

DRAYTON SOUTH COAL PROJECT

Public Meeting – Muswellbrook

16th November 2016



- **Drayton has a long and proud history**
- **Drayton's rehabilitation plan is approved and well underway**
- **Drayton South is one of the best undeveloped resources in the Hunter**
- **The PAC Review Report key issue – Upper Hunter equine industry viability**
- **An economic assessment on the equine industry viability**
- **The NSW DP&E Assessment Report recommends project approval**
- **Project economics remain robust and exceed project forecasts**
- **The social benefit of the Project is compelling**

DRAYTON HAS A LONG AND PROUD HISTORY

Commenced production in 1983

- 128mt coal mined, processed and delivered to local power stations and export market
- Up to 530 personnel on site
- \$409m in direct wages over 5 years*
- \$146m in Royalties over 5 years*
- \$1,490m total cash costs over 5 years*

Ceased production in October 2016

- 10 employees remain on site
- Tender for the remaining rehabilitation is currently being assessed for award



*(2009 – 2013 prior to downsizing in 2014)

DRAYTON IS PART OF THE COMMUNITY

1000's of people have successfully been trained by Drayton:

- ✓ Mine operation skills
- ✓ Apprenticeships
- ✓ Graduates

62 community organisations supported financially and personal time

90% of employees from the region



Riding for disabled support

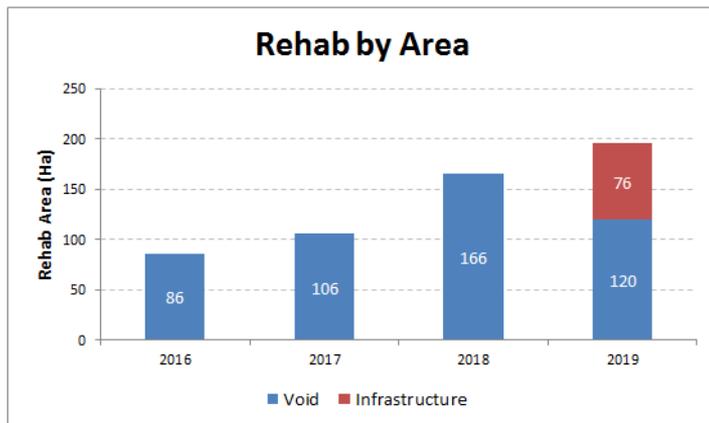


Netball Support

33 YEARS OF ENVIRONMENTAL PERFORMANCE

Drayton has an excellent rehabilitation record:

- Environmental Management System certified to ISO 14001 standards
- Real Time Environmental Monitoring Program
- 33 years of progressive & innovative rehabilitation
 - ✓ Completed 520ha of rehabilitation since mining started
 - ✓ Final land use is livestock grazing and woodland corridors
 - ✓ Leading practice to design and implement natural looking landforms
 - ✓ Additional forest enhancement (290,000 trees planted in 2015)
 - ✓ Sydney bio organic growth mulch used for rehabilitation
- Drayton South improves Drayton rehabilitation outcomes

