

A yellow Coaltram vehicle is shown in a warehouse setting. The vehicle has large black tires and a black fuel tank. The word "COALTRAM" is visible on the side. The background shows a high ceiling with industrial lighting and structural beams.

ANNUAL GENERAL MEETING



20 November 2017
Robin Levison – Executive Chairman

Who is PPK?

PPK provides products and services to the underground coal mining industry including:

- the design, manufacture and servicing of the industry renowned range of COALTRAM[®] flame proof and explosion proof diesel Load Haul Dump (LHD) utility vehicles – the only electronically controlled flame proof Tier 3 based low emission diesel engine in the world
- the manufacture of electrical components and flame proof and explosion proof enclosures under the MONEx[®] and Exlec[®] brands
- two manufacturing and service centres in Tomago and Port Kembla operate to world class, large scale, lean manufacturing standards that meet the most stringent global export specifications
- the manufactures and distribution of Australia's leading flameproof alternators
- the manufactures of a wide range of products including pneumatic and hydraulic roof bolters, rib drills, remote drilling rigs, grout mixers, pumps and water separators under the Rambor[®] and King Cobra[®] brands



Who are PPK's Customers?

PPK's main customers are international mining companies including:

- Glencore
 - 19 operating coal mines in NSW and Queensland
 - Largest coal producer in NSW
- Centennial Coal
 - 5 operating coal mines in NSW
 - Provides 40% of NSW coal-fired electricity, 40% export market
- South32
 - 5 operating coal mines in NSW
- BHP Mitsubishi Alliance
 - 10 operating coal mines in NSW and Queensland
 - Australia's largest coal producer
- Peabody
 - 9 operating mines in NSW and Queensland
 - 5th largest coal producer in Australia



The NSW Coal Industry is Growing

Coal is NSW most valuable export:

- Port of Newcastle (world's largest coal export port) set a record in 2016
- January 2017 to August 2017 **exports have exceeded previous period**
- Exports to China, Japan, Taiwan, Vietnam, Philippines and India all increased

Jobs Growth

- as at July 2017, there were **6.7% more coal production jobs in NSW** that the previous year, the highest number since March 2015

The Australian Institute (Canberra think tank) publicly supporting increase in Hunter Valley coal exports from new mines and expansion of existing mines

Andrew Harding, Aurizon CEO, in a public briefing stated:

- There are **more than 350 new generation power plants under construction** in Asia and many more are planned
- **Strong demand for Australian coking and thermal coal** as it is higher quality and cheaper because of its proximity to Asian markets



Underground Coal Mining Capital Spend

In our discussions with our customers, we understand mining companies have not spent capital over the past several years, hence, existing fleets are at their end-of-life cycle so the cost to maintain vs purchasing new vehicles are being undertaken. Feedback we have received is:

- One has informed us that there is a high likelihood that they will be purchasing 1 used Coaltram, which has been modified for their purposes – waiting on the purchase order. They are also applying for additional capital to purchase 1 loader each year for three years
- One customer has capital allocated in their current budget and are currently pricing various options between man transporters and loaders
- One customer has sought quotes for new loaders and long term hire to support a proposal for capital
- Two customers have applied for capital to purchase 3 loaders in 2018

Discussions have been confidential pending outcomes being finalised



PPK's Growth

The Australian Coal Industry Growth is reflected in PPK's workshop revenue with:

- Actual revenue for the period July 2017 to October 2017 is **77% higher** than the same period last year
- Average monthly revenues for the period July 2017 to October 2017 is **10% higher** than the average monthly revenues for April 2017 to June 2017

The Port Kembla workshop has been working at capacity for several months and work has been shared with the Tomago workshop to assist. It is expected that these revenues will continue as the industry increases production.



PPK's Recent Contracts

To underpin its parts and service revenues, PPK has recently signed contracts for:

- 2 years plus 1 year option for mining equipment parts with a major customer
- Extended existing parts supply contract for a further year with another major customer
- 2 year distribution agreement for mining equipment into the Queensland market with sales targets
- Negotiating an extension of an existing contract – proposed to be 3 years plus 2 annual options for equipment parts and services with a major customer

This will provide a sustainable base to grow this revenue source.

Contracts have confidentiality clauses and can only be disclosed with consent of the third parties.



Summary

There is evidence that the Australian coal industry continues to improve.

Demand for coal continues to increase:

- underground coal mines are expanding or new mines will be opening
- mining companies are planning to invest capital
 - to replace existing vehicles that have come to end of life cycle
 - to support production growth
- a number of large competitors are no longer in this market

PPK is well positioned to take advantage of its position in the industry.

The directors believe that PPK will incrementally grow revenue and return to profitability over the remainder of this financial year and beyond.



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