



Australian Government

Austrade



Market Realities of Investing in Minerals and Energy in Australia

Australia - India Energy and Minerals Forum

Peter Harrison

Global Leader – Infrastructure, Mining and Resources

Australian Trade Commission (Austrade)

8 June 2010

Why Australia?

- Strong economic credentials
- Democratic and politically stable
- Highly skilled and multicultural workforce
- Sophisticated information and communications technology and infrastructure
- Innovative culture, with excellent R&D infrastructure
- Open and efficient regulatory environment – JORC standardised reporting requirements for mineral deposits
- Regional advantage of being part of Asia
- Excellent quality of life
- Welcoming attitude to foreign investment



Low risk of political instability

Risk of Political Instability¹

The higher the score the better

Rank	2005 Score	2006 Score	2007 Score	2008 Score	2009 Score
1	Finland 9.84	Australia 9.71	Austria 9.71	Luxembourg 9.64	Finland 9.90
2	Australia 9.64	Denmark 9.68	Ireland 9.57	Switzerland 9.62	Australia 9.54
3	Denmark 9.51	Finland 9.51	Luxembourg 9.55	Singapore 9.40	Denmark 9.49
4	Switzerland 9.48	Luxembourg 9.44	Australia 9.47	Australia 9.38	Switzerland 9.33
5	Ireland 9.43	Austria 9.42	Denmark 9.44	Sweden 9.23	New Zealand 9.27
6	Canada 9.26	Ireland 9.32	Switzerland 9.30	Austria 9.20	Sweden 9.21
7	Luxembourg 9.25	Norway 9.25	New Zealand 9.30	Canada 9.09	Norway 9.07
8	Austria 9.25	Sweden 9.22	Sweden 9.18	New Zealand 8.84	Luxembourg 9.02
9	Singapore 9.05	Switzerland 9.19	Finland 9.11	Ireland 8.82	Austria 8.98
10	France 8.98	Singapore 9.11	Singapore 9.08	Denmark 8.81	Chile 8.80
11	Chile 8.96	Chile 9.07	Netherlands 8.95	Netherlands 8.71	Singapore 8.64
12	New Zealand 8.79	USA 8.91	Germany 8.84	Norway 8.63	Netherlands 8.57
13	Sweden 8.77	Germany 8.88	Norway 8.82	USA 8.54	Canada 8.42
14	USA 8.69	Netherlands 8.87	Canada 8.80	Germany 8.48	Germany 8.33
15	Norway 8.68	Hong Kong 8.83	Chile 8.69	Finland 8.48	USA 8.05
16	Germany 8.66	Greece 8.72	UK 8.67	UK 8.34	Hong Kong 7.71
17	Netherlands 8.43	UK 8.63	USA 8.56	Portugal 8.24	Brazil 7.69
18	UK 8.43	Canada 8.54	Portugal 8.52	France 8.21	France 7.63
19	Malaysia 8.34	Japan 8.40	Greece 8.52	Hong Kong 8.16	China 7.62
20	Greece 8.14	New Zealand 8.39	Japan 8.30	Chile 8.05	Ireland 7.60

Surveyed question: The risk of political instability is very low.

1. IMD World Competitiveness Yearbook Executive Opinion Survey based on an index from 0 to 10. The IMD included 57 economies in the 2009 survey.