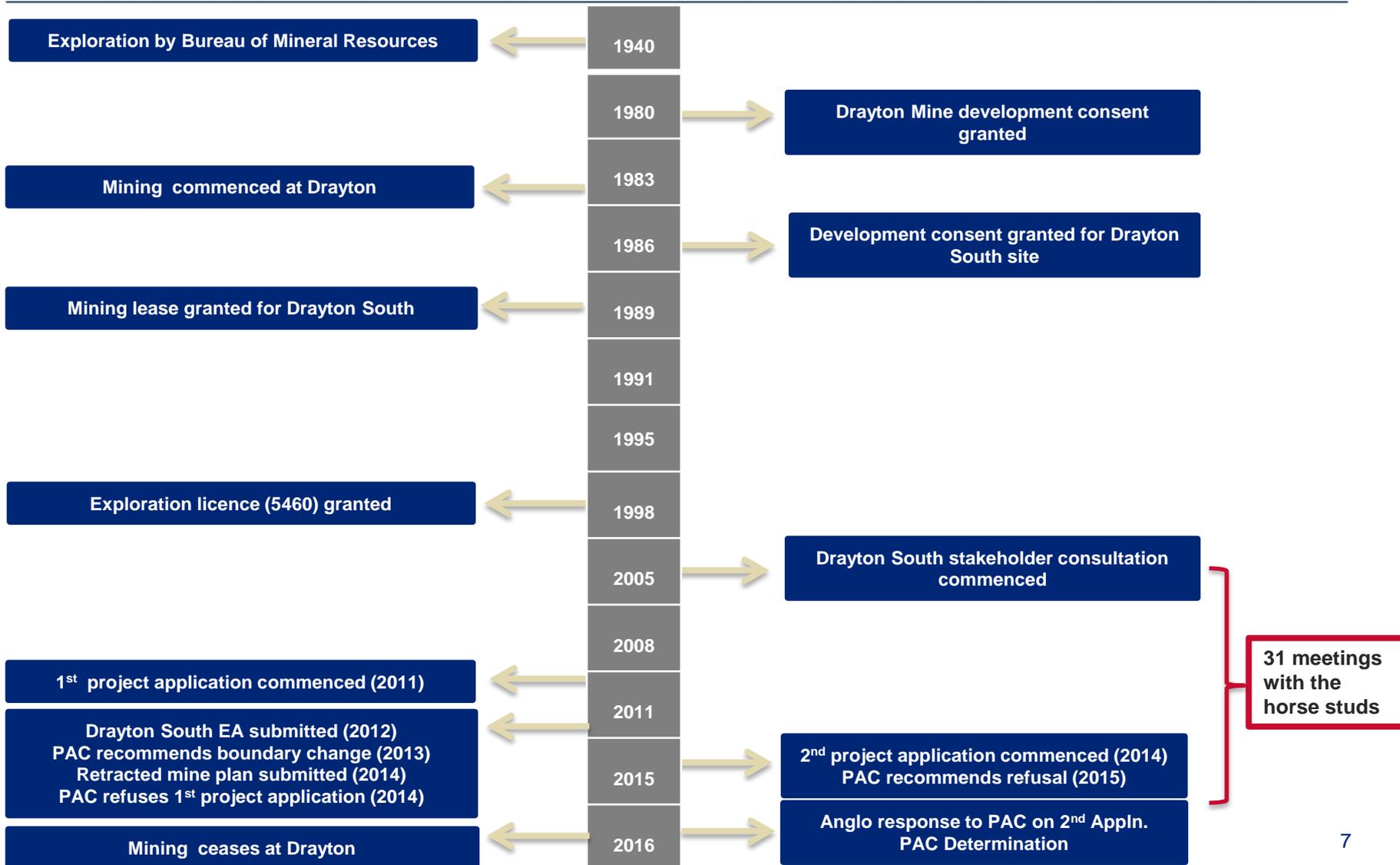


CEASING OPERATIONS PENDING DRAYTON SOUTH DECISION

- Operations scaled down to 5 day roster from June 2014
- 61 full time contractors terminated end of June 2014
- 53 employees retrenched April / May 2015
- 86 employees retrenched Jan 2016
- 196 employees retrenched October 2016
- 10 employees post October 2016
- 1000s indirect jobs impacted throughout the region



DRAYTON SOUTH: ONE OF THE HUNTERS BEST UNDEVELOPED RESOURCES



SCIENTIFICALLY ROBUST AND FULLY REVIEWED

The EIS engaged:

- Recognised experts in accordance with NSW and Federal Government guidelines and requirements
- Independent expert reviewers for key issue areas
- The NSW DP&E (The Department) also commissioned several independent reviews

The NSW DP&E Final Assessment Report states that The Department:

*'considers that the **assessment process** for the project has been **extensive, detailed and informed** by numerous experts in a range of fields.'*

*'has **consulted widely** with the local community and industry (both for and against the project).'*

*'has **paid careful consideration to the opinions** of the local and broader community and key stakeholders in the thoroughbred industry.'*

*'has also **considered the advice and extensive technical analysis** of relevant Government agencies and the recommendations made by the Commission.'*

'Overall, the Department's position remains that....the project meets all relevant NSW Government policies and assessment criteria.'

