Coalcos Put Eggs in the Export Basket
U.S. Coal Market Overview

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About Doyle Trading Consultants

We give our clients an edge by providing the following:

- ✓ Daily: DTC's highly regarded daily market commentary and price recap (global & US coverage)
- ✓ Weekly: An illuminating and entertaining interview with Steve Doyle on relevant market catalysts as well as his investment portfolio
- ✓ Weekly: DTC's 'Week Ahead' email (previews key drivers and important data release dates)
- ✓ Monthly: A comprehensive summary and analysis of the major market drivers and price curves;
- ✓ Monthly: DTC's Supply & Demand Forecast; Utility Inventory Forecast (& commentary)
- ✓ Intra-monthly: Timely reports on global steel production, monthly export/import data (company specific), US generation & inventory data, etc.
- ✓ Quarterly: Company-specific mining costs; company-specific priced positions; company-specific earnings summaries; quarterly production data and analysis; changes in institutional ownership of coal equities
- ✓ Much, much more: DTC monitors natgas vs coal dispatch economics; seaborne coal negotiations; steam coal export break-even economics; etc.

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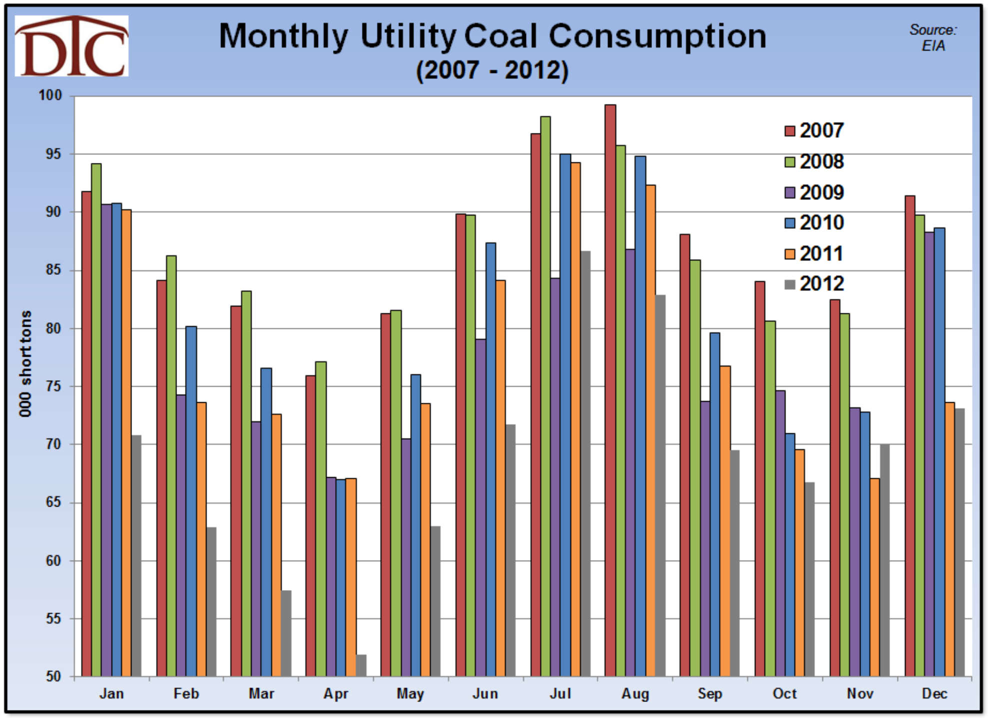
Overview

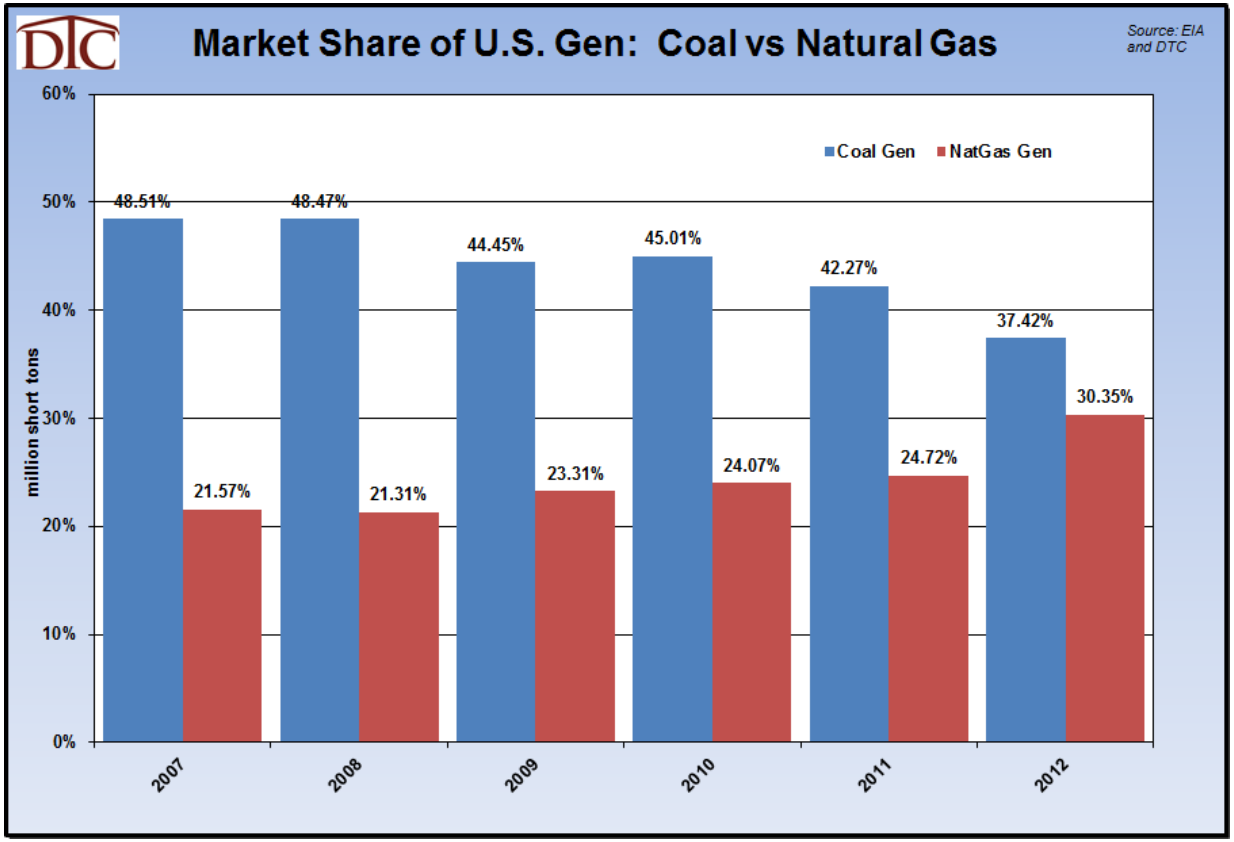
- Changes in Domestic Utility Demand
- International Prices Incentivize Exports
- Evolution of Seaborne Demand
- Seaborne supply overview
- Role of the U.S.

