

Commentary

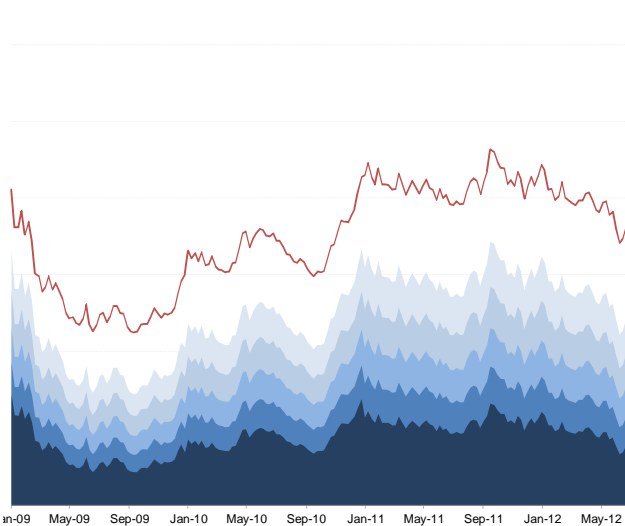
European leaders on Friday saved the week. Maybe they even saved Europe but for now coal traders are just happy to see a nice relief rally with spot API#4 swaps trading up to \$90 again. However, realise that this is mainly a paper-led rally and there are still serious issues in the physical market with some traders unable to place their distressed Chinese cargoes at any price. But for now it seems that a floor has been established. The magic numbers appear to be around the mid-80's for FOB RBCT (what were we saying a few weeks ago about an \$85 floor?) and around \$78 for WTI Crude oil, which has always been the number touted for the marginal cost of US crude. After this mainly news-caused spike, the market needs to take stock again of the fundamentals but for now at least the longs and shorts have had a chance to shuffle the deck and re-assess the fundamentals. And unfortunately the fundamentals still look weak so we aren't expecting any surprises on the upside. More likely a retest of the floor levels and a sustained sideways move for awhile.

We are hearing slightly lower prices being quoted for domestic prices now with more sized coal coming into the market. However, the premium over export parity is still around R150/mt. Everyone is still after ROM coal near to their plants so they can wash and screen it and make the margins. But ROM remains scarce on the ground and finding out the real sellers with the plethora of fly by night agents is an interesting task. Would the real ROM sellers please stand up? Or otherwise make yourselves known to us. With the volatility in equity markets this week the Rand did touch 8.50 (briefly) as promised. But it promptly strengthened (especially after the Euro news) and is now closer to 8.15 with the big figure 8.00 level looking more likely this week now. Equity markets "should" continue performing to the upside this week which will help to support strength in commodities and the Rand as well. Good luck out there... it's pretty wild but as always, LCB can help with finding you the best price, either with exports or in the domestic market.

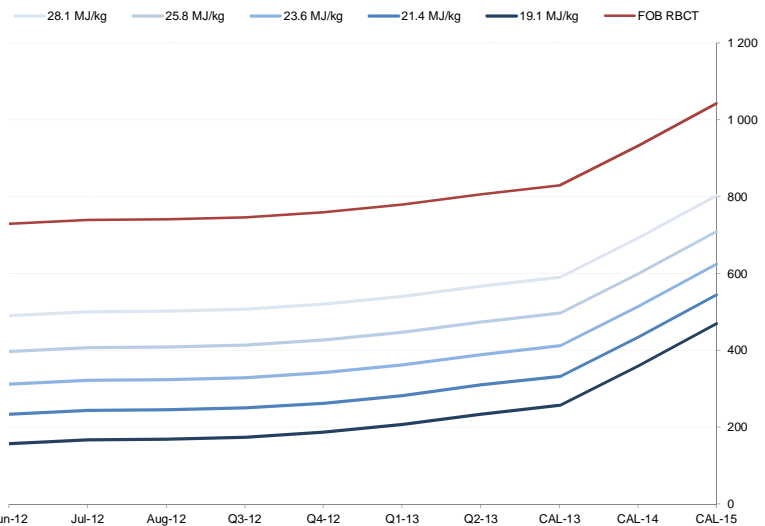
Note: Export parity prices are based on prevailing USD market rates for 0x50mm 6,000 NCV material and the USD:ZAR rate, adjusted by formula to an inland price on logistics costs and quality. This information is made available without any representation or warranty, whether express or implied. LCB accepts no liability whatsoever for any loss, caused by negligence or otherwise, arising from this information and you hereby indemnify LCB accordingly. While LCB has employed best endeavours to ensure the integrity of the information, your use of the information is entirely at your own risk.

