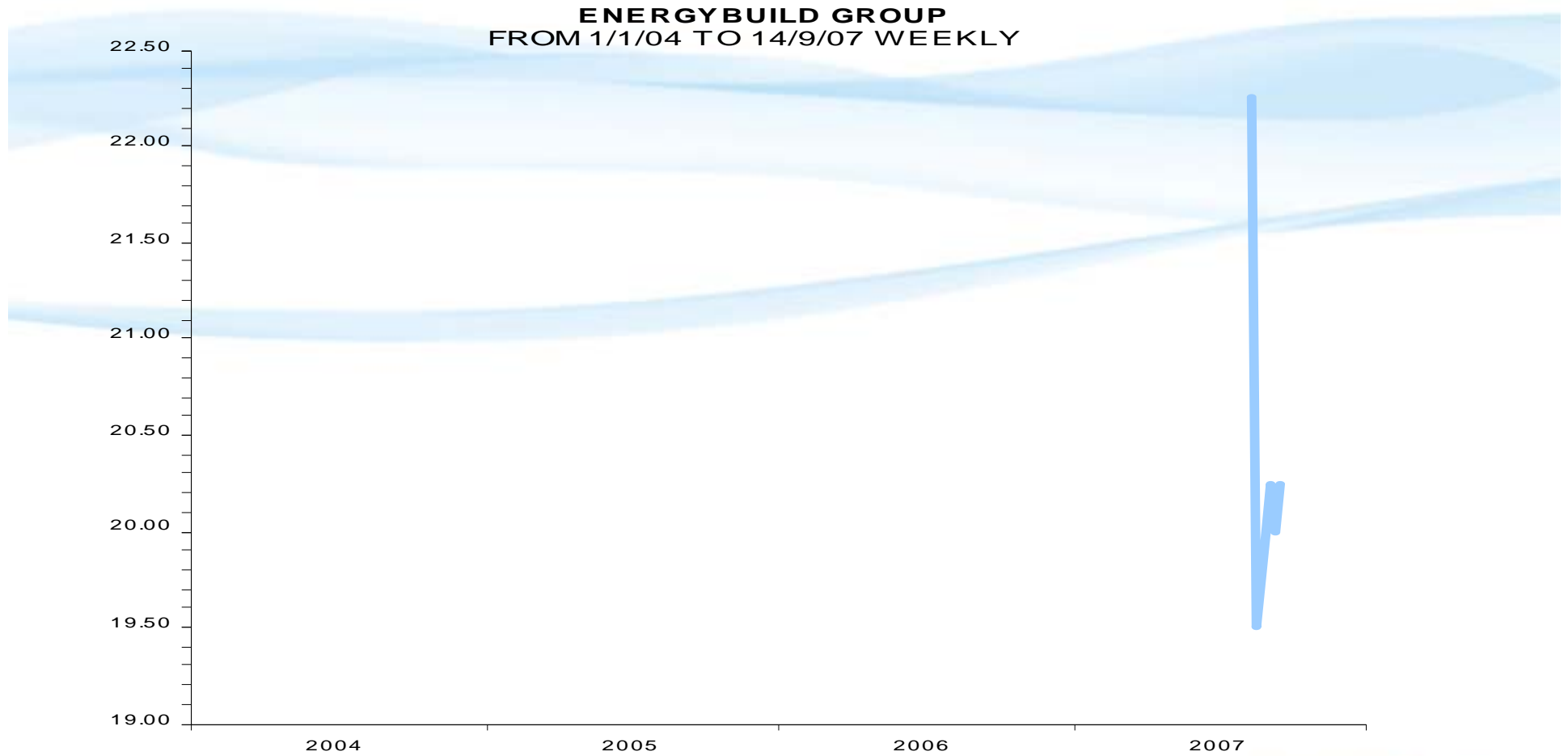
Source: Datastream

Western Canadian Coal – share price performance



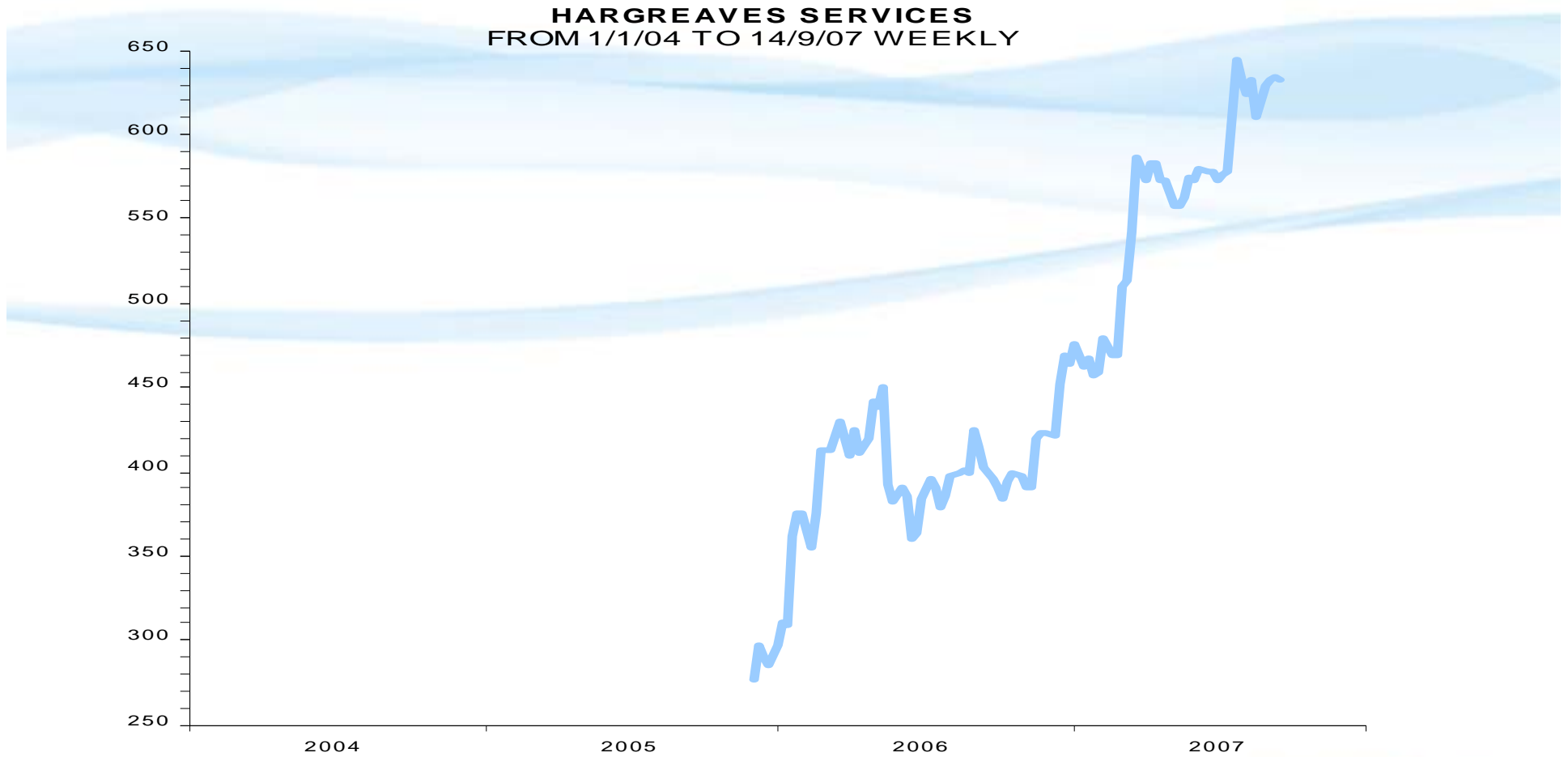
Source: Datastream

Energybuild – share price performance



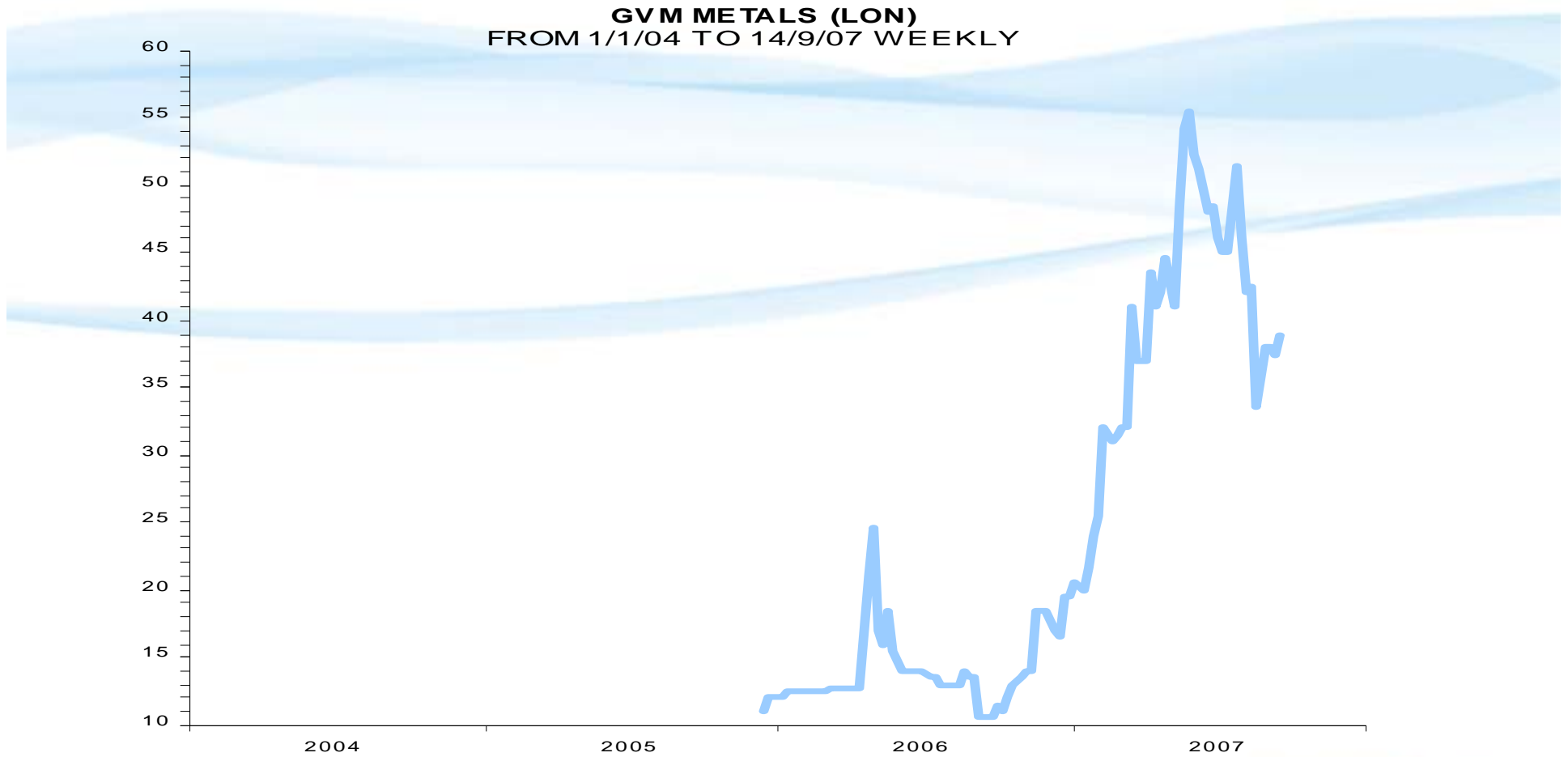
Source: Datastream

Hargreaves Services – share price performance



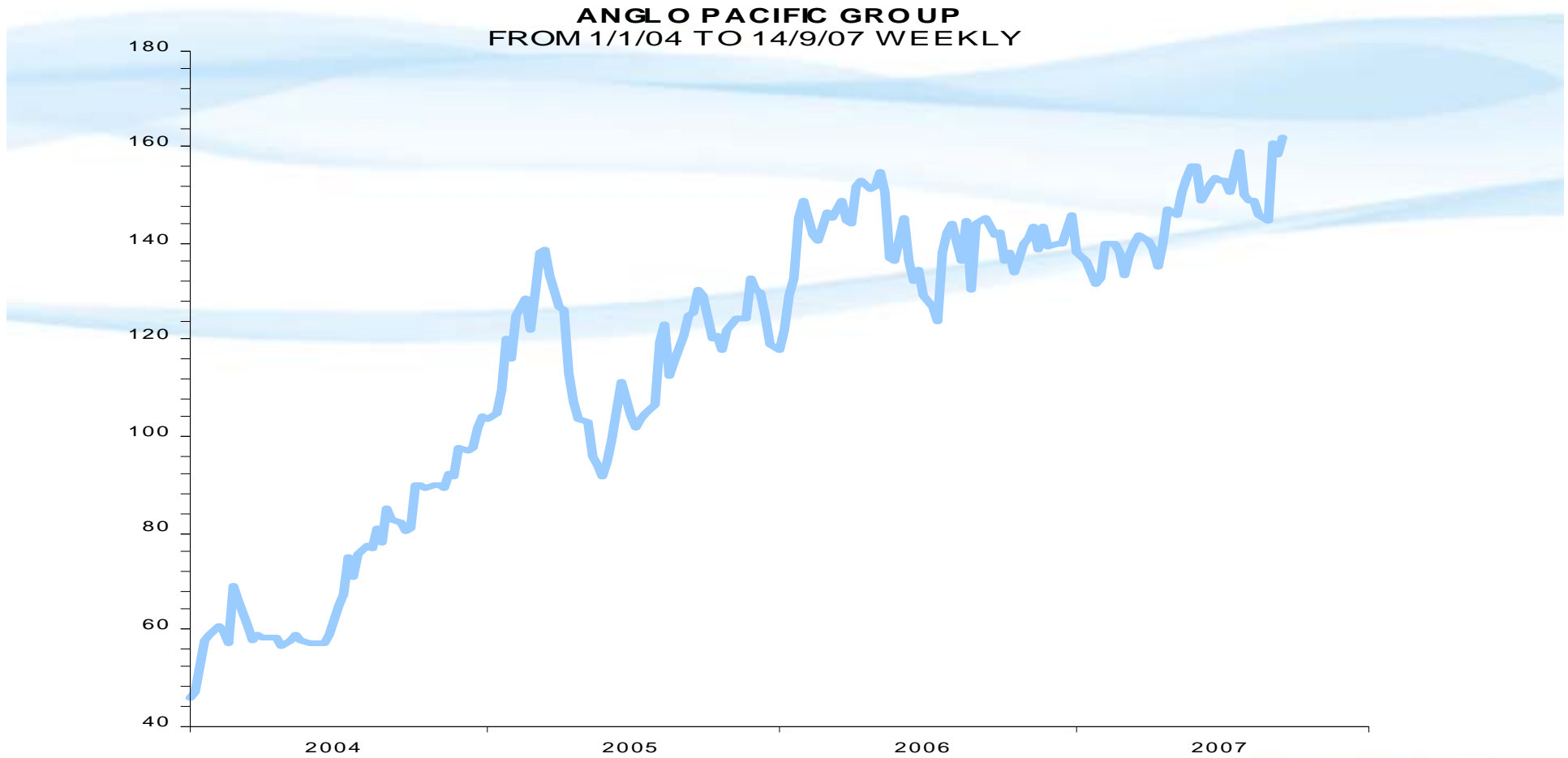
Source: Datastream

GVM Metals – share price performance



Source: Datastream

Anglo Pacific – share price performance



Source: Datastream

International producers

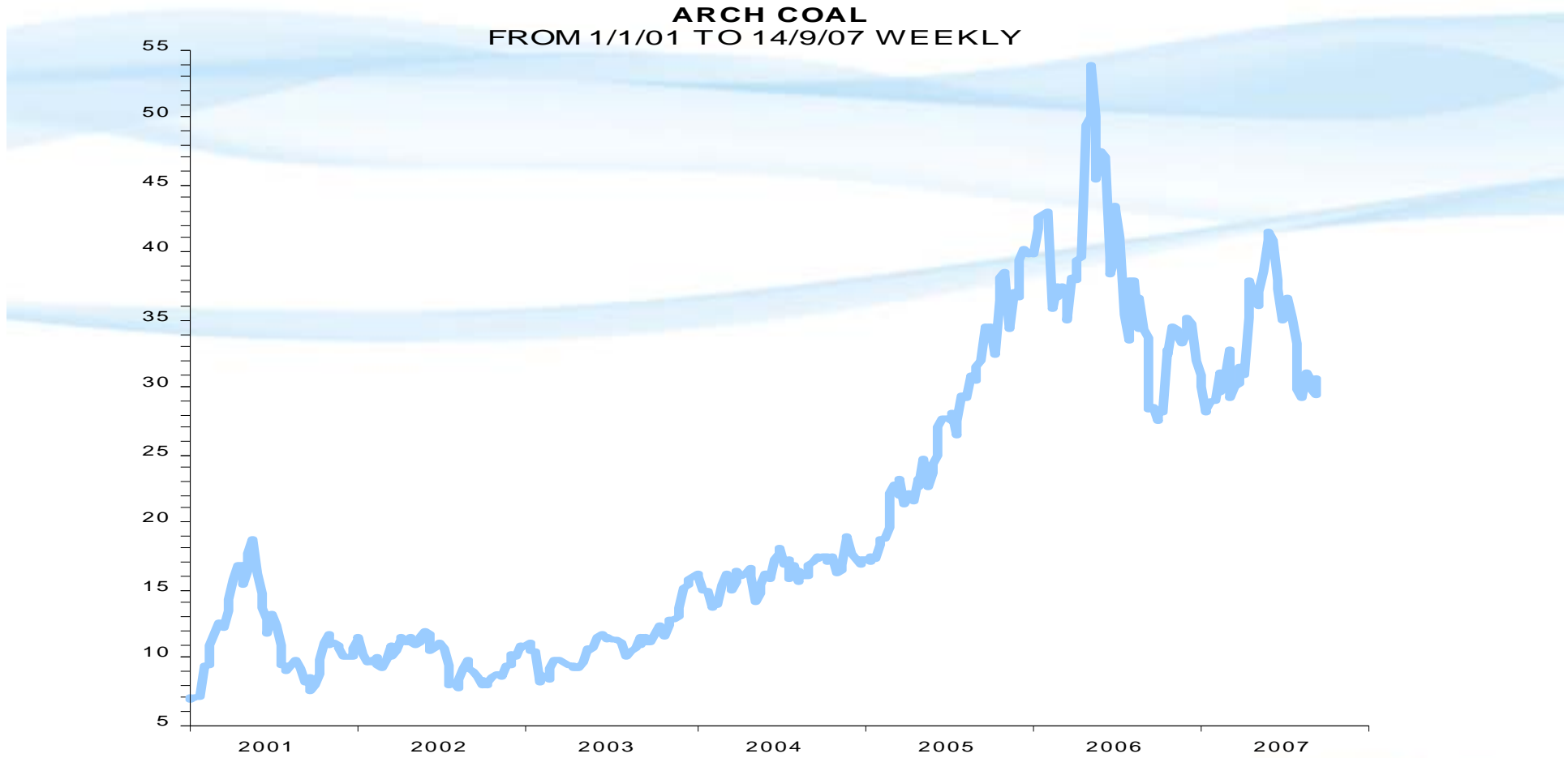


Peabody Energy – share price performance



