

QLD Govt. commits \$5bn for CopperString 2.0 to spark up mining

QLD's highly prospective North West Minerals Province (NWMP) should experience increased mining activity and capital flows supported by lower power costs and other incentives



Key Insights

- › The NWMP is one of the largest and most prospective regions for exploration and mining in Australia
- › Power costs represent a significant component of mine operating costs
- › Accessing the National Electricity Market (NEM) should lower power costs materially, improving feasibility of future mining operations
- › Govt. support for a range of common user infrastructure alongside improved access to geoscientific data has spurred growth in other mineral regions
- › The scale of QLD Govt. (AA+/Aa1) investment alongside strong commodity price signals should incentivise additional capital flow into NWMP exploration and mining activity



Article by
Chris Williams
Managing Director

Queensland's North West Minerals Province

The NWMP is one of the largest regions in Queensland, covering more than 200,500 square kilometres from the Northern Territory border to the Great Dividing Range, and includes major mining towns Mount Isa, Burdekin, and Cloncurry.

The region has globally significant mineral resources, including >20% of the world's known lead reserves, >10% of zinc and >5% of silver. Mineral extraction and processing generate a significant economic contribution, with >80% of QLD's base metals exports coming from the NWMP during the past 20+ years, and the region continuing to hold >75% of QLD's identified base metal mineral resource including lead, zinc, and copper.

The NWMP has over 100 projects with quoted Mineral Resources, representing over A\$680bn (as of Dec 20) of in-ground value of resources across multiple commodities, as well as over A\$50bn value in tailings from 7 existing mine sites according to the projects economic technical report.

About CopperString 2.0

CopperString 2.0 is a planned 1,100km high-voltage overhead network transmission line connecting the NWMP to the NEM. The new open access power infrastructure will supply highly reliable and competitively priced electricity, incentivising new opportunities for mining and other enterprises.

The QLD Government (AA+/Aa1) announced in early March 2023 it would be taking 100% control of the A\$5bn project through the publicly owned transmission business Powerlink Queensland. Early works on the project are expected to begin later in 2023, with construction to start in 2024 and complete in 2030.

This significant commitment by the QLD Govt. should provide an incentive for new exploration and mining activity in the NWMP given higher confidence in Powerlink's capacity and credibility as the natural owner to fund and manage delivery of the project, to ensure reliable operation of the transmission line when completed, and to ensure competitive and stable access tariffs.

NWMP Statistics

- › 200,500 square kilometers
- › 20% of the world's lead resource, >10% of zinc and 5% of silver
- › 80% of QLD's base metals export earnings the past 20+ years
- › 75% of QLD's base metal resource (including lead, zinc, copper)
- › A\$50bn value in tailings from 7 existing mine sites
- › \$680bn in-ground value of resources across multiple commodities
- › 100 projects with quoted Mineral Resources

Chris Williams | Managing Director
M +61 414 907 758
E chris.williams@bridgend.com.au

Nick Rees | Managing Director
M +61 7 3303 0283
E nick.rees@bridgend.com.au



North West Minerals Province Geographical Scope

Power Costs Impact on Mining Activity

Reliable and cost-effective energy sources are essential to develop, extract, process and transport minerals from mine sites to customers. Reducing power costs and as a result overall operating costs can lower economic cut-off grades, support processing of lower grade / higher volume deposits (including additional fine grinding applications), and unlock feasibility of deeper projects.

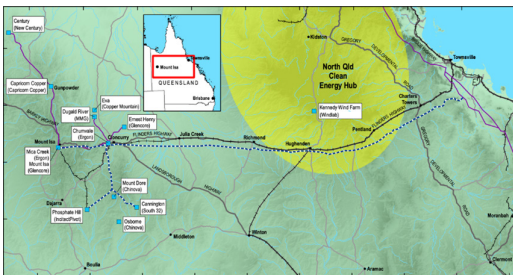
The CopperString 2.0 Economic Technical Report forecasts a reduction in power costs by up to 40% of power costs, which prior to CopperString 2.0 represents 10 to 13% of total operating costs for underground mines, and 17 to 26% for open cut mines. This level of cost reduction will have a material impact on project feasibility.

Other Aligned Incentives for Mining Activity

Lower cost power is just one component of the range of incentives that will increase mining activity and capital flows in the NWMP. Demand-led commodity price increases are a demonstrated driver of increased mineral exploration activity, which in-turn leads to higher mine development capital expenditure.

To enable effective and efficient exploration programs, there are additional measures in place for the NWMP including a royalties policy aligned to funding resource development, improved access to geoscientific data ahead of exploration licence applications, streamlined exploration approval processes, and new geological databases.

Future mine developments should benefit from leveraging other common user infrastructure opportunities in the supply chain alongside the new power transmission, including rail, ports, water, communications, and other utilities.



CopperString 2.0 Proposed Transmission Line Route

Experiences in Other Mineral Regions

Australia has led the world in demonstrating how common infrastructure can open-up new regions and unlock vast mineral wealth. Various models of public shared-use infrastructure or private shared-ownership infrastructure are used in mining regions including the Pilbara WA, Hunter Valley NSW, and Bowen Basin QLD. Supply chain capability across extracting, processing, and transporting minerals has long been recognised as critical to success. These proven models provide users, ranging from start-up single mine operators to global diversified multinational miners, an ability to share key commercial and financial risks.

Timing of QLD Govt. Investment in CopperString 2.0

Analysis by Bridgend Capital Advisory indicates that Australia’s mining industry is likely at the start of a period of increasing capital expenditure for mine expansion and development. Higher commodity prices since 2020 caused by significantly tight supply and low inventories in base metals (and other commodities) is expected to continue with the reopening of China post-Covid enhanced by the energy transition commitments of most major global economies. The scale of the QLD Govt.’s \$5bn investment in CopperString 2.0 together with continuing high commodity prices will improve the feasibility and bankability of a number of NWMP projects over the same period through to 2030 and beyond.

Reference Sources

1. QLD Government State Development, Infrastructure, Local Government and Planning
2. CopperString 2.0 EIS
3. ACIL Allen Consulting: CopperString Economic Technical Report
4. Queensland Treasury Corporation
5. Geoscience Australia

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