



28 July 2008

Office of the Company Secretary

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Dear Sir or Madam

**Electronic Lodgement**

**Moranbah AN Project Presentation**

In accordance with the listing rules, I attach a copy of an investor presentation for release to the market.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Kerry Gleeson'.

**Kerry Gleeson**  
**Company Secretary**

Attach.

For personal use only

# Incitec Pivot Limited

## Moranbah AN Project

28 July 2008



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INCITEC PIVOT LIMITED ABN 42 004 080 264



# Julian Segal

## Managing Director & Chief Executive Officer



# Moranbah AN project

- Compelling strategic fit
- Exposure to high growth Queensland 'Met' coal
  - AN market in balance by 2013
  - Medium-term AN supply deficit
- Fully integrated back-to-gas ammonia, nitric acid and AN complex
- Fully costed A\$935M project
  - Mechanical completion Q1 calendar 2010
  - Beneficial operation Q1 calendar 2011
- Compelling competitive position
  - Lowest cash cost position in plant footprint
  - Bottom of the global cost curve
- Project exceeds IPL's strict financial criteria
  - >15% IRR, 18% RONA

**Low risk, controllable shareholder value creation**



# Fit with IPL strategy

## Exposure to supercycle

- Plant services North Bowen Basin in Queensland
  - High growth metallurgical ('Met') coal region

## Own the resource/product

- Creates manufacturing platform for growth in Asia Pacific explosives sales
- 15 year, low cost gas supply contract

## Lowest cost base

- Lowest cash cost position in plant footprint
- Bottom of the global cost curve

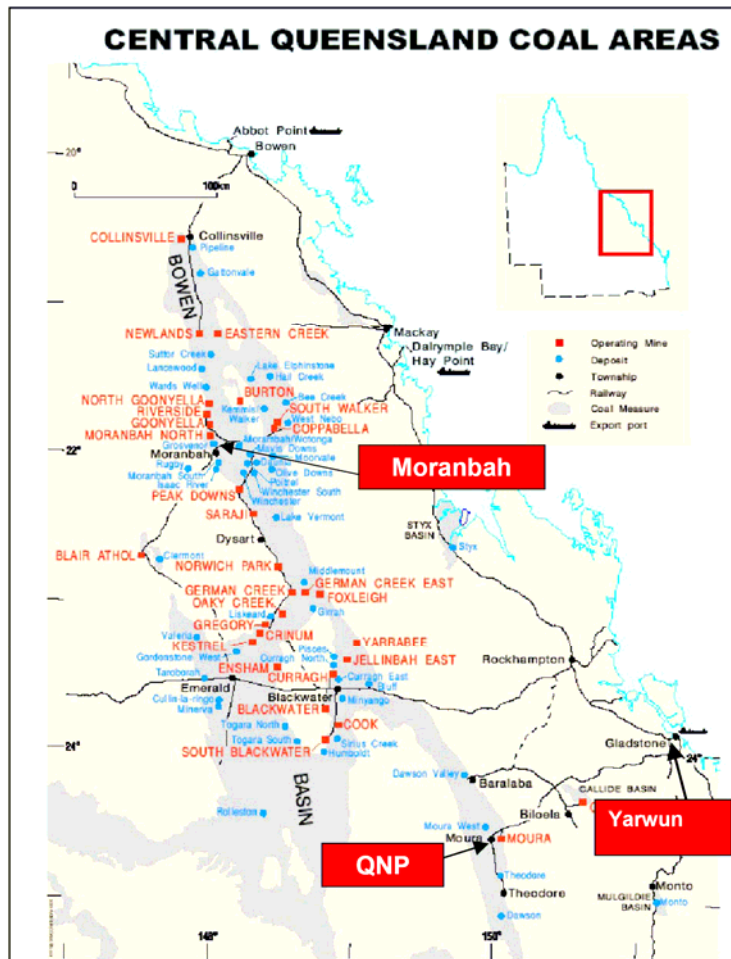
## Fit and flexibility

- Nitrogen based chemistry
- AN sales into both explosives and fertiliser markets

