



# Underground Contract Mining

Challenges at home and abroad

10 November 2010



underground mining excellence

2010 Mining Magazine Congress

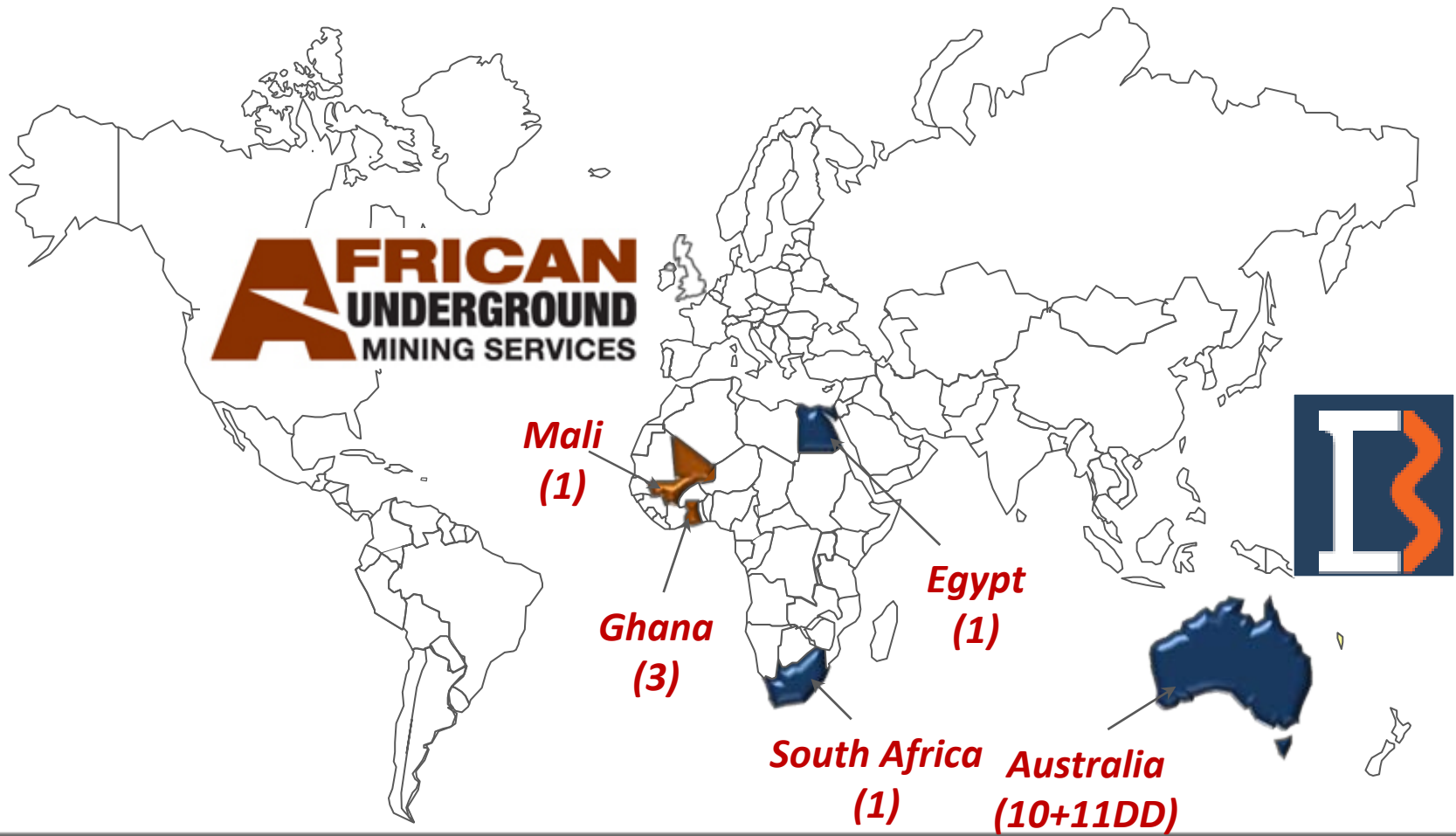
# Business Overview

- Established 21 years P Bartlett (Gresham invested in August 2007)
- Largest Australian underground hard rock miner (35% market share)
- Australia, Egypt and South Africa as well as in Ghana and Mali through JV (African Underground Mining Services)
- Employs approximately 2,050 people (1,700 Barmenco and 350 AUMS)
- Commodities mined include gold, copper, nickel plus iron ore
