

CEO Speech – Business Hunter Luncheon

30 June 2022

20 minutes (3000 words)

Good afternoon.

I wish to acknowledge the traditional custodians of the land on which we are meeting – Awabakal and Worimi peoples. I pay my respects and those of the Minerals Council of Australia to their elders, past, present and emerging.

Thank you, Business Hunter, for your invitation and your strong support for regional business.

It's great to be back in Newcastle and the Hunter Valley – an important mining town and region that have given so much for the development of the NSW and Australian economy.

It is an important time to talk up the Australian mining industry – the important role it plays in the Australian economy.

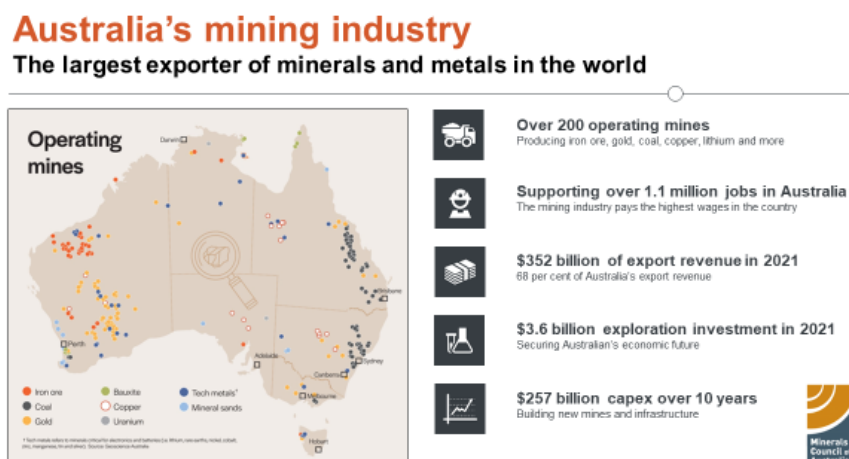
We are in the midst of a new resources boom and this is the time to seize the opportunities.

It is time to stamp Australian and indeed Hunter Valley mining as world leaders in sustainable mining practices.

Economic Contributions

Mining is the foundation of Australia's economic success story of the last 20 years.

Slide 1: Economic summary



In 2020-21 it was the largest contributor to GDP and mining has been the largest source of economic growth over the last decade.

Mining companies have invested \$254 billion in Australia over the last decade.

And while the media and industry commentators called this investment phase the mining boom, we are only today seeing the real mining boom in action.

Resources exports are the nation's largest source of export income – generating \$352 billion in 2021, or, 68 per cent of Australia's export revenue last year.

And this income provides broad benefits for all Australians.

The industry directly employed 264,000 people last year and paid the highest wages of any sector in the Australian economy.

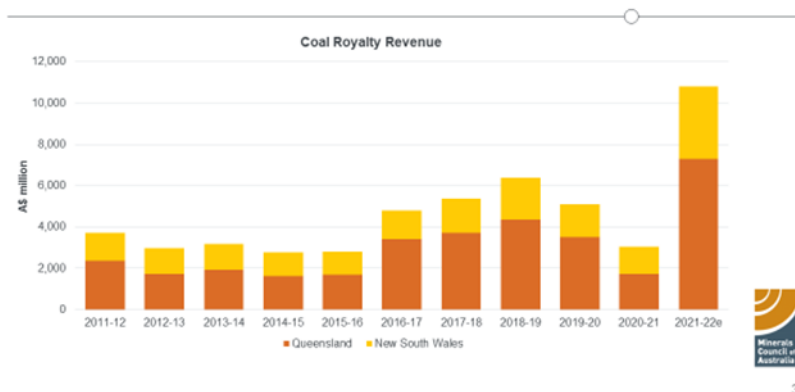
And economic modelling shows that for every person employed by mining there are 3 jobs supported in its supply chains.

That means nearly 1.1 million Australians, particularly in regional areas, are engaged in the mining industry, and its supply chains.

