

# Acquisition of Grande Cache Coal Corporation: *A Transformational Transaction*

# WINSWAY®

WINSWAY COKING COAL HOLDINGS LIMITED

永暉焦煤股份有限公司

31 October 2011



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## **Grande Cache Coal shareholders realize compelling value**

- All cash consideration of C\$10.00 per share provides certainty in volatile markets
- 70% premium based on Grande Cache Coal's closing price on the TSX on 28 October 2011
- Total offer value of approximately C\$983 million<sup>(1)</sup> (60% Winsway ownership)

## **A transformational transaction for Winsway**

- Proven producing asset with significant expansion potential
  - Planned production growth to 3.5 million tonnes per annum and 30+ year mine life
- First major step in vertical integration through upstream investment in mining assets
- Platform for growth in a world-class coal mining region
- Diversifies Winsway's political and geographic risk profile
- Marubeni Corporation ("Marubeni") is a strong partner (40% ownership)
- Significant synergy potential
- Grande Cache Coal's low-volatility coking coal provides excellent blending stock

(1) 1 C\$ = 1.0082 US\$ as at 28 October 2011

# Grande Cache Coal Overview

- Pure play metallurgical coal mining company
- Headquartered in Calgary, Alberta
- Listed on the Toronto Stock Exchange (TSX: GCE)
- Primary asset is the Smoky River Coalfield in West Central Alberta
- 14 coal leases held totaling over 22,000 hectares
- Operating both surface and underground mines
- Experienced management team
- Employs over 625 individuals on a full time basis
- Strong financial position as of 30 June 2011
  - C\$21 million cash
  - No debt
  - C\$75 million finance leases

## Western Canada



## Surface Mining Operations



# A Transformational Transaction

**Proven producing asset with significant expansion potential**

**First major step in vertical integration through upstream investment in mining assets**

**Platform for growth in a world-class coal mining region**

**Diversifies Winsway's political and geographic risk profile**

**Marubeni is a strong partner**

**Significant synergy potential**

**Low-volatility coking coal provides excellent blending stock**

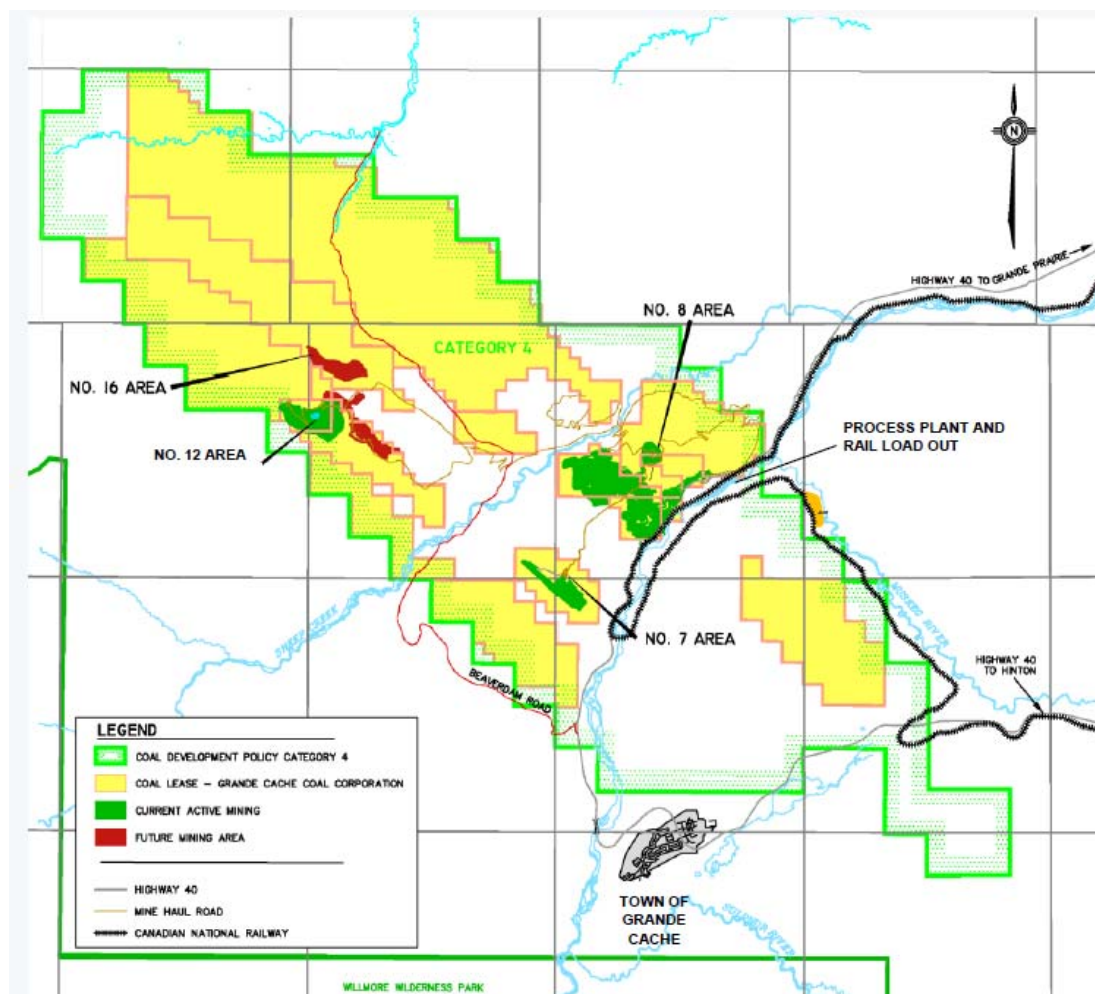
# Proven Producing Asset with Significant Production Expansion Potential

## Smoky River Coal Field

<b>Ownership:</b>	100% Grande Cache Coal
<b>Location:</b>	West Central Alberta, Canada
<b>Coal Leases:</b>	14 leases, over 22,000 hectares
<b>Primary Product:</b>	Low-volatility hard coking coal
<b>Mine Life:</b>	30+ years
<b>Operation:</b>	Surface and underground mines
<b>Plant Capacity:</b>	3+ million tonnes
<b>Production:</b>	1.4 million tonnes in FY2011

- Currently operating in the No. 8 surface pits and No. 7 underground
- Development production underway at the No. 12 South B2 underground, which will replace No.7
- Planned production growth to an annual run rate of 3.5 million tonnes by the end of fiscal 2013
  - Further growth beyond 3.5 million tonnes to be studied
- Expansion largely complete after significant capex program in fiscal 2010 and 2011
- Handling agreement with Westshore Terminals that allows for increased volumes from mine expansion

## Coal Leases



Note: Grande Cache Coal's fiscal year end is March 31 (e.g. FY2011 is 12 months ended 31 March 2011). Fiscal years referenced on this page are Grande Cache Coal's fiscal year end.

