



An Australian Government Initiative



Regional Development Australia

PILBARA

Pilbara September 2023 Bi-Monthly Economic Report



HIGHLIGHTS



HIGHLIGHTS



COST OF LIVING IN THE PILBARA



COMMODITIES DATA



OTHER PILBARA NEWS (INVESTMENT LEGISLATION, GOVERNANCE & COVID)

Federal Court Overturns Scarborough Approvals

On 28 September 2023, the Federal Court held that the offshore petroleum regulator, National Offshore Petroleum Safety and Environmental Management Authority (**NOPSEMA**) wrongly provided approval before Woodside had adequately consulted a traditional custodian who was concerned seismic testing could harm her cultural heritage. (Cont' Pg 9).



Interest rates

On 5 September 2023, the Reserve Bank of Australia (**RBA**) determined to leave the cash rate at 4.10%. Interest rates have increased by 4% since May 2022 with the higher interest rates serving to to establish a more sustainable balance between supply and demand in the Australian economy. The RBA Board advised that given the uncertainty surrounding the economic outlook, the Board had again decided to hold interest rates steady in September to provide further time for the RBA to assess the impact of the increase in interest rates to date and the forecast Australian economic outlook.

It is important to note that the RBA considers that Australia has passed its inflation peak and the monthly CPI indicator for July showed a further decline. However, the stark reality is that inflation remains too high and will remain so for some time yet. Whilst 'goods' price inflation has eased; the prices of many services are rising swiftly, predominantly due to wage increases. Rent inflation is also elevated. The central forecast is for CPI inflation to continue to decline and to be back within the 2-3% target range within 12 months.

Returning inflation in Australia to within 2-3% within a reasonable timeframe remains the RBA Board's key priority. High inflation damages the functioning of the Australian economy by eroding the value of household savings, placing stress on household budgets and making it difficult for businesses to plan and invest. To date, medium-term inflation expectations have been consistent with the RBA's inflation target and it is important that this remains the case.

Housing Australia Future Fund Legislation

In mid-September 2023 the Australian Government passed legislation to establish its Housing Australia Future Fund, a AU\$10 billion housing investment vehicle aimed at building 30,000 affordable homes over the next 5 years. (Cont pg 10).

COST OF LIVING IN THE PILBARA CONT'

