

Lao Mining Conference

Key Note Address

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Honourable Ministers,

GMS Chairman,

Distinguished Guests,

Ladies and Gentlemen,

I would like to congratulate the organisers of this conference for the excellent job they have done, and thank them for inviting Rox to give this keynote address. I look forward to a very interesting two days.

The message I want to leave you with is why the international mining industry is investing in this Greater Mekong Sub-Region (or GMS), and what benefits this brings.

The countries of the GMS have become a favoured destination for Australian mining and exploration companies over the past few years. This is partly due to the mining boom we are currently enjoying, and partly due to the positive policies adopted by the GMS governments to attract mining investment.

To illustrate the effect of this mining boom it is useful to compare mineral prices from five years ago to today.

Since June 2001, the price of gold has increased 120%. Over the same five year period, silver has risen 160%, copper 100%, nickel 200%, and zinc 280%.

Simple supply and demand has driven the increases in the prices of copper, nickel, zinc and the other base metals. Consumption is increasing, especially in China and India, and supply cannot meet demand. We can expect strong mineral prices for a few years yet.

A word of caution however. All mining booms are temporary, and the good times will not always be with us. In times of lower mineral prices we often see mine closures, reduction in mineral exploration expenditure, and the loss of many of the benefits we are currently enjoying from the mining boom.

The benefits of a strong and profitable mining sector are very apparent. First of all, mining creates jobs, not just for the people directly employed in mining, but also in associated industries such as manufacturing, construction and food production. In Western Australia for example, unemployment is the lowest for 30 years because of the booming mining industry.

The multiplier effect from mining is significant, but hard to measure. Some say as much as 5 to 1, maybe higher on a regional basis. That is five extra jobs for every one direct job in mining. More jobs mean higher salaries to spend on goods and services, which in turn produce more jobs in all sectors of the economy.

Therefore, mining is good.

So what do countries that wish to attract foreign mining and exploration investment need to offer?

Firstly a stable political system, where there is security and transparency of mining title, environmental and financial regulations (such as permitting procedures, royalties, and other taxes charged by governments). Granting of mining titles and permits needs to happen in a transparent and timely manner, so that delays are not caused to projects through unnecessary bureaucratic procedures that could mean you miss the best part of the commodity price cycle.

Secondly, social stability is also required so that the assets and workers of the mining company are safe.

Thirdly, mineral wealth is very important. All of the countries in the GMS region have a good abundance of mineral deposits, and the exploration potential is high because the region has not been explored very thoroughly nor subjected to modern exploration techniques.

Attracting foreign investment in exploration and mineral production requires confidence on the part of the investor that governments at all levels will support their efforts.

Australian companies have been attracted to the GMS region because of these 3 factors; political stability, social stability, and mineral endowment; but there are always improvements that can be made.

In particular governments need to avoid the temptation to increase fees and taxes during times of high profits (as we are now experiencing in this mining boom), unless they are prepared to offer similar concessions during the downturn times. The best system is where taxes are based on profits at a fixed rate.

The mining sector in Australia is regarded as the world leader in many aspects of exploration and mining. We are bringing these skills to GMS countries with technology and skills transfers that will ensure GMS countries gain more than just royalty payments and export earnings from the current mining boom.

The GMS countries, and in particular the Lao PDR, have a good track record of encouraging and facilitating development of their mineral deposits by Australian companies for mutual benefit. Two of the largest copper-gold mining operations in the region are located in Laos, and the country has outstanding potential for more deposits of gold, copper, lead, zinc, nickel and other minerals.

Rox Resources is very pleased to be conducting mineral exploration in Laos, and sharing our expertise and knowledge with the Lao people. We are very pleased to have a joint venture on the Pha Luang lead-zinc project with our Lao partners First Pacific Mining, and we have been welcomed here by all levels of government.

Rox Resources eagerly seeks opportunities to be involved in other exploration and mining projects in the Lao PDR and other GMS countries.

Honoured and distinguished guests, ladies and gentlemen, thank you very much for your attention.