

ASX Thermal Coal Futures & Options

The introduction of thermal coal futures and options (FOB Newcastle) at ASX will provide additional tools for firms with exposure to sea-borne thermal coal in the Asia-Pacific to manage their price, counterparty and delivery risks.

Asia's thermal coal imports

These accounted for 70% of the international market in 2008 and represent one of the world's largest energy markets. Thermal coal prices in the Asia Pacific have and will continue to impact the price of coal and other energy markets globally. However, unlike more developed energy markets in Europe and North America, the spot and forward markets for thermal coal in the Asia-Pacific have a long way yet to evolve.

ASX thermal coal futures and options

To assist the development of the market for sea-borne thermal coal in the Asia Pacific, the introduction of deliverable thermal coal futures and options contracts at ASX will:

- provide a robust and sustainable market based mechanism to ensure convergence between derivatives and the value of physical coal (independent of bids, offers and trades in the OTC market);
- provide a forward price alternative to the existing editorial and OTC derived indexes used for swap contracts and index linked supply agreements (ASX's forward price will represent the fundamentals of exporting thermal coal in a given delivery month);
- effectively eliminate counter-party exposure throughout the entire delivery (or alternative delivery) process;
- facilitate the development of an exchange for physical (EFP) market to accommodate the delivery of the underlying product or a variant of its specification at the same or a different location;
- accommodate the clearing of existing swap trades registered through the EFP mechanism;
- present opportunities to arbitrage existing index based swaps and related option products;
- provide a robust reference price for the trading of bi-laterally negotiated and centrally cleared options in the OTC market;
- reduce credit constraints and simplify contractual arrangements through standardised contracts centrally cleared by the largest futures clearing house (by value of trade) in the Asia Pacific;
- allow financial players to efficiently access exposure to thermal coal prices in Asia;
- facilitate 24 hour trading to accommodate trading interests in Asia and Europe;
- complement existing and forthcoming energy and environmental product markets at ASX;
- seamlessly integrate with all of the existing financial institutions and brokers that already service the broader global energy markets.

ASX Thermal Coal Futures

THE CONTRACT SPECIFICATIONS FOR ASX THERMAL COAL FUTURES ARE AS FOLLOWS.

Thermal Coal Futures Contracts (FOB Newcastle)

Contract Unit	1,000 tonnes of Thermal Coal																												
Contract Months	Monthly contracts sufficient to support 1 full calendar year ahead																												
Commodity Code	CX																												
Minimum Price Movement	Prices are quoted in cents per tonne. The minimum fluctuation of US\$0.05 is equal to US\$50.00																												
Last Trading Day	1st Business Day of the month preceding the Contract Month.																												
Trading Hours	5.14pm - 7.00am and 8.34am - 4.30pm AEST (during US daylight saving time) 5.14pm - 7.30am and 8.34am - 4.30pm AEST (during US non daylight saving time)																												
Settlement Method	Deliverable Contracts																												
Delivery Period	Delivery shall occur FOB on any day in the Contract Month as determined by the Buyer.																												
Deliverable Tolerances	<ul style="list-style-type: none"> • Calorific Value: Minimum 5,650 NCV • Total Moisture: Maximum 15.0% (as received basis) • Volatile Matter: Minimum 27.0% and maximum 35.0% (as received basis) • Ash: Maximum 17.0% (as received basis) • Sulphur: Maximum 1.0% (as received basis) • Selenium: Maximum 2 ppm (dry basis) • Boron: 60 ppm (dry basis) • Calcium Oxide in Ash: Maximum 7% (dry basis) • Hardgrove Grindability Index: 45 (min) - 70 (max) • Nominal Topsize: 50mm • Sizing: Fines <2mm not to be more than 30% • Ash Fusion Temperature (Reducing): 1250 degrees C (min) Initial Deformation 																												
Final Settlement Value	<p>The Final Settlement Value will reflect the formula and adjustments for Net Calorific Value, Ash, Sulphur, Demurrage and Despatch.</p> <p><u>NCV Adjustment</u> The Final Settlement Price shall be adjusted using the following formula and the Binding Results NCV: (NCV/6000)*(Final Settlement Price)</p> <p><u>Ash and Sulphur Adjustments</u> The Interim Settlement Price shall also be adjusted by the following percentage discounts for Ash and Sulphur:</p> <table border="1"> <thead> <tr> <th>Ash</th> <th><=13%</th> <th><=14%</th> <th><=15%</th> <th><=16%</th> <th><=17</th> <th>>17</th> </tr> </thead> <tbody> <tr> <td>% Discount</td> <td>none</td> <td>1%</td> <td>2%</td> <td>3%</td> <td>4%</td> <td>Outside Deliverable Range</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Sulphur</th> <th><=0.6</th> <th><=0.7</th> <th><=0.8</th> <th><=0.9</th> <th><=1.00</th> <th>>1.00</th> </tr> </thead> <tbody> <tr> <td>% Discount</td> <td>none</td> <td>0.5%</td> <td>1.0%</td> <td>1.5%</td> <td>2.0%</td> <td>Outside Deliverable Range</td> </tr> </tbody> </table> <p><u>Demurrage and Dispatch Rates</u></p> <ul style="list-style-type: none"> • Demurrage Rates: US\$1.00 per tonne per day. • Dispatch Rates: US\$0.50 per tonne per day. 	Ash	<=13%	<=14%	<=15%	<=16%	<=17	>17	% Discount	none	1%	2%	3%	4%	Outside Deliverable Range	Sulphur	<=0.6	<=0.7	<=0.8	<=0.9	<=1.00	>1.00	% Discount	none	0.5%	1.0%	1.5%	2.0%	Outside Deliverable Range
Ash	<=13%	<=14%	<=15%	<=16%	<=17	>17																							
% Discount	none	1%	2%	3%	4%	Outside Deliverable Range																							
Sulphur	<=0.6	<=0.7	<=0.8	<=0.9	<=1.00	>1.00																							
% Discount	none	0.5%	1.0%	1.5%	2.0%	Outside Deliverable Range																							

