Management's Discussion and Analysis of Financial Condition & Results of Operations Nine Months Ended 30 September 2016

Financial Results

(million tonnes/ US$ million)	Nine Months Ended 30 Sep 2016	Nine Months Ended 30 Sep 2015	Three Months Ended 30 Sep 2016	Three Months Ended 30 Sep 2015
Tonnage	**168.6**	**203.1**	**56.8**	**71.1**
Revenue	**34,579.1**	**50,157.3**	**11,441.5**	**17,546.5**
Operating income from supply chains, net(1)	**677.6**	**1,056.6**	**201.4**	**291.1**
Operating income margin	1.96%	2.11%	1.76%	1.66%
Losses on supply chain assets(1)	(46.9)	(45.4)	(13.4)	(22.1)
Share of profits and losses of joint ventures and associates(1)	(53.8)	(63.8)	(22.0)	(24.6)
Total operating income(1)	**577.0**	**947.4**	**166.0**	**244.4**
Other income net of other expenses	5.4	(0.2)	(0.2)	(0.3)
Selling, administrative and operating expenses	(439.3)	(382.3)	(144.9)	(100.6)
Profit before interest and tax(1)	**143.2**	**564.9**	**20.9**	**143.5**
Net finance costs	(113.3)	(138.1)	(37.5)	(44.8)
Taxation	40.3	(17.8)	48.4	(21.0)
Adjusted net profit for the period(1)	**70.1**	**409.0**	**31.8**	**77.7**
Exceptional non-cash losses, net of tax(2)	-	(153.9)	-	(41.7)
Loss from discontinuing businesses, net of tax(3)	(113.0)	(59.9)	(60.2)	(9.8)
Non-controlling interests	0.3	(1.3)	0.3	(1.5)
Net profit/(loss)	**(42.5)**	**193.9**	**(28.1)**	**24.7**

(1) Three and nine months ended 30 September 2015 adjusted for exceptional non-cash losses and other items and losses from discontinuing businesses. See notes 2 and 3 below. Adjusted net profit includes results for Noble Americas Energy Solutions.

(2) Nine months ended 30 September 2015 includes exceptional non-cash losses recorded in operating income from supply chains of US$8 million, impairment losses on supply chain assets of US$7 million and share of losses related to Noble Agri of US$139 million.

(3) Represents results of businesses which are discontinuing or to be discontinued in the near future and costs associated with restructuring, including headcount reductions. These businesses include certain gas & power product divisions in North America and Europe; certain mining & metals product divisions in North America and Europe; and certain energy product divisions in North America.

Overview

We have made significant progress on our initiatives to raise capital and rationalize our businesses. We are well on our way to achieve the previously announced capital raising target of US$2 billion, with the completion of the rights issue in August 2016 and the announcement of the sale of Noble Americas Energy Solutions ("NES") in October 2016. The sale of NES is currently on track to close in December 2016, having received shareholder approval on 3 November 2016.

As discussed in our previous quarterly earnings announcement, our 2016 results have been significantly impacted by our conservative approach to liquidity management. Businesses continued to be constrained in the latest quarter and are operating well below optimal earnings capacity. This has particularly impacted the Oil Liquids business where working capital constraints, combined with the lack of market volatility, contributed to a more than 50% year-on-year decline in our Energy Segment's Operating Income from Supply Chains over the first nine months of 2016.

However, the traditional diversity of our business footprint, and our renewed focus on our market leading franchises, is reflected in the fact that the Mining & Metals Segment has been able to participate strongly in the improved market environment, in addition to which, our Energy Coal business is also participating in the more vibrant market environment that we have seen.

The benefit of this diversity can be seen in our results where earnings contribution from the Energy Segment went from 68% in the nine months ended 30 September 2015, to 46% in the nine months ended 30 September 2016, while the Mining & Metals Segment went from 3% to 22% in the same period.

Our key customer franchises are robust as evidenced by the 3% year-on-year increase in tonnage delivered across our principal physical activities, excluding our Logistics business, during the nine months to 30 September 2016, compared to the same period in 2015, while lower prices across the commodity spectrum in the early part of the year impacted our revenue.

Business rationalization continues in various parts of the Group as we close or curtail certain activities to focus on our core franchises. In the latest quarter ended 30 September 2016, we agreed to the sale of our European Gas & Power book, which is now moving towards completion.

