



English Minutes of Q & A session for 2009 interim results announcement conference

1、 I have 2Qs:

1Q: Currently China Coal has abundant cash at Balance Sheet, meanwhile your coal chemical projects have progressed quite slowly, will the Company consider offering a special dividend to shareholders, so as to increase the efficiency of capital?

2Q: Recently Shanxi government has strengthened its efforts in small mine consolidation. China Coal Group, as the sole SOE potentially benefited from Shanxi consolidation, how's the current consolidation progressing? When and how will those assets be injected into the listco in future?

Answer 1: After both H and A share IPO, China Coal has raised abundant capital. Applied usage for H share proceeds are mainly targeted to the construction of Wangjialing coal mine and Pingshuo East open pit mine which have progressed quite smoothly. The Company is reinforcing its efforts to speed up the preliminary work of A share coal chemical project. We are of the view that future expansion can yield more return to shareholders than direct dividend distribution. China Coal will try to lock in high return projects and support our sustained growth in future.

Answer 2: In connection with small mine consolidation in Shanxi, parent company China Coal Group has already entered into equity transferring agreements with each counterpart in mines namely Yangjian, Danshuigou, Xishahe respectively, which are expected to have production contribution next year. There are another 14 small mines under restructuring in Xinrong, Datong city, the negotiation with local government is currently well under way. The Company will make duly disclosure when the above assets are injected into listco.

2、 I have 2Qs:

1Q: In the 09 interim report, the long-term contract price for thermal coal has achieved over 10% increase while spot price has dropped drastically, what accounts for the great discrepancy?

2Q: Against the backdrop that the aggregated growth rate of thermal power generation have decreased, what's the Company's expectation of coal pricing in the 2H 09?

Answer 1: Since the outbreak of international financial crisis in Sep. last year, despite a shortfall in demand, the Company has adopted a flexible marketing strategy and ensured 100% smooth sales of production by exposure to more contract sales. Both the price and ratio of spot sales have decreased in the 1H.

Answer 2: Although the aggregated growth rate of thermal power generation has been negative in the 1H, the monthly growth rate after this May has turned into positive. The company has entered into annual thermal coal sales contracts with principal power customers at satisfactory price.

In 2H, as Shanxi reopens some small mines, coal supply will be increased. Especially in certain regions and periods, supply could be even larger than demand which may affect coal price. Generally speaking, we expect coal market will maintain a balanced position and price will fluctuate within a small range.

3、 I have 3Qs:

1Q: In 1H, the long-term contract price of the Company has achieved 14.6% increase, much higher than that of Shenhua, is it due to the adjustments made in sales structure?

2Q: In connection to your green field mines, what would their production cost be like compared to current operating mines?

3Q: I notice that China Coal's washing yield has decreased to 71%, what's the heat value and washing yield of those green field mines?

Answer 1: In 1H, the company has achieved 14.6% price increase for thermal coal contract sales, which is basically in line with our expectation. 540RMB/ton including VAT is the benchmark price for thermal coal with 5500 caloric value.

Answer 2: production cost will vary depending on different geological mining conditions. Green field mines in Pingshuo will utilize advanced mining technology

and equipments which can help increase production efficiency.

4、 I have 3Qs:

1Q: Could the management highlight why production in Huajin has declined so rapidly in 1H?

2Q: The interim report mentioned the Company is applying for mining rights of about 9 billion tons coal resources, where are these new resources located?

3Q: Please explain the production and sales of methanol in 1H?

Answer 1: The operating mine in Huajin named Shaqu whose coal seams contain high levels of methane. In 1H, Shaqu mine has stopped production temporarily as a result of the safety inspection from Shanxi government.

Answer 2: The distribution 9 billion tons coal resources are as follows: Hulusu mine in erdos 2.7 billion tons; Xinjiang Zhundong area 5.5 billion tons; 106 mine and other two mines close to 800 million tons.

Answer 3: In 1H, due to the price fluctuation in the domestic market, the Company has limited methanol production and sales has dropped as well.

5、 I have 1Q:

Q: In 1H, China Coal's self-produced raw coal reached 49.06 million tons, up by 5.9%; while sales of self-produced commercial coal amounted to 36.7 million tons, down by 3.3%, could the management highlight the difference of these two figures?

Answer: 2 factors can explain the difference: ①due to changes of geological conditions in underground mines, the overall washing yield in 1H has decreased; ② statistical discrepancy, some production are in inventory.

6、 I have 2Qs:

Q1: Will China Coal consider cancelling the listing positions of Taiyuan

Coal Gasification and Shanghai Energy?