U.S. Demand Adjusts to New Normal

- 2007: 1.05 billion
- 2008: 1.04 billion
- 2009: 935 mm
- 2010: 980 mm
- 2011: 935 mm
- 2012: 827 mm
- 2013F: 865 mm



Coal Loses Market Share

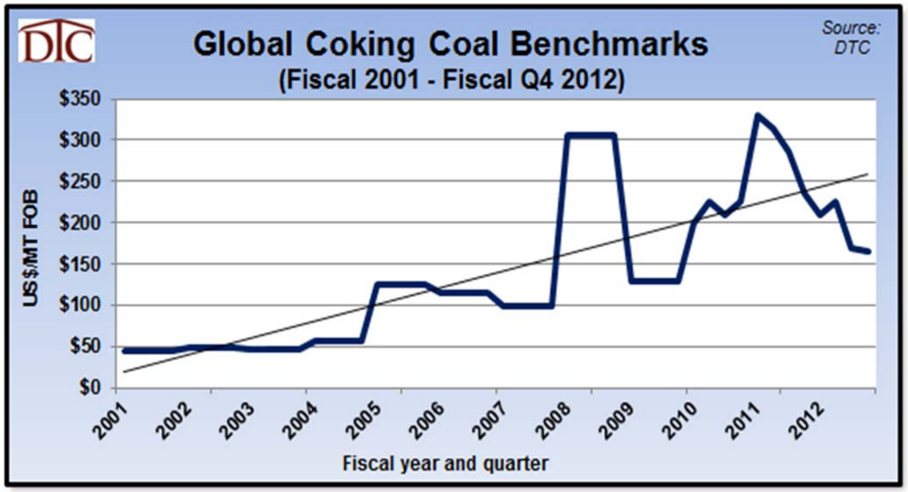


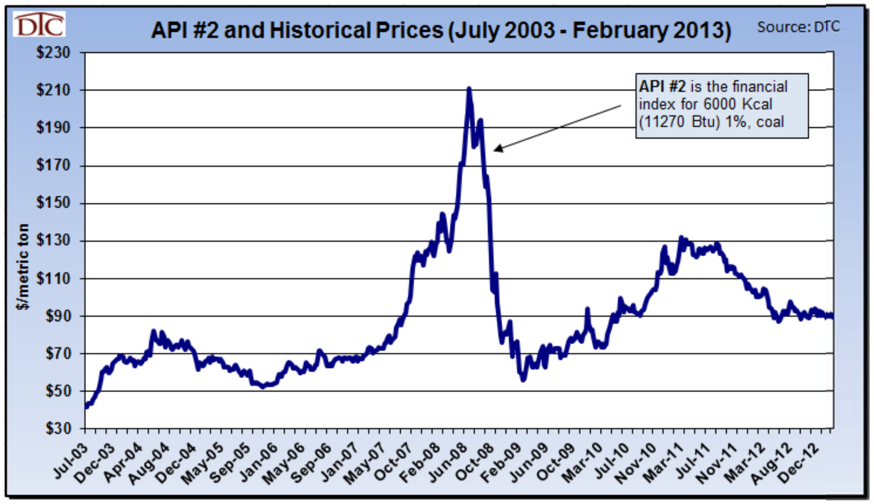
Dec 2012: Coal @ 40%, NatGas @ 25%

Exports a Small Piece of U.S. Market…

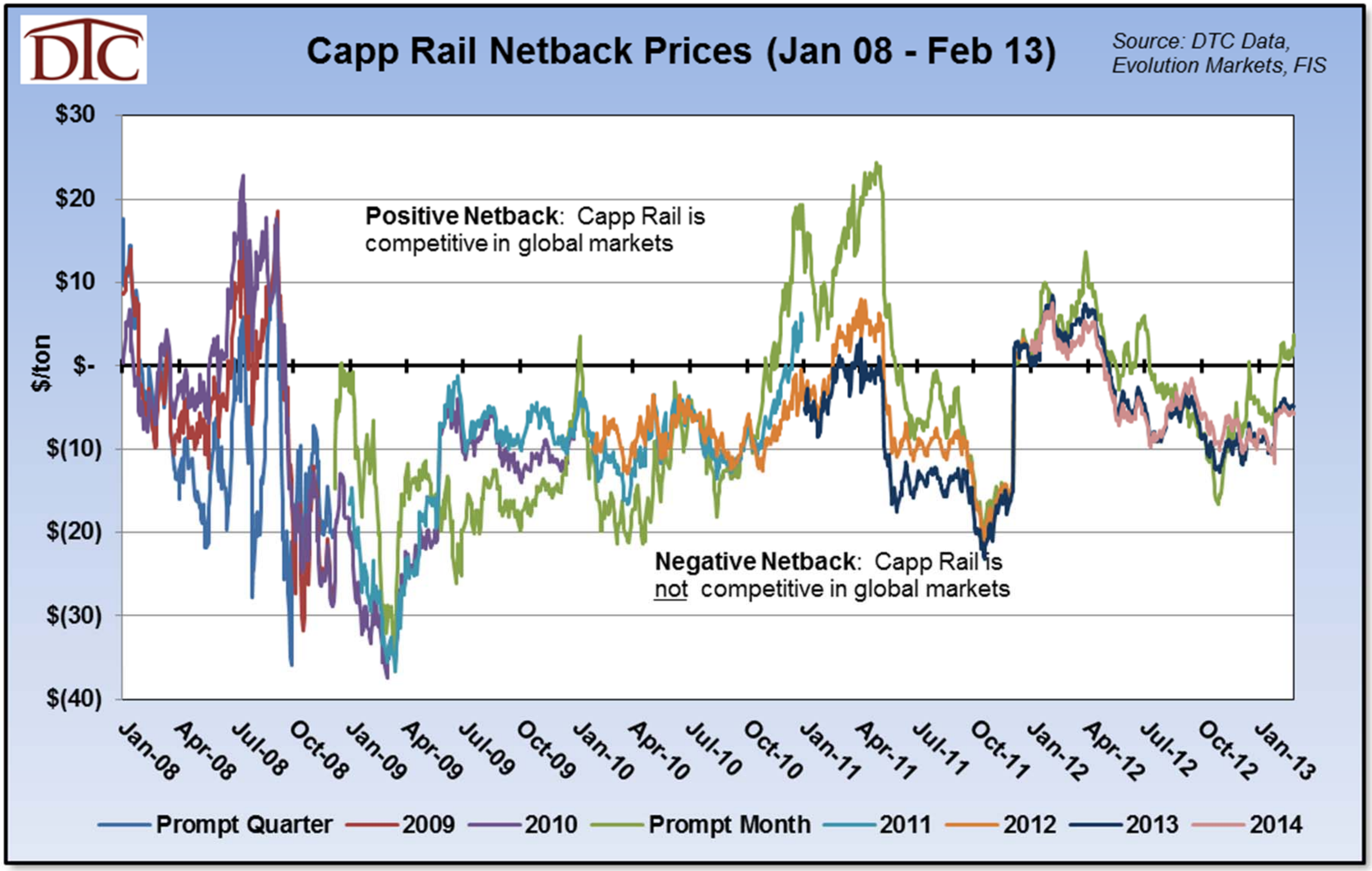
Year	Coking Coal	Thermal Coal
2007	58.92%	1.06%
2008	66.08%	1.70%
2009	71.00%	1.29%
2010	72.82%	1.67%
2011	74.42%	2.37%
2012	77.05%	5.76%

