

The 29th Joint Conference of
ROC-Australia & Australia-Taiwan Business Councils

Raw Materials Procurement and Investment of CSC Group in Australia

Po-Wen Lo

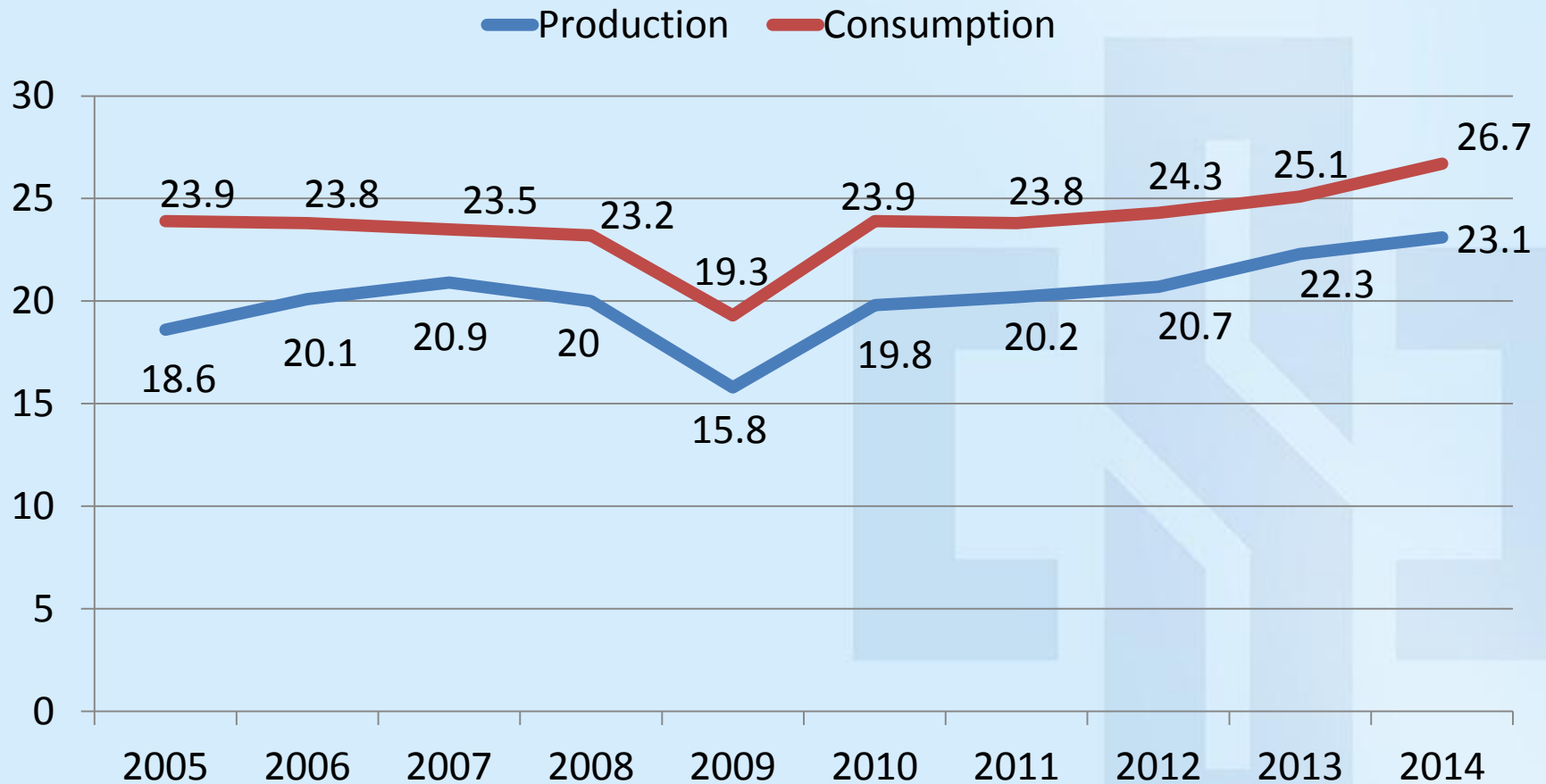
Geologist / Resources Development Department