**Strategic fit**



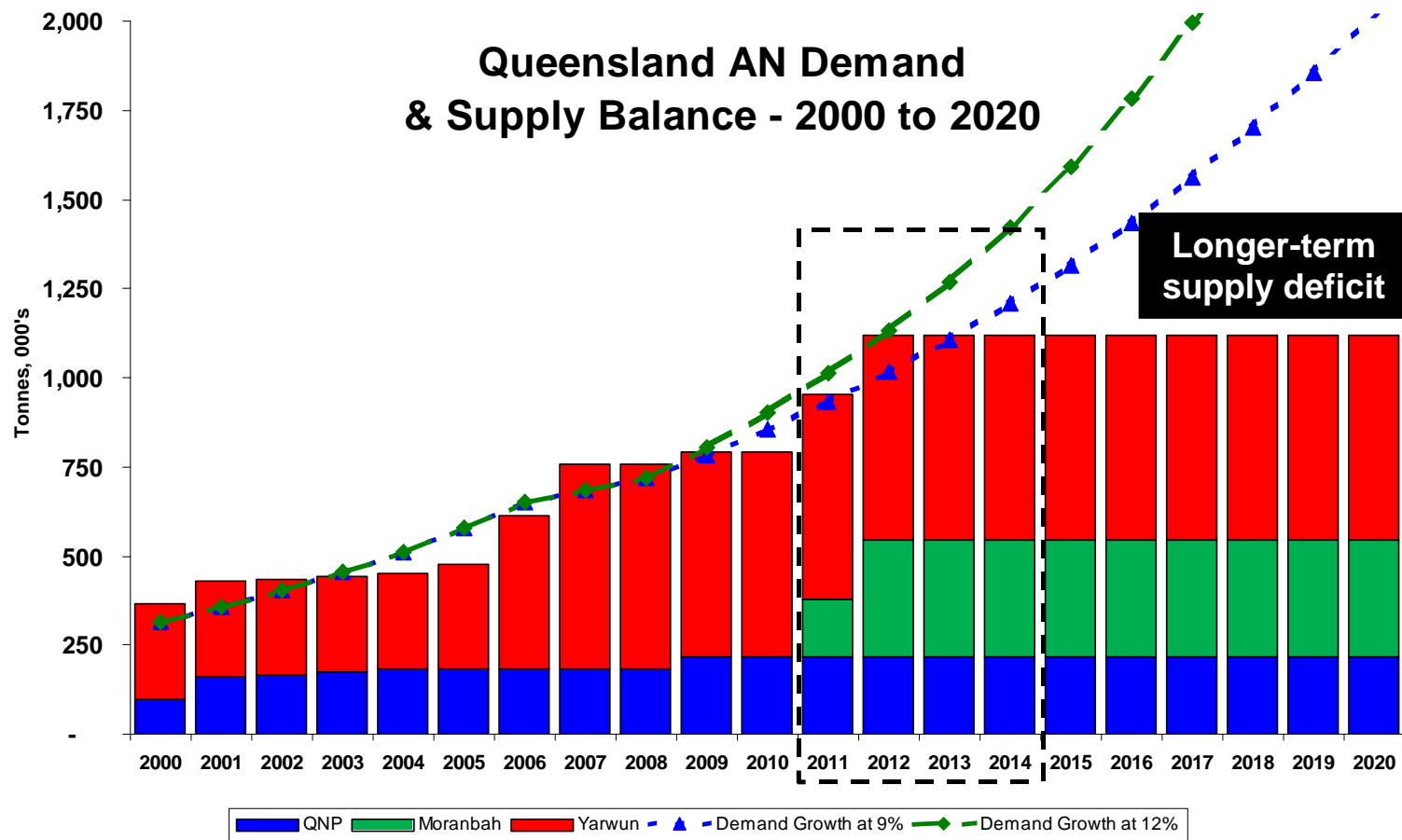
# North Bowen Basin coal



- Australia's largest "Met" coal region – high value coal deposits
- Plant ideally located 5km North of Moranbah
- Located in the heart of large existing and new coal projects
  - Competitive freight advantage
  - Infrastructure de-bottlenecking projects currently in progress underpinning new mine development
- Advantaged by access to local coal seam methane gas for ammonia production