…But They 'Save the Day'

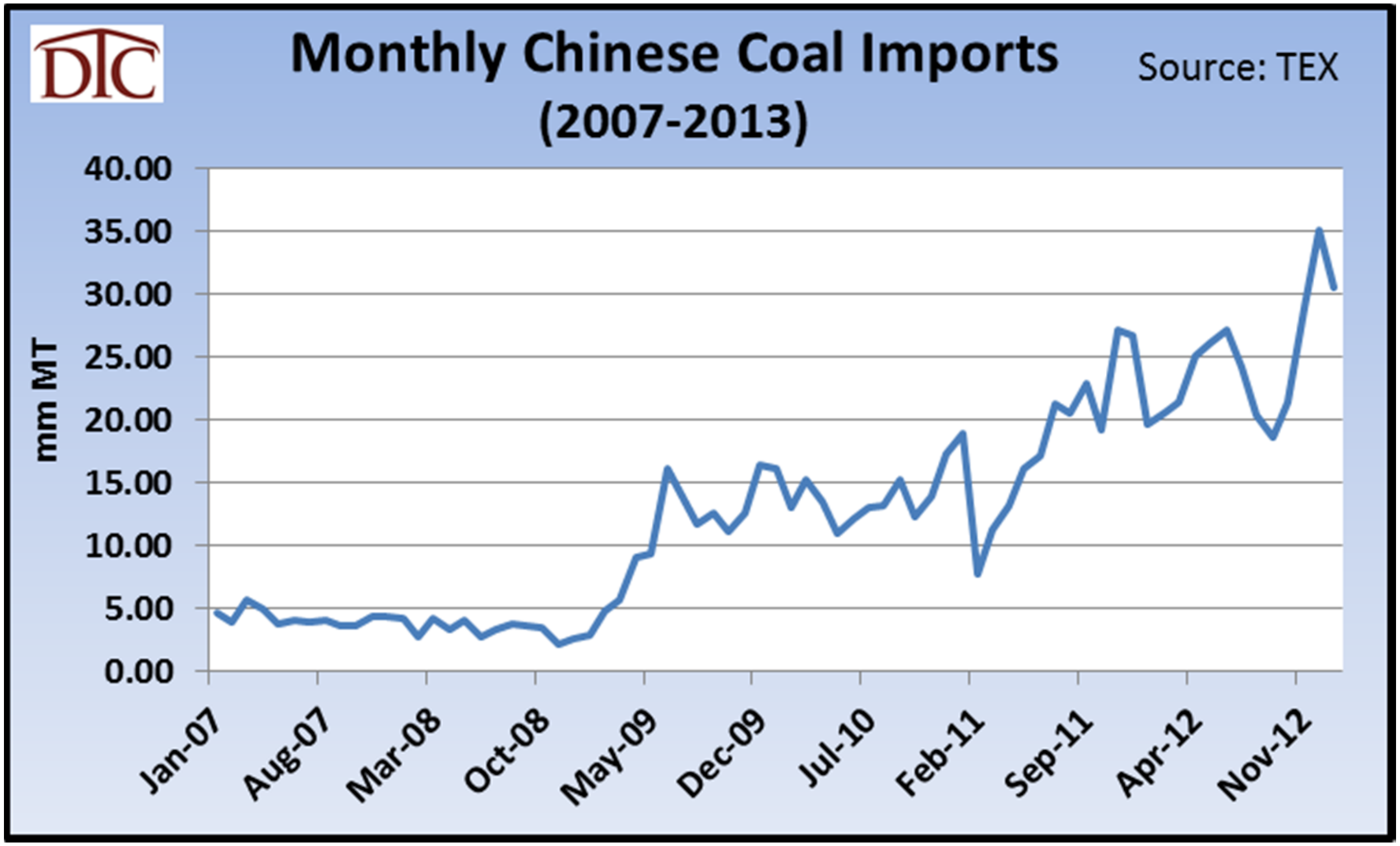




US Exports Sensitive to Price

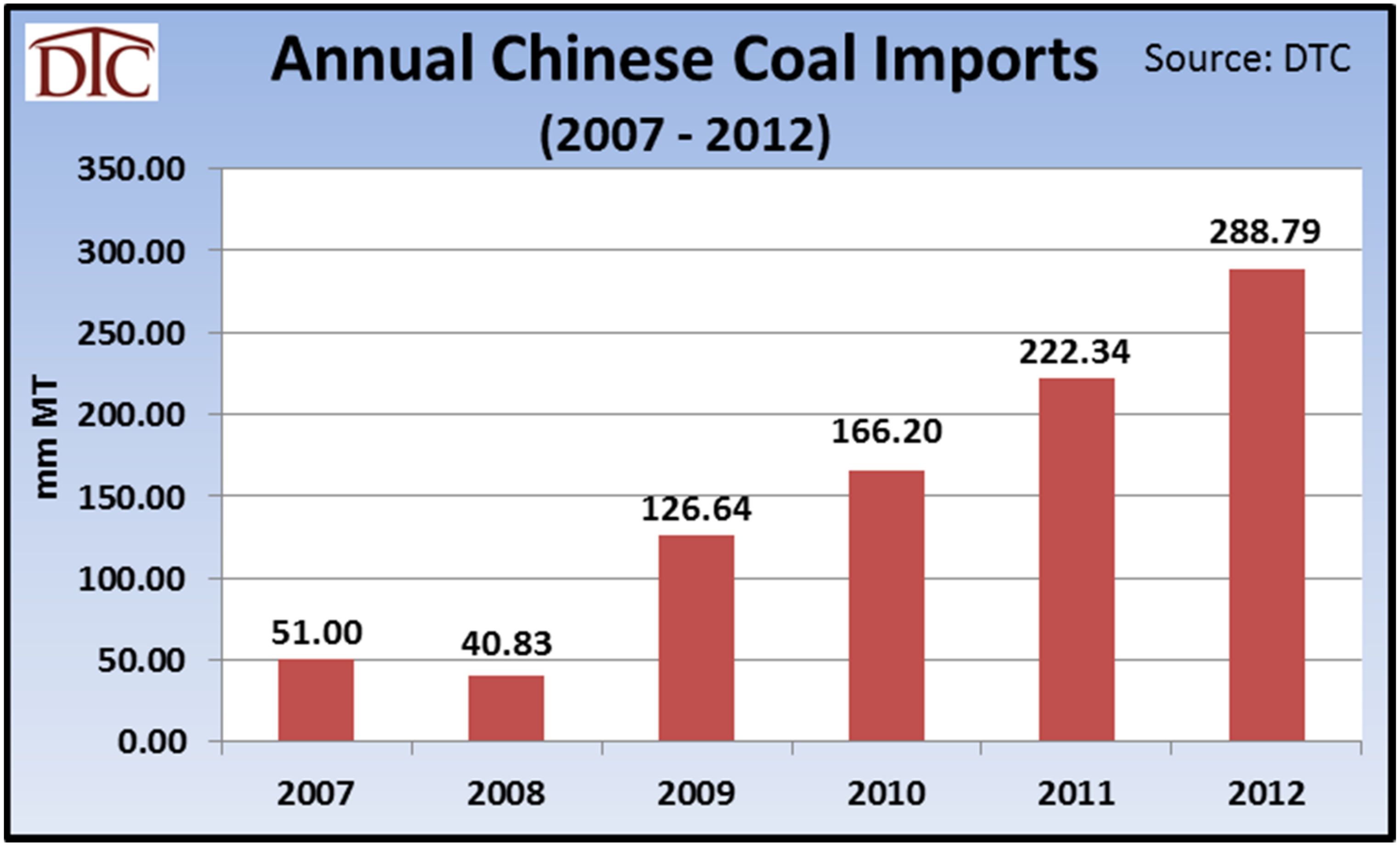


Monthly Chinese Imports



…Taking a Step Back…

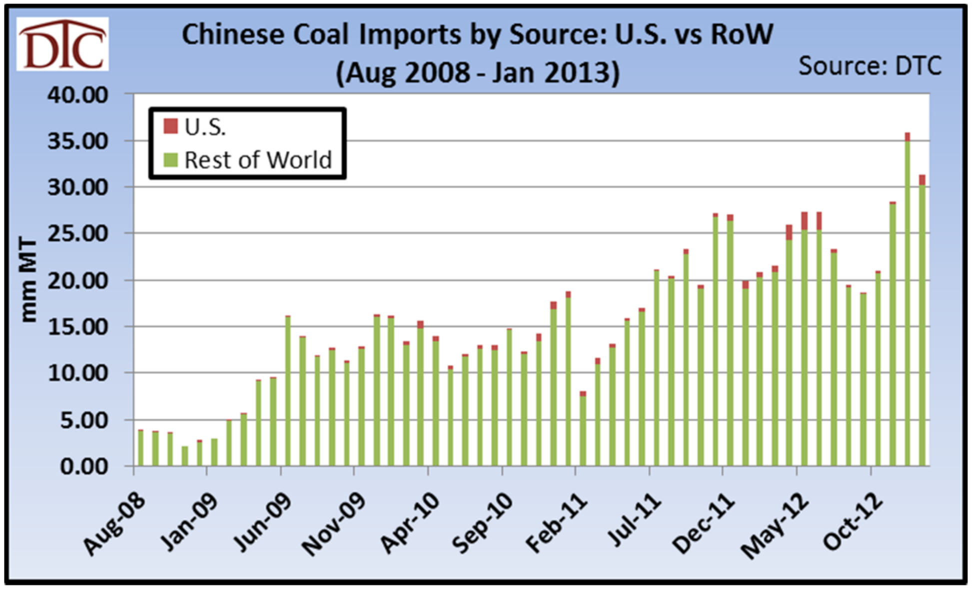
...And Again



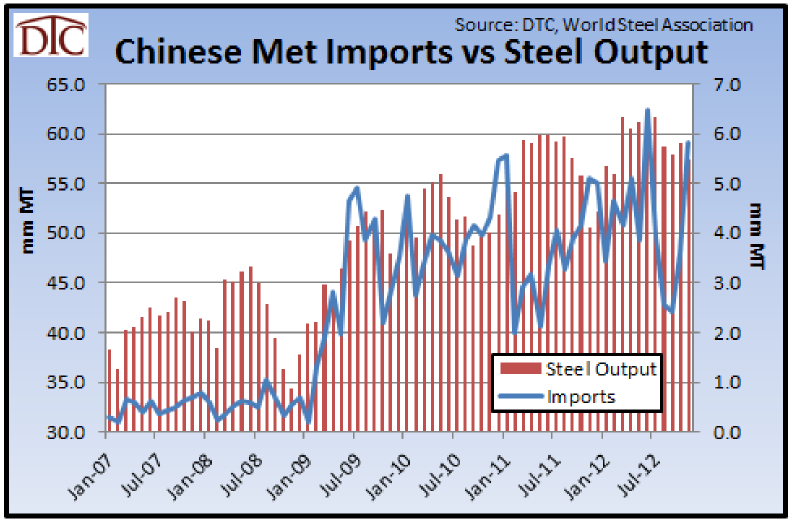
Annual Chinese Coal Imports
(2007 - 2012)
Source: DTC