Operating Income from Supply Chains was in line with recent quarters, as we re-align our structure to focus on our core businesses, while simultaneously re-positioning the balance sheet and debt structure to reflect our asset light model. Costs related to restructuring and retaining key personnel continue to weigh on Selling, Administrative & Operating Expenses, but we expect to achieve our cost reduction targets by the first half of 2017.

While restricting business operations, our conservative approach has led to an increase in our cash balance to US$1.6 billion, with net debt to capital falling to 46.7% as at 30 September 2016 from 53.7% as at 30 June 2016, delivering on our commitment to reduce our gearing. On a pro forma basis, assuming net proceeds of approximately US$1 billion from the sale of NES, our net debt to capital would fall to 39.9%.

Management continues to pursue the same goals we laid out previously - to rationalize low return or loss making businesses while devoting resources to those core businesses in which we have a competitive advantage and where we expect to see continued strong returns over a cycle. This is to be achieved against the backdrop of a strengthened capital structure with lower debt levels.

We are clearly making significant progress and are determined to continue to deliver.

Energy Segment

(US$ million / million tonnes)	Nine Months Ended 30 Sep 2016	30 Sep 2015	% change	Three Months Ended 30 Sep 2016	30 Sep 2015	% change
Volume(1)	119.4	109.2	9%	38.9	40.9	-5%
Revenue(1)	30,090	40,216	-25%	10,254	14,720	-30%
Operating income from supply chains(1)	322	700	-54%	11	200	-95%
Profit before interest and tax(1)	114	531	-78%	(35)	147	-

(1) Adjusted for discontinuing or to be discontinued business and costs associated with restructuring.

Oil Liquids: Market Overview

Selected Average Commodity Prices	Nine Months Ended 30 Sep 2016	30 Sep 2015	% change	Three Months Ended 30 Sep 2016	30 Sep 2015	% change
S&P GSCI Energy Index	143.80	403.78	-64%	155.10	375.79	-59%
Crude Oil – Brent (US$/bbl)	43.17	56.73	-24%	46.99	51.24	-8%
Crude Oil – WTI (US$/bbl)	41.53	51.06	-19%	44.94	46.49	-3%
RBOB Gasoline (US$/gallon)	1.38	1.74	-21%	1.40	1.62	-14%
NYMEX Heating Oil (US$/gallon)	1.30	1.75	-26%	1.41	1.59	-11%

Source: Bloomberg

- Crude prices increased during the first half of 2016 but fell throughout July before rallying sharply in early August. Opening the quarter at close to US$50, WTI touched US$40 during the quarter before recovering almost entirely to where it started. Continued high OPEC production, Canadian production returning after the wildfire outages and total OECD stocks continuing to set new record highs contributed to the July price decline. In early August, news of OPEC and Russia's plans to restrain production contributed to the subsequent rally. However, prices then fell again on bearish short term fundamentals. The quarter ended with a rally on the back of the announcement, in late September, of an agreement limiting OPEC production.
- Stocks remain in surplus, albeit a declining one, as US commercial inventories peaked in mid-August 2016 and have been falling since.
- Both US gasoline and distillate inventories were in surplus throughout 2016 despite strong US gasoline demand, while outside of the US, the market was oversupplied by Middle Eastern and Asian refiners' output. Overall, gasoline prices have been gaining ground versus distillate prices in the prompt and further out along the curve.

