

TRANSCRIPTION

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Geoff Plummer: Morning. Geoff Plummer from OneSteel here. I'd like to talk about an announcement today. Perhaps if I can start off with two comments. The first is that I do understand that today's not a great day in terms of work and other things for us to be making these announcements, but I guess what I do is ask for your understanding that sometimes the timing of these events is outside our [control]. So I recognise that from a time perspective it's challenging and not ideal for if not all of you, certainly most of you, but ask you to understand that often the control of timing's not in our hands.

So the second one would be to say that I'm happy to take questions today, but that what we'd be looking to do is schedule a fuller briefing [once we've] concluded the transaction. So hopefully we'll be concluding a transaction the first week of October and that sometime shortly after that we'd be looking to arrange a more detailed briefing based on the fact that we'd then be able to have some time in the business but a full and complete access of all aspects, so I think people would also understand that.

So with those two comments, happy to go to questions, but I guess most people would understand the key aspects out of this - we have been working for some time on building on the strength of Project Magnet which I think people understand and Project Magnet Phase 2 which is aimed at getting it to the 6 million tons.

There's two inter-related aspects of the announcement today; the first is the investment to increase the capacity of the port at Whyalla. We have to finalise the detail around the scope that we'd expect that something [inaudible] \$200 million investment would take us to about 12 million tons of capacity depending on the final scope of [unclear].

The second part of the announcement was that agreement has been reached with WPG for us to buy all of the iron ore assets of that business. They have a range of assets in terms of exploration leases but also in particular had been focused on developing a project at Peculiar Knob [unclear] progressed in terms of operationalising that and bringing that mine into production.

Our objective with these two is to be able to continue on the development of that mine which includes a port, with an aim for us to be able to lift the rate at which we can ship and start shipping using the additional capacity from the last quarter of next calendar year.

A couple of aspects in terms of bringing all this together. We need to just simultaneously bring on the reserves. We're pleased about being able to do that to underpin the size and nature of this investment to support the opportunities we save at our own mining operations and leases, particularly employees that the nature of the ore particularly is a high quality of the ore, allows us to underpin that investment in the ability to get ore to the market in an accelerated timeframe given the strong market that our views of the market will continue [inaudible] period of time still.

And what it does is allow us at the end of the day to make that significant next step in terms of the iron ore business consistent with our stated strategy in terms of being able to continue to invest in the resources based areas in terms of either iron ore or mining consumables.

I probably won't go on too much on that because (a) I know you're all pretty busy but also there's a lot of stuff that was covered last week. So I'm happy just to go to questions from that point on.

Emily Behncke: (Deutsche Bank, Analyst) Hello?

Geoff Plummer: Yes?

Emily Behncke: (Deutsche Bank, Analyst) I just wondered if you could give us some clarity on a couple of things. Firstly, some of the onsite costs of the operation mining processing haulage rail et cetera and if there's any exploration upside?

Geoff Plummer: That's one of the - let me answer that two ways - that's one of the things that we'd be looking to give a fuller briefing on when we take control, but Emily if you have a look at the WPG website, they've outlaid some information where they were quite

explicit about what they saw would be the operating costs based on how they were planning to do it.

Our view at this stage would be not materially different to that, so it's sort of --

Emily Behncke: (Deutsche Bank, Analyst) 75 a tonne or so I think it says on the website.

Geoff Plummer: Mid-70s.

Emily Behncke: (Deutsche Bank, Analyst) Yes and so there's no difference in terms of them going - in terms of going through Whyalla versus Port Pirie?

Geoff Plummer: Let us complete the work, but in terms at a macro level that would be about right. I guess I'd make the comment that on one hand that's a relatively high cost, but on the other hand it's actually an ore that would be attracting a premium. So in terms of - if you looked at it in terms of marginal returns perspective, it certainly would be pretty comparable with the sorts of returns that we'd be expecting to get out of Whyalla for the sort of 58% type ores in particular.

Emily Behncke: (Deutsche Bank, Analyst) Okay great and so exploration that's --

Geoff Plummer: Exploration we'd certainly be continuing to look at. I guess the types for that one is the pure exploration that they've got from leases that they've certainly been saying are prospective. We need to do some work and continue to see that.

The other thing I think they were guessing in particular is that we've seen a reasonable amount of the data around Hawks Nest, so to - whether or not there are any opportunities to bring forward the Hawks Nest development.

Emily Behncke: (Deutsche Bank, Analyst) Great and maybe just finally in terms of your --

[Aside conversation]

Emily Behncke: (Deutsche Bank, Analyst) Yes, no that's fine and just in terms of your existing iron ore business, does this acquisition mean that maybe the upside in all of - in the current Whyalla business remains less certain or how should we look at this in terms of your strategy with iron ore?

Geoff Plummer: Well we'd look to go to that in a little bit more detail in the briefings post hopefully a successful shareholders vote of the WPG shareholders, but we're looking at a couple of things. One is this gives us, if you like, a critical map committed to the port development. I think that was the key. We'll now look at what are the other opportunities that come from that and there's I guess a couple of types of opportunities.

