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News Release

Wesfarmers

22 December 2017

Agreement to sell Curragh coal mine

Wesfarmers today announced it has agreed to sell its Curragh coal mine in Queensland to Coronado Coal Group for $700 million under an agreement which also includes a value share mechanism linked to future metallurgical coal prices.

On successful completion of the transaction, Wesfarmers estimates it would report a post-tax profit on sale of approximately $100 million. Reflecting recent volatility in spot coal prices, Wesfarmers will also receive 25 per cent of Curragh's export coal revenue generated above a realised metallurgical coal price[1] of $US145 per tonne, paid quarterly over the next two years.

Curragh is one of the world's largest metallurgical coal mines, with baseline production of 8.5 million tonnes per annum (mtpa) of export metallurgical coal and 3.5 mtpa of steaming coal which is sold to the Queensland Government's Stanwell Corporation. The proposed transaction includes the Curragh mine assets and Mineral Development License 162.

Coronado Coal Group is a leading US producer of metallurgical coal with three mining complexes in West Virginia and Virginia currently producing 8.2 mtpa.

The sale is subject to a number of conditions precedent including obtaining approval from the Foreign Investment Review Board. Work is underway to achieve satisfaction of the conditions precedent in the next six months.

Wesfarmers Managing Director Rob Scott said the agreement to sell Curragh follows Wesfarmers' disclosure last year that it was evaluating all strategic options for the Resources business with a view to maximising shareholder value. The strategic review of Wesfarmers' 40 per cent interest in the Bengalla coal mine is ongoing.

"We believe this agreement with Coronado is in the best interests of our shareholders, while giving the employees and customers of Curragh the opportunity to work with a leading coal producer with ambitions to expand in Australia," Mr Scott said.

Curragh was acquired by Wesfarmers for approximately $200 million in 2000, when it was producing 4.5 million tonnes of metallurgical and thermal coal. On disposal of the asset, the investment will have delivered an after-tax internal rate of return of approximately 49 per cent per annum over its 17 year life.

[1] Curragh's realised metallurgical coal price reflects a mix of Curragh hard coking, semi-hard, semi-soft and PCI coal sales volumes.

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Mr Scott said while Curragh has been a good investment for Wesfarmers, the decision to sell the asset reflects the Group's proactive and disciplined approach to capital management which takes into account the long-term interests of its shareholders.

"I thank the Resources team for their outstanding work to ensure Curragh remained a world-class coal producer under Wesfarmers' ownership, positioning it to benefit from the peaks in coal prices over that time while remaining resilient through the cycle," Mr Scott said. "I especially thank the team under Craig McCabe for their continuing focus and support during the strategic review process."

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