Queensland Resources and Investment

An evolving landscape presenting vast opportunities

Todd Harrington
Resources Investment Commissioner
Explaining the role
Resource Investment Commissioner

- Jointly funded by State Development (DSD) and Natural Resources and Mines (DNRM), both portfolios of Minister Anthony Lynham
- Key resource investment interface for Government
- Key linkage with State & Federal International Trade Commissioners

- Two key areas of focus:
  - Promotion of the Queensland resources sector and investment opportunities
  - Match-making of investors to Queensland resource opportunities
Queensland’s Resource Fundamentals
Queensland Minerals

- Over A$8.6 billion production (2014-15)
- Over 100 significant operating mines
- 32 different minerals
- Greenfields potential remains

Queensland refined metal exports and value (AU$).

Note: Queensland also exports significant amounts of metal concentrate

Source: ABS
World context – Queensland Minerals

- **Silver**: 1,240 tonnes
  - 71% Australian
  - 5.6% Global
  - 5th in the World

- **Zinc**: 1,071,000 tonnes
  - 63% Australian
  - 8.0% Global
  - 3rd in the World

- **Lead**: 461,000 tonnes
  - 66% Australian
  - 8.4% Global
  - 2nd in the World

- **Bauxite**: 27,434,700 tonnes
  - 34% Australian
  - 11.7% Global
  - 3rd in the World

- **Copper**: 287,000 tonnes
  - 30% Australian
  - 1.5% Global
  - 13th in the World

Production data 2014-2015

Source: OCE and USGS
Queensland CSG & LNG

- Now 2nd Global LNG Exporter*
- 3 years of rapid production increases

Queensland coal seam gas production

- 6 trains now developed
- Over $70 billion invested

New Developments on Curtis Island

Queensland Coal

- Number 1 Global Coking Coal
- Represents >50% of global seaborne trade
- ~55% of Australian coal exports
- ~15% of internationally traded coal

Queensland coal exports and value of production (AU$).

Source: ABS
## Opportunities within Existing Infrastructure

<table>
<thead>
<tr>
<th>Queensland Terminal</th>
<th>2016 Nominal capacity (Mtpa)</th>
<th>2016 Annualised Throughput (Mtpa)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adani Abbot Point</td>
<td>50</td>
<td>25.4</td>
</tr>
<tr>
<td>Dalrymple Bay</td>
<td>85</td>
<td>61.7</td>
</tr>
<tr>
<td>Hay Point</td>
<td>55</td>
<td>42.8</td>
</tr>
<tr>
<td>RG Tanna</td>
<td>74</td>
<td>58.9</td>
</tr>
<tr>
<td>Wiggins Island</td>
<td>27</td>
<td>9.5</td>
</tr>
<tr>
<td>Brisbane</td>
<td>10</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>301</strong></td>
<td><strong>204.8</strong></td>
</tr>
</tbody>
</table>
Potential Plus - Port of Townsville

$1.2 billion
Proposed Development in 3 Stages
Optimised, low-cost export solutions

**Supply Chain Solutions**

<table>
<thead>
<tr>
<th></th>
<th>Rotainer Box Solution</th>
<th>Container Solution</th>
<th>Third Party Access Solution</th>
<th>Individual Logistic Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Store your products in special half height containers. Rotate container into vessel (bulk shipping)</td>
<td>Bulk products packed in bulk bags and then containerised.</td>
<td>Utilise existing facilities at the port</td>
<td>Build your own storage and/or loading facilities at the port</td>
</tr>
<tr>
<td><strong>Berth Options</strong></td>
<td>Berth 3,4,8,9,10</td>
<td>Berth 3,4,8,9,10</td>
<td>Berth 7/8, 9, 11</td>
<td></td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td>Eloise mine</td>
<td>Evolution Mining</td>
<td>IPL</td>
<td>BHP Cannington</td>
</tr>
<tr>
<td><strong>Advantages</strong></td>
<td>• Easy to get started</td>
<td>• Easy to get started</td>
<td>• Established and proven set up</td>
<td>• Independence</td>
</tr>
<tr>
<td></td>
<td>• No/Low initial investment costs</td>
<td>• No/Low initial investment costs</td>
<td>• Fast loading</td>
<td>• Individual set up</td>
</tr>
<tr>
<td></td>
<td>• Economical</td>
<td>• Berth flexibility</td>
<td>• Low/medium investment costs</td>
<td>• Full operational control</td>
</tr>
<tr>
<td></td>
<td>• Transport flexibility</td>
<td>• Transport flexibility</td>
<td></td>
<td>• Better risk management</td>
</tr>
</tbody>
</table>

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Queensland Government
Queensland Resources within changing global energy targets
On 12 December 2015, the Paris climate change agreement was struck.

