IFM Investors moves into Mexico with toll road purchase

Australia’s biggest infrastructure investor, IFM Investors, has made its first foray into Mexico after buying 25 per cent of a toll road in Mexico City from Spain’s OHL for $737 million in January.

Kyle Mangini, IFM’s global head of infrastructure, told *The Australian Financial Review* the 111 kilometre Circuito Exterior Mexiquense (CEM) toll road was attractive because it had potential for traffic growth. “Mexico’s got one of the lowest cars per capita in the OECD,” Mr Mangini said.

CEM, which forms part of Mexico City’s ring road, will continue to be operated by OHL, a Spanish construction company that built the road in 2003 and has 37 years remaining on its concession. The Mexican road will be the first toll road in IFM’s global infrastructure portfolio.

“Toll roads fit with our profile, they’re a very attractive component of the infrastructure asset class,” Mr Mangini said. IFM has two infrastructure funds worth around $15 billion combined.

The Mexican investment adds to IFM’s other South American investments – hydro-electricity assets in Chile and wind farms in Brazil.

IFM’s initial stake of 24.99 per cent CEM could change in the future, but there were no immediate plans to increase it,” Mr Mangini said, adding the Australian group hopes to do further investments with OHL.

“We like working with large strategic companies, this is going to be another really strong strategic relationship and we can look to work together on other opportunities in the future.”

The Mexican acquisition showed “good value” was still available in the infrastructure market for groups with a “strong global presence,” Mr Mangini said.

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Karoon Gas hopeful on Kangaroo oil flows in Brazil
(This article was written by Angela Macdonald-Smith and was published in the AFR on January 6, 2015)

Karoon Gas Australia is on track for a commercial oil project off the coast of Brazil despite the plummeting oil price, after reporting strong flows from testing at its Kangaroo discovery off the coast of Brazil. Testing at the Kangaroo-2 well signalled that a vertical production well could flow at 6000 to 8000 barrels a day, with the potential for higher rates from horizontal wells, managing director Robert Hosking said on January 6.

“Karoon is very pleased with the production testing results from Kangaroo-2,” Mr Hosking said. Spokesman, Ed Munks said the flow rate was “promising” for a commercial project at the Kangaroo field in the Santos Basin.

BBY analyst Scott Young has estimated that a minimum of 6000 barrels a day could yield an economic project, assuming an oil price of $US60 a barrel.

The well, in which the Australian junior has a 65 per cent stake, is the most advanced of Karoon’s oil prospects in Brazil. The region has become its main focus after a $US600 million ($742 million) deal with Origin Energy in 2014, which saw it exits Browse Basin - exploration venture in Australia’s north-west.

The positive results from the appraisal well appear to justify Karoon’s controversial decision to proceed with the well before further reducing its stake in the drilling venture, which is 35 per cent-owned by Pacific Rubiales Energy.

Karoon is continuing talks with other potential partners.

The company said that Kangaroo-2 confirmed the indications reported in November of a 250-metre gross oil column, of which 135 metres is assessed as “net”, meaning it is of good enough quality to potentially yield - commercial flows.

It plans to drill another prospect to the west of the field, called Kangaroo West, but before that will drill “side-track” wells from the existing hole to try to better define the oil reservoir. “The information obtained from Kangaroo-2 will be important for assessing the commerciality of the Kangaroo oil field and will be valuable for a front-end engineering and design phase bringing the project a step closer to commerciality,” Karoon said.

Mr Munks said the decision to drill side-track wells from the existing hole was driven by the soft oil price, providing a “cheap and easy” way to try to confirm the size of the resource without drilling new wells. “Of course, the oil price is having a bearing on what we are doing,” Mr Munks said, while pointing to benefits arising through declining rig hire rates and increasing spare capacity in the engineering and construction sector. The Kangaroo field was thought to have the potential to hold 135 million barrels of oil, earlier estimates show.

Goodman looks to US and Brazil pipeline as it lifts profit forecast
(This article was written by Kylar Loussikian and was published in the AFR on February 13, 2015)

Industrial property giant Goodman Group has flagged an expansion of its development pipeline in the US and Brazil, and more major asset sales, as it lifted full-year earnings forecast to a 7 per cent increase on last financial year.

On February 12, Goodman posted an operating profit of $327 million for the first six months of the year, a 10 per cent increase on the previous corresponding period.

Total assets under management rose to $29.4 billion in the first half, due to $1.3bn of development completions, largely undertaken on behalf of Goodman’s managed funds or third parties.
Chief executive Greg Goodman said the company and its managed funds had disposed of $1.1bn in assets split across Australia and Britain. Mr Goodman estimated that 150,000sq m in warehousing was already under construction, with work to begin on a further 100,000sq m by the end of June.

Goodman is building another 275,000sq m of warehouse space in Brazil through a partnership with the largest local commercial property developer WTorre, the WTGoodman subsidiary previously flagging an $855m pipeline.

“It (Brazil) will be in for a pretty tough year as far as the economy is concerned, so there are counter cyclic land acquisition opportunities in Brazil,” Mr Goodman said.

Combined, work in the US and Brazil now represents nearly 20 per cent of Goodman’s total development work in progress.

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Chile seeks Australian expertise to reform its water policy frameworks
(This article was supplied by Austrade)

A delegation of senior Chilean government officials and scientists recently met with Australian water experts to explore Australian approaches to water management issues. The mission, led by CSIRO Chile and supported by Austrade, included meetings with Australia’s Bureau of Meteorology, the Murray-Darling Basin Authority, the Commonwealth Department of the Environment and the former National Water Commission. The delegation also met with representatives from the Australian agricultural, industrial, environmental, scientific and state government communities.

