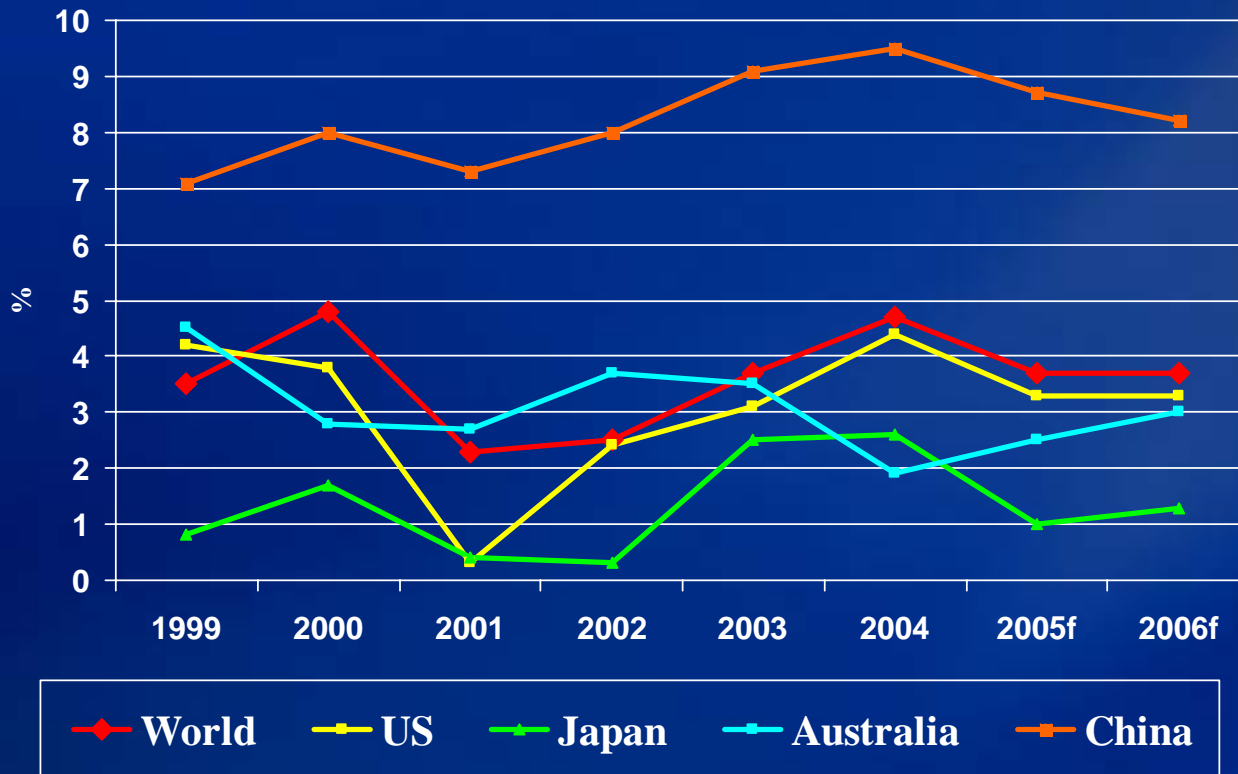




# Opportunities in Australia for Chinese Resource and Energy Companies

Paul Glasson  
September 2005

# World economic growth outlook



World economic growth is assumed to ease.

Risks remain in the outlook for global economic performance.

World growth is more dependant on economic developments in US and China.