Also contrary to the claims of media commentators and some politicians, the mining industry is a key source of government revenue.

Slide 2: Queensland and New South Wales coal royalty revenue

The coal industry pays its fair share



It has paid \$132 billion in company tax – the most of any industry – and \$106 billion in royalties to governments over the last decade.

The coal industry, which is once again under attack in Queensland, has paid over \$100 billion to the people of this country over the last decade in wages and royalties.

This is 20 per cent more than the sector's estimated operating profits – even before company tax is taken out.

Mining is an industry that pays its fair share.

That creates high paying jobs.

And supports regional communities like the Hunter.

Tax hikes by politicians may provide short term boosts, but the long term impacts are felt in the regions and communities.

Queensland's blatant resources royalty grab – close to 60% of company total profits – will cost investment and jobs.

It is short-sighted and counterproductive over the long term and has the potential to scare off investors in all commodities.

Mining investment and jobs should not be put at risk through any move to increase the already high tax burden on the industry.

Stable and internationally competitive tax regimes are critical to ensuring mining investment continues to grow and deliver further benefits for all Australians. It's a message that Business Hunter should reinforce to NSW government because contagion as we know, wrecks economies.

And actions like the tax grabs come just as our industry is recovering.

Mining, like all industries, has been impacted by the COVID-19 pandemic and in many parts by floods.

It has not been an easy time for our people and our businesses.

But both came through when the nation needed it most, and mining with the right policy settings in place should be in a position to drive Australia's post-pandemic economic recovery.

Energy Market

But the next challenge is just around the corner.

As we are all seeing in recent weeks, our energy market has become an impediment to this recovery.

Australian mining remains a large stakeholder in Australian energy and we are also a large consumer of energy – we both produce materials and fuels required for generation of energy and electricity, and we are a large consumer of energy and electricity.

Mining has a strong interest in energy that is reliable, internationally competitive in cost and cleaner.

We believe energy policy should be technology-neutral – enabling all technologies to compete and potentially play a part.

We welcome the faster penetration of renewable energy into the grid – this will greatly assist in reducing the emissions intensity of the grid and help Australia as a country, and businesses operating here including mining and minerals processing, to reduce their emissions.

Increased electrification will be one of the key technology areas our sector will access to reduce emissions in mining and minerals processing.

In addition to the development of renewable technologies and storage technologies, we continue to strongly advocate for the development and use of technologies such as CCUS and nuclear energy.

Opposition to these technologies are not based on contemporary science and if the global economy is going to achieve net zero by 2050 every technology will need to be deployed.

Virtually all international net zero models and scenarios have these technologies playing an important role globally.

Our sector remains committed to being a constructive voice as we all navigate our way through these difficult times.

I am confident we will.

The mining industry, like all Australians, is resilient.

Our ability to find a way in hard times has made many of our industries world leaders.

Prior to the pandemic, Australian mining already had an international reputation as a trusted business partner.

Mining's ability to continue operating with strict adherence to high standards of health and safety during the pandemic has solidified that reputation and we are also rightly perceived by our trading partners as a

reliable supplier of the mineral and energy commodities essential to modern life.

And this is important, Australia has for some time been the largest exporter of minerals and metals in the world.

But we face intense competition from emerging mining regions around the world for investment.

At a time of growing supply chain vulnerabilities, this reputation is a key source of competitive advantage for our industry.

One that we can leverage to work with our close allies and trading partners to establish new supply chains of critical minerals.