GAD basis	28 MJ/kg	26 MJ/kg	28 MJ/kg	26 MJ/kg	28 MJ/kg	26 MJ/kg	USD:ZAR
Domestic Indices (From Industry)			Export Parity Prices		Diff (Parity - Indices)		
29-Jun-12	645.00	570.00	491.06	397.66	-153.95	-172.34	8.1500
22-Jun-12	650.00	570.00	465.17	366.35	-194.83	-203.65	8.3998
15-Jun-12	650.00	568.00	444.08	356.69	-205.92	-211.31	8.3547
08-Jun-12	652.00	565.00	479.66	387.71	-172.34	-177.29	8.3876
01-Jun-12	660.00	565.00	525.35	427.57	-134.65	-137.43	8.5753
25-May-12	660.00	562.00	516.52	419.87	-143.48	-142.13	8.4058
18-May-12	646.00	548.00	552.70	451.43	-93.30	-96.57	8.3381

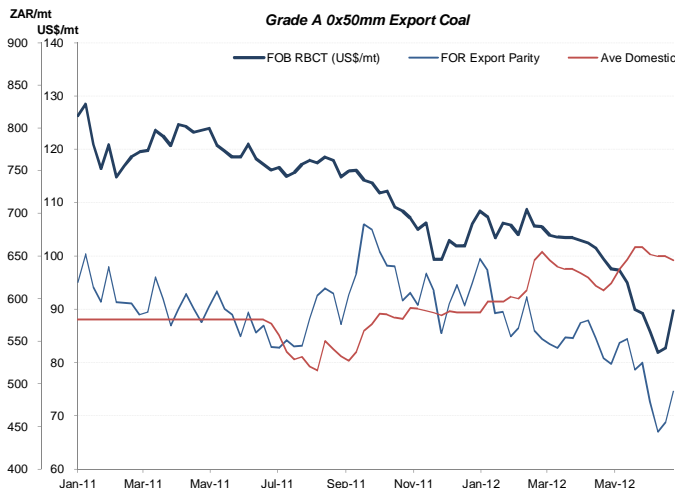
GAD basis	28.1 MJ/kg	25.8 MJ/kg	23.6 MJ/kg	21.4 MJ/kg	19.1 MJ/kg	FOB RBCT	USD:ZAR
Export Parity Forward Curve (ZAR/mt, based on formula, FOR Witbank)							(US\$/mt)
Jun-12	491.06	397.66	312.58	233.23	157.53	89.70	8.1500
Jul-12	501.33	407.93	322.86	243.51	167.80	90.00	8.2370
Aug-12	502.78	409.38	324.31	244.96	169.25	89.90	8.2623
Q3-12	507.76	414.36	329.29	249.94	174.23	90.50	8.2625
Q4-12	520.26	426.87	341.79	262.44	186.74	91.50	8.3089
Q1-13	540.47	447.08	362.00	282.65	206.95	93.00	8.3922
Q2-13	567.80	474.40	389.32	309.97	234.27	94.50	8.5481
CAL-13	590.55	497.15	412.08	332.73	257.02	96.50	8.6067
CAL-14	693.35	599.96	514.88	435.53	359.83	102.50	9.1059
CAL-15	803.87	710.47	625.39	546.05	470.34	108.25	9.6431



Historical Domestic Prices (FOR BSP, ZAR/mt, formula based)



Forward Domestic Prices (FOR BSP, ZAR/mt, formula based)



Current & Historic FOB RBCT forward curve (US\$/mt)