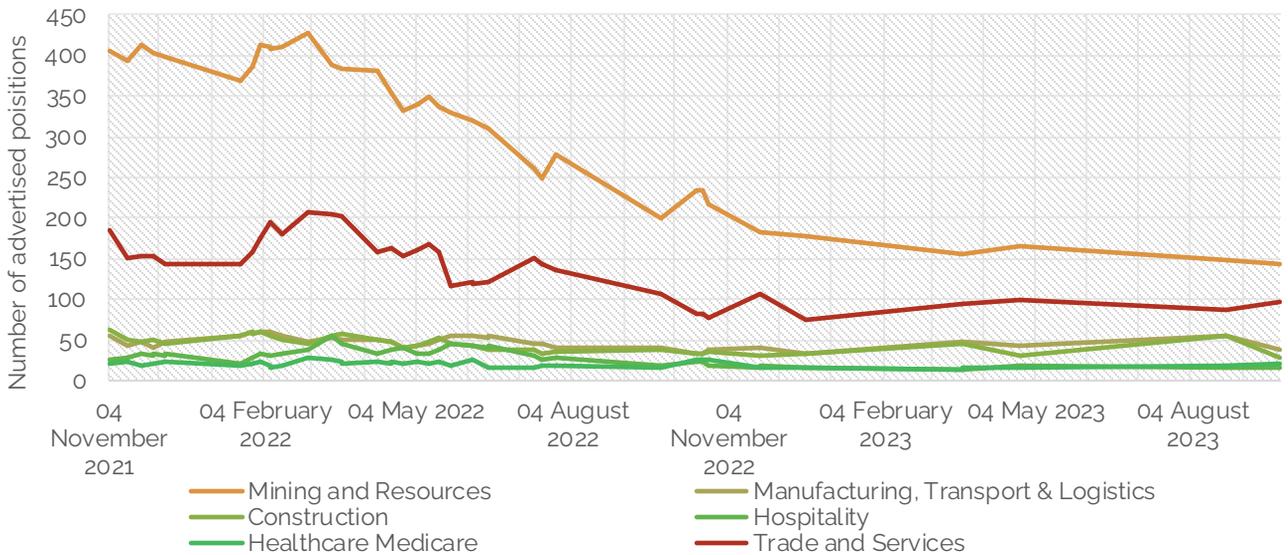


Employment Trends in the Pilbara

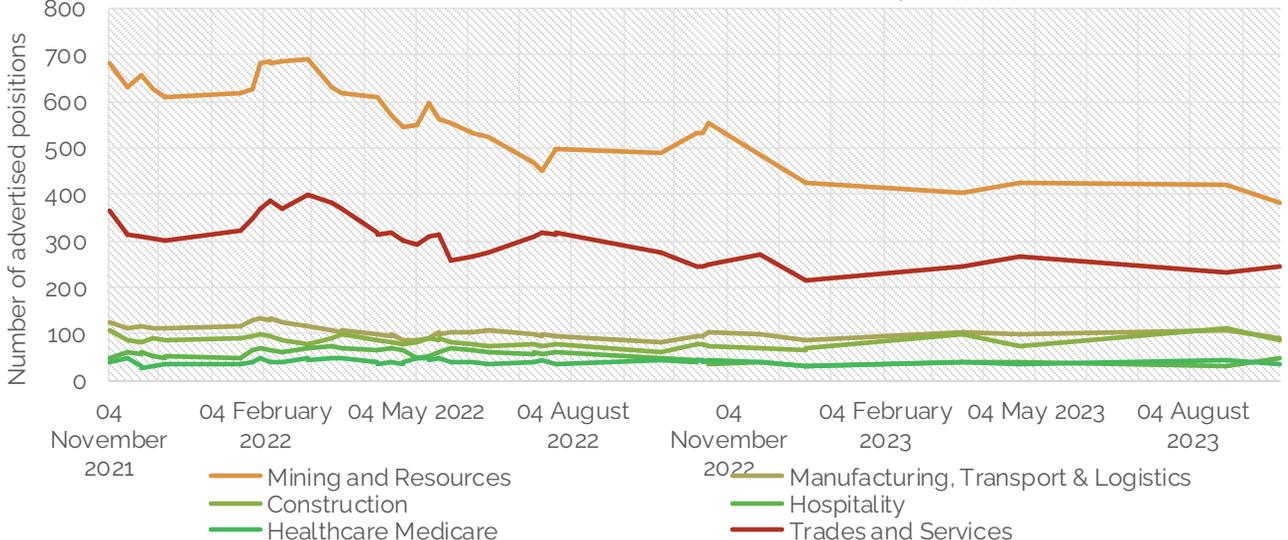
The Pilbara region's advertised job availabilities trend have remained steady since the start of 2023 with the only increases in jobs advertised on Seek observed in the Trades and Services Industry. Meanwhile other sectors in the Pilbara, including Mining and Resources, Construction and Manufacturing, Transport and Logistics have had less jobs advertised than any other time since November 2021. The total number of job availabilities advertised on Seek has decreased from 1700 positions in November 2021 to 1171 in September 2023.

The unemployment rate in Australia remained at 3.7% in September, making it the 18th month in a row below 4%. In Western Australia, the unemployment rate was last reported at 3.28% in July 2023, well below the national average (Australian Bureau of Statistics). The participation rate, which measures the number of Australians in a job or looking for one reached 67%.

Number of Advertised Jobs in the Karratha in the Respective Sectors



Number of Advertised Jobs in the Pilbara in the Respective Sectors





COST OF LIVING IN THE PILBARA CONT'



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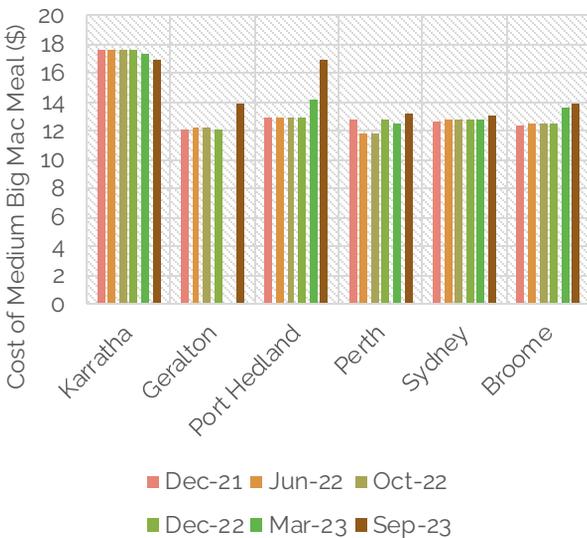
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Fast Food Price Comparisons

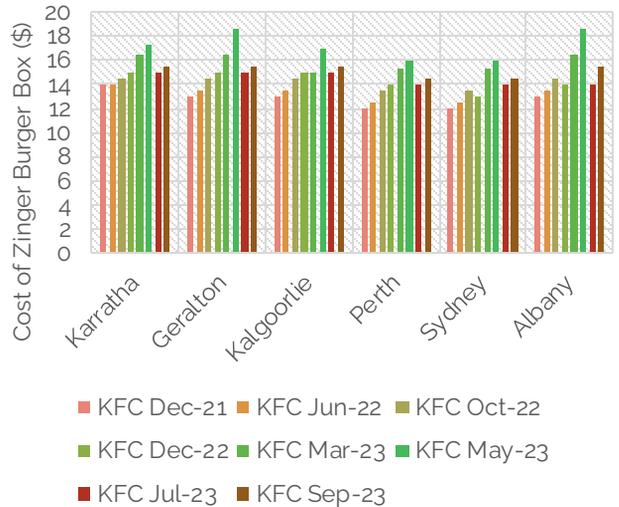
Fast Food prices are a cost-of-living comparison that showcase the general prices of the area. The prices of standard fast-food meals has been taken from December 2021 until September 2023 to follow the price trends.

The cost of a medium Big Mac Meal is on average \$5 more expensive in Karratha when compared to other towns and cities in Australia. MacDonalds in Broome and Port Hedland have also recently had price increases in 2023. KFC prices reached an all-time high in May 2023, before dropping back down for the start of the 23/24 financial year. Meanwhile Chicken Treat's prices have been increasing steadily. Domino's Pizza prices have stayed relatively stable in time, however once again, Karratha's average price is considerably higher than other locations around the country. Apart from Karratha, all other restaurants surveyed offered traditional pizza pickups for \$15.