China Steel Corporation

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- Overview on Steel and Raw Materials Market in Taiwan
- Raw Materials Procurement and Investment of CSC Group
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Taiwan Crude Steel Production and Consumption



Briefing of CSC & DSC

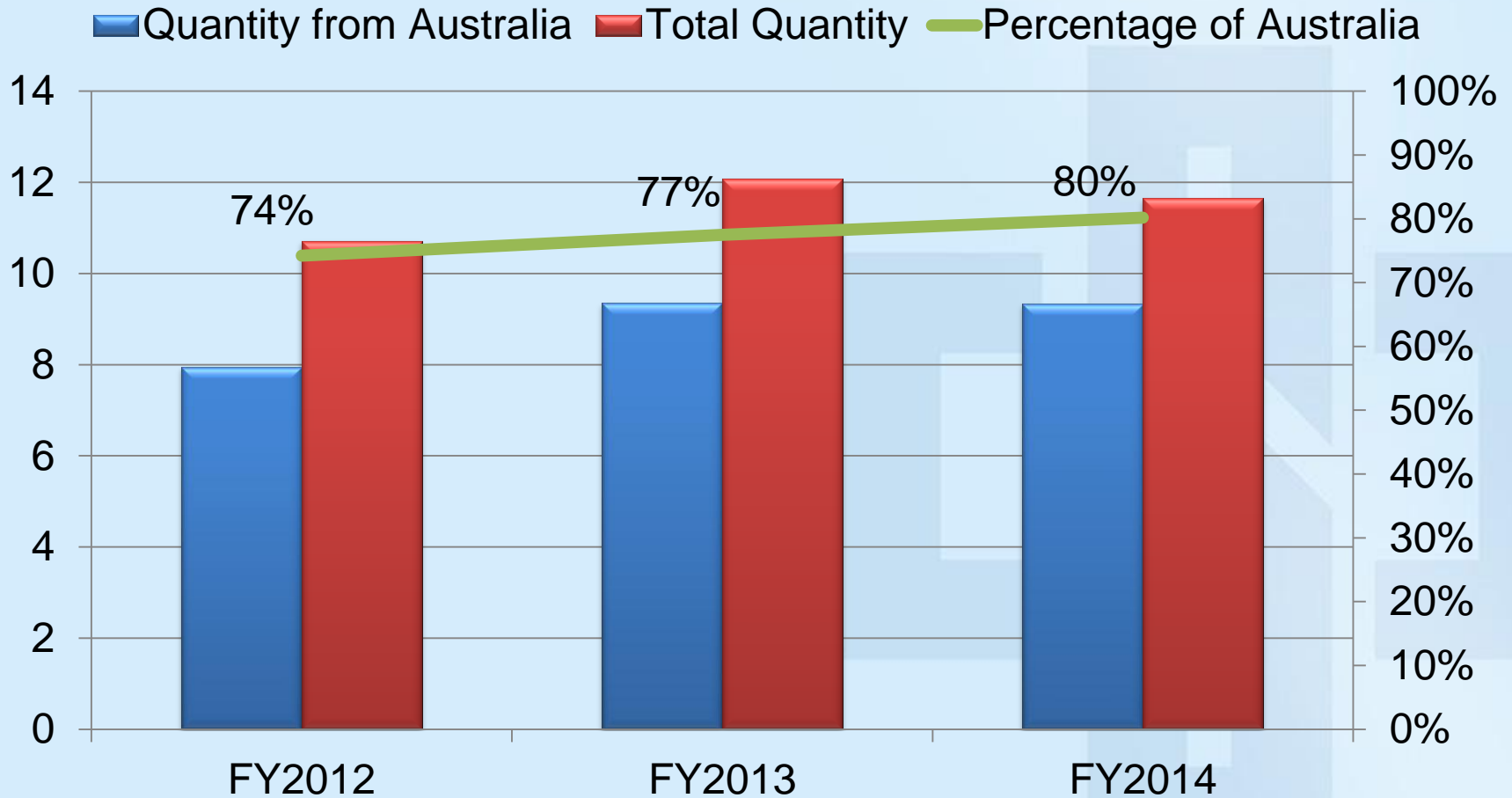
- Founded in 1971
- No.1 BF: 1977
- No.6 BF: 2013
- 4BF in Kaohsiung
- 2BF + 1EAF in Taichung
- Invest 25% in FHS