The agreement **does not involve a single global carbon market.**

The agreement involves a global stocktake and a review mechanism to strengthen the pledges every five years, towards achieving the warming goals.

The **agreement involves getting to “net zero emissions”** between 2050 and 2100.

*Source: IEA World Energy Outlook 2015*
Projected Global Energy Demand in light of Paris Agreement

While energy sector CO2 emissions rise by 4 Gt in the New Policies Scenario, they fall by 14 Gt in the 450 Scenario

Source: IEA World Energy Outlook 2015
The world will continue to demand Queensland Resources.

Queensland is also well placed to service the Renewables and other expanding energy markets.

Source: IEA World Energy Outlook 2015

*New Policies Scenario reflects all announced intentions to reduce global emissions - including pledges defined under COP21.*
Resource Investment
A changing landscape
## Deal Analysis - Recent Transactions

<table>
<thead>
<tr>
<th>Company</th>
<th>Asset</th>
<th>Investor Company</th>
<th>Investor Country</th>
<th>Investor Category</th>
<th>Transaction Price $AUD *</th>
<th>Supporting Fund</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vale</td>
<td>Isaac Plains</td>
<td>Stanmore Coal</td>
<td>Australia</td>
<td>Private Equity</td>
<td>$1, plus Financial Guarantees</td>
<td>Taurus</td>
<td>Experienced Mining Executives</td>
</tr>
<tr>
<td>Peabody Energy</td>
<td>Isaac Plains East</td>
<td>Stanmore Coal</td>
<td>Australia</td>
<td>Private Equity</td>
<td>$7m</td>
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<td>Experienced Mining Executives</td>
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<td>Peabody Energy</td>
<td>Olive Downs &amp; Projects</td>
<td>Pembroke</td>
<td>USA</td>
<td>Private Equity</td>
<td>$104m plus royalties</td>
<td>Denham Capital</td>
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<tr>
<td>Anglo American</td>
<td>Foxleigh</td>
<td>Realm Resources</td>
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<tr>
<td>Vale</td>
<td>Carborough Downs</td>
<td>Fitzroy Resources</td>
<td>USA</td>
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<td>$1, plus Financial Guarantees</td>
<td>AMCI</td>
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<tr>
<td>Cokatako Coal Limited</td>
<td>Baralaba Operations</td>
<td>Baralaba Coal Company Ltd</td>
<td>Australia</td>
<td>Private Equity</td>
<td>$100m Facility</td>
<td>Liberty Mutual</td>
<td>Experienced Mining Executives</td>
</tr>
</tbody>
</table>

* Note: Summary only includes the key headline transaction elements. All transactions may include additional payments or conditions.
## Deal Analysis - Recent Transactions

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<tr>
<td>Rio Tinto</td>
<td>Bengalla</td>
<td>New Hope Group</td>
<td>Australia</td>
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<td>US$606m</td>
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<td>Rio Tinto</td>
<td>Mount Pleasant</td>
<td>MACHEnergy</td>
<td>Malaysia</td>
<td>Family Conglomerate</td>
<td>US$224m</td>
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<td>Hunter Valley Ops</td>
<td>Yancoal</td>
<td>China</td>
<td>State Owned</td>
<td>$3,200m</td>
<td>Financiers</td>
<td>Tier 1 Miner</td>
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<td>South32</td>
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</thead>
<tbody>
<tr>
<td>Ernest Henry (Gold+)</td>
<td>GLENCORE</td>
<td>Evolution Mining</td>
<td>Australia</td>
<td>Tier 1 Miner</td>
<td>$880m</td>
<td>Tier 1 Miner</td>
<td>Tier 1 Miner</td>
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<td>Pajingo (Gold)</td>
<td>Evolution Mining</td>
<td>MINJAR GOLD</td>
<td>China</td>
<td>State Owned</td>
<td>$52m</td>
<td>山东天业集团</td>
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<tr>
<td>Mt Gordon (Copper)</td>
<td>Mt Gordon</td>
<td>EMR Capital</td>
<td>Australia</td>
<td>PRIVATE EQUITY</td>
<td>$55m</td>
<td>EMR Capital</td>
<td>Experienced Mining Executives</td>
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<td>Cloncurry Project</td>
<td>ALTOHA</td>
<td>STHOUSE MINERAS</td>
<td>China</td>
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<td>Mungana Gold Mines</td>
<td>Mungana Gold Mines</td>
<td>SRIG</td>
<td>USA</td>
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<td>US$130</td>
<td>DENHAM CAPITAL</td>
<td>Experienced Mining Executives</td>
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<td>Skardon River Bauxite</td>
<td>Gulf Alumina</td>
<td>Metro Mining</td>
<td>Australia</td>
<td>PRIVATE EQUITY</td>
<td>$40m</td>
<td>GREENSTONE RESOURCES</td>
<td>Experienced Mining Executives</td>
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<td>Western Surat Gas Project</td>
<td>Senex Energy Limited</td>
<td>EIG</td>
<td>USA</td>
<td>PRIVATE EQUITY</td>
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<td>Golden Grove</td>
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<td>EMR Capital</td>
<td>Australia</td>
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<td>$290m</td>
<td>EMR Capital</td>
<td>Experienced Mining Executives</td>
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</tbody>
</table>
Understanding the Investment Cycle

