

Major Urea Fertiliser Project with China to Boost Investment in Victoria

Latrobe Fertilisers Limited, a company specifically formed to develop a world scale urea project to supply the Australian agricultural market has entered into a commercial agreement with an associated company of China's largest urea producer, Hubei Yihua Group to engineer and build a world class urea plant in Victoria. Preliminary engineering work for the potential billion dollar urea (nitrogenous fertiliser) production plant in Victoria's Latrobe Valley has commenced.

Urea is a "must have" fertiliser for both Australian and world agriculture and currently Australia imports almost all of the 1.4 million tonnes of the urea we use each year. Following Stage One preliminary engineering, the project will then move into a detailed engineering phase including full economic costing prior to the Final Investment Decision expected prior to the end of December this year. A commitment to the production of urea from Victorian Brown Coal would provide a major economic stimulus as well as many new jobs to the Region.

The Chinese owned company have taken a 42% interest in Latrobe Fertilisers and the potential plant would be a replica of Hubei Yihua's latest plant now operating in China. This agreement closely follows the Global Food Forum recently held in Melbourne which identified \$2 trillion of export opportunities for the Australian agricultural sector.

Subject to Final Investment Decision, and the government approval processes, construction work could start as early as mid 2014 on the Stage One plant which would have a annual capacity of 520,000 tonnes of urea with an initial estimated capital cost of A\$507 million.

The Stage Two plant will have a annual capacity of 1,320,000 tonnes and will take the total investment to over A\$1 billion.

According to Latrobe Fertilisers Chairman, Allan Blood, "providing the project continues to pass its milestones and then its Final Investing Decision, it will guarantee supply of urea for the farmer when he needs it and also create long term sustainable jobs for the residents of the Latrobe Valley and Gippsland regions who will benefit from the substantial job opportunities and training in the production plant".

The venture officially started last week with the letting of the first preliminary engineering contract.

"Our preferred location for many reasons is to build this plant in the Latrobe Valley of Victoria, Australia. Our second preferred site is Indonesia where we can also access technically similar long term coal feedstock supplies", said Mr Blood.

The Chair of Regional Development Australia- Gippsland, Richard Elkington said that he was delighted at the prospect of an investment partnership to produce derivative products from Brown Coal. "Our Regional Plan recognises the importance of the significant brown coal resources of Gippsland and, if we work together as a community and secure this investment, it

will not only provide economic development and jobs but also underpin increased confidence for further coal-based investment”

The project seeks to use dried Latrobe Valley lignite (brown coal) as its feedstock due to its superior chemical gasification properties and ultra low level of impurities. The coal will be converted into synthetic gas as the major part of the process to produce urea.

The Latrobe Valley location offers, not only a reliable feedstock supply, but excellent transport logistics and proximity to market. Each year farmers in South East Australia use between 500,000 and 700,000 tonnes of imported urea.

The project will initially focus on import replacement and supplying Australia’s own needs with the economic benefits and supply reliability factors that this brings. Ultimately Australia could be a net exporter to Asia and elsewhere with subsequent expansions.

The proprietary Chinese gasification technology that will be used for the project is well proven in their existing operations. It provides the highest value add benefit possible to the Latrobe Valley feedstock source. This is an investment in proven high performance technology that is now standard in many other places in the world.

China, which produces over 70 million tonnes of urea per annum, now uses gasification technology to produce over 50 million tonnes of its own urea production annually. The operating cost per tonne of urea is now substantially less by using coal gasification in lieu of natural gas which was the main alternate feedstock.

“There is considerable potential for other high value projects to also emerge from the Chinese involvement and the parties will consider at least one of these during the current technical study period”, said Mr Blood.

The project was originally launched five years ago but the GFC and high capital costs for construction stopped it from proceeding.

The capital cost of the project has been lowered by over 40% from five years ago by both the simplification of the Chinese gasification technology and the modularised Chinese fabrication method which will be utilised to build the process modules in China and then ship them to Australia for erection on site.

The project will use the very best work practices and project management skills to deliver a world’s best practice project for the state of Victoria”, said Mr Blood. The project will also be subject to a comprehensive development assessment and approvals process.

The company, which is an unlisted public company intends to list in Australia once the Final Investment Decision is made.

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