mm MT
350.00
300.00
250.00
200.00
150.00
100.00
50.00
0.00
51.00
40.83
126.64
166.20
222.34
288.79
2007
2008
2009
2010
2011
2012

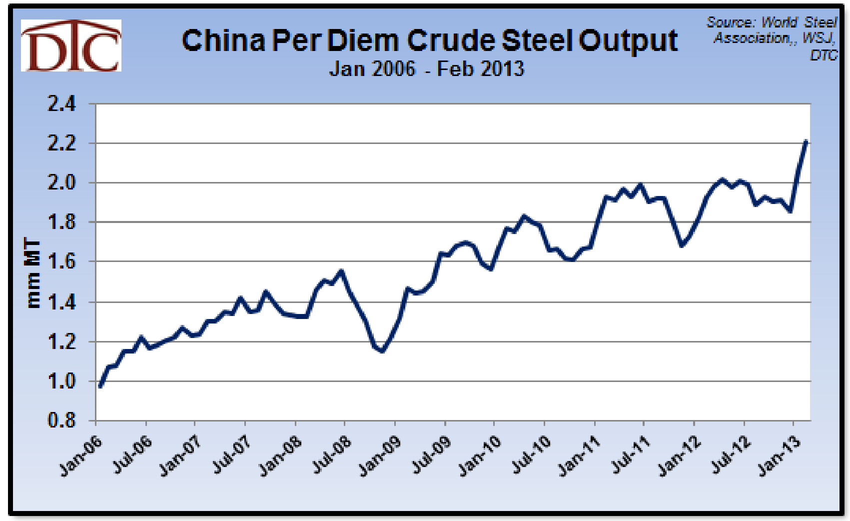
U.S. Share of Chinese Imports

- **U.S. Realizes Significant Growth**
  - **2009: 0.81 mm MT**
  - **2010: 4.84 mm MT**
  - **2011: 4.90 mm MT**
  - **2012: 9.31 mm MT**