Source: Datastream

Arch Coal – share price performance



Source: Datastream



Yanzhou Coal – share price performance



Source: Datastream



Fording Coal Trust – share price performance



Source: Datastream



Attractive assets



M&A is a must

Date	Bidder	Target	Stake	Local currency	Value of deal (US\$m)	Enterprise value (US\$m)	Production (Mt)	Per annual tonne (US\$)	Reserves/resources (Mt)	Per tonne (US\$)
Aug-07	Xstrata	Narama	50.0%	A\$53m	62.3	124.6	2.5	49.84	15.4	8.09
May-07	Gujarat NRE	Elouera	100.0%	A\$49m	41.0	41.0	0.0	na	41.0	1.00
Apr-07	Xstrata	Gloucester Coal	100.0%	A\$391m	320.0	320.0	1.9	168.42	155.0	2.06
Apr-07	Natural Resource Partners	West Virginia Props	100.0%	US\$27.3m	27.3	27.3	2.4	11.38	35.0	0.78
Feb-07	Hargreaves	Maltby Colliery	100.0%	£33.5m	65.7	65.7	0.8	87.60	27.3	2.41
Feb-07	CVRD	AMCI Australia	100.0%	A\$835m	662.0	786.5	9.0	87.39	103.0	7.64
Feb-07	Anglo Coal	BEE Deal	27.0%	US\$973.6	973.6	3730.4	48.5	76.92	8200.0	0.45
Jan-07	Cleveland Cliffs	Sonoma Coal Project	45.0%	A\$140m	109.2	242.7	3.5	69.33	97.0	2.50
Dec-06	Asia Energy	GVM Metals	15.0%	£2.44m	4.8	31.9	0.0	na	758.0	0.04
Dec-06	GVM Metals	Baobab	50.0%	£2.5m	4.9	9.8	0.0	na	350.0	0.03
Nov-06	National Coal Corp	16km2 in W Virginia	100.0%	US\$60m	60.0	60.0	0.0	na	18.3	3.28