Oil Liquids: Performance

- The Oil Liquids franchise continued to deliver strong volumes as we execute on term crude supply deals, increased production of renewables and the optimization of our gasoline blending asset that supplies the Colonial Pipeline.
- However, Operating Income from Supply Chains, in the nine months to September continued to be significantly impacted by working capital constraints as we managed liquidity. This is especially restrictive in a rising price environment. With significant progress in the Group's initiatives to build liquidity, we expect these constraints to moderate as we go into 2017.
- The Gasoline business continues to deliver on physical gasoline and pipeline flows, with our Colonial Pipeline blending asset exhibiting a solid performance through the nine months to 30 September, as did our rack marketing business. However, the recent lack of volatility has hampered margins in this segment of the market and inhibited the opportunities to take advantage of the inherent optionality in the business and limited inventory, while incurring fixed costs such as storage.
- Global distillates performed well as a result of risk managing around physical positions in Latin America and the Gulf Coast. The Asian business also performed well on the back of diesel deliveries into the mining sector, in particular in Indonesia, with new opportunities arising as we leverage the Asian hard commodities franchise.
- The Crude business had a relatively quiet quarter as the realization of cash took priority over inventory, incurring losses due to storage and finance costs.
- In Renewables, profitability improved over the nine months to 30 September, while the last quarter saw increased volatility in corn and ethanol markets which provided opportunities to increase margin. Surging sugar prices also helped increase US ethanol exports which added to stronger margins to support our South Bend Ethanol asset, and our ethanol trading activities.
- We continue to see opportunities for growth in Latin America. The Mexico office has now been established and discussions on key partnerships and deals are progressing. We continue to benefit from opportunities provided by our ongoing gasoline and distillate supply contract in Ecuador as well as long term storage agreements in Panama. Growth in the Middle East continues to be a key focus, as we seek to expand our presence in the region.

Energy Coal: Market Overview

Selected Average Commodity Prices	Nine Months Ended			Three Months Ended		
	30 Sep 2016	**30 Sep 2015**	% change	**30 Sep 2016**	**30 Sep 2015**	% change
Coal – API4 (US$/t)	57.28	59.00	-3%	65.03	54.64	19%
Coal – API2 (US$/t)	51.33	58.49	-12%	60.03	56.25	7%
Coal – Newcastle FOB (US$/t)	56.48	61.43	-8%	57.12	58.96	-3%

Source: Bloomberg

- China's appetite for coal imports continued to grow into Q3 2016, reaching volumes not seen since 2012. The increase in demand began in Q2 2016 as a result of China's mandated supply capacity cuts. Despite several waves of capacity releases mandated by the National Development and Reform Commission, demand spiked due to a slowdown in hydro power supply as well as a late summer heat wave.
- Demand was further bolstered by North Asian utilities stepping in to satisfy their coal procurement needs.
- The response on the supply side has been muted, with Indonesia still struggling with unseasonal rains and weak producer finances, Australia preferring to migrate thermal coal production to semi-soft coal due to an improved met coal arbitrage and South Africa so far failing to ramp up in response to price.
- Newcastle FOB coal has been the strongest performing index, as the Pacific Basin reacts to the Chinese supply policy and supply availability from Indonesia continues to be restrained. API2 (ARA CIF) maintained a strong linkage to the Newcastle price rally, as supply from the Atlantic basin, in particular Colombia, was drawn away from Europe into Pacific markets.
- The shape of the forward curve changed dramatically towards the end of September, from a contango structure to a steep backwardation, as near term supply factors continue to cause price spikes. However, the market has started to recognize the need to price long dated coal contracts in line with the reality of lower supply in the Pacific Basin, and we expect the backwardation to flatten.

Energy Coal: Performance

- The Energy Coal business continued its solid performance with Operating Income from Supply Chains increasing quarter to quarter on steady volume, supported by our leading customer franchise which is going from strength to strength as we continue to work with our partners to provide solutions, both on the supplier and customer side, and establish new long term relationships.
- The price rally contributed to stronger profitability into the end of September but given our hedges in the liquid tradable part of the curve, the earnings for the quarter ended 30 September 2016 have not been materially impacted by the rally in coal prices. We expect that the improving environment, coupled with our access to, and position in, our key markets will support performance for the remainder of the year.
- The business' move into new ventures and markets also continues to grow and develop. Our joint ventures in Japan and China continue to build on their strong foundations with both having started to build up increasing tonnage and positively contributing to earnings.
- In September, we also reached an important milestone towards the construction and commissioning of the Boikarabelo Coal Mine in South Africa, with Resource Generation announcing in-principle agreement with lenders on the main commercial terms for full funding.

Gas & Power Segment

(US$ million / million MWh)	Nine Months Ended 30 Sep 2016	30 Sep 2015	% change	Three Months Ended 30 Sep 2016	30 Sep 2015	% change
Volume[(1),(3)]	278.2	294.0	-5%	92.5	100.1	-8%
Revenue[(2),(3)]	485	518	-6%	151	194	-22%
Operating income from supply chains[(3)]	219	299	-27%	75	91	-17%
Profit before interest and tax[(3)]	122	196	-38%	41	64	-36%

(1) Volume conversions from MMBTu to MWh based on current market heat rates.
(2) The Gas & Power distribution business typically recognizes the net of sales and purchases as revenue. However, some businesses that we are expanding into, such as the distribution of LNG, recognize the gross revenue and cost of goods sold.
(3) Adjusted for discontinuing or to be discontinued business and costs associated with restructuring. Amounts include results for NES.