As Chile enters its sixth year of drought, its Government is proposing significant reforms to its water management frameworks. The Government sees the Australian reform experience as being of particular interest, given the similarities between the two countries. Both Australia and Chile have an uneven distribution of water sources, both are impacted by El Niño y La Niña and both have to balance industry growth with dwindling water resources and environmental concerns.

Carlos Estevez, Director of Chile’s General Water Directorate, said: ‘We are very interested in learning more about the legal frameworks to manage water, [as well as] the obstacles and solutions to administer and share water.

‘Chile and Australia share many similarities in this sense – for example, we both have a market system that allows people to use water, but it’s difficult to know how to manage competing demands for the resource, especially when they increase.’

Dr Reinaldo Ruiz, Chile’s Presidential Delegate for Water, highlighted that ‘generating a common space between the key stakeholders in government, industry and community will support the success of a water reform process in Chile’.

Austrade Chile’s Trade Commissioner Daniel Sullivan said: ‘Australia’s water management history provides valuable experience in information-gathering frameworks, scientific research and stakeholder engagement methods. A prime example is Australia’s Murray-Darling River Basin Management plan, which brings agreement across four state and one territory government to achieve a balance between environmental, economic and social considerations.’

Australia is already collaborating with Chile on water management solutions. For example, the Chilean Government contacted CSIRO Chile’s Research Foundation to develop an Integrated Basin Management Plan for the Copiapó river basin in Chile’s arid north. The initiative has scope to be broadened out to other regions of Chile.

The Austrade team in Chile is undertaking further initiatives, including organising a delegation of Australian water management experts to speak at Water Week Latin America (23–27 March 2015) and promote Australian water expertise to Latin American governments and organisations. Find out more about supplying water solutions to Chile or contact Austrade for information.

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Chairman’s Message

This edition of ‘Business Australia’ provides an overview - by no means complete - of the breadth of developments that have taken place in the Australia-Latin America trade and investment arena during the period December 2014 to March 2015. At a time of volatility in the global markets and of businesses having to tailor their strategies to operating in a lower growth environment, it is heartening to observe that Australian business continues to push into Latin America and that it does so with the backing of both federal and state governments.

What some economic commentators are calling the ‘new normal’, sees falling oil and metal prices weighing on government finances in both Australia and many of the Latin American countries. The situation varies from country to country, but the general trend is similar in each one and involves governments cutting back on expenditure and trying to boost the competitiveness of their economies. Business too is focused on cutting costs, whilst driving innovation and productivity.

How long this ‘new normal’ will be with us remains to be seen, but Australian businesses need to accept that it is here and that action plans need to be developed to make the best of the situation.

As history has shown us, volatility can also produce opportunity, and this is very much what awaits Australian business in Latin America. Companies that are well-managed and have solid balance sheets are likely to find that this year is an ideal one to invest for the future. Asset valuations are likely to fall and there is every likelihood that good buying opportunities will arise.

For example, the slowdown in the mining sector is likely to mean that there will be a flight to quality in sourcing products and services, as mining companies in Latin America strive to make greater use of innovation to cut costs and increase productivity. This is an area where Australian companies excel.

The slowdown may also mean that we will finally have more light shone on the opportunities that exist in other sectors and on the success that Australian businesses are having beyond the resources sector. For example, it is not widely known that Australian majors such as Amcor, QBE and Brambles (through its Chep operations) have a large presence in the region.

Although not regularly reported, a growing number of Australian SMEs are forging successful businesses in the region and their progress is encouraging other players to follow in their footsteps. This was evident from the number of winners of the Austrade 2014 Export Awards who acknowledged the contribution of Latin America in their acceptance speeches, including Melbourne-based SDI, Queensland’s Cardno and Opmantek.

Despite the need for caution, I believe that 2015 has the potential to be a very positive year in the development of Australia’s engagement with Latin America. If all goes to plan, we can expect an increase in the exchange of ministerial and business delegation visits, as well as in the number of Australian companies that choose to make a move into the region. There may also be more investment from the region into Australia, as multilatinas and even smaller players from the region come to appreciate the merit of operating in Australia, both to access the domestic market and to use it as a springboard for building a sustainable presence in Asia.

The road ahead will be challenging, but comfort can be drawn from many of the developments taking place in Latin America, including initiatives such as the Pacific Alliance, which promises to serve as a template for regional coordination and integration. If the member nations can maintain their momentum, they will have an opportunity to drive change within the region and to bring greater stability and prosperity to the region. Brazil’s performance will also be critical to the fortunes of the region and the size and potential of its economy means that it will have a prominent seat at the regional table.

Australia cannot afford to ignore the growing political and economic links between Latin America and Asia. How those links evolve has the potential to impact Australian business and it is imperative that we acknowledge that an ‘Asia only’ strategy will not suffice and that Latin America must not only be on our radar, but that it has to be a priority.

Jose Blanco
Chairman

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**New Air Services Agreement allows for doubling of Australia-Chile services**

A new air service arrangement between Australia and Chile makes it possible for flights between the two countries to double—expanding the main gateway for Australians to South America.

The announcement of the new arrangements was made on February 16 by the Deputy Prime Minister and Minister for Infrastructure and Regional Development, Warren Truss. On the successful renegotiation and scaling up of the deal between the two countries, Mr Truss said that “Effective immediately, designated airlines from Chile and Australia will each be entitled to operate up to 4,000 seats a week across the South Pacific,” Mr Truss said.

“This doubles the previous capacity and opens up opportunities for Australian airlines to better serve holiday-makers and other travellers to South America.”

Mr Truss said negotiations had also removed all restrictions on airlines’ ability to code share—allowing Australian and Chilean airlines to build their networks and serve new markets through joint services. “Open code share is a key objective for Australian airlines, as it enables them to build networks that support their investment in key hubs, such as Santiago,” he said.

