

## Questions to Adani from Four Corners

### Responses by Adani Spokesperson

Q: Will the whole project- mine, rail and port development will attract finance?

*A: Yes.*

Q: Which entity or entities are committed to financing?

*A: The total funding task to take Adani's projects through first coal in 2017 is around \$6.85 billion (USD) in capex.*

*\$1.15 billion (USD) of this has been committed to date as equity from the proponent.*

*Around \$1.1 billion of additional equity is likely to be committed from the proponent prior to financial close.*

*The balance, around \$4.6 billion, is the subject of discussions with a number of leading financiers and export credit agencies.*

*Like any other project proponent, Adani will update the market on these negotiations when they are concluded, rather than providing a running commentary.*

Q: Is the Adani project planned for the Galilee commercially viable, given today's market price for coal?

*A: Key customers for coal mined at Carmichael, and transported through the North Galilee Basin Rail and Abbot Point Port projects will be Adani's own latest generation thermal coal plants in India – Adani Power is India's largest private power provider, well placed to speak to the demand and viability equation in key markets.*

*Other offtake agreements have or are in the process of being concluded throughout Asia, with around 70% of the initial phase of production already the subject of offtake agreements.*

*This reflects a sensible approach which sees anchor customers in energy hungry markets in South Asia appropriately balanced with key customers in North Asia and elsewhere in the region. The approximate breakdown is around two thirds of exports to India and Korea, and one third to China, Taiwan and other Asian markets.*

*The quality and size of the resource at Carmichael, as well as the stable regulatory environment from the state and central governments in Australia, are key drivers of the development of the mine and the infrastructure projects there. A more than 11 billion tonne resource, the coal to be mined there makes it an asset that is high caloric value, low ash, low sulfur long term investment that will help deliver energy security for the company and for our country.*

*The mine will be in the first quartile of the global cost curve, with the cost base of the broader project also assisted by efficiency-enabling infrastructure such as the North Galilee Basin Rail. Adani's cornerstone investments in the entire value chain, mine, rail and port, as well as the infrastructure in India, will be reflected in costs of landed coal in*

*India from Carmichael that would see a return on investment even at today's seaborne thermal coal prices.*

*Capex efficiency is key here too – the historical average of capex costs for thermal coal is around around \$160-180m per MT – the mine at Carmichael will come in at \$100m per MT.*

*Other factors anticipated to help lower costs are Free Trade Agreements that Australian Governments of both persuasions, both the current LNP Government and the previous Labor Government, have pursued within Asia; prospective FTAs with China, ROK and India are anticipated to be a boon for energy exports from the country.*

*It is also worth noting that the port at Abbot Point is Australia's northernmost coal port, substantially closer to India and other Asian markets than comparable Australian coal ports, allowing around a \$2 per tonne saving.*

*The Indian central government's key focus on driving economic development and social uplift encompasses several important initiatives, of which delivering affordable, reliable energy is a central plank. That will require significant increases in generation and evacuation capacity- reliable, cost-effective coal mined in accordance with Australia's strict environmental conditions, as well as coal with the right calorific and ash content for highly advanced, new generators in the Indian market, will be a key part of delivering that.*

*Some commentators downplayed the central role thermal coal is playing in this market; but in India at the present time, around 16.6 million tonnes is being imported per month and an additional 22,566 mega-watt in generation has been added recently to India's generating capacity.*

*Of that increased capacity, 92% is coal powered - with more to come. That is, it is a rapidly expanding energy market, with growing demand met largely, but not exclusively from coal.*

*Adani is increasing capacity not only in coal generation but is also a leading solar energy producer with a 40 MW solar plant already in operation in Gujarat with plans to generate 10,000MW of solar energy by 2020. Adani is also in discussions with SunEdison to invest in a solar panel plant adjacent to its solar generator.*

*According to Amit Bhandari, a fellow at the Gateway House think-tank, "Even if India meets its 100 GW solar target by 2022, it would account for only 10 percent of the country's energy needs." (Source: Forbes India, 27 April 2015)*

*Despite these efforts to increase the proportion of power from solar, sixty percent of India's installed capacity for electricity generation is coal-based, by far the biggest source of power.*

*Q: As stated in the Queensland Land Court, is the true expectation of jobs for the Carmichael mine 1,464, and not the 10,000 previously projected?*

*A: Adani stands by its commitment to deliver \$22 billion in taxes and royalties for Queensland over the half-life (thirty years) of its mine, rail and port projects, and 10,000 direct and indirect jobs in Queensland.*

*These figures are based on assessments by a top tier global advisory firm that represent the economic contributions from its mine, rail and port projects, with a gradual ramp up to full production.*

*The independent expert giving evidence at the Land Court today has been selectively quoted - and the full context of Dr Fahrer's modelling and its assumptions have not been disclosed.*

