



Xcoal Introduction & International Coal Markets

“Coal’s Role in Making America Great Again”

The Coal Institute – STS
July 17, 2017



We Manage the Process
From the Ground Up



Xcoal Energy & Resources:

- » Privately owned and operated company located in Latrobe, Pennsylvania USA, & founded in 2003
- » Experienced Management team
- » World-wide marketer of various coal products from mines located in U.S.A.
- » Creative & competitive transport and logistical company
 - Complete supply chain ownership
- » Internationally recognized company with a strong customer base
- » Global coverage – with customers in the Atlantic and Pacific Basins

Key business attributes:

- » Top exporter of USA origin coals
- » Xcoal's suppliers have the ability to produce hard coking, semi soft, PCI, thermal and anthracite coals
- » Exporting capabilities from five (5) terminals on US East Coast & one (1) terminal on the U.S. Gulf Coast
- » Transportation providers (railroads & vessel owners) remain supportive of export activities. USA has strong supply chain network supporting USA coal exports
- » Xcoal maintains a network of 16 offices providing “on the ground” marketing in the regions of the world where demand for USA products remains strong
- » We have the ability to adjust our business model to meet demand for different products and in different regions of the world

Coal's Role in Making America Great Again

What one word defines the industry we all participate?

DOGGED

(adjective)

having or showing tenacity and grim persistence

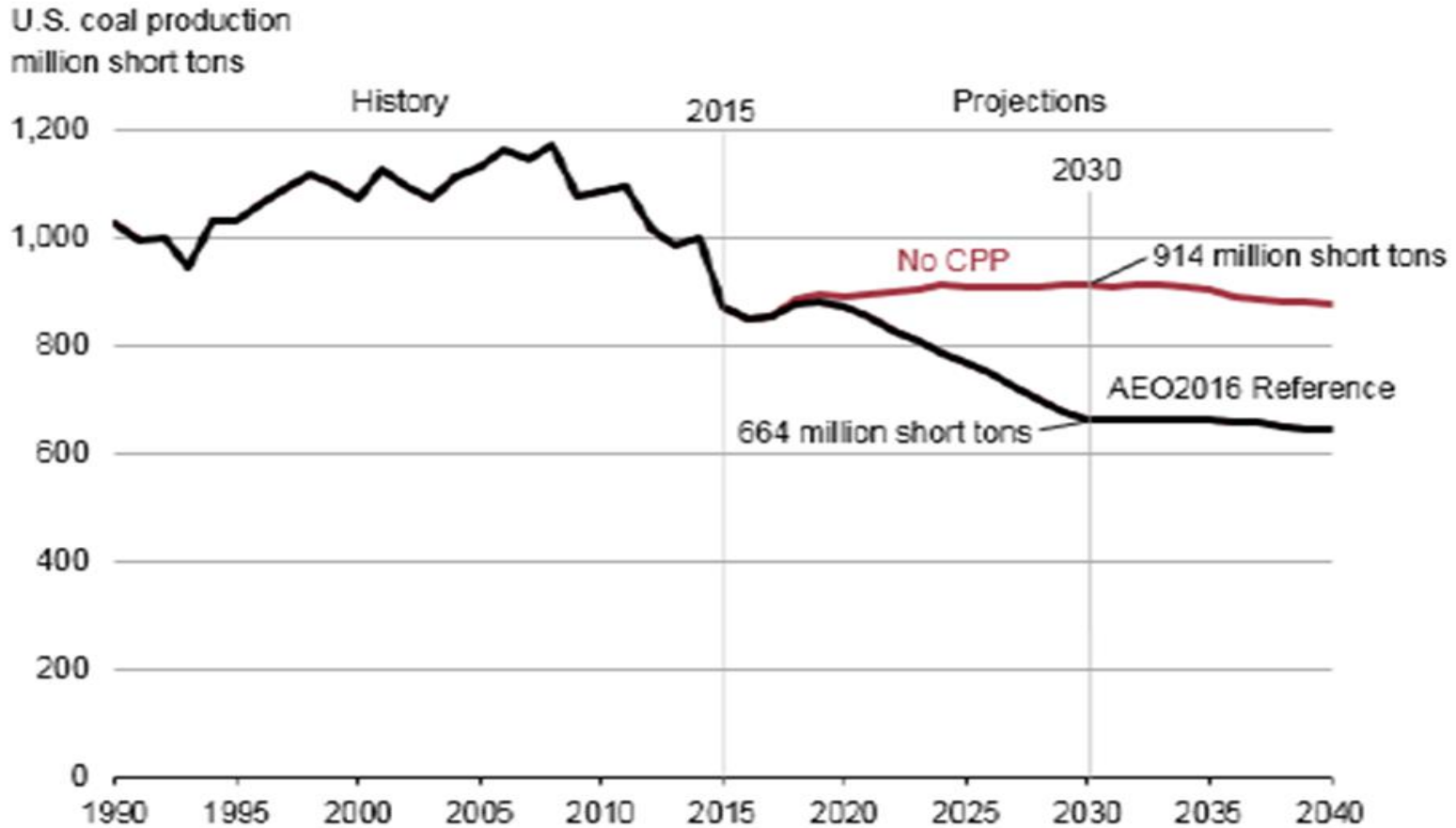
synonyms: tenacious, determined, resolute,
resolved, purposeful, single-minded, tireless,
strong-willed, steadfast, staunch,

“Success required dogged determination”

What changed over last 12 months – Domestic Market

- » For one, 2017 is starting off much better than 2016
- » Almost every publicly traded coal company was in bankruptcy this time last year
- » YoY 2017 U.S.A. coal consumption and production are up 7.11% and 15.81%, respectively
- » Last year new Govt. regulations being formulated

EIA Outlook for U.S. Coal: With and Without the CPP



Source: EIA, Annual Energy Outlook 2016

What changed over last 12 months – Global Markets

- » By mid 2016 the Global coal markets were approaching equilibrium – particularly for coking coal
- » That all changed in about Qtr.4 2016 with increased demand due mainly to U.S.A. lead supply side rationalization and Australian supply disruptions
- » Second half 2016 prices spiked allowing supply side rationalization to end and U.S.A, exports to improve
- » In early 2017 prices began to soften, from historical highs
- » Followed by new historical high prices influenced by Cyclone Debbie (end March)
- » Leading to rarely matched coking and thermal coal price volatility

- » Prices corrected relatively quickly to or below pre-cyclone levels before China recently returned to the market
- » Current spot pricing are improving and today prices are at or above pre-cyclone lows
- » After almost 50 years of stable pricing system the Benchmark system is “almost dead” in favor of index pricing
- » Quarterly pricing considered long term and spot pricing widely accepted

Seaborne Coal Markets:

» Approx. 1.2billion MT

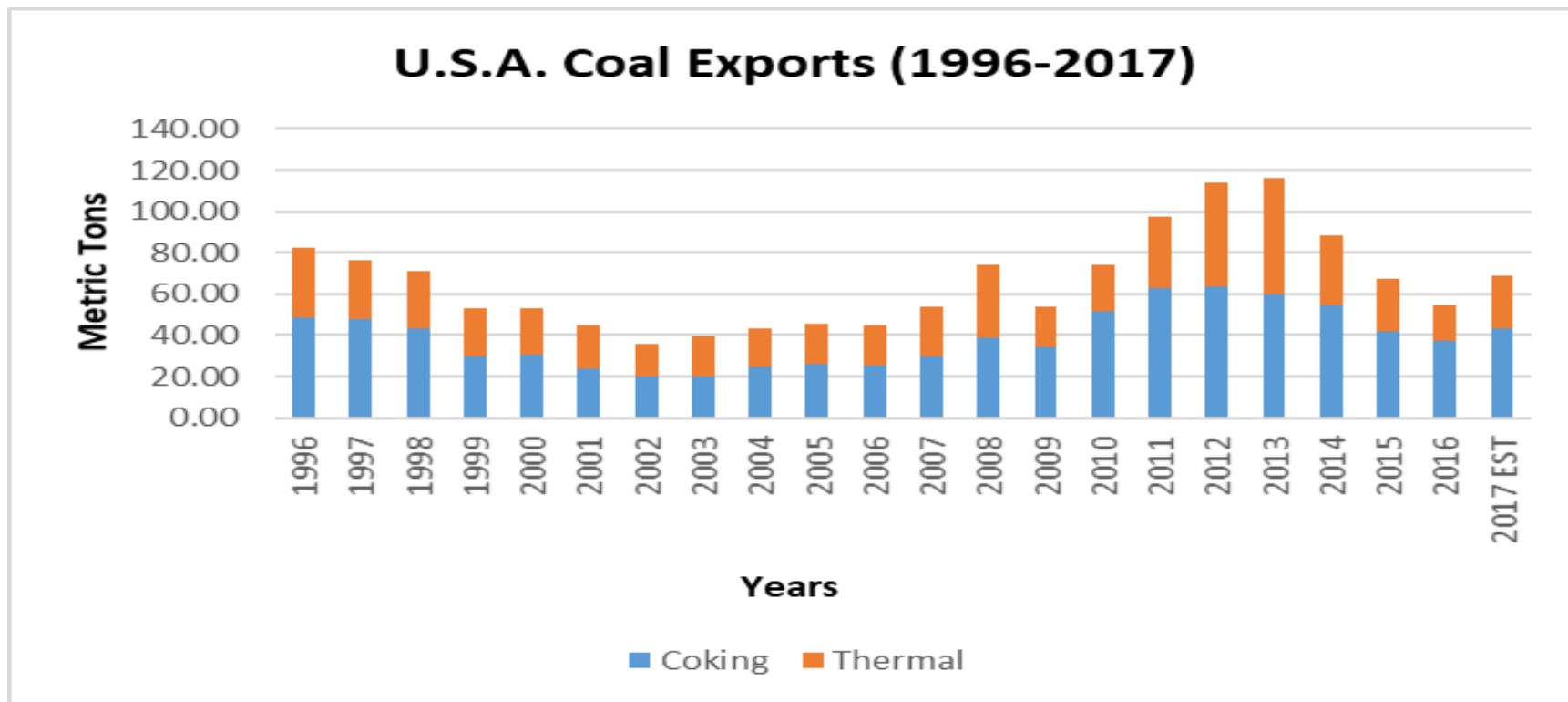
» Thermal Coal:

- Approx. 920m MT
- USA approx. 2% - recent peak 2012 at 6% of Total Seaborne Thermal Coal Exports

» Coking Coal:

- Approx. 300m MT
- USA approx. 13% - recent peak 2011 at 25% of Total Seaborne Coking Coal Exports

U.S.A. Role in Global Coal Markets



U.S.A. Coal Exports peaked in 2012. Expecting an increase in 2017. **May YTD 2017 exports up 62% and annualizing at 80m MT, almost 50% ahead of 2016**

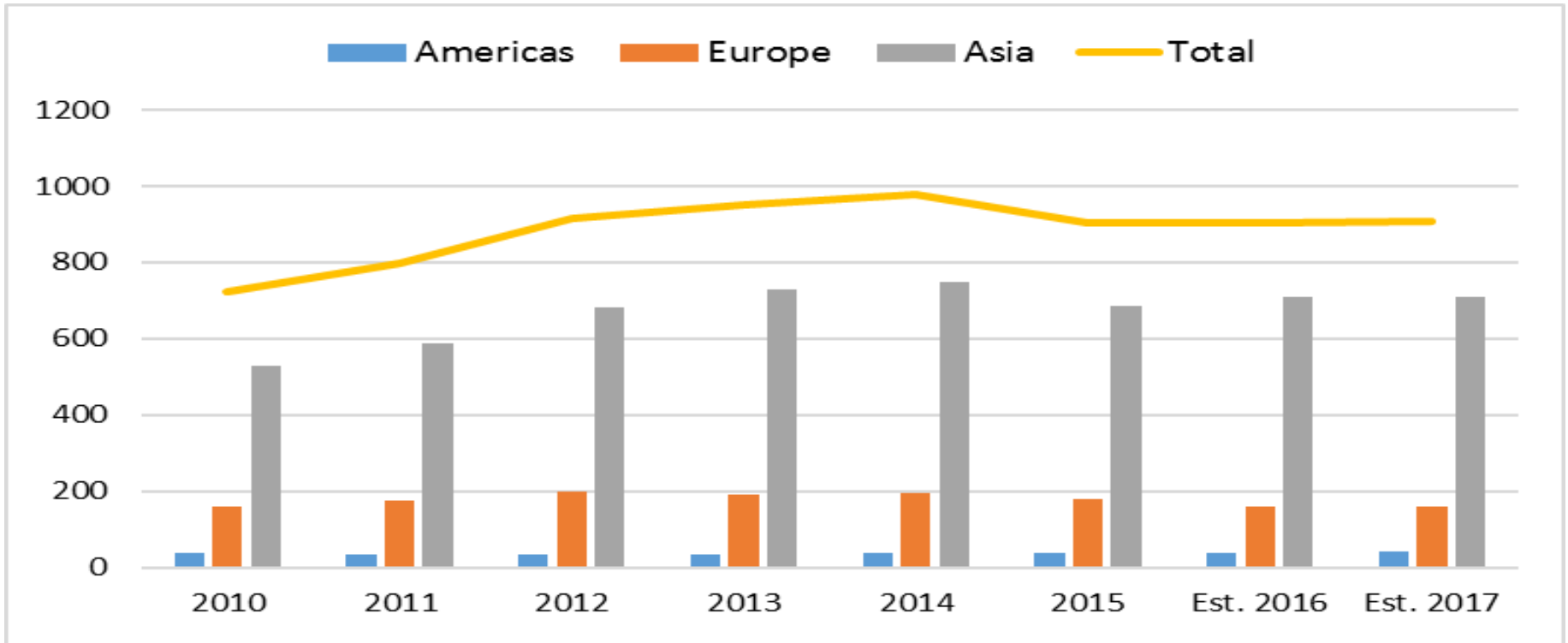
Exports a key outlet for U.S.A. producers

- Thermal exports account for smaller piece of U.S. supply, but are important outlet amid fluctuations in utility demand
 - Economics not always favorable, but allow producers to optimize operations
- >70% of U.S. coking coal production is exported due to limited domestic demand

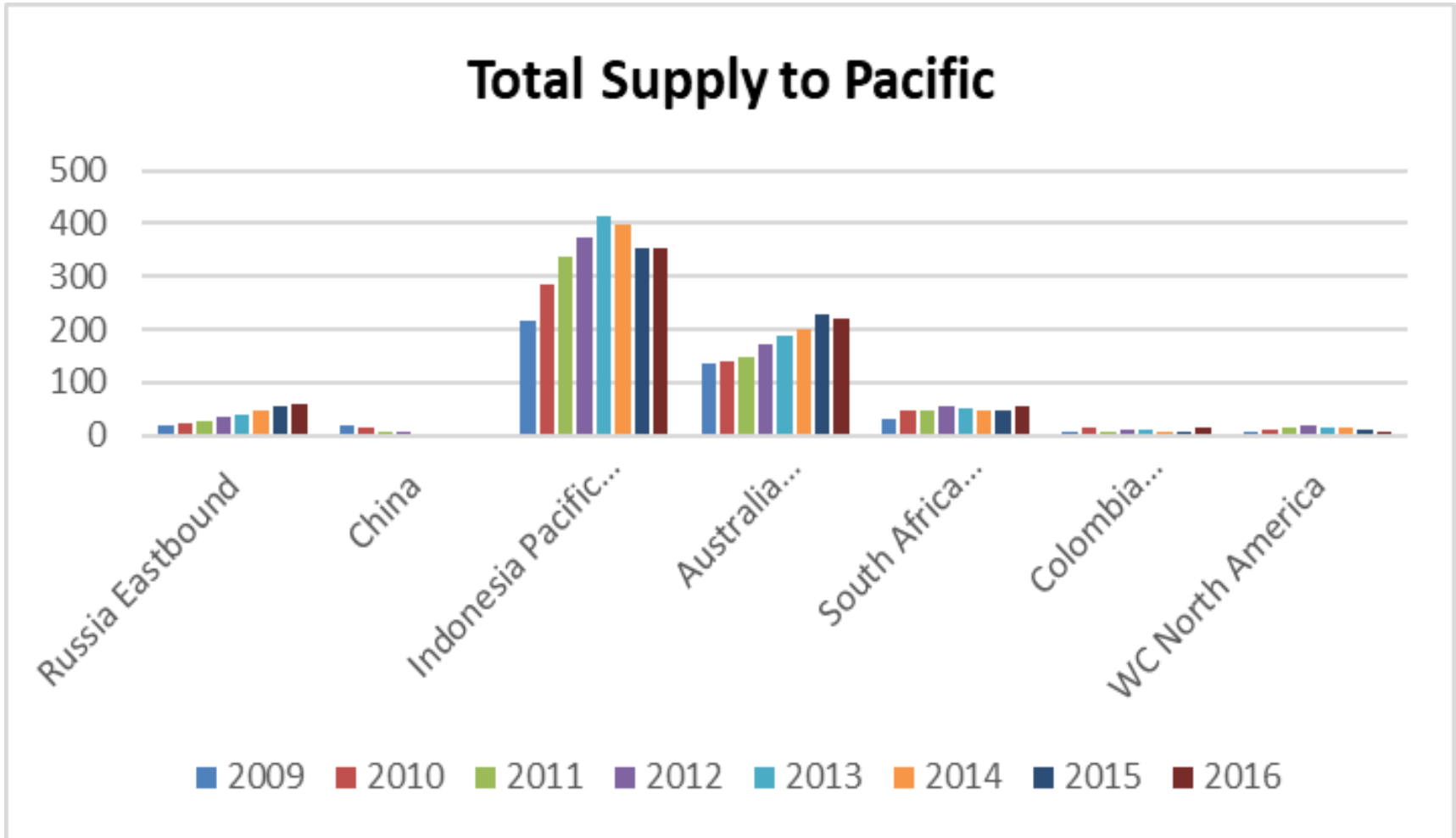
Exports as Share of U.S. Production		
	Thermal Coal	Coking Coal
2011	3.49%	76.44%
2012	5.78%	77.10%
2013	5.41%	75.37%
2014	3.79%	73.83%
2015	3.16%	70.16%
2016	2.67%	71.49%