“It will now be possible for Qantas to build on its existing code share relationship with the LATAM Airlines Group to link Australia with even more destinations across South America, via Santiago.

“The Australian Government is committed to ensuring that we have the aviation capacity necessary to meet future demand and to ensure that Australian airlines can grow and compete internationally.”

These new arrangements, when combined with the December, 2015 launch of Air New Zealand’s service connecting Auckland and Buenos Aires, should result in not only an increase in the number of flights crossing the Pacific, but hopefully a more competitive pricing structure for tickets that will in turn increase the exchange of tourists, students and business visits.

The ALABC is delighted to see these new arrangements in place and looks forward to continuing to work with the Latam Group, Qantas and Air New Zealand, to promote the business ties between Australia and Latin America.

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**Petrel Energy receives resource certification for oilfield in Uruguay**

ASX-listed and ALABC Patron Member, Petrel Energy, has received its first resource certification for an exploration block that it has in Uruguay, where hundreds of millions of barrels of oil are estimated to be contained in the Norte Basin.

According to a media statement released by Petrel Energy on January 13, “20 potential leads [have been] identified ranging from 2 to 241 MMBBL [million barrels]” in the Salto and Piedra Sola exploration blocks.

The statement adds that a report prepared by Netherland, Sewell and Associates Inc. (NSAI) estimates that the Salto and Piedra Sola concessions could hold between 133 and 902 MMBBL of oil. According to Managing Director of Petrel, David Casey, the prospective resource estimate is a promising one. “Yet again results have exceeded our expectations with the seismic identifying multiple new large conventional targets and significantly many at relatively shallow depths,” Casey said as quoted by the Petrel statement.

Casey added that Petrel will now be looking for potential partners to assist with the next stage of exploration of the active and previously unknown hydrocarbon system in Uruguay.

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Opinion: ‘Mexico and Australia: New era for natural partners’

(This article was written by Chris Rodwell (pictured below), Austrade trade commissioner for Mexico, Central America and The Caribbean)

The Australian business community is just starting to recognise the increasingly significant role Mexico will play in the global economy in the next few decades.

Few if any countries are executing as ambitious a reform program as Mexico right now. The program will prompt a transformation in international trade and investment for the country.

OECD secretary general Jose Angel Gurria commented in January that Mexico’s reform program is the most extensive and ambitious that had been seen in the OECD in recent times and possibly the most extensive and ambitious in the world. The OECD forecasts Mexico will average an additional one per cent growth per year for the next ten years. Should it implement other reforms it could arrive at an additional two per cent growth per year.

The program encompasses energy, telecommunications, finance, tax, infrastructure, education and more. Add the prospect of the Trans Pacific Partnership (TPP) and Mexico’s existing tranche of trade agreements, covering 45 different countries and including NAFTA and the Pacific Alliance, an enhanced commercial relationship between Australia and Mexico is almost certain.

For instance, BHP Billiton has entered the market in search of opportunities in the deepwater of Mexico following the overhaul of 76-year old legislation that had previously closed the energy sector to international investment. WorleyParsons has entered with similar intentions and a view to developing business downstream.

Macquarie Group manages the largest fund for commercial and industrial property in the country and also has a lead interest in a US$1billion greenfields wind farm project. More recently, Melbourne-headquartered IFM made its first investment, a US$600 million stake in a major toll road.

The fundamentals of the Mexican economy are strong. Goldman Sachs forecasts Mexico will be a top 5 economy by 2050 and few dispute it will enter the top 10 by 2030. One reason is Mexico’s central bank has been an astute manager. In early 2014 Moody’s lifted Mexico to an A-credit rating. With international reserves nearing US$200 billion and low debt-to-GDP ratios, Mexico’s economy is solid.

It is determined to deal with productivity issues. Mexico is challenged by significant infrastructure gaps. But it plans to invest north of US$550 billion in the next five years to fast-track the delivery of roads, rail and pipelines.

There has also been significant education reform but much more needs to be done. In response, Mexico is creating mega-programs to combat skills deficits. Recently announced 60,000 scholarships in the energy sector is an example of the country’s commitment to break the 20-year bind of stagnant productivity.

There are pressures to manage in funding new programs. The tax base is narrow and small compared to other OECD nations. While the government has hedged its oil price for 2015, should it remain deflated until 2016 budget cuts will likely be made and a second round of fiscal reform may be needed.

On the upside Mexico is a huge manufacturer. It is the engine room of the Mexican economy and accounts for 80 per cent of all advanced manufactured exports in Latin America. It is the number one producer of flat screens and refrigerators in the world and the fourth largest exporter of motor vehicles. Having the US as a neighbour has advantages, especially as the US economy is trending back to four per cent GDP growth a year. Announcements of new car production plants are as common in Mexico as taco street vendors. Just before Christmas General Motors announced it would invest a further $5 billion in Mexico. This comes on top of recent announcements from Kia, VW and Mercedes.

The opportunities produced by such investment are apparent for Australian companies looking to new markets as a result of the structural overhaul of the local industry. Austrade is working with companies to determine how to penetrate some of the global value chains in Mexico.

www.alabc.com.au  Tel: 02 9431 8651
Mining is also a sector of interest for Australia. While deeply embedded in other parts of Latin America, Australian companies are underrepresented in Mexico, despite the country being the fifth most popular destination for mining investment in the world. In September last year, Rio Tinto, announced a joint venture with mining exploration company Azure Minerals to explore for copper in Mexico.