Gas & Power: Market Overview

Selected Average Commodity Prices	Nine Months Ended 30 Sep 2016	30 Sep 2015	% change	Three Months Ended 30 Sep 2016	30 Sep 2015	% change
Gas – Henry Hub (US$/mmBtu)	2.35	2.76	-15%	2.79	2.74	2%
Gas – NBP (US$/mmBtu)	4.38	6.76	-35%	4.53	6.46	-30%
LNG Spot JKM (US$/mmBtu)	5.11	7.55	-32%	5.61	7.52	-25%
USA PJM Baseload (US$/MWh)	23.05	31.12	-26%	22.67	34.17	-34%

Source: Bloomberg

- US natural gas and power prices rallied from the end of the second quarter into the third quarter with above average temperatures in July, August and September driving power demand to record levels. On the supply side of the market, production declined moderately from Q2 to Q3 2016. These tightening fundamentals contributed to a reduction in the year-on-year surplus in US natural gas storage, from over 500Bcf at the end of June to less than 50Bcf at the end of September. At the same time, LNG was supported by strong demand on the back of growth in US LNG export capacity.
- In Asia, spot LNG prices, as measured by the Platts Japan Korea Marker (JKM), rallied 16% in the third quarter of 2016, widening its premium to the UK National Balancing Point (NBP) and narrowing its discount to Brent crude oil. The move was driven by unexpected increases in LNG demand from China and South Korea and slower than expected supply growth. However, we believe that it is unlikely that such LNG demand is sustainable.

Gas & Power: Performance

- The Gas & Power business has gone through significant restructuring over the last nine months to 30 September 2016, with the ongoing sales process of Noble Americas Energy Solutions (NES), and agreement on the sale of the Group's European Gas & Power book, both of which are moving towards completion. The Gas & Power Segment is now focused on our two key franchises –North American Gas & Power and Global LNG, where our strong market position and synergies with other businesses within the Group will enable solid returns.
- The North American Gas & Power business contributed positively, despite the challenges faced due to capital constraints, driven by the execution and optimization of new and existing transport and supply deals. Profitability was supported by an increase in power demand due to limited imports of Canadian gas as well as rising temperatures in July and August.
- The Global LNG franchise has been reorganized with a refocusing of the business plan. The team has started to actively participate in major new tenders, but performance has been muted given capital constraints across the Group.

Energy Solutions

- The business continues to exhibit stable earnings and is performing within expectations, as the sale to Calpine Corporation progresses.

Mining & Metals Segment

	Nine Months Ended			Three Months Ended		
(US$ million / million tonnes)	**30 Sep 2016**	**30 Sep 2015**	% change	**30 Sep 2016**	**30 Sep 2015**	% change
Volume(1)	20.6	25.9	-21%	7.6	6.9	10%
Revenue(1)	3,786	6,600	-43%	965	1,868	-48%
Operating income from supply chains(1),(2)	151	29	415%	117	(30)	-
Profit before interest and tax(1),(2)	50	(53)	-	57	(51)	-

(1) Adjusted for discontinuing or to be discontinued business and costs associated with restructuring.
(2) Three and nine months ended 30 September 2015 adjusted for exceptional non-cash losses and other items.

Metals: Market Overview

Selected Average Commodity Prices	Nine Months Ended			Three Months Ended		
	30 Sep 2016	**30 Sep 2015**	% change	**30 Sep 2016**	**30 Sep 2015**	% change
S&P GSCI Industrial Metals Index	263	303	-13%	275	278	-1%
LME cash aluminium price (US$/t)	1,570	1,718	-9%	1,620	1,591	2%
LME cash copper price (US$/t)	4,725	5,708	-17%	4,772	5,257	-9%
LME cash zinc price (US$/t)	1,955	2,038	-4%	2,255	1,846	22%
Bauxite – China CFR (US$/t)	53	54	-2%	53	53	-