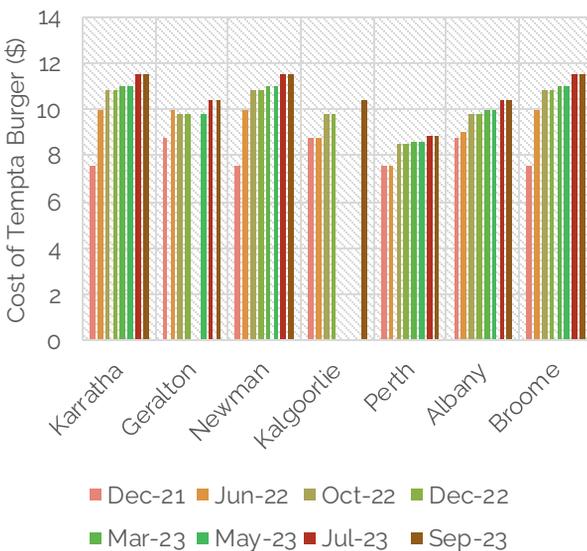
Comparative Cost of Medium Big Mac Meal



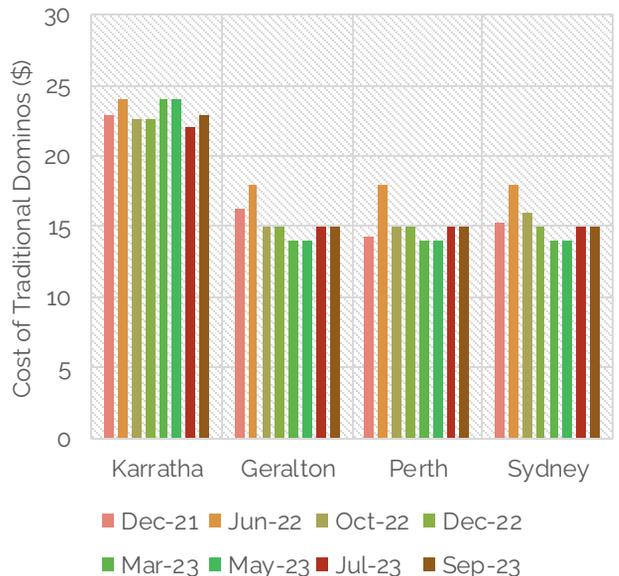
Comparative costs of Zinger Box from KFC around Australia



Comparative Cost of Tempta Burger at Chicken Treat



Comparative Cost of Traditional Dominos Pizza





COST OF LIVING IN THE PILBARA CONT'



Basic Food Good Trends.

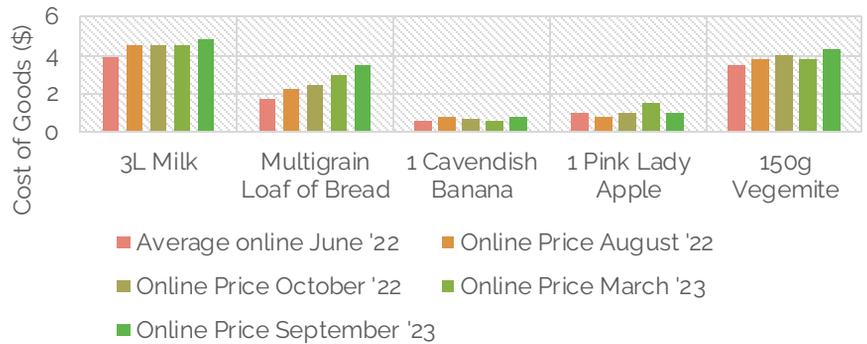
The cost of basic food goods in shops around the Pilbara are crucial. In understanding the cost of living in this remote rural region. Data has been gathered from Coles and Woolworths both online and in store to see the trends and changes.

The average cost of food sold online for click and collect has steadily increased since June 2022. The 3L milk price has increased from the set \$4.5 that lasted from August 2022 to August 2023.

The bakery items including a standard loaf of bread and pantry items including vegemite have roughly seen a \$0.20 price increase in the past year. Fresh fruit and vegetables prices fluctuate according to the season.

In September 2023, instore food prices have on average been lower than advertised online prices. There also appears to be a slight increase for fruits and vegetables, as the per kg price for Cavendish Bananas is the same online and instore, but the online option requires purchasers to buy per fruit rather than by weight.

