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HD Mining sector update: March 2014

AU John Kelly

BY John Kelly

WC 2427 words

PD 12 March 2014

SN Mondaq Business Briefing

SC BBPUB

LA English

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LP Introduction

Australian Mining Sector UpdateWelcome to the March 2014 edition of the , a monthly publication prepared by Corrs Chambers Westgarth for clients and contacts who are interested in the Australian mining industry.

TD This publication brings together a brief summary of information on recently completed deals, market rumours, potential opportunities and relevant regulatory updates.

Recently completed deals

Cockatoo CoalBlackwood CorporationOn 13 February 2014, ASX-listed announced that it has acquired a 90.02% interest in coal exploration company and will soon be exercising its right to compulsorily acquire the remaining shares. Andrew Lawson, Managing Director of Cockatoo Coal, said that he was pleased that the takeover had been completed in an effective and efficient manner. He also said that he believes the combined company is "well positioned to continue the expansion of [the] current Baralaba mine on time and on budget".

Wealth MiningCarabella ResourcesFurther to our reporting in the January/February 2014 edition of the Australian Mining Sector Update, China's Wealth Mining's off-market takeover offer for all of the ordinary shares in coal exploration company Carabella Resources closed on 5 February 2014 with Wealth Mining acquiring more than 90% of Carabella shares. announced on 7 February 2014 that it would exercise its right to compulsorily acquire the remaining shares on the same terms as under the takeover offer. Following the compulsory acquisition, the securities of were suspended from quotation at close of trading on 14 February 2014.

Market rumours and opportunities

Capital, Cheung Kong Infrastructure, Government of Singapore Investment Corp, Brookfield Infrastructure PartnersGIPFurther to our story in the January/February 2014 edition of the Australian Mining Sector Update, the New South Wales government reportedly invited shortlisted bidders into Port of Newcastle's data room on 10 February 2014. The number of bidders is unclear, though previous reports have mentioned Access Capital, QIC Ltd, Hastings Funds Management, AMP and as possible players. On 18 February 2014, The Australian Financial Review reported that some bidders are believed to be seeking additional funding and may be speaking to lenders and potential equity funders. The port could reportedly sell for up to A\$1.035 billion.

Glencore's Collinsville coal mineProduction at recommenced in the last week of January after a fourmonth closure. Speaking to International Longwall News, a Glencore spokesman reportedly said that Glencore had already commenced an initial start-up workforce of around 20 people and plans to return to full production by the end of 2014. Four hundred workers reportedly lost their jobs as a result of the closure, though the company has emphasised that some ex-workers have been rehired. The Construction, Forestry, Mining and Energy Union has reportedly threatened to take legal action against Glencore for what it says is an attempt to deunionise the Collinsville town and re-employ miners on less attractive conditions.

Roy HillMarubeniMizuho, Sumitomo MitsuiMitsubishi UFJNational Australia BankBNP ParibasFurther to our reporting in the January/February 2014 edition of the Australian Mining Sector Update, The Australian Financial Review has reported that the iron ore project could finalise its debt funding by the end of February. , one of Roy Hill's joint venture partners, has reportedly stated that three major Japanese lenders are involved in financing the project, reportedly claiming that and would take part in a financing deal headed by and . Roy Hill spokesperson Darryl Hockey reportedly said that there has been agreement on key terms of the financial deal but that more work is required before the debt package is finalised.

Atlas IronPort HedlandASX-listed is making progress in securing a rail agreement for its Pilbara operations, according to a Mining News report. Atlas' operation currently runs a trucking model but Managing Director Ken Brinsden has reportedly admitted that the company's expanding operations mean that a rail model will be necessary some time in the near future. Mr Brinsden did not commit to a timeline, but reportedly indicated that a rail agreement is imminent. Atlas also has rights to 46Mtpa of inner harbour capacity at port, a position which Mr Brinsden reportedly believes will ultimately unlock the potential in Atlas' resource base through the connection to rail.

Mitsue & CoNippon Steel & Sumitomo Metal CorporationWest Angelas iron ore mineBrockman 2Brockman 4, YandicooginaParaburdooMining News reported on 14 February 2014 that Rio Tinto and its joint venture partners, and , have approved a A\$670.5 million expansion at the in Western Australia. The expansion will involve development of West Angelas' Deposit B area, enabling an increase in production for the broader project from 29Mtpa to 35Mtpa. According to the report, this expansion is part of a production ramp-up plan announced by Rio Tinto last November that aims to lift the company's iron ore output in Western Australia to 360Mtpa. Additional iron ore tonnes are reportedly expected to come from multiple mines including , and .

