

## EXPLORATION LICENSE 10/90 BELL BAY

**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 1994**

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**CONTENTS**

Summary of Work for Year 1993-94  
 Summary of Expenditure  
 Proposed Work for Year 1994-95

**Appendix**

Part of a Report by Mr H. Stacpoole on the Premier's  
 Tasmanian Trade Mission to Japan and Promotion of  
 the Bell Bay Project

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## SUMMARY OF WORK FOR YEAR 1993-94

After discussions with the Director of Mines (Mr Ayre) and with other senior officers the whole year was spent on what NIES tells me is called marketing, that is assessing markets for the rock products, making situation analyses, and providing financial figures to investigators.

Marketing in Japan was investigated for me directly by Austrade. [They have said that they will charge for their work but they have not yet sent a statement and so the cost is not in my Expenditure statement.] Austrade Tokyo have referred the project also to Hong Kong, Taiwan and South Korea. They have reported by telephone that the Japanese say they have enough rock at present but it will be different in two years. They also state that times are hard and uncertain so that they are not interested in investing at present.

Renison Goldfields Corporation did a very extensive study of the project, and very extensive marketing work in Japan where they got the same result as Austrade. At one point RGC had decided to go ahead with the project, but withdrew that decision "temporarily" when there was a change in their Managing Director and other senior staff. They eventually moved their Canberra office to Perth and decided not to go ahead with the Bell Bay project.

Holderbank, the world's biggest cement company investigated through their subsidiary Central Queensland Cement. They have recently become interested again through another quarry subsidiary, with the name EXL Ltd (pronounced Excel), in Queensland.

I was anxious and determined to do everything possible to develop a Japanese market with sales contract, but Austrade, and others with Japanese and Asian experience, told me firmly that I would be wasting my time if I went to Japan, and to leave the job with them. (Austrade however left New Zealand and North America marketing work to me for the most part).

In February I was informed that the Premier of Tasmania, Mr Groom, and the Treasurer, Mr Rundle, were to lead a three weeks' Trade Mission to North-east Asia, and I was asked to prepare an Information Memorandum for use by the Mission, in association with Mr Stackpoole of Launceston. That was done. On his return Mr Stackpoole prepared a report and gave me a copy. [A photocopy of relevant pages accompanies this application as an appendix]. The result of his work was simple. Because of the depression the Japanese industry was contracting, and Mr Stackpoole concluded that it would be two years or more before sales could be made, at least in Osaka.

I did a further visit to Auckland and confirmed that the major firm Winstones, has serious supply problems, but they will not be acting on the problem for another four or five years, and they will think about them then.

Through Austrade <sup>de</sup> a global financing organisation, The Rally Group, became interested. I visited Los Angeles, San Francisco and Sacramento, visiting quarries, inspecting transport facilities and plants with them in April and May. They started a three months' study of the project in May, deciding to do nothing but marketing in Asia, Los Angeles and the Bay Area, including Sacramento. They had obtained a report on me, accepted my report on the rock resource, and did not wish to visit it yet, being of the opinion that if the market report is favourable there is only small finance involved and it will be "easy to arrange". Their decision could be available in the next few weeks.

Most recently there has been a "nibble" from Boral which is having big management and other changes. Tony Ashe has gone, and Rod Pearce is to head quarries and cement in a few weeks. A 10-year strategy report on reserves has indicated shortages, and some interest in Bell Bay might be developing.