# Significant Reserve and Resource Expansion Potential

- Current 137 million tonne run-of-mine reserve supports a 30+ year mine life
- Reserves are contained within a total measured, indicated and inferred resource base of 346 million tonnes
  - Will perform further drilling intended to convert a portion of these resources into reserves, increasing life of mine
- 14 coal leases held totaling over 22,000 hectares
  - Potential for resource expansion

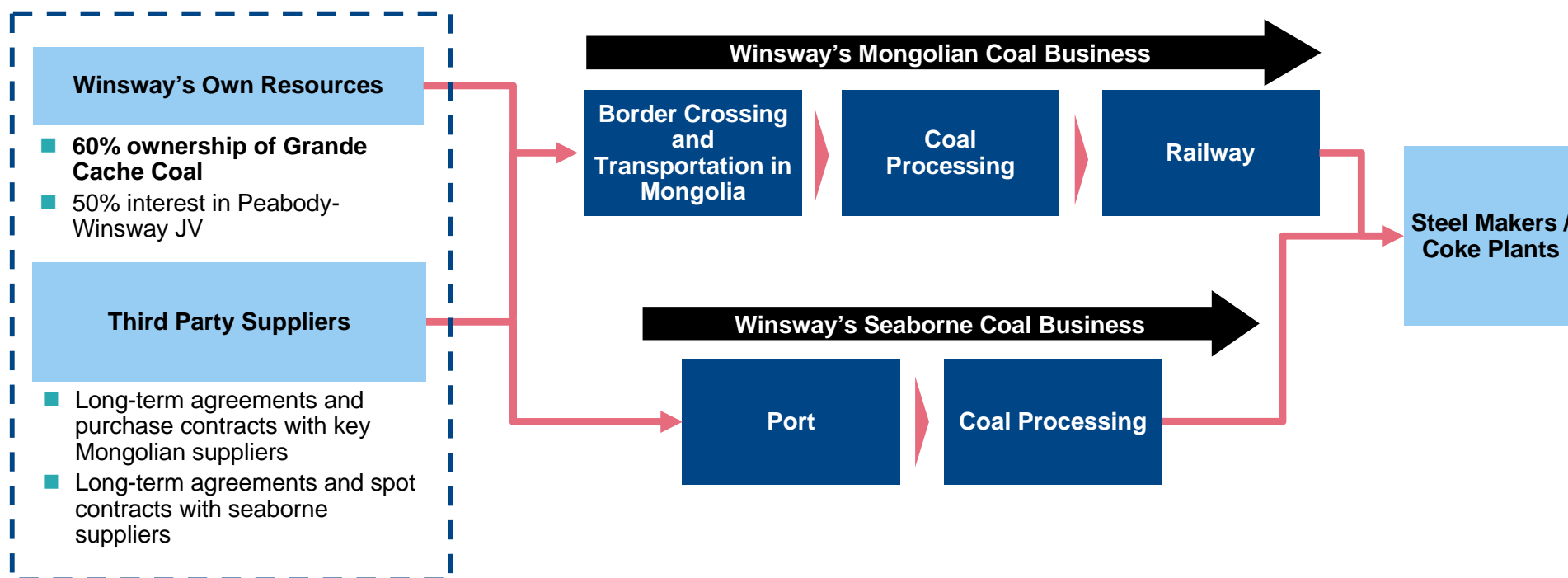
	Proven & Probable ROM Reserves (mt)	Proven & Probable Saleable Reserves (mt)	Measured & Indicated (mt)	Inferred (mt)	Measured, Indicated & Inferred (mt)
<b>Surface Mining Areas</b>					
No. 2	19.0	13.6	68.8	7.0	75.8
No. 8	25.0	17.1	58.6	3.1	61.7
No. 12 South A	11.0	7.9	26.2	9.3	35.5
No. 12 South B2	—	—	3.6	0.5	4.1
No. 12 North	43.5	31.1	54.7	2.6	57.3
No. 16	29.3	21.4	76.2	22.0	98.2
Total Surface Mining Areas	127.7	91.0	288.1	44.5	332.6
<b>Underground Areas</b>					
No. 7 Underground	1.0	0.7	1.1	—	1.1
No. 12 South B2 Underground	8.2	5.9	11.6	0.7	12.3
Total Underground Areas	9.2	6.5	12.7	0.7	13.4
<b>Grand Total</b>	<b>136.9</b>	<b>97.5</b>	<b>300.8</b>	<b>45.2</b>	<b>346.0</b>

Source: Grande Cache Coal 2011 NI 43-101 Technical Report effective 31 March 2011. Coal resources are inclusive of coal reserves.

# Vertical Integration through Upstream Investment in Mining Assets

- With the acquisition of Grande Cache Coal, Winsway becomes vertically integrated from mining, sourcing third party coal, logistics, processing, blending and marketing
- Complements the existing Peabody-Winsway JV, which is conducting exploration in Mongolia and provides further long-term growth potential for Winsway's upstream business