- Customers include some of the world's largest mining companies: Xstrata, AngloGold Ashanti, Barrick, Newmont and Randgold
- ~\$500m FY10 revenue
- ~\$700m June 2010 revenue run rate

# What does Barmenco do?

- Barmenco is a company that advises on and executes mechanised underground mining services (internationally)
  - Mechanisation is a valued commodity internationally
  - Providers that can deliver it in emerging markets are at a premium
- Leader in high speed underground mine access development
  - Long rounds (~6.5m) are of increasing interest

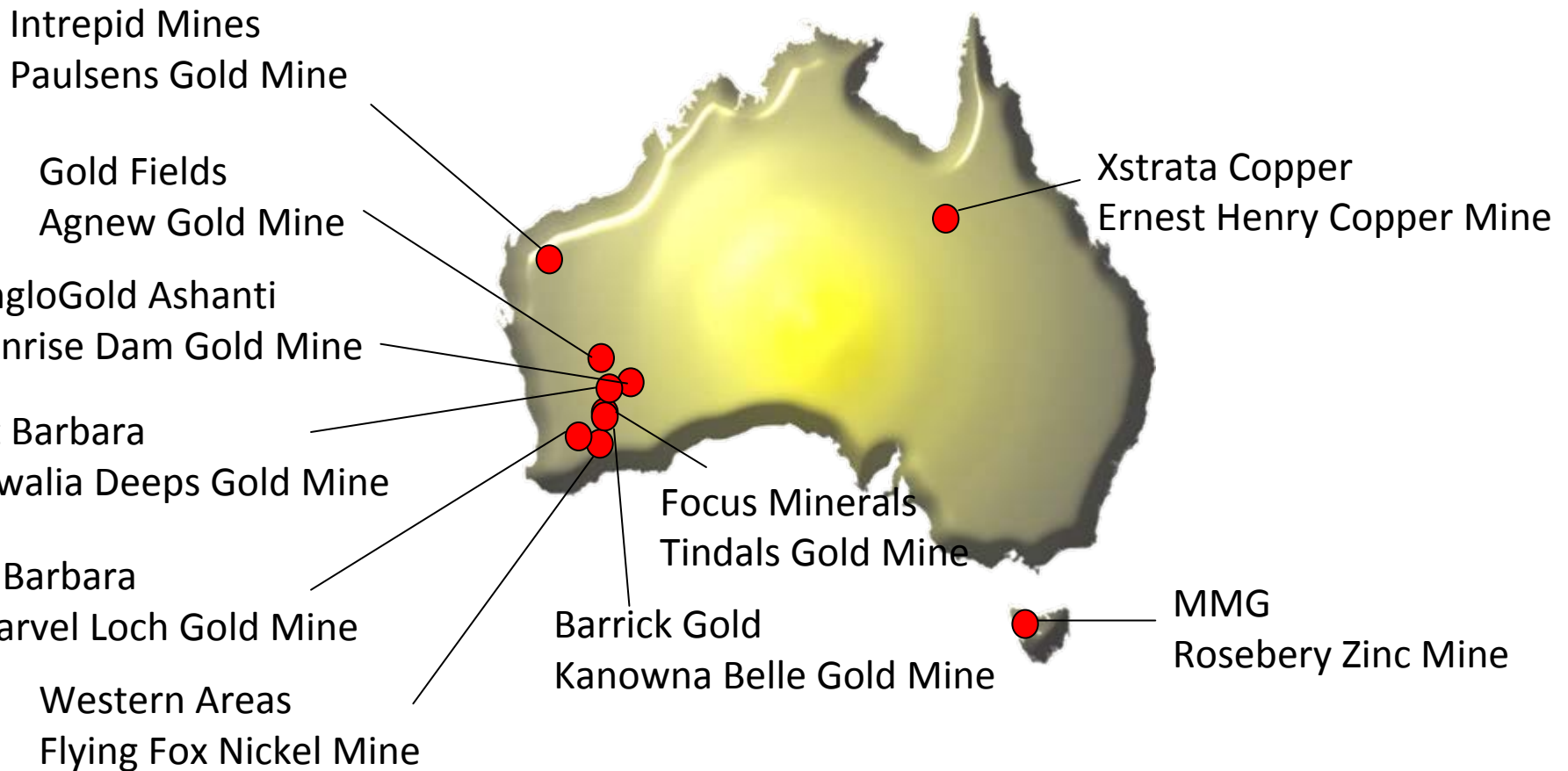
To date Australia and now Middle-East/ Africa has been the focus