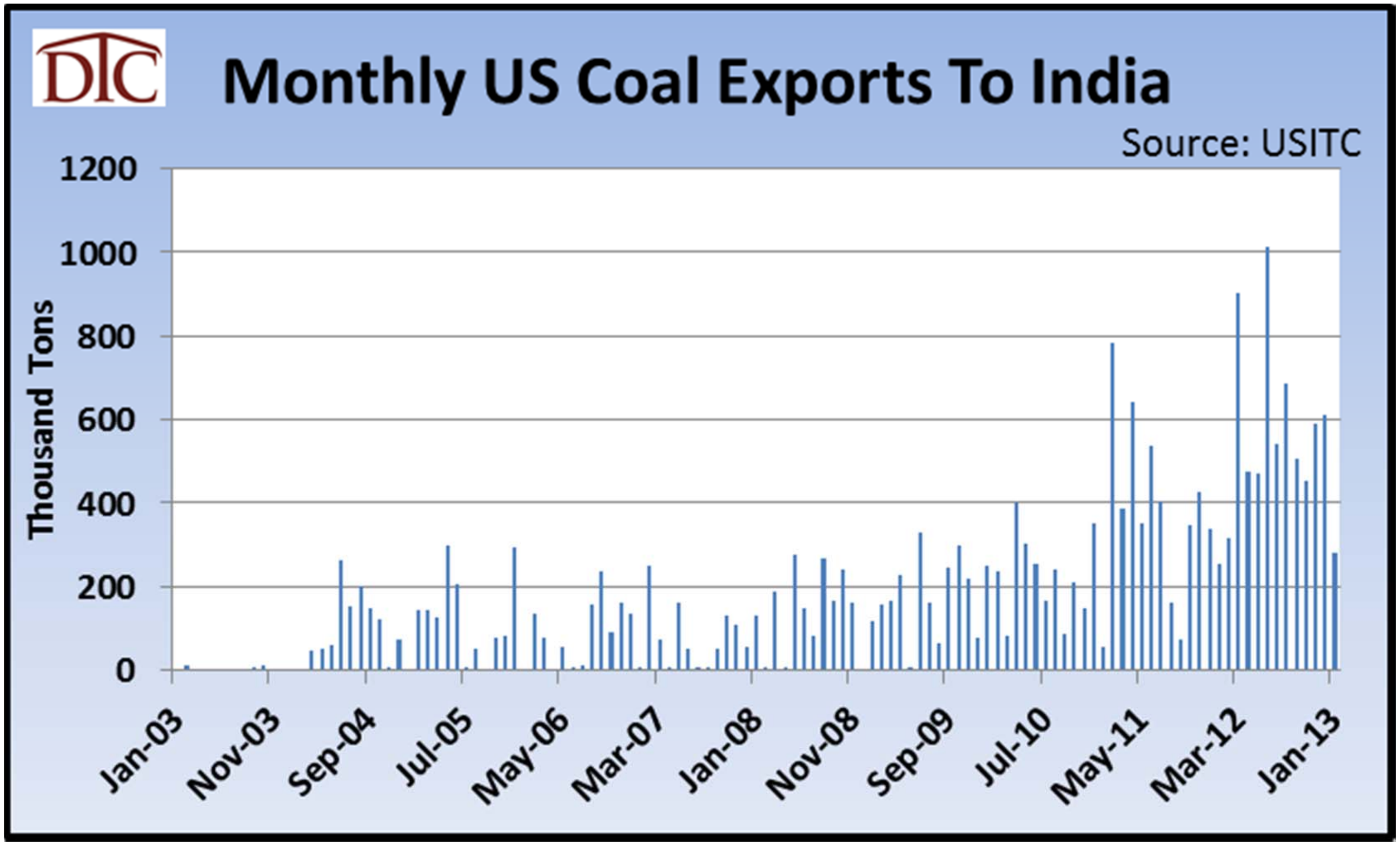
Steel Output a Key Factor





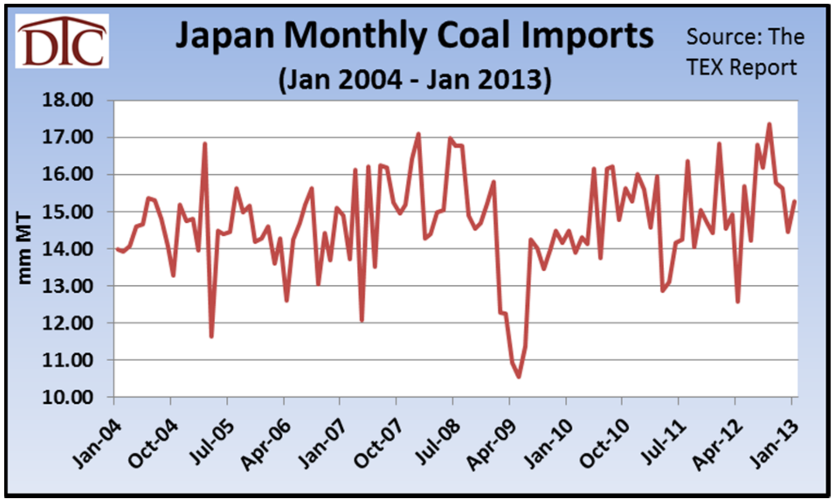
Record met imports move in step with record steel output

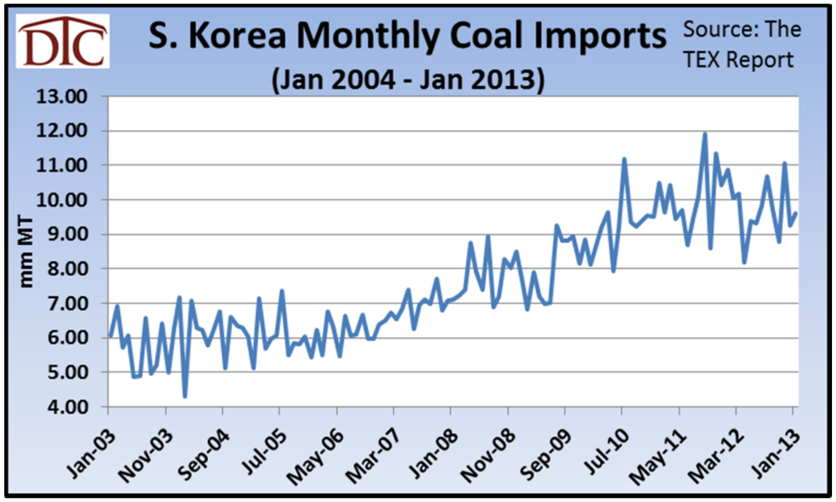
India is on Cusp of Major Growth…



…but Impact on U.S. Already Profound

Japan and S. Korea Imports Near Record



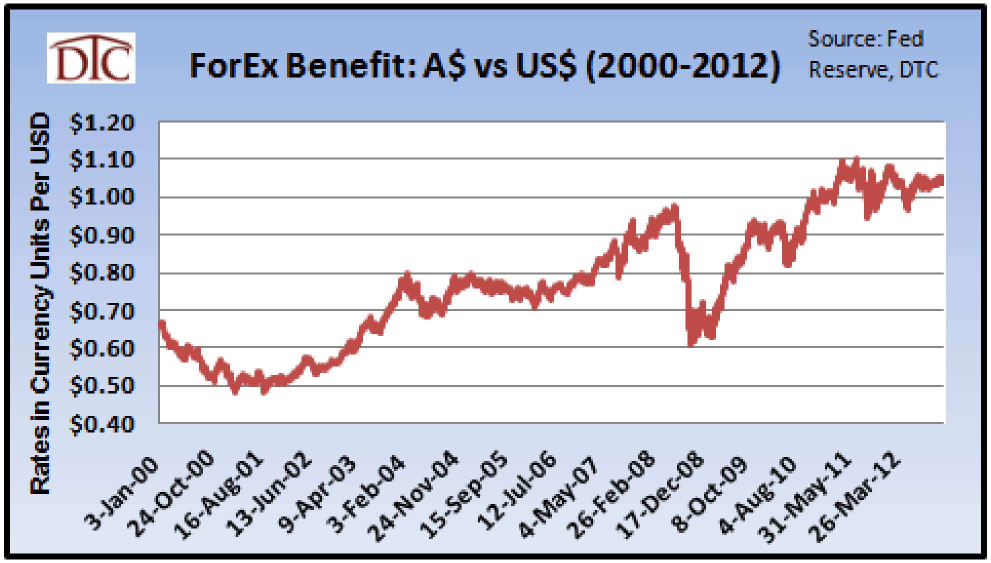


Where Does U.S. Fit Into Global Supply?

