

M&A Strategies and Opportunities for the Resources Sector AMEC 2009

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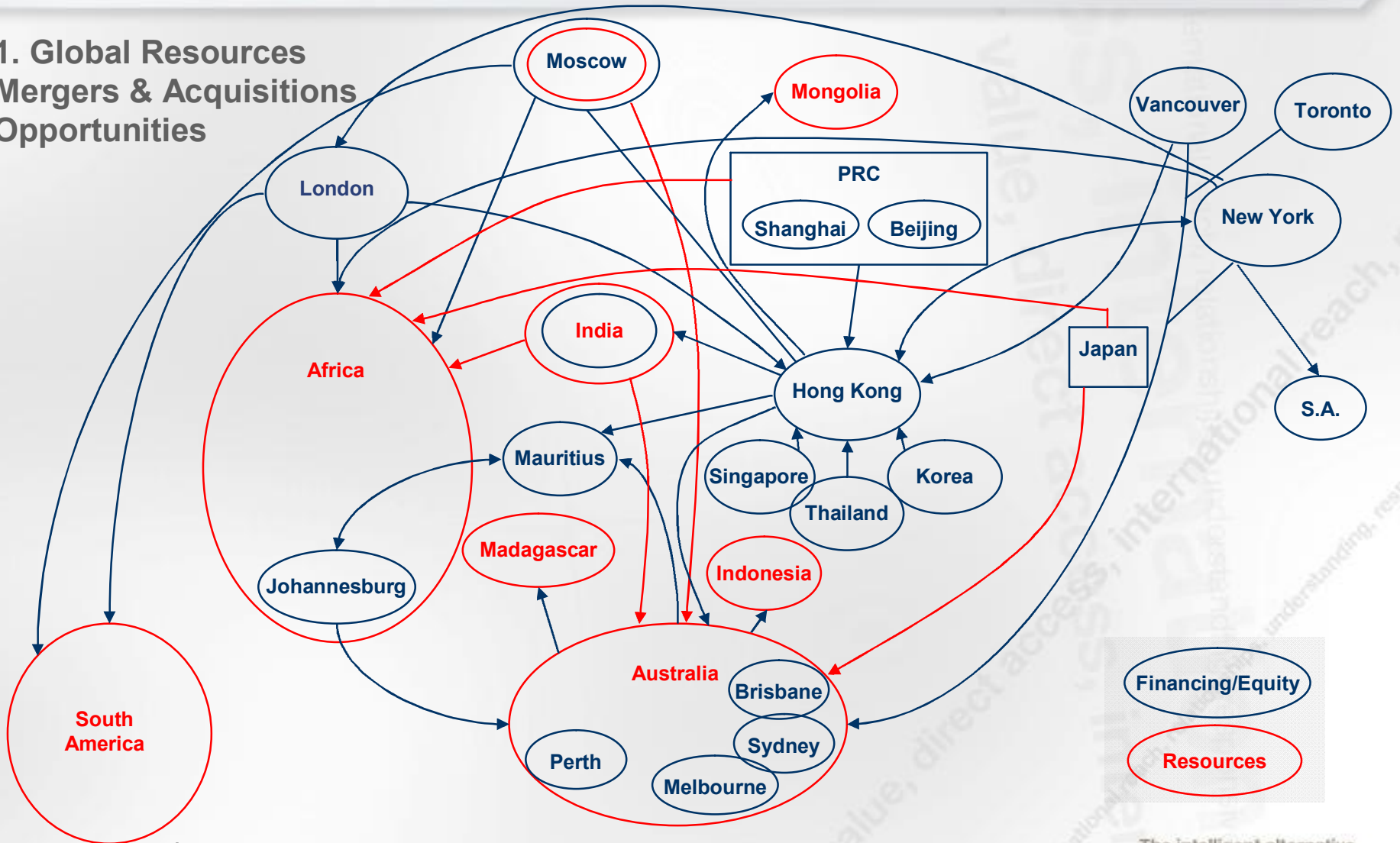
21 May 2009



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1. Global Resources Mergers & Acquisitions Opportunities





2. Overview

- Sinosteel Takeover Bid (Takeover Model)
- Ansteel Gundalbie (Placement/Joint Venture/Project Financing Model)
- PTT – Straits (Co-operative Joint Venture with listed downstream vehicle)
- Summary of strategies and opportunities in the GFC



3. Sinosteel Takeover of Midwest - \$1.48 Billion (Takeover Model)

- First successful hostile takeover bid in the world by a Chinese SOE
- Largely forgotten that Sinosteel driven to act by Murchison bid
- FIRB Approval on 2 January 2008 (last of its kind!)
- Hedge Fund Predator, Harbinger and Murchison - defeated in Takeovers Panel
- Midwest now a wholly-owned subsidiary of Sinosteel Corp



3. Sinosteel Takeover of Midwest - \$1.48 Billion (Takeover Model)

Lessons for Australian companies

- Chinese SOEs are growing in sophistication and able to compete globally in complex environments
- FIRB Approval was critical
- Recent decline of hedge funds as king-makers
- Long term view of Chinese investors in Australia
- Corporate action largely project driven
- Cultural issues
 - Trust
 - Face
 - Respect
 - Etiquette
 - Language
- Hong Kong, Sydney, Melbourne, Beijing, Perth



4. Ansteel's Placement in Gindalbie - \$162 million (Placement / Joint Venture / Project Model)

- Foundation again was Joint Venture Development Agreement signed in September 2007
- Equity injection required in tightening debt market
- \$162 million Placement Agreement in December 2008
 - received FIRB Approval in May 2009
- Ansteel is a Chinese SOE sophisticated cross border investor with long term growth plans



