

Queensland Petroleum
Exploration Association
Brisbane
20 December 2012

Queensland resources 2012 and the future



Michael Roche

Chief Executive

Who is the Queensland Resources Council?

- > QRC is a not-for-profit peak industry association representing the commercial developers of Queensland's minerals and energy resources with funding derived from membership fees
- > 87 full members – explorers, miners, mineral processors, site contractors, oil and gas producers, electricity generators
- > Represents 100% coal and 90% metals production in Qld + **all four leading CSG/LNG proponents on QRC Board**
- > Not just the 'big end of town' - 31 explorer members
- > 182 service members - providers of goods or services to the sector

A multi-commodity peak body specialising in Queensland-based advocacy

Aberdare Collieries	Cement Australia	Leighton Contractors	Rio Tinto Coal Australia
Adani Mining	Civil Mining and Construction	Liberty Resources	Santos/TOGA
A.J. Lucas Coal Technologies	Clean Energy Australasia	Linc Energy	Sibelco Australia
Alcyone Resources	Coalbank	Macmahon Holdings	Sojitz Coal Mining
Allegiance Coal	Cockatoo Coal	MacMines Austasia	Sonoma Mine Management
Altona Mining	CuDeco	Mastermyne	Stanmore Coal
Ambre Energy	Downer EDI Mining	Mega Uranium	Summit Resources
Anglo American Exploration	Eagle Downs Coal Mgt	Metallica Minerals	Superior Coal
Anglo American Metallurgical Coal	Ensham Resources	MetroCoal	Tata Steel Resources Australia
Aquila Resources	ERM Power	Millmerran Power Management	Thiess
Areva Resources Australia	Evolution Mining	Minerals and Metals Group	Undamine Industries
Arrow Energy	Exco Resources	Mitsubishi Development	Vale
Bandanna Energy	Golding Contractors	New Hope Group	Vital Metals
BHP Billiton Cannington	Guildford Coal	Norton Gold Fields	Watpac Civil & Mining
BHP Billiton Mitsubishi Alliance	Hancock Coal	Origin Energy	Wesfarmers Resources
Birla Mt. Gordon	Investigator Resources	OZ Uranium	Westside Corporation
Blackwood Corporation	Ivanhoe Australia	Paladin Resources	Whitehaven Coal
Caledon Coal	Jellinbah Resources	Peabody Energy	Xstrata Coal Australia
Cape Alumina	Jindal Steel & Power	QCoal	Xstrata Copper
Cape Flattery Silica Mines	John Holland	QER	Xstrata Zinc Australia
Carabella Resources	Lagoon Creek Resources	QGC	Yancoal Australia
Carbon Energy		Rio Tinto Alcan	
Carpentaria Gold			

87
full
members

182
service
members

40
associate
members

QRC governance

> **32-member board** – elected by QRC members, covering coal, metals/minerals, energy, contractors and explorers

> **QRC president**

Stephen Dumble, President, BMA Coal

> **Vice presidents**

Steve de Kruijff, COO Xstrata Copper North Queensland

Rob Neale, MD & CEO New Hope Corporation

Paul Zealand – Chief Executive Upstream, Origin Energy



State of play for Queensland resources sector

- **Global macroeconomic uncertainty** – knock-on from Euro debt, patchy US growth, lower output from China, India but coal may have bottomed out
- **High construction and operating costs** compared with global competitors
- **Persistently high \$AU** and \$US-written contracts – currency judged against lacklustre performance of peers
- **Capital competition** – more attractive global investment options
- **Old and new competitors** – 6% coking coal lost to USA during floods unrecovered; new provinces Mozambique, Mongolia on rise (5x output by 2025)
- **Skills shortages, IR rigidities** – small pool, unsustainable wage rises
- **Australia's 'sovereign risk' reputation** – unpredictable tax regimes and politics

The outlook heading into 2013

○ **Coal**

Steady but unspectacular price and volume recovery under way

Some new mines under construction but mostly focus on utilisation of existing assets

Main game growing volumes against tight cost controls

\$64 question is what will happen to 'mega' projects – Adani, GVK Hancock and Wandoan?