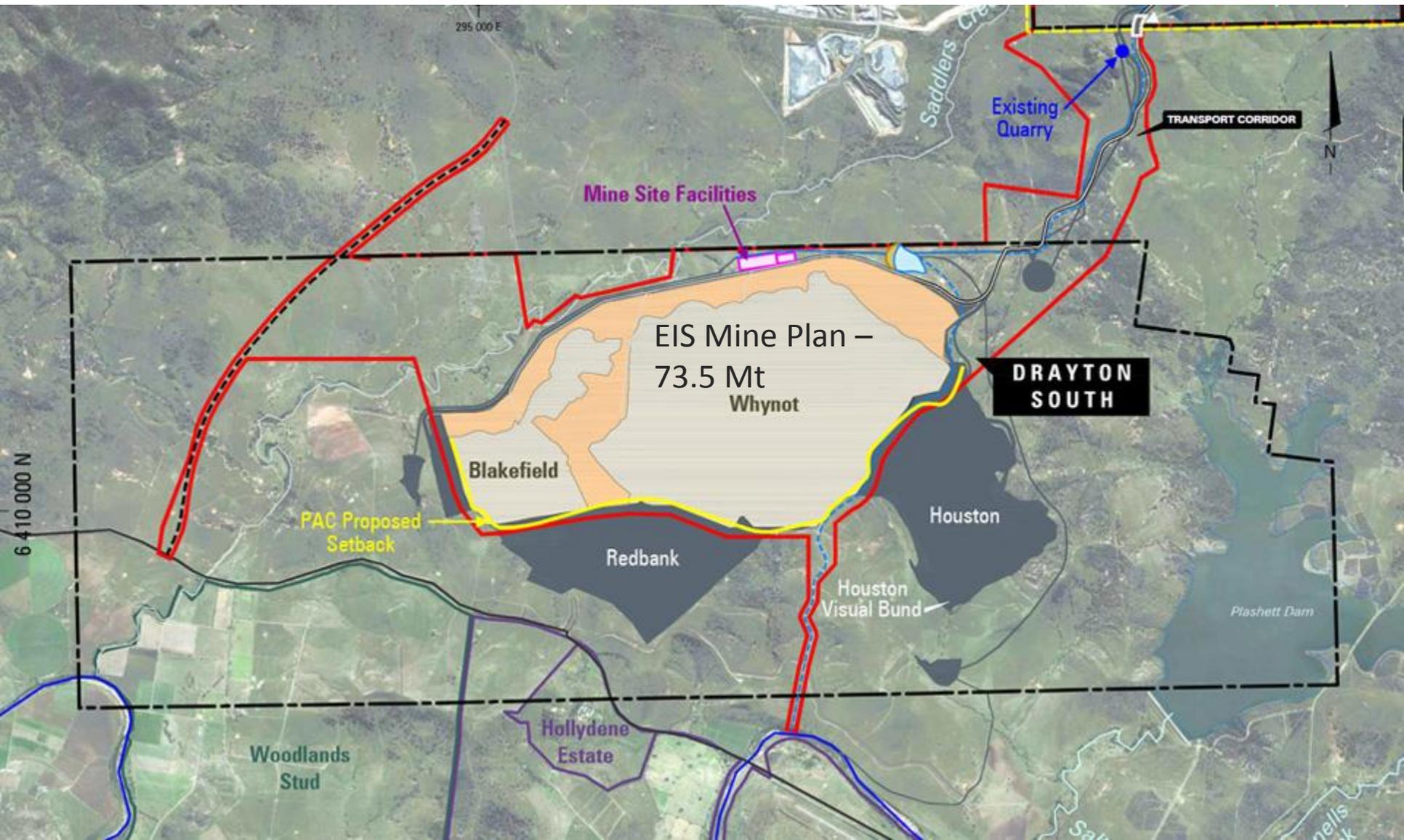
THE KEY ISSUES ARE ADDRESSED

Visual Amenity and Proximity

- PAC appointed visual amenity expert, Dr Lamb made several recommendations
- This 2nd Project Application addresses all of the recommendations

