

# VICTORIA'S COAL WANNABES



**A REPORT PROFILING THE COMPANIES SEEKING  
GOVERNMENT GRANTS AND COAL RESOURCES  
FOR VICTORIAN BROWN COAL PROJECTS**



**A REPORT FOR ENVIRONMENT VICTORIA  
BY BOB BURTON**

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***Victorian coal wannabes: A profile of the companies seeking government grants and coal resources for Victorian brown coal projects***

was commissioned by Environment Victoria and written by Bob Burton.

**About Environment Victoria:**

Environment Victoria is one of Australia's leading environment groups. We are independent and not-for-profit. We advocate for big, important and permanent changes to safeguard our environment and the future wellbeing of all Victorians.

**About Bob Burton:**

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**For more information on the Victorian Government's plans to develop a brown coal export industry visit:**

[www.environmentvictoria.org.au](http://www.environmentvictoria.org.au)

and the CoalWatch wiki at:

[http://www.sourcewatch.org/index.php/2002\\_Victorian\\_coal\\_allocation](http://www.sourcewatch.org/index.php/2002_Victorian_coal_allocation)

## Introduction

Past and current Victorian governments have harboured dreams of developing Victoria's massive brown coal reserves and exporting Victorian coal to the world. These dreams have centred on the Latrobe Valley. Since the 1970's governments have repeatedly made cash grants and coal allocations to companies promising new coal technologies and projects, only for those promises never to materialise.

In 2013 the Napthine Government seems set to repeat past mistakes. The Victorian and federal governments are currently contemplating allocating up to \$90 million in funds from the jointly funded Advanced Lignite Demonstration Program (ALDP) for a range of new brown coal projects. When the brown coal grants program was unveiled in August 2012, the then Victorian Minister for Energy and Resources, Michael O'Brien, stated that it was a "part of a drive to find new ways of developing Victoria's massive brown coal resource."<sup>1</sup>

It has been reported that earlier this year 21 companies applied for grants under the program with the list more recently whittled down to seven contenders. Some of the applicants are known but many are not.<sup>2</sup>

With tens of millions of public funds at stake and/or billions of tonnes of coal, taxpayers are entitled to ask questions about the small coal companies lining up for handouts. Who is behind the companies seeking funding? Do they have any track record in developing major projects, let alone brown coal projects? Who are their major backers? Are the companies financially viable? Or are they bit part players hunting for a handout to keep their struggling companies afloat?

This report aims to shed some light on the track record of the companies seeking millions of dollars of public funds or coal allocations to support their brown coal plans. It includes detailed profiles of each of the companies known to be seeking taxpayer grants for their projects or coal allocations.

The ALDP grants are only the first part of the Napthine Government's hopes to establish an export coal industry. Since its election in 2010 the Coalition has been investigating the feasibility of undertaking a coal allocation- a fast-track process by which companies are granted exploration or mining licences with rights to billions of tonnes of Latrobe Valley coal.<sup>3</sup> It is likely that the companies profiled in this report who are seeking government grants are also seeking a coal allocation.

The last coal allocation in Victoria occurred in 2002 when the Victorian Labor government allocated billions of tonnes of coal resources for a handful of new coal projects. Hope of jobs and investment in the Latrobe Valley were raised and dashed. Ultimately no new projects were built and public funds were wasted chasing a fading brown coal dream. While most companies lost money, some

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<sup>1</sup> Martin Ferguson, Federal Minister for Resources and Energy and Michael O'Brien, Victorian Minister for Energy and Resources, "Support for Victorian Advanced Lignite Technologies", Media Release, August 3, 2012. Available at:

<http://minister.ret.gov.au/MediaCentre/MediaReleases/Pages/VictorianAdvancedLigniteTechnologies.aspx>

<sup>2</sup> T. Arup, "China powers ahead in hidden tender for brown coal millions", *The Age*, August 7, 2013. Available at: <http://bit.ly/1267fsa>

<sup>3</sup> The coal allocation process is described in "Coal Allocation", Department of State Development, Business and Innovation, December 18, 2012. Available at: <http://www.energyandresources.vic.gov.au/earth-resources/coal/coal-allocation>

made millions by on-selling speculative projects. The 2002 coal allocation has since been described by Treasurer Michael O'Brien as "a bit of a dud".<sup>4</sup>

Since then the Australian electricity landscape has changed profoundly. Increased energy efficiency and the rise of solar have contributed to falling demand. Increased wind power has reduced wholesale electricity prices. In response, east coast black coal plants such as Munmorah in NSW and Swanbank B in Queensland have been mothballed.

Internationally, coal boosters have largely pinned their hopes on historical rates of growth in China and India continuing but substantial uncertainty overhangs both.

Widespread domestic disgust at the ever-escalating air pollution in China –largely from coal power plants and industrial burning – has prompted the Chinese government to begin a retreat from coal. Amongst the investment analysts specialising in coal, the debate is about not if, but how soon Chinese consumption starts to decline. With major oversupply and falling global prices, new coal , projects will struggle to find investors and be shunned by risk-averse bankers.

In India, economic growth is slowing while new private power stations based on imported coal are struggling financially. The recent devaluation of the Indian rupee has pushed the costs of imported coal up and increased the finance costs on overseas loans denominated in US dollars. As a result, a number of private power companies are falling out of favour with investors and financiers. State utilities – long used to the supply of very cheap domestic coal – are resisting signing up for new much more expensive power purchase agreements.

These economic headwinds at play internationally mean that if it was up to financial markets, Victoria's brown coal would stay in the ground. However the provision of taxpayer-funded grants and allocations of billions of tonnes of coal provide the companies pursuing brown coal projects a lifeline, both for their project aspirations and their company balance sheets.

As the profiles of the coal companies show, nearly all of the companies lining up for handouts of public money and coal resources are fledgling, speculative ventures with little track record of delivering projects or investment. Given this, government handouts or new coal allocations to start-up coal companies are likely to enrich a few dozen speculative investors and executives but there is every prospect that the public policy mistakes of the 2002 coal allocation are set to be repeated. It is time for the Victorian government to give up on its outdated brown coal export dreams and pursue clean, sustainable industries in the Latrobe Valley and beyond.

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<sup>4</sup>Michael O'Brien, "Energy: Brown Coal Initiatives", March 28, 2012. Available at: <http://www.michaelobrien.com.au/MediaCentre/MalvernSpeeches/tabid/73/articleType/ArticleView/articleId/60/ENERGY-BROWN-COAL-INITIATIVES.aspx>

## Coal wannabe #1: Newtech Energy

**Company background:** Originally known as Awyin Developments, the company was incorporated as an unlisted public company in 2007. The company is 80% owned by two Chinese companies.

**Current coal operations:** None

**Proposed new coal projects:** Newtech Energy have proposed to build a \$170 million brown coal briquette plant in the carpark of the existing Yallourn Power Station in the Latrobe Valley in Victoria<sup>5</sup> with the aim of exporting its product to China. The company states that it has signed a 3 million tonnes a year supply agreement to source brown coal from EnergyAustralia.<sup>6</sup> EnergyAustralia's parent company, CLP, makes no mention of the project in its 2012 annual report.