Quarterly Thermal Coal Strip Futures Products

Contract Unit	Three Thermal Coal futures contracts comprising a calendar quarter
Contract Months	4 quarterly strip futures products
Commodity Code	CY
Minimum Price Movement	Prices are quoted in cents per tonne The minimum fluctuation of US\$0.01 is equal to US\$30.00
Last Trading Day	The Final Trading Day of the first contract month in the relevant Quarterly Strip Futures Product.
Trading Hours	5.14pm - 7.00am and 8.34am - 4.30pm AEST (during US daylight saving time) 5.14pm - 7.30am and 8.34am - 4.30pm AEST (during US non daylight saving time)
Settlement Method	n/a

Yearly Thermal Coal Futures Contracts

Contract Unit	Twelve consecutive underlying thermal coal futures contracts
Contract Months	4 calendar years ahead.
Commodity Code	CZ
Minimum Price Movement	Prices are quoted in cents per tonne. The minimum fluctuation of US\$0.01 is equal to US\$120.00.
Last Trading Day	6 weeks prior to the day immediately preceding the commencement of the calendar year. If this day is not a trading day for the contract then the following trading day will be the Last Trading Day. ASX will publish expiry dates in advance of new contracts being listed.
Trading Hours	5.14pm - 7.00am and 8.34am - 4.30pm (during US daylight saving time) 5.14pm - 7.30am and 8.34am - 4.30pm (during US non daylight saving time)
Settlement Method	n/a

ASX Thermal Coal Options

THE CONTRACT SPECIFICATIONS FOR ASX THERMAL COAL OPTIONS ARE AS FOLLOWS.

Options on Thermal Coal Futures¹

Contract Unit	One Thermal Coal futures contract for a specified contract month.
Contract Months	Put and Call options available on futures contracts up to six contract months ahead.
Commodity Code	CX
Minimum Price Movement	Prices are quoted in cents per tonne. The minimum fluctuation of US\$0.01 is equal to US\$10.00
Exercise Prices	US\$2.50. New option exercise prices created automatically as the underlying futures contract price moves.
Contract Expiry	At 4.30pm AEST on the Last Trading Day for the underlying futures contract.
Trading Hours	5.14pm - 7.00am and 8.34am - 4.30pm AEST (during US daylight saving time) 5.14pm - 7.30am and 8.34am - 4.30pm AEST (during US non daylight saving time)
Settlement Method	Options may be exercised on any business day up to and including the day of expiry. In-the-money options are not automatically exercised at expiry. Buyers may exercise in, at and out-of-the-money option positions held, by lodging a notice of exercise. On receipt of the exercise request, the options will be exercised against a random selection of seller positions, and the resultant futures legs automatically recorded in the Buyer and Seller's account.