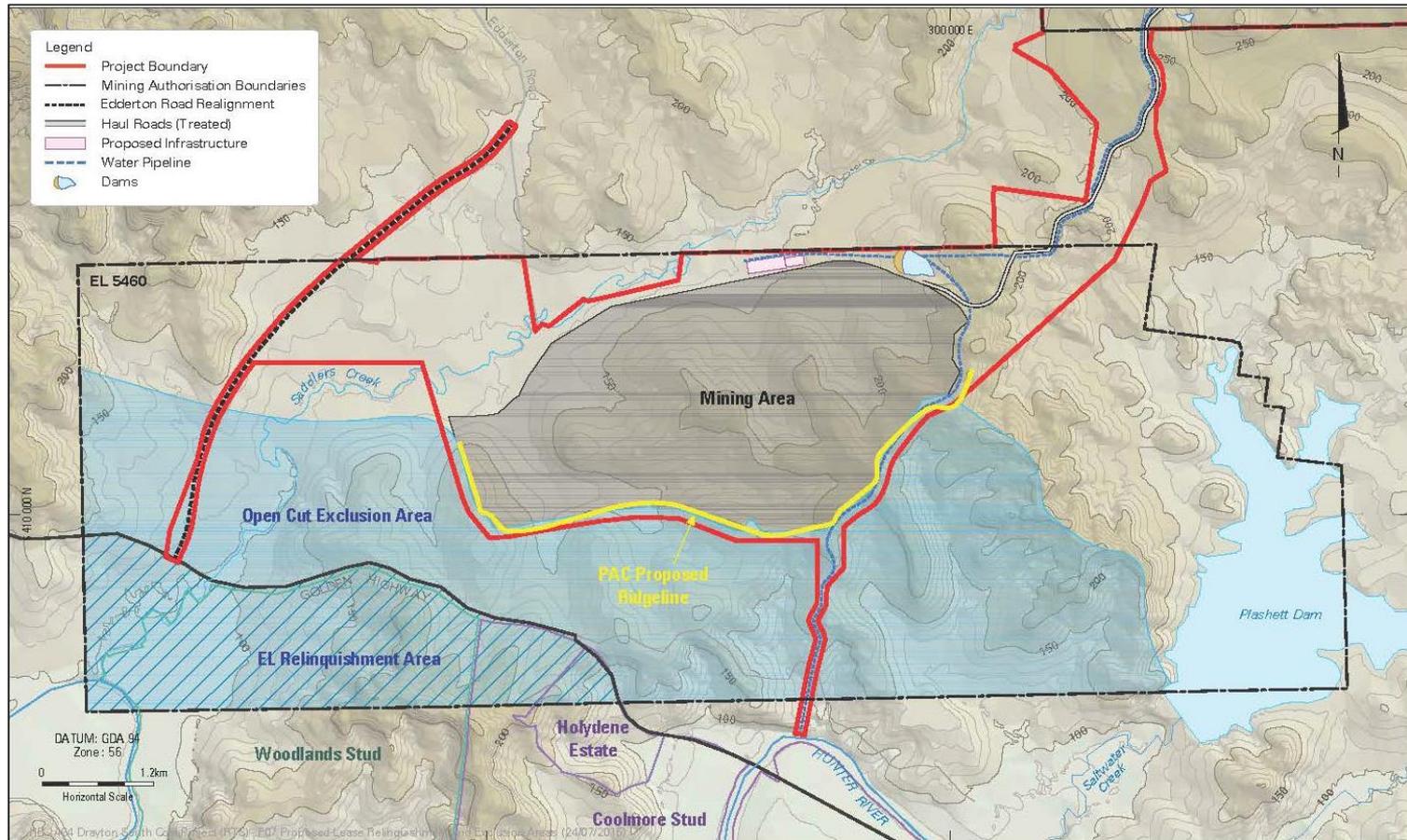
| 1 st Project Recommendation | 2 nd Project Application |
|---|---|
| Consider removing the Houston Pit and Bund from the Project | The Houston Pit is removed |
| Consider re-aligning the SE margin of the Whynot Pit | SE margin of Whynot Pit is removed |
| Design of tree screens should be the subject of specific conditions of consent | DPE draft conditions specifically address extensive tree screening |
| Consider wider setbacks of the Redbank and part of the Blakefield Pit in the order of 1-2km | Mine setback to second ridgeline. <ul style="list-style-type: none">• Redbank pit removed.• West part of Blakefield Pit removed.• Closest point mine ever gets to stud fence line is 1km and for only a short period. |