"The more things change, the more they stay the same."

Strong A$ Benefits RoW Suppliers

	Avg Met Price US$	Avg Met Price A$	% Change
2008	$253	$290	+14.63%
2009	$173	$209	+20.54%
2010	$191	$206	+8.00%
2011	$289	$279	-3.34%
2012	$210	$202	-3.59%



Growing Supply from New Basins

Mongolia

- **China Play**
  - CHALCO/TT
- **Sovereign Risk**
  - Oyu Tolgoi
  - CHALCO/SouthGobi
- **Delay, delay, delay**
  - Tavan Tolgoi IPO – 2013?

Mozambique

- **Rio's $3B write down**
  - Infrastructure concerns
  - Recoverable volumes revised lower
- **Development takes time**

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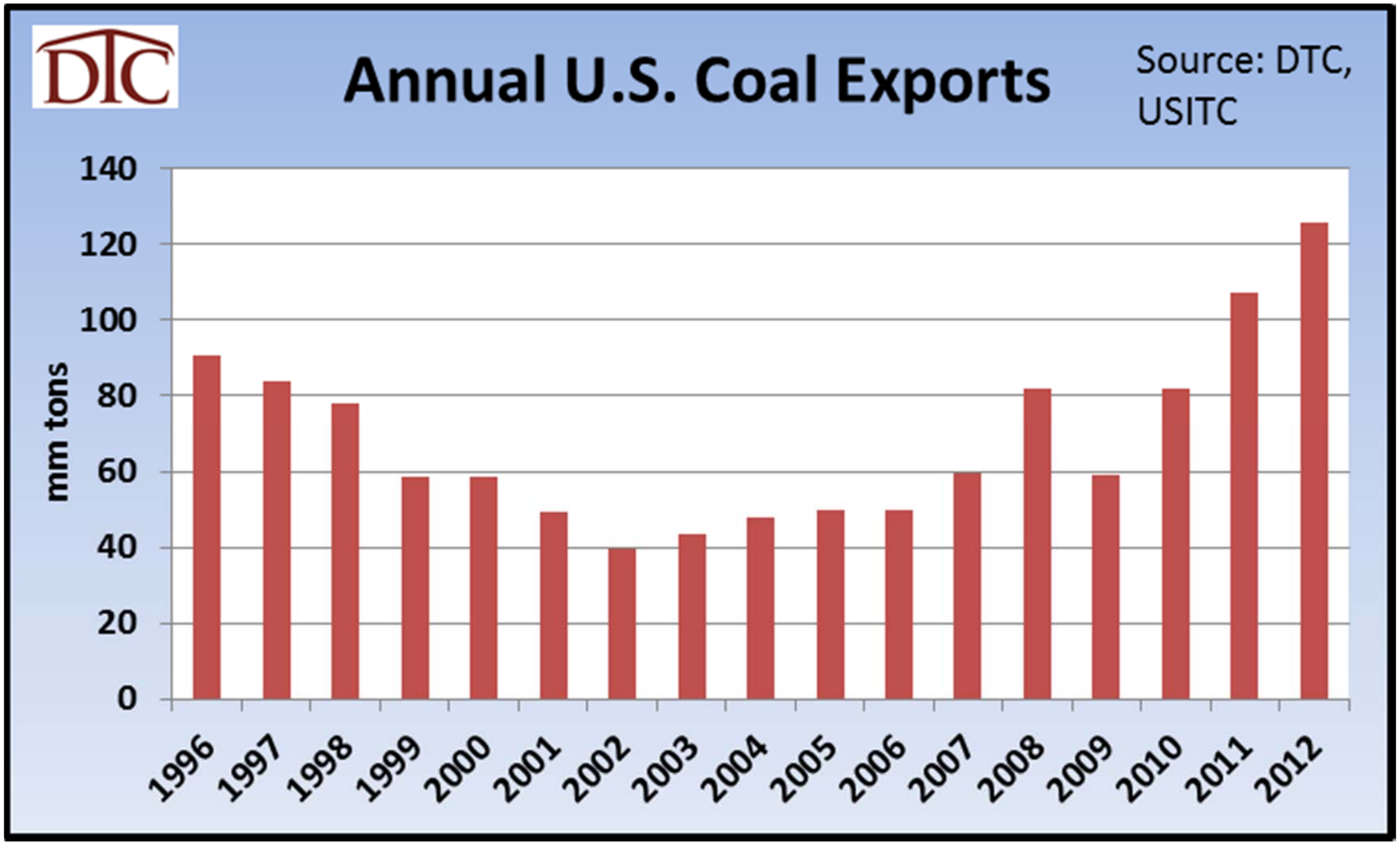
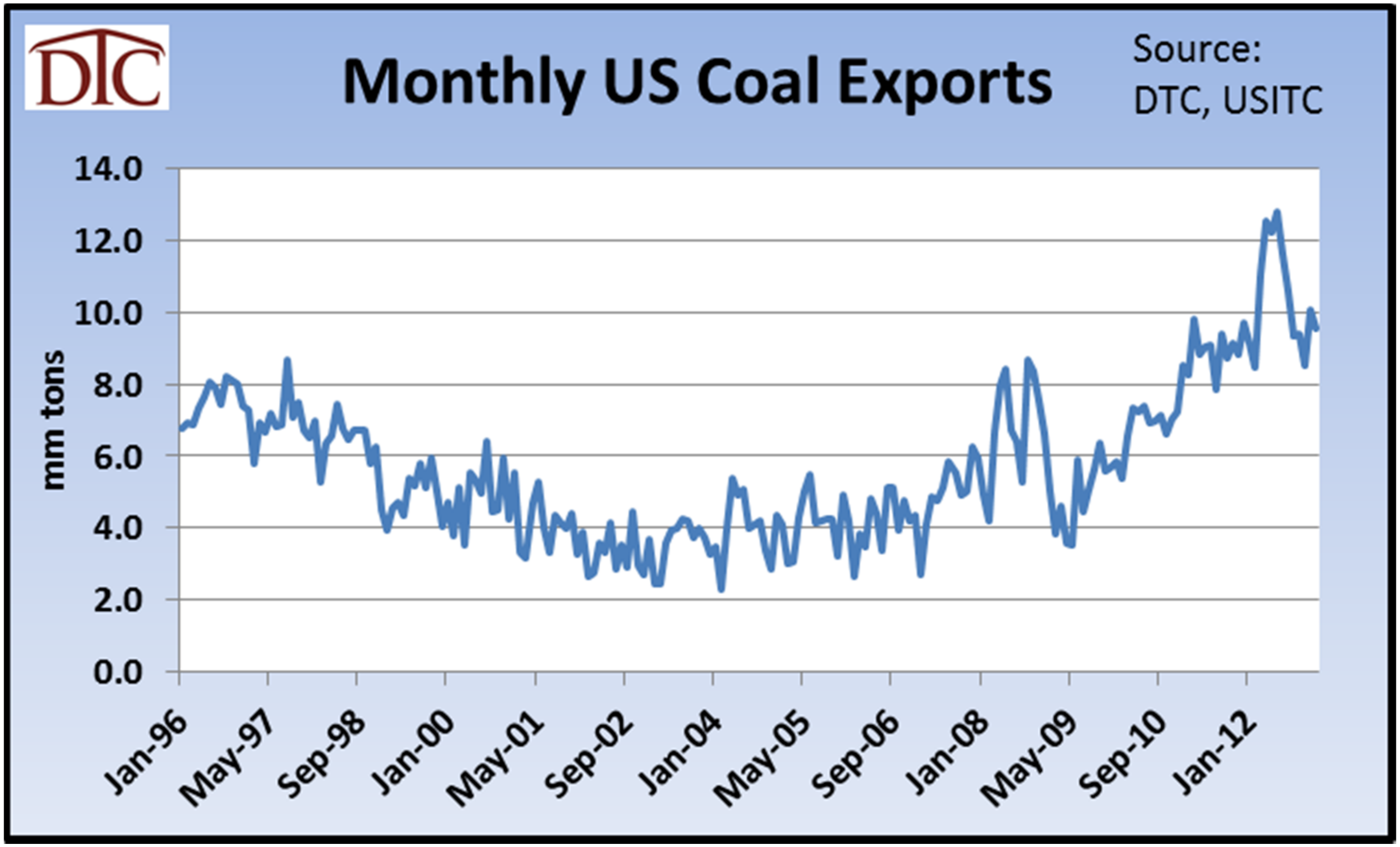
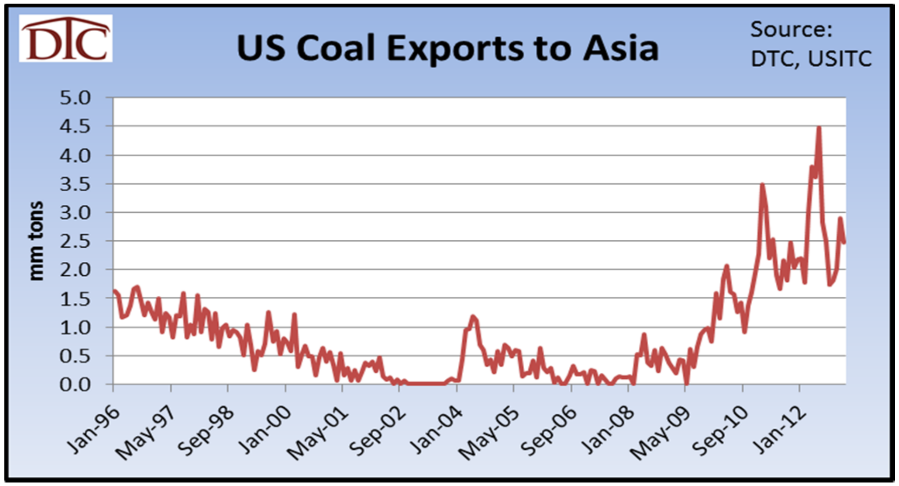
Back in the USA