Average costs of Online food in 2022 and 2023 at Coles and Woolworths in the Pilbara



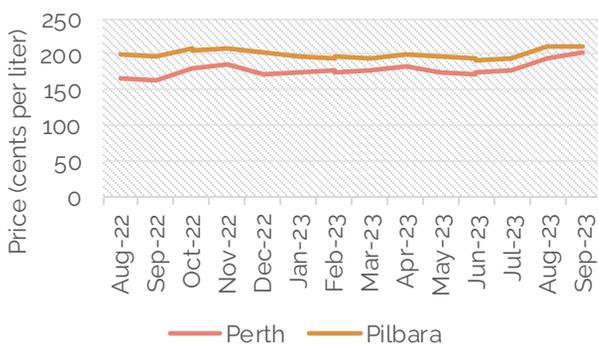
Average Costs of Food Online vs Instore Shopping in October in the Pilbara



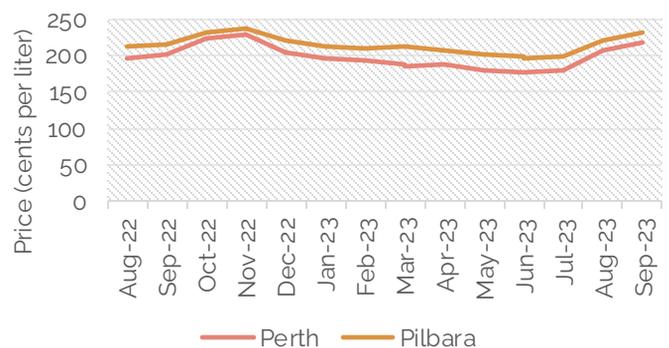
Fuel Price Trends

Both ULP and diesel prices have continued their upward trend that began in July 2023. The rising prices are primarily due to increasing wholesale global oil prices. Diesel prices have risen by 42 cents in Perth and 32 cents in the Pilbara since May 2023 to September 2023. ULP prices have similarly increased by 26 cents in Perth and 16 cents in the Pilbara over this five-month period. The smaller increases in the rural areas can be due to the Pilbara possessing significantly higher fuel prices on average (**Fuel watch 2023**). Australian motorists are currently paying a national average of 204.4 cents per litre. This is the highest national average for petrol and diesel prices seen since Russia's invasion of Ukraine. Record petrol prices are likely to head even higher during 2023 and Australian motorists should expect to pay more than \$2 a litre as global oil prices continue to climb, further complicating the fight to tame persistently high inflation.

Average Price of ULP August 2022 until September 2023



Average Price of Diesel from August 2022 until September 2023





COMMODITIES SUMMARY

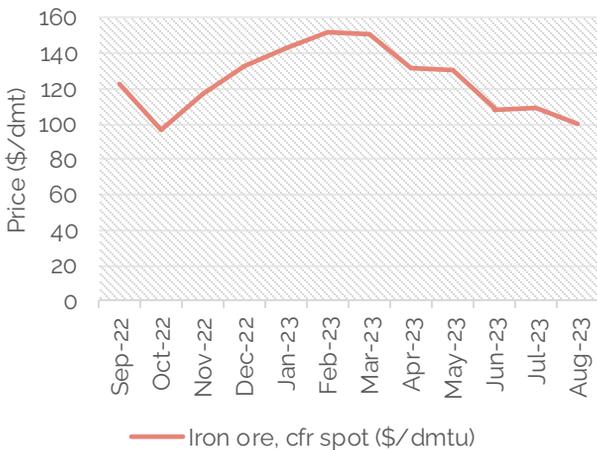


Iron Ore

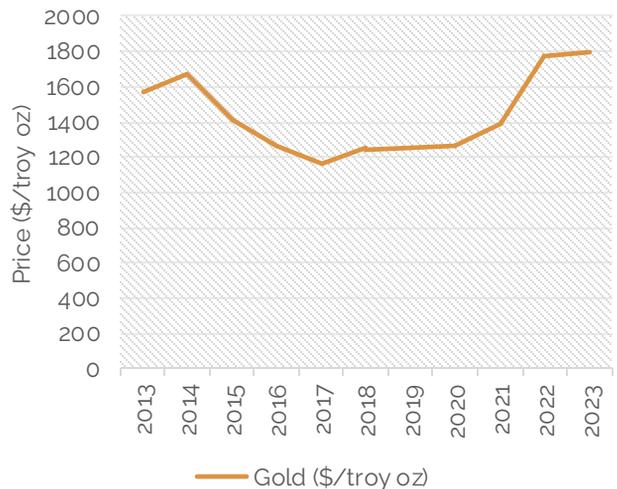
China's steel mills are pushing ahead with buying Australian iron ore despite China's property crisis as demand for steel used in electric vehicles, wind farms, ships, bridges and other infrastructure make up the shortfall from slumping residential construction.

This has seen a surge in iron ore prices in September 2023 (a mainstay for the Australian economy) which has defied the doom and gloom surrounding the overall China's economy, which is facing its biggest challenges in decades. The main concern is whether the Chinese government continues with plans to cap steel production at just over 1 billion tonnes in 2023, which would reduce demand for iron ore for the rest of the year. Although inventories are low, steel mills are also grappling with negative margins, which will reduce demand. However, prices in the short term - while volatile - show no signs of crashing as government support for beleaguered property developers and lenders starts to trickle through.