○ **Gas**

Upstream and downstream investment continues apace

Arrow Energy to have proposal for FID to shareholders by end 2013

Santos GLNG eyeing expansion (Draft EIS TOR released)

○ **Metals**

Modest new investment continues to flow

Xstrata looking for opportunities to grow and extend mining of copper, lead and zinc

Dugald River zinc mine go-ahead by MMG Board this week

Rio Tinto looking to unblocking of South of Embley bauxite project on Cape

Keeping Queensland in the game

- Queensland can't take for granted ability to attract resource investment (applies to not only investment in additional production volumes but also in sustaining existing levels)
- Queensland in fierce competition for resource projects capital against other jurisdictions with superior cost structures and lower taxes and royalties
- Days of 'multiple choice' projects over in Queensland
- Long-term outlook says demand is there but no certainty Queensland will remain a supplier of choice
- Governments need to nurture and support resource investors prepared to put capital into resource projects Queensland

Newman government seeking to restore confidence

Resources Cabinet Committee - opportunity to deliver real change:

- Risk-based Terms of Reference for Environmental Impact Statements (EIS) – focusing EIS on real risks
- Slashing the number and costs of project conditions
- Returning social impact assessments and conditions to mitigating key direct impacts – end to ‘cargo cult’ mentality of Social Impact Management Plans
- Already fixing/addressing previous flawed, rushed policies (strategic cropping land, on-site dam standards, offsets policy, land access rules, financial assurance, long term and shorter term handling of mine water discharge)

The value in restoring resources sector confidence

www.queenslandeconomy.com.au

Telling the full story

- How spending on goods and services, communities and wages and salaries benefits local economies
- Taxes and royalties paid
- Shareholder returns

Also:

- Sector's physical land disturbance
- Global growth drivers

HOME | INTRO | ECONOMIC REPORT | TAXES & ROYALTIES | SHAREHOLDER RETURNS | DRIVERS OF GROWTH | FAST FACTS | LAND USE

WHAT ARE QUEENSLAND RESOURCES WORTH TO ME?

↑ Delivering **1 in every 4 dollars** of the state's economy through our spending in Queensland

↑ Supporting **1 in every 5 Queensland jobs**

↑ and delivering these benefits by using just **0.09 percent** of the state's land mass

Welcome to the 2011-12 update of our Queensland economy website.
Read more...

Enter your town or postcode **SHOW ME**
all Queensland

Enter a town or postcode to see what the Queensland resources sector delivers to your area, or select from the map below.

RESOURCES OPERATIONS | SPEND & JOBS BY AREA | ROYALTIES GENERATED | FUTURE INVESTMENTS

AN INITIATIVE OF THE QUEENSLAND RESOURCES COUNCIL

QUEENSLAND resources COUNCIL

Increasing spend by statistical division



STATISTICAL DIVISION	2010-11 (\$M)	2011-12 (\$M)	% CHANGE
BRISBANE	\$ 12,610	\$ 14,640	16%
CENTRAL WEST	\$ 40	\$ 50	25%
DARLING DOWNS	\$ 720	\$ 1,100	53%
FAR NORTH	\$ 300	\$ 540	80%
FITZROY	\$ 4,400	\$ 7,530	71%
GOLD COAST	\$ 210	\$ 340	62%
MACKAY	\$ 4,380	\$ 6,420	47%
NORTH WEST	\$ 1,240	\$ 2,510	102%
NORTHERN	\$ 1,040	\$ 1,770	70%
SOUTH WEST	\$ 180	\$ 180	0%
SUNSHINE COAST	\$ 250	\$ 410	64%
WEST MORETON	\$ 50	\$ 90	80%
WIDE BAY-BURNETT	\$ 160	\$ 390	144%
TOTALS	\$ 25,580	\$ 35,980	41%