The other strategic opportunity for Australia is in agriculture. Mexico and Australia share similar ambitions in improving the productivity of their land. We also produce many of the same commodities and face the challenges of flood and drought. Yet it is unlikely we will ever be great competitors. The margins and demand from Asia are too enticing for Australia to contemplate anything but niche plays into Mexico. The greater opportunity exists for shared investment plans in both countries, recognising Australia’s privileged position as a gateway to Asia and Mexico’s similarly held status in the Americas.

In the medium term, expect greater commerce in consumer goods and health. It surprises most to learn Mexico is the fifth largest market for luxury brands in the world. That’s a clear marker for sectors such as our wine industry. While Mexico has traditionally been the land of tequila and cerveza, the red wine segment is growing at 14 per cent per annum in value terms. That’s why 10 Australian wine producers visited Mexico for Australia Day this year to develop the market.

In terms of health, Mexico’s population is 120 million and it has a fast rising middle class. Those numbers, coupled with a zeal for better health and an addiction for sugar that recently led to the introduction of a sugar tax, is evidence of the scale of the opportunity.

While Australia fosters an ever-more expansive view of global commerce, Mexico represents a compelling opportunity, both in its diversity and scale. It is, by any standard, a much underdone relationship. But it’s also a pivot for Australian companies keen to manage risk in Asia and develop new markets. If ever Australia was looking to recruit a ‘natural partner’ Mexico would surely be on the shortlist.

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**Amcor Rigid Plastics ranked as fifth-leading employer in Argentina**

Amcor Rigid Plastics’ Argentina business unit was recently recognized as one of the best employers in Argentina for 2014 by Apertura Magazine, a leading business magazine in Argentina. Amcor, one of the world’s largest manufacturers of plastic packaging for food, beverage, spirits, home/personal care, and healthcare industries, was ranked fifth in the country among employers with 200 or fewer employees.

Amcor has been recognized as a top employer in Argentina the last five years and has been a Top 10 employer the last four years. “We’re thrilled to receive yet another top employer ranking from Apertura magazine,” said Juan Cazes, general manager of Amcor’s Argentina business. “This is truly a great honour and a testament to our highly focused organizational development process which includes a strong commitment to workforce development and training.”

Amcor Argentina operates two manufacturing sites in Pilar, Buenos Aires, and Ushuaia, Tierra del fuego. The two facilities manufacture polyethylene terephthalate (PET) preforms and a wide range of PET beverage containers.

Five years ago, Amcor launched an organizational development process which was part of its overall business strategy to improve branding and increase sales. The process focused on attracting, hiring, and developing talent and re-engineering all organizational structures so that the talent pool met the organizational goals and fulfilled the business plan, according to Nicolas Sylvester, Amcor Argentina’s human resource manager.

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Opinion: Australia and Chile as Regional Platforms for Trade and Investment

(The following is an address given by Jose Blanco, chairman of the ALABC, on December 12, 2014 at the Economic Leadership Forum “Australia-Chile: Asia Pacific Platforms” held in Santiago, Chile)

This Forum is testimony to the already strong links that exist between Australia and Chile, and to the mutual desire that exists across the political, business and academic spectrum to deepen the relationship even further.

We may not be each other’s principal trade or investment partner, or even closest political allies, but as we have heard over the past day and a half, there are many similarities between our two countries that provide ample scope for us to learn from one another and to work together.

Ours is a relationship founded on shared economic, social and geopolitical interests. All of which combine to make us ideal partners and attractive platforms from which to engage our respective regional markets.

As I hope this Forum has shown, strengthening our relationship and pursuing the regional platform strategy will yield not only mutual economic benefits, but also outcomes that enhance our respective political and social wellbeing.

From an Australian business perspective, I have no hesitation in asserting that we regard Chile as an important market; that we want to deepen our engagement with Latin America so as to profit from its growth and that, in many respects, Chile is already positioned as our preferred gateway into the South American market.

The facts speak for themselves. Chile is the only country in Latin America with which Australia has an FTA and is home to more Australian companies than any other country in Latin America. Santiago is the sole hub for direct flights connecting Australia and South America, and a series of important bilateral agreements - the most notable being a double taxation treaty that came into force in 2013 - have entrenched Santiago as the preferred location for companies’ regional headquarters.

The know-how and capital, and the services and products that Australia has to offer can contribute to Chile’s continued development. Furthermore, joint initiatives in education, scientific research and policy formulation can enhance our mutual competitiveness and deliver economic benefits.

Much the same is true of other markets in South America, but our knowledge of, engagement with and risk appetite for those other markets is in many instances less than it should be and that it is with Chile.

Consequently, there is an opportunity for Chile to play an important role as a proving ground for Australian businesses before they make the jump into other markets. Also as a strategic partner from whom we can learn about doing business in the region and with whom we can expand into the region. Finally, as an ideal headquarters for regional operations.

This opportunity presents itself because of Chile’s favourable operating environment; its solid regional connections, including membership of the rapidly developing Pacific Alliance and extensive network of FTAs; its experience of doing business in the region and the successful track record that Australian companies have had of operating in the market.

However, there is no room for complacency and ongoing action is required to entrench this gateway status. We need to continue building our existing links, as well as to broaden the engagement between our respective business sectors and to connect our capital markets.
The challenge of today’s low-growth environment and volatile global markets demands decisive and innovative measures to ensure continued success. Maintaining the status quo will not be sufficient and Australian and Chilean companies alike will need to find strategies that will allow them to embrace opportunities outside their traditional comfort zones.

From Chile’s perspective, I suspect that the case for Australia being Chile’s gateway into Asia may not be as evident. I say this because Chile’s engagement with the region is primarily driven by trade rather than investment and Chilean companies have proven themselves very adept at exporting directly to selected markets in the region.