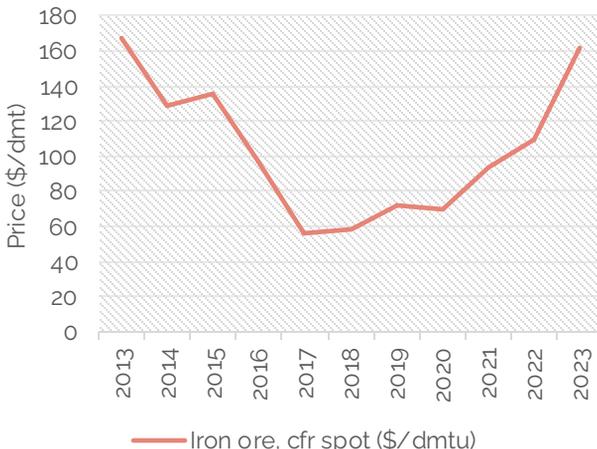
Iron Ore price from September 2022 to August 2023



Gold Price from 2013 to 2023



Iron Ore price from 2013 to 2023



Gold Price Trends

Gold price dropped below \$1,920 an ounce in September 2023 as a strengthened AU\$ and higher bond yields decreased the metal's previous appeal. Demand for gold in technology remained soft due to smaller demand from consumer electronics. Meanwhile, jewellery consumption experienced a modest improvement despite the uncertainty in the economy.

Gold works as a 'safe haven' asset, meaning it is the commodity that many investors depend on against financial troubles and has shown solid overall growth from 2017.

In mid-September investment bank Macquarie forecasted for gold prices to rally as central banks stockpile record amounts of gold to offset inflation risks and as US interest rates (which have a significant influence on the Australian economy) near a peak. "Emerging cracks in the US labour market should widen into next year and bring back a conducive environment for financial inflows to gold," Macquarie stated to its clients that "we think the balance of risks is now for prices to be materially higher."

Data from The World Bank



COMMODITIES SUMMARY CONT'



Lithium Carbonate

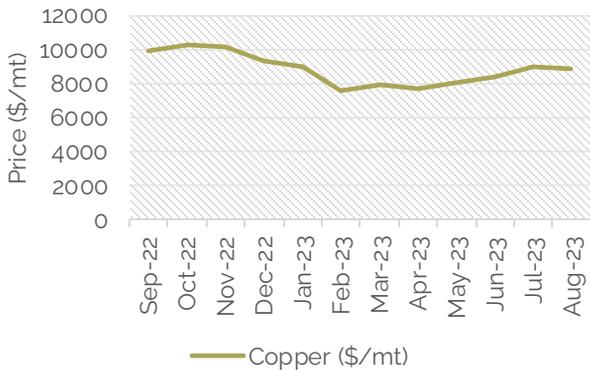
Lithium carbonate prices dropped below 180,000 CNY per tonne towards the end of September. This price is the lowest since the two and a half year low of CNY 165,000 in April 2023. The decreased demand for electric vehicles and the elevated battery inventories for manufacturers pushed the price of lithium carbonate down. Lithium Carbonate is one of the key components in battery manufacturing for electric vehicles and other green technology batteries.

Battery manufacturers for new electric vehicles have decreased buying as their inventories have filled up and funds from earlier government led subsidies have stopped. The Chinese economy also saw low consumer spending on electric automobiles and as a result 10 Chinese EV producers offered price cuts. Lower input demand resulted in a 10% reduction in battery prices in August.

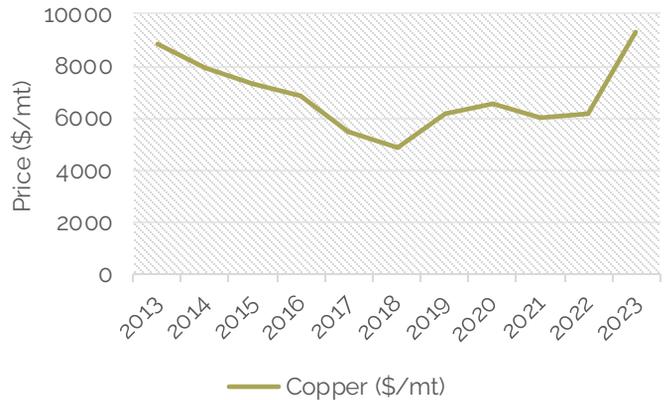
Lithium Carbonate Prices from November 2022 to July 2023



Copper price from August 2022 to August 2023



Copper price from 2013 to 2023



Copper Price Trends

Copper prices fell in September due to renewed pressure from a strong US dollar and weak industrial sentiment.

More than half the world's copper is used in electrical motors, wiring or other electrical components with emerging markets playing a significant role in strong copper prices. China, has seen a large increase in copper consumption due to strong economic growth.

Despite the current rebound in industrial growth there are still persistent concerns about the worlds electric vehicle and green technology manufacturers industry. Market players have flagged large incoming copper deficits with production levels failing to keep up with growing demand for electrification (Market Index 2023).

Australia is the world's seventh largest producer of copper in 2022 with output down by 0.59% on 2021. but expected to rise by 1% between 2022 and 2026 (Global Data 2022).