In July 2011 the then Minister for Planning Matthew Guy decided that an Environmental Effects Statement would not be required but that concerns about greenhouse gas emissions could be addressed in the process for a works permit.<sup>7</sup> In June 2013 the company stated that it planned to lodge a works permit application with the Environment Protection Authority (EPA) in July with the aim of beginning construction in 2014.<sup>8</sup> As at October 7<sup>th</sup> 2013 no works permit application has been lodged with the EPA.

**Company finances:** As a proprietary company, Newtech is not required to file an annual financial report. As a result, the current state of Newtech Energy's finances is unknown.<sup>9</sup>

In April 2013 it was announced that Newtech Energy had signed a \$50 million Memorandum of Understanding (MoU) with Zhejiang Shipping Group and its parent company, CICO, to commercialise a brown coal processing project in the LaTrobe Valley.<sup>10</sup> However, the MOU is not a public document and the terms of the agreement are unclear. It was subsequently reported that as part of the deal CICO would have first rights to bid for the export shipping contract.

**Role with Advanced Lignite Demonstration Program:** Newtech Energy was reported in June 2013 as stating that it was not interested in seeking funding from the Advanced Lignite Demonstration Program as its technology was "already proven". However, the company has expressed interest in gaining a new coal allocation to enable it to operate at a larger scale than feasible under its 3 million tonnes a year supply agreement with EnergyAustralia.<sup>11</sup>

**Largest shareholders:** Latrobe Resources (76.6%), was registered in March 2012 as a private company in Hong Kong with 10,000 shares issued worth a total of HK\$10,000 (\$A1400). The shares

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<sup>5</sup> Newtech Energy, "Projects", Newtech Energy website, June 2013. Available at: <http://bit.ly/1gleu2P>

<sup>6</sup> L. Nelson, "Bold coal export vision", *Latrobe Valley Express*, June 6, 2013. Available at: <http://www.latrobevalleyexpress.com.au/story/1552545/bold-coal-export-vision/?cs=1210> See also L. Nelson and A. Beale, "Coal deal signed", *Latrobe Valley Express*, September 20, 2012. Available at: <http://bit.ly/1eL0P4r>

<sup>7</sup> "Latrobe Briquette Manufacturing Facility (Re-referral)", Environmental Protection Agency, July 20, 2011. Available at: [http://www.dpcd.vic.gov.au/\\_\\_data/assets/pdf\\_file/0018/72306/2011-08-reasons-for-decision.pdf](http://www.dpcd.vic.gov.au/__data/assets/pdf_file/0018/72306/2011-08-reasons-for-decision.pdf)

<sup>8</sup> L. Nelson, "Coal plans on the table", *Latrobe Valley Express*, June 3, 2013. Available at: <http://bit.ly/1eL0Rco>

<sup>9</sup> "Newtech Energy Pty Ltd ACN 128 572 841", Australian Securities and Investment Commission website, accessed August 6, 2013.

<sup>10</sup> T. Baillieu, "Outcomes Report: China Super Trade Mission 2012", Department of Premier and Cabinet, April 2, 2013. Available at: <http://www.dpc.vic.gov.au/index.php/resources/corporate-publications/china-super-trade-mission-2012>

<sup>11</sup> L. Nelson, "Bold coal export vision", *Latrobe Valley Express*, June 6, 2013. Available at: <http://www.latrobevalleyexpress.com.au/story/1552545/bold-coal-export-vision/?cs=1210>

are jointly owned by two Melbourne men, Wei Huang of Mentone and Xue Feng Deng of Balwyn.<sup>12</sup> Both men are also directors of Newtech Energy. Latrobe Resources annual return filed with the Hong Kong Companies Registry provides no details of the company's operations.

Minor shareholders in Newtech include, Yan Wu (10%), a Melbourne resident, Global Development International (9%), a privately owned Melbourne company, and Win Legeng Investment Ltd (3.4%), a company registered in Hong Kong, China.

**Lobbyists/membership of industry lobby groups:** No registered Victorian or federal lobbyists.

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<sup>12</sup> Latrobe Resources, "Incorporation Form", Hong Kong Companies Registry, March 26, 2012.

## Coal wannabe #2: Exergen

**Company background:** Exergen is currently a small unlisted company headquartered in Brisbane. The company is currently in the process of merging with Cape Range Ltd, an Australian Stock Exchange (ASX) listed company currently suspended from trading. Following the takeover Cape Range will be renamed Exergen Ltd and recommence trading on the ASX. Exergen own what it refers to as 'Continuous Hydro-Thermal Dewatering' (CHTD) technology to reduce high moisture content brown coal to higher value coal and coal products.

**Current coal operations:** None. In 2004 Exergen built a small 4 tonnes per hour pilot plant to test its coal processing technology in Beaconsfield, Tasmania. However, this was closed in late 2012.

**Proposed new coal projects:** Exergen has proposed to build a 50 tonnes per hour commercial demonstration plant at a location which has yet to be finalised.<sup>13</sup> Exergen is aiming to negotiate an agreement with Energy Brix Australia, a subsidiary of HRL, to use a part of their existing briquette factory site. In a May 2011 Exergen letter (accessed via an FoI request) to the Victorian Minister for Energy and Resources, Michael O'Brien, Exergen was seeking a coal allocation of between 750 million tonnes and one billion tonnes to support a 25 million tonnes a year mine over a thirty year period.<sup>14</sup>

The company has also entered into a joint venture agreement with Mantle Mining to develop a brown coal mine at Bacchus Marsh after the trialling of the CHTD technology at its commercial pre-demonstration plant.

**Company finances:** Exergen had income of just under \$183,000 in 2011/12 and recorded a net loss before tax of approximately \$3,695,000 that year. In the first half of 2012/13 Exergen had income of only \$17,832 and recorded a net loss before tax of \$2,568,000.<sup>15</sup> The company is in the midst of a merger with ASX listed Cape Range with the aim of attracting new investors.

**Role with Advanced Lignite Demonstration Program (ALDP):** The company is pinning its hopes on obtaining a grant from the Australian and Victorian government's \$90 million ALDP program.<sup>16</sup> In an October 2012 briefing note for potential investors, RFC Cambrian stated that Exergen would be looking for funds from investors as well as "potential funding (up to \$40m) from Government initiatives."<sup>17</sup>

In August 2012, just after the program was announced, Exergen chief executive Trevor Bourne told the *Latrobe Valley Express* that "the ALDP gives our shareholders much more confidence there is the

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<sup>13</sup> Exergen and Mantle Mining, "Exergen and Mantle Mining Finalise Joint Venture Agreement", Media Release, July 2, 2012. Available at: <http://www.exergen.com.au/news-3.html>

<sup>14</sup> Exergen, Letter to Michael O'Brien, May 17, 2011, p.2 and "Exergen/Latrobe Valley Next Generation – An opportunity in lowering emissions and export industry", Exergen, January 24, 2011, pp 4-5. The latter document was appended to Exergen's letter to O'Brien.

