

Trade and Investment Activity Brief

BACKGROUND

The purpose of the quarterly *Trade and Investment Activity Brief* is to monitor and report on major trends in Australian minerals industry trade and investment activity during the quarter. The *Trade and Investment Activity Brief* is compiled by the Minerals Council of Australia (MCA) Secretariat, based on publicly available information from a variety of sources.

EXPORT VALUES, PRICES AND PRODUCTION

In its latest *Australian Mineral Statistics (December Quarter 2006)* publication, the Australian Bureau of Agricultural and Resource Economics (ABARE) reports **export earnings, prices** and **production** for metalliferous minerals, metals, metallurgical coal, thermal coal and uranium (U₃O₈).

Ranked by export earnings, the movement in **export values, price** and **production** of Australia's major minerals in the December quarter 2006 relative to the September 2006 quarter, and the December 2005 quarter are summarised at **Table 1**.

Table 1

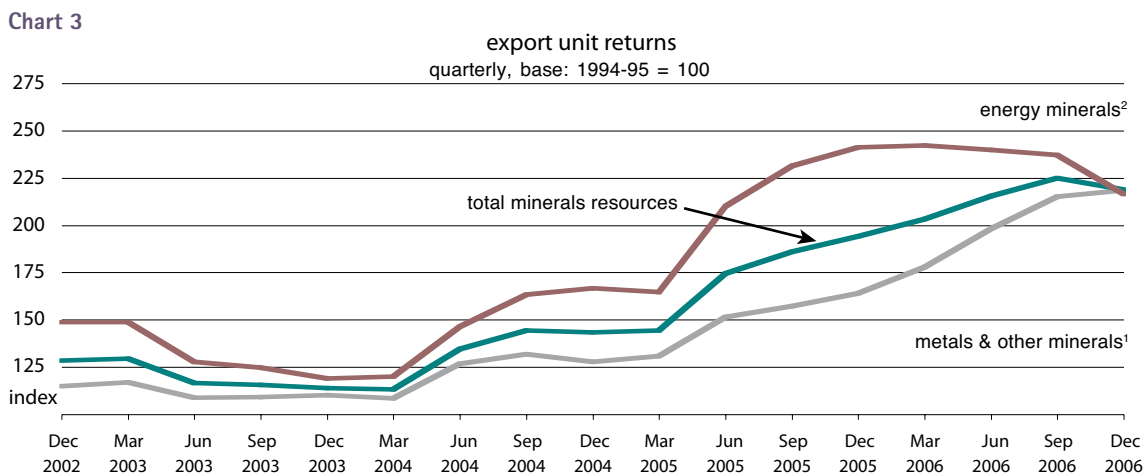
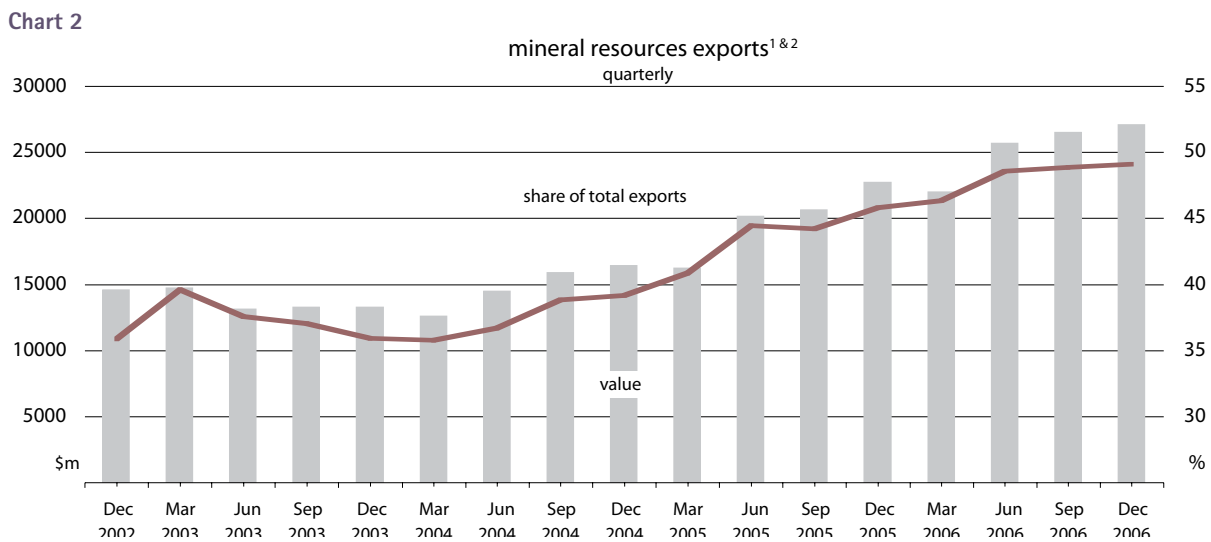
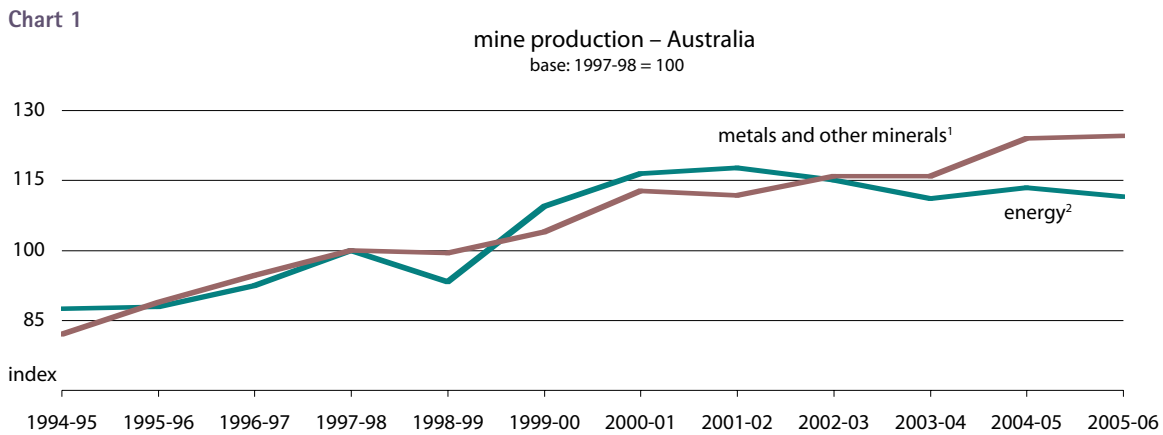
Resource	Prices				Production				Export Value			