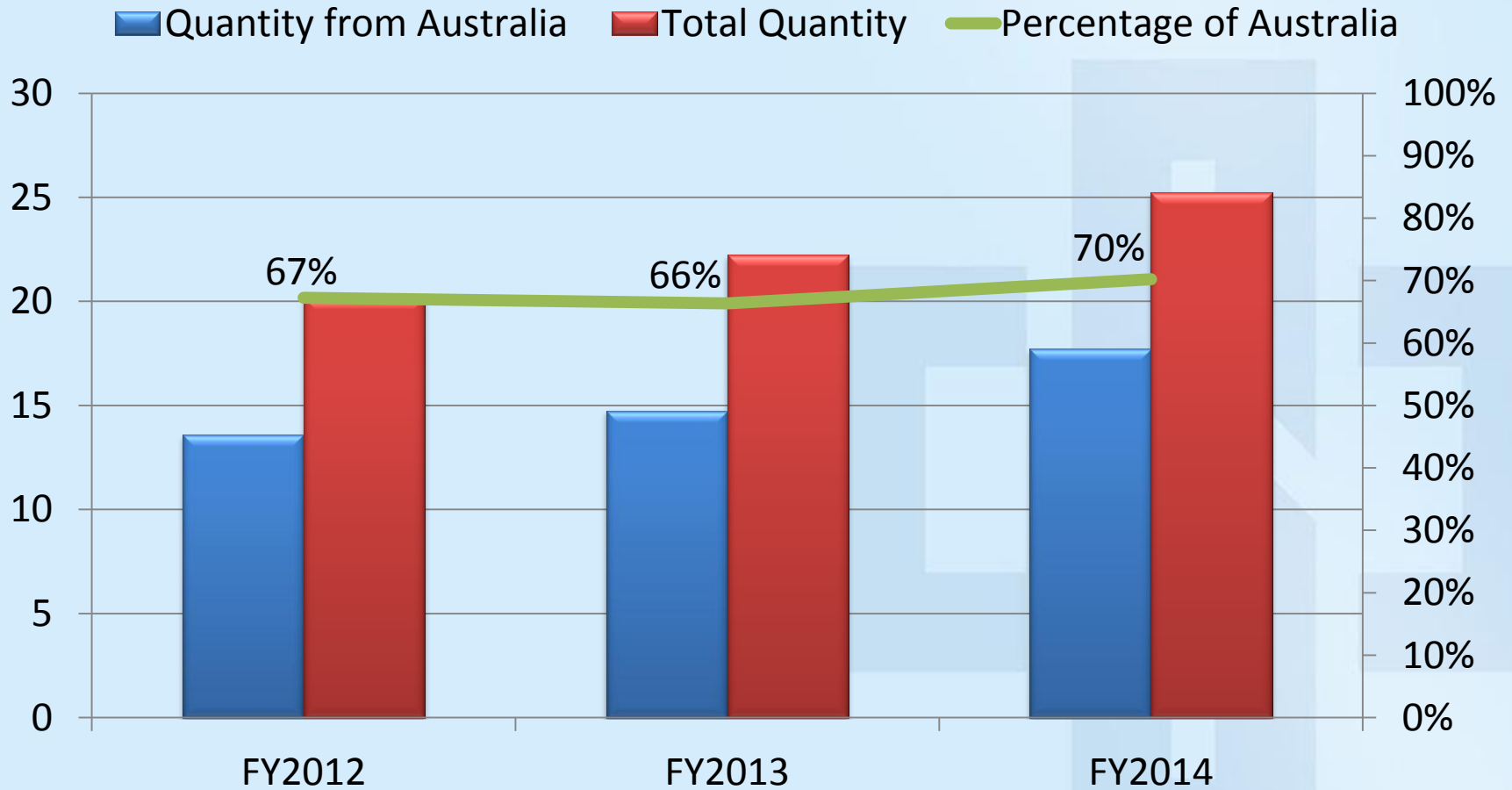
Capacity and Raw Material Requirement

- Crude Steel Capacity: 16 million tons
- Coal Requirement: 12.2 million tons
- Iron Ore Requirement: 24 million tons

Coal Procurement



Iron Ore Procurement