Source: Bloomberg

- The summer months in the Northern hemisphere are typically associated with reduced activity for downstream producers, resulting in lower volumes both in physical activity and the amount traded on terminal markets. Aluminium prices trended lower with physical premiums also declining on the back of tightening LME spreads and inventory flooding the market on the back of limited financing opportunities.
- Alumina prices were stable with Chinese refinery restarts adding sufficient supply to meet captive local smelter production increases. The curtailment of refining operations at a refinery in Texas will have the effect of bringing supply and demand back into balance.
- Market price movements in base metals has been relatively muted, but we have started to see zinc markets tighten in Q3 due to a shortfall in production, while copper markets remain soft.

Metals: Performance

- Performance in Metals continues to be challenged with the restructuring and rationalization of the business, as well as working capital constraints.

- In Aluminium/Alumina/Bauxite, we are focused on the vertically integrated supply chain (including the Jamalco asset). Jamalco's operations and production continues to improve and the recent announcement of the joint development agreement with New Fortress Energy to develop a combined heat and power facility is a step in securing a long-term energy solution for Jamalco and strengthening its competitive position in the global alumina market.
- Base metals is now focused on Asia and the Middle East and the buildout of this business continues, albeit cautiously, with a key focus on end customers, while maintaining the strong relationships we have in our key origination markets. In the latest quarter, we added new zinc and copper flows to South East Asia, as we position the business for term contracts in 2017.

Carbon Steel Materials: Market Overview

Selected Average Commodity Prices	**Nine Months Ended**			**Three Months Ended**		
	30 Sep 2016	**30 Sep 2015**	% change	**30 Sep 2016**	**30 Sep 2015**	% change
Met Coal – Platts PLV US$/tonne	101	91	11%	136	83	64%
Iron Ore - US$/tonne	53	58	-9%	58	54	7%

Source: Platts, Bloomberg

- Following six quarters of negative or zero growth, global crude steel production is estimated to have expanded approximately 1% in Q3 2016 vs Q3 2015. Although this raised some expectations that the market had reached the bottom of the cycle, the World Steel Association warned "*the steel industry environment remains challenging as weakness in investment globally continues to hold back a stronger steel demand recovery*".
- In the context of subdued global steel demand and depressed sentiment, China's property sector and related construction activity outperformed expectations in Q3 2016 and continues to do so to date. As a result, the incremental steel production required to support resurgent Chinese real estate translated into robust raw material imports, including iron ore, metallurgical coke, bulk ores and alloys. In Q3 2016, China imported 269 Mt of seaborne material, up 9.2% year-on year and 6.7% quarter-on-quarter.
- This level of demand has led to metallurgical coal prices exceeding US$200 per tonne, coke prices exceeding US$250 per tonne, and iron ore at over US$58 per tonne.

Carbon Steel Materials: Performance

- Operating Income from Supply Chains in Carbon Steel Materials almost tripled in the nine months ended 30 September 2016 compared to the same period in 2015.
- During the first six months of the year, the business focused on managing counterparty and performance risk in extremely volatile market conditions and pulling back from trade flows with poor returns on capital, leading to year-on-year declines in volumes. This foundation has allowed for the business to take advantage of opportunities in Q3 as prices continued to rise.
- The long term contracts, on both the supply and demand sides, are performing well with Australia and Indonesia being our largest origination markets. We are advanced on developing significant new customer and supplier relationships, securing long term trade flows which provide sustainable income streams.

Corporate & Others Segment

(US$ million / million tonnes)	Nine Months Ended **30 Sep 2016**	**30 Sep 2015**	% change	Three Months Ended **30 Sep 2016**	**30 Sep 2015**	% change
Volume	28.6	67.9	-58%	10.3	23.5	-56%
Revenue	218	2,824	-92%	72	765	-91%
Operating income from supply chains	(14)	28	-	(1)	30	-
Profit before interest and tax(1)(2)	(143)	(109)	-31%	(42)	(17)	-153%

(1) Adjusted for discontinuing or to be discontinued business and costs associated with restructuring.
(2) Three and nine months ended 30 September 2015 adjusted for exceptional non-cash losses and other items.

- The Corporate & Others Segment incorporates the Logistics business as well the investments in key associates.