Excellent location

# Industry supply balance

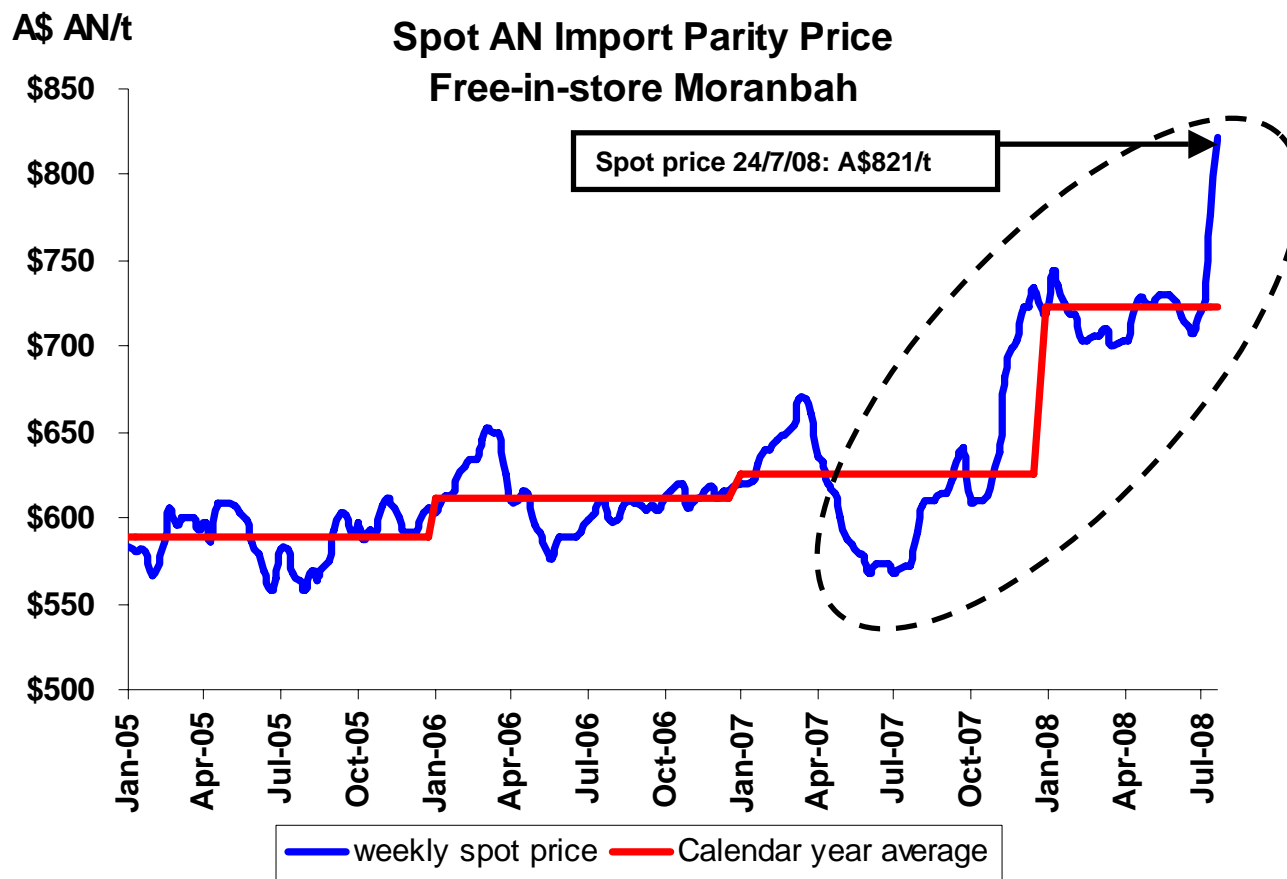


Note - Based on nameplate capacity

**Forecast growth of 9% = a balanced AN market by 2013**



# Industry Pricing



Source: IPL - constructed IPP price based on Fertecon AN Baltic/BlackSea FOB

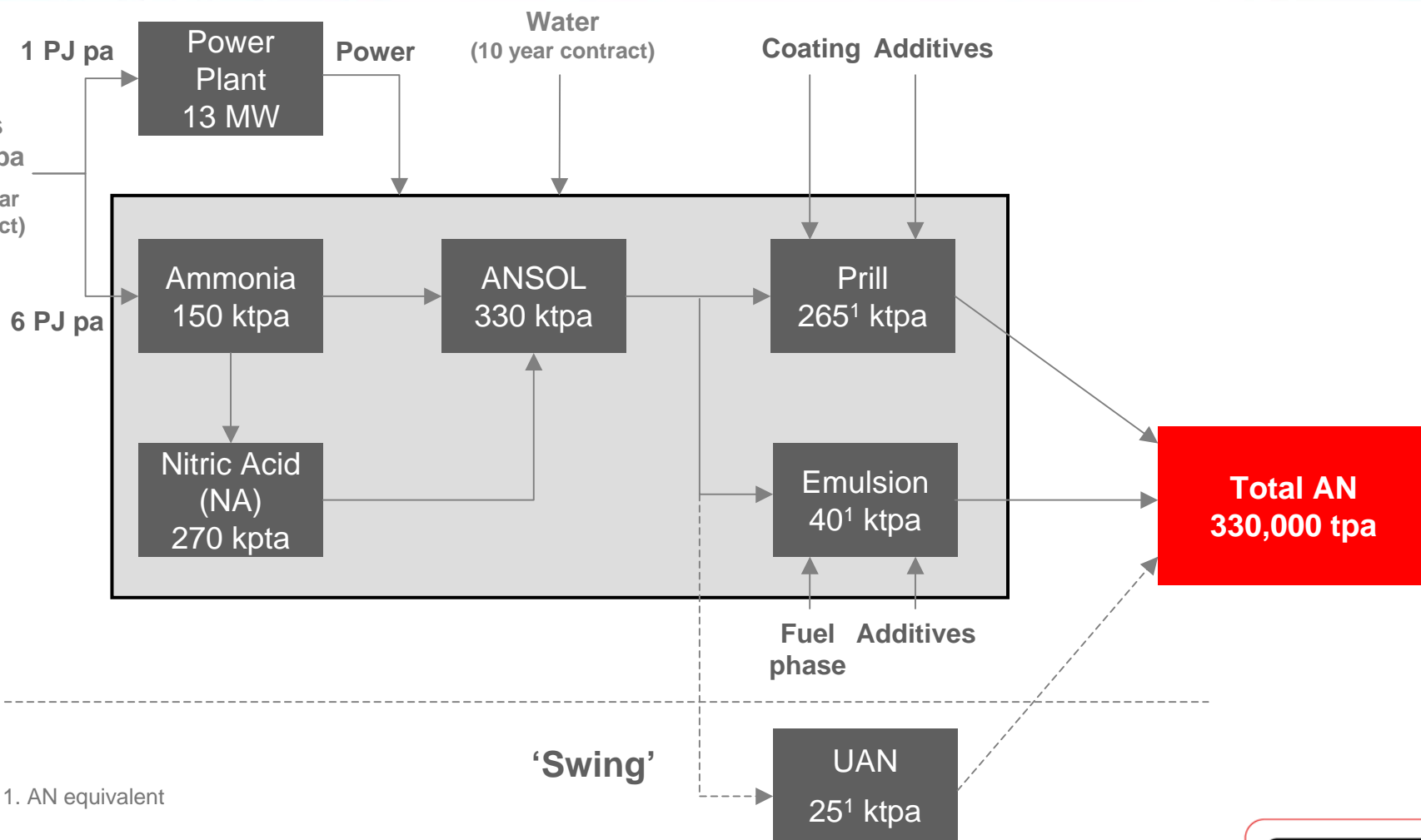
**A step change in AN pricing**

# Alan Grace

President  
Major Projects & HSE



# Overview of the Moranbah AN complex



**A fully integrated back-to-gas ammonia, nitric acid and AN complex**



# Construction cost

- Cost to complete estimated by IPL taking a bottom up, clean sheet approach
  - Whole of project costs now included
  - Led by IPL senior engineering management
  - Overseen by IPL Executive Team
- Independently reviewed by:
  - Uhde Shedden – Lead turn key contractor on QNP
  - Independent Project Analysis (IPA) - global project benchmarking consultancy