MINE PLAN ALIGNS WITH THE RECOMMENDATIONS



CERTAINTY OVER NO FUTURE MINE CREEP ADDRESSED

- Offers a binding agreement that excludes Anglo (or any other party) from further open cut mining beyond the southern and western boundaries
- Offers to modify EL5460 to exclude any area currently covering existing horse-stud to eliminate any future underground mining potential



“BRANDSCAPE” PROTECTION IS ADDRESSED

- No potential for mine creep by future modification applications
- Project entirely shielded by existing natural ridgelines
- No direct views from Horse Studs offices, homesteads, stables and associated infrastructure, internal access roads and horse paddocks
- Substantially reduced potential for any indirect visual impacts with mine operations being more than 2 km from the Golden Highway for 74% of the time
- Trig Hill views assessed as moderate to low visual impact

‘The Department has confirmed that the studs are already exposed to indirect and dynamic visual impacts associated with mining in the area

‘This is considered as evidence that the horse studs can successfully operate in an area where mining has been a major feature of the broader landscape’

EQUINE HEALTH IS NOT AFFECTED

No material adverse impacts on equine health:

- Air quality will remain well within acceptable levels at both horse studs. Similar to other major international horse breeding areas (Kentucky USA, Newmarket UK)
- Noise levels from the project will not exceed current background levels at Coolmore or Darley
- Blasting vibration effects are well below amenity criteria and similar to a distant thunder rumbling

The Department states that:

‘that the scientific evidence now supports a view that there would not be any adverse impact of the project on the safety and reproductive capacity of the horses residing at either Coolmore or Woodlands’

The 2015 PAC Review Report states that it:

‘has not found any conclusive evidence of horse health impacts’

MINIMAL IMPACT ON THE EQUINE CIC

The 2015 PAC Review Report states:

'the scenario of the studs (Coolmore and Darley) leaving the Hunter is the critical issue for the decision maker'

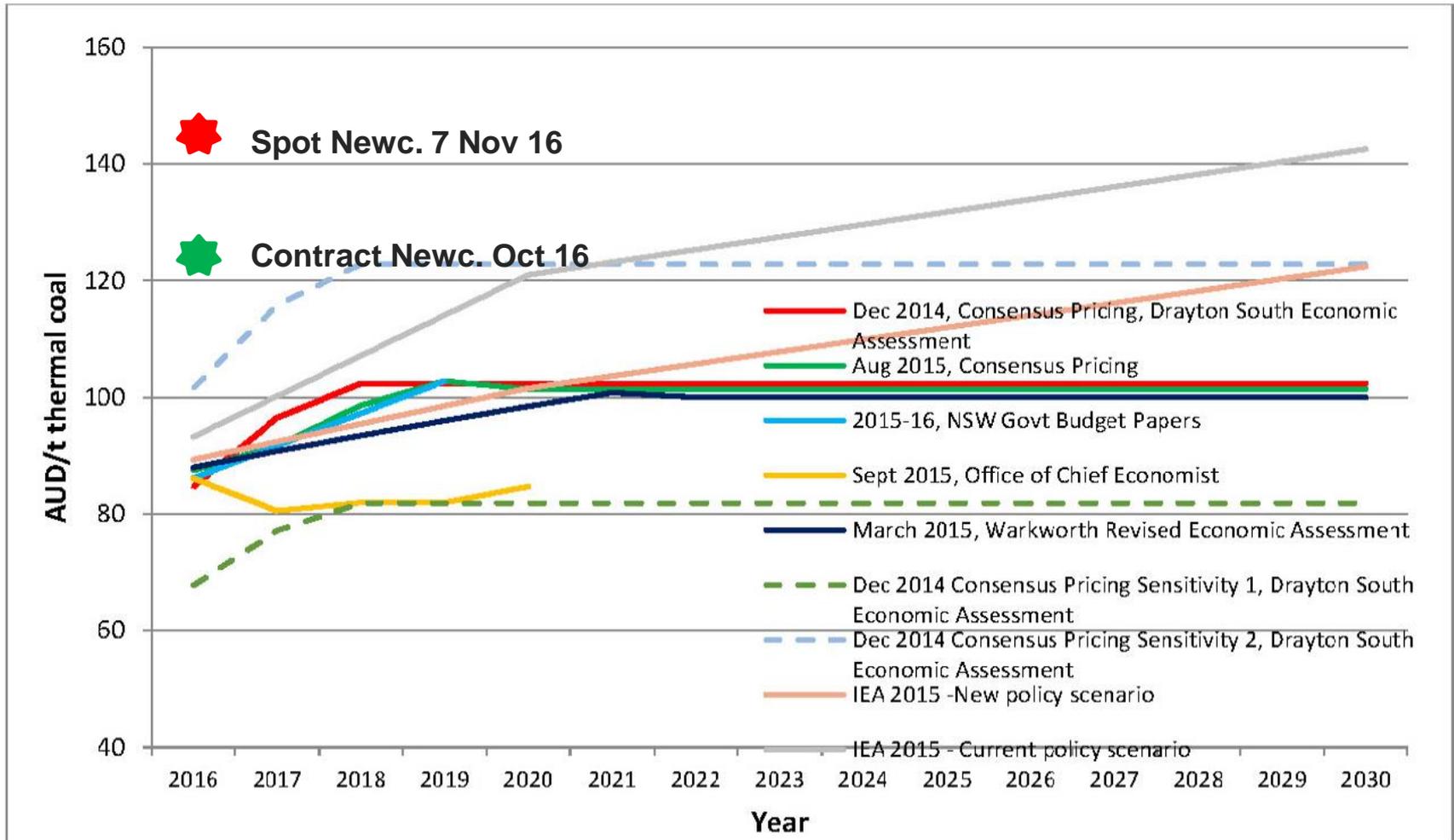
Houston Kemp Economists assessed the equine CIC concluded that:

- It is extremely unlikely that the project would cause Darley to leave the Upper Hunter...
- Similarly, it would not be in Coolmore's interest to leave the Upper Hunter...
- Even in the unlikely event that Coolmore left....the equine CIC would continue to be successful...

NSW DP&E Independent Review by Professor Bennett concluded that:

- If the project was to proceed, it is in the economic interests of both Coolmore and Darley studs to remain in their current locations...
- Should the studs choose to relocate for other 'non-profit' related goals, ...this temporary impact would not jeopardise the long term viability, nor trigger the terminal decline, of the Upper Hunter equine CIC

PROJECT ECONOMICS REMAIN VERY POSITIVE



DRAYTON CEASED MINING OPERATIONS IN OCTOBER

The Project was designed as the next logical step for Drayton using:

- Existing infrastructure
- Existing mining equipment
- Existing workforce (this is now no longer possible)
- Open cut before underground to avoid disruption of coal seams

What about Anglo American's stated intent to divest coal operations?

- Divestment of bulk commodity assets (iron ore and coal) in Feb 2016 to manage the balance sheet
- Since Feb 2016 Anglo's share price has more than quadrupled in line with improved debt/equity and commodity prices
- Anglo is broadly continuing with the strategy of divestment to restructure the business

What does this mean for Drayton?

- We remain convinced Drayton South is an excellent project and of great benefit to the community
- We remain committed to the agreed Drayton closure rehabilitation plan...in fact we are ahead of target leading into 2017