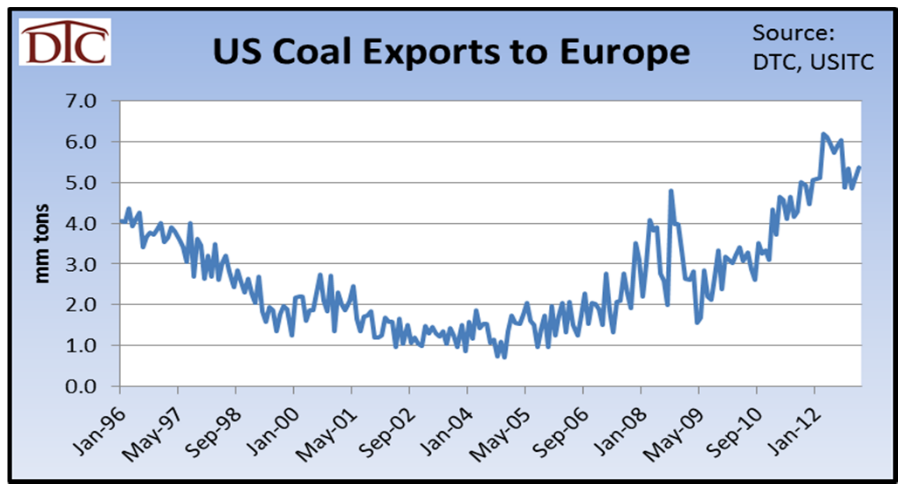


2012 Strength Begins to Fade



U.S. Monthly Coal Exports
(Asia and Europe)





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What Next for the U.S.?

