Adani Carmichael Coal Mine
ILUA assessment

Coal mine in rural area

December 2017

Economics Consulting Services

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Over 150 native title negotiations in all Australian mainland States

Negotiations cover 2004 to 2017

The first 100 projects

Project	Project	Project
Rio Tinto – 7	Wedgetail gold	Gellard phosphate
BHP Billiton 4	Murchison Metals iron	Mugarinya gold
FMG – 3 claims	Ngarluma iron	FMG Glacier Valley
Hancock – 4 claims	Integra Mining iron	Mugarinya rail
Aquila/API – 3	Saracen gold	Jabiru copper
Iluka Mildura	Atlas Abydos iron	Giralia iron ore
Mount Gibson Iron	Balfour Downs iron	NW railway, port
Jack Hills iron	Telfer pipeline	Brockman iron
Balfour Downs	Aurox iron	Hazelwood tungsten
Wilga coal	Yalgoo SKA project	CBH Sulphur
Phanerozoic nickel	Ellendale diamonds	Iluka mineral sands
Phil's Creek iron	Wiluna West iron	Hancock iron
Brockman	Ravensthorpe tantalum	Latji Latji regional
Radio Telescope	Noongar single claim	Alpha coal
Olympic Dam	Jack Hills iron	Challenger gold
Ravensthorpe	Atlas Pardoo iron	Havilah gold
Vital Metals	Atlas Snake Well gold	IOH iron
Prominent Hill	Robertson Range iron	Kimberley iron
Spinifex Ridge	Cairn Hill iron ore	Sandfire copper
Beta Nutrition	Wilcherry Hill	Fairstar iron
Dongara sands	Arrium iron	Windimurra
Sirius nickel	Karara magnetite	OPR rail and port
Perilya Zinc	Oakajee Port /Rail	Moly Metals iron
Yannarie	Straits Torrens copper	Silver Lake gold
Baldivis Quarry	Red Hill iron	Weld Range iron
Kintyre uranium	Griffin coal	NQLC gold
Telfer gold	Flinders iron	Toro uranium
Magellan lead	Onslow marble	Montezuma
Audax vanadium	Banjima iron	Karlawinda gold

Carmichael Mine – rail - port

- Up to 60 million tonnes a year over 60 years
- 6 open cut pits, 5 underground mines
- 380km to new port at Abbot Point
- Railway capacity starts at 40 million tonnes a year
- Estimated full project cost $21.7 billion
- Raising the capital has been difficult

Financial Analysis

- The financial analysis in this presentation is based on:
- Acil Allen study of January 2015
  - Supported Land and Environment Court case – Phase 1 only
- Acil Allen comment 2017 – larger project lacks detailed cost information

Acil Allen evaluation Phase 1 January 2015

- Coal – 30mt a year for 30 years
- Financial averages per year over 34 years
  - Price - $86/t
  - Revenue - $2,574m
  - Capex $242m ($8.24 billion total)
  - Operating costs $419m
  - Net - $1,913m after royalties before Tax
- 30% Internal rate of return
- Phase 1 appears to be a very profitable project

Phase 2

- **Phase 2 is a much larger project than phase 1**
- **But Acil Allen stated in 2017**
- ***...that there does not appear to be sufficient detailed costs that allow a proper evaluation of the 60mt a year project***

- **This presentation assumes Phase 1 only –30 years at 30 mt a year**

ILUA Cash Benefits

1. ILUA signed – $550,000
2. ILUA registered - $750,000
3. Surrender of Native Title – up to $398,750
4. First coal - $400,000
5. Annual coal payment -$510,000

6. Value – 30 years – up to $17.4 million

ILUA Jobs

Job-readiness training - $1.0 million
W&J Training coordinator - $1.0 million
(first 10 years)
50 jobs (optimistic) over 30 years – up to $112.5m

Total value - up to $114.5 million

ILUA Business & Contracts

Initial contract value

- **Bus Service – 50 jobs**
- **Cultural heritage and walkers – 30 casual**
- **Environment and land – 20 casual**

