



## **Diggers & Dealers Mining Forum 2016**

### **Opening Speech 1 August 2016: Nick Giorgetta**

**Embargoed until 9.15am 1 August 2016**

---

Good morning ladies and gentlemen, welcome to Kalgoorlie and the 2016 Diggers and Dealers Mining Forum.

To those of you who have been here before, welcome back, and to the newcomers, I hope you will enjoy your Diggers and Dealers experience.

As you can see from our banner, this year we celebrate the 25<sup>th</sup> anniversary of Diggers and Dealers.

25 years ago, the late Geoff Stokes came up with an idea to promote both the resources industry and Kalgoorlie-Boulder, as he had a long term passion for both. Geoff determined that it would be great if all participants in the resources industry, the miners and explorers, the investors, contractors and suppliers met in Kalgoorlie-Boulder each year with the specific purpose of spending a few days together promoting their company's activities, talking about deals and generally enhancing or expanding personal relationships.

I am sure that not even Geoff Stokes, one of the most positive and optimistic people I have ever met, would have thought that a quarter of a century later, not only would the Diggers and Dealers continue to exist, but would become an internationally recognised premium mining conference attracting close to 2000 delegates.



## **Diggers & Dealers Mining Forum 2016**

### **Opening Speech 1 August 2016: Nick Giorgetta**

**Embargoed until 9.15am 1 August 2016**

---

At Wednesday's dinner, Kate Stokes will acknowledge those who have been involved in this event over the years, so I will leave that function to Kate and will just say that we have a small but very capable and committed group of people in various roles, operational, advisory and suppliers who work hard each year to make this event happen, and we are proud of the event we deliver.

As we all know, the resources industry has faced some difficult times in the last twelve months, so much so that many commentators have all but written it off as a big player in our economy.

This is incorrect, and Diggers and Dealers is proud to present a full program over the next three days that will demonstrate the resources industry is indeed alive and a major contributor to the economy of this nation.

Today I want to focus on the positives that I believe are aligned with the resources industry, and reasons why we should continue to be proud of our industry's achievements.

Before I do this, I would like to acknowledge the commitment from the Perth Mint in allowing the unique one tonne gold coin, worth in excess of A\$50 million, to be displayed today at Diggers and Dealers.



## Diggers & Dealers Mining Forum 2016

### Opening Speech 1 August 2016: Nick Giorgetta

Embargoed until 9.15am 1 August 2016

---



This coin is rarely seen outside of the Perth Mint, and it has been a major undertaking by the Mint to facilitate the coin being here today.

Please take the opportunity to view the coin and see what \$50 million worth of gold looks like; take photos today if you wish, as the coin is only here for one day and will be returned to Perth this evening.

Our Prime Minister, Malcolm Turnbull, has been advocating that Australia's economy must become more agile, we must embrace innovation, be the clever country and not rely so much on resources.



## **Diggers & Dealers Mining Forum 2016**

### **Opening Speech 1 August 2016: Nick Giorgetta**

**Embargoed until 9.15am 1 August 2016**

---

To diversify from an economy that relies so heavily on resources, to focus more on exports in and around the education sector, financial services, agriculture and tourism, is a very good policy. But this policy is easy to talk about and very difficult to implement.

We can become clever, but that's what most of the advanced countries in the world want to do. This means that we will have to run very fast just to stand still.

Not many other countries however are blessed with the natural resources that Australia has. Our long history in developing resources has meant that Australia is at the forefront of mining technology and Western Australia in particular provides mining companies with the best mining services in the world.

This was recently validated in a global survey of mining executives carried out by the Fraser Institute of Canada. According to the survey, Western Australia ranks as the number one jurisdiction in the world for mining investments.

And this is why, even in difficult times, the resources industry will continue to attract foreign investments that are so important to the fortunes of this country.

By all means let's work towards increasing and diversifying our exports, but only as a complement and not a replacement to the export of resources.



## Diggers & Dealers Mining Forum 2016

### Opening Speech 1 August 2016: Nick Giorgetta

Embargoed until 9.15am 1 August 2016

In fact, in 2015-2016, despite the commodity price downturn, the resources sector was by far the major contributor to the national GDP.



This graph shows that the construction boom has clearly led to expanded production, particularly for iron ore, and this will ensure that our industry will continue to be the most important contributor to Australia's economy.

Importantly, the second and third major contributors to Australia's GDP are about to face their own issues.

Consolidation of the steel sector and closure of the motor vehicle construction industry will significantly affect manufacturing, and the oversupply of housing and apartments will result in a slow down for the construction sector. This is all the more reason why we need a strong resources industry.



## Diggers & Dealers Mining Forum 2016

### Opening Speech 1 August 2016: Nick Giorgetta

Embargoed until 9.15am 1 August 2016

---

If we now look at how the major commodity prices have performed in the last 12 months, it can be seen that most of them have come off substantially in the first six months, bottoming at around December–January and then have slowly recovered to be where they were twelve months ago.



It should be noted that there has been a reasonably strong upturn in most commodity prices since 1 July and we can hope that this continues and provides the base for another year of strong performances from investing in resources companies. Once again Diggers and Dealers will no doubt highlight numerous opportunities for investors.