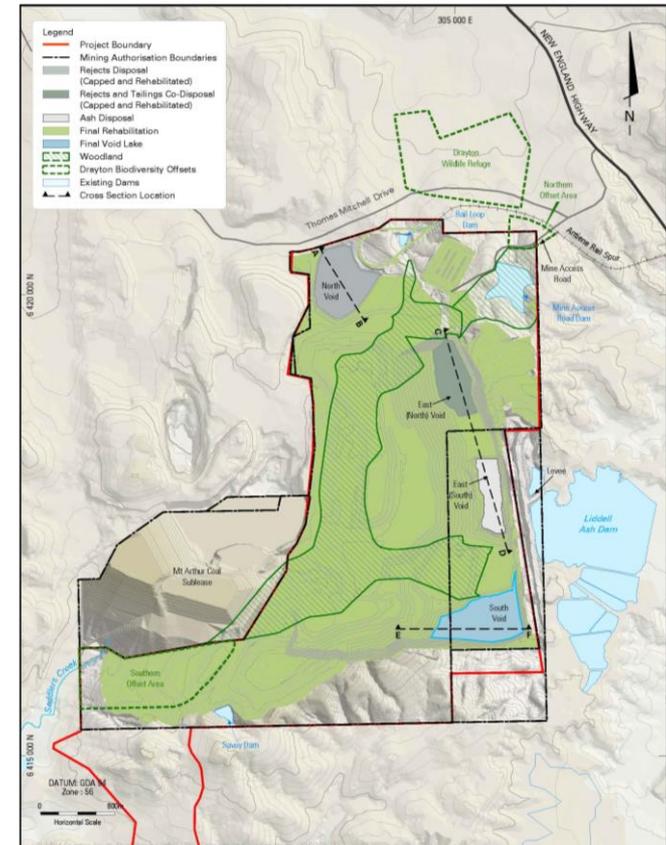
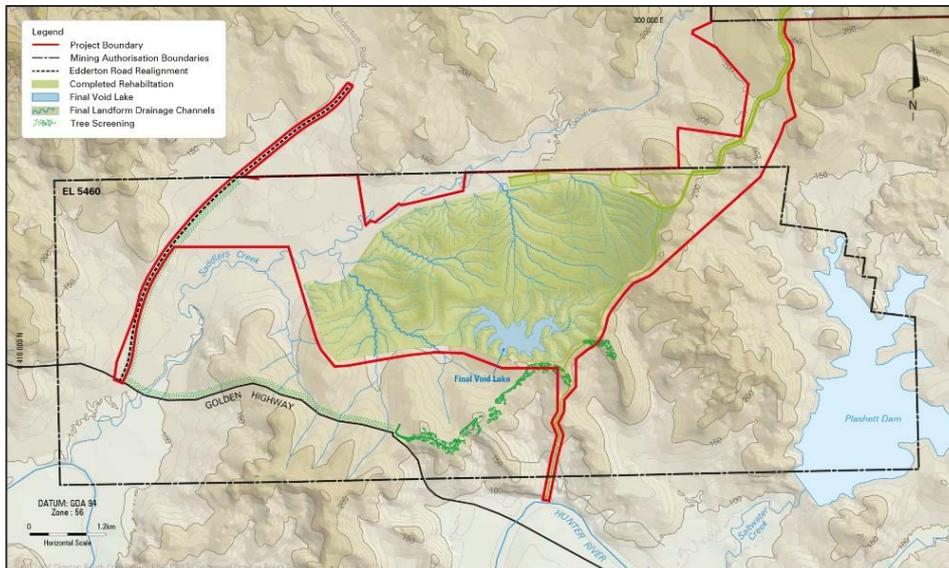
LEADING PRACTICE REHABILITATION

Rehabilitation and Final Landform Plan developed to:

- Maximise Biodiversity Offsets
- Maximise opportunity to use the final voids
- Incorporate significant improvements to existing Drayton

The NSW DP&E Final Assessment Report states that:

'The planned Drayton South mine rehabilitation and final void includes contemporary leading practice standards for macro-relief, naturalistic visual features, reinstated surface water catchments and drainage contours'



THE PROJECT IS IN THE PUBLIC INTEREST

The Project:

- Is committed to co-existence evidenced by the large changes included in this 2nd project application
- Seeks to address horse stud issues and provide future certainty for viability
- Is designed to minimise environmental impact and to appropriately manage and mitigate any impacts
- Was designed as a continuation of Drayton to provide direct employment for 500 people...and
- Will continue delivering all the benefits to the regional community

This all remains possible albeit full recruitment will now be needed to commence operations

Conservatively the Project will deliver:

- Significant annual contribution to NSW and the Upper Hunter (regional) economy for 15 years:
- \$559M in annual direct and indirect regional output or business turnover:
- \$220M in annual direct and indirect regional value added;
- \$71M in annual direct and indirect household income

18,000 submissions demonstrate the strong community support for the project

THANK YOU