**Rigorous project review**



# Construction cost

## UGA<sup>1</sup> Project Agreement

- A\$683M contract with United Group Alliance (UGA)
- Contract includes risk/reward model as incentive for cost and schedule outcomes (UGA upside/exposure capped at A\$44M):
  - Cost: first +/-A\$10M to UGA and balance shared equally between UGA and IPL
  - Schedule: +/-A\$150,000 per day

## IPL managed cost

- A\$28M in start-up costs
- A\$224M in commissioning costs, project management and key engineering resources, provision of a fully resourced operations team, initial catalyst charge, capital spares/stores, and accommodation for the permanent workforce

1. United Group Resources, Bilfinger Berger Services, BCG Contracting

**A fully costed project**

# Project execution



(1) refer appendix for key project management biographies

- IPL Executive Team committed to delivery of project and actively involved in execution
  - Track record of delivery
- Comprehensive risk management plan in place (including internal audit)
- Complexity of execution significantly reduced from 20 individual contractors to 2 major interfaces, The United Group Alliance and the IPL team
- The Project Agreement with UGA provides a significant incentive to complete project on time and on budget

**Comprehensive project risk management plan**





# Current status



Re-construction of the ammonia plant and new ammonia tank, with power plant, evaporation ponds and camp site in background (late 2007)

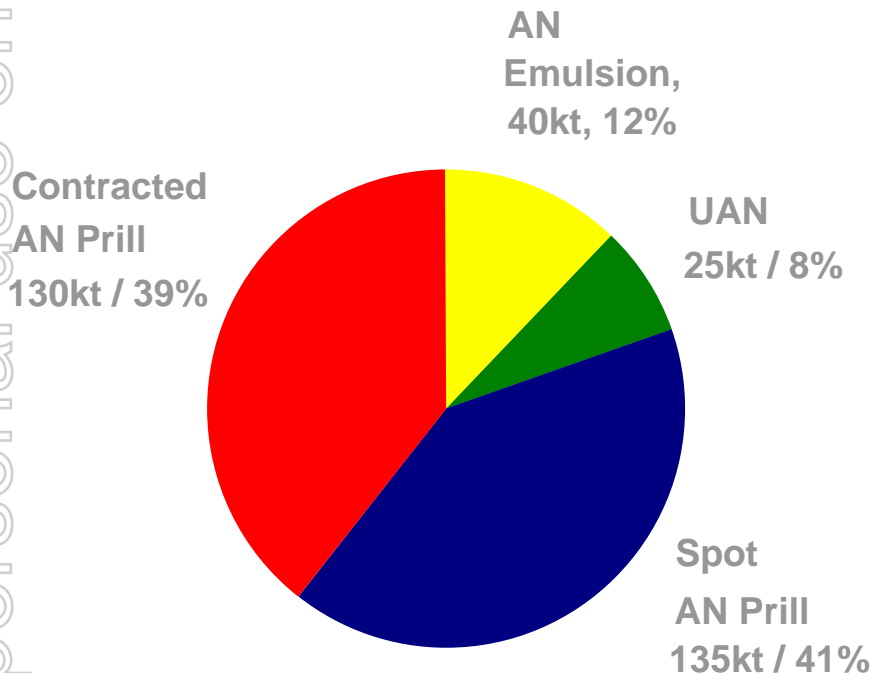
- ~90% of bulk earthworks complete
- ~20% of ammonia plant installation complete
- ~85% of ammonia storage tank complete
- ~90% of power plant complete
- Construction camp fully operational

# James Fazzino

Finance Director  
& CFO



# Ammonium Nitrate sales



Total AN volume 330kt

- AN prill legacy contracts in place for 39% of volume
  - 10 years to 2018
  - annual escalation at 100% of Australian CPI
  - contract prices increased from those originally negotiated by Dyno Nobel
- AN prill spot capacity 41% of volume
  - Leverage to price upside (current spot A\$821/t)
- Swing capacity for liquid fertiliser markets (UAN)