Logistics: Market Overview

- The dry bulk market continued its rally, driven by strong sea borne iron ore demand into China, in combination with a record amount of Capes being scrapped, leading to tighter supply and demand fundamentals. Cape size daily rates increased up to US$14,000 per day. The stronger Cape market is starting to have a positive impact on the Panamax and Supramax markets in Q4.

Logistics: Performance

- The Logistics business has continued to focus on profitability over volumes, with a 58% volume decline year-on-year, partly due to the elimination of the Noble Agri flow but also as a result of the business actively focusing on credit risk, as counterparty risk within shipping is at historically high levels.

Principal Associated Companies

The following Associated companies are all publicly listed. Further information can be found on the companies' own websites and stock exchanges.

- **Yancoal**, listed on the ASX, saw its latest quarterly production of salable coal rise by 16% to 4.42 million tonnes while sales were up 18% to 5.16 million tonnes. More notably, however, the most recent three month period saw the first coal extracted from the new Moolarben Stage Two open box cut to supplement the first full quarter of development coal production from Stage Two. The Moolarben complex achieved strong production results, up 52% on the prior year. Once fully developed, the integrated Moolarben Coal Complex (Stage 1 and Stage 2 combined) will produce up to 17 million tonnes of Run of Mine (ROM) coal per annum for a period of 24 years.
- Austar longwall production started once more and, in Queensland, Yarrabee production was up 14% over the prior year and Middlemount was down 15% on the same basis.
- Met coal sales were down year on year by 3% to 5.4 million tonnes in the nine months to September 2016 while thermal coal sales rose 6% to 7.8 million tonnes.
- **Aspire Mining** is an ASX listed company with a primary focus on the development of coal resources in Mongolia, especially for coal used in the steel making industry. The company is the largest coal tenement holder in the Orkhon-Selenge Coal Basin in Northern Mongolia and it wholly owns the Ovoot Coking Coal Project. The Ovoot project is a large scale coking coal project with a current JORC Probable Reserve of 255 million tonnes. Aspire also has an indirect interest in the Nuurstei coking coal project. Nuurstei confirmed its first JORC Coal Resource of 12.85 million tonnes, with the characteristics of a high quality hard coking coal, in the first half of 2016. Additionally, Aspire Mining has also signed an agreement with the Mongolian Government, owner of the Tavan Tolgoi Coal Mine, to look into blending coal opportunities with Aspire's Ovoot mine.
- The company is also actively involved in facilitating and promoting the required rail based infrastructure solutions via its involvement in Northern Railways LLC, a company backed by a consortium including Aspire, which is currently progressing the development of the Erdenet – Ovoot rail section. In the latest quarter the first stage feasibility study has been given the go ahead while China Development Bank has issued an expression of interest to fund up to 75% of the engineering, procurement and construction contract cost to build the railway.
- **Xanadu** is an ASX Listed copper and gold exploration company with several advanced exploration projects in Mongolia's highly mineralized and vastly underexplored South Gobi region. Xanadu controls the Kharmagtai porphyry copper-gold projects in Asia.
- Xanadu has continued to make progress in proving out its copper and gold resource base and in the latest quarter received strong shareholder support in raising A$12.2 million to fund the continued development of its Kharmagtai copper gold project and the new gold discovery at Oyut Ulaan.
- **Resource Generation** is an ASX and Johannesburg listed thermal coal exploration company, in which the largest shareholder is the investment entity wholly owned by the South African Government, Public Investment Corporation.
- The focus of the company is on developing its Boikarabelo coal mine in the Waterberg region of South Africa. This region accounts for 40% of the country's remaining identified coal resources and the asset it is exploiting has probable reserves of 744.8 million tonnes of coal, on just 35% of the tenements under the Company's control. Stage 1 of the mine development targets saleable coal production of 6 million tonnes per annum.