Raw Materials Procurement Strategy

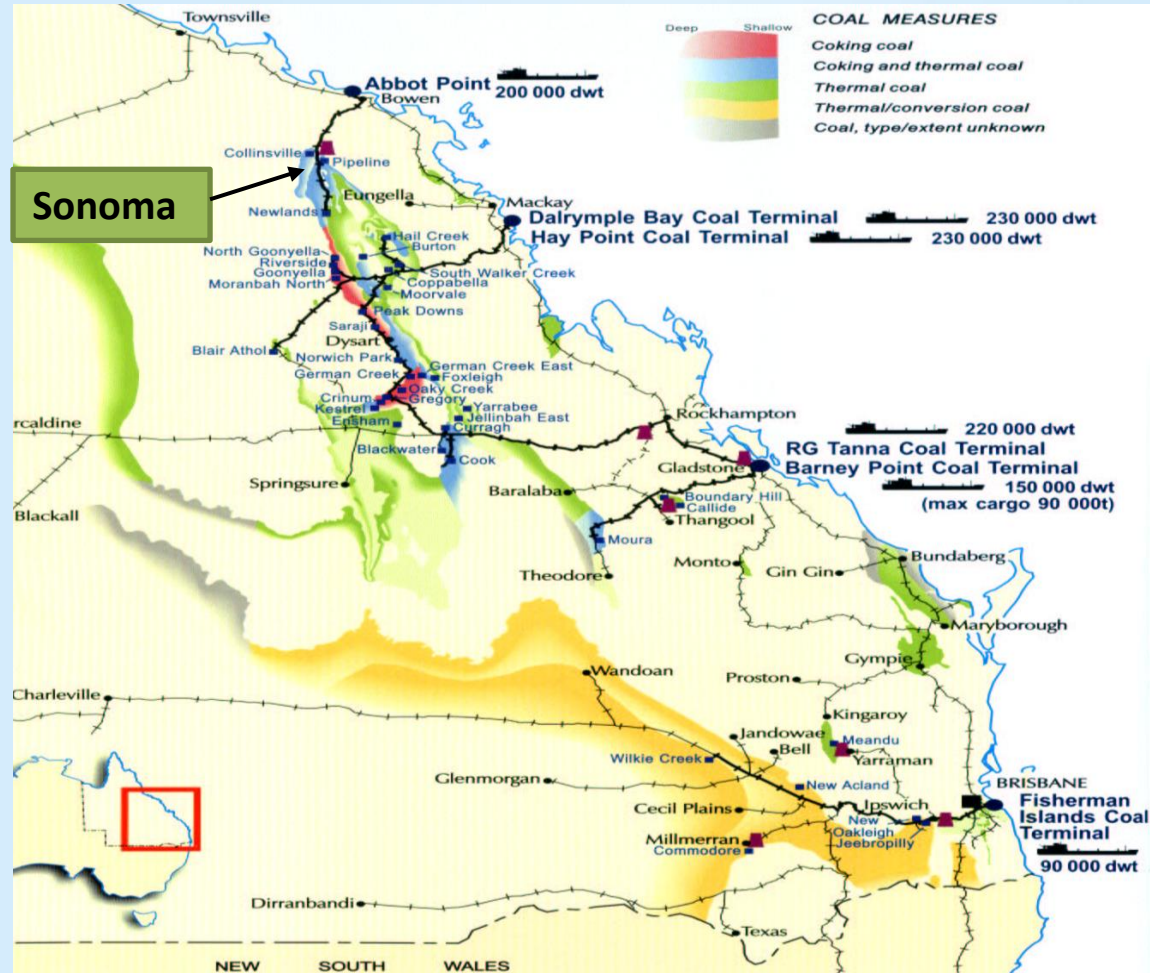
- Balance of cost vs. quality
- Mostly covered by Long-Term contracts, while maintaining a certain portion for spot purchasing
- Self-sufficiency ratio: 30% as target