COMMODITIES SUMMARY CONT'

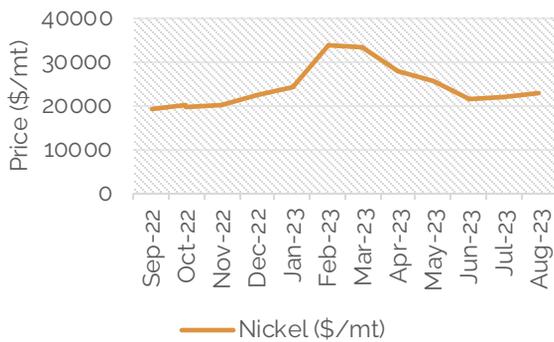


Nickel

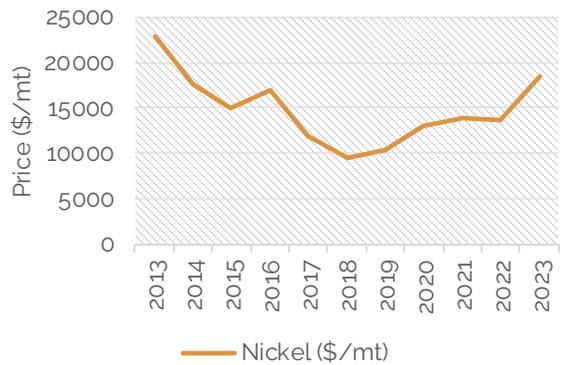
Nickel prices have plateaued since their dip below \$19,700 per tonne threshold moving to the 13-month log of \$19,500. The demand for electric vehicles has experienced a slowdown due to increased battery stockpiles by manufacturers. Concerns of an economic downturn due to China's weak macroeconomic data has seen a reduced spending on EVs that has impacted nickel, copper and lithium prices (Trading Economics, 2023).

These three metals are all crucial in electric vehicle components and green technology manufacturing. Australia is the world's 5th largest producer of nickel in 2022.

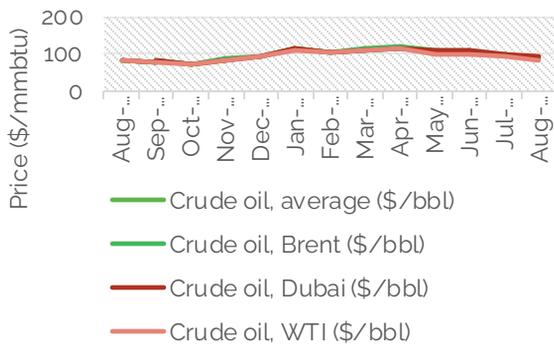
Nickel Price from September 2022 to August 2023



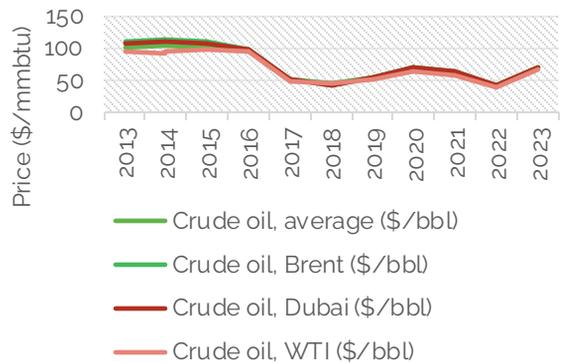
Nickel Price from 2013 to 2023



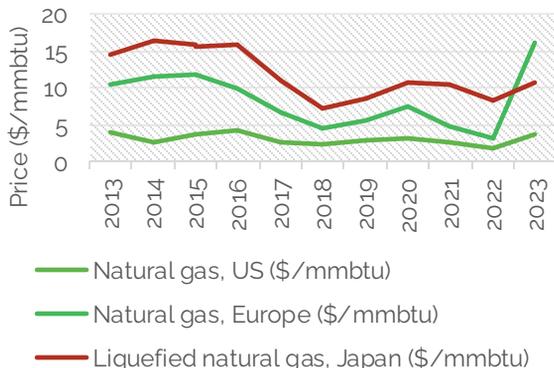
Crude Oil Price from August 2022 to August 2023



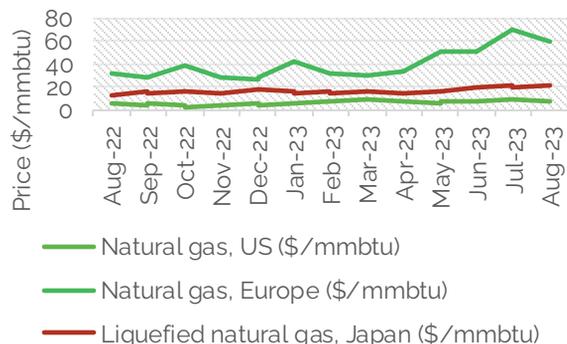
Crude Oil Price from 2013 to 2023



Natural Gas Prices from 2013 to 2023



Natural Gas Price from August 2022 to August 2023





COMMODITIES SUMMARY CONT'

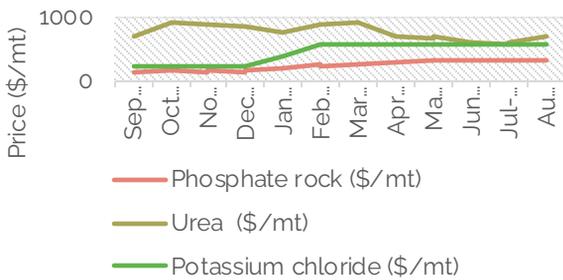


Fertiliser

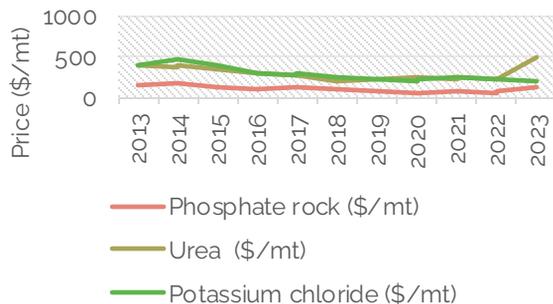
Urea futures eased to \$430 per tonne, down from a seven-month high of \$452.5, after the Indian government urged farmers to reduce the use of chemical fertilizers by 20% in the upcoming winter-sown season. They have also announced strict legal measures against those diverting highly subsidized urea due to increasing concerns about soil fertility and human health. Moreover, high stockpiles in Brazil have contributed to reduced demand in the world's premier agricultural markets.