However, there are many Chilean companies that can and should be investing in Australia, both to access the sizeable local market and to use Australia as a platform into Asia. This is what companies from other countries are increasingly doing and what I believe more Chilean companies should be doing.

I see no reason why many of the Chilean companies that are successfully working with Australian mining companies in Chile cannot also work with them in Australia. In the same way as the similarities between our two economies attract Australian companies to Chile, they should also be attracting Chilean companies to Australia and not only to the mining sector.

Not all Australian companies are big and amongst our substantial SME sector there are many companies that could be targets for Chilean companies. Acquiring or partnering with them would provide Chilean companies with access to the Australian market and experience in operating in a more developed market. It would also provide a strong platform from which to enhance their international competitiveness and to access the Asian region, one that represents some two-thirds of Australia’s total trade and is generating increased exchanges of investment.

As well as giving access to a substantial market, a presence in Australia would provide Chilean companies with greater exposure to Australian innovation and technology, research and development, capital and world-class education, a high quality labour force, extensive logistical capabilities and much more. Focusing only on well-known markets may be the easy thing to do, but it may not always be the best thing to do.

Achieving the goal of greater engagement and reciprocal regional platforms will not happen by luck. It requires commitment and an investment of time and money on both sides.

Success will largely depend on us knowing one another even better than we already do. Regular and more focused dialogue is required at all levels and across all areas of activity. Only mutual knowledge and personal relationships can break down the barriers – real or perceived – that are preventing us from doing more deals and joining forces to conquer new markets.

We need to exchange more visits by our political and business leaders. We need our respective economists, opinion leaders and media to know both countries well and to thus be able to lead or at least participate in the debate about what we can do together.

The list of required action is longer, but for now I invite each and every one of you to make your voice heard.

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Mining overview: Appetite remains for right deals

➤ Latin Resources

ASX-listed South American explorer Latin Resources Ltd, has just inked a landmark deal worth $4 million in cash and exploration commitments over the Ilo Este Project with Peruvian mining firm Compañía Minera Zahena SAC.

Zahena has previously farmed in to Latin’s Ilo Norte project, and is clearly eager for more as it signs on to this major copper porphyry project with Latin, and to speed up exploration at Ilo Este. With the Binding Term Sheet, Latin will benefit from $1 million in cash and over US$3 million worth of exploration commitments from Zahena – including a 11,000m of detailed diamond drilling over some of Southern Peru’s hottest exploration ground.

➤ Orocobre

Orocobre has announced that it has secured at least $A50 million for the ramp-up of its Olaroz lithium plant in Argentina. A total of $40 million has been raised through a placement to domestic and international institutional and sophisticated investors, while at least $10 million will be raised through an underwritten share purchase plan.

The placement will see 15.7 million shares issued at $2.55 each to investors, with the price representing a 13% discount on the Australian Securities Exchange share value prior to the beginning of a trading halt entered on January 30. The share placement plan will be capped at $15 million, but has an underwriting of $10 million. Under the plan existing shareholders will be invited to invest up to $15,000, also at $2.55 per share.

Orocobre managing director Richard Seville said the company valued the support of its investors. “We are very pleased with the result of the raising in what are difficult conditions for resource companies,” he said. “We are now well funded to take Olaroz and the company through to the next stage of development, becoming a profitable operating company.”

➤ Herencia Resources

AIM-listed Herencia Resources has freed up some more cash to develop its Picachos copper project in Chile, offloading one of its non-core assets to a subsidiary of Brazilian group B&A Mineracao. The sale of La Serena should boost Herencia’s hopes of starting production at Picachos this year.

B&A, which already has projects in the South American country, could pay up to US$4 million for the La Serena copper project in Chile as part of its option agreement with Herencia.

This provides a boost for Herencia, which is currently focused on becoming cash flow positive by advancing its Picachos copper project in Chile into first production this year. Managing director Graeme Sloan said: “Whilst the focus has been on advancing the Picachos project toward production by the end of the year, we continue to seek value-add opportunities for our shareholders wherever possible, this agreement is one such opportunity.”

➤ Beadell Resources

Brazil-focused, ASX-listed gold miner Beadell Resources has left itself plenty of wriggle room and could be set for a far better 2015 than its headline guidance for the year suggests.

Beadell is forecasting 2015 sales of between 170,000 and 190,000 ounces at an all in sustaining cost of between US$810 and $890 per ounce. But that output (from its Tucano project) doesn’t take into account potential production from the Duckhead high-grade resources totalling between 35,000 and 45,000oz. A cut-back to access this resource could occur in the second-half of the year following the wet season.
Beadell will be especially keen to ensure it at least meets its forecasts for the year after 2014 featured production of 166,000oz, a 7% miss on the company’s original guidance of between 180,000 and 200,000oz. That result was said to be due to scheduling of the ultra-high-grade Duckhead orebody.

The company has subsequently brought in a new mining contractor, MACA (which started November 1), and material movements in the December quarter were a record 5.4 million tonnes.

Troy Resources

Australia and Toronto-listed Troy Resources is only a matter of months away from starting production at its Karouni gold project in Guyana after receiving a key licence from the country’s regulators. Karouni is one of a handful of new gold projects set to start-up production in Guyana this year.

The gold producer’s mining licence had been issued, allowing Troy to proceed to the “advanced stage of project development”, the company said. This included plant construction and pre-strip mining operations. “The issue of the licence also completes the list of conditions and requirements for Troy’s A$30 million [US$23 million] Tranche B facility with Investec Bank,” Troy said.

“With the final stage of permitting now complete, and all major components for construction on site, Troy is now only a matter of months away from commencing production at Karouni,” Troy’s chief executive and managing director, Martin Purvis, said.