Quarterly Options over Thermal Coal Futures Contracts

Contract Unit	One Quarterly Strip of Thermal Coal Futures
Contract Months	Put and Call options available on three quarterly strips.
Commodity Code	CY
Minimum Price Movement	Prices are quoted in cents per tonne. The minimum fluctuation of US\$0.01 is equal to US\$30.00.
Exercise Prices	US\$2.50. New option exercise prices created automatically as the underlying futures contract price moves.
Contract Expiry	Contracts expire at 4.30pm AEST on the day 6 weeks prior to the day immediately preceding the commencement of the calendar quarter for the underlying Strip Futures product. If this day is not a trading day for the contract then the following trading day will be the expiry day. ASX will publish expiry dates in advance of new contracts being listed.
Trading Hours	5.14pm - 7.00am and 8.34am - 4.30pm AEST (during US daylight saving time) 5.14pm - 7.30am and 8.34am - 4.30pm AEST (during US non daylight saving time)
Settlement Method	Options may be exercised on any business day up to and including the day of expiry. In-the-money options are not automatically exercised at expiry. Buyers may exercise in, at and out-of-the-money option positions held, by lodging a notice of exercise request via their clearing participant. On receipt of the exercise request, the options will be exercised against a random selection of seller positions, and the resultant futures legs automatically recorded in the Buyer and Seller's account.

Options over Yearly Thermal Coal Futures Contracts

Contract Unit	One Calendar Year Thermal Coal futures contract.
Contract Months	Put and Call options available on four calendar years ahead.
Commodity Code	CZ
Minimum Price Movement	Prices are quoted in cents per tonne. The minimum fluctuation of US\$0.01 is equal to US\$120.00.
Exercise Prices	US\$2.50. New option exercise prices created automatically as the underlying futures contract price moves.
Contract Expiry	Contracts expire at 4.30pm AEST on the day 6 weeks prior to the day immediately preceding the commencement of the calendar year for the underlying Yearly Thermal Coal Futures product. If this day is not a trading day for the contract then the following trading day will be the expiry day. ASX will publish expiry dates in advance of new contracts being listed.
Trading Hours	5.14pm - 7.00am and 8.34am - 4.30pm (during US daylight saving time) 5.14pm - 7.30am and 8.34am - 4.30pm (during US non daylight saving time)
Settlement Method	Options may be exercised on any business day up to and including the day of expiry. In-the-money options are not automatically exercised at expiry. Buyers may exercise in, at and out-of-the-money option positions held, by lodging a notice of exercise request via their clearing participant. On receipt of the exercise request, the options will be exercised against a random selection of seller positions, and the resultant futures legs automatically recorded in the Buyer and Seller's account.

¹ For information purposes only, ASX will announce listing dates for monthly options in due course.

About ASX

As one of the world's top 10 listed exchange groups, measured by its market capitalisation, the ASX Group was created through the merger of the Australian Stock Exchange and the Sydney Futures Exchange. The ASX Group operates under the brand Australian Securities Exchange.

The Australian Securities Exchange spans the markets for corporate control, capital formation and price discovery and functions as an operator, supervisor, central counterparty clearer and payments system facilitator.

The diverse domestic and international customer base of the Australian Securities Exchange includes issuers of a variety of listed securities, corporates, investment banks, trading banks, fund managers, hedge funds, commodity trading advisers and proprietary and retail traders.

More information on ASX can be found on our website www.asx.com.au

For more information, including the contact details for brokers and Clearing Participants, please visit www.asx.com.au/coal futures, or contact:

Anthony Collins General Manager – Emerging Markets
+61 2 9227 0190
anthony.collins@asx.com.au

Europe
James Keeley Regional Manager
+44 20 7096 2534
james.keeley@asx.com.au

Asia
Andrew Musgrave Regional Manager
+61 2 9227 0211
andrew.musgrave@asx.com.au

North America
David Mitchell Regional Manager
+1 312 788 3363
david.mitchell@asx.com.au

Disclaimer: This is not intended to be financial product advice. Independent advice from an Australian financial services licensee is needed before making financial decisions. ASX does not give any warranty or representation as to the accuracy, reliability or completeness of the information. To the extent permitted by law, ASX Limited ABN 98 008 624 691 and its related bodies corporate excludes all liability for any loss or damage arising in any way including by way of negligence

© Copyright 2009 ASX Limited ABN 98 008 624 691. All rights reserved 2009.

For these contracts the market is operated by Sydney Futures Exchange Limited ACN 000 943 377



ASX

AUSTRALIAN SECURITIES EXCHANGE