

MINING AND QUARRYING SECTOR

Search for Exciting Companies

Research Report

Date: May 2010

Client: *The National Business Review*

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1. SUMMARY

Sector Overview

Mining and Quarrying companies are polarized with some rating the sector buoyant or very buoyant and others rating it difficult or very difficult. Those rating things difficult are in Quarrying. They produce aggregates for roads and cement. The demand for these is down because spending on roads and construction by local government and private developers is well down. On the other hand, Mining companies producing minerals or coal, have high levels of demand from China and India, and high prices. Gold in particular has very high prices also driven by the current financial instability globally.

Ironically, when Mining and Quarrying companies are asked which companies are most exciting in the sector, they mostly name firms leading in environmental and health and safety areas – areas where mining companies are often criticized as being careless. The most exciting company, Newmont, was said to have “extremely new age, environmental technology”. Pike River Coal was also said to be rehabilitating mined land (for the environment). Boart Longyear and the Downer-Stockton Alliance were both commended by the industry for excellence in health and safety.

The Most Exciting Companies

1	Newmont Waihi Gold	“Extremely new age, environmental technology” in gold mining
2	OceanaGold	Can efficiently mine areas of low gold concentration and still profit
3	Downer - Stockton Alliance	Alliance with Solid Energy, going 9 months employing 600 people
4	Pike River Coal	Good mining operator, rehabilitating mined land [environment]
5	Boart Longyear	Outstanding health and safety record, leading the industry
6	Steatite	Small operator, re-opening previously mined land
7	Winstone Aggregates	One of few NZ-owned companies, spread out throughout NZ
8	Stevenson Group	Diverse group, laboratory, quarries around NZ, heavy engineering
9	Ravensdown and Solid Energy	Producing 600,000 tonnes p.a. of urea from low grade coal

2. METHODOLOGY

Research Method Overview

20 business owners and managers were interviewed from the Mining and Quarrying Services Sector. Questions were on the business conditions for the sector; which companies are most exciting *other than their own* and why. The most exciting companies are rated by using an excitement index of psychologically-based factors causing excitement in business. The most exciting companies may not be those named most often, but are those rated highest by respondents on the excitement index.

Sample: Interviewees

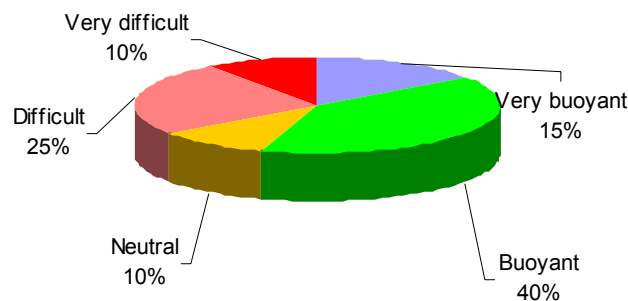
	Company	Position
1	Aggregate & Quarrying Association	President
2	Blackhead Quarries	General Manager
3	Blue Pacific Minerals	Managing Director
4	E.J. Reed & Co	Manager
5	Francis Mining Co	CEO
6	Glass Earth	CEO
7	GNS Science	Senior Minerals Geologist
8	Heritage Gold	Executive Director
9	HWE	Project Manager
10	Kai Point Coal	Manager
11	L&M Group	Managing Director
12	MIMICO	Managing Director
13	Mine Design Systems	Director
14	Newmont Mining	External Affairs Manager
15	NZ Minerals Association	CEO
16	Paradise Quarry	Manager
17	Perry Group	General Manager
18	ScanTec	Director
19	Solid Energy	Communications Manager
20	Wairarapa Aggregates	Manager

Note: Interviewees' comments are reported anonymously.

3. SECTOR CONDITONS

Sector atmosphere

How buoyant or difficult is business in the Mining / Quarrying Sector at present?



There is a polarized response. 55% rate business buoyant or very buoyant; and 35% rate it difficult or very difficult.

Key issues

- Market segment:** those rating conditions difficult or very difficult are in the Quarrying Segment, where they produce aggregates for building roads, and cement for construction. Local government [Council] and private development spend is down. This translates into less demand for aggregates and cement, and a difficult time for businesses in this area.

The opposite is occurring in other market segments, for minerals and coal. The demand for and price of gold is high; the demand and the price for coal is high. Demand for investment in mining was said to be driven by minerals and coal demand from India and China. As wealth is rising quickly in these countries; as one respondent said, "People demand a lot of goodies". Another respondent mentioned as uncertainty in financial markets globally goes up, in the US, Europe and Greece, so does the spot price of gold.