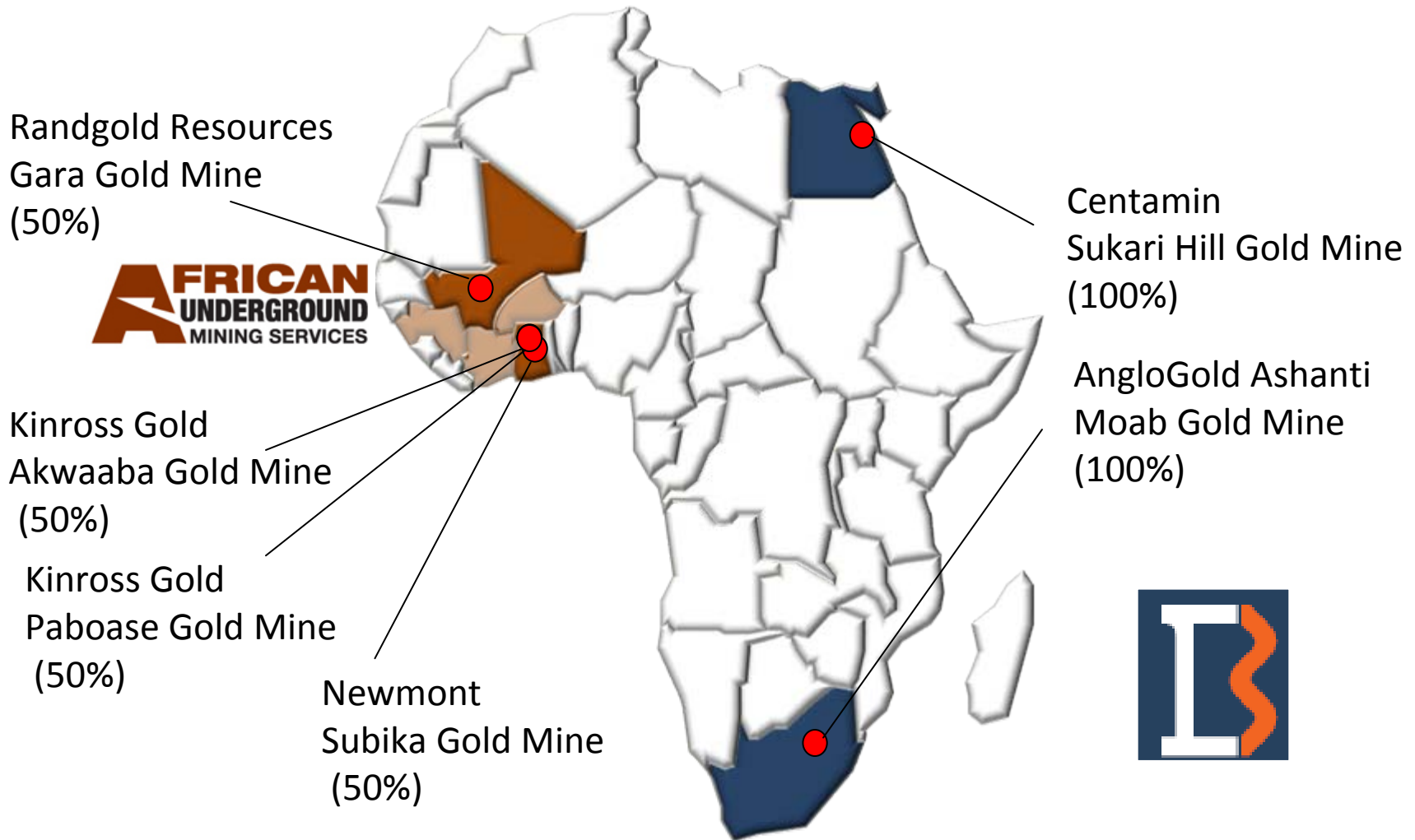
# ...although Barminco will follow their blue chip clients internationally



