## Appendix B: ANGLO AMERICAN STATEMENTS ON ECONOMIC VIABILITY OF RETRACTED MINE OPTIONS

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| **Anglo American – Presentation to Review PAC – October 2013** | |
| Slide 12 | **"Further changes to the mine plan and delays to the proposal will make the project financially unviable …"** Mr Seamus French, CEO |
| **Anglo American Supplementary Information to the PAC – November 2013** | |
| Section 3.3 (g) | Further curtailment as proposed by Coolmore in their submission (suggesting that Houston be excluded and Whynot further reduced to remain behind existing natural ridgelines) would result in the sterilisation of an additional 23 Mt of coal (bringing the total coal sterilised to 80 Mt). **This would reduce the available reserves from 115 Mt (as included in the PPR) to 92 Mt and would represent a material impact on the Project economics (for no material environmental gain). This would render the Project unviable.** |
| Section 3.3 (h) | As demonstrated in the above point **any further curtailment of the Project would further sterilise the community's socially and environmentally recoverable coal, materiallyimpact on the economics and viability of the Project …** |
| Clarification on Submissions to the PAC<br>P 2 | Based on the latest proposal from Coolmore (as stated in their submission to the PAC)suggesting that the Project "exclude the Houston mining area and further reduce the Whynot mining area to remain behind existing natural ridgelines", it is estimated that an additional reserve loss of more than 23 Mt would be incurred**. This option would have material impacts on the viability of the Project and for this reason it is not considered feasible by Anglo American. This view was supported by the RPM Independent Mine Plan Review which was completed for the New South Wales (NSW) Department of Planning and Infrastructure (DP&I). In their review, RPM also investigated this option and concluded that "it would have a material impact on the project economics".** |
| **Anglo American Justification Report – February 2014** | |
| P 28 | The PAC recommended mining setbacks with the intention of protecting the horse studs. As discussed in Appendix E, the removal of the Houston mining area and a portion of the Whynot mining area will result in the sterilisation of approximately 30 Mt of coal. This would reduce royalties to NSW by approximately $18 million (present value) and company tax to Australia by approximately $55 million (present value). **The setbacks proposed would also materially affect the viability of the Project and put at risk the significant benefits that it would provide to the public…Therefore, the setbacks recommended by the PAC are contrary to the public interest.** |
| Appendix A - Response to PAC<br>P 31 of 47 | **Anglo American considers that the recommended setbacks would cause the Project to become economically unviable**. Anglo American asserts that the economic costs it will suffer as a result of the setbacks are disproportionate to the minimal benefits to the horse studs. As such, Anglo American concludes that the recommendations of the PAC Report would not achieve fair, reasonable and practical environmental outcomes. |
| Appendix E – Gillespie Economics | **Anglo American has advised that it would not be financially viable to setback mining operations behind the yellow line in Figure 5 of the PAC's report.** |

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| Advice<br>P 4 | |
| **Anglo American Consequential Environmental Impact Assessment for Retracted Mine Plan – March 2014** | |
| P 2 | **Anglo American reviewed the feasibility of removing a greater portion of the Redbank mining area as recommended by the PAC and found that this would make the Project unviable** ... Further details with regard to the importance of the Redbank mining area to the Projects viability are included in Section 2.3. |
| P 7 – Section 2.3.2 | **The Redbank area is a critical and integral part of the mining schedule.** The importance of Redbank to the mining schedule is increased with the removal of the Houston mining area and the south east portion of Whynot. The retracted mine plan has an increased reliance on dragline overburden movement. The Redbank area becomes critical in the absence of the Houston area in providing the dragline with an alternative working area as the strike length in Whynot reduces. **Without the Redbank area the scheduling of a continuous dragline operation becomes impossible resulting in costly and uneconomic park-up periods in the schedule.** |
| P 7 – Section 2.3.3 | A reduced cash flow of more than $900M and a 25% reduction in NPV would result from the removal of the Redbank mining area. **The removal of this low cost resource from the mine plan would render the project unviable.** |
| P 7 – Section 2.3.4 | The Redbank mining area is an integral part of the mine plan for the Project. It makes a significant positive contribution to the value of the Project and permits efficient scheduling of the dragline process. The Redbank operation is completely screened behind the existing ridgeline and **it has been confirmed that the removal of this operational area from the mine plan would render the Project unviable.** |
| P 7 – Section 2.3.4 | The Department of Primary Industries also raised this concern following their own review stating that "**the effective removal of two of the four pits also brings into question whether changes to the net present value of the deposit and the flow through effects on mine scheduling, equipment usage and the ability to still produce the required products would render this proposal uneconomic**".<br><br>**Previous independent mining engineer reviews conducted by Runge Pincock Minarco (for DP&I) and R A Jennings & Associates (for PAC) support this finding.** |