- Crash: Company liquidations, declining exploration
- Boom: Mergers, cash takeovers
- Sell: New floats (small companies), rising exploration
- Buy: People leave big companies (top $ small companies short careers), paper takeovers
- Look: New floats (big companies), cautious buyer
- Aggressive seller

Source: The Lion Selection Clock
**More complex analysis**

- Aggressive selling
- Initial shock — share prices underperform market
- Rent seeking (governments and other stakeholders)
- PEAK
- Projects are shelved
- Capex peaks
- Declining exploration
- New flotations — large
- Cost cutting
- Paper takeovers
- Production up — bulks
- Trend towards large M&A deals
- Production down — others
- Debt rises
- Company liquidations
- Large developments commissioned
- Asset sales
- New flotations — small
- Dividends cut
- Rising exploration
- Asset write-downs
- Rising junior equity raises
- Metal prices stabilise
- Rising capex
- Recap of industry
- Sector begins to outperform market
- Cash takeovers
- Cautious buying
- M&A
- Debt falls
- Projects begin to progress
- Governments cut tax
- Credit ratings improve
My simple explanation

Happy fish

Big fish eats little fish

Big fish cut into portions

Strategic players enter
Macro inputs impacting investment

Key macro drivers
- Japan & Taiwan
- Paris agreement, Finkel Report, Political moratoriums
- Social, political and capital market influences
- Global (and domestic) energy security & supply and demand
- Commodity prices and AUD FX influences
- Balance sheet repair

“Gas crisis”
✓ Opportunities presenting amongst the chaos

Why is Private Equity here?
✓ Attracted to restricted capital markets
✓ Great resource and reserve endowment
✓ Strategic infrastructure and export facilities
✓ Proximity to Asian markets and customers

Not perfect, but recognised strengths
✓ 2016-17 Fraser institute gives some positive feedback
Attracting the new money
Structures & Strategies
What do new investors want?

Structures & Strategies

- Proven & investable management teams
- Q1 or Q2 quartile quality assets
- Clean investment structures
- Investment full clarity
- ASX shells for backdoor listings

The five essential pillars
Are you investment ready?

Targeting the right audience?

Being investment ready

✓ How will Strategic Investors make a return and by when?
  ▪ Not just 2P and 2C information
  ▪ More than NPV & IRR, but also how parties can monetise investment, etc

✓ Clear approval pathway or strategy?

✓ Dataroom readily accessible?

✓ Any 3rd party studies?

Targeting and connecting with the right audience

✓ Once refined, efforts can be targeted with significant time and cost savings

✓ Avoid significant ‘fatal flaws’ from the outset.
Investors need you to understand YOUR investment mandate?

Scope what an ideal investment outcome looks like

- **Capital amount** to be raised?
- **Form of capital** (can it be debt or anything other than straight cash equity)?
- **Timing** requirements?
- **What are you selling** for the investment (Board seats, control, offtake, security)?
- **Organisation, Stakeholder and Shareholder ‘fit’** (SOE vs PE vs others)?

Investor or investment fatal flaw

- What will you **NOT** accept?
Government Initiatives and other Investor Tips
Bringing gas to market: Collaborative initiatives with the Emerging Gas Companies

Minister Anthony Lynham pro-actively meets with multiple CEO’s to explore ways of bringing ‘additional’ gas to the market. Multiple meetings held during 2017.
Queensland Government

- **New Exploration Area Releases tenders**
  - Coal, Mineral & Gas
- **Supporting explorers**
  - Reduced expenditure commitments concessions during the tough period in industry
- **Supporting those requiring approvals**
  - Dedicated case managers & one-stop shop
  - Coordinator General has specific statutory powers and functions to support major projects from concept through to completion.
- **Dedicated ‘Resource Investment Commissioner’**
  - To promote, connect and secure investment

Federal Government

- **$5B North Australia Infrastructure Facility**
Resource Match-Making

Coal, Minerals, Oil and Gas Assets, Mining Services & Management Teams

Significant ‘deal book’ under construction from:

- Companies seeking investment or divestment – Global and Juniors
- M&A banks, legal and corporate advisors
- METS Queensland companies
- All commodities included

Significant ‘investor bank’ under construction

- With advanced screening and refined classification
- All investment forms captured
Information at your fingertips

Resources Queensland App

- For mobile devices
- Significant amounts of Project and Investment information

Download the app at:

- App Store
- Google Play
Thank you