Raw Materials Investment Strategy

- **Quality** shall meet CSC's requirement
- **Off-take** on a pro rata basis according to shareholding ratio
- **Shorter distance** is preferred
- **Minority Shareholding:** usually 5 to 20%
- **Profitable!**

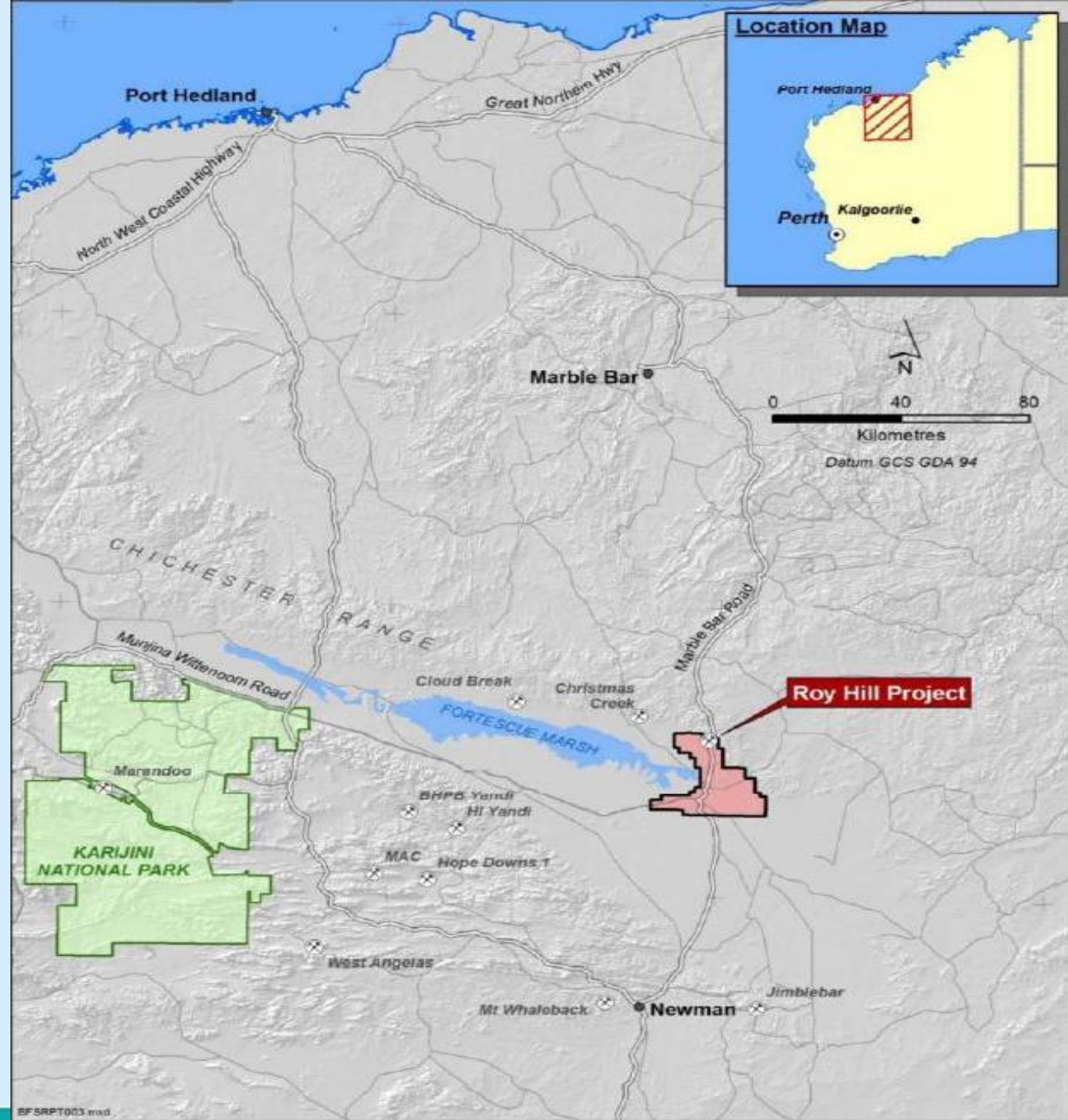
Sonoma Coal Project

- 5% interest
- Commence production in 2008
- Production: 3.5 Mt
- Off-take: 0.20 Mt