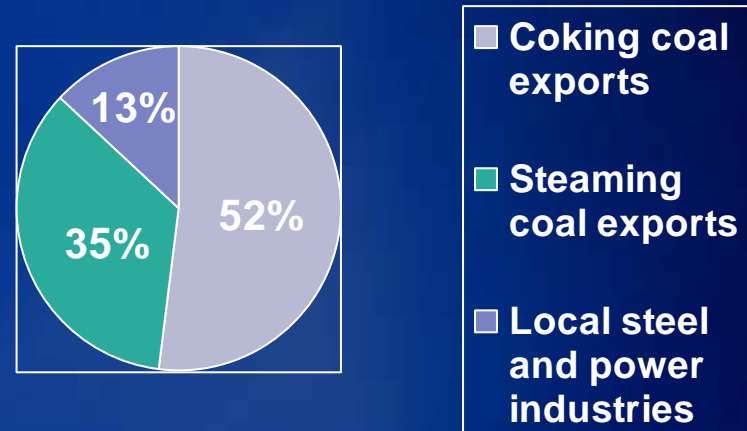
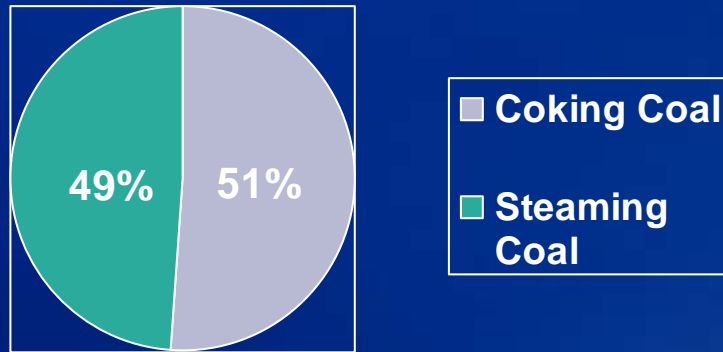
Economic performance in Australia assumed to strengthen.

# Australia's Energy and Minerals sector

- **Minerals and energy commodities – Key indicators:**
  - Value of Australian exports forecast to rise by 23% to a record \$84.8 billion in 2005-06. (Largely due to significant gains in volumes and prices for coal and iron ore).
  - Value of Australian mine production forecast to rise by 23% to a record \$81.4 billion in 2005-06.
  - New capital expenditure estimated at \$10.0 billion for 2004-05 (8.5% increase).
  - Estimated exploration expenditure of \$2.1 billion for 2004-05 (22.8% increase).

# Australian Coal sector

- **Market segmentation**



- **Major industry players**

- BHP Billiton 21.64%
- Xstrata Coal Investments Australia 20.19%
- Rio Tinto Plc – Rio Tinto Ltd 16.11%
- Anglo Coal Holdings Australia Ltd 9.00%

# Metallurgical (Coking) coal

- The positive outlook for coking coal has encouraged significant new additions to production capacity. (Majority of new capacity to be located in Australia and Canada).
- Australian exports are forecast to **rise** by 7.5Mt to **122.9Mt** in 2005, **increasing** to **132.6MT** in 2006.
- Australia is forecast to account for 58% of world seaborne coking coal trade by 2006.
- Higher output to come from new operations ramping up and the expected commissioning of new projects.

# Metallurgical (Coking) coal

- **Significant expansion of Australian coal port capacity is underway to meet planned increases in mine output.**
  - Gladstone port expansion from 45Mt to 59Mt per year by 2006.
  - Upgrade of Blackwater and Goonyella rail systems to support increased coal exports through Gladstone.
  - Hay Point coal terminal (BHP Billiton Mitsui Alliance) increasing to 40Mt by mid-2006 after 6Mt expansion.
  - Dalrymple Bay coal terminal to increase by 5.5Mt to 60Mt a year in early 2006.