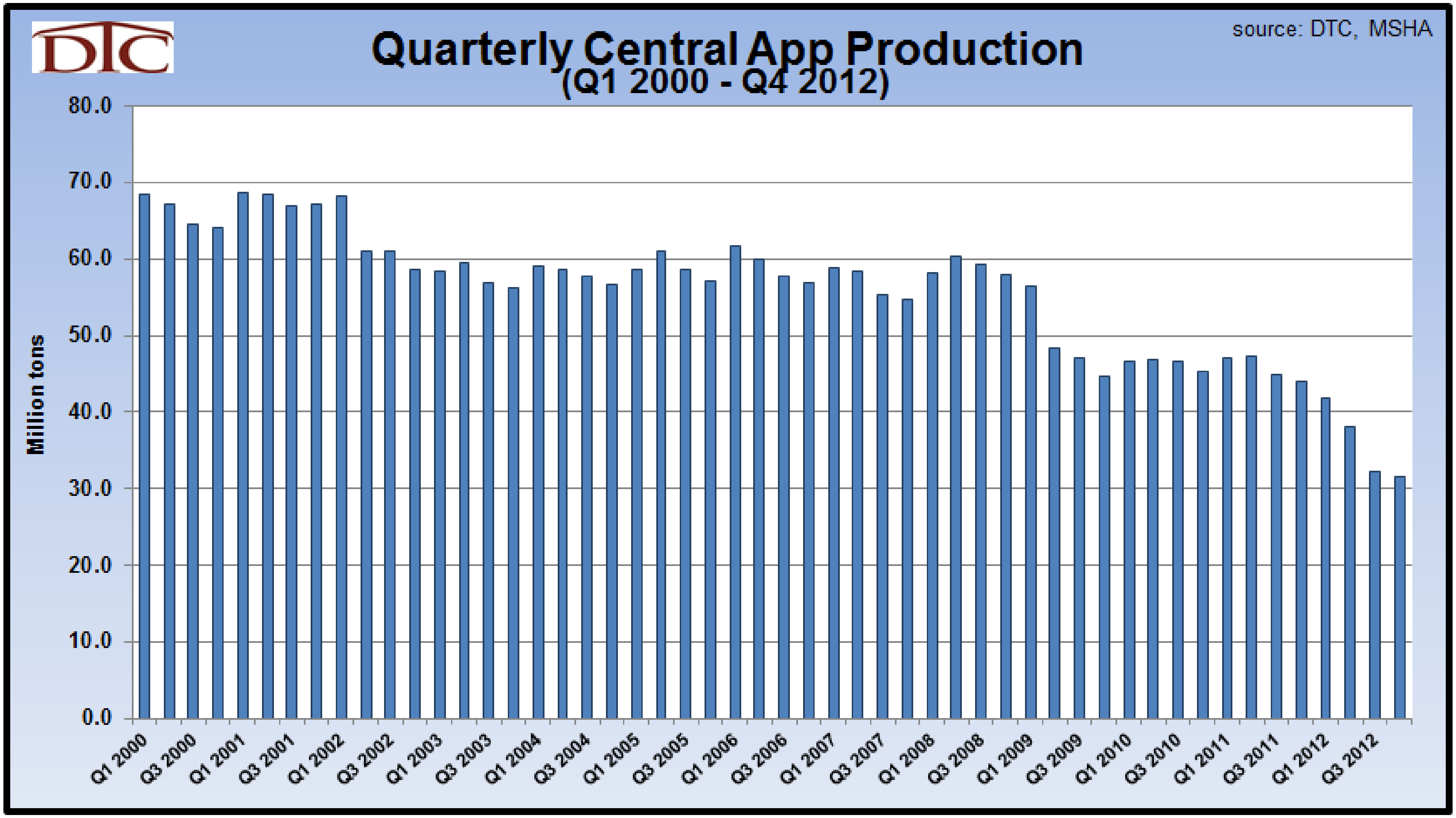
- **U.S. producers betting on exports**
  - Domestic thermal markets are undergoing fundamental change
- **Supply chain is ready to accommodate**
- **Will mines be here when demand returns?**
  - Q4 Capp output of just 32 mm tons!

East Coast Supply Chain Steps Up in 2012

	2012 Total (mm tons)	Peak 2012 Run Rate	Capacity Upside
Lamberts Point	18.53	26.70	44.06%
Pier IX	14.32	18.46	28.93%
DTA	15.16	20.54	35.50%
Hampton Roads Total	**48.02**	**65.71**	**36.84%**
Chesapeake	8.03	16.95	111.11%
CNX	12.16	18.42	51.54%
Baltimore Total	**20.18**	**35.37**	**75.23%**

Source: T. Parker Host

Capp Decline Accelerates



Conclusion

- **Asia is here – time to adapt**
  - **Emerging markets drive demand growth**
- **U.S. maintains role as steady supplier**
  - **Invaluable for commodity as volatile as coal**
- **Export Forecast**

DTC's Supply and Demand Forecast (2012 - 2014)

March 2013 (mm short tons)

(Sources: EIA historical data/Annual Energy Review; DTC in-house forecasts)

Supply	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 DTC Est.	2013 DTC Est.	2014 DTC Est.
Capp (EKY, SWV, VA)	224.03	231.92	192.08	183.53	182.38	146.00	131.00	127.00
Colo/Utah	60.69	56.40	49.98	44.46	46.67	45.00	40.00	39.00
Ill. Basin (IN, IL, WKY)	96.13	99.54	103.82	106.40	116.14	127.00	130.00	136.00
Napp (PA, OH, MD, NWV)	130.72	133.62	125.36	128.43	131.43	125.50	121.00	123.00
PRB (WY, MT)	496.96	512.43	470.16	487.25	480.06	438.00	441.00	457.00
Other Regions	138.12	137.39	131.36	135.20	137.66	135.00	127.00	123.00
Total US Production	1,146.65	1,171.30	1,072.76	1,085.27	1,094.34	1,016.50	990.00	1,005.00
Waste Coal	14.08	14.15	13.67	13.65	12.53	9.00	9.00	9.00
Imports	36.35	34.21	22.64	19.36	13.09	9.16	8.00	8.00
Total Supply	**1,197.08**	**1,219.66**	**1,109.07**	**1,118.28**	**1,119.96**	**1,034.66**	**1,007.00**	**1,022.00**
Demand	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2010 Actual**	**2011 Actual**	**2012 DTC Est.**	**2013 DTC Est.**	**2014 DTC Est.**
Utilities	1,046.80	1,042.34	934.68	979.68	934.94	826.70	865.00	879.00
Coking Coal/Domestic	22.72	22.07	15.33	21.09	21.43	21.00	22.00	22.00
Industrial	56.62	54.39	45.31	49.29	46.24	41.00	38.00	39.00
Residential/Commercial	3.53	3.51	3.21	3.08	2.79	2.00	3.00	3.00
Exports/CC (Incl. Can.)	32.59	43.00	37.54	56.50	69.92	70.46	60.00	62.00
Exports/Steam (ex. Can.)	12.12	19.64	13.58	17.44	34.88	53.13	43.00	43.00
Exports/Steam (Can.)	14.59	19.12	8.18	7.83	2.49	2.22	2.00	2.00
Total Exports	59.30	81.76	59.30	81.77	107.29	125.81	105.00	107.00
Total Demand	**1,188.97**	**1,204.07**	**1,057.83**	**1,134.91**	**1,112.69**	**1,016.51**	**1,033.00**	**1,050.00**
Implied Surplus/(Deficit)	**8.11**	**15.59**	**51.24**	**(16.63)**	**7.27**	**18.15**	**(26.00)**	**(28.00)**
(Net Exports)	**(22.95)**	**(47.55)**	**(36.66)**	**(62.41)**	**(94.20)**	**(116.65)**	**(97.00)**	**(99.00)**
Jan 1st Utility Inventories (mm tons)	140.96 Jan 1 '07 (Actual)	151.22 Jan 1 '08 (Actual)	161.59 Jan 1 '09 (Actual)	189.47 Jan 1 '10 (Actual)	174.92 Jan 1 '11 (Actual)	172.39 Jan 1 '12 (Actual)	184.92 Jan 1 '13 (DTC Est.)	168.0 Jan 1 '14 (DTC Est.)
Jan 1st Utility Inv. (quadrillion btu)	2.837	3.030	3.214	3.813	3.512	3.456	3.712	3.359

U.S. Export Forecast

(mm tons)

	2012	2013	2014
Thermal Coal	55.35	45.00	45.00
Coking Coal	70.46	60.00	62.00
Total	125.81	105.00	107.00

Thank you

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