Last month, Troy received the finalised environmental permit for Karouni, which could produce 633,000oz of gold over a seven-year mine life through a combination of open pit and underground mining.

AusQuest

Australian-listed AusQuest has completed three separate joint venture (jv) agreements for its Peruvian copper assets. The agreements could see South American copper firms Zahena and Southern Copper earn up to 70% in the Lana, Cardonal and Puite-Colorada projects. In return, AusQuest could receive option payments totalling US$10 million, while up to 70,000m of drilling, worth an estimated US$16.5 million, would be funded by the Peruvian companies.

AusQuest’s managing director Graeme Drew said: “We went into Peru with a long term view and, after more than three years of patient, hard work (including flying an extensive aeromagnetic survey in 2011) to establish and identify a series of quality copper-gold targets in the covered regions of southern Peru, we are now delighted to have secured JV agreements with two of the Peruvian copper industry’s key players, who will be drilling our large-scale porphyry copper-gold targets for the very first time.”

The projects, located in southern Peru, have all been permitted, are close to infrastructure and are thought to contain large copper porphyry systems. They are also near to big copper deposits such as Mina Justa, Tia Maria, Cerro Verde and Toquepala.

Hot Chili

Hot Chili Limited has announced that its wholly owned Chilean subsidiary company has executed a Memorandum of Understanding (MOU) with Puerto Las Losas SA (PLL) to jointly study the provision of port services from PLL’s facilities located at Huasco, adjacent to the Company’s flagship Producetora copper project in Chile.

In advance of the execution of the MOU, PLL has been granted a favourable Environmental Approval by the Chilean Environmental Evaluation Service. The approval allows PLL to construct and to operate the new copper concentrate port facilities ancillary to the already existing facility.
Air New Zealand to fly direct to Buenos Aires from December 2015

On December 12, Air New Zealand announced that it will launch direct flights between Auckland and Buenos Aires - the airline’s first ever scheduled service to South America. An Air New Zealand Boeing 777-200 aircraft will operate three return services a week on the route all year round.

Air New Zealand Chief Executive Officer Christopher Luxon (pictured) said that the new destination, the airline’s 28th international port, opens up an exciting new world for travellers from both New Zealand and Australia. “South America was once the domain of the intrepid explorer, but the direct service to Buenos Aires, with a flight time of around 12 hours, means a quick and action packed getaway is now a reality. “Buenos Aires is the most popular tourist city in South America and is a perfect stepping stone for those who then want to explore the country, or continent, further.”

“We’ve been very clear about our aspirations for growth in the Pacific Rim. Our flights to Singapore commence next month and this new route to Buenos Aires further strengthens our network in the Pacific Rim. Argentina is an exciting new destination for New Zealanders, and with seamless one-stop connectivity through Auckland it will provide a fantastic opportunity for Australians as well.”

The service will also enable Argentineans to travel directly to New Zealand and then on to Australia on Air New Zealand’s extensive trans-Tasman network, or to Singapore and South East Asia.

Air New Zealand will enter into a code share agreement with Aerolíneas Argentinas, subject to obtaining regulatory approvals, which will see Aerolíneas Argentinas’ code return to the South Pacific market on the new route and on key connecting Trans-Tasman services, and Air New Zealand will code share on Aerolíneas Argentinas’ services to Brazil. “We are particularly excited that Aerolíneas Argentinas has agreed to support the service with code share, which we expect to help further stimulate tourism to New Zealand from this rugby loving nation,” said Mr Luxon.

Flights will commence in December 2015, with tickets on sale in March, subject to obtaining necessary approvals.

Latam Autos debuts on Australian Stock Exchange (ASX)

December 17 saw the ASX listing of Latam Autos Limited, a dedicated online auto classifieds and content platform with operations in six countries in Latin America - Argentina, Mexico, Ecuador, Peru, Panama and Bolivia. The South American headquarters of the company are located in Quito, Ecuador, and the Company's CEO is highly experienced digital media executive and renowned South American businessman Jorge Mejia Ribadeneira.

According to Tim Handley, the company's co-founder, six of the 14 pure-play online classified sites listed globally are Australian. “Australian investors really understand the power of the business model” says Handley. “This is mainly due to the success of Seek, Realestate and Carsales, which have now become global.”

LatAm hopes to be the next online force, having closed its $18 million initial public offer on December 12, ahead of the ASX debut. Handley said the underwritten raising, which did not have a general retail component, was “well supported.”

As with the Carsales-backed iCar Asia which listed in 2012, LatAm’s spiel highlights the appeal of populous geographies where car ownership is increasing but online penetration is still in its infancy. “You can think of it as being 10 years behind Australia,” Handley says.

Across the combined population of 222 million people in the six countries where LatAm currently operates, car numbers have been growing at a compound rate of 5 per cent over the past seven years. In Mexico, the growth has been 20 per cent.
Put another way, for every 1000 people there are 150 to 200 vehicles, compared with 750 in Australia. The Latin American auto appeal has not been lost on Carsales, which in early 2013 paid $90m for 30 per cent of WebMotors Brazil, the World Cup host’s biggest car classifieds site.

“Outside of Ecuador there’s no dominant player,” Handley says. “No one has attacked the auto vertical with a well-funded strategy.” Ironically, close to one-third of LatAm’s revenues derive from the old world: an Argentinian print magazine called Auto Focus. “Over time, magazine revenue is decreasing and moving online,” Handley says.

Not coincidentally, all of the target countries are Spanish-speaking, which helps when it comes to joint marketing and administrative cohesion. Unlike Carsales, LatAm doesn’t see the appeal of Portuguese-speaking Brazil — easily the region’s biggest car market, but also highly competitive.