**EL 19/90 BELL BAY  
TASMANIAN HARDROCK PTY. LTD.**

**EXPENDITURE FOR YEAR ENDED 30 JUNE 1994**

Licence Fee, Registration of Mines	\$1,485.00
AMP Public Liability Policy for \$1 Million	\$160.50
CBA Bank annual charge for Guarantee in favour of Tasmanian Dept. Resources & Energy (Bond)	\$120.00
Institute of Quarrying Handbooks	\$80.00
Geological Society Engineering Geology Special Publication 9, on Rock Aggregates, 2nd edition	\$98.00
Land Information Bureau, Tasmania, Maps	\$31.90
KPMG Peat Marwick, Negotiations with Holderbank, RGC and others, and preparation of Information Memorandum jointly with TDA for marketing in Japan, USA and Europe	\$7,101.61
KPMG Peat Marwick, company accounts, returns, office	\$2,450.00
Word Processing and photocopying	\$297.55
Stationery and consumables	\$387.47
Postage	\$346.11
PO Box Rental	\$75.00
Telephone and facsimile (Australia and overseas)	\$802.12
Photography	\$11.95
Travel, Tasmania, Bell Bay, Hobart, Jan - Feb. 94	\$4,997.64
Travel, New Zealand, marketing, 20 Feb -13 March 94	\$2,379.50
Travel, Tasmania, April 94. (Total cost \$1,080, of which half was NETGOLD and not part of EL10/90, so only half charged against EL10/90)	\$540.20
Travel, marketing, Los Angeles and San Francisco 20 April - 6 May 94	\$5,756.30
Salary, H.J. Harrington, M.Sc., Ph.D., F.Aus IMM etc. (This is a notional salary. After my last report the Department informed me that I could include a salary in the expenditure)	\$50,000.00
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TOTAL	\$77,120.85

- An expected charge from Austrade is not included because a statement has not been received yet.

## PROPOSED WORK FOR YEAR 1994-95

1. On 11 April 1994 there were extensive discussions with Dr Duncan and Mr Callaghan and it was agreed that in Year 5 of the lease three drillholes, each with a length of 100m, would be put into the rock in the preferred initial quarry sites in Williams Creek. One hole is to be vertical in the floor of the valley, and two are to be horizontal or inclined. It is hoped that these holes will be drilled later in 1994 at a time when the Comalco access track or road into Williams Creek will not be so wet that it will be damaged. (Comalco has recently spent money re-making that road, and disk-ploughing a wide fire-break beside it). They have raised no objection to the drilling, but do not want their road damaged). A bulk sample of about 100 tons will be taken during the drilling.
2. The strategy of concentrating on marketing was discussed with Mr Ayre in Launceston in February 1994 in Mr Stackpoole's office. The word "marketing" was used in the professional sense (as in University courses in Marketing). The strategy was accepted because marketing is the key to the whole project on both the quarrying side and the eventual manufacturing side. Marketing might seem easy and fuzzy but it is hard work (as Austrade or any other marketer can confirm).

The hard and frustrating work of the past year will continue. I repeat that it is hard. It is costly, and it uses my full time. One just has to remain hard-working at it, and optimistic, (just like the people trying to develop nickel or uranium deposits in Australia).

3. Assuming that the marketing has a positive result I am assured by advisers that financing just falls into place. When that is in place it can be followed by pattern drilling, pit design, plant and buildings design and environmental studies, but I cannot predict when marketing will be successful. There are many advisers available in Canberra through the Enterprise Workshops and Government agencies and they all advise the above strategy.

While R.G.C. (Renison Goldfields) was doing its "due diligence" on the project a good working relationship grew with Mr George Lloyd and the RGC Canberra office. Their view was that the large resource was obvious (and was the main attraction for them), and so their efforts went into marketing and the all-important financial analysis. They follow the same strategy with their large mineral sands resource in Western Australia. They advised me to do the same at Bell Bay because the resource is clear and everything else depends on marketing. Consequently marketing work will remain a prime task in 1994-95 alongside the drilling programme.

EL 10/90 Bell Bay

**APPENDIX TO**  
**ANNUAL REPORT ON EL 10/90 BELL BAY**  
**FOR YEAR ENDED 30 JUNE 1994**

The Appendix consists of some pages of a report by Mr Harry Stacpoole on the Tasmanian Trade Mission to Japan, 4-23 March 1994.