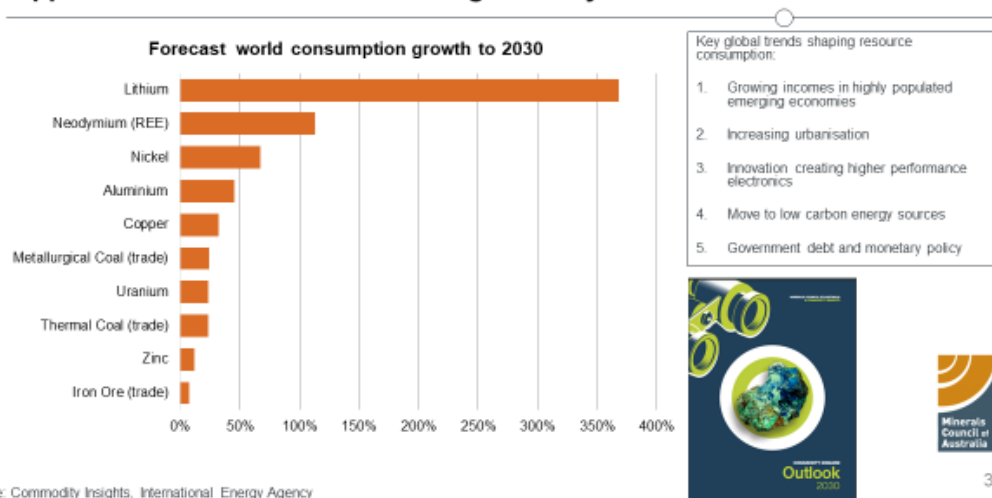
Outlook for resource demand

Looking forward, the resource needs of the world are only growing.

Slide 3: Commodity Outlook

What comes next?

Opportunities for Australia's mining industry



A number of key global trends are driving rising demand for the commodities that have powered our mining boom to date and are now also creating demand for the future-facing minerals that underpin the modern technologies that improve our lives.

In short, the world needs more of everything:

- Building materials like steel and concrete to build growing cities with higher density populations

- Metals that create consumer goods that we find in every modern home – refrigerators, washing machines and ovens
- The emerging critical minerals whose unique properties are essential to delivering high performance electronics like smart phones, computers and tvs
- A range of commodities to transition the world to a net zero energy future – everything from the lithium in batteries, copper in wind turbines, silver in solar panels and rare earth elements in electric vehicles will be needed.

The transition to net zero is a key issue for the whole world – but closely linked to it is the challenge of how we sustainably source the materials that we need to do it.

The challenge for the global mining industry is immense.

By 2030 we need to:

- Increase lithium production four-fold
- Double rare earth element output
- Deliver a 67 per cent increase in nickel; and
- Produce 32 per cent more copper.

And all this comes before most car manufacturers completely switch their production lines to electric vehicles.

Once that happens the growth in mineral demand will rise exponentially.

Although much of the policy focus has been on the battery minerals and rare earth elements, I am actually more concerned about the supply of other metals the world will rely on to transition to net zero.

Namely, nickel and copper.

Although the growth rates for consumption of these metals is not as high as lithium or rare earths, there is already a significant list of potential projects that can be built to boost supply of these critical minerals.

Australia is leading in the race on some critical minerals – we have several lithium and rare earth projects nearly ready to start construction and a recent shift in exploration activities is producing many highly prospective new targets.

Projects like ASM's rare earth and zirconia mine near Dubbo.

For copper the situation is quite different.

To deliver a 32 per cent increase in copper consumption by 2030 means adding 7 million tonnes of new copper mine capacity.

In fact, it really means adding at least 10 million tonnes to account for the closure of existing mines and declining ore grades at some of the largest operations around the world.

There is not a list of projects anywhere in the world ready to supply that within 8 years.

Worse still, many of the projects that could be in places with either rising geopolitical risks or questionable ESG practices.

For example, Russia was one of the leading candidates to boost copper supply in the medium term.

Other copper projects are also being held up or even cancelled due to mounting concern over their environmental impacts or community opposition.

The United States has effectively cancelled nearly 800,000 tonnes of new supply entering the market at a time when they are attempting to introduce more copper intensive technologies such as electric vehicles and renewable energy into their economy.

This is why the commodities team at Goldman Sachs recently labelled copper – the new oil.

I wish I could say Australia is well positioned to lead the world in the race for copper, just as we are to produce more lithium and rare earth elements.