## Upstream Assets Significantly Strengthen Winsway's Business Model

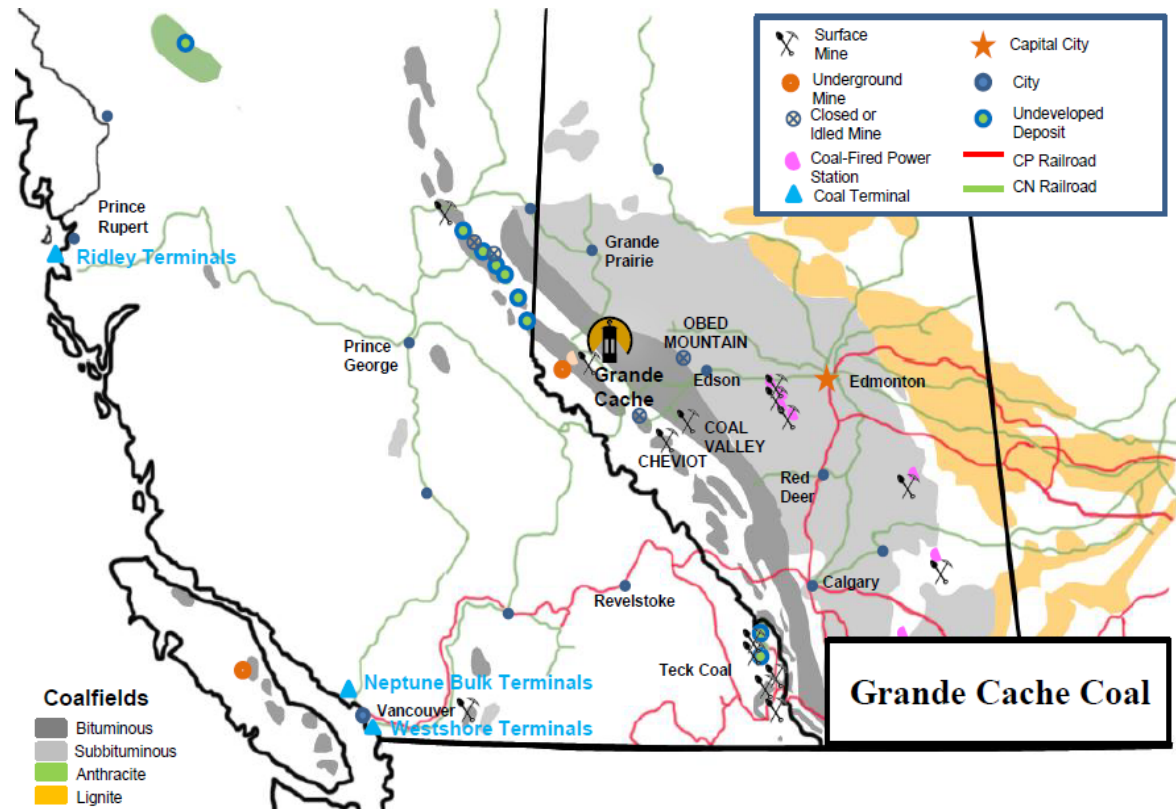




# Platform for Growth in a World-class Coal Mining Region

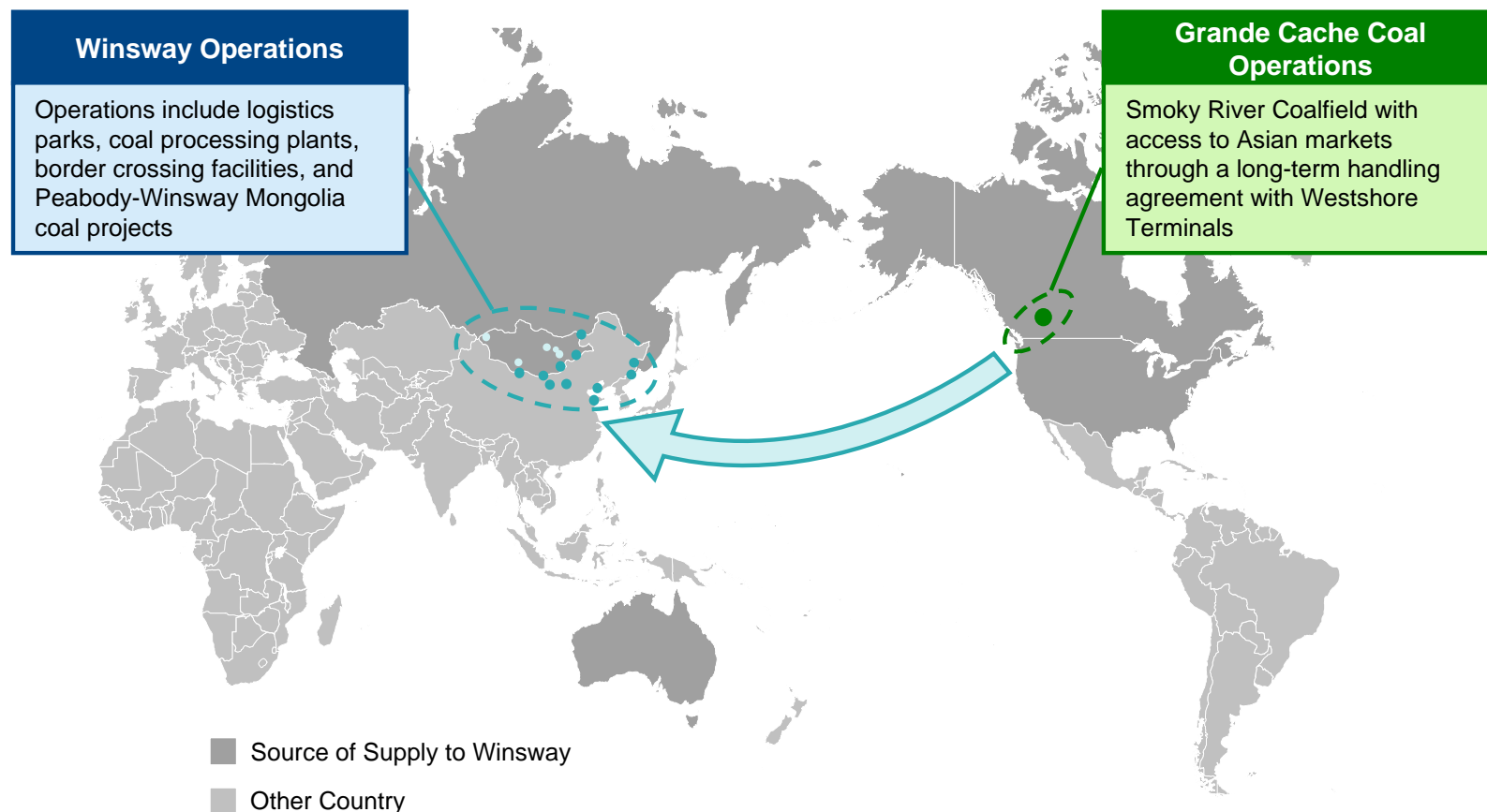
- Platform for further expansion in one of the world's major high-quality coking coal producing regions
- Proven platform with access to rail and long-term port capacity
- Winsway estimates that a greenfield startup in Western Canada would take 3-5 years
- One of only four major coking-coal producing companies in Western Canada (Teck, Walter, Anglo American's Peace River Coal)
- Grande Cache Coal's experienced management team will facilitate expansion efforts involving existing operations and external opportunities