A former investment banker, the Sao Paulo-based Handley founded LatAm with fellow deal maker Gareth Bannan. Through their involvement with the sale of Pacific Hydro, the duo became acquainted with AFL chairman and infrastructure guru Mike Fitzpatrick. A foundation investor in LatAm, Fitzpatrick will emerge with a 14 per cent holding after investing a further $2m via the IPO. Simon Clausen, co-founder of Freelancer.com, will hold 8 per cent after pitching in $3m. Joining Fitzpatrick and Clausen on the board is Colin Galbraith, a current Arrium director and former CBA board member.

Queensland METS players look to Peru

The Ambassador of Peru, H.E Luis Quesada, visited Queensland this month to strengthen relationships with Queensland METS firms currently working in Peru and to promote growing opportunities. He also met 85 Queensland firms interested in expanding their operations into the Peruvian market at a breakfast in Brisbane organised by Trade and Investment Queensland.

At the event, the Ambassador gave a wide ranging presentation on current market opportunities in the resources sector in Peru. Leading mining and engineering companies MMG and Ausenco spoke of their experiences in working in Peru on the Las Bambas and Constancia projects respectively. MMG’s presentation gave the perspective of a resource project owner while Ausenco informed the audience of the experiences of an engineering, procurement, construction and management (EPCM) services company.

Notable firms in attendance included Deswick, Cardno, Transcale, Bechtel, Akwa-Worx, Thiess, Sedgeman, Rail Skills Australasia and representation from the Sustainable Minerals Institute.

During the breakfast Trade and Investment Queensland announced plans to take a trade mission of METs and mining-related education and training providers to Peru in September 2015.

Ministers Julie Bishop and Andrew Robb visit South America

The Minister for Foreign Affairs, Julie Bishop, and the Minister for Trade and Investment, Andrew Robb, visited South America in December.

Minister Bishop travelled to Lima to attend the United Nations Climate Change Conference, at which Australia pledged $200 million over four years to the Green Climate Fund, as its contribution to the global response to climate change.

The pledge to the Green Climate Fund will facilitate private sector led economic growth in the Indo-Pacific region with a particular focus on investment in infrastructure, energy, forestry (building on the successful Asia Pacific Rainforest Summit hosted in Sydney in November) and emissions reduction programmes.
She was joined in Lima by Minister Robb, whose visit to the region also included Brazil and Chile. Mr Robb’s trip was aimed primarily at promoting bilateral trade and investment, and at exploring ways to enhance Australia’s engagement in the region.

Whilst in Lima, Minister Bishop officially opened Australia’s Embassy, which has been operating since 2010. The event was marked by a reception at the residence of Australian Ambassador, Mick McCaffrey, attended by both Ministers and important members of the Peruvian political and business sectors. Also present was Council on Australia Latin America Relations (COALAR) chairman, Chris Gale, and many representatives from the growing number of Australian companies with operations in Peru.

Peru was represented at the reception by the Deputy Minister of Foreign Affairs and former Ambassador to Australia, Claudio de la Puente.

Prior to his arrival in Lima, Minister Robb visited Rio de Janeiro to participate in the COALAR-supported Water-Food-Energy Nexus Seminar and to meet with Brazilian and Australian businesses operating in Brazil to identify ways to support and increase economic engagement between Australia and the world’s seventh-largest and fellow G20 economy.

In Chile, Minister Robb attended the inaugural Australia-Chile Economic Leadership Forum, where he delivered the keynote address.

The Forum explored avenues to further expand what is Australia’s most dynamic and mature economic partnership in South America. Minister Robb also met with a number of Chilean Ministers and signed a minor amendment to the Australia-Chile Free Trade Agreement, Australia’s first FTA with a Latin American country.

“Australia’s economic relations with Brazil, Peru and Chile are well-established, with strong foundations in mining and agricultural cooperation and collaboration. Australia is also fast becoming a sought-after destination for Brazilian, Peruvian and Chilean students, welcoming more than 21,000 to Australia in 2013,” Mr Robb said.

“Over the past decade, Australia’s trade and investment relationship with South America has increased significantly. In 2013, the bilateral trade in goods and services with Brazil, Peru and Chile was worth more than $4 billion and the bilateral investment relationship was estimated to be worth more than $20 billion, which is a good foundation for further growth,” he said.

Report on the inaugural Australia-Chile Economic Leadership Forum

The inaugural Economic Leadership Forum “Australia-Chile: Asia-Pacific Regional Platforms” was held in Santiago on December 11 and 12. Organised by the Australian Embassy in Santiago and the Chile Australia Chamber of Commerce, the Forum proved to be a resounding success, having attracted the participation of the current Chilean president, two past presidents, about half a dozen current government ministers, as well as prominent members of the Chilean business community. On the Australian side, the visiting delegation was led by the Minister for Trade and Investment, Andrew Robb, and featured business leaders from a variety of sectors.

The Forum featured sessions that covered Australia’s and Chile’s shared interests in mining, energy, transport and logistics, water management, education and pension funds. All were very well attended and featured high profile speakers from both countries. The highlight of the two-day event was a dinner that featured President Michelle Bachelet as guest of honour.

Amongst the Australian companies that supported and were represented at the Forum were BHP Billiton, Pacific Hydro, Ausenco, Qantas, Origin Energy, Worley Parsons, Macquarie Graduate School of Management, the CSIRO and the University of Western Australia. Victoria’s Commissioner for the Americas, Michael Kapel, also attended.

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The ALABC supported the Forum and was represented by its chairman, Jose Blanco, who participated in the panel on Australia and Chile as regional platforms into their respective geographic markets.