Value of Environmental Management Contract not included as jobs counted

Estimated value –up to $21.75m

ILUA Benefits – 30 years

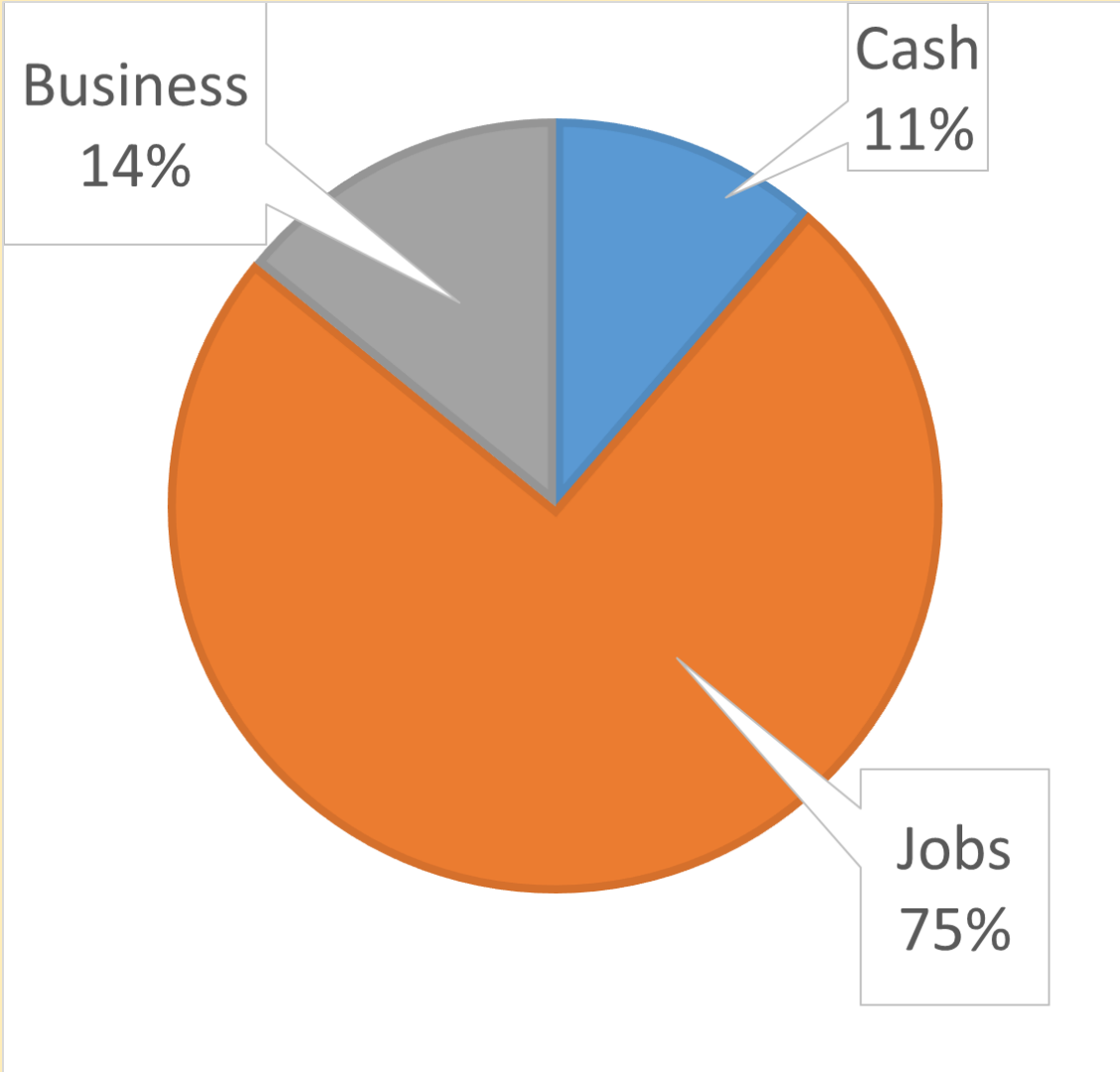
1. Cash –up to $17.4 million
2. Jobs – up to $114.5 million
3. Business – up to $21.75 million
4. Total value - up to $154 million

5. Gross 30 year revenue (Acil) - $77,400m
6. W&J share – 0.2%

ILUA Benchmarks

1. W&J share – 0.2%
2. Industry benchmarks – 0.35% to 0.75% - mid point 0.5%
3. Queensland more like 0.35%
4. 0.35% would be a package of $270 million 1.75 times the ILUA package

Benefits



This is not a well balanced package.

75% of the benefits are delivered as jobs – if these do not materialise, the benefits will be dramatically lower

Evaluation

1. This is a comprehensive package of benefits with cash payments, jobs and business opportunities
2. The total value is heavily dependant on the jobs and contracts components
3. Jobs and contract targets have not been delivered in most jurisdictions and agreements
4. Given the outlook for coal – mining is unlikely to exceed 30 years
5. The total value if it lasts 30 years is still well below industry benchmark standards
6. The benefits will be larger if the project runs for 60 years but the W&J share of the project revenue will not increase
7. 60 years is very unlikely