Source: Lawrence Consulting and QRC

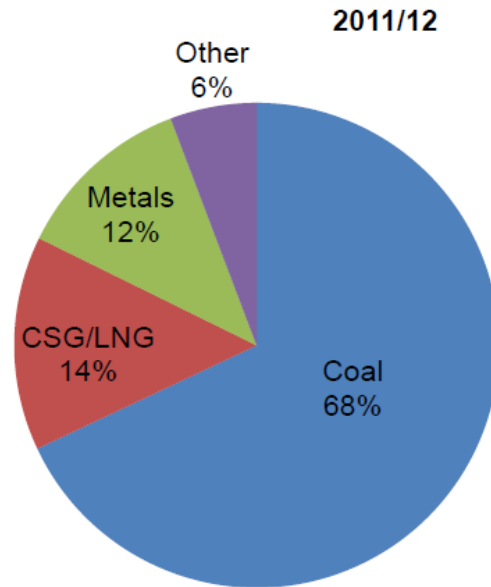
Total Qld economy contribution

	2011-12	2010-11
TOTAL SPEND	\$35,590 M	\$25,580 M
TOTAL JOBS	DIRECT = 64,300 INDIRECT = 480,000 OR 1 IN 5 (21%)*	DIRECT = 40,600 INDIRECT = 254,000 OR 1 IN 8 (12.5%)*
JOBS MULTIPLIER	6.5	6.2
TOTAL GSP	1 IN 4 (26%)	1 IN 5 (18%)
LAND DISTURBANCE	0.09%	0.09%
ROYALTIES	\$3.2B	\$2.9B
FEDERAL TAXES	~\$11B	N/A
SHAREHOLDER RETURNS (between '02 and '12)	Market caps \$2.2 b to \$19.5b \$4b in dividends	Market caps \$2.2 b to \$21.6b \$2.5b in dividends

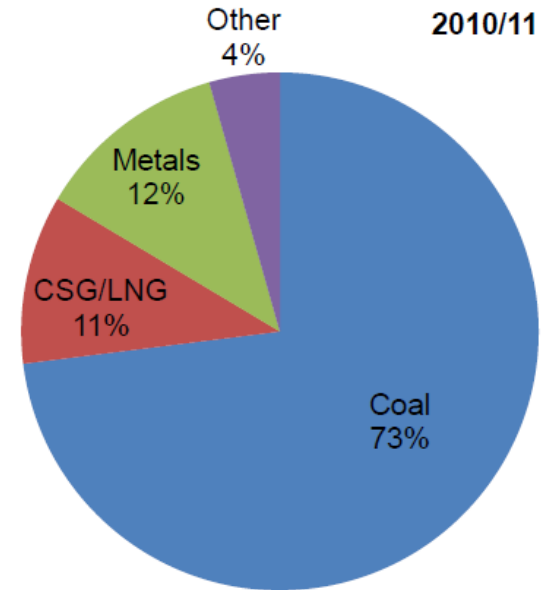
* Assumes all jobs created are sourced from QLD labour market and local economies – may be inflated to extent some indirect jobs flow interstate.

Source: Lawrence Consulting and QRC

Qld resources sector total spend by industry segment



Source: QRC and Lawrence Consulting



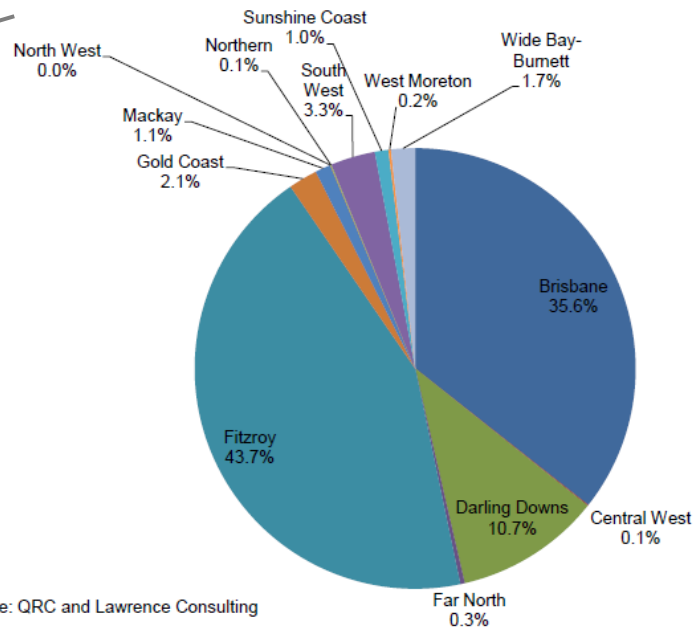
Source: QRC and Lawrence Consulting

Spending by oil and gas companies in Qld 2010-11 and 2011-12

- Goods and services, community contributions and wages:

> 2010-11 \$2.8b

> 2011-12 \$5.3b



Source: QRC and Lawrence Consulting

Key messages from 2011-12 data

- Resources supporting and creating jobs in most industries and regions (even Scenic Rim!)
- Sector driving the Queensland economy on the back of strong capex
- Renewing the investment pipeline essential to capitalise on momentum
- Diversified resources sector is Queensland's strength
- \$28 billion in Queensland purchases means local suppliers are highly successful
- **Latest Note** – QGC earthmoving contracts (\$279m) to 5 Surat companies = 200 new jobs
\$11 billion since 2010; \$6.9 billion to Queensland firms

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