After all, according to Geoscience Australia we have the world's second largest known copper reserves.

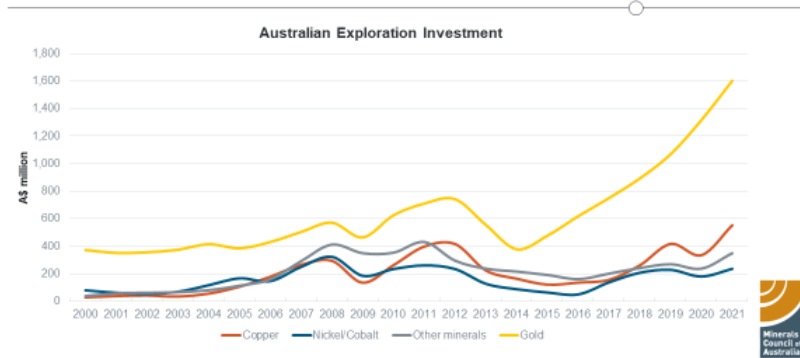
But we aren't ready for this opportunity.

Despite world copper consumption already rising more than 60 per cent this century, Australia's mine production has remained relatively unchanged.

We have opened few new mines and plummeting exploration investment after 2012 has resulted in few projects ready to start in the medium term.

Slide 4: Australian exploration

Australian exploration - the gold rush continues And copper exploration finally picks up



Source: Australian Bureau of Statistics

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The good news is, it's never too late start exploring.

And in New South Wales there is already a resurgence in exploration activity.

In fact, 2021 was a record year for exploration investment in New South Wales which passed \$300 million for the first time.

Much of this has been driven by the search for copper and gold throughout the central west – and it's returning some very promising early indicators of good ore bodies.

However, so far this exploration rush hasn't extended to the Hunter region.

I believe it should.

The Minerals Council is a strong advocate for permanent government funding for pre-competitive geophysical surveys that provide open data to all potential mining investors.

At the national level, Geoscience Australia's *Exploring for the Future* program has been incredibly successful at igniting renewed explorer investment in the area east of Tennant Creek.

And with the funding for its *Critical Minerals and High-tech Metals Strategy* announced in the NSW state budget last week I hope we will begin to see similar pre-competitive wide-area survey work done in the Hunter region and southern reaches of the New England Orogen.

The potential returns on these geoscience programs are significant.

According to ACIL Allen the exploration for the future programs have \$25 in benefits for every \$1 invested to the whole economy.

They spark incredible interest among exploration companies and motivate existing mining companies to focus their exploration programs on the narrowed down targets.

This is important because exploration is the foundation of mining, and as I previously highlighted – mining is the pillar of the Australian economy; creating jobs, supply chain opportunities and royalties for all Australians.

I urge both the federal and state governments to work together to prioritise the Hunter region and the New England region for future geophysical surveys.

It makes sense to survey the region that already has the skilled workforce, the supply chains and infrastructure in place to start new mining the critical minerals the world needs.

This is not a signal that the existing mining industry in the Hunter is over. Far from it.

As we are seeing today, coal is playing an essential role in the world energy mix and here in Australia.

The transition to net zero will not be quick and millions of people in India, China, across South-East Asia and in Japan will continue to rely of coal for their energy until viable alternatives can be delivered at low cost.

Rather than force the early closure of the mining industry in the Hunter, I say expand it through investment to produce a more diverse set of commodities – copper, gold, lithium and all of the minerals that a well-funded government program could unlock.

Importantly, Australia should look to boosting its role in downstream processing and the Hunter is a leading candidate to expand its role here.

Already home to Australia's largest aluminium smelter, its electricity infrastructure, skilled workforce, port access and land availability make it the ideal place to process more of the minerals mined in New South Wales.

The state already produces enough copper to support a smelter and refinery.

With the growth potential being unlocked via exploration in the central west this copper output could more than double.

If a move downstream could be made, this would give New South Wales one of the largest copper smelters in the world.