In the 2015-2016 financial year, the ASX index remained virtually unchanged at around the 5500 mark.

And yet, if you invested \$1000 in each of the companies that presented at Diggers and Dealers last year, you would be showing a return of 39%.



## **Diggers & Dealers Mining Forum 2016**

### **Opening Speech 1 August 2016: Nick Giorgetta**

**Embargoed until 9.15am 1 August 2016**

---

So the construction boom may have come to an end, but the resources industry certainly hasn't.

Have we seen the bottom of the commodities prices? Let's hope so, but most of you here know that hope is not a strategy.

In the last few years, companies have relentlessly focused on cost cutting and productivity, and have achieved remarkable results. I am sure that many of the presenters will elaborate on the measures they have taken.

The cost structures inherited from the boom period have become a thing of the past, and our operating costs are now internationally competitive.

We are now seeing companies with fewer members on their board, leaner and more hands-on staff, and, yes, executives are often flying at the back of planes.

Innovation has always been and remains at the forefront of our industry. Remote controlled underground equipment, intelligent ventilation systems, driverless trucks and



## **Diggers & Dealers Mining Forum 2016**

### **Opening Speech 1 August 2016: Nick Giorgetta**

**Embargoed until 9.15am 1 August 2016**

---

trains are some of the examples of how resources companies have embraced modern technology to increase productivity.

On the exploration front there have been many brownfield discoveries, and with companies committing more dollars to exploration, I am sure success will continue.

Stronger commodity prices and the emergence of metals like lithium are also bringing investors back to the junior sector, with small companies resuming fundraising.

Greenfield exploration has suffered badly in the last few years and yet it is absolutely essential to the future of the resource sector.

Even though investing in exploration companies is risky, the rewards, if you get it right, can be phenomenal. There are many examples, including some of the companies presenting at this Forum, of share prices increasing by more than 1000% over the last 12 months. Your challenge this year is to identify the next ten bagger.

These are the reasons why I remain so positive in the future of our resources and I strongly encourage you, as participants in this outstanding industry, to remind everybody how crucial the resources industry is to Australia. It has been and is the backbone of our great



## **Diggers & Dealers Mining Forum 2016**

### **Opening Speech 1 August 2016: Nick Giorgetta**

**Embargoed until 9.15am 1 August 2016**

---

country and allows us to play on the world stage. The Australian society and quality of life we have come to enjoy, would just not be possible without it.

Our mining and resources industry has a rich and valuable history that should be preserved for future generations. To date the preservation of the history has been undertaken in a limited form. The State Library has commenced an initiative to record the history of the state's mining and resources industry and will be keen to receive relevant information from companies to include in the database and it would be helpful if you could make your archives available so that the database being compiled can be as comprehensive as possible. The library will electronically preserve any data shared with them. A brochure relating to this initiative is included in your delegate bag and we would encourage you to retain this and consider participating in the program.

I would now like to declare the 25<sup>th</sup> annual Diggers and Dealers Mining Forum open, and trust that you will find the next three days beneficial and enjoyable

It is now my pleasure to introduce our keynote speaker for this year. John Lipsky is a distinguished international economist who has worked at senior levels at a number of influential institutions as well as developing a successful career with the International Monetary Fund where he was Deputy Managing Director.



## **Diggers & Dealers Mining Forum 2016**

### **Opening Speech 1 August 2016: Nick Giorgetta**

**Embargoed until 9.15am 1 August 2016**

---

It is appropriate that we have invited John Lipsky to present the keynote presentation at Diggers and Dealers this year. His role as Deputy Managing Director and for a time acting Managing Director of the International Monetary Fund, has truly put him on the frontline of the international economic world.

His attendance could not be more timely, with the world going through a period of political and economic instability. We are facing divisive politics in the United States, the exit of Britain from the European Union, our continued spotlight on exactly what is happening in China and in Australia we have had five Prime Ministers in six years. We need someone with a global overview to take us through this maze.

As the IMF's First Deputy Managing Director, a position which he held from 2006 to 2011, as well as his service as Acting Managing Director from May to July 2011, Mr Lipsky was a dedicated and effective leader who sought more effective international cooperation during a period of historic upheaval for the global economy. His strong stance and steadfast leadership during this period was noted widely at the time in publications like The Economist.

Before coming to the IMF, Mr Lipsky was Vice Chairman of the JP Morgan Investment Bank. Previously Mr Lipsky served as JP Morgan's Chief Economist and as Chase Manhattan Bank's Chief Economist and Director of Research, as well as Chief Economist of Salomon Brothers Inc, from 1992 until 1997.



## **Diggers & Dealers Mining Forum 2016**

### **Opening Speech 1 August 2016: Nick Giorgetta**

**Embargoed until 9.15am 1 August 2016**

---

Mr Lipsky is a Senior Fellow in the Foreign Policy Institute of John Hopkins University School of Advanced International Studies, and a member of the Council on Foreign Relations. He holds a PhD in economics from Stanford University.

Please join me in welcoming John Lipsky.