<sup>15</sup> RSM Bird Cameron Corporate, "Cape Range Limited Financial Services Guide and Independent Experts Report", July 2013, p. 28. Available at: <http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&id=01424699>

<sup>16</sup> As is evident in Freedom of Information correspondence between Exergen and the Victorian Energy Minister received by Environment Victoria.

<sup>17</sup> RFC Cambrian, "Exergen: Investment Opportunity", RFC Cambrian, October 2012, p. 2. Available at: [http://www.rfcambrian.com/sites/www.rfcambrian.com/files/mandate\\_documents/Exergen%20flyer\\_0.pdf](http://www.rfcambrian.com/sites/www.rfcambrian.com/files/mandate_documents/Exergen%20flyer_0.pdf)

right support (from government) to develop something in the Valley; as a direct result of the announcement we have had a lot more positive discussion from our shareholders." However, he said it was unclear whether a pre-criteria for funding under the ADLP was having a coal allocation from the state government or from an existing licence holder.<sup>18</sup>

**Largest shareholders:** After the completion of the merger with Cape Range, BRW Rich lister Dale Elphinstone is expected to own approximately 22.86% of the new company with the current Chairman, Martin Albrecht, expected to own approximately 23.66%. Exergen's four "cornerstone" investors – Tata, Theiss, Sedgman and Itochu – between them owned approximately just 16% of Exergen prior to the merger with Cape Range.<sup>19</sup>

**Windfall to directors if Exergen receives an ALDP grant:** As a part of the proposed merger deal between Cape Range and Exergen, Cape Range have agreed to issue 250 million shares– referred to as "Deferred Consideration Shares"- in the new merged company if "performance milestones" towards the establishment of a "Pre-Commercial Demonstration Plant" in Morwell are met. The conditions are:

- If Exergen execute a lease and site services agreement with Energy Brix Australia over the use of part of their site in Morwell, 125 million 'deferred consideration shares' will be issued to existing Exergen shareholders.
- A further 125 million shares will be issue "upon the award of a government grant under a current joint Commonwealth and Victorian government initiative." These shares are referred to in the company documents as "Tranche 2 Deferred Consideration Shares". (While the company's documents don't specifically mention the Advanced Lignite Development Program (ALDP), this is the only relevant joint State and Federal grants program currently available to the company. It is also worth noting that there is no specific mention of the size of the grant from the \$90 million program required to meet the "performance" milestone.)

18,500,000 of these shares are earmarked for Exergen's Chief Executive Officer, Trevor Bourne, if the company meets the same performance milestones as for the deferred consideration shares. (In the documentation the company refers to these as "performance rights" which can be converted to "deferred consideration shares").

The benefit of the Deferred Consideration Shares will largely accrue to Exergen's two largest shareholders – Dale Elphinstone and Martin Albrecht – who between them are likely to own approximately 46% of the new company.<sup>20</sup> If Exergen is awarded a grant under the Advanced Lignite Development Program, Elphinstone will be granted approximately 31,578,672 deferred

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<sup>18</sup> L. Nelson, "Future not assured", *Latrobe Valley Express*, August 13, 2012. Available at: <http://www.latrobevalleyexpress.com.au/story/219479/future-not-assured/>

<sup>19</sup> RSM Bird Cameron Corporate, "Cape Range Limited Financial Services Guide and Independent Experts Report", July 2013, p. 25. Available at: <http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01424699>

<sup>20</sup> The exact shareholding of Albrecht and Elphinstone will vary depending on whether all of the performance milestones are met or not. If all the performance milestones are reached and all deferred consideration shares issued and Bourne's bonus shares allocated, Albrecht and Elphinstone will own approximately 46.6% of the new publicly listed Exergen.

consideration shares and Albrecht 32,686,371.<sup>21</sup> Additionally, Bourne's 18.5 million bonus shares could be claimed.

Based on RSM Bird's range of possible values Elphinstone's windfall from just the Tranche 2 shares - for the company getting a grant from the ALDP - would be conservatively worth between \$1.6 million and \$3.3 million, Albrecht's would be worth between \$1.7 million and \$3.46 million and Bourne's performance shares could be worth between \$962,000 and \$1.96 million. These are conservative estimates.

As a part of the merger deal it is proposed that a prospectus be issued to raise \$15 million from new shares with an issue price of 20 cents each. It is therefore reasonable to assume that investors – along with existing shareholders and Bourne – would expect that Exergen shares will trade at least at 20 cents or higher after relisting on the ASX. If this were to be the case, the issuing of the deferred consideration shares triggered by a grant from the ALDP could result in Elphinstone's Tranche 2 shares being worth at least \$6.3 million, Albrecht's \$6.5 million and Bourne's between \$1.85 million and \$3.7 million.<sup>22</sup>

**All up, a grant from the ALDP program alone could be worth over \$14.65 million for the trio.**

As an indication that even these figures may be conservative, the explanatory statement to shareholders from Cape Range stated that under Bourne's existing employment contract he "has a right to be issued with \$2,000,000 worth of shares in Exergen" as well as "cash bonus entitlements to the value of \$2,000,000 (to be grossed-up for tax purposes) upon satisfaction of certain milestones." The note states that rather than issue these prior to the merger, Bourne would be issued the 18,500,000 Performance Rights.<sup>23</sup>

**Lobbyists/membership of industry lobby groups:** Simpson Paterson is registered in Victoria as the firm's lobbyist. The firm is owned and run by Alister Paterson, a former Liberal member of the state parliament, and John Simpson, a former Shell PR executive.<sup>24</sup> As of August 1, 2013 Exergen is not listed as having a federal lobbyist.

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<sup>21</sup> See Table 4 in RSM Bird Cameron Corporate, "Cape Range Limited Financial Services Guide and Independent Experts Report", July 2013, p. 13. Available at:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01424699>

<sup>22</sup> The documentation on the merger describes Bourne's performance shares in different ways. In some documentation the 18.5 million shares are referred to as being issued when both the performance milestones – the agreement with Energy Brix Australia and receiving a grant from the federal/state program – are achieved. In other documentation it is stated that half the performance shares would be issued for each of the performance milestones and only be available when both milestones are achieved. In this way it may be that only half Bourne's performance shares are attributable solely to the grant from the ALDP.

<sup>23</sup> Cape Range Ltd, "Notice of General Meeting", Announcement to the Australian Stock Exchange, July 12, 2013, page 19. Available at: <http://www.asx.com.au/asxpdf/20130712/pdf/42h0m15p5zbw30.pdf>

<sup>24</sup> "Simpson Paterson", Public Sector Standards Commissioner, accessed August 2013. Available at: <http://www.lobbyistsregister.vic.gov.au/lobbyistsregister/index.cfm?event=viewProfile&profileID=1512>

## Coal wannabe #3: Mantle Mining

**Company background:** Mantle Mining is a small Melbourne based mining exploration company with interests in two coal exploration projects in Queensland and Victoria and two gold exploration projects in Queensland. The company has no operating mines.