## World-class Coal Mining Region



# Diversifies Winsway's Political and Geographic Risk Profile

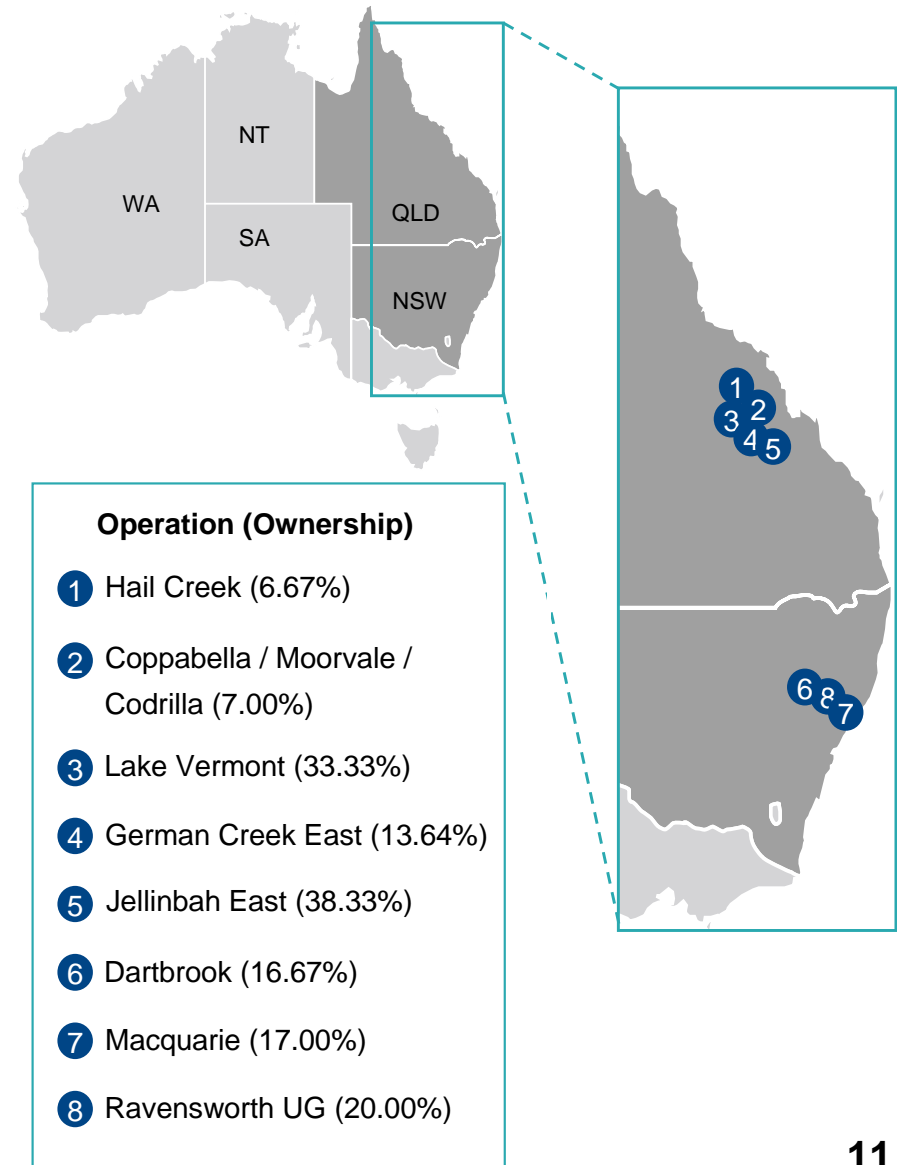
- Grande Cache Coal provides upstream assets in a politically stable jurisdiction with a clear regulatory framework
- Grande Cache Coal's Canadian coal will be coupled with Winsway's current supply from third party sources:
  - Mongolia
  - Seaborne (Australia, Canada, US and Russia)



# Marubeni is a Strong Partner

- Headquartered in Tokyo, Japan
- Publicly traded company with a market capitalization in excess of US\$10.7 billion as of 28 October 2011
- Total revenues of US\$44.4 billion for fiscal year ended 31 March 2011
- One of the largest trading houses in Japan
  - Involved in metal, minerals and energy resources, food products and materials, paper and pulp, chemicals, textiles, transportation machinery, electric power and other infrastructure projects
  - Traded 14 million tonnes of coal in the 2010 Japanese fiscal year ended 31 March 2011
- Invested in various Australian coal mines with equity coal output during the 2010 Japanese fiscal year of 5.8 million tonnes
- Involved in the Canadian coal industry since the 1960s
  - Senior coal management and geologists have spent several years stationed in Canada and have relationships with rail and port operators and local coal industry management teams

## Marubeni Australian Coal Operations



# Significant Synergy Potential

- Winsway and Marubeni expect to leverage their experience in the world's two largest destinations for coking coal (China and Japan) to improve Grande Cache Coal's marketing efficiency
  - Marubeni has been an agent for coal produced from the Smoky River Coalfield into Japan for more than 30 years and has been sole sales agent since 2004
  - Winsway has been one of Grande Cache Coal's largest offtakers for China
- Winsway and Marubeni will study ways to extract synergies using Winsway's facilities on the East Coast of China to increase production efficiency and lower operating costs
- Winsway and Marubeni expect to leverage their other international partners' operational expertise and infrastructure to improve Grande Cache Coal's operations

