



Diggers and Dealers Mining Forum 2018

Opening Speech – Nick Giorgetta, Forum Chairman

Embargoed until 9:30am 6 August 2018

Good morning ladies and gentlemen, welcome to Kalgoorlie Boulder and the 2018 Diggers and Dealers Mining Forum.

As most of you know, exactly one month ago, our Director John Langford passed away. John will be missed by everyone involved with Diggers and Dealers, and his passing has left a huge void. We intend to honour John's memory in the best way that we can – by ensuring that this year's forum is the best yet, and that each future conference will be better than the previous. Because that's what he always wanted to do.

From this year onwards, the media contingent will be reporting from the newly-named John Langford Media Room. This is in recognition of John's enjoyment of interacting with the media, and his commitment to ensuring that the conference always received the best possible media coverage.

We will further acknowledge John with a toast at the Gala Dinner on Wednesday evening.

This is the 27th annual Diggers and Dealers conference, and also the 125th anniversary of the founding of Kalgoorlie



Boulder. I would like to take this opportunity to congratulate the community of Kalgoorlie Boulder on this milestone, and acknowledge the significant contribution that the region has made to the Australian resources industry and the economy of Western Australia.

Since last year's Diggers and Dealers, the ownership has changed. I would like to acknowledge the presence of the new owners Myles Ertzen and Sharon Giorgetta, who have embraced Diggers with the same enthusiasm as the Stokes family did for 26 years. Myles has a strong connection to Kalgoorlie as a graduate of the Western Australian School of Mines, and Sharon was born in Kalgoorlie.

Diggers and Dealers is focused on a long-term future in Kalgoorlie Boulder, and has signed an agreement with the City to continue to hold the conference here until 2023.

At the Wednesday evening dinner, we will be joined by Kate Stokes who will be presenting the Geoff Stokes memorial award. We will formally acknowledge the contribution of Kate and the Stokes family at this time.

This year I would like to focus my opening comments on something that is quite topical – a career in the mining industry.

To do this, it is important to first dispel some of the myths that surround our industry, as well as reinforcing the positives. The comment we so often hear, that the mining



boom is over, sends a very negative message about an industry that is actually thriving.

There is no doubt that the mining industry, between 2005 and 2012, has spent huge amounts of money on construction, development and employment at a level never seen before.

This created great economic and social advantages, and the whole of Australia benefitted from it. It is the single most important reason why, unlike most other countries, Australia largely escaped the effects of the Global Financial Crisis.

Construction phases don't last indefinitely, but the benefits of the construction boom are now more evident than ever. This boom was different, because most of the money was spent on infrastructure assets like roads, rail systems, ports and sea transport. This allowed the industry to exploit the resources we had, even after the prices had fallen significantly. This is not a new occurrence for the resources industry. The construction phase always requires higher employment and substantially higher capital expenditure. Operations deliver efficiencies, profits and then the taxes and sustainable social benefits that we are seeing today from our producers.

Over the last decade, production of iron ore, LNG, coal, and gold have increased substantially, while production costs have been reduced, and in some cases remarkably so.



The price of commodities such as nickel and copper are on the increase and we should see some of those mining companies back into production.

New metals like lithium, graphite and cobalt, which are linked to the surging demand for batteries, are being developed with long mine lives and predicted strong profits. Importantly, across all sectors miners are taking advantage of their strong balance sheets to address the problem of depleted resource bases.

I doubt that Australia has ever seen this type of reliability before, and the mining industry is well positioned to remain the largest contributor to the country's GDP for many years to come.

It is time to stop mourning the end of the mining construction boom, and start celebrating the industry successes. We all need to welcome and encourage ongoing and future developments.

For those who maintain that mining companies don't pay their share of taxes, it should be noted that a survey conducted by Deloitte Access Economics has found that the effective tax rate for the industry, calculated by adding company tax and royalties, is 51%.

They also estimated that the Australian mining industry has paid \$185 billion in taxes and royalties over the past decade.



Outside of our industry these facts are not well known, and you will seldom read them in the daily newspaper, but if we want the sector to continue to grow and thrive, we must sell the value of mining to the politicians, the voters and, most importantly, to the young people of Australia.

I have been involved in mining all of my working life, 47 years to be exact. Whenever I tell people that, I can see them picturing me with a head lamp and a face full of black dust getting out of an underground safety cage every day.

