

FINANCIAL REVIEW

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HD **Wesfarmers sees coal price cut, buys permit**
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Wesfarmers has advised it will see a 5 per cent cut in prices for coal from its Curragh mine in Queensland this quarter but has reiterated its confidence in the longer term outlook by reaching a \$70 million deal to acquire a nearby licence area.

Stewart Butel, managing director of Wesfarmers Resources, said the price accord for the company's range of coking coal products was in line with recent market price settlements.

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Premium hard coking coal from Curragh will be sold at \$US138 a tonne this quarter, down from \$US147 a tonne in the December quarter, and the lowest for at least two years.

Wesfarmers didn't specify prices for semi-hard coking coal or pulverised coal injection, which are sold at a discount to top-quality hard coking coal.

The new price will apply to about three-quarters of deliveries this March quarter, with the rest to be sold at December quarter tariffs.

Last month, Anglo American was reported to have reached an agreement with Asian steelmakers for March-quarter contract prices for premium hard coking coal of \$US143 a tonne excluding costs and freight. The price was down from \$US152 a tonne in the December quarter and was the lowest since the annual contract price of 2009-2010, trade publications said.

Late last year, UBS was forecasting an average contract price of \$US160 a tonne for top-grade hard coking coal in 2014 but it also cautioned that strong production in China and "unrelenting" exports from the US could damp prices.

The new coal development permit, which will be acquired from an Australian subsidiary of Peabody Energy, will boost reserves available for mining and processing at Curragh by about 29 per cent. The purchase of the MDL 162 licence, which contains 67 million tonnes of reserves out of a total resource of 255 million tonnes, should extend the life of the Curragh mine and "provide future options to further optimise mine operations," Wesfarmers said.

Further work is required to convert MDL 162 into a mining lease, it added.

Wesfarmers also reported 2.94 million tonnes of coal production at Curragh in the December quarter, 3.9 per cent up on the September period, which it put down to improved plant performance.

Production of metallurgical coal, used in steel manufacturing, edged up by 1.3 per cent while thermal coal, used to generate electricity, jumped 10.1 per cent.

On a full-year basis, metallurgical coal slid 5.7 per cent to 7.542 million tonnes, which Wesfarmers blamed on Cyclone Oswald early in 2013; it disrupted rail transport and constrained port shipping.

Wesfarmers also reported 797,000 tonnes of **coal** production from its share of the Bengalla operation in the Hunter Valley in New South Wales.

Output at Bengalla, which is managed by Rio Tinto's **Coal** & Allied division, was 10.2 per cent below the September quarter because **operations** were focused in a less productive section of the mine.

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