Macro View Thermal Seaborne Market

Global Thermal Demand (MMT)

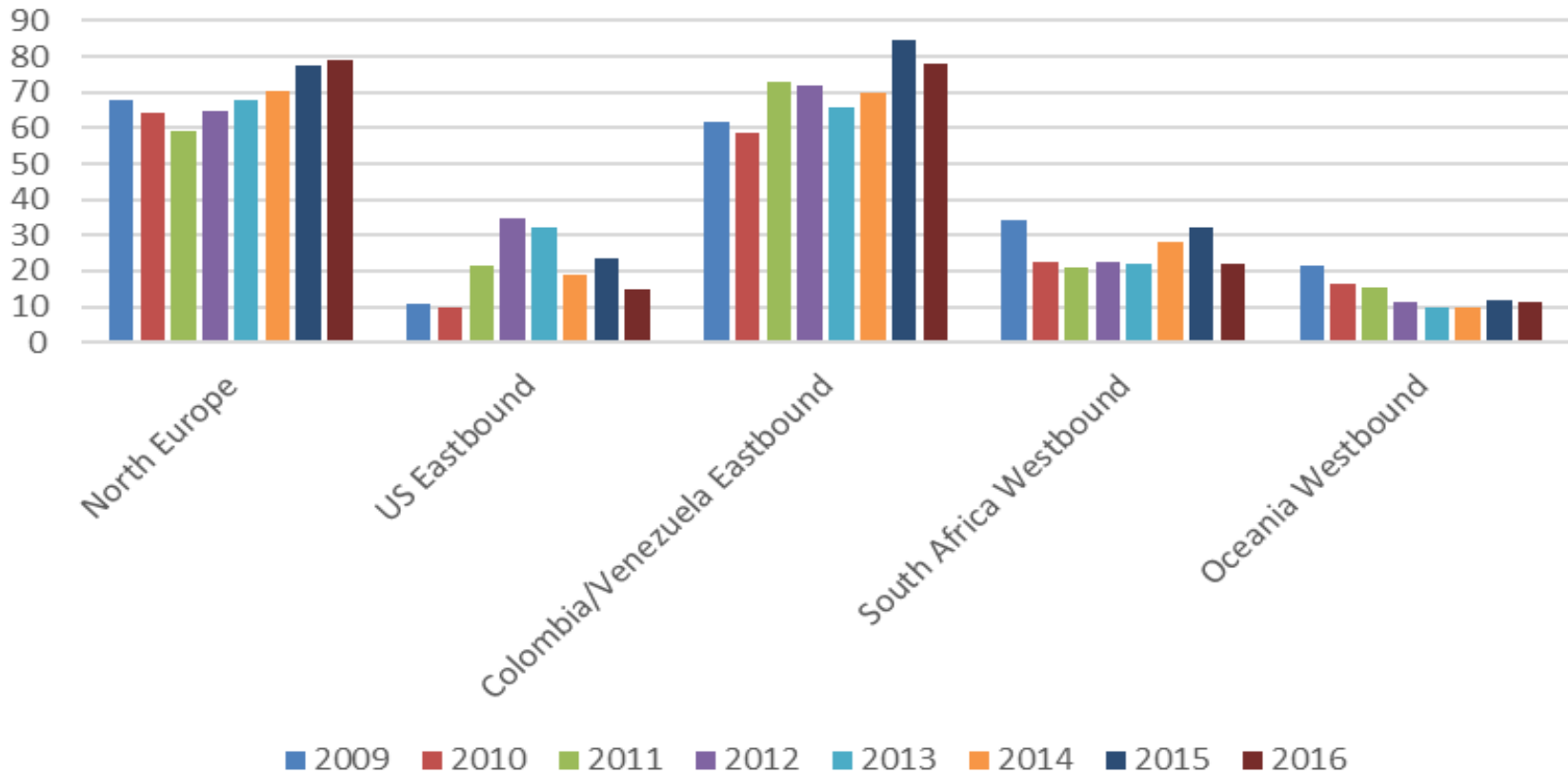


Seaborne thermal coal demand down two years in a row, first & second time this millennium. Down a total of 54 MMT since 2014. Pacific market recovered in 2016 but not enough to overcome the fall in the Atlantic market. Both markets expecting to improve slightly during 2017

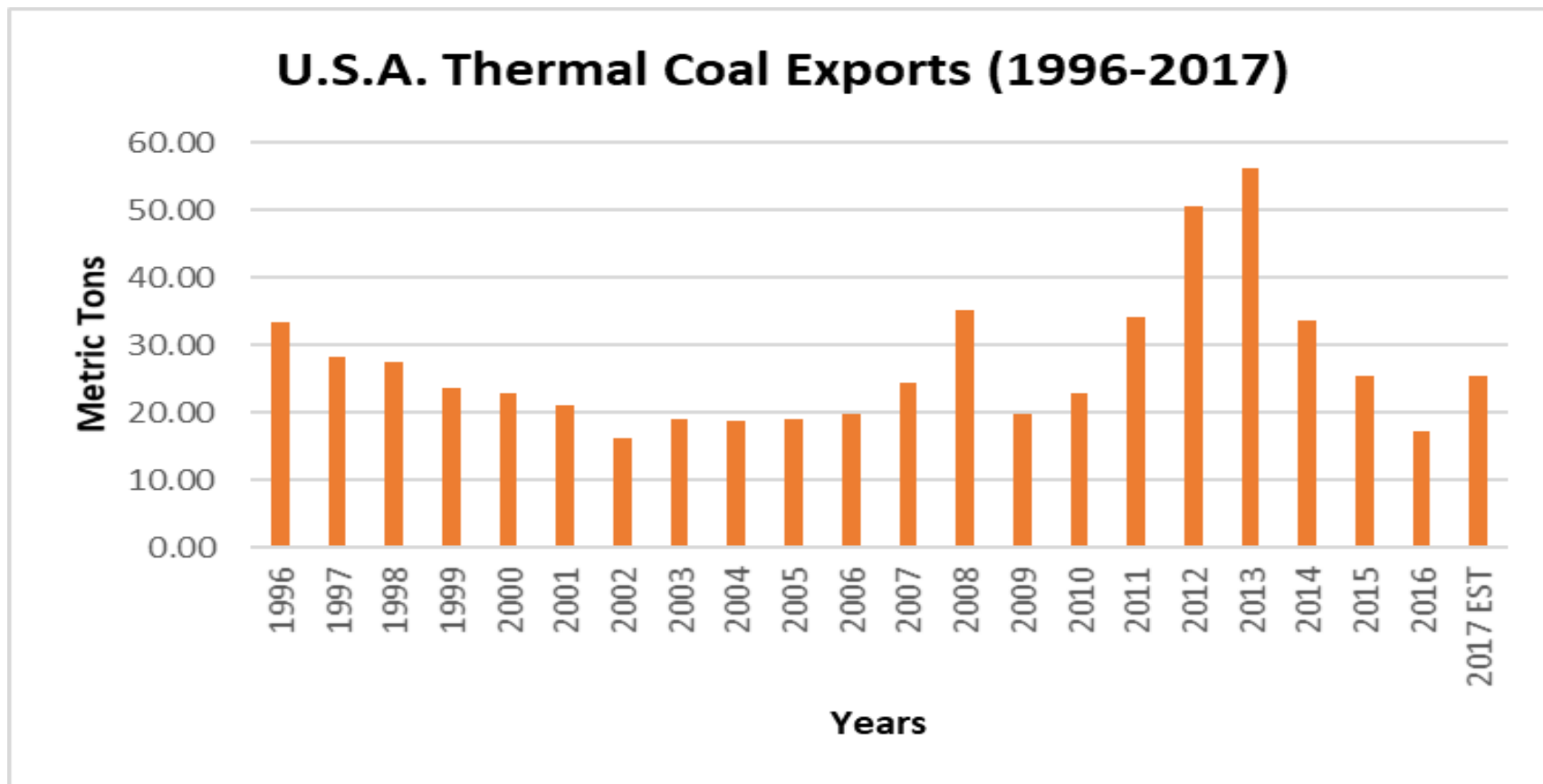


Demand in the Pacific Basin up 19 MMT during 2016.
 Russia, SA and Colombia captured the entire increase