- In order to expand the economic base of the Boikarabelo project, a feasibility study for the construction of a 600 MW independent mine-mouth power station to operate as an approved independent power producer ("IPP") is being undertaken.
- In October 2016 the company announced that it had selected the preferred mining contractor, having previously announced the appointment of Sedgeman for the design, procurement and construction of the coal handling and preparation plant for a fixed lump sum contract of US$141 million. In addition, the Board is now focused on meeting the conditions precedent which have been included in the commercial terms agreed with the financing syndicate.
- **PT Atlas**, operating in Indonesia, and listed on the Jakarta Stock Exchange has re-organized its business into three units, Coal, Infrastructure and Energy. The company has five production hubs with combined reserves of over 300 million tonnes.
- **Cockatoo Coal**, at the end of June 2016, was granted the mining lease that extended the life of the Baralaba North Mine, allowing Cockatoo to produce its sought after low volatile PCI coal used in steel making at the targeted rate of 4.1 million tonnes of production , or 3.5 million tonnes saleable. Once Cockatoo Coal is in full production, it is expected to account for around 15% of the global tradable low vol PCI market.

Working Capital

(US$ million)	30 Sep 2016[1]	30 Jun 2016[1]	31 Dec 2015
Trade receivables	2,521	2,925	2,434
Prepayments, deposits and other receivables	1,013	1,071	1,166
Inventories	1,579	1,604	1,792
Trade and other payables and accrued liabilities	(2,860)	(3,373)	(4,727)
Net fair value gains on commodity contracts and derivative financial instruments	2,286	2,204	3,178
NES working capital	183	177	-
Working capital	**4,722**	**4,608**	**3,843**

(1) Noble Americas Energy Solutions ("NES") working capital has been classified as "assets and liabilities held for sale". Refer to SGX results announcement for additional disclosure.

- Working capital increased by US$879 million in the nine months to 30 September 2016, but increased only slightly in the latest quarter due to normal course fluctuations in working capital levels. Working capital levels remain below historic levels as the Group continues to focus on managing liquidity and reducing debt.

- The increase in working capital over the last nine months was due to a decrease in trade and other payables in the first quarter of 2016, following the tightening of the Group's uncommitted unsecured bank lines, ahead of the May 2016 bank debt refinancing. This resulted in a reduction in the availability of term letters of credit, as well as certain previously off balance sheet trade receivables in the US coming on balance sheet in the second quarter of 2016, to form part of the asset base in the US borrowing base facility which closed in May 2016. The remaining changes in working capital were due to fluctuations in commodity prices and the timing of settlement of physical commodity contracts.

- Readily marketable inventories ("RMI"), at US$1.5 billion at 30 September 2016, accounted for 94% of total inventory. The Group's RMI is highly liquid primarily comprising oil liquids products. Given the highly liquid nature of these inventories, the Group believes it is appropriate to consider them together with cash equivalents when evaluating the Group's leverage.

- Realization on the portfolio of long-term physical contracts continued to be materially in line with expectations to date, as confirmed by the Group's back testing activities. The recent increase in coal prices may impact the industry's view of long term consensus pricing. However, the fair value of our long term coal contracts continues to be based on an anchor price of US$55 per ton for thermal coal.

- As of 30 September 2016, the Group's off balance sheet readily marketable inventory sales program stood at US$154 million, compared to US$228 million at 30 June 2016 and US$688 million at 30 September 2015, with the decrease primarily reflecting the reduction in the Metals business.

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Selected Cash Flow & Net Debt Reconciliation[1][2]

(US$ million)	9 Months Ended 30 Sep 2016	3 Months Ended 30 Sep 2016
Operating profit before working capital changes	**210**	**35**
Increase in working capital	(819)	(90)
Others	28	9
Net cash flows used in operating activities[3]	**(581)**	**(46)**
Net cash flows from investing activities	**783**	**97**
Interest paid on financing activities	(154)	(51)
Proceeds from Rights Issue	498	498
Others	(10)	2
Net cash flows from financing activities[4]	**334**	**449**
Net foreign exchange differences & others	15	3
Decrease in net debt	**551**	**503**

(1) Full Cash flow Statement available on the SGX results announcement
(2) Inclusive of amounts related to businesses which are discontinuing or to be discontinued in the near future
(3) Excludes movement in cash with futures brokers not immediately available for use
(4) Excludes bank debt additions or repayments and redemption of senior notes