The perception that the mining industry is unsafe, unsustainable and a dirty job still persists in many parts of the community, but we know that it is a myth.

The reality is that the mining industry has a culture of pursuing excellence. It creates opportunities not only in the traditional professions of geology, mining engineering and metallurgy, but also in the fields of environmental science, robotics, computer modelling, general engineering and numerous other professions.

To remain successful however, we need to continually have a pipeline of the best and brightest students entering our industry.

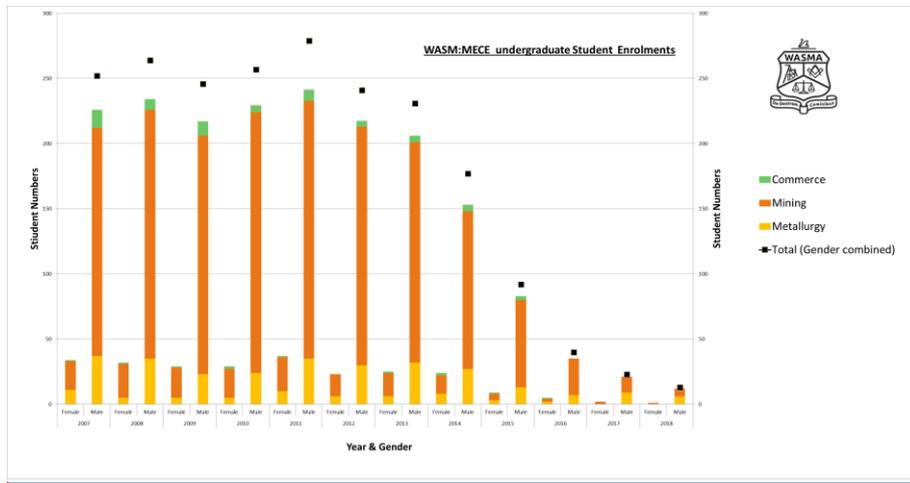
In my view, the big decline in the number of enrolments in mining engineering, metallurgy, geology and surveying is the biggest problem the industry will face in future years. If we don't start succeeding in getting people to choose a career in



mining, in five years' time we will have problems satisfying the expected skills demand our industry will require. This is approaching crisis level and action needs to be taken now. We require enrolments today, so that the skills pipeline is satisfied in the future.

In a recent presentation to the Chamber of Minerals and Energy, Raleigh Finlayson, President of the WASM Alumni, and Nicole Roocke, Deputy CEO of the CME, outlined the urgency of addressing the low rate of enrolments in mining related courses. Raleigh has provided the following graphs that clearly show an alarming trend in enrolment numbers.

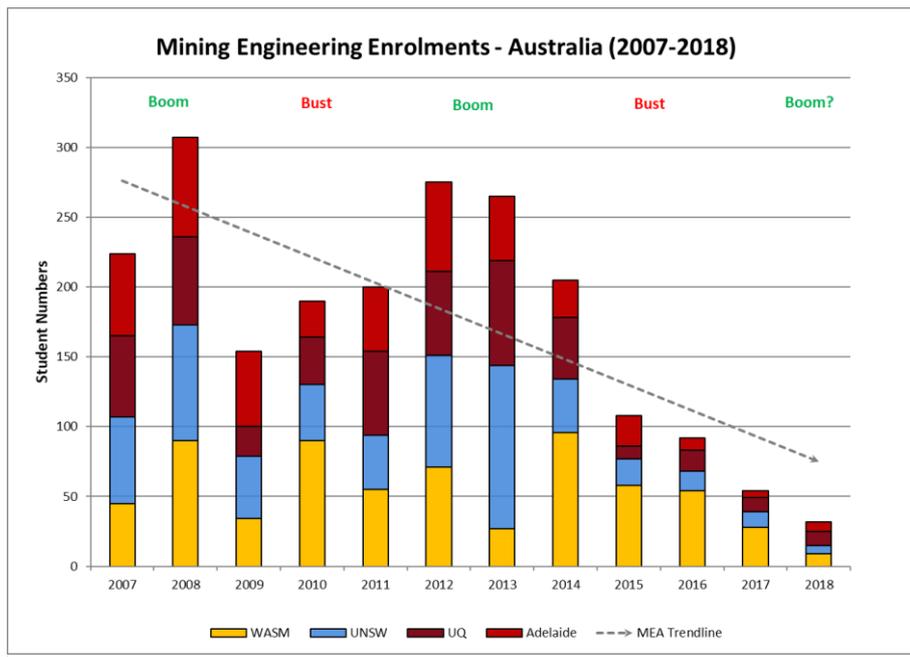
This graph shows mining course enrolments at the Western Australian School of Mines between 2007 and 2018, excluding geology courses.