Total Supply to Atlantic



Demand down 24 MMt during 2016. U.S.A., Colombia and SA all down. Colombia and SA found homes in the Pacific market ¹⁶



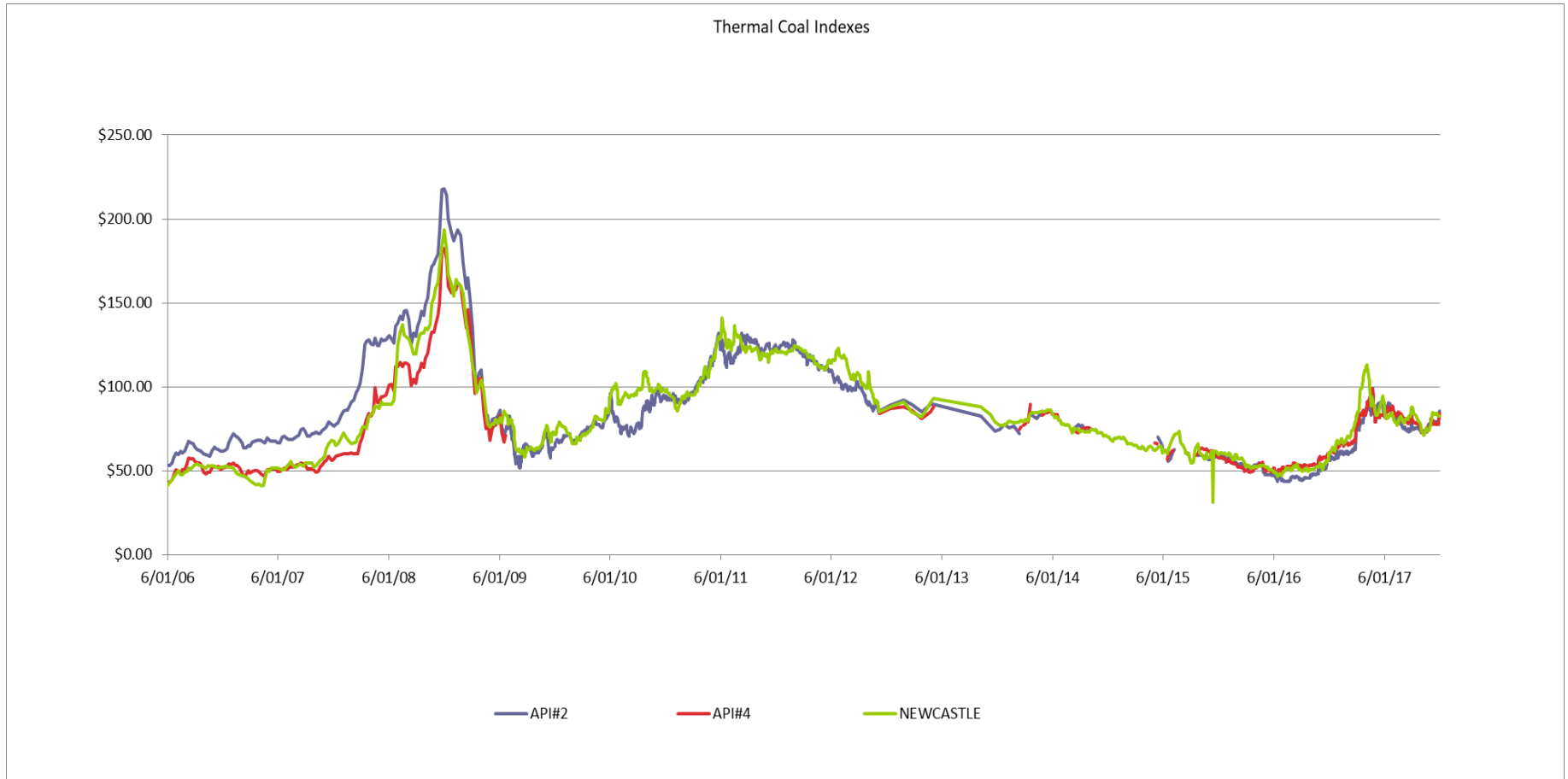
U.S.A. thermal coal exports peaked in 2013. Expecting an increase in 2017. May YTD 2017 exports up 164% and annualizing at 33m MT, almost 100% ahead of 2016

But U.S.A. remains small piece of seaborne supply of Thermal Coal

- U.S. a much smaller piece of seaborne thermal market amid plentiful supply from export-reliant countries
 - High quality coal allows US to compete in Atlantic and Pacific Basins
 - Low cost longwalls underpin competitiveness
- U.S. remains the second largest seaborne supplier of coking coal
 - Strategic importance serving Atlantic Basin mills
 - Premier qualities needed in Pacific Basin mills

U.S. Share of Seaborne Supply		
	Thermal Coal	Coking Coal
2011	3.62%	25.33%
2012	5.53%	24.10%
2013	4.77%	20.07%
2014	3.44%	17.82%
2015	2.75%	14.80%
2016	1.92%	13.34%

Thermal Index Pricing (2006-2017)