Leader of the Mission: The Premier, Mr Groom

**Notes:**

1. Mr Stacpoole gave me copies of the following pages **only**, because they covered some of the actions taken to promote the Bell Bay project during the Premier's Tasmanian Trade Mission.
2. At the request of the Premier's Office I prepared an Information Memorandum for use by the Trade Mission, and for distribution at meetings with Japanese officials and business people. The Memorandum was re-written and re-wordprocessed by Mr Stacpoole to suit his ideas. [I also designed and wrote folders for him on his Beaconsfield Gold Mine and major numbers of them were printed **without** alteration.]

RECOMMENDED BUSINESS DELEGATES  
TASMANIAN TRADE MISSION

4-23 MARCH 1994

(Revised 19/1/94)

Premier, The Hon Ray Groom, MHA  
Treasurer, The Hon Tony Rundle, MHA  
Mr. David Llewelyn, MHA, - ALP (Opposition Party)  
Fiona Birkett - Premier's staff member  
Chris Brooks - Chief Executive - Tasmania Development & Resources (TDR)  
Jonathan Scott - Assistant General Manager Development - (TDR)  
Simon Himson - Manager Trade Development - (TDR)  
Robin Holyman - Resident Director - TNT  
Mr Harry Stacpoole - Managing Director - Beaconsfield Mines  
Mr John Gay - Managing Director - Gunns Kilndried Timber Industries  
Mr Russell Paterson - Managing Director - Lactos  
Mr Mike Turner - Sales Director - SVP Industries  
Mr Tim Reid - President - Tasmanian Apple & Pear Growers Assoc  
Prof Alan Gilbert - Vice Chancellor - University of Tasmania  
Mr Bob Clifford - Managing Director - International Catamarans  
Mr. Stephen Powell - Managing Director - Hartz International Pty. Ltd.  
Others to be advised. (possibly 2 people)

Tas TV

David Breen, Journalist  
Cameraman TBA

Only selected or relevant pages from his report  
were photocopied by Mr. Harry Staproole for Dr. Harrington.  
Mr. Staproole also obtained masses of statistical data, in Japanese  
and they were attached to his report.

## 1. SUMMARY

The 1994 Trade Mission was an outstanding success.

As Japanese business operates on a person to person basis of trust, this can only be developed by personal contact. Followup visits by the Mining Industry through the Director are recommended.

I believe there is real opportunity for J.V. exploration in Tasmania with Japanese Companies however more contact is needed for this to happen. Prior to the next Mission contact should be made with the Japan Mining Industry Association, Mr Keisuke Suganuma Managing Director to circularize his member companies for contacts.

Specific actions to be taken through this visit and outlined in this report:

1. Mitsui Mining & Smelting Co Ltd  
 Contact Mr Yuji Nishikawa, Assistant General Manager. The writer was asked to contact Mitsui on return to Tasmania. This will be done. Mitsui are opening an Australian office in April and Mr Harufumi Sakai, Manager and Chief Mining Engineer will head up the office. Mitsui are interested in exploration in Tasmania. Mr Nishikawa asked that all correspondence be directed through the writer.
2. Nippon Mining & Metals Co Ltd  
 Mr Kohei Kawakita, Senior Metallurgist Project Development Nippon Mining are looking for copper concentrates for their smelter. They may be interested in Mt Lyell as a joint venturer thus obtaining the copper concentrates they need. This should be followed up by the T.D.R.
3. China Steel Taipei Taiwan  
 K.K. Lee, Deputy Director Taipei Office  
 China Steel have a subsidiary company building or are to build a factory producing silicon chips for the computer industry. T.D.R. should contact Mr Lee to follow up on the silica flour deposit in Tasmania to supply raw material or if the factory is not yet started to build the factory in Tasmania. Language made this meeting difficult.

P.T.O.