	Unit	Actual Dec Qtr '06	Actual compared to Sep Qtr '06	Actual compared to Dec Qtr '05	Unit	Actual Dec Qtr '06	Actual compared to Sep Qtr '06	Actual compared to Dec Qtr '05	Unit	Actual Dec Qtr '06	Actual compared to Sep Qtr '06	Actual compared to Dec Qtr '05
Iron ore	A\$/t	59.00	↓ 3%	↑ 10%	kt	67,220	↑ 2%	na	A\$m	4,102	↑ 5%	↑ 20%
Metallurgical Coal	A\$/t	118.41	↓ 3%	↓ 20%	Mt	101	↓ 0.1%	na	A\$m	3,746	↓ 8%	↓ 16%
Gold (refined)	US\$/oz	629.51	↑ 5%	↑ 24%	t	88	↑ 7%	na	A\$m	2,351	↓ 3%	↑ 53%
Nickel	US\$/t	34,585.28	↑ 15%	↑ 156%	kt	52	↑ 13%	na	A\$m	2,034	↓ 21%	↑ 157%
Copper	US\$/t	6,691.78	↓ 12%	↑ 46%	kt	698	↑ 3%	na	A\$m	1,772	↑ 5%	↑ 23%
Thermal Coal	A\$/t	59.46	↓ 4%	↓ 12%	Mt	78	↓ 0.1%	na	A\$m	1,708	↑ 0.1%	↓ 2%
Alumina	A\$/t	383.11	↓ 7%	↑ 5%	kt	4,470	↑ 1%	na	A\$m	1,657	↑ 7%	↑ 27%
Aluminium	US\$/t	2,813.08	↑ 14%	↑ 25%	kt	482	↓ 1%	na	A\$m	1,369	↓ 6%	↑ 17%
Zinc	US\$/t	4,415.14	↑ 30%	↑ 142%	kt	629	↓ 4%	na	A\$m	1,182	↑ 25%	↑ 107%
Uranium Oxide (U ₃ O ₈)	US\$/lb	72.00	↑ 33%	↑ 99%	t	2,922	↓ 0.1%	na	A\$m	194	↑ 55%	↑ 9%

Chart 1 demonstrates Australian mine production (indexed) between 1994–95 and 2005–06. Production continues to trend upwards in response to strong international prices and demand.