# Current Australian Mining Projects



# Current International Projects



# Barminco saw the effect of GFC but FY10 had a silver lining

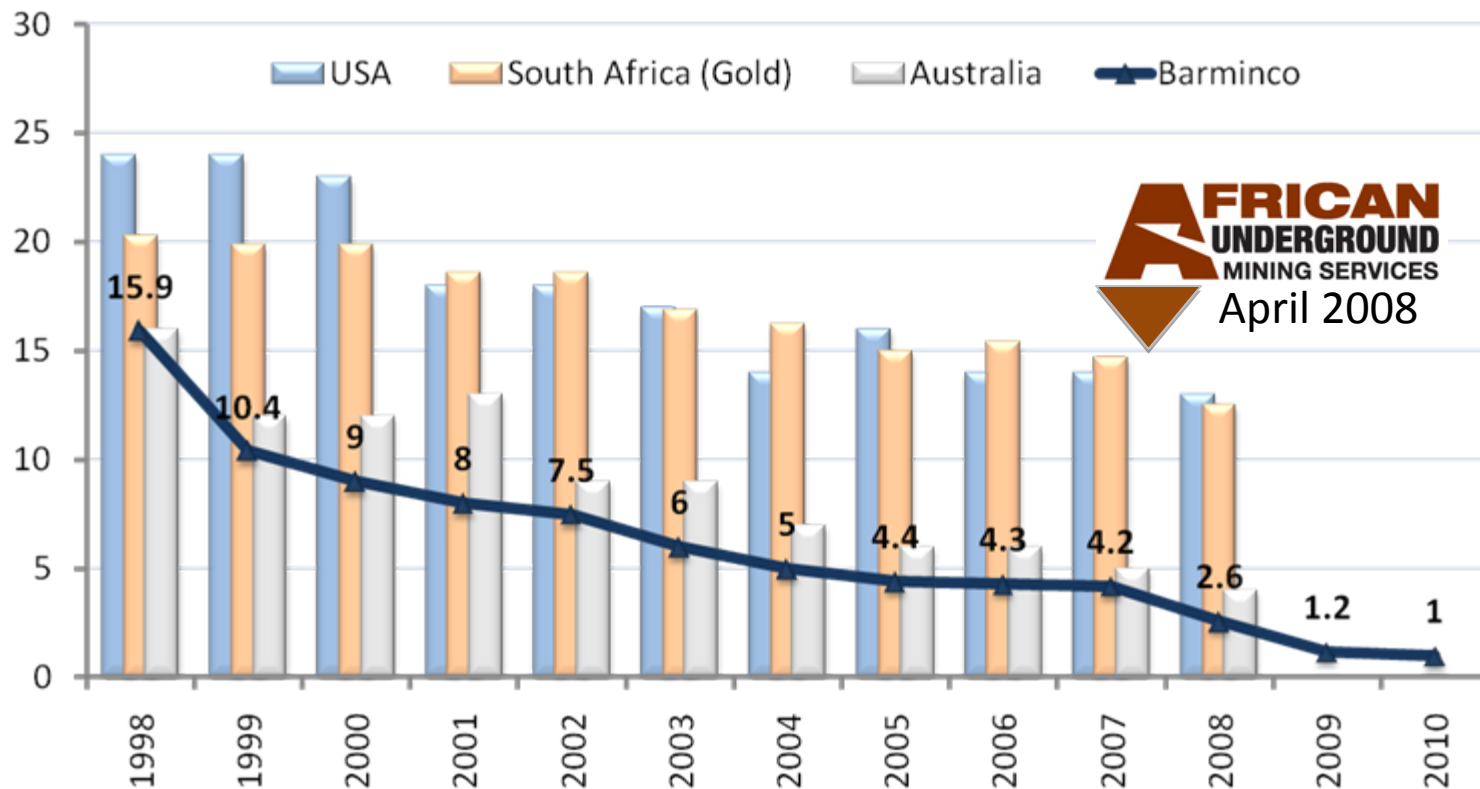
- Safety performance continued to exceed industry averages in Australia and overseas
- FY10 group revenue marginally lower than FY09 due to ongoing impact of mine closures during the global downturn (domestic revenue down 20%)
- Margins were up on FY09 due to lower wages costs and AUMS effect
- 2<sup>nd</sup> half FY10 saw a dramatic increase in production and development at new and existing sites, increasing annualised revenue run-rates to ~\$700M by June 2010
- The group delivered \$480M in new project wins during the year
- The Group's order book now approximately \$1.1b including 50% AUMS