# Bell Bay Project

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4. Proposed crushed metal exports to Japan.  
It seems that this project is very price sensitive and based on projected prices of \$35t F.O.B. Japan it is difficult to compete. The Osaka price is apparently \$22t delivered. Tokyo varies up to \$28t delivered. Depending on the area there are ample supplies at very competitive prices in Japan. Mr Tanaka of Osaka has closed two batch plants because of the recession. Japanese industry people said it could be five years before the projected price of \$35t F.O.B. could be competitive. Mr Tanaka thought that the Singapore market be investigated first.

But see p. 6 for further comments.  
They do not know freight costs but are worried by them just the same.  
They do not realize yet that sea transport for long distances is cheaper than road transport for 100 km. or even 50 km.  
It is just a new idea to take on board, and they need time to absorb it and to act on it?

### 3. METAL MINING AGENCY OF JAPAN MONDAY 7th MARCH 1994

Meet with: Mr Minoru Fujita - Director, Planning & Research  
Division  
Mr Kazuhiko Uematsu - Deputy Director Planning &  
Research Division  
Mr Shozo Sawaya - Deputy Director General

Mineral Resources Information Centre  
Metal Mining Agency of Japan  
6F, 34 Mori Building, 1-25-5  
Toranomon, minato-ku  
Tokyo, Japan

Established in 1963. Takashi Ishikawa is the President. The MMAJ is a semi-governmental organisation. Objective of promoting the metal mining industries in Japan and throughout the world using stringent environmental guidelines. Core organisation implementing Japan's mining policy.

Footnote ①

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In fiscal year 1993, the MMAJ had a budget of about A\$800 million. There are 224 persons employed including 17 in overseas offices. Overseas staff monitor resource trends in 13 countries. MMAJ has 9 main departments. Activities include stockpiling of rare and base metals and promotion of systematic development of domestic resources though providing data to mining companies.

Footnote ②

X

Mineral Resources Information Centre (MRIC)

The Centre holds a vast amount of data relating to mining laws of countries, data on global distribution of mineral resources, exploration and development projects in the worlds, global distribution of mineral resources and matters such as supply/demand data and market price data for minerals. Also assesses geology, mineralisation, mine development viability and market trends.

Footnote ③

X

The Agency also give support by way of loans and grants for mining companies investing out of Japan in both early exploration or advanced projects mainly in third world countries.

X

Beaconsfield Gold N.L. - had old information on the Company but expressed general interest only.

P.T.O.

Footnote ① In Canberra BRS does this but with a far smaller budget.

Footnote ② In Canberra both BRS and AGSO do this but only in a small way.

Footnote ③ In Australia AGSO does not give loans or grants for mining directly, but via AIDAB has produced geological maps & reports on large parts of Indonesia and PNG, and has helped other countries by seconding AGSO staff. It is now doing contract work in countries like Oman and Argentina (mapping projects).

## Bell Bay Stone

Bell Bay Construction Stone - Mr Fujita outlined future shortages of rock in Japan due to lack of resources, environmental problems, hard to obtain suitable sites and economically close to markets. This confirmed L Harrington's information to me. Mr Fujita also expressed concern on freight costs but was not aware of what they could be. He however, instructed Mr S Sawaya to arrange an appointment for me with the Japan Crushed Stone Association for Wednesday p.m. He will meet and take me there. I thought this very positive attitude to this proposal justifying more investigation. We discussed Tasmanian Environment Laws and Mabo and he supplied us with a list of Japanese mining companies.

See next page.

The "fear" of sea transport is strange. The lack of knowledge of sea transport costs is even stranger (very strange indeed) in an organisation concerned with mineral imports and with strategic planning on a grand scale.

The only way to deal with this problem is to keep working at it. Perhaps the coal and iron people in Japan got rid of this "fear" because they had to?

The freight costs are handled in detail, with spreadsheets, by Tasmanian Hardrock Pty. Ltd. in its Business Plan held by the Department. Both Holderbank and Ransom Goldfields did their own detailed studies of freight costs, and at first kept coming back to Tasmanian Hardrock (H.S. Harrington) with doubts, saying my figures are too low, BUT both companies concluded in the end that my figures were correct. Costs go in cycles according to cycles in ship charter costs and bunker oil costs (fuel oil), so the spreadsheets in the business plan set out the costs for Low, Expedite and High parts of the cycles.