# Thermal coal

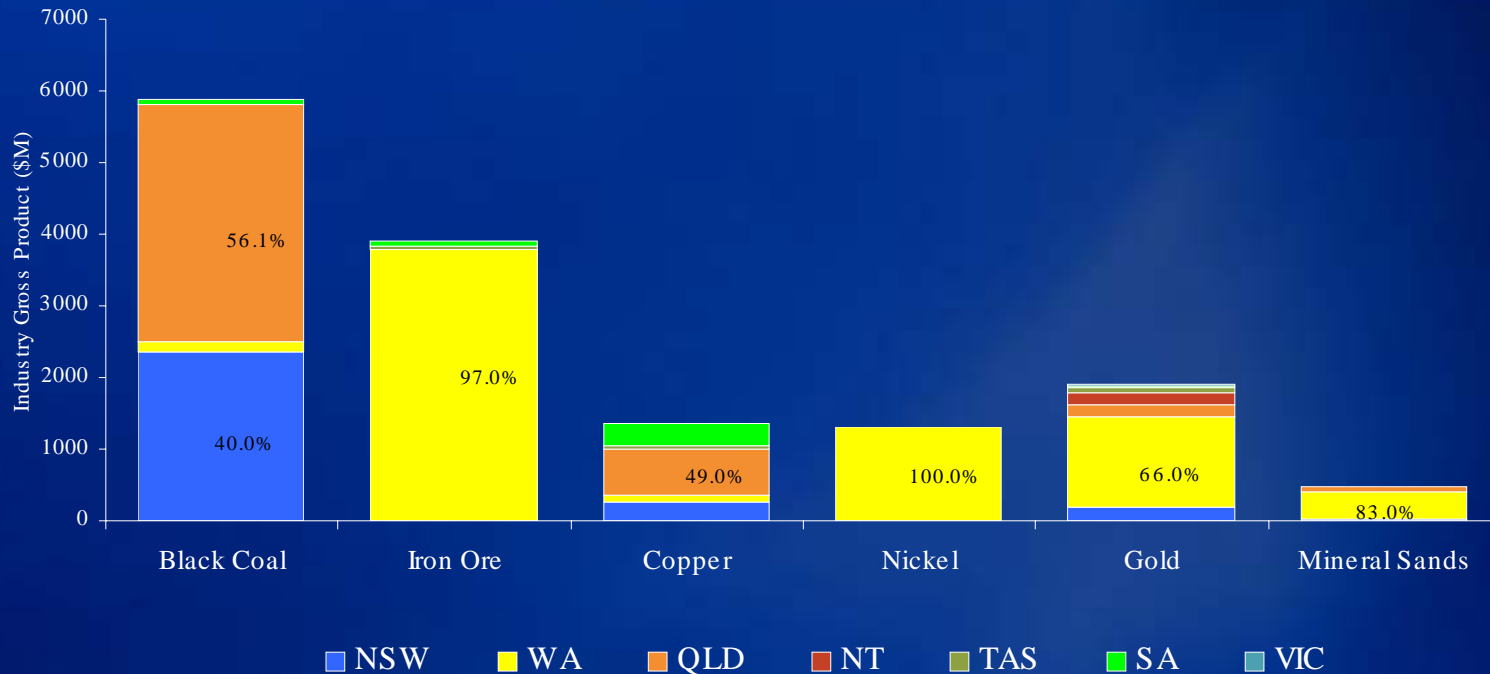
- **Global thermal coal spot prices are forecast to fall in the near term due to increases in world supply and low growth in global demand. (Increased demand in China offset by reduced demand in Europe).**
- **In Australia, planned investments to improve port and rail infrastructure are expected to afford thermal coal producers the opportunity to increase exports.**
- **Australian thermal coal exports:**
  - Estimated **rise** of **47%** to \$6.5 billion in 2004-05;
  - **Further increase** of **16%** to \$7.5 billion forecast for 2005-06 (4.5% increase in export volumes to 112Mt).
- **Plan to increase the entire Hunter Valley coal chain to 102Mt per year by the end of 2007 (port capacity of 89Mt in 2004).**

# Issues and trends

Issue	Trend
State of the Australian coal market	<ul style="list-style-type: none"><li>● The production and export of both steaming and coking coal is expected to expand strongly.</li><li>● In the coming years, new mines will open, the efficiency of existing mines will be improved and mine expansions implemented.</li></ul>
Demand determinants	<ul style="list-style-type: none"><li>● Demand for coking coal is growing strongly, driven by China's infrastructure boom and consequent increase in steel production</li><li>● Demand for steaming coal is expected to rise, reflecting continued growth in the demand for electricity and the resulting expansion of coal fired power stations.</li><li>● High oil and gas prices are contributing to the growth in demand for coking coal.</li></ul>
International markets	<ul style="list-style-type: none"><li>● Coal prices projected to fall as global supply expands in response to recent high prices.</li><li>● The black coal market will be subject to increasing pressure from environmental movements due to concerns about its contribution to global warming.</li></ul>



# Coal and other resources – Geographic spread



Queensland:

Black Coal and Copper

Western Australia:

Iron ore, Nickel, Gold and Mineral Sands

New South Wales:

Black Coal

Victoria:

Brown Coal

# Australian investment opportunities

- **Attractive investment opportunities exist for Chinese companies into Australia in both Coal and other resources (iron ore, copper, nickel etc.)**
  - Purchase of assets.
  - Joint Venture opportunities.
  - Secure supply of raw materials.
  - Takeover opportunities.
  - Public listings.

