



**COALWORKS Limited**



22 February 2011

Dr Richard Chadwick  
General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

Dear Sir,

**RE: Submission, Port Waratah Coal Services (PWCS)**

We are writing to you in support of Aston Mining Limited's request to the Australian Competition and Consumer Commission (ACCC) to intervene to postpone the entry by the PWCS into any contractual arrangements that will give effect to the proposed port allocations, as announced on 1 December 2010.

Coalworks Limited (ASX:CWK) is an ASX listed company with two major coal projects, in the Newcastle-Hunter Region and Gunnedah Basin, the products from which will be exported through the Port of Newcastle, and details of which are set out below.

**Vickery South** - In late 2009 Coalworks was awarded Exploration License (EL) 7407 for the area known as Vickery South in the Gunnedah Basin of NSW, located close to existing infrastructure and rail to Newcastle.

That Vickery South EL has been very actively explored and engineered over the past 12 months, culminating in the preparation of a Pre Feasibility Study (PFS) at the end of November 2010, which demonstrates that this area is an undeveloped medium scale 3 Mtpa ROM Open Cut Coal Mine with a life of approximately 20 years, containing prime semi-soft coking coal and premium quality high energy thermal coal, all suitable and in high demand for export.

EL 7407 comprises an area of approximately 7 square kilometres containing a JORC Resource of 42 million tonnes which is expected to increase in quantity during the next stage of exploration and project progression to a Bankable Feasibility Study (BFS).

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During 2010, Itochu Corporation entered into a Joint Venture Agreement for the ongoing exploration and development of Vickery South with a development schedule of commitment to construction in early 2012 and first coal being shipped from mid 2014.

**Ferndale** - In mid-late 2010 Coalworks was awarded Exploration License 7430 for the area now known as Ferndale in the Hunter Valley of NSW.

Coalworks commenced exploration drilling immediately the area was secured and this exploration has established drilling targets of 50 – 80 million tonnes of Open Cut resource and 300 – 450 million tonnes of Underground resource.

In late 2010, Boardwalk Resources entered into a Joint Venture Agreement for the further exploration and engineering of the area to generate a PFS in early 2012.

EL 7430 comprises an area of over 37 square kilometers containing an exploration target of more than 500 million tonnes.

This further work is expected to prove up an Open Cut development that will generate approximately 4 Mtpa of export thermal coal commencing in 2016, followed by an underground mine development that will produce 5 – 6 Mtpa of premium Hunter Valley export Semi-soft Coking Coal & possibly export quality Thermal Coal shortly thereafter, with a mine life exceeding 30 years.

In view of the above project development schedule, Coalworks port allocation requirements anticipated to be as follows:

2014 – 1 Mtpa (Vickery South)

2015 – 1.5 Mtpa (Vickery South)

2016 – 3.5 Mtpa (Vickery South & Ferndale)

2017 – 5.0 Mtpa (Vickery South & Ferndale)

2018 – 6.5 Mtpa (Vickery South & Ferndale)

2019 – 7.5 Mtpa (Vickery South & Ferndale)

We are of the view that unless the ACCC intervenes, in the port allocation decision making process, new entrants requesting port allocation will either not be granted any capacity or may be granted capacity which falls well below the capacity requested. This creates a significant and possibly insurmountable barrier to entry to new entrants to the NSW coal market.

Coalworks is also concerned that capacity hoarding by incumbent producers in the region will significantly inhibit new producers from receiving their requested port allocation capacity or any capacity at all. This means that new entrants are effectively locked out, or at a very significant disadvantage, and that power in the market, which is effectively concentrated in the largest participants will shift further towards them.

We request that the ACCC intervene urgently to ensure that all port allocations are conducted in an open and transparent manner and in a manner which is conducive to new entrants (such as Coalworks) entering the market. This will necessarily include a review of the capacity arrangements to ensure that any potential 'capacity hoarding' can be minimised.

Furthermore, we ask that any power the ACCC may have to facilitate the expeditious development and approval of the T4 terminal in Newcastle be exercised as the fast and efficient development of this key piece of infrastructure is vital for the growth of the coal producers in the region and the economy.

If you have any queries in relation to this submission please do not hesitate to contact the undersigned.

Yours Sincerely,



Andrew Firek  
CEO/Managing Director