Surely the Japanese must know these freight costs because they are a large part of the cost of iron ore (which costs about \$25 per tonne delivered to Port Hedland) and coal (which costs around \$40 per tonne). Nearly all the ships in the coal and iron ore trade are Japanese. Port facilities are nearly all owned by companies in Japan, but MITI and others would know the costs for using them. So Mr. Fujita's remarks above (top of page) are "fuzzling".

**8. JAPAN CRUSHED STONE ASSOCIATION  
& JAPAN LIMESTONE ASSOCIATION  
WEDNESDAY 9th MARCH 1994 2.00pm**

I was taken from Metal Mining Agency of Japan, Mr Sawaya, to this meeting where he acted as interpreter.

The Association has some 1800 members, the largest 6 mt production per year.

They confirm that large cities, e.g. Tokyo, will have increasing difficulty in supplying aggregate due to diminishing supply, restricted access to new deposits and environment constraints.

They had problems imagining importing supply by ship because of cost and port logistics.

I was supplied with published details of products and rock types in Japanese.

As regards world trade I met Ian Gunn President of B.H.P. Japan at A.N.Z. Chamber of Commerce. He said B.H.P. Steel Newcastle imports approximately 800,000 tonnes per year of high grade limestone from Japan. B.H.P. Transport Melbourne, Lance Hockridge for more information - maybe ship backloading?

→ Limestone imported by BHP from Japan (800 000 tpa) for Newcastle. Backloading not feasible because BHP Newcastle ships carry coal to Japan. So the limestone is really the back-loaded cargo. [BHP also takes limestone by road to Newcastle from Atteridge in large quantities, plus limestone for coal mine dust suppression].

H.V. HARRINGTON, with an introduction from the Chairman, PLA (Port of Linneston Authority), approached BHP Transport in Melbourne. They were polite and "interested" but decided not to proceed (probably because the business seemed too small for the BHP people - they were concerned about "valuable executives' time"). They expressed an interest in very large projects,

**9. BREAKFAST BRIEFING - AUSTRALIAN &  
NEW ZEALAND CHAMBER OF COMMERCE  
ANA HOTEL TOKYO  
WEDNESDAY 9th MARCH 1994 7.30am**

**10. MEETING & DINNER WITH MR & MRS TANAKA  
PRESIDENT OF SHINWA CORPORATION  
THURSDAY 10th MARCH 1994**

\*Footnote

Very warm meeting and delightful dinner including abalone at his Century Club at Osaka.

The crushed metal business is down 30% He has closed 2 concrete plants but hopes the recession is at the bottom. Crushed rock is selling for \$22t delivered and is very competitive. He suggested Singapore could be much more promising.

He is interested in investing in conjunction with a health insurance club and a rest and restitution resort in northern Tasmania. The resort must have adequate size, I guess several hundred hectares, coastal frontage and he would construct an 18 hole golf course. He asked me to find out the cost of constructing a golf course.

On the site of one of his concrete plants, between Osaka and Kobe, he has 5000 square metres to construct a supermarket. The supermarket will be completed in August 1994 and he will have an area devoted to Tasmanian products. He intends visiting Tasmania in our Spring.

Brent Juratowitch Consul and Trade Commissioner Osaka will follow up with him on food.

\*Footnote

Note Mr. Tanaka is a personal friend of Mr. Stacpoole and has been a house guest in Laureston.

Mr. Tanaka's concrete business is entirely in Osaka and gets rock from an island in the bay. The Tokyo situation is different. All areas apparently very badly affected by the current recession in Japan.

The concept of ship transport was "strange" to him despite Japan's imports of coal and iron ore, and it was also a new idea for Mr. Sawaya of the Crushed Stone Association. This problem keeps appearing for Austrade and for me in my contacts. The question is "How does one deal with it?" Construction ideas are welcomed.