Winsway's Longkou Plant, East Coast of China

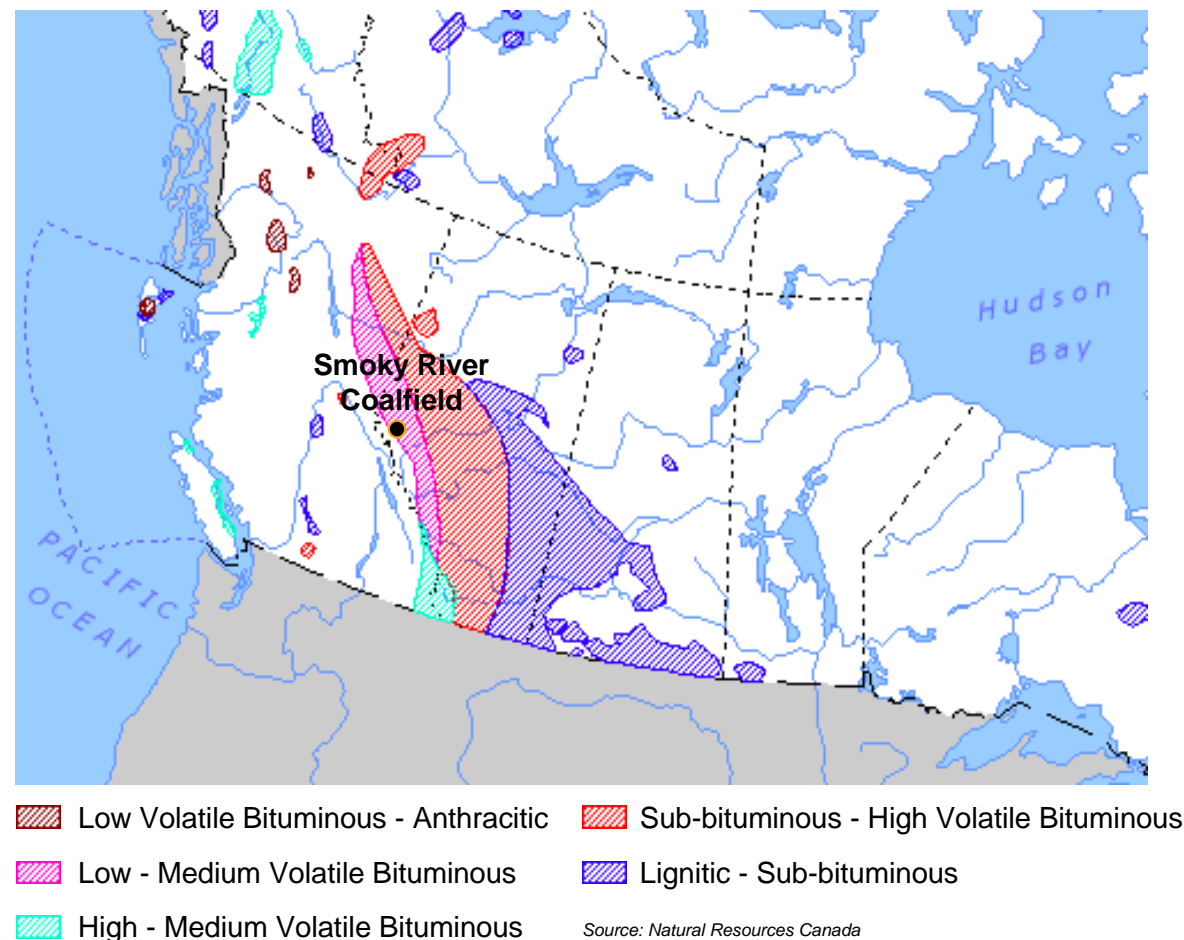




# Low-volatility Coking Coal Provides Excellent Blending Stock

- Winsway has built a strong position in the market due to its ability to supply various types of coking coal products with different characteristics, from around the world, to meet the requirements of its customers
- Grande Cache Coal produces high-quality, low-ash, low-volatile hard coking coal
  - Blending opportunity to complement medium and high-volatility coking coal from most of the world's supply bases (China, Mongolia, Russia and the United States)
- China's coal resources lack low-to-medium volatility, hard coking coal
  - Low-volatility hard coking coal is becoming increasingly scarce worldwide

## Coal Distribution in Western Canada



# Effectively Deploys Capital to Benefit Both Equity and Bond Investors in the Long-Run



## Equity Investors

- Upstream integration to provide sustained growth and to diversify supply base away from Mongolia-concentrated risks
- Secured access to low-volatility coking coal provides blending opportunities for Winsway's volume driven business
- Over time, scarcity of global low-volatility coking coal supply and further industry consolidation will create significant opportunity for equity value appreciation
- Financed by cash on hand and potential low-cost acquisition financing

## Bond Investors

- Expected acquisition financing is non-recourse to Winsway
- Grande Cache Coal is self-financed so no outgoing cash injections expected from Winsway in the near future
- Support of a strong strategic partner with a healthy balance sheet
- Expect to be in compliance with incurrence covenants based on consolidated financials upon closing
- Geographic and business diversification mitigates concentration risk

# Transaction Overview



<b>Terms of Offer</b>	<ul style="list-style-type: none"><li>■ C\$10.00 cash consideration for each Grande Cache Coal share</li><li>■ 70% premium based on Grande Cache's closing price on the TSX on 28 October 2011</li><li>■ Total offer value of approximately C\$983 million</li></ul>
<b>Structure</b>	<ul style="list-style-type: none"><li>■ Acquisition by way of plan of arrangement</li><li>■ Winsway ownership – 60%</li><li>■ Marubeni ownership – 40%</li></ul>
<b>Conditions</b>	<ul style="list-style-type: none"><li>■ Grande Cache Coal shareholder vote (66<math>\frac{2}{3}</math>% of shareholders voting)</li><li>■ Regulatory and court approvals, including Investment Canada Act and Competition Act</li><li>■ Winsway shareholder vote (simple majority of shareholders voting)</li><li>■ Hong Kong Stock Exchange Approval</li><li>■ Other customary conditions</li></ul>
<b>Other Terms</b>	<ul style="list-style-type: none"><li>■ Approved by the Boards of Directors of Grande Cache Coal, Winsway and Marubeni</li><li>■ Grande Cache Coal Directors and Officers have entered into support agreements in which they have agreed to vote their shares in favour of the Arrangement</li><li>■ Support of major Winsway shareholders, including Mr. Wang, totaling &gt;50%</li><li>■ Non-solicitation and right to match superior proposal</li><li>■ Break fees of C\$50 million and reverse break fee of C\$100 million payable under certain circumstances</li></ul>

# Expected Transaction Timeline



<b>31 October 2011</b>	<ul style="list-style-type: none"><li>■ Announcement of transaction</li></ul>
<b>December 2011</b>	<ul style="list-style-type: none"><li>■ Grande Cache Coal to mail information circular to Grande Cache Coal shareholders</li><li>■ Winsway to mail circular and EGM notice to Winsway shareholders</li></ul>
<b>January / February 2012</b>	<ul style="list-style-type: none"><li>■ Winsway EGM</li><li>■ Grande Cache Coal shareholder meeting and vote</li><li>■ Investment Canada Act approval</li><li>■ Closing of transaction</li></ul>



The background of the slide features a photograph of a modern building with a curved facade, partially obscured by several large, stylized, teal-colored arcs that sweep across the upper left portion of the image. In the foreground, a large, light-colored stone sign with the word "WINSWAY" in red, bold, sans-serif capital letters is visible. The overall scene is brightly lit, suggesting a sunny day.