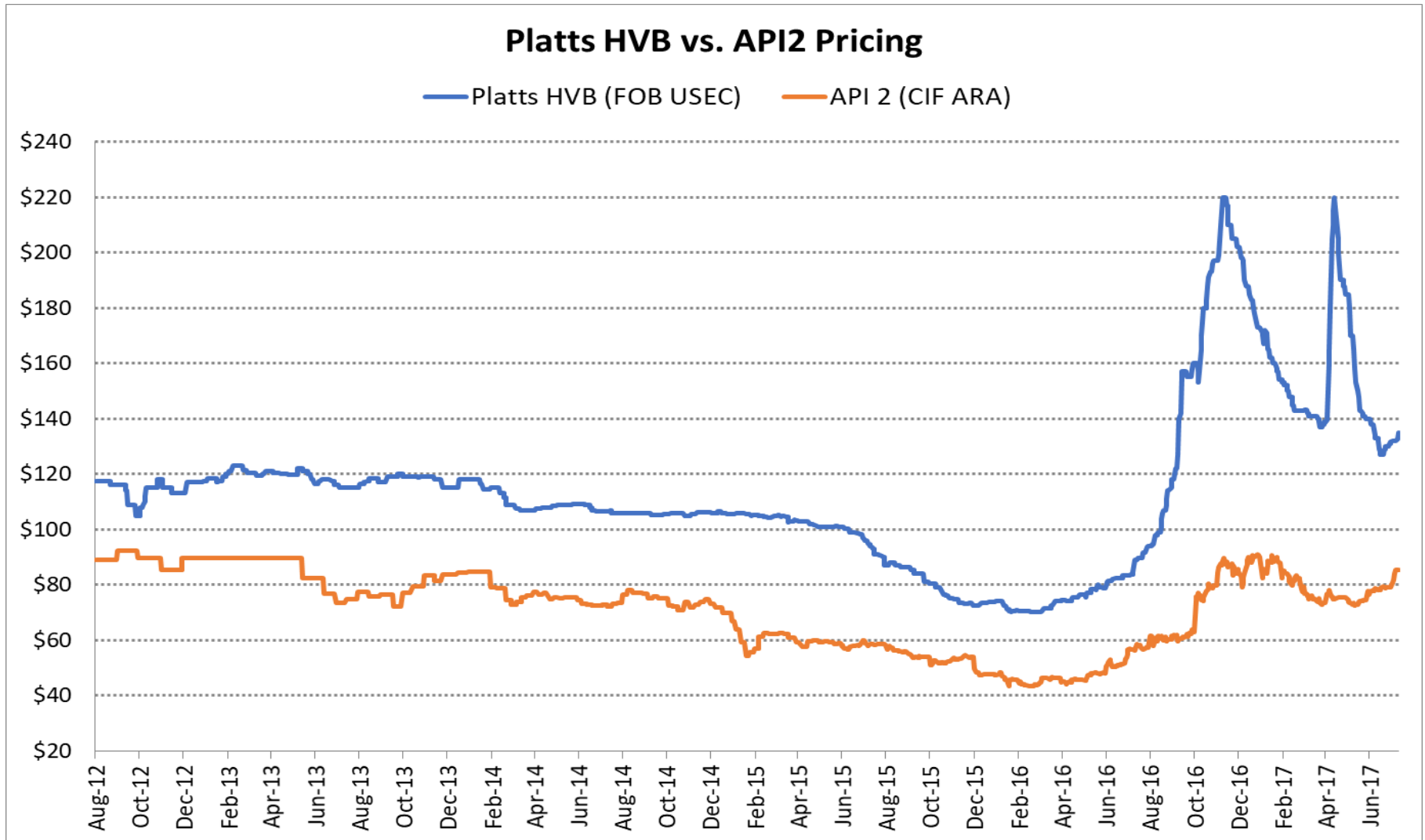


Thermal Index Pricing (2016 – YTD 2017)



Currently realizing improved pricing environment, allowing the U.S.A. to participate

Index	01/03/17	05/11/17	07/07/17	Recent Period Δ	Recent Period % Δ	YTD Δ	YTD % Δ
API2 CIF ARA 6000 NAR	\$82.50	\$72.45	\$85.45	13.00	17.94%	2.95	3.58%
API4 FOB RB 6000 NAR	\$84.15	\$72.55	\$84.25	11.70	16.13%	0.10	0.12%
NEWCASTLE	\$91.21	\$72.95	\$82.62	9.67	13.26%	-8.59	-9.42%





Demand :

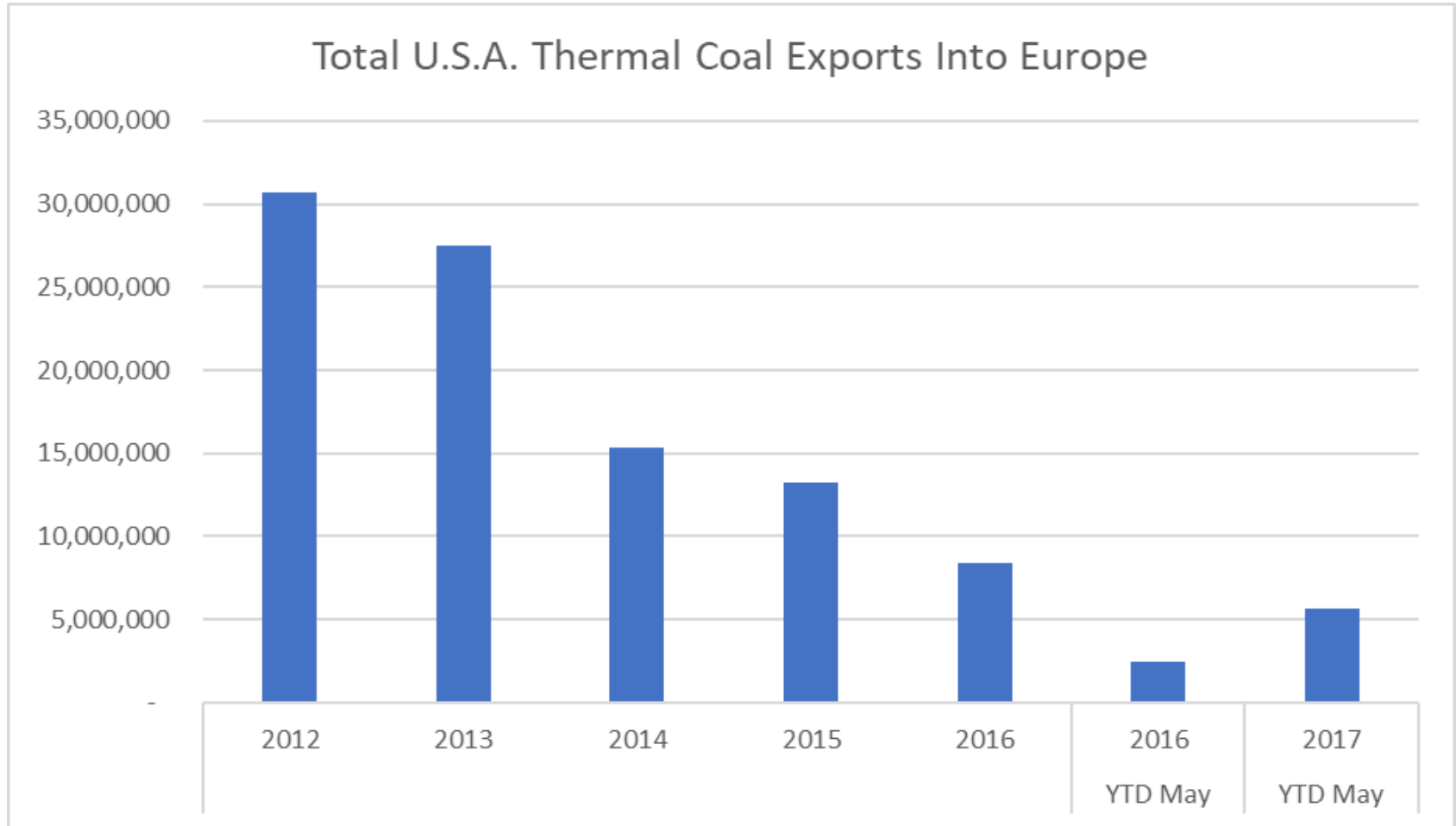
- EU Economy robust
- Cold weather conditions
- Reduced nuclear power in France at the end of 2016
- Reduction in hydro in Spain and Portugal

Consequences :

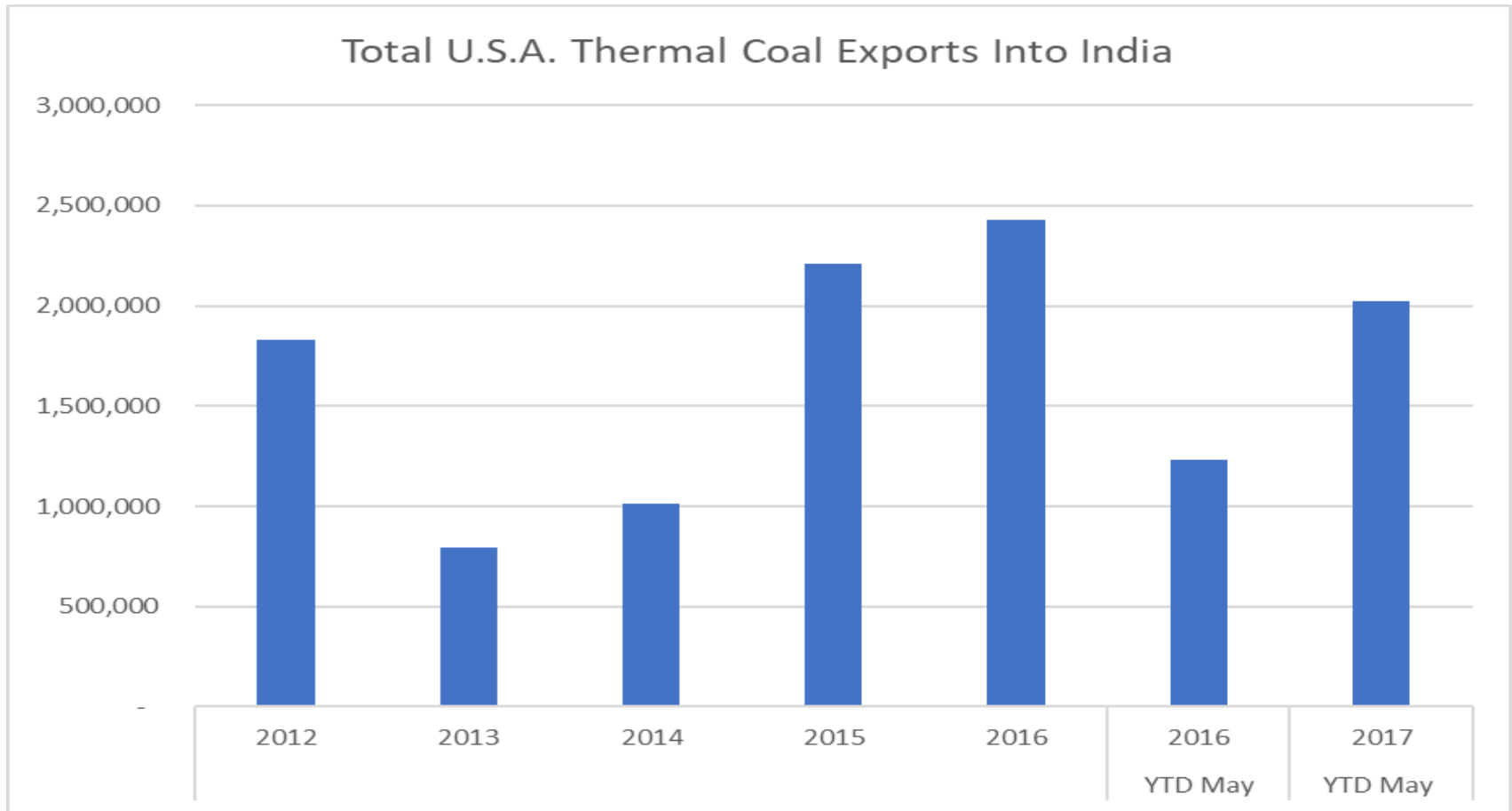
- API 2 is currently better supported
- Current price level allowing U.S.A. coal to participate