On the other hand, earlier this month China halted the export of urea fertilizer due to rising domestic prices, leading to higher costs for farmers in countries like India.

Phosphate Rock, Urea and Potassium Chloride price from August 2022 to August 2023



Phosphate Rock, Urea and Potassium Chloride price from 2011 to 2022



Oil & Gas Prices

Brent crude oil prices have risen more than 30% in the past three months and are now trading near US\$93 per barrel, levels not seen since November 2022. Global energy trends suggest rising oil prices, with some analysts predicting Brent crude could surpass US\$100 per barrel soon.

Leading global oil producers Saudi Arabia and Russia have both committed to cutting production and drawing down global inventories. Transportation demand in China has surged in 2023 as the world's second-largest economy fully reopens from pandemic lockdowns.

A reduction in European gas demand, has helped maintain market balance demand in Europe despite domestic industrial action resulting in temporary increases in the LNG spot prices. Chevron and the unions in Australia reached an agreement, largely removing the risk of further industrial action.

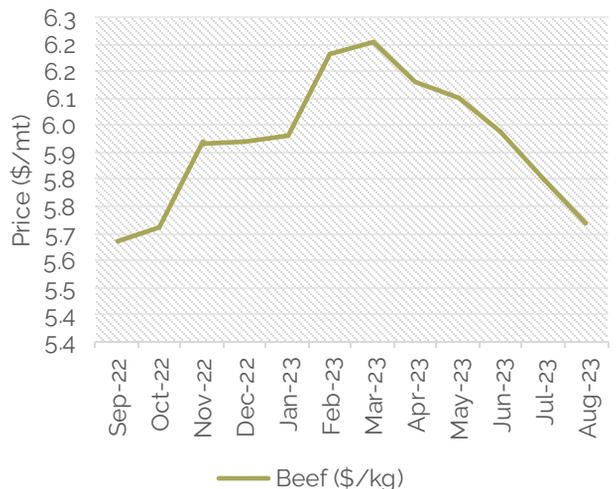
Asian LNG prices remained at a strong premium to European LNG prices in September.

Beef Prices

Beef decreased 3.42 BRL/Kg or 17.43% since the beginning of 2023 to September, according to trading on a contract for difference (CFD) that tracks the benchmark market for this commodity.

The expected onset of both El Niño conditions in the second half of 2023, and a positive Indian Ocean Dipole (IOD) event from August are expected to generate drier seasonal conditions across Australia. In 2023-24, drier conditions are expected to reduce pasture availability and increase supplementary feed prices. This is expected to reduce farm demand for cattle, raise turn-off rates, increase cattle supply in saleyards and lower saleyard prices. However, cattle saleyard prices are expected to remain above their long-term average, supported by strong global demand for Australian beef exports.

Beef price from August 2022 to August 2023





OTHER PILBARA NEWS (INVESTMENT, LEGISLATION, GOVERNANCE & COVID)

De Grey Capital Raising

De Grey has launched a A\$300 million capital raising to begin developing a mine out of its Hemi deposit, while the impact of inflation lifts build costs to \$1.3 billion.

In late September 2023, De Grey announced a definitive feasibility study (DFS) for the Hemi Gold project to the ASX. According to the DFS, construction for the new mine and processing plant is due to start in mid-2024 - pending a final investment decision by the board - with first gold set to pour in the second half of 2026.

Expected output has been modified slightly from previous estimates to an average production rate of 530,000 ounces per annum over the next 10 years. All-in sustaining costs for the first years will be \$1,229 per ounce and increase to \$1,295 per ounce in the five years thereafter. The resource for Hemi alone stands at 121 million tonnes at 1.5g/t.

In conjunction with the DFS, De Grey has announced the \$300 million capital raising to cover the costs of ordering long-lead items for its proposed 10 million tonnes per annum processing plant. Proceeds from the raising, which has shares on offer at a 5.8 per cent discount at \$1.05, will also go towards advancing major project tenders.

Consistent with other new developments in WA, projected costs to develop the Hemi Gold project have risen on estimates from last year's feasibility. Plant and site infrastructure is expected to cost about \$1.3 billion compared with a \$1 billion price tag in 2022, representing a 24 per cent increase on base case estimates.

De Grey will need to secure approval from the state's Environmental Protection Authority as part of the pathway to getting Hemi up and running. Its environmental proposal was submitted to the EPA in July this year.

Black Cat Syndicate Secures Funding to Restart Paulsens Gold Mine

Black Cat Syndicate has secured A\$60 million in funding from Chinese-based companies Mingjin and Southeast Mingqing. Mingjin and Southeast Mingqing will invest about \$22.5 million each and become Black Cat shareholders, both at 19.9 per cent.

