

Commentary

Last week saw the sideways move we were predicting and it now remains to be seen if we go on to test the recent floor levels. With the prevailing negative sentiment in global markets and the lack of new government stimulus, that could be a more than likely outcome. Continued high stock levels in Asia combined with the monsoon floods in India also means that buyers are very few on the ground. The interest rate cuts by China and the ECB are a further sign of global economic weakness, attracting currency flows to the Dollar and allowing commodity prices to weaken in US Dollar terms. Oil prices have also formed a bear flag and look set to weaken further. However, all signs will be on equity markets for further direction and the energy complex and coal will most likely follow.

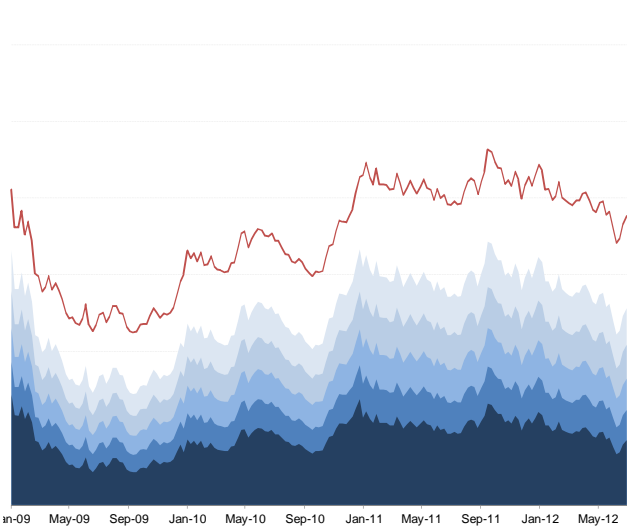
The SA domestic coal market is also showing some signs of weakening with prices for spot A-grade peas now around R670 (our index reflects R640 for 0x50mm material). Although there is still a shortage of decent sized product, this imbalance is starting to correct as producers are clearly only railing the absolute minimum requirement to export markets. The Rand touched 8.05 to the Dollar last week and this week we would expect further weakening with the weakness in equity markets, trading rangebound around 8.20 to 8.40.

Should markets deteriorate further this week we are now looking at a possibly lower floor price than \$85 FOB RBCT. We could now test \$80 assuming that equity markets and the energy complex in general suffer further weakness. However, at this level we would expect much of the oversupply in US markets to not be a factor anymore and we "should" see significant support at around \$80 FOB RBCT. Should we test these levels we expect the Rand will weaken further to around 8.80, with export prices in Rands thus remaining around R700/mt FOB RBCT.

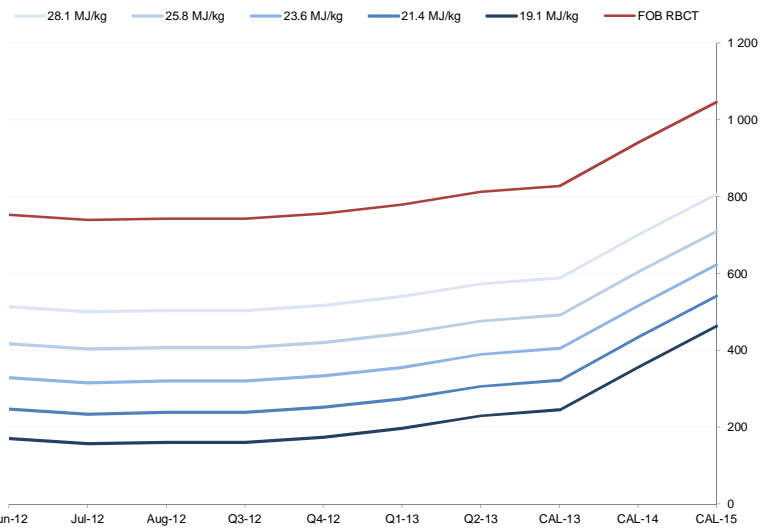
Note: Export parity prices are based on prevailing USD market rates for 0x50mm 6,000 NCV material and the USDZAR rate, adjusted by formula to an inland price on logistics costs and quality. This information is made available without any representation or warranty, whether express or implied. LCB accepts 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)		
06-Jul-12	640.00	568.00	513.73	417.43	-126.27	-150.57	8.2591
29-Jun-12	645.00	570.00	492.33	398.77	-152.67	-171.23	8.1642
22-Jun-12	650.00	570.00	455.17	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

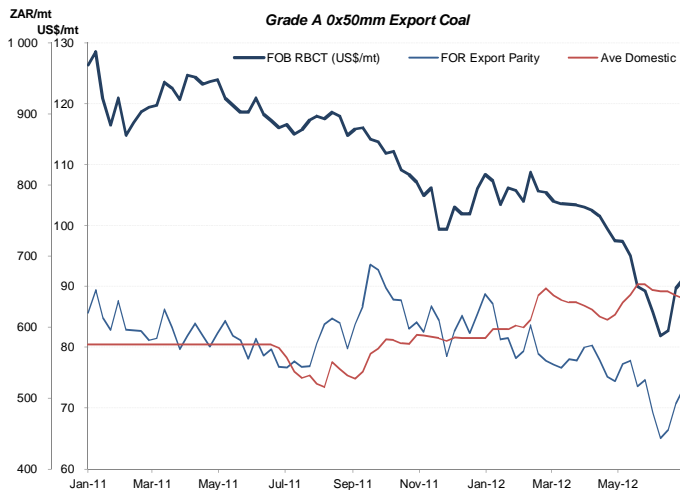
GAD basis	28.1 MJ/kg	25.8 MJ/kg	23.6 MJ/kg	21.4 MJ/kg	19.1 MJ/kg	FOB RBCT	USD:ZAR
Export Parity Forward Curve (ZAR/mt, based on formula, FOR Witbank)							(US\$/mt)
Jun-12	513.73	417.43	329.72	247.91	169.85	91.26	8.2591
Jul-12	500.30	404.00	316.29	234.48	156.43	88.70	8.3461
Aug-12	504.22	407.92	320.21	238.40	160.35	88.90	8.3714
Q3-12	504.24	407.94	320.23	238.42	160.36	88.90	8.3716
Q4-12	517.62	421.33	333.61	251.80	173.75	90.00	8.4180
Q1-13	540.42	444.12	356.41	274.60	196.55	91.80	8.5013
Q2-13	573.78	477.48	389.77	307.96	229.91	94.00	8.6572
CAL-13	588.87	492.58	404.87	323.06	245.00	95.10	8.7158
CAL-14	701.77	605.48	517.77	435.96	357.90	102.20	9.2150
CAL-15	807.39	711.09	623.38	541.57	463.52	107.40	9.7522



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)