Future :

- Renewable energy should keep replacing coal burn in Europe
- But in 2022, Germany nuclear complete phase out (15 % of total electricity production)
- And in 2025, France is scheduled to reduce nuclear electricity from 78% down to 50%

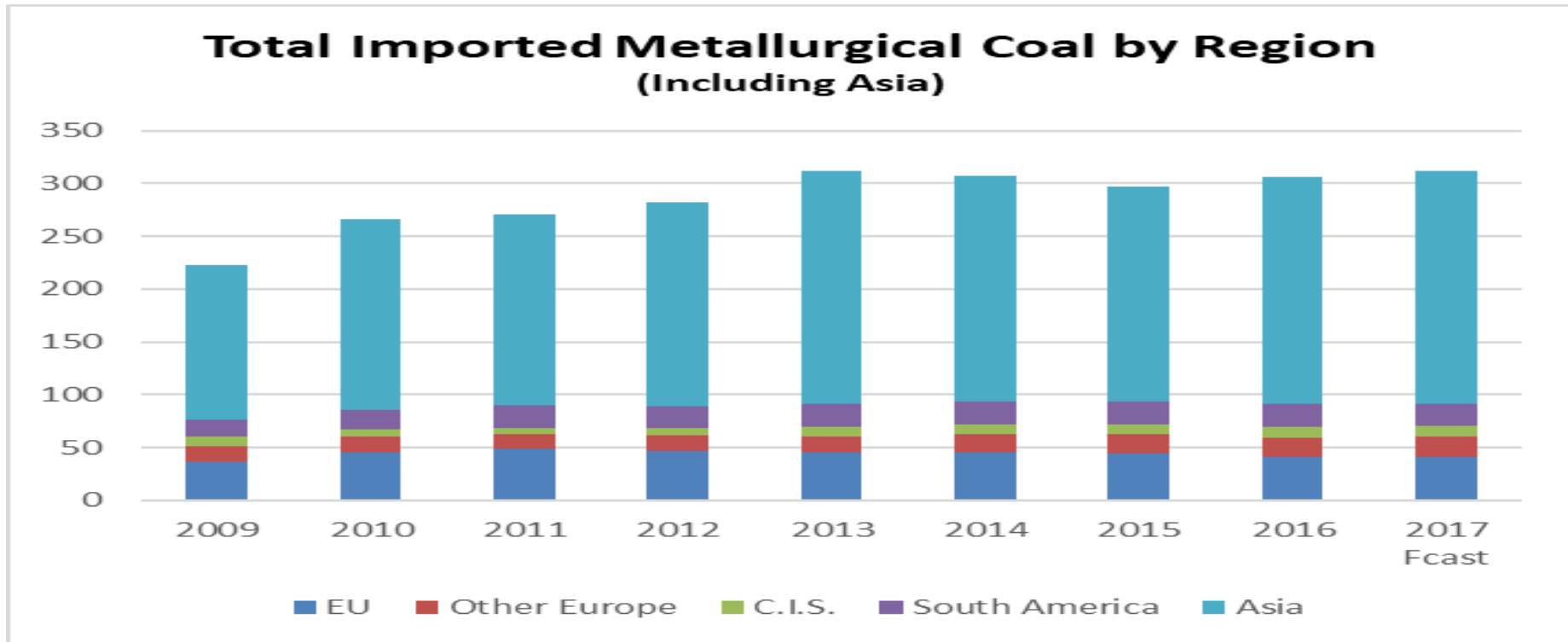


U.S.A. Exports of Thermal Coal to Europe YTD May 2017 are 5.70m MT or up 129% compared to YTD May 2016



U.S.A. Exports of Thermal Coal to India YTD May 2017 are 2.020m MT or up 64% compared to YTD May 2016

Macro View coking Seaborne Market



After two consecutive years of decline, seaborne demand for coking coal was est. to have increased by 9.5 MMT during 2016 with an additional demand of about 6 MMT during 2017

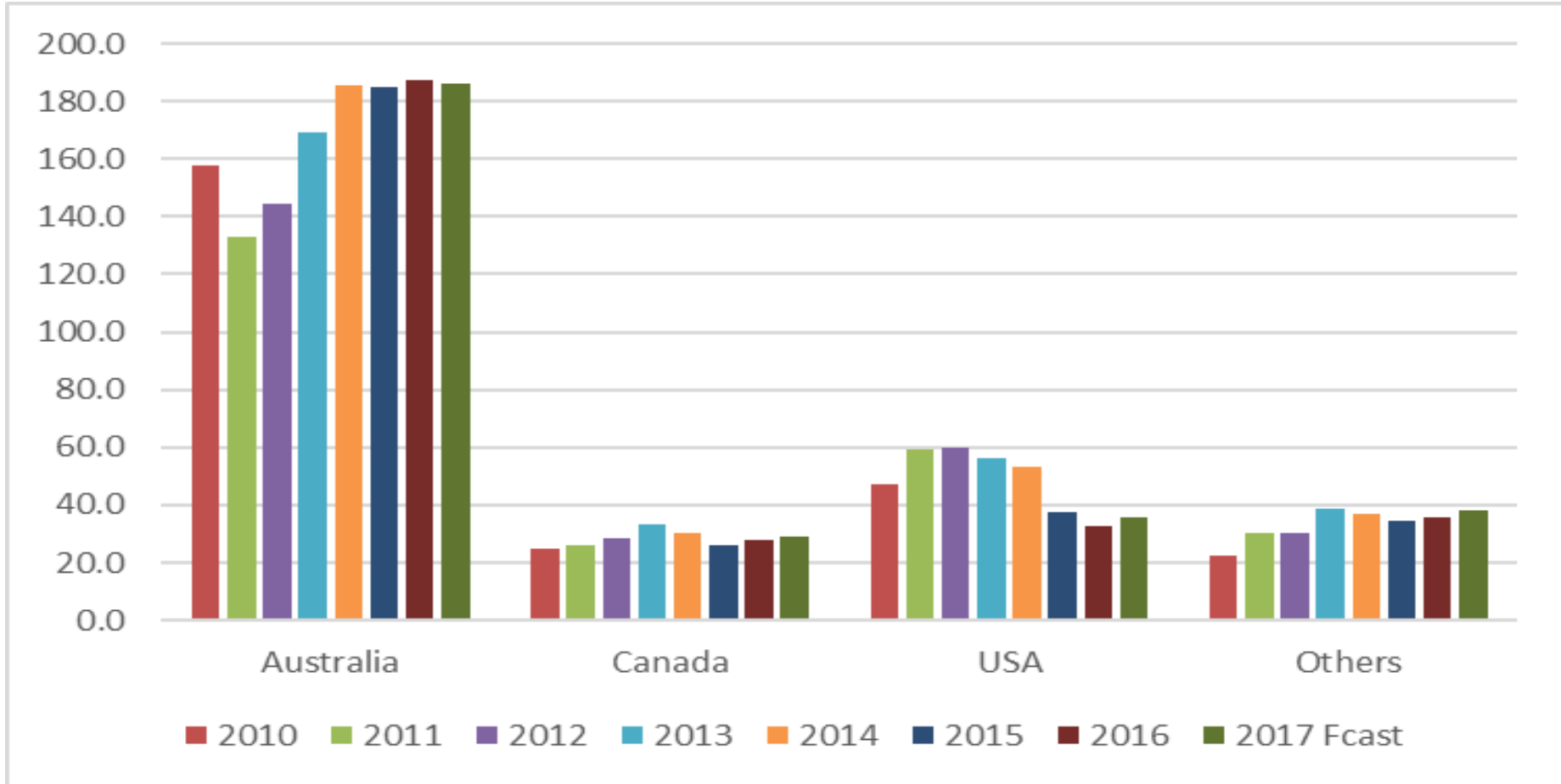
Steel Production Looking Strong

- Jan - May 2017 reports significant increase in all HCC importing countries:
- 13 consecutive months of YoY increases
- Germany ↑ **3%**
- France ↑ **11%**
- Turkey ↑ **12%**
- Brazil ↑ **14%**
- China ↑ **5%**
- India ↑ **7%**
- Worldwide ↑ **4.7%**
- **Excl. China** ↑ **5%**