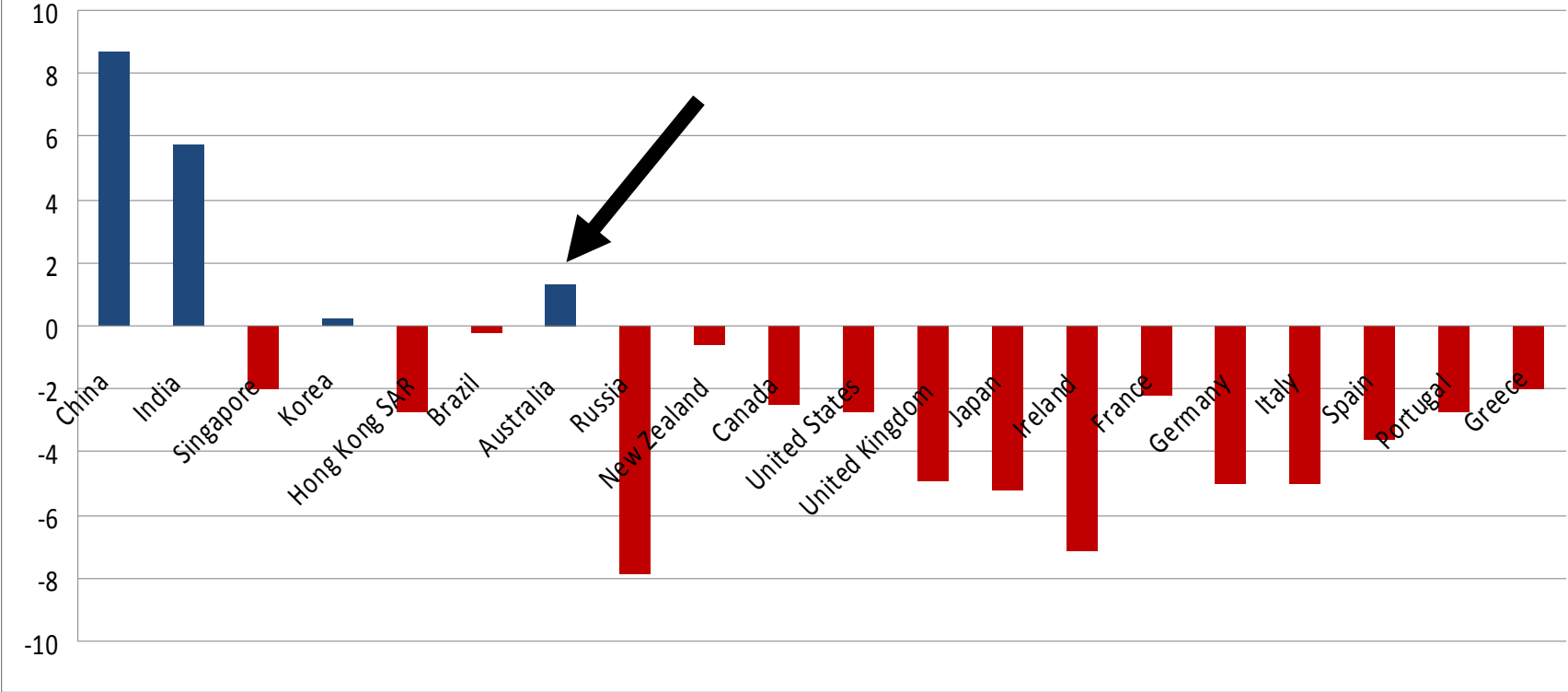
Sources: IMD World Competitiveness Online 1995-2009 (Updated: May 2009); Austrade