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This is not unique to WASM. This graph shows Mining Engineering enrolments in tertiary facilities Australia-wide.



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Statistics show that participation in STEM subjects is at a 20 year low, and 59% of senior high school and first year university students know nothing about mining careers. These are problems that need to be addressed as soon as possible. Nationally, the number of students enrolled in mining engineering is set to fall from 292 in 2014 to a projected 61 by 2020.

Our industry has been openly criticised for its approach to creating leadership roles for females. The gender lobby has



been most effective in publicising the lack of opportunities available to females in mining. Unfortunately, this is having unintended negative consequences. Female student enrolments at the WA School of Mines have reduced from 35 in 2007 to one in 2017 and 2018 across all courses. If there are no female mining professionals, then there can be no opportunities created. I personally think it is time to change the conversation from industry bashing to one where collectively we encourage females to consider mining as a profession. Then the representation in the talent pool will create opportunities in the future. After all, the two female presenters in our programme lead companies that have market capitalisations of \$1.6 billion and \$14 billion respectively. These are senior executive positions and should be celebrated.

Outside of opportunities requiring a tertiary education, it is encouraging to see companies like Northern Star Resources commit to taking on a record number of apprentices this year. Not all skills associated with mining require a tertiary degree, as all skills are equally vital to the success of the industry. My encouragement to a career path in mining is inclusive of all skills, and not restricted to tertiary education.

So how do we address this apparent lack of interest? I don't have the answer, but I will put forward some suggestions that might help with this problem going forward.

The first thing is awareness; we should start by educating the children from a very early age, and that means helping



teachers to promote the STEM subjects and the positive impact that mining has on the community, both from a financial and social point of view. It seems to me that they are much more exposed to environmentalists who help to instil a negative perception of the mining industry early in the children's lives.

We need to band together as an industry and make sure that the sector is positively profiled in the media. Let's start reporting achievements in the resources industry in the mainstream pages of newspapers and not just the business pages. We must get our message to those who are not already aware.

We need to let the public know that our industry is not just about production, profits and dividends. I suggest that in quarterly and annual reports, companies put in their highlights the jobs they have created, the money spent on infrastructure, the amount of tax and royalties paid every quarter and the social investments made in the communities in which they operate.

Mining has a strong multiplier effect, in the order of 5 to 6 dollars for every dollar spent. It is important that this becomes widely known, as a thriving mining industry equates to a strong Australian economy.

The responsibility to address the lack of awareness of mining as an excellent career path is not an industry one alone. The sustainable contribution that mining makes to Australia is vital for our country's economic security. Educating people



about career choices is not a short-term strategy. I believe that the best outcomes will be achieved when industry and Government work together. I would like to see industry bodies, mining companies and the Government jointly fund a public awareness campaign, as well as providing educational materials to high school students considering their future career options.

So, let us encourage the young men and women of Australia to embrace this industry, become the next generation of leaders and enjoy the rewards that mining has to offer.

I am a proud referee for those seeking a career in mining and I encourage you to join me in this quest. I am sure that together we can and will make a difference.

It is now my pleasure to introduce Mr José Manuel Barroso, who will deliver the keynote address.

Mr Barroso has extensive experience in international leadership roles and is well credentialed to provide an insight into the current global economic outlook. As Prime Minister of Portugal from 2002 to 2004, Mr Barroso has been very close to global politics.

Mr Barroso was elected President of the European Commission in 2004 and served in this influential role for 10 years. During his tenure at the European Commission, Mr Barroso presided over the greatest enlargement of the European Union member countries in history. He was a key



figure in coordinating the response to the European sovereign debt crisis.

Mr Barroso continues his influential career in his current role as International Chairman of Goldman Sachs.

Over the last eight years, Diggers and Dealers has been privileged to hear presentations from many key international speakers. Mr Barroso is eminently qualified to provide us with well-considered observations about the impact of current global activities and how these will impact our economic future.

Please join me in welcoming Mr José Manuel Barroso.