



What's in it for us?

Does mining have any positive economic impact in Waihi?

Since the public announcement of Newmont Waihi Gold's (NWG) proposal to develop a new underground gold and silver mine in Waihi, a lot of attention has been paid to what the broader economic impact is of mining in New Zealand. The popular myths are:

- Foreign-owned companies like NWG are sending vast amounts of money overseas and leaving little in New Zealand
- They pay miniscule amounts of taxes and royalties to the government and there is little economic benefit flowing through to the communities in which they operate

We can't speak for the whole mining industry but we can speak to our own accounts, and in doing so can clearly demonstrate that a lot of the myths around mining's economic impact are precisely that – myths.

Myth #1: NWG spends no money in New Zealand

The single biggest economic impact of any business is where and how they spend money on goods and services. In the mining industry this is all the more important because they are "point source" companies – they have to operate and buy goods and services where the resources are found, not just where they feel like it. For the past five years of expenditure by NWG in New Zealand the company has spent NZ\$ 239 million in capital investment (e.g., on equipment and facilities), and \$694 million in operational expenditures (e.g., on wages and supplies) – a total of almost \$825 million.

That's all fine and well say the critics, but all of that money is spent offshore – it doesn't really benefit New Zealand. Well, no actually. NWG works hard to ensure that as much of its spending is as close to home as possible. On average NWG spends 82% of money within New Zealand, including 32% in Waihi or within 30km of Waihi. Since 2006 that's a staggering \$676.5 million spent in New Zealand – of which \$264 million has been spent in and around Waihi. For a small town of 4,500 people that's a pretty big impact.

Myth #2: NWG pays no tax in New Zealand

Looking at any individual year's tax statement in a long-term industry such as mining is always risky because mining companies often need to make huge capital investments to develop new projects, and that naturally effects the short-term profitability and tax payments of the company. But again if we look at the period from 2006 to the present we can see that Newmont will have paid approximately \$37 million in company tax by the end of 2011. On top of that it has paid almost \$9 million in royalties. And then there's the tens of millions of PAYE that it pays to the government on behalf of its employees. Some critics like to focus only on the royalties figure as though that's the only contribution that NWG makes to the New Zealand economy. What they forget to mention is that a mineral royalty is paid irrespective of whether the company actually makes a profit or not. In 2012, for example, NWG expects to make a significant loss due to a four-month gap in production. And yet during that time it will continue to pay the government royalties on gold

production. It is a revenue stream for the government above and beyond all of the other taxes that normal companies pay.

Myth #3: The money that NWG spends in Waihi benefits only its foreign workers and not locals

NWG has worked hard over the years to build up a strong local workforce. Our entire management team are New Zealanders and 95%+ of our employees are New Zealanders. In a country that no longer has a school of mines this is pretty impressive. And they're not fly-in-fly-out workers either – unlike many mines in remote parts of Australia, the mine here in Waihi allows our workers to settle here, to have families here, to keep their kids in local schools. It's one of the reasons why we're so passionate about the local community and looking after the local environment – we live and play here too, so we have a stake in sustaining and growing the potential of this beautiful part of the world. In total 350 people work directly for the mine and another 350 people are indirectly employed by the mine either by supplying goods and services to the company, or by working in local businesses where mine employees spend their wages. Our impact plays out across the economic cycle – from an engineer in our underground mine; to the local mechanics who service our vehicles; to the local cafés where we buy our lunch.

Myth #4: Mining is a boom and bust industry

Again, no. Modern mining has been operating in Waihi for 24 years. By comparison the government's Business Demography Statistics shows that of all the businesses that were created in 2001, only 31% still existed by 2010. We have operated through times of both very low gold and silver prices, as well as times of higher prices. Because we have to invest so much money in fixed facilities it often takes many years for us to make profit on our investment. That means that unlike many businesses we are inherently driven by long-term considerations such as maintaining excellent environmental performance and a good relationship with the local community. And because the location of the gold and silver is fixed we can't simply pack up our operations and go somewhere else – our capital and operational budgets have to be spent very close to home.

Myth #5: Your donations programme is simply a way of bribing the community to keep quiet

Some in the media have suggested that NWG only gives money to local community organisations in order to buy their silence – that local people won't speak openly and honestly about our performance because they're afraid of us not spending that money. This is, of course, a bit of a "damned if you do, damned if you don't" argument – if we didn't make donations to local organisations we would be accused of not having a positive impact in the community; when we do make donations we're told that we're bribing the community. But let's be clear here – there is no clause in any contract that requires silence from any recipient of NWG funds. We are required to provide six-monthly reports to the Hauraki District Council on any complaints that we receive about our operations and we know that there are some people who make complaints who are also recipients of payments from the company through the Amenity Effect Programme. Public feedback is crucial for us keeping our operations efficient, so there is simply no benefit to us from "buying silence".

Myth #6: Mining is only profitable because it leaves behind long-term environmental liabilities

The lasting environmental impact of old mines such as the Tui mine near Te Aroha (which closed in the early 1970s) has naturally focused the attention of some people on the issue of ensuring that there are no more polluted sites in the future. The best way that we can do this is to manage environmental issues – such as tailings facilities and water treatment – as we go. NWG adheres to extremely strict environmental regulations and spends considerable amounts of money on environmental programmes that deliver in

excess of our consent requirements. There is regular independent monitoring of our environmental performance and that is reported to agencies such as the Waikato Regional Council. The Ohinemuri River has consistently been supportive of aquatic life in the entire time that we have operated here. We have invested in long-term programmes such as extensive riparian planting programmes along the river. But laws introduced since the Tui mine closed now require companies like NWG to have bonds lodged to pay for any long-term rehabilitation costs. As of 2010 the combined value of all of our bonds was \$43m. That's money in the bank that will always guarantee that environmental rehabilitation will always take place. It's a guarantee that what happened with the Tui mine won't ever happen again.

Modern mining has been operating in Waihi for a long time. With the recent announcements of our Martha Exploration Project and the proposed Correnso underground mine we hope to be here a lot longer. And that simply isn't possible if there is nothing in it for the local community.