Aug-06	GVM Metals	Holfontein, Baobab	50.5%	£3.66m	6.9	13.7	0.9	15.25	406.0	0.03
Aug-06	Global Steel Holdings	ColCarbon	100.0%	US\$130m	130.0	130.0	0.0	na	145.0	0.90
Jul-06	Siyanda Resources	Koornfontein	100.0%	US\$75m	75.0	75.0	3.6	20.83	39.0	1.92
Jul-06	Peabody	Excel Coal	100.0%	A\$1,830m	1372.5	1372.5	13.5	101.67	450.0	3.05
Jun-06	Natural Resource Partners	Alleghany County	100.0%	US\$5.5m	5.5	5.5	0.5	11.00	3.3	1.67
Jun-06	Natural Resource Partners	Triad Mining	100.0%	US\$10.85m	10.85	10.9	0.0	na	18.7	0.58
Jun-06	Crew	Daguma Coal Project	95.0%	US\$23.9m	23.9	25.2	0.0	na	352.1	0.07
Apr-06	GVM Metals	Limpopo	74.0%	£4.37m	7.8	10.6	0.0	na	352.0	0.03
Apr-06	Asia Gold	Ivanhoe Coal	100.0%	C\$190m	150.8	150.8	0.0	na	157.7	0.96
Mar-06	PT Borneo Lumbung Energi	Arutmin/Kaltim Prima	100.0%	US\$3,200m	3200.0	3200.0	42.3	75.65	0.0	na
Mar-06	Kuzbassrazrezugol	Powerfuel	51.0%	£30m	52.5	102.9	2.3	45.75	0.0	na
Mar-06	Xstrata	Cerrejon	33.3%	US\$1,700m	1700.0	5100.0	26.0	196.15	900.0	5.67
Feb-06	Undisclosed	Mechel Coal Kazakhstan	100.0%	US\$12m	12.0	12.0	0.03	400.00	0.0	na
Dec-05	Evraz	Yuzhkuzbassugol	50.0%	US\$675m	675.0	1,350.0	18.0	75.00	0.0	na
Oct-05	Altona Resources	Arckaringa	100.0%	£2.8m	4.8	4.8	0.0	0.00	7000.0	0.00
Oct-05	CEZ-AS	Severoceske Doly	56.0%	US\$367m	655.4	655.4	40.0	16.38	0.0	na
Sep-05	Alpha Natural Resources	Nicewonder Coal Group	100.0%	US\$316.2m	316.2	316.2	3.9	81.08	0.0	na
Aug-05	Gujarat NRE	Resource Pacific	5.0%	US\$6.25	125.0	125.0	3.6	34.72	0.0	na
Aug-05	Gloucester Coal	Stratford Mine	10.0%	A\$8.9m	6.7	66.7	2.0	33.35	0.0	na
Jul-05	China Huanneng	Monto Coal JV	25.5%	A\$29.423m	22.0	86.3	0.0	0.00	500.0	0.17
Jul-05	Gujarat NRE	Avondale/Huntley	100.0%	A\$80m	60.0	60.0	2.0	30.00	100.0	0.60
May-05	ATH	Glennmuckloch/Grievehill	100.0%	£18m	33.8	33.8	1.2	28.20	4.1	8.25

Source: Seymour Pierce



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