- WSA global steel production growth forecast for 2017 is 1.3%
- However YTD pig iron output up 2.5%

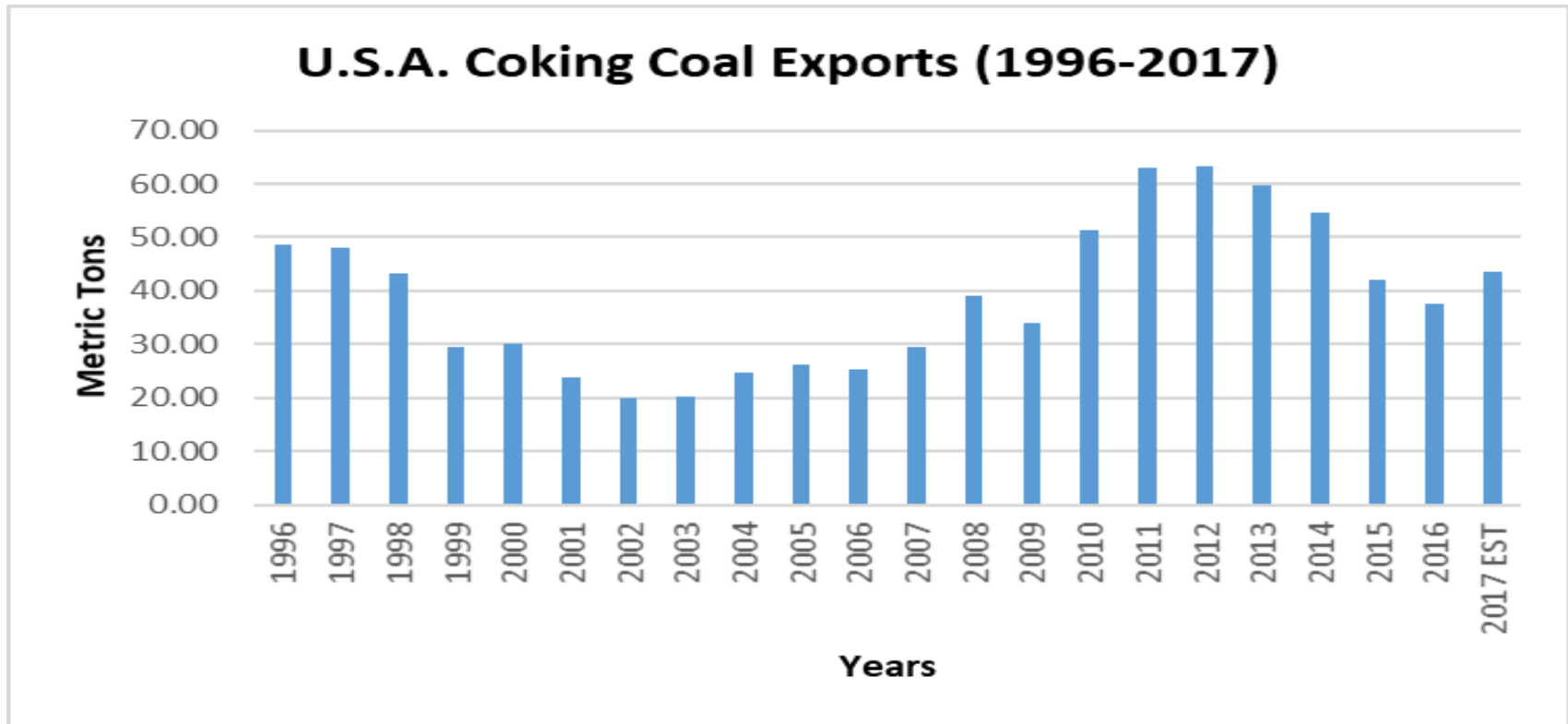
Global Pig Iron Production						
Region/Country	May-17 (000 MT)	Seq Change	Seq Pd Change	YoY Change	'17 YTD (000 MT)	YTD YoY Change
European Union	8,064	2.8%	-0.5%	2.0%	39,290	2.5%
Germany	2,410	-0.5%	-3.7%	-2.8%	11,886	0.0%
France	981	20.4%	16.5%	34.5%	4,411	15.0%
United Kingdom	495	-12.2%	-15.0%	-13.7%	2,588	-0.3%
Italy	455	6.8%	3.4%	-17.0%	2,174	-14.3%
Austria	561	7.5%	4.1%	17.8%	2,663	12.9%
Netherlands	500	1.3%	-2.0%	-4.8%	2,508	-0.2%
Other Europe	1,111	7.2%	3.8%	4.5%	5,272	7.4%
Turkey	932	12.3%	8.6%	4.5%	4,435	4.7%
Total CIS	6,180	-0.4%	-3.6%	-11.1%	31,264	-5.6%
Russia	4,300	-2.5%	-5.7%	-2.0%	21,634	-0.6%
Ukraine	1,530	3.8%	0.5%	-31.8%	8,058	-20.9%
North America	2,820	4.0%	0.6%	3.2%	14,075	0.2%
United States	1,950	4.3%	1.0%	2.2%	9,649	-0.9%
Canada	550	3.0%	-0.3%	12.8%	2,729	2.0%
Mexico	320	3.5%	0.2%	-5.3%	1,697	3.4%
South America	2,735	3.1%	-0.2%	15.7%	12,809	13.3%
Brazil	2,479	3.3%	-0.1%	18.6%	11,571	15.6%
Argentina	183	1.5%	-1.8%	-4.6%	877	-3.2%
Asia	78,738	-0.41%	-3.6%	-0.1%	385,346	2.9%
China	61,733	-1.3%	-4.5%	-0.1%	300,472	3.3%
Japan	6,700	2.9%	-0.5%	-2.1%	32,921	-1.5%
South Korea	3,565	3.4%	0.0%	-1.8%	18,416	-0.3%
India	5,480	3.3%	-0.0%	3.3%	27,396	7.8%
Taiwan	1,260	3.3%	-0.1%	1.8%	6,141	0.4%
Total excl. China	38,883	2.7%	-0.6%	-0.3%	192,107	1.3%
Total	100,616	0.2%	-3.0%	-0.2%	492,579	2.5%

Source: World Steel Association



U.S.A. second largest supplier to the Seaborne Coking Market

U.S.A. Role in Global Coking Coal Markets



U.S.A. Coking Coal exports peaked in 2012. Expecting an increase in 2017. May YTD 2017 exports annualizing at 47m MT, more than 27% ahead of 2016