- **Government support:** government support is lifting confidence in the industry. One respondent mentioned “government interest in developing minerals – not seen from the previous government”. Another respondent said of the new atmosphere, “the degree of confidence among companies and staff across the board – not seen in the last 20 years.
- **Improved relations with DOC:** One respondent mentioned they have “improved relations with the Department of Conservation.” He said, “The industry is not out to decimate, but to maximize the value of resources and protect land and the environment. We can work closely together on environmental protection [with DOC].”
- **Australian new super-profits tax:** investment in mining in New Zealand was also said to be looking better now with new high tax [40%] on the profits of mining companies in Australia.

4. SOME SECTOR NUMBERS

6,000	People employed in the Mining Sector (including Oil & Gas) in NZ*
\$2 billion	Size of the Mining Sector in NZ*
\$1.1 billion	Exports from the Mining Sector in 2009*
4,000	Hectares of land used for mining in NZ*

*Beehive: Gerry Brownlee, “Some Facts About Mining in New Zealand”.

5. EXCITING COMPANIES NAMED

Company / Business	Number of mentions
Newmont Waihi Gold	2
OceanaGold	2
Pike River Coal	2
Boart Longyear	1
Downer - Stockton Alliance	1
Ravensdown and Solid Energy	1
Steatite	1
Stevenson Group	1
Winstone Aggregates	1
NUMBER OF COMPANIES	9

9 companies were named by respondents as the most exciting in the Mining / Quarrying Sector in NZ. Newmont, Pike River and OceanaGold were nominated twice each, the rest were nominated by one respondent each.

6. THE MOST EXCITING COMPANIES

Verbatim from research respondents

Rank	Company	Excitement Index
1	Newmont Waihi Gold	77.0
2	OceanaGold	64.4
3	Downer - Stockton Alliance	57.1
4	Pike River Coal	56.7
5	Boart Longyear	55.0
6	Stearite	54.0
7	Winstone Aggregates	51.5
8	Stevenson Group	49.0
9	Ravensdown and Solid Energy	47.0
<p>The excitement index score ranges from 0 to 100. The excitement index is made up of senior executives and business owners ratings on a range of psychologically-based factors measuring excitement for a business</p>		
<p>Benchmark: Very high excitement levels are where the index measures over 80. This occurs, on average, in every third sector researched.</p>		

Verbatim from respondents on why they are most exciting

1. Newmont Waihi Gold

- Have big open pit – traditional operation. Next door created a precision underground mine. Extremely new age, environmental technology. Environmentally responsible – good relationships with community.

- Have good ideas on how to operate – we deal with 6 or 7 mines – they are easiest to deal with and the most switched-on in certain areas. How they run things and how they operate. The environmental approaches are good.

2. OceanaGold

- Mining underground at such low grades. Able to increase efficiencies to get enough gold cost effectively to make themselves profitable.
- Shown significant resilience, improved resources last 12 months. Good potential for the future in the Central Otago region.

3. Downer – Stockton Alliance

- Open cast mine, employing 600 people – 150 contract specialist technicians. Amazing improvements in safety performed in the nine months since they started. Their production looked good. High investment by Solid Energy into the mine. Exports steelmaking.

4. Pike River Coal

- Gone about business well, development of prospects. Been stuck, and got around it professionally. Manage processes well to keep going well.
- Down south mining in DOC land. Doing good job in mining side and rehabilitation of mining areas, meeting peoples' concerns. Work done in looking after the environment noteworthy.

5. Boart Longyear

- Very exciting at a local level. Drilling from 3 years ago without loss of time for injury. Safety record, show how to improve it for the industry.

6. Steatite

- Small family business – new mine coming soon. Little man – real people – wanting to mine something. Incredibly useful – looking at re-opening old areas, mines that were previously there.

7. Winstone Aggregates

- Pretty on to it with health and safety. Spread out throughout the country, one of few local New Zealand-owned companies. Environmentally good. Give back to the community.

8. Stevenson Group

- Very self-sufficient. Own laboratory, large engineering workshop, do heavy engineering. Well positioned in Auckland. Quarrying operations are very diverse, and huge.

9. Ravensdown and Solid Energy

- Developing a project to produce urea, nitrate out of low grade coal, 600,000 tonnes per year. Benefits to country immense, spending immense. Exciting project.
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