**Current coal operations:** None.

**Proposed new coal projects:** Mantle has the exploration title for the Bacchus Marsh Brown Coal Project, which it states could be a 20 million tonne per year project which would cost \$2 billion to build. The company has stated that it aims to export the processed coal to India<sup>25</sup> commencing, at the earliest, in 2018.<sup>26</sup> In July 2012 Mantle Mining entered into a 50:50 joint venture and Technology Licence Deed with Exergen for the proposed project.<sup>27</sup> Exergen undertook that by July 2014 it would commence the construction of a 50 tonnes per hour commercial pre-demonstration plant at a location to be determined by Exergen. If Exergen fails to meet the agreed timetable to have the plant operational by July 2016, Mantle has the option of buying out Exergen's share of the joint venture or selling it to another party.<sup>28</sup> However, if the joint venture with Exergen is terminated, Mantle retains the right to use Exergen's coal processing technology.

In an independent report on the proposed Exergen-Cape Range merger, it was noted that there was "no certainty that Exergen will meet the commercial milestones" and retain ownership beyond July 2016.<sup>29</sup> Cape Range noted of the proposed Bacchus Marsh project that "Exergen will use a rational approach with respect to determining where and when it will focus its application of the CTHD technology in accordance with good business practices taking into consideration the funds and other opportunities available."<sup>30</sup> For its part Mantle has acknowledged that there "would be a material adverse impact" on the development of the project if Exergen did not meet its commitments.<sup>31</sup>

Mantle also has four coal exploration licences in the Latrobe Valley –EL5210, EL5336, EL5337 and EL5338.

**Company finances:** Mantle faces significant financial challenges as it has no profitable projects to cross-subsidise its exploration program. By at end of the 2012/13 financial year Mantle recorded a loss of \$5.9 million and had only \$1.8 million, mostly cash, on hand.<sup>32</sup> While Mantle has an agreement to sell up to a little over a further \$9 million of discounted shares over three years to

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<sup>25</sup> "Bacchus Marsh", Mantle Mining website, accessed August 2013. Available at: <http://bit.ly/1cOMKpK>

<sup>26</sup> Mantle Mining, June 2013 Quarterly Activities Report, July 29, 2013, p.15. Available at: <http://bit.ly/13fTHwZ>

<sup>27</sup> "Exergen and Mantle Mining Finalise Joint Venture Agreement", Media Release, July 2, 2012. Available at: <http://www.exergen.com.au/newsLead.html>

<sup>28</sup> It would cost Mantle approximately \$371,000 to buy Exergen's share of the joint venture. See RSM Bird Cameron Corporate, "Cape Range Limited Financial Services Guide and Independent Experts Report", July 2013, pp. 2 & 8. Available at: <http://bit.ly/136kULJ>

<sup>29</sup> RSM Bird Cameron Corporate, "Cape Range Limited Financial Services Guide and Independent Experts Report", July 2013, p. 38. Available at: <http://bit.ly/136kULJ>

<sup>30</sup> Cape Range Ltd, "Notice of General Meeting", Announcement to the Australian Stock Exchange, July 12, 2013, p. 14. Available at: <http://www.asx.com.au/asxpdf/20130712/pdf/42h0m15p5zbw30.pdf>

<sup>31</sup> Mantle Mining, Prospectus, 29 May 2013, p. 10. Available at: <http://bit.ly/17K808Z>

<sup>32</sup> Mantle Mining, Annual Report Available at: <http://www.mantlemining.com/announcements/130920-MNM-Financial-Report-30-June-2013-Final.pdf>

Fortrend Securities, this is a short term fix at best. For example, Mantle forecast expenditure of \$625,000 in the first quarter of 2013/2014,<sup>33</sup> suggesting an annual cash burn rate of approximately \$2.5 million. The company's share price is trading near the bottom of its range over the last year and the company – and particularly its coal projects – face an uncertain future.

**Role with Advanced Lignite Demonstration Program (ALDP):** Mantle stands to be an indirect beneficiary of the ADLP program if Exergen lands a grant. If Exergen gets a grant and proceeds with a project at Bacchus Marsh, Mantle stands to reap part of the benefits. If Exergen fails to get an ADLP grant or attract other funding for a demonstration project, Mantle's title to the Bacchus Marsh coal project will be of limited value. The company's exploration titles in the Latrobe Valley could also be of more value if there is renewed interest in coal projects.

**Largest shareholders:** The largest shareholder in Mantle Mining is Tonka Trading (10.97%), a company associated with Mantle Chairman Martin Blakeman. At the ASX traded price of \$0.034 cents, Blakeman's 26,584,920 shares are worth approximately \$904,000.<sup>34</sup>

**Lobbyists/membership of industry lobby groups:** Mantle Mining does not have a registered Victorian or federal lobbyist. However, the company is listed as a member of the Minerals Council of Australia, the peak lobby group for the mining industry.<sup>35</sup>

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<sup>33</sup> Mantle Mining, "Mining exploration entity quarterly report", July 29, 2013, p.3. Available at: <http://www.mantlemining.com/announcements/1240700.pdf>

<sup>34</sup> Blakeman's Tonka Trading is listed in the 2012 annual report as owning 26,584,920 Mantle shares. On September 16 the share price was \$0.034 cents. See Mantle Mining, Annual Report 2011/2012, October 2012, p.64. Available at: <http://bit.ly/13wa0AC>

<sup>35</sup> "MCA Member Companies", Minerals Council of Australia website, accessed August 6, 2013. Available at: [http://www.minerals.org.au/corporate/about\\_the\\_mca/mca\\_member\\_companies](http://www.minerals.org.au/corporate/about_the_mca/mca_member_companies)

## Coal wannabe #4: Environmental Clean Technologies

**Company background:** Environmental Clean Technologies (ECT) is a small publicly listed company headquartered in Melbourne. ECT aims to commercialise Coldry, a technology for processing brown coal, and Matmor, a technology to produce iron from brown coal instead of metallurgical coal.