U.S.A. larger piece of seaborne supply of Coking Coal

- U.S. a much smaller piece of seaborne thermal market amid plentiful supply from export-reliant countries
 - High quality coal allows US to compete in Atlantic and Pacific Basins
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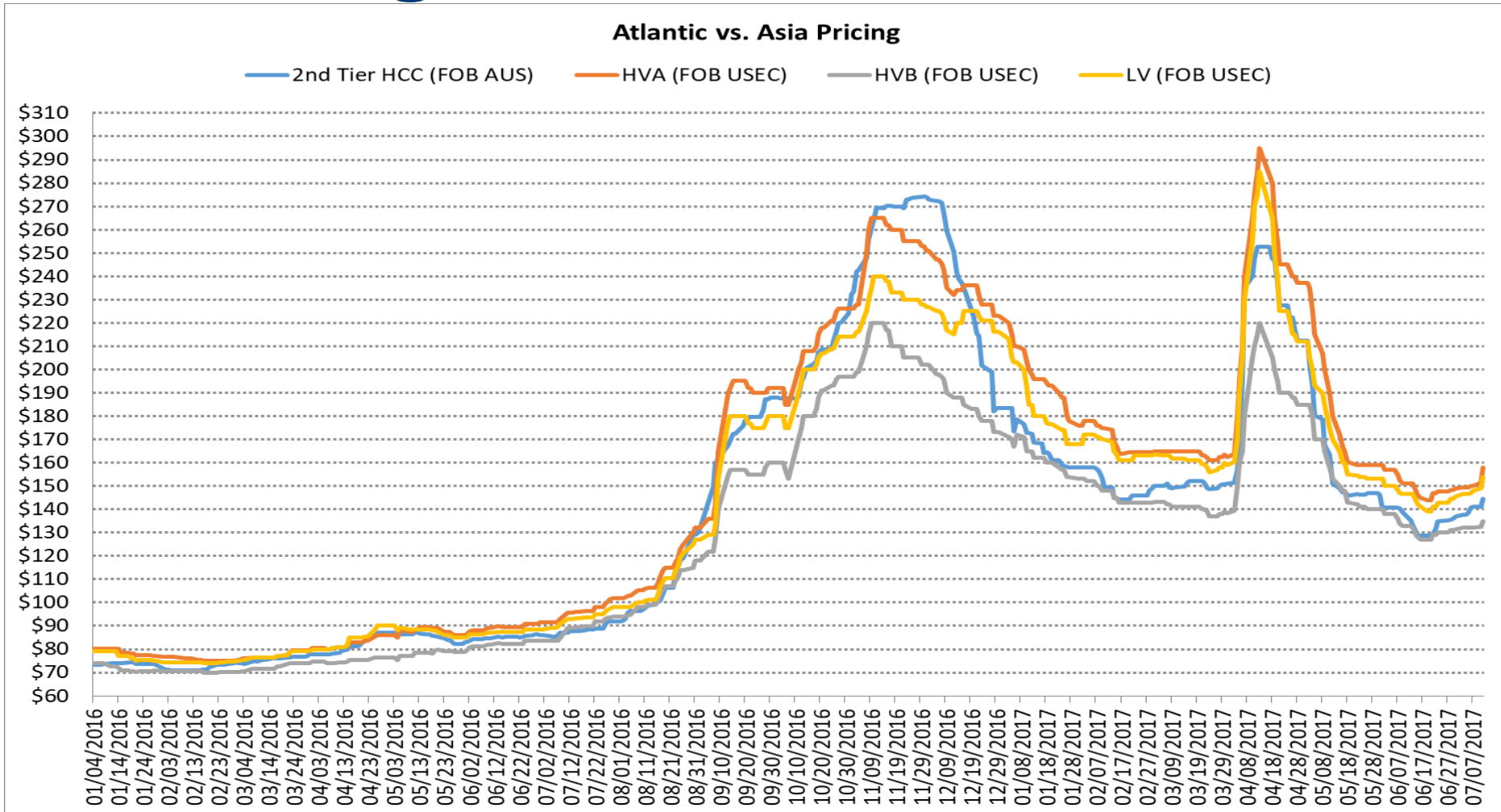
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Seaborne Coking Coal Supply 2010 to 2016

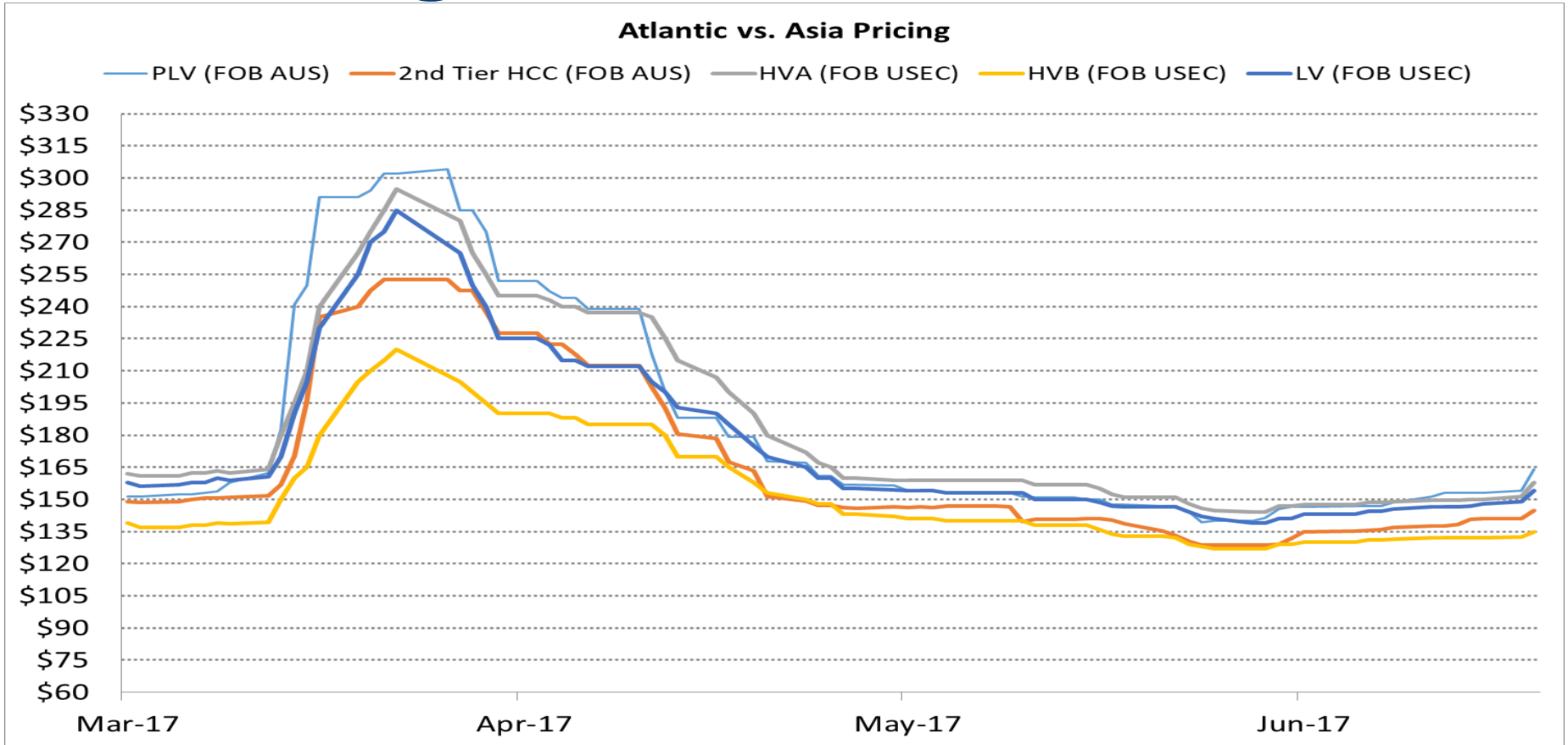
Percentage Seaborne Coking Coal Market By Region

Region	2009	2010	2011	2012	2013	2014	2015	2016
Australia	65%	62%	53%	55%	57%	61%	65%	66%
Canada	10%	10%	11%	11%	11%	10%	9%	10%
USA	15%	19%	25%	24%	20%	18%	15%	13%
Others	10%	9%	11%	10%	12%	11%	11%	11%

Coking Coal Price Overview



Coking Coal Price Overview



Prices dipped below pre-cyclone levels but recently recovered to pre-cyclone levels. HVB index prices did not increase as much as the other indices

Seaborne Coking Coal Supply

Coking Coal Exports (million MT)

	Jan - May '17	YoY	Change	%
US	19.36	15.23	4.13	27.12%
Australia	64.67	76.82	(12.15)	-15.82%
Canada	10.95	10.90	0.05	0.46%
Total	94.98	102.95	(7.97)	-7.74%

- » Both Seaborne thermal and coking coal demand expected to grow
- » Importance of U.S.A. as key (swing) supplier reinforced
- » Index pricing widely accepted for both thermal and coking coals
- » Benchmark system has ended due to extreme volatility
- » Seaborne coal demand for U.S.A. coal should remain strong for the balance of 2017
- » U.S.A. thermal and coking coal tonnage is available as long as the international market prices remain supportive
- » Better balance sheets allow U.S.A. producers to participate in seaborne markets
- » Wild cards: Chinese Policy, forex movements, continued supply disruptions (geological and weather), coal production surprises