# Key New Coal Projects in NSW

- Abel
- Anvil Hill
- Belmont
- Boggabri & East Boggabri
- Glennies Creek O/C
- Moolarben
- Mt Pleasant
- Saddlers Creek
- Wilpinjong

# New Coal Mine developments in NSW

- **Mt Arthur North**
- **Dendrobium**
- **Ashton**
- **Beltana**
- **Mandalong**
- **Werris Creek**
- **Tasman**

# Major Expansions to Existing Coal Mines

- **Bulga**
- **Hunter Valley operations**
- **Dartbrook extension**
- **Mt Owen (including Glendell Project)**
- **Ravensworth West**
- **Wambo**
- **Warkworth**
- **Ulan**

# Coal Queensland

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- **Griffith**
- **Centenial**
- **Smaller Deposits in QLD Emerald**
  
- **Motaro**
- **Taroborah**

# Iron Ore Projects (example)

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- **Gindalbie – Mt Kirara**
- **Midwest – Koolanooka Iron Ore pellet**
- **Weld Range**
- **Fortescue Metals**
- **Grange Resources – Great Southern**

# Base metals projects at Feasibility Study stage

- Batchelor Magnesite/Gold Project
- Broken Hill Base Metal Project
- Browns Base Metal Project
- Cliffs Nickel Project
- Copernicus Nickel/Copper Project
- Cosmos South (Prospero) Nickel Project
- Flinders (Beltana) Base Metal Project
- Forrestania Nickel Project
- Greenmount Copper Project
- Gullewa Gold/Copper Project
- Jaguar Copper/Zinc/Lead/Silver Project
- Kalgoorlie Nickel Project
- Kambalda West Nickel Project
- Kempfield Silver/Barite Project
- Lady Annie Copper Project
- McCabe Copper Project
- Mt Kelly Copper/Gold Project
- Mt Sholl Nickel/Copper Project
- Pillara Lead/Zinc Operation
- Potosi Zinc/Lead Project
- Prominent Hill Copper/Gold Project
- Roseby Copper/Gold Project
- Sherlock Bay Nickel Project
- Sulphur Springs Copper/Zinc Project
- Syerston Nickel Laterite Project
- Vulcan Copper Project
- White Range Copper/Uranium Project
- Whundo Copper Project



# KPMG's Australian mining experience

- Chinese companies will benefit from the KPMG Mining Group's outstanding industry practice in Australia, which has worked with many international and leading Australian mining companies.
- Services are provided to clients on a global basis through industry professionals who have an in depth understanding of the mining sector and comprise a diverse range of disciplines including regulatory, financial advisory, tax and risk.
- KPMG has played a key role in the coal, energy and other resources sectors and has a close understanding of many of the assets and the development of the mining industry in Australia.
- A selection of key clients have included BHP Billiton, Rio Tinto, Mitsui (coal), Itochu (coal), MIM (now owned by Xstrata) and WMC.
- Services to the mining industry are further enhanced by KPMG's Mining Centre of Excellence – a hub of professionals who provide regular thought leadership on the industry, opportunities and issues, and work with many clients in the sector.

# KPMG – Australian China Business Practice

- **KPMG has established a China Business Practice to:**
  - support Chinese companies investing in Australia; and
  - assist Australian companies invest in, market to or supply in China.
- **The China Business Practice comprises Australian-based Partners, the Hon. Richard Court, former Premier of Western Australia, Australian based Partners in Hong Kong and contact Partners in KPMG’s Hong Kong and China practices.**
- **KPMG has a long term commitment to China, dating back to the foundation of the Hong Kong practice in 1945. KPMG now has offices in Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong and Macau, with over 4,000 professionals.**
- **KPMG has assisted Chinese companies in multi-billion dollar investments into Australia as well as supporting Chinese companies operating in Australia.**



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