**Current coal operations:** None.

**Proposed new coal projects:** ECT aims to build a Coldry demonstration plant near AGL's Loy Yang Power station in the Latrobe Valley. ECT states that it has a memorandum of understanding with AGL but has yet to complete "formal detailed agreements with AGL Loy Yang for the site, coal supply, electrical supply and waste energy interconnections." The proposed plant could use approximately 2 million tonnes of brown coal<sup>36</sup> to produce 167,000 tonnes of processed coal a year.<sup>37</sup> ECT claims it is aiming to begin construction in the first half of 2014.<sup>38</sup>

The company states that it has "an agreement to secure an interest in a coal exploration licence" [EL5119] covering 33 square kilometres south east of the Hazelwood power station and mine.<sup>39</sup>

**Company finances:** A note in the most recent audited accounts to the end of June 2013 stated that:

*"the consolidated entity had an operating loss before tax of \$5,444,185, negative cash flow from operating activities of \$3,901,952 and net current liabilities of \$2,985,063. The ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity or loans. These conditions ... indicate material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern..."*<sup>40</sup>

**Role with Advanced Lignite Demonstration Program (ALDP):** The company is pinning its hopes on receiving a grant in 2013 from the ALDP program<sup>41</sup> and finalising a \$6 million equity investment from the Monash Capital Group. In December 2012 ECT announced that it had been shortlisted for a grant from the ALDP.<sup>42</sup> In August 2013 *The Age* reported that ECT was not one of the frontrunners for funding under the ALDP program.<sup>43</sup> In response ECT issued a media release stating that as far as it

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<sup>36</sup> Environmental Clean Technologies, Shareholder Update: Coldry Design for Tender (DFT), Media Release, February 18, 2013. Available at: <http://bit.ly/1bqE1XC>

<sup>37</sup> Environmental Clean Technologies, Half Year Financial Report – As at 31 December 2012, February 2013, p. 16. Available at: <http://bit.ly/13UuHtw>

<sup>38</sup> A. Moore, ECT Managing Director, Newsletter – June 2013, Environmental Clean Technologies, June 26, 2013. Available at: <http://www.ecltld.com.au/news/newsletter-june-2013/>

<sup>39</sup> David Garvey, Partner in BDO, "Independent Auditor's Report", August 30, 2013, in Environmental Clean Technologies, "Results for Announcement to the Market", August 30, 2013, p. 59. Available at: <http://www.ecltld.com.au/wp-content/uploads/130830-ECT-Financial-Report-FINAL.pdf>

<sup>40</sup> *Ibid*, p. 17.

<sup>41</sup> Environmental Clean Technologies, "Shareholder Update: Coldry Design for Tender (DFT)", Media Release, February 18, 2013. Available at: <http://www.ecltld.com.au/asx-announcements/shareholder-update-coldry-design-for-tender-dft/>

<sup>42</sup> Environmental Clean Technologies, "Coldry shortlisted under government grant program", Media Release, December 13, 2012. Available at: <http://www.ecltld.com.au/asx-announcements/coldry-shortlisted-under-government-grant-program/>

<sup>43</sup> T. Arup, "China powers ahead in hidden tender for brown coal millions", *The Age*, August 7, 2013. Available at: <http://bit.ly/1267fsa>

was aware the company's application was still being considered.<sup>44</sup> ECT's shares are trading at \$0.01 just marginally above its all-time low.

**Largest shareholders:** ECT's largest investors are Marbrijen Pty Ltd (3.4%), and the Calleja Group subsidiary, LBD Industry Park Pty Ltd (2.9%).<sup>45</sup>

**Lobbyists/membership of industry lobby groups:** None.

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<sup>44</sup> Environmental Clean Technologies, "Response to ALDP media coverage", Media Release, August 7, 2013. Available at: <http://www.ectltd.com.au/asx-announcements/response-to-aldp-media-coverage/>

<sup>45</sup> Environmental Clean Technologies, Annual Report 2012, Oct. 2012, p. 70. Available at: <http://bit.ly/18w3Dkk> & "Calleja Group", Moorabool Shire Council website, accessed August 2013. Available at: <http://bit.ly/13BirdW>

## Coal wannabe #5: Latrobe Fertilisers

**Company background:** Latrobe Fertilisers Limited is the latest corporate incarnation of Allan Blood, a West Australian-based promoter of coal and other mining projects. The company, which was registered as an unlisted public company in September 2012, is proposing a coal to urea plant.

Blood was a major beneficiary of the 2002 coal allocation to Australian Power & Energy Limited (APEL), a company formed in 1998. APEL proposed a \$2 billion gas-fired power station based on converting brown coal to gas as well as a urea plant at Loy Yang. Anglo American bought APEL in 2003/2004 for an estimated \$52 million with Blood receiving \$20 million.<sup>46</sup> Another estimate was that Anglo paid \$100 million with an undisclosed amount going to Blood.<sup>47</sup> Anglo formed a joint venture with Shell with APEL renamed Monash Energy. However, nothing happened and, in 2011, the Victorian government cancelled APEL's mining licence at Flynn Creek.<sup>48</sup>

In late 2007 the Latrobe Fertiliser Project was proposed to convert coal to 1.2 million tonnes of urea a year for export after 2010 from a plant at Loy Yang.<sup>49</sup> The project was proposed by Latrobe Fertilisers Limited which began as a subsidiary of Australian Energy Company Limited (AEC), another company founded by Blood.<sup>50</sup> The fertiliser project never eventuated and Loy Yang Power subsequently took legal action to force AEC into administration in early 2013.<sup>51</sup>

But before the sun set on AEC, Blood separated the fertiliser project – then held by Latrobe Fertilisers Pty Limited - from AEC in June 2008.<sup>52</sup> In late June 2009, the fertiliser project became the property of Latrobe Fertiliser Holdings Limited (LVHL), another company founded by Allan Blood and incorporated in June 2009.<sup>53</sup>

In September 2012, Blood created a new unlisted public company but reusing one of the old names – Latrobe Fertilisers Limited. This time, Blood has attracted the support of Andrew Darbyshire, the founder of Pacsoft and well known in Melbourne for his role as a philanthropist with a particular interest in children's health. Darbyshire is a founding director in Blood's latest coal company.

Within a week of its creation the directors of Latrobe Fertilisers Limited proposed that existing shareholders of LVHL be granted free shares in Latrobe Fertilisers Limited. In an explanatory memorandum the directors stated that Latrobe Fertilisers Limited had been created "as a special

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<sup>46</sup> R. Myer, "Anglo buys rest of APEL pie", *The Age*, September 14, 2004.

<sup>47</sup> R. Millar, "The high price for coal's Holy Grail", *The Age*, November 4, 2009. Available at: <http://bit.ly/3j1i5>

<sup>48</sup> T. Arup, "Black mark for clean brown coal", *The Age*, August 13, 2012. Available at: <http://bit.ly/RLldGL>

<sup>49</sup> P. Hopkins, "\$2bn fertiliser plant for Latrobe Valley", *The Age*, June 3, 2008. Available at: <http://bit.ly/1c8Nsiu>

<sup>50</sup> AEC also proposed, via the Australian-American Energy Company LLC, the Many Stars Coal-to-Liquids project in Montana. The project, which was first announced in August 2008, collapsed in 2011.

<sup>51</sup> R. Millar and T. Arup, "Loy Yang in lawsuit over Blood money", *The Age*, July 9, 2013. Available at: <http://bit.ly/1a70zMF>

<sup>52</sup> The company initially operated as Latrobe Fertilisers Limited from its registration in June 2008 as an unlisted public company. In March 2010 the company was became a proprietary company and the name changed to Latrobe Fertilisers Pty Ltd. In August 2012 the company became Latrobe Fertiliser Project Pty Ltd, a company with just two directors, Allan Blood and Sally Jean Jackson of the same outer Perth address.