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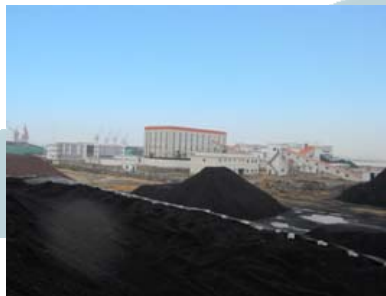
# About Winsway

- An integrated supplier of imported coking coal into China, owning infrastructure at strategic Sino-Mongolian and Sino-Russian border crossings and Chinese sea ports
- A pioneer in the large-scale transportation of Mongolian coking coal into China, and one of the few companies with infrastructures to supply Mongolian coking coal to coastal areas of China profitably in a large-scale
- With the acquisition of Grande Cache Coal, Winsway becomes vertically integrated from mining, sourcing third party coal, logistics, processing, blending and marketing
- Strong relationship with Peabody, including the upstream Peabody-Winsway JV which is conducting exploration in Mongolia and a recent MOU to establish a JV to market coal in China and the Asia Pacific region
- In thermal coal and iron ore Winsway plans to focus on providing logistics services, processing, blending and marketing



# Our Facilities

Longkou



Jining



Yingkou



Ceke



Location	Project /(Equipment)	Completion Date	Production Capacity/ Processing Capacity
Ceke	Logistic Park Railway loading system	On-going 1H2011	Ancillary facilities 10.0 mtpa
Erlanhaote	Railway logistic Park	1H 2011	10.0 mtpa
Manzhouli	Logistics Park Railway loading system Manzhouli coal processing plant	2012 2012 2012	Ancillary facilities 10.0 mtpa 3.0 mtpa
Gants Mod	Urad Zhongqi coal  Jingquan logistics park Land-port logistics park	2010  2011 2012 On-going	Coal processing capacity of 6.0 mtpa Slime processing capacity of 0.6 mtpa Ancillary facilities Ancillary facilities
Jining	Jining coal processing plants Jining logistic park	1H 2011 On-going	4.0 mtpa
Yingkou	Bayuquan Coal processing plant	1H 2011	4.0 mtpa
Longkou	Longkou coal processing plant Longkou berth	On-going 2012	4.0 mtpa 70,000 to 80,000 DWT
Hunchun	Rugao Coal processing plant	2012	Phase 1 coal processing plant 3.0 mtpa and railway logistics park

# Railway Capacity – Key Differentiator in China

## JVs with Hohhot and Harbin Railway Bureaus



呼和浩特铁路局

Hohhot Railway Bureau

哈尔滨铁路局

Harbin Railway Bureau



### Logistics Centres

#### Winsway – Hohhot Railway Bureau JV

- Jointly develop and operate railway logistics centers at border crossings including Ceke, Gants Mod, Mandula, Erlianhaote, Zhu'engadabuqi and inland logistics centers at Jinin and Urad Zhongqi
- Coal loading stations within the railway logistics centers
- Winsway owns 51% in the joint venture

#### Winsway – Harbin Railway Bureau JV

- Jointly develop and operate railway logistics centers at Manzhouli
- Coal loading stations within the railway logistics centers
- Winsway owns 51% in the joint venture

### Rolling Stocks

#### Huayuan Logistics

- Hohhot Railway Bureau is Huayuan's largest shareholder. Winsway is the second largest shareholder with 9% ownership
- Huayuan to invest in 3,300 rolling stocks
- Winsway's railway transportation capacity will increase approximately by 1.2 million tonnes per year

### Railway Investments

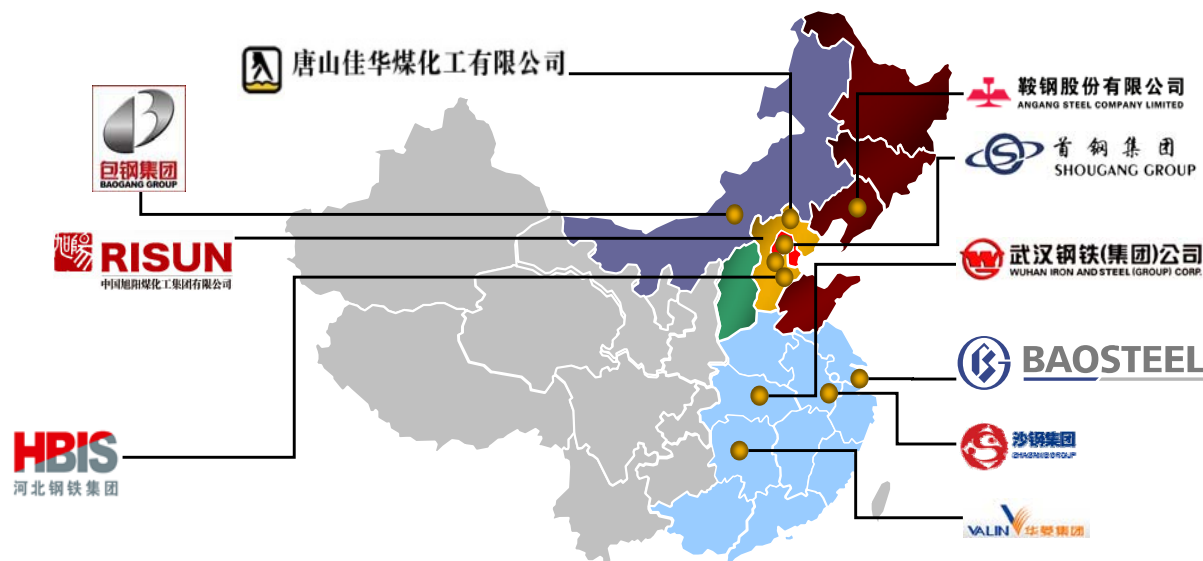
- "Registered user" status for railways administrated by the Hohhot Railway Bureau
- Invested in 5% of the Gants Mod – Xixiaozhao railway