Strong GDP growth after GFC

Real GDP percentage growth 2009

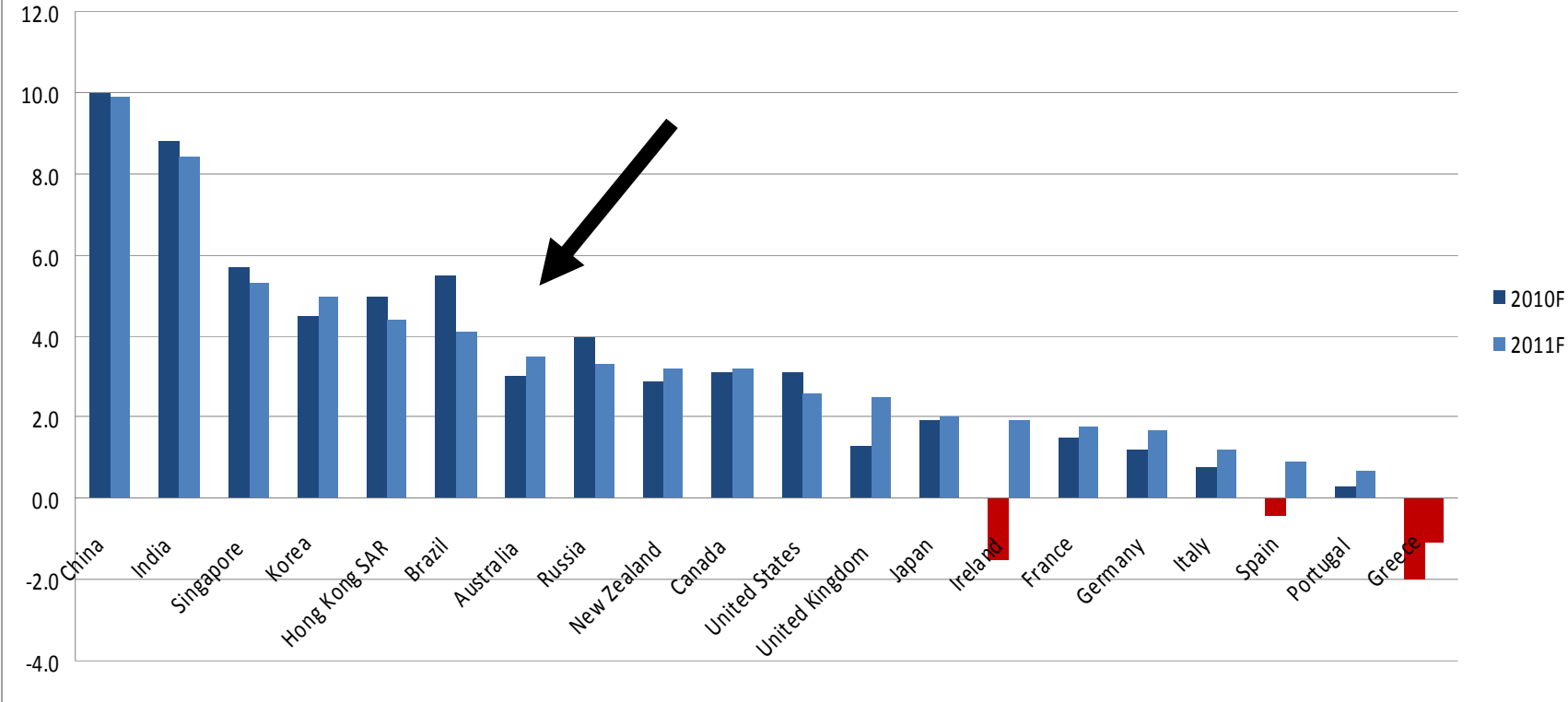
Source: IMF April 2010



GFC- Projected recovery

Real GDP percentage growth forecast 2010 & 2011

Source: IMF April 2010



Australia's Minerals Industry

Vast Natural Resources

- World # 1 producer of: bauxite, alumina, rutile and tantalum
- World # 2 producer of Lead, ilmenite, zircon and lithium
- World # 3 producer of Iron ore, uranium and zinc
- World # 4 producer of black coal, gold, manganese and nickel
- World # 5 of brown coal, diamonds, silver and copper



Advanced Minerals and Energy Projects

October 2009

Australian Minerals industry 2009/2010:

- Exports of A\$115.5 billion
- Employed 158, 000 full-time persons (indirect 505,600)

Expertise and experience

- Strong expertise in mining technology and services
- Australian-developed mining technology and
- software used around the world
- Dedicated mining and exploration research centres



Roles of Government for Resource Exploration and Development

The Australian Government:

- Sets national policy, including fiscal, monetary and taxation policy, foreign investment guidelines, immigration, competition policy, trade and customs, company law, international agreements and native title
- Does not allocate mineral rights

The States/Territories:

- Manage and allocate mineral property rights
- Have primary responsibility for land administration
- Regulate operations (including environmental, and occupational health and safety)
- Collect mining royalties



Investment Regulation

- Foreign investment may require Foreign Investment Review Board (FIRB) approval
- www.firb.gov.au
- Prior approval from FIRB required for:
 - acquisitions of substantial interests in existing Australian businesses, the value of whose assets exceeds \$219 million
 - direct investments by foreign governments and their agencies irrespective of size



Indian Investment in Australia

- Aditya Birla Group -copper production
- Sterlite Industries- copper production
- Gujarat NRE Coke Ltd -coal production
- Bhushan Steel – coal production
- Tata Power- geo thermal exploration
- Reliance Industries- uranium exploration
- Mineral Enterprises Ltd- iron ore exploration
- Indian Seamless Metal Tubes Ltd- steel mill



FDI in the Minerals Industry – Key Strengths

- A stable and transparent political, economic and legal system, in addition to sound macroeconomic fundamentals and a global approach to business.
- Australia's minerals industry favours a framework that provides:
 - a legal right for investments from each party to receive treatment no less favourable to that given to national investors;
 - no conditions to investment such as local content provisions, trade balancing requirements or environmental, or other non-trade considerations
 - a comprehensive and transparent legal investment framework providing predictability and legal certainty to investment decisions.



Investment in the Australian Coal Industry

- **The Australian coal industry continues to expand with A\$4.9 billion of new and coal mine expansion and related infrastructure projects committed or under construction (ABARE, April 2010).**
- **There has been significant consolidation in the industry over the past 5yrs, with the major players dominating the market eg. BHP Mitsubishi Alliance, Xstrata/ Glencore, Anglo Coal, Rio Tinto and Peabody.**
- **Investment opportunities exist in early stage projects, most commonly by forming a JV with an exploration company- (longer lead time to production)**
- **New coal areas such as the Galilee Basin (QLD) and the Gunnedah Basin in (NSW) provide opportunities for companies willing to fund infrastructure developments as part of a partnership agreement.**



Mining Investment Environment

- State based environmental approval processes and legislation
- Labour costs in some professions and localities are rising
- Commodity prices- world prices for many energy and minerals are forecast to recover in 2010 and 2011

High consolidation in the coal sector

- Recent consolidation in the market and the entry of major foreign players has resulted in less mid sized companies
- Coal production in Australia is dominated by major producers who are global companies
- Strong competing interest for advanced/ producing projects



Oil, gas and petroleum environment.