<sup>53</sup> "Fertiliser Holdings Limited", Latrobe Fertilisers website, accessed August 2010. Available at: [http://www.latrorefertilisers.com.au/about\\_history.html](http://www.latrorefertilisers.com.au/about_history.html) Latrobe The Directors of LFHL are Blood, Sally Jean Jackson and Evan Edwards.

purpose vehicle to carry on the Project in order to limit the time and cost of new investors in the Project conducting legal, accounting and tax due diligence on the historic affairs of LFHL.”<sup>54</sup>

**Current coal operations:** None.

**Proposed new coal projects:** In June 2013 it was reported that Blood was proposing a 500,000 tonne a year coal to urea project<sup>55</sup> and was hoping to negotiate a coal supply deal with EnergyAustralia and locate the plant at Yallourn.<sup>56</sup> Blood has stated that “we would be interested in the coal for future expansion, but only in a supply partnership with someone who would operate a mine - we ourselves are not interested in developing a new mine, as it would clearly render the project uneconomic.”<sup>57</sup>

**Company finances:** Little information on the company’s finances is publicly available. Documents filed with the Australian Securities and Investment Commission indicate that over 347.4 million shares in the company have been issued of which \$3.3 million worth have been paid for with over \$26.3 million worth unpaid for.<sup>58</sup>

**Role with Advanced Lignite Demonstration Program (ADLP):** Due to the secrecy surrounding the program it is not known whether Latrobe Fertilisers submitted an application for ADLP funding or not. However, it is a reasonable likelihood that the company did. Blood has stated that his company would be “putting our hand up” for a new coal allocation.<sup>59</sup>

**Largest shareholders:** According to a June 2013 Latrobe Fertilisers media release Hubei Yihua Group is a 42% owner of Latrobe Fertilisers.<sup>60</sup> A week after Latrobe Fertilisers was registered as a public company in September 2009, the company directors gave notice that an extraordinary general meeting would be held to vote on two resolutions. The first was to grant 10.375 million free shares to Zavite Pty Ltd as trustee for The Childrens Trust “which provides the services of Allan Blood” and the second to grant 3.625 million free shares to Evan Williams, another of the company’s directors. The company stated that, once approved, Zavite would hold approximately 18% of the company’s shares while Williams would hold 4.8%.<sup>61</sup>

**Lobbyists/membership of industry lobby groups:** AEC and, via a trust, Allan Blood have been major donors to the Victorian Labor Party and a minor donor to the WA Liberal Party. Australian Electoral Commission records reveal that on September 20, 2004 Blood donated \$100,000 to the Victorian

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<sup>54</sup> Latrobe Fertilisers Limited, “Notice of Extraordinary general meeting and explanatory memorandum”, September 20, 2012, p. 5.

<sup>55</sup> S. Thompson, A. Macdonald and G. Frieman, “Latrobe Fertilisers pushes ahead with IPO”, *Australian Financial Review*, June 11, 2013. Available at: <http://bit.ly/1215YTc>

<sup>56</sup> L. Nelson, “Reality check for new coal”, *Latrobe Valley Express*, June 13, 2013. Available at: <http://bit.ly/13getg4>

<sup>57</sup> L. Nelson, “Reality check for new coal”, *Latrobe Valley Express*, June 13, 2013. Available at: <http://www.latrobevalleyexpress.com.au/story/1568383/reality-check-for-new-coal/?cs=1210>

<sup>58</sup> Latrobe Fertilisers Limited, “Current & Historical Company Extract”, September 13, 2013, page 2.

<sup>59</sup> R. Millar and T. Arup, “Loy Yang in lawsuit over Blood money”, *The Age*, July 9, 2013. Available at: <http://www.theage.com.au/victoria/loy-yang-in-lawsuit-over-blood-money-20130708-2pmcx.html>

<sup>60</sup> Latrobe Fertilisers Limited, “Major Urea Fertiliser Project with China to Boost Investment in Victoria”, Media Release, June 11, 2013. Available at: [http://www.latrorefertilisers.com.au/docs/LFL\\_Media\\_11Jun2013Final.pdf](http://www.latrorefertilisers.com.au/docs/LFL_Media_11Jun2013Final.pdf)

<sup>61</sup> Australian Fertilisers Limited, “Related Party benefits proposed notice, explanatory statement & accompanying documents”, September 20, 2012, pp. 4-10.

branch of the Australian Labor Party through Ferrara Holdings<sup>62</sup> and a further \$200,000 on December 14, 2006.<sup>63</sup> On February 21, 2005 Ferrara Holdings donated \$10,000 to the WA Liberal Party and, in 2006, Blood boasted that he was a member of the Liberal 500 Club in Victoria. Latrobe Fertilisers has no registered lobbyists in Victoria or federally.

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<sup>62</sup> Australian Electoral Commission, "Ferrara Holdings Pty Ltd as Trustee for The Jackson Family Trust", December 16, 2005. Available at: <http://bit.ly/19LLIKa> and "Donor Return", Ferrara Holdings, December 6, 2005. Available at: <http://periodicdisclosures.aec.gov.au>Returns/7/D7470.pdf>

<sup>63</sup> Australian Electoral Commission, "Ferrara Holdings Pty Ltd", December 16, 2005. Available at: <http://periodicdisclosures.aec.gov.au/Donor.aspx?SubmissionID=9&ClientID=19093> and Allan Blood, "Donor Annual Return", January 10, 2007. Available at: <http://periodicdisclosures.aec.gov.au>Returns/9/D8116.pdf>

## Coal wannabe #6: Ignite Energy Resources

**Company background:** Ignite Energy Resources (IER) is a small unlisted company based in Melbourne which aims to commercialise brown coal deposits within a 3,700 square kilometres exploration licence, EL4416, in the Latrobe Valley.

**Current coal operations:** No commercial operations. IER currently operates – through a wholly-owned subsidiary, Licella - a small scale brown coal test plant at Somersby in New South Wales.