*The Land Court process relates to the economic benefits of the mine at Carmichael – it does not envisage the combined tax and royalty, direct and indirect, construction and operational job benefits of Adani's mine, rail and port projects.*

*The experts are asked to consider the subject matter before the court – which is specific to the mine.*

*One such independent witness was asked to quantify the full time equivalent job benefits of the mine, while assuming lower than the projected full production.*

*Additionally, some outlets reported a projected royalty take from the mine to be half-life on significantly lower than projected production volumes as representing the total tax and royalty take over the life of the mine, rail and port projects. This is a deliberate distortion.*

*Adani stands by its commitment to deliver its significant job creating projects balanced against the strict environmental approvals frameworks on foot in Queensland and at the federal level.*

Q: How does Adani explain the higher figure in light of the testimony of Dr Jerome Fahrer?

*A: See above – the company has consistently noted that the job, taxes and royalties figures relate to its three projects over the construction and operational phases – not one project in just the operational phase (as was the question posed to Dr Fahrer).*

Q: Is Adani hoping for infrastructure funding from the Federal Government to enable the project to begin?

*A: In response to a Fairfax query following the Budget, Adani noted that it had not studied the proposed Northern Australia Infrastructure Fund in detail.*

*Nothing has changed - this remains the case.*

*This was again advised to Fairfax publications again in the last week.*

Q: When do you now expect the project work to start?

*A: Adani's rail, port and mine projects will see major construction works with a shift from the approval to the build phase slated to commence with a decision on the Queensland Government's dredging approval application to deliver the port expansion due from the Commonwealth Government later this year.*

Q: How serious a blow is it to Adani's project that the new Labour Government in Queensland is not prepared to commit funds to the rail development?

*A: The premise of the question is rejected – Adani clearly indicated at the time that it is the cost basis of the project that determines whether it proceeds, rather than other factors.*

Q: Some critics say that circumstances have changed so dramatically since Adani's Carmichael project was conceived that there is little likelihood of it ever going ahead without significant Government assistance. Your response?

***A: This misunderstands the profile the company (and group) has in India, with the parent company of Adani Mining, the owner of Carmichael, India's leading commodity trader and coal importer, Adani Enterprises. In effect, the company is ensuring security of supply of the right type of low ash, high calorie, low cost coal mined in accordance with world's best practice environmental regulations for its generators in India – this is a type of coal not readily available in India at price or scale.***

Q: What does Adani say to the allegation that the Carmichael mine is likely a stranded asset – a white elephant?

***A: See above on the Indian domestic demand context – Adani is uniquely well placed as a trader, miner, shipper, stevedore and customer of thermal coal, as well as a generator and transmitter of thermal coal fired energy to Indian households, including by endeavouring to help alleviate energy poverty in the several hundred million households that currently lack access to affordable energy in the country, to determine the demand profile for exports from Carmichael in the medium to long term.***

Q: India has committed to provide domestically sourced coal for its planned growth in coal fired power, and its figures so far this year show it is on track to deliver this. This would suggest the market for coal from the Carmichael project has contracted, and will continue to contract substantially. What is Adani's response?

***A: See above on the type of coal, as well as coal import figures.***

Q: How much would a contraction of demand from India affect Adani's expectations and project financials?

***A: See above on the type of coal, as well as coal import figures.***

Q: Will the 6 pits and associated underground long wall mining affect the underground water and springs associated with the Great Artesian Basin? – How can it not be affected?

***A: The water requirements for the mine represent approximately 0.2% of extant water allocations in Queensland.***

***As the Carmichael Mine project is a project of state significance, Adani can apply to access both the Strategic Reserve, and the General Reserve, and is seeking just 10% of the total water reserved in the sub-catchment.***

***The water being sought is not being taken away from any existing users, and an impact assessment undertaken for the water determined that there will be no significant impacts on natural ecosystems or existing users. The water licence will be regulated by the State Government in accordance with the strict environmental approvals that apply to the site, and Adani will pay a market rate for the water.***

Q: The MOU signed with the Bank of India looks like it will not be translated into firm funding, and many other financial institutions have avowed they will not be involved- how certain is Adani of being able to attract the billions of dollars required? Why?

***A: The Chair of the State Bank of India (this is a different entity to Bank of India) has publicly dismissed this speculation regarding the MOU signed with Adani.***

***As above, discussions with financiers are well advanced ahead of a final investment decision later this calendar year.***

Q: What is Adani's response to the India's Energy Minister Piyush Goyal when he says he is focussed on India's own coal production and is not interested in whether there is a market or not for Adani's coal from the Galilee Basin?

***A: Adani's plans to help deliver energy security in India encompass Carmichael as a resource that delivers high quality, low ash, high calorie, low cost coal, at scale, mined in accordance with world's best practice environmental regulations – security of supply of the right type of coal for the most advanced, latest generation supercritical generators is a priority for Adani in addressing demand in growth markets throughout Asia, including India.***