Wide-ranging cooperation with Railway Bureaus built on 15 years of mutually beneficial working relationship



# Our Customers

## Winsway's Major Customers



## Top 5 Customers (1H2011)

Customers	Region	Amount (HK\$' mil.)
Marubeni	Japan	828
BaoSteel	Shanghai	470
ShaSteel	Jiangsu	463
Wuhan Steel	Hubei	446
Tangshan Jiahua	Hebei	271

## Top 5 Customers (2010)

BaoSteel	Shanghai	1,219
Wugang	Wuhan	546
Baotou Steel	Inner Mongolia	498
Hebei Steel	Hebei	484
Qian An	Hebei	403

## Winsway's Long-term Partnership with Customers

Name	Type	Location	Comments
Baosteel	Steel Producer	Shanghai	■ Strategic partnership to supply up to 2.6mtpa of coking coal
Wugang	Steel Producer	Wuhan	■ 10 years long-term strategic cooperation agreement to supply 1.2 mtpa coking coal
Jiujiang Coke	Coke Plant	Hebei	■ 30 years long-term strategic cooperation agreement
Tangshan Jiahua	Coke Plant	Hebei	■ 30 years long-term strategic cooperation agreement

We have built a network of premium clients through consistent delivery of high-quality products and value-added services

# Our Current Suppliers

## Mongolian Coal Suppliers



Long-term agreement

10 years  
5.0mt/year  
or  
50% output

Unidentified  
Mongolian  
Supplier

Long-term agreement

3 years  
Up to  
2.0mt/year