- Australia has a history of successful development of its abundant natural resources.
- Australia is the world's 18th largest producer of natural gas, 3rd largest LNG exporter in the Asia Pacific.
- Australia has traditionally produced premium quality 'sweet' crudes which fetch a higher price on international markets.



Why explore for oil and gas in Australia?

- Australia possesses many proven world-scale petroleum bearing basins
- Much of the continent and its offshore areas remain unexplored and there have been significant offshore oil discoveries in recent years.
- Regular release of exploration acreage
- Access to free or low cost comprehensive, high quality geoscientific data
- Highly educated workforce and pool of skilled petroleum professionals
- Transparent regulatory framework and security of title over areas
- Proximity to high demand markets in the Asia Pacific



Recent industry developments

- Sojitz 30% stake in Grange Resources' Southdown iron ore project
- BHP Mitsubishi Alliance, acquire the New Saraji coal project for US\$2.4 B
- Ansteel – Gindalbie Metals 50-50 JV, Karara Iron Ore Project
- CITIC Resources increases stake in Macarthur Coal to over 20%
- China Shenhua Group paid \$300M for a coal exploration licence in NSW
- KEPCO, KORES and Hanwa Corp take 10% equity in Felix Resources' Moolarben Coal Project
- KORES and Daewoo entered a JV to develop the White Cliff Nickel Project
- Reliance Industries farm-in - Uranium Exploration Australia-first Indian investment in the Uranium sector



Austrade services for overseas investors

- Introductions to State and local Governments
- Detailed industry sector information
- Promotion of investment opportunities
- Identification of joint venture partners
- Assistance with site visits
- Introductions to local service providers
- Advice on incentives for large projects
- Advice on foreign investment approvals

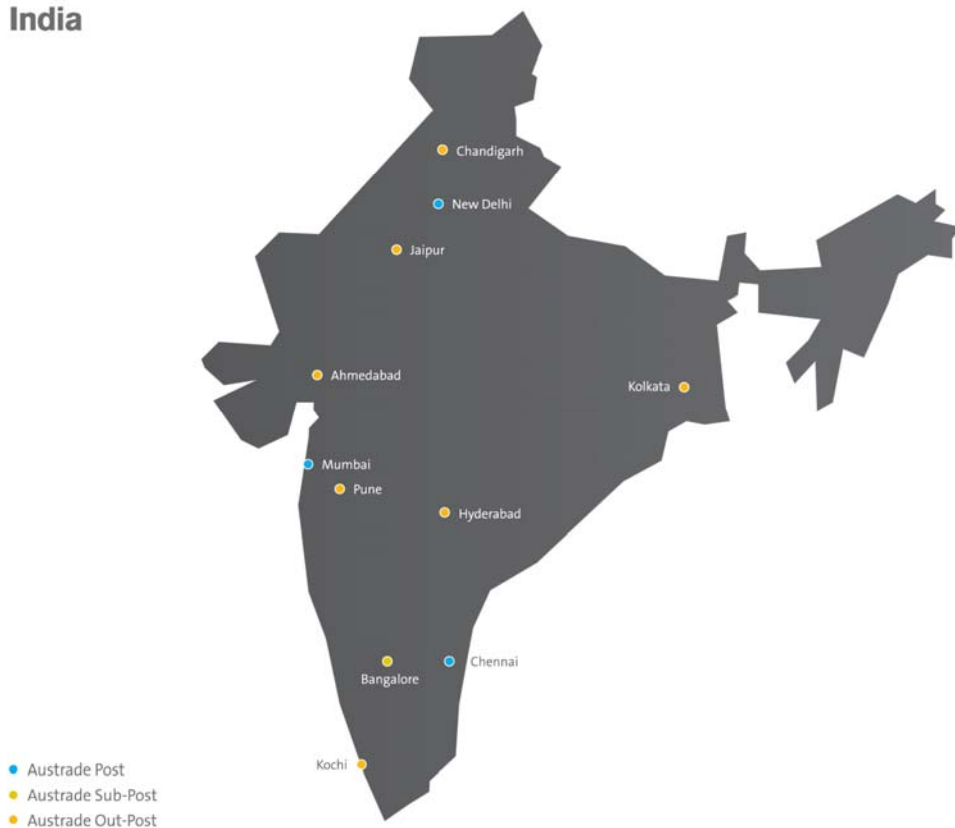


Austrade and India recent developments

- Australia signed a Memorandum of Understanding (MOU) in April 2010 with the Confederation of Indian Industry (CII)- business development opportunities to the industry based in North India;
- More than 60 Australian companies will participate in IMME Mining conference in Kolkata in November



Austrade in India



- The most extensive network of any country in India with 11 offices
- Major office in New Delhi, Mumbai and Chennai
- Recently increased presence in Hyderabad, Bangalore and Kolkata,
- Recently established offices in Jaipur, Chandigarh, Ahmedabad, Pune and Kochi