The company has advised that the funding will be used to restart Paulsens with the internal cashflows from the gold mine to be poured into restarting its other gold projects.

Under the funding agreements, technology and investment group Mingjin will provide \$15 million for Black Cat Syndicate to pay off its debt to Northern Star. Black Cat's managing director Gareth Solly stated that the funding package was a milestone towards the company's aim to be a dominant player in three gold districts.



Federal Court Overturns Scarborough Gas Testing Approvals

Following the 29 September Federal Court decision overturning approval for seismic testing on Woodside Energy's \$16.5 billion Scarborough LNG project, offshore gas operators are calling for urgent reforms to petroleum approvals regulations. It upheld a challenge to NOPSEMA's approval for the seismic work, which traditional owner Raelene Cooper said would damage her cultural heritage by harming turtles and whales that carry Songlines.

Samantha McCulloch, the chief executive of the Australian Petroleum Production and Exploration Association, said regulations that provide clarity and certainty for industry while maintaining consultation obligations were "desperately needed". "Governments must make clear regulations for consultation that maintain high standards of consultation with stakeholders, including traditional owners, but also provide regulatory certainty when an approval is granted," she said.

The decision by Federal Court judge Craig Colvin is seen as setting another precedent that prolongs the approvals process and leaves uncertainty over gas projects intended to supply both the east coast domestic market and Asian markets looking to use LNG to decarbonise.

Saudi Aramco Investment in Australian LNG Projects

In late September 2023 Saudi Aramco (a Saudi petroleum and natural gas company, owned by the Saudi Arabian state) announced its plans to purchase a \$US500 million (A\$777 million) stake in MidOcean Energy.

MidOcean Energy (a LNG company formed by US investment firm EIG to build a diversified, carbon competitive LNG portfolio) is partnering with Brookfield Corporation to purchase Origin Energy pursuant to a \$18.7 billion takeover bid which is currently subject to Foreign Investment Review Board approval.

If approved and implemented, this transaction will result in Saudi Aramco holding an indirect stake in five Australian LNG projects, given the stakes that MidOcean is already buying through a separate, US\$2.15 billion deal announced in October 2022 with Tokyo Gas. These LNG projects include Woodside's Pluto project, Chevron's Gorgon project and Inpex's Ichthys project.



OTHER PILBARA NEWS (INVESTMENT, LEGISLATION, GOVERNANCE & COVID)

Askari Metals Nickel Deposit Yields Positive Results

Askari Metals soil auger drilling at its Callawa project, about 85km north-east of Marble Bar in Western Australia's East Pilbara region, has yielded significant nickel-copper-cobalt mineralisation, with a top value of 1808ppm nickel.

The company says the results show significant nickel potential in its target areas. While the average background nickel value from the program is 130 parts per million, it shows the high of 1808ppm nickel, with the next four highest values coming in at 1607ppm, 1513ppm, 1479ppm and 1457ppm.

Most importantly, Askari has noted a strong chromium correlation with the high nickel values, with an average background chromium value of 214ppm. The top five nickel responses correlate with some of the highest respective chromium values of 1100ppm, 2349ppm (the highest of the program), 1339ppm, 1121ppm and 1225ppm.

WA LNG Labour Strikes

Workers strikes at Chevron's LNG facilities in Australia increased spot gas price volatility in the European market in September, although the impact is expected to be temporary.

Chevron's Gorgon and Wheatstone facilities in Australia represent about 7% of global LNG supply and sell predominantly to Asian markets. However, if supply from Australia is reduced, Asian buyers could turn to other LNG suppliers, competing with Europe, for the duration of strikes.

This is spurring temporary spot price volatility in the European gas market. Workers at Chevron's Australian LNG facilities started a partial strike, however parties have reached an agreement (with formal documents yet to be signed). Woodside are also engaged in enterprise bargaining negotiations.

Housing Australia Future Fund Legislation

The \$10 billion housing investment vehicle aims to attract superannuation investors to build 30,000 affordable homes in the next five years.

Cbus to date is the only super fund to so far commit money to the HAFF with other superannuation funds warning that there are still significant barriers to institutional investment in affordable and social housing. Industry Super Australia deputy CEO Matt Linden said the bill's passage gave funds "much-needed certainty" about possible investments and the confidence to assess project pipelines. But he told *The Australian Financial Review* that the viability of the superannuation sector funding the HAFF would ultimately come down to its investment mandate. The government is yet to release the proposed mandate and will consult on it in coming months.

Association of Superannuation Funds of Australia deputy CEO Glen McCrea said the HAFF's passage was an important step towards improving housing supply, but superannuation funds also needed other measures passed to enable greater investment in the sector. These included increasing the government-guaranteed liability cap on housing bonds – super funds such as Cbus already invest in the debt side of the housing market, while fewer, such as Aware Super and HESTA, directly invest in projects – with the HAFF bill already extending their duration.

Review of WA Domestic Gas Reservation Policy

Giant conglomerate Wesfarmers and miner South32 are among a group of corporate heavyweights calling for a shake-up of WA's vaunted domestic gas reservation policy amid claims it is being largely ignored by some producers. Wesfarmers has questioned Woodside's of failing to deliver adequate quantities of gas from its \$12 billion Pluto project.

The accusations have come amid a state parliamentary inquiry, which is looking at whether WA's domestic gas reservation policy is working as intended.



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