Tiaro CoalClyde Park Coal ProjectGuildford CoalNew HopeFox ResourcesOn 14 February 2014, ASX-listed 's managing director Dan Buckley reportedly announced that the company is looking for joint venture partners to invest up to A\$10 million to explore two of Tiaro's exploration permits in the Maryborough Basin. Tiaro has also reportedly announced that it is seeking to divest its 29.2% indirect interest in the , the remainder of which is owned by ASX-listed . Mergermarket has reported that it is difficult to determine potential partners as Tiaro's tenements are at a very early stage, but companies with operations in the region include ASX-listed companies and .

Centrex MetalsASX-listed iron ore explorer is actively seeking joint venture partnerships with privately held miners, according to a Mergermarket report. CEO Ben Hammond has reportedly said that Centrex is seeking to invest in low-cost, early-stage assets held by private miners in Australia, after an extensive review of publicly held junior miners failed to yield a suitable partner. The company's strategy is reportedly to farm in to pre- JORC zinc, copper or gold projects that require minimal expenditure and can be developed relatively quickly, while Centrex progresses its current iron ore projects to production.

Reportedly Centrex currently has A\$28.5 million in uncommitted cash. It has not retained advisors but would reportedly welcome approaches from those that know of suitable partners.

Gladstone Port Australian Super, IFM Investors, CPPIA Abu Dhabi Investment Authority The Queensland Government could split the A\$3 billion and sell it in separate portions, according to a report by the Australian Financial Review on 25 February 2014. The report cited sources who have reportedly said that the split would be the optimum sale strategy as it would allow the coal terminal to be sold to a strategic suitor, while the non-operational portions could be sold to passive investors such as and the . However, the report also noted that the split would significantly lengthen the sale process. JP Morgan has reportedly been running a scoping study on possible Queensland Government asset sales and is reportedly expected to have released the results to the Government in February.

Regulatory updates

ENVIRONMENTAL OFFSETS BILL 2014 (QLD)

Queensland Minister for Environment and Heritage Protection, Andrew Powell, introduced the Environment Offsets Bill 2014 into Parliament on 13 February 2014. The main purpose of the Bill is to coordinate Queensland's environmental offsets framework in place of the five current offset policies in place, and also includes consequential amendments to existing legislation to align the environmental offset provisions in each Act. Some proposed reforms include:

mandating only one offset for the same matter for the one activity at the Commonwealth, State and local government levels;

Commonwealth accreditation of the State government environmental offsets process, potentially enabling the State to carry out assessment on behalf of both levels of government; and

the introduction of a financial settlement offset, allowing proponents to pay a calculated sum of money into an Offsets Account post-approval. This removes the proponent's obligation of delivering, managing and monitoring an environmental offset over time, while the funds are invested in the provision of on-ground offsets.

The Bill was referred to Committee on 13 February 2014 and is available here.

Other news

MINING M&A SET TO RISE IN 2014: ERNST AND YOUNG

According to a new M&A and capital raising report by Ernst and Young (EY), there is rising momentum in the mining sector moving into 2014. There were 178 M&A deals in Australia last year with a total value of US\$5.5 billion, representing a decrease in value by 65% compared with 2012. However, EY Australia and Asia-Pacific mining and metals leader Paul Murphy has said that stronger balance sheets, a better economic outlook and improved productivity should provide a better dealmaking environment this year. The EY report also said that financial investors from China and Japan were expected to be key drivers of M&A. Mr Murphy said that a greater share of new funds would be directed to the junior end of the market, but that only the best projects would attract funding.

AUSTRALIA-KOREA FTA CLOSE TO BEING SIGNED

Mergermarket has reported that, in December 2013, negotiations concluded for a free-trade agreement between Australia and South Korea (KAFTA). On 17 February 2014, the Federal Minister for Trade and Investment, Andrew Robb, publicly released the full text of the KAFTA. Mr Robb has said that 84% of Australia's exports to Korea will enter duty free initially, and 99.8% of Australia's exports will be tariff free after full implementation. According to Mr Robb, the KAFTA delivers strong outcomes for our resources, energy and manufacturing sectors and will facilitate more direct investment from Korea.