This sort of aspiration sounds all too familiar by now.

We have all waited for more investment to flow to Australia for some time.

Instead, we have seen the opposite – our downstream processing industries are closing.

We need an immediate policy response to not only halt the closures, but ensure the investment flows again and ignites our manufacturing industries.

I am pleased to say the Minerals Council will soon be releasing our policy on boosting downstream processing in Australia.

It will outline the need for low cost energy, an internationally competitive tax system, reduced regulatory burden and a highly skilled workforce that combined will make Australia a world leader in mineral processing again.

Government support at all levels is essential to ensuring that the business opportunities from mining and processing critical minerals are created.

Much of the heavy lifting will fall on the mining industry.

To deliver the next wave of investment, mining must re-build its credentials as a sustainable industry of the future.

One that has the highest standards of safety and environmental stewardship, one that makes progress delivering on its commitments to achieving net zero emission and one that engages the communities in which we operate with a particular focus on rebuilding the trust of our valued indigenous partners.

Slide 5: TSM

Towards Sustainable Mining

taking ESG accountability to a new level in Australia



- Australian industry has long recognised its safety, and sustainability performance is fundamental to community acceptance and the future of the sector
- The MCA has adopted TSM to enhance accountability and consistently demonstrate site-level sustainability performance
- TSM includes protocols reflecting good practice in Communities and People, Environmental Stewardship and Climate Change
- TSM is overseen by an independent advisory body comprised of individuals from Indigenous groups, communities, civil society and industry representatives.
- TSM performance results are publicly reported and independently verified
- TSM will enable companies to better manage risk, maximise opportunities and enhance community trust



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Embedding ESG

We are serious about environmental, social and governance performance, or ESG as its commonly known now.

The Australian mining industry is not only a leader in innovative mining technology but also in ESG performance. It's becoming part of the industry's DNA.

The industry's success, both now and in the future, depends upon its ability to operate in line with community expectations on ESG. Strong ESG performance creates shared value for workers, communities, investors and the broader Australian society.

How the industry operates is as important as what it produces. It is central to community acceptance, access to land, future finance and markets.

The industry is deeply committed to operating in a way that is safe, ethical, responsible and aligned with community values.

The MCA's new flagship ESG program, *Towards Sustainable Mining (TSM)* will support companies to consistently measure and manage site level ESG risk and maximise opportunities, enhance trust with communities and ensure Australian mining remains a responsible ESG investment and supplier of choice.

I'm particularly proud of implementing this initiative and the impact it will have on the industry.

In 2021, the MCA worked with members to prepare the groundwork for implementation, including the establishment of a governance framework and eight protocols to be used in the Australian context.

We expect the first companies to begin TSM implementation in 2022 with reporting to commence in early 2023.

The MCA also championed the economic development of First Nations peoples and continued to take considered actions to ensure First Nations partnerships have the same profile as safety issues across the sector.

These efforts were recognised by the Joint Standing Committee on Northern Australia in its 2020 report, and ensured a collective approach by industry to improve capability and systems.

The MCA also diligently supported Australia's modern slavery reporting regime and the not-for-profit Bribery Prevention Network.

For more on our ESG work, I encourage you to visit our web site and download the report *ESG: Change for the better* which we published last November.

It showcases the Australian mining industry's sustainability performance containing more than 30 case studies from MCA member companies.

Conclusion

For the people of the Hunter region, this all means the mining industry is well placed to seize new opportunities.

Engaging with you and the governments on the issues that have caused tension.

Striving towards better environmental outcomes.

Mr RB Wallace, founding chamber member, sums it up nicely at the first AGM in 1886: "there can be no doubt that it would do good and the amount of that good depends entirely on ourselves".

And working collaboratively with you at Business Hunter to advocate for the right policies is essential to support all businesses in the local community, as RB Wallace envisaged 136 years ago.

Thank you once again for the opportunity to address the Hunter Business group today.

I believe there is some time available to answer your questions.