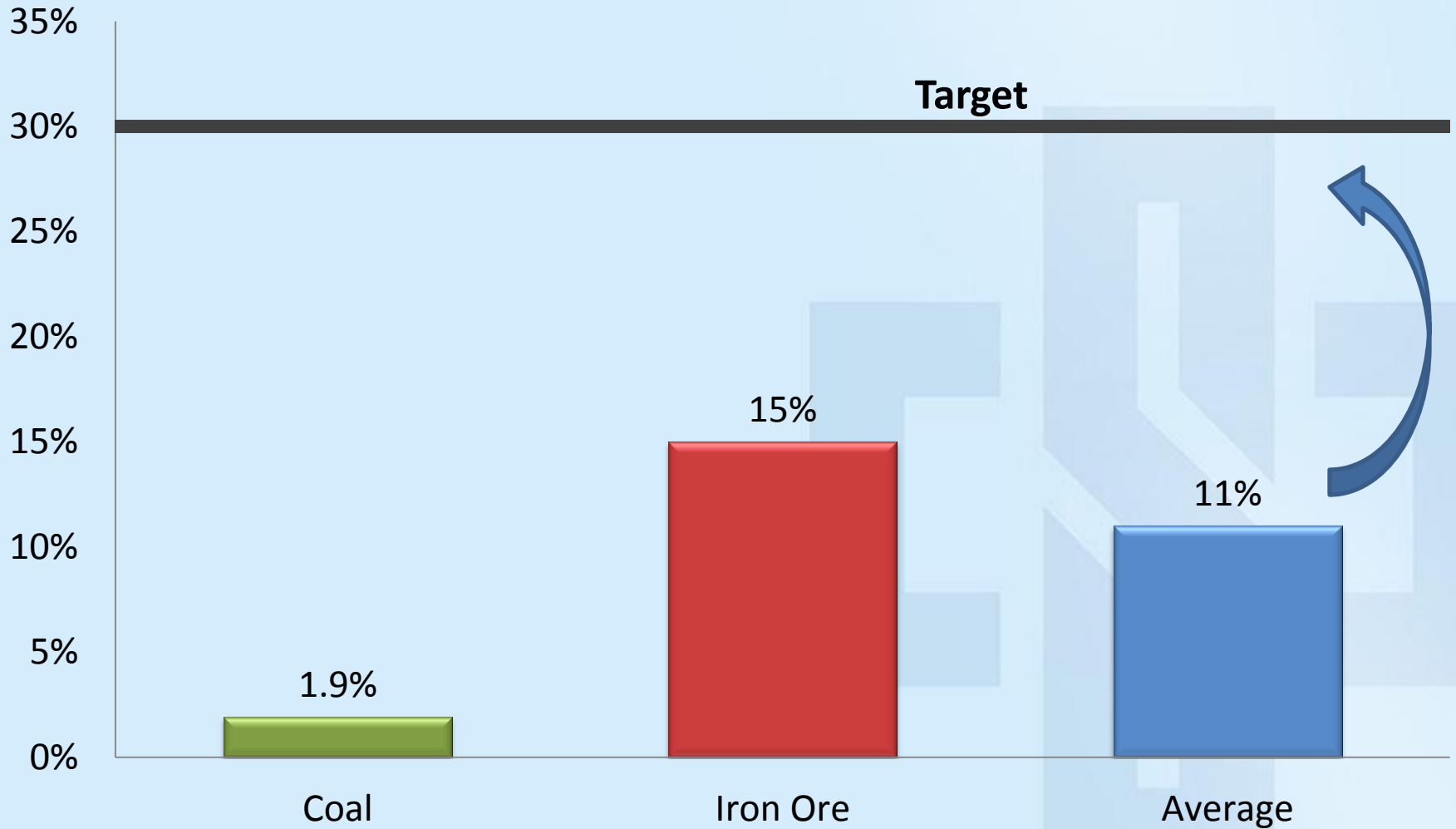


Roy Hill Iron Ore Project

- 2.5% interest
- FOOS: Oct 2015
- Production: 55Mt
- Off-take: 2.2 Mt

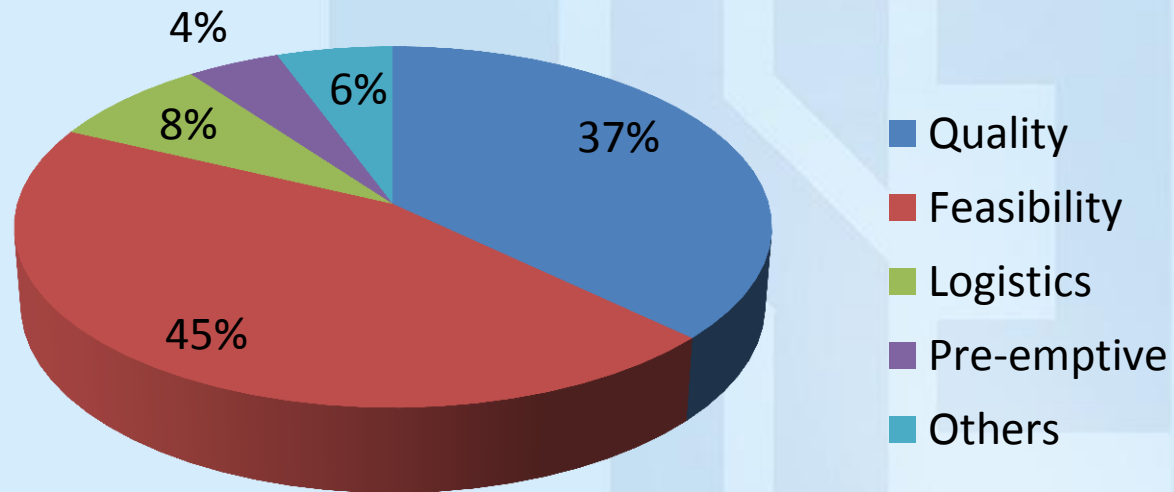


Self-sufficiency Ratio



Reasons not to Succeed

- Quality
- Feasibility
- Logistics
- Pre-emptive Rights



Conclusion

- CSC group has purchased majority of their required iron ore and coal from Australia since 1977.
- CSC group will continue keeping firm relationships with Australian suppliers, and is keen to deepen the relationship by investment.

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**THANK YOU
FOR
YOUR ATTENTION!**