Long-term agreement

5 years  
Min.  
2.0mt/year



Purchase contract

10 years  
Min.  
3.0mt/year

Others

Purchase contract

**Peabody  
Winsway JV**

## Seaborne Coal Suppliers



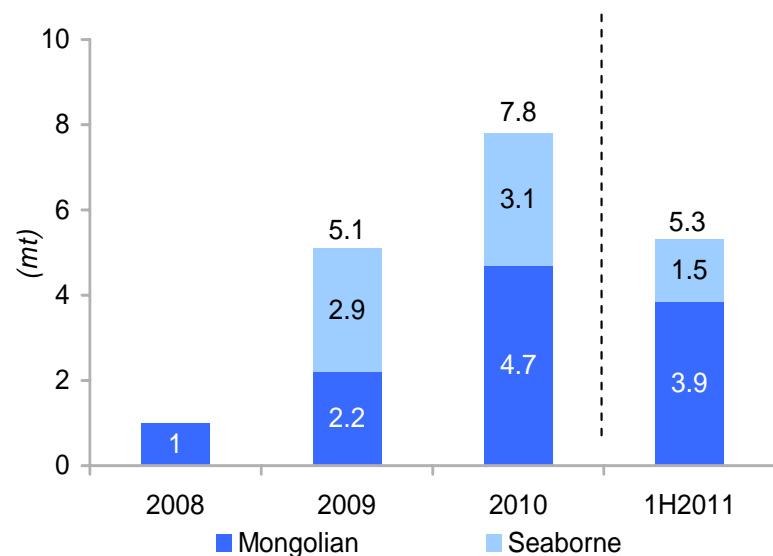
**Marubeni**



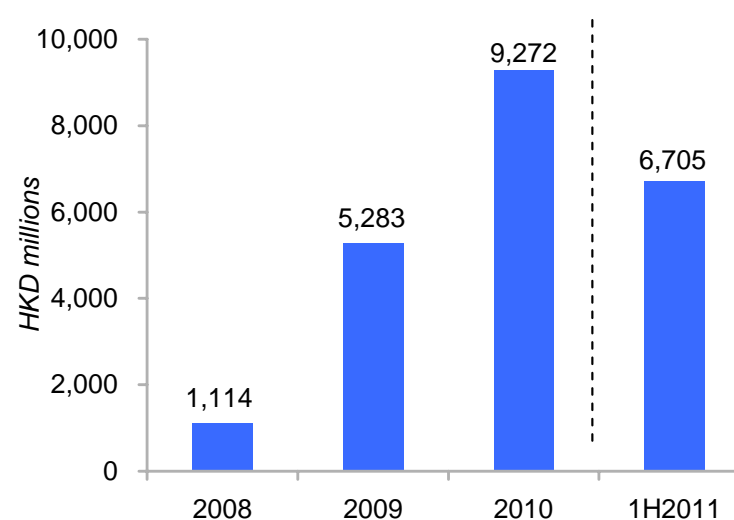
Grande Cache Coal  
and Others

*A combination of long-term agreements and spot contracts*

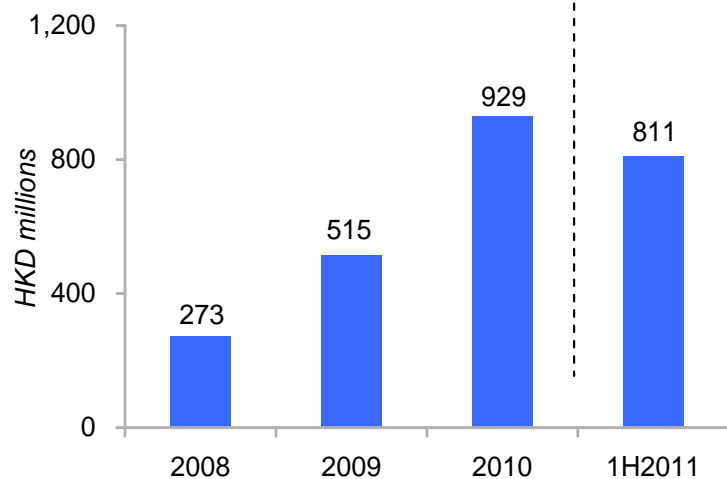
## Total Sales Volume



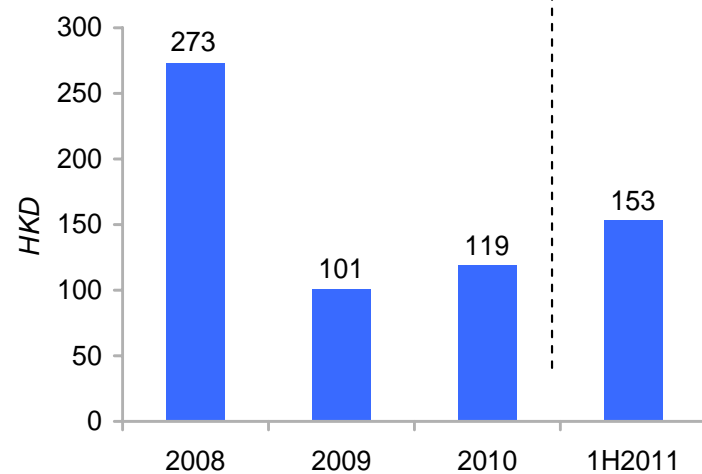
## Total Revenue



## Net Profit

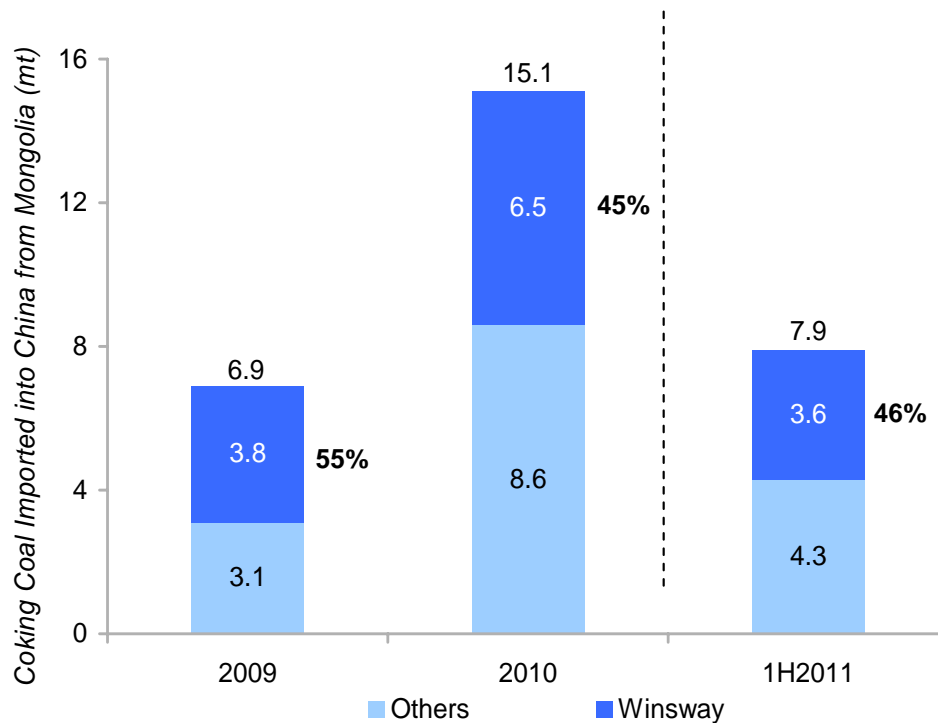


## Net Profit Per Tonne

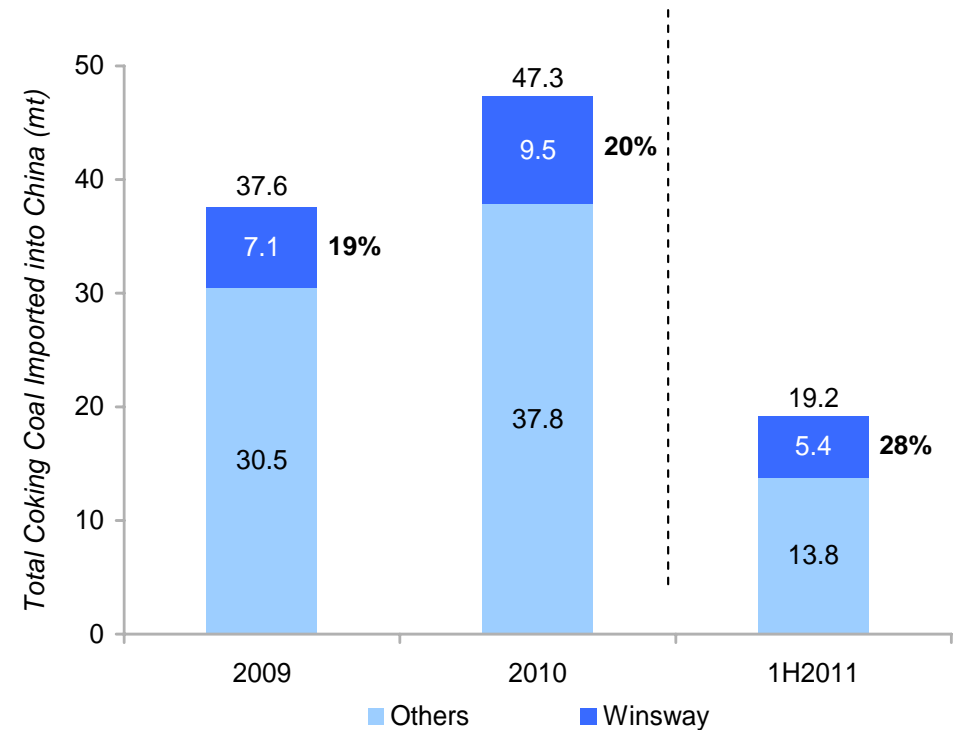


# Our China Coking Coal Import Share

## Mongolian Import Share



## China Total Import Share





# Our Partners



The image features a background photograph of a Winsway building with a curved, modern facade. In the foreground, a large stone block has the word "WINSWAY" carved into it in red capital letters. Overlaid on the left side of the image are several thick, curved, light blue lines that sweep upwards and to the right. In the top left corner, the "WINSWAY" logo is displayed in a bold, black, sans-serif font, with a registered trademark symbol (®) to its upper right.

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**Questions?**