The Australian and Korean governments are expected to sign the KAFTA shortly, which will enter into force when both parties complete their respective domestic legal and parliamentary processes. The full text of the KAFTA is available here.

COLA PRODUCERS GRANTED INTERIM AUTHORISATION FOR COLLECTIVE NEGOTIATIONS

RG Tanna Coal Export Terminal Producers Anglo American, BHP Billiton Mitsubishi Alliance, Cockatoo Coal, Glencore Coal Investments, Idemitsu Australia Resources, Jellinbah Resources, Rio Tinto, Sojitz, Wesfarmers Resources Yancoal Australia The ACCC has granted interim authorisation for to collectively negotiate with Gladstone Ports Corporation (GPC) in relation to the terms and conditions of new coal handling and port services agreements at Gladstone Port in Queensland. The companies involved are and . Interim authorisation allows the applicants to immediately commence collective negotiations while the ACCC assesses the application for authorisation, which ACCC Commissioner Dr Jill Walker says is beneficial to prevent unnecessary delays in putting in place appropriate arrangements in respect of terminal and channel infrastructure. The granting of interim authorisation does not bind the ACCC in its consideration of the substantive application for authorisation.

INVESTMENT OPPORTUNITIES FOR DAMPIER PORT

Dampier Port On 5 February 2014, Western Australia Treasurer and Transport Minister, Troy Buswell, announced that the Western Australian government has given the green light to a private-public partnership between the Dampier Port Authority (DPA) and a successful bidder to boost the capacity of . According to Mr Buswell, the port is one of the world's largest bulk exporting ports and is vital to the State's iron ore sector, but the port's high level of growth at about 5% per year is putting pressure on infrastructure. DPA carried out a market-sounding process in 2012 which identified sufficient commercial interest for the Dampier Marine Services Facilities.

Mr Buswell said DPA will open an expression of interest in the coming months for the project.

APPROVAL OF DREDGE MATERIAL DISPOSAL WITHIN GREAT BARRIER REEF MARINE PARK

North Queensland Bulk Ports Abbot Point coal terminal On 31 January 2014, the Australian Government Great Barrier Reef Marine Park Authority (GBRMPA) announced that it has approved an application from (NQBP) to dispose of dredge material within the Great Barrier Reef Marine Park subject to strict environmental conditions that reflect the latest scientific and best industry management standards. This follows the approval by Federal Environment Minister Greg Hunt allowing NQBP to expand its . GBRMPA Chairman Dr Russell Reichelt has acknowledged the amount of debate surrounding the decision and noted that Abbot Point is better placed than other ports along the Great Barrier Reef coastline to undertake expansion as the capital and maintenance dredging required will be significantly less than what would be required in other areas.

CANCELLATION OF EXPLORATION LICENCES IN NEW SOUTH WALES

Doyle's Creek Mt Penny Glendon Brook NuCoal Resources Cascade Coal Further to our report in the January/February 2014 edition of the Australian Mining Sector update, the New South Wales Parliament passed the Mining Amendment (ICAC Operations Jasper and Acacia) Bill 2014 in an extraordinary sitting on 30 January 2014. The Act cancelled the exploration licences for , and , which were held by and . The cancellations were a result of recommendations by the Independent Commission Against Corruption (ICAC). While no compensation was paid to the companies, the New South Wales government will be refunding A\$2.6 million in fees including licence application fees and annual rents. Any future issue of licences for the affected areas will be consistent with the ICAC's

recommendations on probity. NuCoal announced on 19 February 2014 that it is considering all avenues available to it, including judicial review of the ICAC's findings, a constitutional challenge to the special legislation and international action under the US-Australia Free Trade Agreement.

PROTESTORS AT MAULES CREEK COAL MINE

Whitehaven Coal Maules Creek Idemitsu Boggabri coal mine continues to face protestors at its coal mine since activists set up camp in the Leard State Forest more than 540 days ago. The main blockade began in mid-January this year, with more than 100 protestors converging on the area on 28 January 2014 and holding up mine construction for the day. In the first week of February the Narrabri Shire Council ordered that the group be evicted from the area and the protest camp has since moved 10km away to a private property in Maules Creek. Activists also stopped work at 's for a day on 17 February 2014, the expansion of which requires the clearing of sections of the Leard State Forest.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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Mr John Kelly

Corrs Chambers Westgarth

Level 35 Waterfront Place

1 Eagle St

Brisbane

QLD

4000

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