Chart 2 demonstrates Australian mineral resource exports (includes metalliferous minerals, metals, metallurgical coal, thermal coal, uranium (U₃O₈) and energy such as crude oil, LPG and LNG) between December 2002 and December 2006. Mineral resource exports continue to grow strongly in absolute terms and as a percentage of Australia's overall total exports.



Chart 3 demonstrates Australia's export unit returns (indexed) between December 2002 and December 2006. A measure of average export prices divided by quantity exported, export unit returns in metals and other minerals continued its slow trend downwards from its peak of late 2005 as prices for many commodities started to weaken.



¹ Consists of aluminium (including bauxite and alumina), copper, gold, iron and steel, lead, manganese, nickel, refined silver, tin, zinc, zircon concentrate, diamond and salt.

² Consists of crude oil, LPG, LNG, bunker fuel, other petroleum products, metallurgical and thermal coal, and uranium (U₃O₈)

INVESTMENT

In its latest *Australian Commodities (June Quarter 2006, Development Projects)* publication, ABARE reports on development projects in the Australian minerals industry as at October 2006. Specifically, this publication reports projects that have been 'completed' between May to October 2006, and those that are 'advanced' (either committed or under construction) and 'less advanced' (no definite decision has been taken on development following the completion of a feasibility study).

In the six months ended October 2006, there were 21 mining and minerals processing projects 'completed' at a combined value of \$3,399 million, 48 projects at the 'advanced' stage with an estimated combined capital expenditure value of \$18,387 million, and approximately 150 projects at the 'less advanced' stage with a collective value of approximately \$56,716 million. Table 2 provides more details of these projects.

Table 2

Mining and Minerals Processing Development Projects as at October 2006				
Completed Projects (between May to October 2006)				
Commodity	Project	Location	Company	Capital Expenditure \$m
Black Coal	Austar	NSW	Yanzhou	250
	Sandgate Rail Grade Separation	NSW	Aust Rail Track Corp	80
	Ulan longwall expansion	NSW	Xstrata/Mitsubishi	140
	Wambo opencut expansion	NSW	Peabody	61
	BMA coal expansion (stage 2)	Qld	BMA	236
	Carborough Downs Et Broadlea Nth	Qld	AMCI Australia	136
	German Creek coal projects	Qld	Anglo Coal Australia	66
	Grasree	Qld	Anglo Coal Australia	275
	Hall Creek Expansion	Qld	Rio Tinto/Nippon Steel/Marubeni/Sumisho	300
	Millennium opencut	Qld	Peabody	161
	Millennium CHPP and rail project	Qld	Red Mountain JV	115
Diamonds	Ellendale expansion (pipe 4)	WA	Kimberely Diamond Company	48
Gold	Bendigo	Vic	Bendigo Mining	127
	Coyote	WA	Tanami Gold	15
Iron Ore	Jack Hills project (stage 1)	WA	Murchison Metals	41
	Rail Duplication project	WA	Rio Tinto	268
	WA Rapid Growth Project 2	WA	BHP Billiton	770
Nickel	Black Swan Disseminated 2 Project	WA	Lion Ore	69
	Maggie Hays Upgrade	WA	LionOre	91
Aluminium	Kurri Kurri Surf Project (stage 2)	NSW	Hydro Aluminium	50
Crude iron Et steel	Port Kembla hot strip mill	NSW	Bluescope Steel	100
Advanced Projects				
Mining Projects	2 x projects	NSW	na	48
	3 x projects	Vic	na	652
	9 x projects	Qld	na	729
	21 x projects	WA	na	11,783
	4 x projects	SA	na	1,254
	1 x project	Tas	na	77
	2 x projects	NT	na	195
Minerals Processing	2 x projects	NSW	na	460
	3 x projects	Qld	na	689
	1 x project	NT	na	2,500
Less Advanced Projects				
Mining Projects	135 x projects	various	various	42,996
Minerals Processing	15 x projects	various	various	13,720
				56,716
Total				78,502

WORLD GROWTH

ABARE expects world economic growth to ease from an estimated 4.9 per cent in 2006 to 4.3 per cent in 2007. Over the medium term (to 2012) world economic growth is assumed to average around 3.9 per cent a year.