**Proposed new coal projects:** In July 2009 IER and EnergyAustralia announced that they had entered into a Memorandum of Understanding (MoU) to develop a commercial coal to liquid fuel, chemical coal drying and fertiliser proposal demonstration plant at the Yallourn mine.<sup>64</sup>

**Company finances:** In 2011 IER recorded a consolidated loss of \$24,609,438. In an April 17, 2013 letter Nigel Young, a partner at the auditing firm Ernst & Young, noted that in the 2012 calendar year IER reported a loss of \$6,004,208 and that "the consolidated entities current liabilities exceed its current assets by \$2,229,716". Young then noted that:

*"The ability of the consolidated entity to continue as a going concern is dependent on generating sufficient income to cover its costs and obtain necessary finance to continue its operations and in particular realise the value from material intangible assets included in the balance sheet of \$132,169,540 ... the directors are using their best efforts to ensure that such sources of funds are obtained and continue to be available in the future however, should losses continue and future funding not be successful, the consolidated entity may be unable to continue as a going concern."*

In the last four years eleven directors of the company have come and gone.<sup>65</sup> In August 2012 three directors, including the company Chairman, resigned.<sup>66</sup>

**Role with Advanced Lignite Demonstration Program (ADLP):** In August 2013 *The Age* reported that "multiple sources connected to the brown coal industry in the Latrobe Valley" indicated that Ignite Energy Resources project was one "favoured" to win a grant from ALDP.<sup>67</sup>

**Largest shareholders:** Documents lodged with the Australian Securities and Investment Commission state that just over 208 million shares have been issued. The company's ASIC document indicates that \$196.6 million has been paid for the shares.<sup>68</sup>

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<sup>64</sup> Ignite Energy Resources (IER) and TRUenergy, "Ignite Energy Resources and TRUenergy announce a direct coal-to-liquids and coal drying demonstration project in the Latrobe Valley", Media Release, July 9, 2009. Available at: <http://www.truenergy.com.au/about/news/news.xhtml?newsitem=206>

<sup>65</sup> Ignite Energy Resources, "Current & Historical Company Extract", September 5, 2013.

<sup>66</sup> The three were: Anton Rosenberg, Chairman, resigned August 8, 2012; Ian Ross, Executive Director, resigned August 16, 2012; and Will Jephcott, Non-Executive Director, resigned August 23, 2012. Ignite Energy Resources, Financial Report For the year ended 31 December 2012, Ignite Energy Resources, April 2013, p.6.

<sup>67</sup> T. Arup, "China powers ahead in hidden tender for brown coal millions", *The Age*, August 7, 2013. Available at: <http://www.smh.com.au/victoria/china-powers-ahead-in-hidden-tender-for-brown-coal-millions-20130806-2rdjt.html?rand=1375833483379>

<sup>68</sup> Ignite Energy Resources, "Current & Historical Company Extract", September 5, 2013, page 5.

**Lobbyists/membership of industry lobby groups:** The Victorian government's lobbyists register indicates that, as of August 5, 2013, that IER lobbyist is Scott Pearce from the small lobbying firm CNC Project Management.<sup>69</sup>

Neither IER or Licella are listed as having a registered federal lobbyist. However, IER are members of the Minerals Council of Australia, the peak lobby group for the mining industry.<sup>70</sup>

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<sup>69</sup> "Lobbyists register: CNC Project Management", Public Sector Standards Commissioner website, accessed August 5, 2013. Available at:

<http://www.lobbyistsregister.vic.gov.au/lobbyistsregister/index.cfm?event=viewProfile&profileID=1220>

<sup>70</sup> "MCA Member Companies", Minerals Council of Australia website, accessed August 6, 2013. Available at: [http://www.minerals.org.au/corporate/about\\_the\\_mca/mca\\_member\\_companies](http://www.minerals.org.au/corporate/about_the_mca/mca_member_companies)

## Coal wannabe #7: Coal Energy Australia

**Company background:** Coal Energy Australia (CEA) is an Australian registered company seeking to develop a brown coal project in the Latrobe Valley in Victoria.

**Current coal operations:** None.

**Proposed new coal projects:** Very little public information is available on what the company is proposing. In March 2013 the brown coal technology company, Jatenergy (JAT), announced that it had signed a non-binding letter of intent with CEA to “cooperate” on the “marketing, promotion, development and operation of Coal Plus technology in the Latrobe Valley”. JAT’s media release stated that the collaboration between the companies may “potentially” lead to them jointly “making decisions on executing and investing in projects”. However, no further details were provided.<sup>71</sup>

**Company finances:** CEA was registered with the Australian Securities and Investment Commission as a public company on June 1, 2012.<sup>72</sup> CEA started out as a company with only 1765 \$1 shares but in July 2012 subdivided the shares to create 176.5 million shares.<sup>73</sup> Shortly after its formation, CEA notified ASIC that its capital base was just over \$700,000 from the sale of 179.3 million shares.<sup>74</sup>

As a newly registered and minor company, limited financial information has been made publicly available.

**Role with Advanced Lignite Demonstration Program (ALDP):** In August 2013 *The Age* reported that "multiple sources connected to the brown coal industry in the Latrobe Valley" indicated that CEA’s project was one “favoured” to win a grant from ALDP.<sup>75</sup>

**Largest shareholders:** As a very minor unlisted company, CEA are not required to publicly provide details on their top 20 shareholders.

**Lobbyists/membership of industry lobby groups:** The company has no registered lobbyists.

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<sup>71</sup> Jatenergy, "\$160 million invested over four years into coal beneficiation technology Coal Plus", Media Release, March 6, 2013, page 2. Available at:

<http://www.asx.com.au/asxpdf/20130306/pdf/42dh7rzsgp74yb.pdf>

<sup>72</sup> "Coal Energy Australia Limited", Australian Securities and Investment Commission website, accessed August 7, 2013. Available at: <http://bit.ly/12Z8WKz>

<sup>73</sup> Coal Energy Australia Limited, "Notification of resolutions regarding shares", July 9, 2012.

<sup>74</sup> "Coal Energy Australia: Current & Historical Company Extract", Australian Securities and Investment Commission, 7 August 2013.

<sup>75</sup> T. Arup, "China powers ahead in hidden tender for brown coal millions", *The Age*, August 7, 2013. Available at: <http://www.smh.com.au/victoria/china-powers-ahead-in-hidden-tender-for-brown-coal-millions-20130806-2rdjt.html?rand=1375833483379>

## Coal wannabe #8: Shanghai Electric Australia Power & Energy Development

**Company background:** Shanghai Electric Australia Power & Energy Development is an Australian registered subsidiary of the China Power Investment Corporation (CPIC).<sup>76</sup> A CPIC subsidiary is Shanghai Electric Group, a Chinese power generation and equipment company.

**Current coal operations:** None in Australia.

**Proposed new coal projects:** Very limited information about the company's plans is publicly available. In August 2013 *The Age* revealed that Shanghai Electric Australia Power & Energy Development was considered to be a leading contender for funding from the Advanced Lignite Demonstration Program. It was reported that the company is proposing the construction of a \$250 million demonstration plant in the Latrobe Valley "to process 3 million tonnes of brown coal a year using technology it claims improves its quality and also makes briquettes. There are suggestions the coal could then be exported to China, initially out of Geelong."<sup>77</sup>

**Company finances:** Shanghai Electric Australia Power & Energy Development was only registered with the Australian Securities and Investment Commission (ASIC) on November 16, 2012.<sup>78</sup> Four of the five company directors reside in China with the fifth, Sydney resident Allan Farrar, being the company secretary.<sup>79</sup> As a newly registered company, limited financial information has been made publicly available.