One is just what are the benefits that come from having some surplus capacity in the supply chain and underpinning our current operations and then the second one we're looking at is there more of the available capacity we can use through our current operations. That's part of what we're going to be - I guess we'd look to giving up those on the status of that work when we have the briefing in I guess two months or so.

Emily Behncke: (Deutsche Bank, Analyst) Okay thanks, that's all from me for now.

Andrew Moller: (UBS, Analyst) When you get control of this in October, assuming it all goes to plan, when would you actually be undertaking that \$50 million CapEx spend?

Geoff Plummer: That would basically be in line with the existing plan for WPG so the bulk of that would have been spent I would have thought by about Easter next year I mean give or take so the end of the third quarter of the financial year perhaps the beginning of the fourth quarter. But they're about to enter a significant phase or we're about to enter a significant phase now where really all the mine development work and investment in infrastructure in terms of camps, haul roads, utilities and so on is all about the start. So once that's underway you're also pretty extensively into starting the cutback on the [unclear].

Andrew Moller: (UBS, Analyst) Okay and was there any option to try and increase Whyalla to sort of more be in line with the expansion from WPG to 9 million tons or --

Geoff Plummer: One of the challenges with Whyalla and why this works was that this allows us to underpin the investment into port. I think we've been saying for some time we had some concerns about we're going to be pretty tight in the development in Whyalla for the next year or so and whilst we're working our way through that, it raised concerns about well when can we bring sufficient ore on site on stream and most people would have heard me talk about we're debating whether or not we make a more significant investment or a smaller investment in the port. In the scheme of what I was talking about I guess I'd describe this as a larger investment, but we needed to be confident about the availability of the ore, in the market window to make the most of that and underpin it. So this has given us the confidence to commit to the larger core investments.

Andrew Moller: (UBS, Analyst) Okay and I haven't had a chance to look too closely at WPG's shareholdings yet, the shareholder base. How much do the directors actually own?

Geoff Plummer: I think the second largest shareholder is the Executive Chairman so I think they've got a significant number of what were, for want of a better phrase,

foundation shareholders, but certainly the Executive Chairman he's either the second or third largest shareholder.

You never know how these things would go but I would expect that a recommendation by the directors of WPG would carry somewhat.

Andrew Moller: (UBS, Analyst) Okay, thanks.

Ben Wilson: (JP Morgan, Analyst) Just a bit more of high level question - previously the expansion of the loading facilities and handling facilities at Whyalla has always been on the cards, but you've been somewhat reluctant to commit to the CapEx. Am I correct in thinking you had a view internally of a forthcoming correct on iron ore prices? Are we to assume that this view has changed somewhat?

Geoff Plummer: No. I say that's actually categorically wrong Ben. It wasn't a concern about the iron ore prices and the outlook that's changed. What it was was about making sure that we got the scale of the investment correct and had the ores to underpin it, particularly I guess given the current pricing environment at the front end.

So the challenge was to do something whilst the market was positive. My view of the market hasn't changed. It's been trying to make sure that we can match the investment into port with an ability to mine and shift a reasonable load.

So the view of the iron ore outlook really hasn't changed or been a factor in driving it. It's been making sure that we get the size of the port investment at the right scale and match that to the availability in tons. And one of the things that's really attractive about the combination of these two things is that we're not just buying ore in the ground, but there's a project here that's well progressed so we have a reasonable degree of confidence that we can bring the ore to market in a reasonable timeframe.

Ben Wilson: (JP Morgan, Analyst) Sure thanks for that Geoff and one more - are you able to outline of the \$200 million CapEx you've identified to increase the loading capacity what specifically the scope of works is for that? Is it another shared loading?

Geoff Plummer: Most of the infrastructure - those of you who have been to Whyalla - it's going to be if not exactly the same in principle it'll be similar. So what we need to do is in terms of rail, what we'll be doing is bringing the ore instead of where WPG was going to take it to Port Pirie at Port Augusta it'll turn right rather than left. We bring it down standard gauge so we'll need to extend the standard gauge into the plant. We'll be

building storage sheds that are similar to what we have; so with that we'll have to put in tip pockets and so on.

I should say - those of you who have got some understanding of Whyalla - we're going to do this at what we call the North Port; so where we load out at the moment is the all products berth is a separate area. This is actually up closer to the [inaudible]. Sorry, I must have kept trying to talk over it. Thanks, whoever did that.

So it will be at the port that's closer to the steelworks, not the current ore berth. What we'll be doing is we'll have a shed there - tip pockets. We'll have to build a loader and related conveyors and so on to work there. We will have some sort of trans-shipping that will be similar, in principle, to what we've got in terms of loading [inaudible].

Ben Wilson: (JP Morgan, Analyst) So the intention is to, effectively, duplicate what you have there to handle the WPG?