# Project Pipeline

- Domestic Project pipeline ~\$650M
- International project pipeline ~\$2B

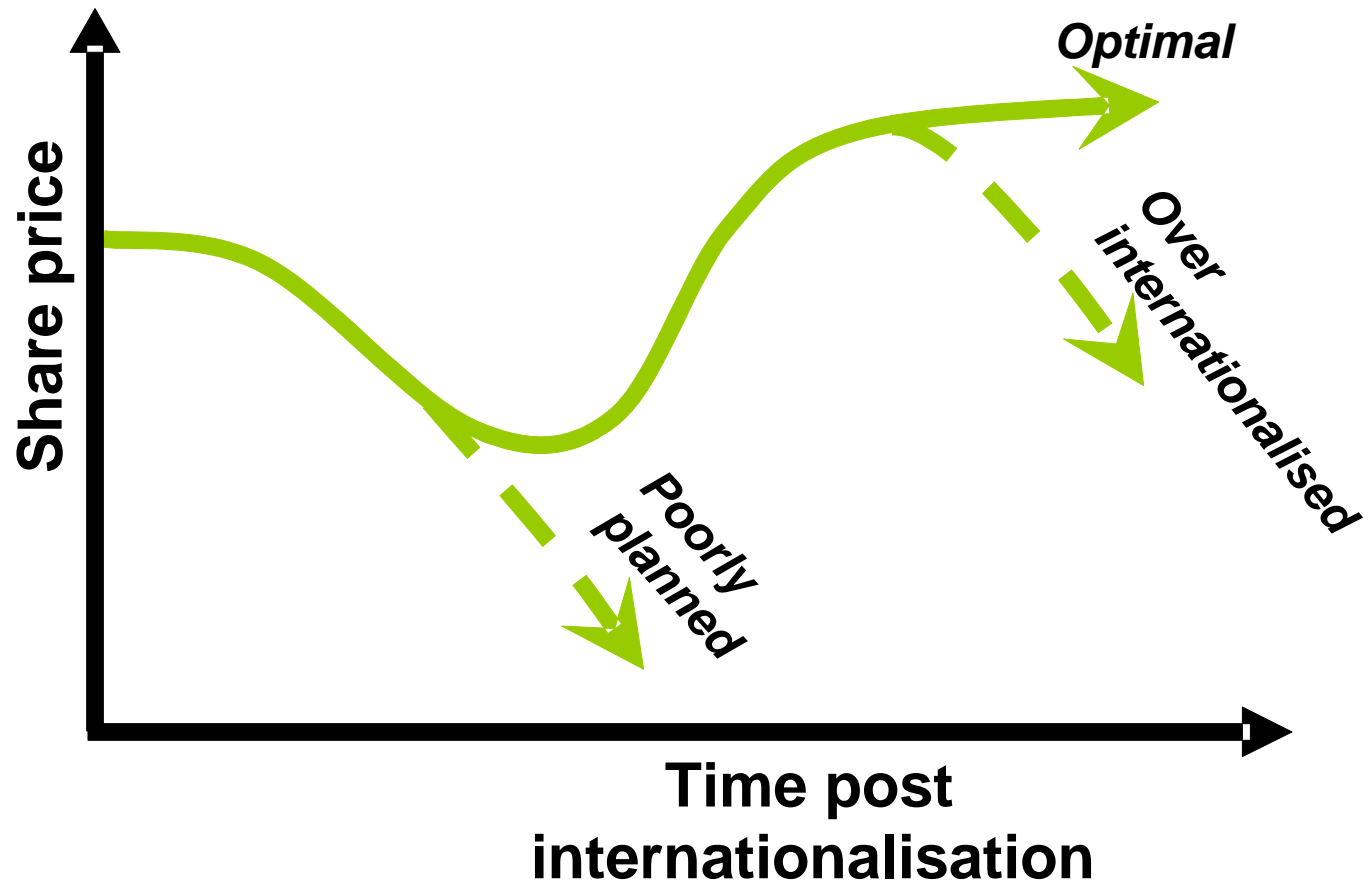
# Barminco has been able to sustain its safety performance while transitioning overseas