**Role with Advanced Lignite Demonstration Program (ADLP):** In August 2013 *The Age* reported that Shanghai Electric Australia Power & Energy Development was one of the leading contenders likely to win a grant from ALDP.<sup>80</sup> **Largest shareholders:** Shanghai Electric Australia Power & Energy Development state in a filing with ASIC that 1 million shares in the company have been issued but, as of September 5, 2013, none have been paid for. The company's filing with ASIC states that the unpaid amount for the shares is \$1 million.<sup>81</sup>

Of the 1 million shares, 95% have been allocated to Shanghai Electric Power & Energy Development, the direct parent company, with the remaining five per cent allocated to the Shanghai Pacific Power Pty Ltd, a company registered in Australia in October 2010. Shanghai Pacific Power is a small

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<sup>76</sup> Shanghai Electric Australia Power & Energy Development Pty Ltd, "Current & Historical Company Extract", Australian Securities and Investment Commission, September 5, 2013, page 2.

<sup>77</sup> T. Arup, "China powers ahead in hidden tender for brown coal millions", *The Age*, August 7, 2013. Available at: <http://www.smh.com.au/victoria/china-powers-ahead-in-hidden-tender-for-brown-coal-millions-20130806-2rdjt.html?rand=1375833483379>

<sup>78</sup> "Shanghai Electric Australia Power & Energy Development", Australian Securities and Investment Commission website, accessed August 7, 2013 Available at: <http://bit.ly/12Z8WKz>

<sup>79</sup> Shanghai Electric Australia Power & Energy Development Pty Ltd, "Current & Historical Company Extract", Australian Securities and Investment Commission, September 5, 2013.

<sup>80</sup> T. Arup, "China powers ahead in hidden tender for brown coal millions", *The Age*, August 7, 2013. Available at: <http://www.smh.com.au/victoria/china-powers-ahead-in-hidden-tender-for-brown-coal-millions-20130806-2rdjt.html?rand=1375833483379>

<sup>81</sup> Shanghai Electric Australia Power & Energy Development Pty Ltd, "Current & Historical Company Extract", Australian Securities and Investment Commission, September 5, 2013, page 2.

Australian registered company with 9,000 \$1 shares issued with 51% owned by Allan Farrar, who is also company secretary of Shanghai Electric Australia Power & Energy Development.<sup>82</sup>

**Lobbyists/membership of industry lobby groups:** The company has no registered lobbyists.

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<sup>82</sup> Shanghai Pacific Power, "Current & Historical Company Extract", Australian Securities and Investment Commission, September 6, 2013, page 2.

## Coal wannabe #9: Latrobe Resources/Cartwheel Resources

**Company background:** Latrobe Resources Pty. Ltd. is a wholly owned subsidiary of Cartwheel Resources Pty Ltd,<sup>83</sup> a small unlisted public company which is headquartered in Adelaide. (Latrobe Resources is not to be confused with the Hong Kong registered company of the same name which is a major shareholder in Newtech Energy.)

**Current coal operations:** None. In late 2011 Latrobe Resources commenced the construction of a demonstration brown coal briquetting plant on land owned by Loy Yang Power and using coal from the Loy Yang mine. It was reported that Chinese investors would contribute \$20 million and that the project would create 200 jobs.<sup>84</sup> However, the project was suspended in early 2012. In February 2013 the chair of Cartwheel Resources, Rudy Gomez, said that the Chinese “clients said they needed the briquettes 'yesterday', that's why we went ahead with the project like we did, but when time came for them to pay up, they couldn't come up with the funds.”<sup>85</sup>

**Proposed new coal projects:** Latrobe Resources have proposed to construct a 2 million tonne a year briquetting plant with the aim of exporting its product out through Port Anthony. Gomez has stated that the company plans to buy 4.5 million tonnes of brown coal a year from Loy Yang and has access to a total resource of 35 million tonnes.<sup>86</sup>

Gomez has claimed the project could be scaled up to 100 million tonnes of briquettes a year which would require a 40 billion tonne resource. He has claimed that a project this size would employ 5,000 people and generate export income of \$8.5 billion a year.<sup>87</sup>

**Company finances:** No details of the company's finances are publicly available. However, in June 2013 the mining magazine *CoalAPAC* reported that Gomez stated that he had invested \$12 million into the project and was not in a position to contribute any more.<sup>88</sup>

**Role with Advanced Lignite Demonstration Program (ALDP):** Gomez has stated that he wants the first plant “to be supported by the government” and that he is “hoping for help from the Victorian government.”<sup>89</sup> A report in the *Latrobe Valley Express* inferred that Latrobe Resources has submitted an application for funding under the ALDP program.<sup>90</sup>

**Lobbyists/membership of industry lobby groups:** None.

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<sup>83</sup> Latrobe Resources, “Contact”, Latrobe Resources website, accessed October 14, 2013. Available at: <http://latroberesources.com.au/contact/>

<sup>84</sup> C. England, “Pure determination to help save the world”, *AdelaideNow.com*, March 12, 2012. Available at: <http://www.adelaidenow.com.au/business/pure-determination-to-help-save-the-world/story-e6fredj3-1226310389535>

<sup>85</sup> L. Nelson, “Clean coal Stalls”, *Latrobe Valley Express*, February 18, 2013. Available at: <http://www.latrobevalleyexpress.com.au/story/1308004/clean-coal-stalls/>

<sup>86</sup> N. Dyson, “Coal booster”, *CoalAPAC*, June 2013, pp 15-16. Available at: [http://issuu.com/aspermont/docs/coal\\_asia\\_pacific\\_june\\_2013?e=7053927/2470293](http://issuu.com/aspermont/docs/coal_asia_pacific_june_2013?e=7053927/2470293)

<sup>87</sup> *Ibid.*

<sup>88</sup> *Ibid.*

<sup>89</sup> *Ibid.*

<sup>90</sup> Nelson, *op cit.*

## Summary

None of the current crop of Victorian brown coal mining wannabes have any existing coal operations, let alone brown coal projects. None have built or operated brown coal projects of any kind, let alone based on the often unproven technologies they are touting. Some have claimed that they have major players as joint venture partners, but the exact nature of those arrangements is often vague and over-stated.

Some of the companies are verging on insolvency. Others financial status is so opaque that, in the absence of more detailed information, it is impossible to make an informed judgement of their financial health. Some have, at best, unstable boards with a passing parade of directors in a short period of time. What the companies lining up for government grants and coal allocations do have is a lot of hype and – in some cases at least – some political muscle.

Faced with the choice between acknowledging that the time of brown coal has come and gone or throwing scarce taxpayer funds on another round of speculative projects, the Victoria and federal governments' inclinations are to go with the latter. While boasting of their spendthrift economic credentials they are acting more like gamblers on a losing streak hoping that their next big bet will be a winner.

The global forces reshaping the global coal market indicate the \$90 million Advanced Lignite Demonstration Program and any subsequent coal allocation is likely to be doomed to failure. If black coal projects around the world are floundering, brown coal projects face even stronger headwinds. Underlying the state and federal government's grants program is a grim refusal to acknowledge that brown coal has become the first orphan of a coal industry facing a very uncertain future. It is time for the Victorian Government to develop a new, sustainable agenda for the Latrobe Valley and beyond that acknowledges that Victoria's brown coal has had its day and needs to stay in the ground.