Q2: What are the major indicators that China Coal adopts in annual contract negotiation?

Answer 1: Taiyuan Coal Gasification is a subsidiary of parent company, therefore has no direct relation with listco. In terms of reserves, production, Shanghai Energy only covers a small portion of the Company and its sales market is not in direct competition with China Coal Energy. We will make prudent and overall considerations of various aspects when it is appropriate.

Answer 2: Coal price are mainly determined by 2 factors: ① demand and supply dynamics of the market especially the product value, for example 540RMB/ton including VAT is commonly agreed price for thermal coal with 5500 caloric value; ② production cost especially policy-related charges. Such as adjustments in rail transportation tariff, port fees, resource tax will certainly affect coal price.

7、 I have 1Q:

Q: 1H China Coal has a low completion ratio in Capex plan, will it affect the Company's production growth for next year or two?

Answer: Affected by the international financial crisis, the completion ratio of coal chemical projects has been low in 1H, partly due to the slow progress of some preliminary works and partly because China Coal has decided to suspend the investment in Heilongjiang project. The overall completion ratio of projects which has already commenced construction was 41% in the 1H. So it will not affect our production growth for the following years.

8、 I have 2Qs:

Q1: Currently many coal to methanol and DME projects are under construction in China, in short term it will be quite difficult for downstream industries to absorb such a huge capacity, so could management highlight the outlook for coal chemical industry in China?

Q2: What's the Company's plan for Heilongjiang project after the postponement of investment?

Answer 1: Whether methanol market will see a oversupply situation is largely determined by the energy composition structure of China. The basic characteristic in China is that Coal accounts for 95.6% of fossil fuels in China. In order to ensure energy security and support the sustained economic growth, Chinese government should implement macro controls on energy structure. Introduction of methanol and DME into fuels to replace petroleum is an inevitable trend in future. DME can be blended into even replace diesel and reach Euro III standard; methanol can be blended into gasoline by 15%. Generally speaking, although these coal chemicals may oversupply in short term, but their replacement of petroleum will have great prospects in long term.

Answer 2: The Company has reevaluated Heilongjiang project after the outbreak of international financial crisis, the adjusted IRR has dropped from previous 12.3% to only 4.4%. Therefore in order to safeguard the interests of shareholders, the Board has decided to stop investment and asked senior management to look for high return projects to replace Heilongjiang project.

9、 I have 3Qs:

Q1: Why there is a big difference in materials cost between self produced raw coal and commercial coal?

Q2: What's the components of other costs? Why there is an increase of RMB 5.1/ton compared to 1H 08? Why there is an increase of "three funds" charged by Shanxi government?

Q3: Will the Company consider to invest in coal chemical projects like olefin? Could the management explain whether the catalyst will pyrolyze in high temperature and could be only one-off use?

Answer 1: In 1H, the materials cost has seen big decrease and the difference in materials cost between self produced raw coal and commercial coal can be explained

by the following 4 factors: ① the Company has strengthened internal management and control; ② the decrease of PPI index has dragged down purchasing price of raw materials; ③ self produced commercial coal includes the 3rd-party coal purchase for our 3 independent coal washing plants. Last year both the price and volume of 3rd-party coal were higher than this year; ④ the proportion of Pingshuo coal of total commercial coal sales has increased from 78% to 81%, also has helped to trigger down the production cost of the Company.

Answer 2: The components of other costs include three funds, mineral resource compensation fee, water resource compensation fee, resource tax, outsourcing services and etc. Take Pingshuo for example, the stripping ratio has been adjusted, which will increase the costs for stripping outsourcing services for open pit mines.

On per ton basis, charging standards for three funds haven't changed which currently are applied only for self produced raw coal in Shanxi province. Therefore only Pingshuo will abide by this rule.

Answer 3: For short term, olefin seems more profitable than methanol and DME, but in the long run, we believe coal to fuel chemicals will have bright outlook. Enterprises should incorporate project returns into the coal chemical industry layout of the whole country. As to catalysts, we haven't produced such products, I'm afraid I cannot comment on it.

10、 I have 1Q:

Q: Why there is a big difference in coke production and sales in 1H? Was the difference caused by inventory?

Answer: China Coal holds 45% stake in one of our coke plants named China Coal Xuyang. In 1H, Xuyang produced 1.09 million tons, and sold 11.1 million tons. The Company equity coke production has included Xuyang but sales haven't.

Disclaimer: The above simplified English minutes were compiled in accordance with the video of 09 interim results announcement conference held on August 17th in



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