The global economy experienced robust growth in 2006, despite concerns about higher world oil prices in the first half of the year. In the world's largest economy, the United States, economic growth was particularly strong in early 2006, before an easing in the latter part of the year.

In China, strong economic activity continued, with growth of 10.7 per cent recorded for 2006 as a whole. This impressive growth was achieved despite a number of measures taken by China's government to slow economic growth, including two interest rate rises and four increases in bank reserve ratios during 2006.

In Japan, the economic expansion continued, with gross domestic product, in real terms, rising by an estimated 2.2 per cent in 2006. In western Europe, a number of regional economies, including Germany and France, recorded higher economic growth in 2006. Despite the economic improvements, considerable uncertainty remains about the economic outlook for Japan and western Europe, as the performance of these economies could be adversely affected by continued structural weakness and relatively high unemployment.

In other parts of the world, economic growth remained strong in east and south east Asia, Latin America and the Middle East. While higher oil prices pushed up inflationary pressures in many south east Asian countries in the early part of 2006, a significant rise in world prices for minerals and energy commodities provided support for economic activity in Latin America, central Asia and the Middle East.

8412.0 MINERAL AND PETROLEUM EXPLORATION, AUSTRALIA

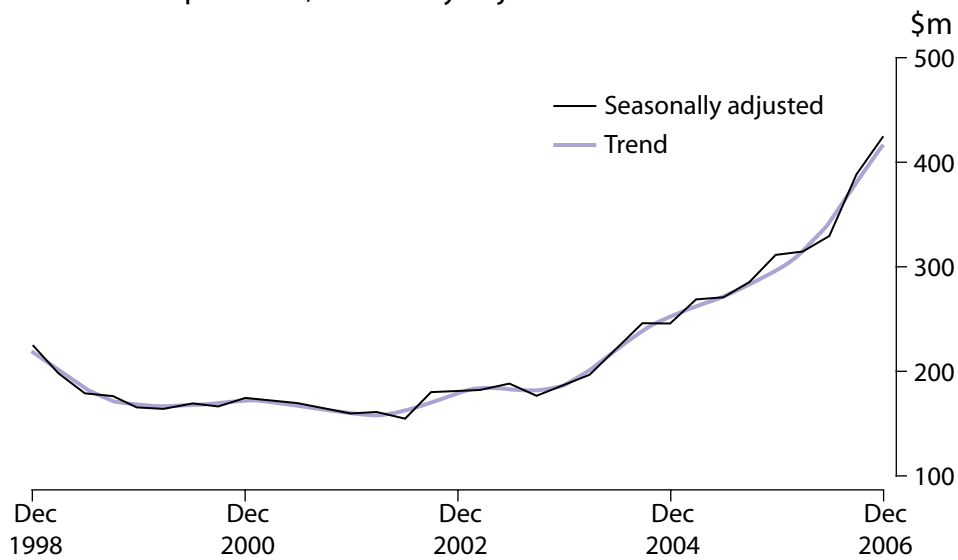
The Australian Bureau of Statistics (ABS) provides quarterly estimates of expenditure on mineral exploration (and petroleum) in Australia. Exploration is defined as activity involving searching for concentrations of naturally occurring solid, liquid or gaseous materials and includes new field wildcat and stratigraphical and extension/appraisal wells and mineral appraisals intended to delineate or greatly extend the limits of known deposits by geological, geophysical, geochemical, drilling or other methods. This includes drilling of boreholes, construction of shafts and adits primarily for exploration purposes but excludes activity of a developmental or production nature. Exploration for water is excluded.

The trend estimate for total mineral exploration expenditure increased by \$36.0m (9.5%) to \$416.1m in the December quarter 2006. The estimate is now 40.6% higher than the December quarter 2005 estimate.

The largest contributions to the increase this quarter were in Western Australia (up \$21.7m or 12.2%) and Victoria (up \$3.8m or 16.8%). All states except Tasmania showed increasing expenditure levels this quarter.

The trend estimate for metres drilled increased by 7.5% this quarter. The current estimate is now 28.0% higher than the December quarter estimate for last year.

Mineral Exploration, Seasonally adjusted and trend series



(ABS report—8412.0 Mineral and Petroleum Exploration, Australia, December Quarter 2006)

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