- The Group's net debt decreased US$551 million in the nine months ended 30 September 2016. Further deleveraging is planned upon the final completion on our capital raising initiatives, including the receipt of proceeds from the sale of NES which is expected to close in December 2016.
- Operating cash flow in the nine months to 30 September 2016 included positive operating profit before working capital changes, offset by an increase in working capital primarily due to the tightening of the Group's uncommitted unsecured bank lines in Q1 2016 ahead of the May 2016 bank debt refinancing.
- Operating profit before working capital changes in the nine months to 30 September 2016 was approximately US$322 million when adjusted for US$112 million associated with businesses which are discontinuing or to be discontinued in the near future.
- Net cash flows from investing activities in the nine months ended 30 September 2016 includes the US$750 million in proceeds from the Noble Agri sale received in Q1 2016. Investments under the Group's asset light business model now relate predominantly to discretionary items and remained at low levels during the first nine months of 2016.
- Net cash flows from financing activities include the approximately US$500 million in net proceeds from the rights issue that closed in August 2016 as part of the targeted US$2 billion of capital raise initiatives. Cash proceeds from the rights issue have been preserved to reduce net debt as at 30 September 2016.

Funding and Credit Availability

(US$ million)	30 Sep 2016	30 Jun 2016	31 Dec 2015
3.625% senior notes due Mar 2018	378	378	378
6.75% senior notes due Jan 2020	1,177	1,177	1,209
4.30% Malaysian Ringgit denominated sukuk due Jan 2016	-	-	99
4.00% Chinese Yuan denominated notes due Jan 2016	-	-	161
3.55% Thai Baht denominated guaranteed bonds due Apr 2016	-	-	100
Total debt capital markets	**1,555**	**1,555**	**1,947**
Long term bank debt	1,201	1,188	1,846
Short term bank debt	2,256	2,273	2,128
Total debt	**5,012**	**5,016**	**5,921**
Cash and cash equivalents(1)	1,595	1,096	1,953
Net debt	3,417	3,920	3,968
Shareholders' equity	3,897	3,379	3,292
Net debt/Capital (2)	**46.7%**	**53.7%**	**54.7%**
Pro forma net debt/Capital(3)	**39.9%**	**46.9%**	**n/a**
Readily marketable inventory (RMI)	1,490	1,521	1,710
Adjusted net debt / Capital(2),(4)	**33.1%**	**41.5%**	**40.7%**

(1) Includes cash with brokers not immediately available for use and US$172 million of NES cash classified as "asset held for sale" (US$177 million as at 30 June 2016)
(2) Capital= net debt + shareholders' equity
(3) Pro forma assuming approximately US$1 billion in net proceeds from the sale of NES
(4) Adjusted for RMI

- Total cash and cash equivalents at 30 September 2016 stood at US$1.6 billion of which US$465 million was restricted with brokers and not immediately available for use. US$172 million of NES cash has been classified as held for sale. The cash balance reflects the approximately US$500 million in net cash proceeds from the rights offering which was completed in August, of which US$100 million was used to repay debt.
- Net debt decreased by approximately US$500 million, as we build our cash balance on the back of the rights issue.
- Liquidity headroom, being the sum of readily available cash and unutilized committed facilities, was at US$1.2 billion as at 30 September 2016 compared to US$0.8 billion as at 30 June 2016, again reflecting the increase in our cash balance.
- Net debt to capital was 46.7% as of 30 September 2016, an improvement from 53.7% as of 30 June 2016. On a pro forma basis, assuming approximately US$1 billion in net proceeds received as a result of the sale of NES, net debt to capital would be 39.9%.
- The Group conducts a regular review of its debt maturity profile in conjunction with its capital and funding structure to ensure it maximizes efficiencies while maintaining a solid balance sheet. The funding and capital structure will continue to be refined to reflect the asset light business model and to ensure a competitive cost position.

- As at 30 September 2016, the Group had a total of US$10.5 billion in committed and uncommitted bank facilities, comprised of US$4.1 billion in committed facilities and US$6.4 billion in uncommitted facilities. Of the US$10.5 billion in bank facilities, US$6.5 billion was utilized, which consisted of US$4.0 billion in committed facilities and US$2.5 billion in uncommitted facilities. The Group continues to be in discussions with banks on a broader financing strategy to ensure that the facilities provide the liquidity required and support the structure of Noble's business going forward.
- The Group's uncommitted bank facilities comprise various bilateral bank credit facilities and other financing arrangements, provided by a diverse group of banks globally. The drawings under these facilities support trade finance activities such as the issuance of letters of credit and are largely self-liquidating in nature. The issuance of such letters of credit is not an incremental liability to that reported on the Group's balance sheet.