The Forum received wide coverage in the Chilean media and there is a strong likelihood that the Forum will be repeated in 2015 or 2016. One already known outcome of the Forum is that Chile will be sending a trade and investment-focused delegation to Australia in 2015 to promote greater awareness of the opportunities on offer in Chile and to generally build on the momentum generated by the Forum.

Mexico is on the radar of Australia’s sheep meat sector

The Sheepmeat Council of Australia and the Mexican sheep producers organisation, Organismo de la Unidad Nacional de Ovinocultores, have signed a Memorandum of Understanding (MoU) on sheepmeat co-operation. The MoU, which was supported by Meat and Livestock Australia and Beef and Lamb New Zealand, recognises that the sheepmeat industries of Australia, New Zealand and Mexico share a goal of building sheepmeat demand globally.

They have common objectives including animal health and welfare, food safety, environmental sustainability and industry profitability.

In-coming council president Jeff Murray said the agreement will benefit producers in all three countries. "By working with the Mexican industry, Australia and New Zealand can help grow their domestic production and increase the consumption of sheepmeat," Mr Murray said. "It's a win-win for all parties."

"All three countries see great opportunities in the sheepmeat industry. The signing of the MoU is an important statement that recognises some of our common objectives."
The agreement outlines areas where co-operation could bring mutual benefits, including sharing results of the organisations’ respective animal production research and development work. Each organisation could share information on their respective approaches to industry systems, including food safety, animal traceability, marketing and promotion, their experiences of building demand for meat products, and information on global sheepmeat market developments.

Beef and Lamb NZ director Andrew Fox said working together could achieve considerable advantages. "The Australian and NZ sheepmeat industries are seeking to build relationships with producer organisations around the world," Mr Fox said. "The reality is sheepmeat faces strong competition in the marketplace from other protein sources. It is important the sheepmeat industry works together to promote our premium product."

Spokesperson for the Mexican organisation Juan de Dios Arteaga said the co-operative approach would help increase productivity and demand for lamb, which would benefit all three countries.

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Spanish Program paving the way for Latin American Studies in Queensland

The University of Queensland recently announced the introduction of a Latin American Studies Minor in the Bachelor of Arts, Bachelor of Arts dual degrees and Diploma in Arts from Semester 1 2015.

The Spanish Program in the School of Languages and Cultures at The University of Queensland has developed a minor in Latin American Studies, the only one in Queensland. The courses are offered in English and the Minor consists of four courses:

- a Gateway: Cultures of Latin America
- and a Cornerstone: Imagining Latin American in the 20th century
- and two other courses: Magical Realism and Beyond: Contemporary Latin American Literature and Latin American Perspectives

The Minor can be taken alongside any of student’s Majors as part of their BA (or other Bachelor degrees). Those students studying Spanish, can access it on to their Spanish Major or Extended Major so that they can graduate with a Major or Extended Major in Spanish with Latin American Studies.


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Australian mining automation technology in demand in Chile and Brazil

(This article was supplied by Austrade)

Chile and Brazil’s mining sectors are seeking technologies to deliver supply chain efficiencies and increase productivity, providing strong opportunities for Australian firms. Two of Latin America’s largest mining tradeshows - Chile’s Exponor in May 2015 and Brazil’s Exposibram in September 2015 - are set to provide Australia’s highly regarded mining equipment, technology and services (METS) sector with solid platforms to access these opportunities.

Australia is considered a world leader in mining automation which enables resource companies to operate more safely and efficiently in remote and harsh conditions, similar to those experienced by Chile and Brazil’s large scale copper and iron ore operations.

While Chile produces one third of the copper in the world, 35 per cent of its mines have operated for more than 50 years. Issues associated with this include lower ore grades, complex operations and higher labour costs. In addition, Chilean miners face high energy costs and increasingly scarce water resources.
Daniel Sullivan, Austrade’s Trade Commissioner for Chile, said Chile’s mining sector is seeking expertise and innovative solutions to overcome these challenges and Australia’s METS companies are well placed to assist.

‘There is interest in systems for monitoring safety and the environment; data mining and statistical analysis; modelling, control and optimisation of mine site processes; predictive and scheduled maintenance and procurement; and robotics and tele operation,’ said Mr Sullivan.

Chile is already using Australian automation technology to improve mine efficiency from companies like Immersive Technologies, TSG Consulting and Seeing Machines. Numerous Australian automation companies will also be showcasing their technology as part of the Australia Pavilion at Exponor in Antofagasta from 11-15 May.

In Brazil, which is the world’s second largest exporter of iron ore, manganese and bauxite, and the largest exporter of niobium, the local industry is also facing significant challenges.

According to the Brazilian Mining Association (IBRAM), iron ore accounts for 80 per cent of Brazil’s mining exports and provides 30 per cent of global demand, with the balance provided by Australia. However the local industry is tackling water and energy supply issues, increasing environmental requirements and a need to boost productivity.

Kym Fullgrabe, Austrade’s Senior Trade Commissioner for Brazil, said to address these shortcomings, Brazil’s mining sector is interested in identifying solutions for control and energy efficiency, remote/automated monitoring and control and robotics to reduce expenses while simultaneously driving up productivity.

‘Recent successful experiences in the Brazilian mining industry resulted in gains in competitiveness through process optimisation. A good example is Vale’s S11D project in Carajás in the Amazon region where Vale is developing a sustainable mine of the future,’ Mr Fullgrabe said.

‘‘Truckless” transportation will use conveyor belts to move ore around the site with lower carbon emissions, reduced operating costs and greater safety than the truck-based system it is replacing. This is the first time such a solution will have been used on a large scale at an iron ore mine in Brazil.’

Austrade is coordinating Australian Pavilions at both Exponor in Chile and Exposibram in Brazil to help firms access the opportunities. Spaces are still available for Exposibram but are filling fast.