**Global major UG metalliferous mining centre safety performance**  
(LTIs/ million man-hours worked)



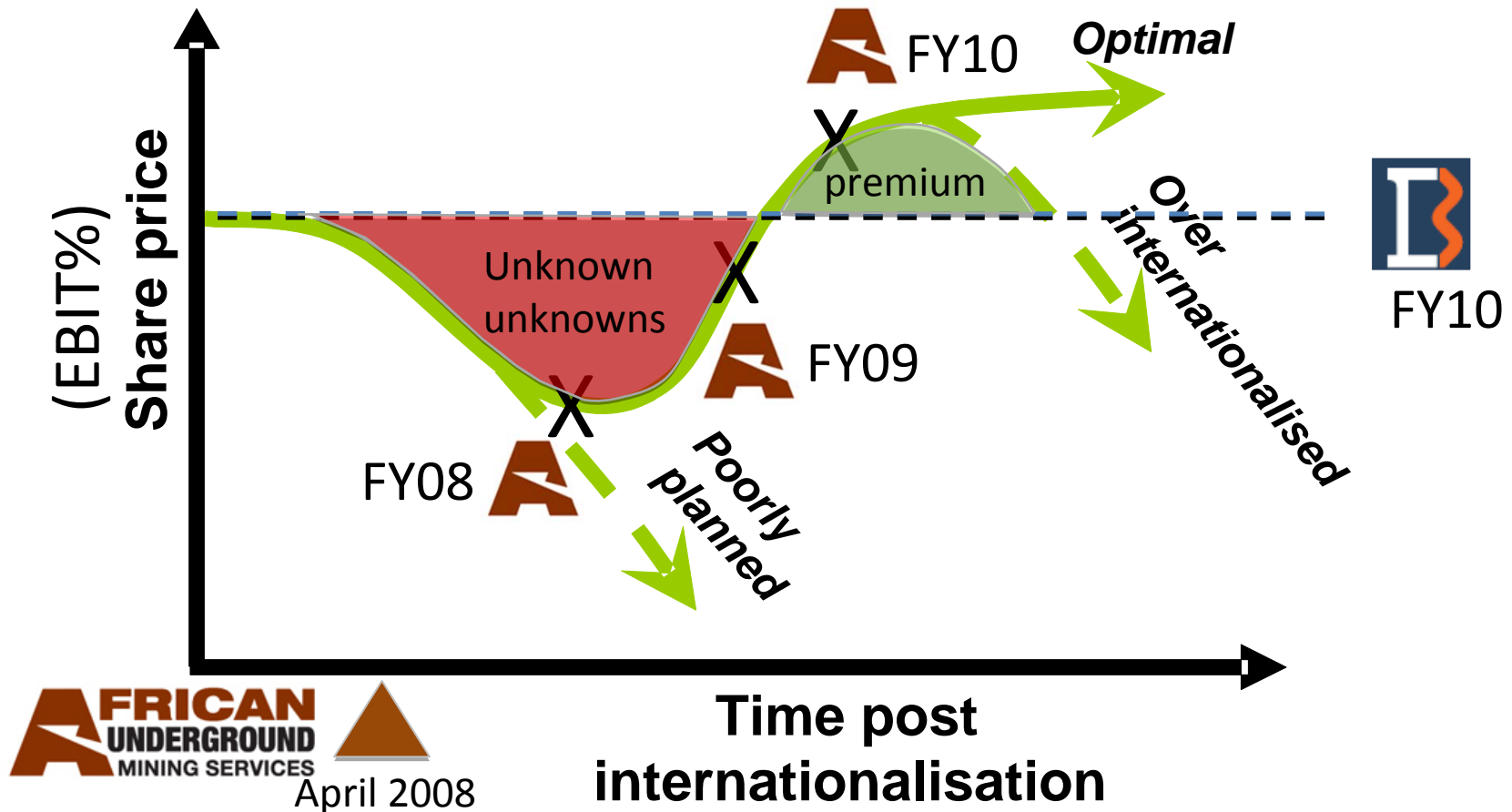
Reference: Safety Performance Report of the Australian Minerals Industry, *Minerals Council of Australia* 2007 – 2008