4. Ansteel's Placement in Gindalbie - \$162 million (Placement / Joint Venture / Project Model)

Lessons for Australian companies

- Relationship - George Jones
- Patience
- Project specific and tailored to Ansteel's expansion plans
- FIRB conditional approval



5. PTT Group's SBI Global Coal Project - Straits Resources Limited - US\$335 million (Cooperative development model with listed downstream vehicle)

- Straits demerger unsuccessful
- Significant discrepancy between Strait's resources share price and Straits Asia share price
- Auction sign went up
- JP Morgan (Melbourne, Sydney, Singapore and Thailand) understood PTT's diversification strategy into coal. PTT is a Fortune 500 company with market cap of approximately \$18 billion listed on Thai Stock Exchange with majority ownership by Thai government
- Structure was an incorporated joint venture (PTT majority holder) with concurrent downstream bid for Straits Asia



5. PTT Group's SBI Global Coal Project - Straits Resources Limited - US\$335 million (Cooperative development model with listed downstream vehicle)

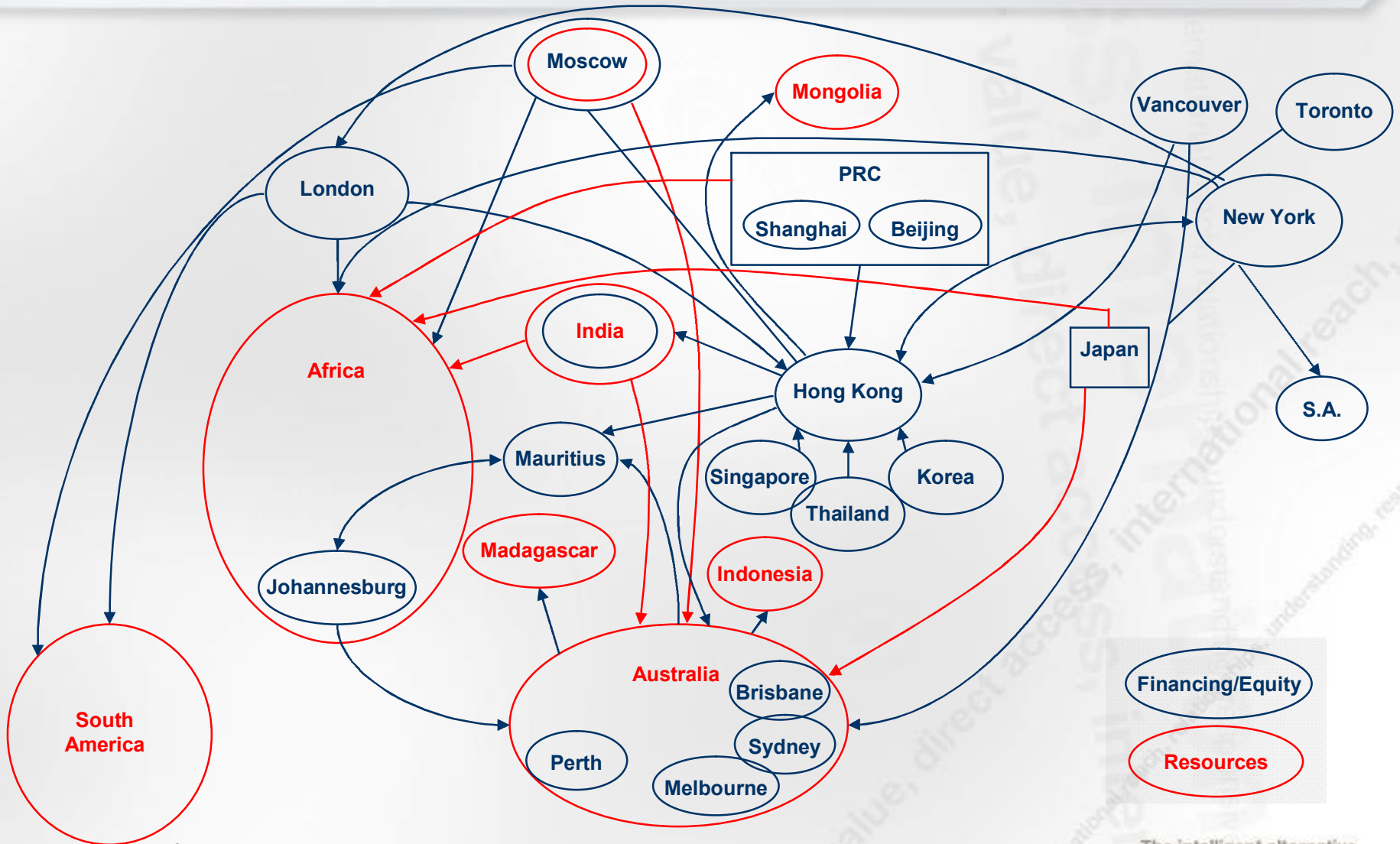
Lessons for Australian companies

- Larger networks can help find partners
- Coal expertise within Straits highly valued by new participant in coal market
- PTT sophisticated worldwide player (over 140 joint ventures on foot)
- FIRB
- PTT is a listed SOE hybrid
- No infrastructure issues (producing Indonesian coalmines)



6. Strategies and opportunities in GFC

- Strong appetite from PRC and South East Asian Tigers for production or close to production assets
- Large rewards for companies with cultural sensitivities who invest in global networks
- Local consolidation of explorers/producers necessary to increase attractiveness to global investors
- Joint ventures with equity investment allows knowledge exchange, gives project certainty and delivers benefits quickly
- Metal and bulk commodity price rebound (if it continues!) will drive very healthy M&A market over the next 12 months
- Infrastructure and FIRB major issues for investors in Australia
- Government focus on free trade agreements, reform of FATA and coordinated infrastructure investment will drive better outcomes



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