**Leverage to high AN price environment**



# Bottom of cost curve position

- World scale AN plant based on current technology
- Back-to-gas ammonia production
  - no exposure to global ammonia prices
- 15 year A\$ priced gas contract signed with Arrow Energy
  - contract start April 2010
  - annual Australian CPI indexed
  - NO link to global energy prices
- Freight advantage over alternate sources
  - average \$45–\$50/t over QNP and Yarwun

**Full AN manufacturing margin captured**



# Financial returns

- Stand-alone IRR > 15%
- 18% RONA year 4 (2014)
  - 2013 first shutdown year
- Dyno Nobel acquisition case assumed project did not proceed - negative A\$200M NPV impact of impaired contracts
  - differential IRR > 17%
- Capex plan – A\$935M relatively even spend profile over 32 months to beneficial operation

**Exceeds IPL's strict financial criteria**





# Debt update

- On 21 May 2008, IPL established a A\$2.4Bn 12-month debt facility to fund the acquisition of Dyno Nobel
- We remain comfortable with debt profile
  - Consistent with maintaining an investment grade debt profile
  - Additional equity is not required to maintain profile post Moranbah announcement
- Plans well advanced for refinance
  - Refinance will establish appropriate tenor and balanced spread across debt markets
  - Recruitment of an experienced treasury team to execute the plan
  - Bulk of bridge will be refinanced by financial year end

**Continued disciplined capital management**





# Julian Segal

## Managing Director & Chief Executive Officer



# Summary

- Compelling strategic fit
- Exposure to high growth Queensland 'Met' coal
- Fully integrated back-to-gas ammonia, nitric acid and AN complex
- Fully costed A\$935M project
- Compelling competitive position
- Project exceeds IPL's strict financial criteria

**Low risk, controllable shareholder value creation**



# Questions?



# Appendix

## Key project management biographies

### **Bernard Walsh - President Global Manufacturing**

Bernard has extensive manufacturing experience in petrochemicals, chemicals and mining services. Bernard joined IPL from Orica where he held a variety of roles from 1987 including General Manager of Initiating Explosive Systems (IES) until 2003. Bernard is currently responsible for the operation of 4 ammonia and 6 ammonium nitrate plants in Australia and North America and oversees a global process technology and engineering team. The Moranbah project will draw on the extensive expertise in this global team to ensure the successful construction and commissioning of the new plant.

### **Alan Grace - President Major Projects & HSE**

Alan has extensive experience in the construction and operation of chemical and petrochemical manufacturing facilities. In 1991, Alan was the principal process design engineer for the first Orica Yarwun AN project (110ktpa) in Queensland. In 1995, Alan was responsible for developing the project scope for the 100% up-rate of the Orica Yarwun AN plant and in 2004 was the project owner of the 110ktpa AN up-rate at Orica's Kooragang Island AN plant in NSW. Between 2000 and 2004, Alan was technology manager for Incitec Limited and was responsible for ammonia technology and improvements to the operation of Incitec's ammonia plants. Alan is responsible for the technical outcomes of the Moranbah project.

### **Daryl Roe - General Manager, Business Development**

Daryl joined IPL in 2004 from Orica where he held various business management roles including General Manager of East Australia & Pacific region for Orica Mining Services. Daryl is responsible for delivery for the commercial and financial outcomes of the Moranbah project.

### **Tony Sticklen - Vice President Major Projects**

Tony has extensive project management and engineering experience in multi-discipline projects associated with power generating facilities, complex chemical & mineral processing plants and upstream oil & gas surface facilities. Prior to joining Incitec Pivot, Tony held various project and engineering management roles with responsibility for delivering major projects in a variety of remote locations. Tony has been recently appointed to the position of Vice President Major Projects from the position of IPL Engineering Manager, a position he has held since the acquisition of Southern Cross Fertilisers. Tony is responsible for the engineering outcomes of the Moranbah project.

**An experienced team with a track record of delivery**

