Phosphate Purchases from Western Sahara

Background

Incitec Pivot Limited (IPL) operates four fertiliser plants in Australia:

- Phosphate Hill manufactures ammonium phosphates in North Queensland with phosphate rock sourced from a nearby mine held by IPL.
- Gibson Island, Brisbane, manufactures ammonia, urea and granular sulphate of ammonia.
- Geelong and Portland, in Victoria, manufacture Single Superphosphate (SSP) using rock from a variety of sources including Boucraa supplied by Officè Cherifien des Phosphates (OCP).

Phosphate from Western Sahara has been a matter under active consideration by IPL for several years. The matter has been discussed at Annual General Meetings over the past decade and raised in IPL Sustainability Reports including the 2013 Report:

http://www.incitecpivot.com.au/~/media/Files/IPL/Sustainability/2013%20Sustainability%20R eport.pdf

Geelong and Portland plants:

The Geelong and Portland plants manufacture SSP a fertiliser applied to a wide range of pastures in the dairy, beef and sheep industries. These two plants are configured to produce SSP using a blend of phosphate rock from differing sources. This is because the composition of phosphate rock varies from each source and will have a range of chemical and physical characteristics that affect both manufacturing performance and the quality of the final product. In recent years, the plants have used a blend of phosphate rocks from Nauru, Christmas Island, Vietnam, Togo and the Western Sahara. Alternate sources from Peru, North Africa and the Middle East are unsuitable for a variety of reasons.

The particular advantage of Boucraa rock is its relatively high phosphorus content, low heavy metal (e.g. cadmium) content and reactivity when combined with the other major input, sulphuric acid.

The two SSP plants are at least 50 years old and are challenged by falling demand for SSP in Australia, increasing pressure from imports and high input costs. The continued operation of these plants is regularly under review. In 2010, IPL closed its plant in Geelong, Victoria due to low demand and reopened it in 2011, when demand improved. The alternative to continued operation is to import SSP.

Information Gathering & Consultation:

- IPL representatives meet periodically with the Australian Department of Foreign Affairs and Trade
- IPL representatives have met regularly with the AWSA, most recently in June. We have also met with a Polasario representative in Australia and a representative of the Saharawi Arab Democratic Republic (most recently in May this year).

• IPL representatives are in contact with OCP and have met with diplomatic representatives of the Kingdom of Morocco.

Issues

Legal:

IPL has regard to both Australian law and International law and remains satisfied it is not in breach of Australian law nor International law. The Australian Government has not prohibited the importation of phosphate rock from the Non Self Governing Territory of Western Sahara.

Chemical composition and financial considerations:

IPL has assessed a range of technologies including regenerative thermal oxidation (RTO) technology but the use of the technology alone would not necessarily change the sourcing of phosphate rock for the operations given the issues driving the use of different sources of rock, which go beyond odour alone.

Using a blend of phosphate rock enables IPL to meet Australian regulatory requirements with regard to phosphorus content for SSP, as well as with regard to cadmium content and odour. While RTO technology may allow IPL to source more odorous rock, it may not necessarily deliver the appropriate phosphorus content.

IPL's SSP plants are commercially marginal, making additional investment in new technology, (such as RTO technology) challenging from an economic and commercial perspective.

IPL has researched the use of phosphate rock from its own mine at Phosphate Hill. However, this is not commercially viable because the rock is low grade and requires beneficiation. In addition, the logistics costs of moving the product from inland Queensland to Geelong and Portland are prohibitive.