...although internationalisation has been a substantial (non-capital) investment



Reference: Foreign Markets: Prosperity or Peril, *Resource Stocks* Nov 2006

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# Key Constraints – Human Resources

- As market tightens, good people become harder to employ and retain
- Strategies to address
  - Sourcing personnel from the Philippines and the UK (trades staff in particular) and in project localities
  - Achieving 90% of domestic productivities with 15% expats (need to lever this)
  - Recruitment and retention program
  - Apprentice program now employs 74 apprentices (an increase of 30 since 2009)
  - Graduate and vacation employment programs (engineering and EHS&T personnel)
  - Senior Management Development Programme

# Key Constraints – Equipment

- Key equipment suppliers scaled back equipment manufacturing during the GFC
- Market for UG equipment from most major suppliers is now very tight
  - GFC
  - Now
  - Trucks      15 weeks      73 weeks
  - Loaders    12 weeks      80 weeks
  - Jumbos     4 weeks    43 weeks
- Constrains ability to capture new markets
- Strategies to address
  - Barminco has pre-empted this by securing a large number of build spots over the next 12 to 18 mths with Atlas Copco, Caterpillar and other key equipment suppliers
  - In-house rebuild program reduces requirement for new gear (60% of the price of a new item, better reliability)

# FY11 Market Outlook

- Expected to be a year of strong growth
  - Debt funding, equipment availability and skilled human resources are key risk areas
  - Significant exposure to gold (67% of FY11 revenue base)
  - Strong pipeline of potential new opportunities with blue chip customers
  - Competition on domestic tenders remains strong, making international projects very attractive
  - West Africa will continue to be a key focus for FY11 and FY12
  - Base metal prices continue to improve and are expected to drive the reopening and start up of several mining projects – Eloise (Cu), Dugald River (Zn), Avebury (Ni)

# Conclusion

- Barminco is well positioned to capture this growth
  - Competition for new work has increased but Barminco is the market leader
  - High entry costs for competitors due to long lead times for equipment
  - Streamlining of costs ongoing
  - Human resources are critical to our growth – recruitment and retention program to secure and retain the best people
  - Equipment and human resources remain the key impediments to growth

End