Geoff Plummer: In principle, it's basically the sort of process we know that, in the main, will be duplicated in nature.

Ben Wilson: (JP Morgan, Analyst) Thanks, Geoff.

Geoff Plummer: That's one of the things that gives us some confidence about what we're doing and how quickly we can do it and what we'll achieve.

Unidentified Participant: I might [inaudible] a couple of questions if I may. Given this ore quality looks pretty high, is there a blending opportunity with your ore that perhaps might extend the range, or increase the tonnage because of that blending opportunity, if it exists?

Geoff Plummer: It certainly looks like good quality ore, Michael. That would be one of the things that we'd need to assess through the coming period. That's certainly something for us to do some work on.

Unidentified Participant: Secondly, what proportion of the production from this thing is already committed? Is it committed or not committed?

Geoff Plummer: There's a contract for about 350,000 tons a year that is the only committed sale they have.

Unidentified Participant: In terms of their port lease, does that remain with them or does that transfer to you? Is that an issue?

Geoff Plummer: No. The port lease remains with them. We will pick up some of the work and costs associated with the - we want, for example, to take the ship loader to allow us to meet our timeframe. We'll take on board some of the costs associated with - they were going to build a shed that was similar to ours; so some of the things like that we'd be looking to try and take over, but that's a matter for discussion with the contractor. They'd be left with the site in Port Pirie.

Unidentified Participant: Okay. A couple more then. Is there ongoing CapEx with this, beyond the numbers that you've outlined in the announcement? So over the five year production period can you see more CapEx than what you've suggested?

Geoff Plummer: Generally, no, Michael. Cash drain would be a couple of things. One would be that as the mine develops you've got the normal cutback expenditure and so on. So that would be the most significant aspect of cash. Once we finalise the mine plan, that would be one of the things that we'd look to provide some information on.

Outside of that, most of the tiered tips is contracted out; so the costs associated in terms of that would be, generally, not a capital item. It would be covered in terms of operating cost. So the next most likely thing is this CapEx, beyond this, would be if it was decided that it was economic to develop Hawks Nest in parallel or something like that. That's down the track a bit for us to consider. In terms of this mine it shouldn't be a significant cash drain.

Unidentified Participant: Finally, the reserve compared to the resource: what upside is there in translating some of that resource to a reserve? Why is there twice the resource than reserves? Is it uneconomic or does it just require additional drilling?

Geoff Plummer: I don't know that it's twice. I think you probably need to take me to where you're getting that. I think the resource to reserves, from what I've seen in the WPG releases was relatively tight. What there is is, I think, a pretty advanced piece of work that we're generally comfortable with, with respect to Peculiar Knob, I think it's less advanced with respect to Buzzard and Tui and so on, so it's not clear what is or isn't the stated work there in terms of pit design and so on.

So it's quite progressed. We've seen enough to feel generally comfortable. We'll obviously want to review some aspects, but generally comfortable with the mine plan and so on for Peculiar Knob. I don't think the work elsewhere has progressed beyond or anywhere near that stage.

Unidentified Participant: Thank you Geoff.

Andrew Gibson: (Goldman Sachs, Analyst) Geoff, Andrew Gibson calling. Just a quick question for you. Without having seen your production profiles for WPG, once the full expansion is complete will you guys look to ramp up the sale of your own iron ore, just to plug the gap until the WPG comes through? Or is that not the way it's going to work?

Geoff Plummer: I guess what we've announced at this stage, Andrew, is that we've got enough confidence to say we'll invest in the port. We'll be looking to shift the ore from the acquired assets from WPG at least to a rate similar to them. If we're putting in the port and there's the available capacity, then we'll obviously look to what do we do to utilise that capacity through the port.

Again, that's something I think what I'd rather do is say we understand the nature of the issue and the opportunity there, and we'd be aiming to at least provide some better indications of opportunities in that space in about two months, when we organise a broader briefing.

Andrew Gibson: (Goldman Sachs, Analyst) Thanks.

Geoff Plummer: Any other questions?

Scott Hudson: (CLSA, Analyst) Sorry Geoff, Scott Hudson here from CLSA. Can I just confirm? You're saying that once Peculiar Knob is up and running, you're looking at three million tons per annum? I guess, for calendar year '13, are we looking at nine million tons per annum through the ports?

Geoff Plummer: Sorry, did you say calendar year '13?

Scott Hudson: (CLSA, Analyst) Yes. I just [unclear].

Geoff Plummer: Calendar year 13, nine. Probably, I'd be aiming for closer to 10; but somewhere in that range.

Scott Hudson: (CLSA, Analyst) So from FY14 onwards we're looking at those sort of run rates, of nine to 10 million tons?

Geoff Plummer: Yes.

If there are no other questions I'll let people disappear. As I said, we do apologise for the timing. I know it's a hell of [inaudible] people. We'll certainly [inaudible] another meeting.

Operator: The host has ended this conference.

End of Transcript