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The Director of Mines,
Tasmania Development & Resources,
PO Box 56,
ROSNY PARK TAS 7018

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SEE FOLIO 41	

Dear Sir,

**EL 10/90 BELL BAY
ANNUAL REPORT**

This is a special annual report to accompany the relinquishment of half of the exploration license area, and to be part of an application for renewal of the remainder.

1. The license dates from 31 August 1990, but because the then Minister was busy it was not received until October 1990, when work started.

The circumstances before the granting of the license are set out in an accompanying report on the relinquished area dated 30 July 1995, and so they need not be repeated here.

2. For about 12 months the area was traversed to work out areas that could provide major quarry sites for the export of rock. The work was of necessity quite different from that involved in finding a buried metallic ore body or a potential gold mine. The dolerite rock was already mapped, and was visible at the surface. My contribution had been to recognise that parts of it could be potential "ore bodies", and after the license was granted my job was to identify the ore bodies that could be worked given the characteristics of the region, the likely demand for rock, the port facilities especially in relation to ship sizes and costs, and the environmental constraints which meant that quarries needed to be invisible, distant from other developments including housing, and that they had to contain a rock resource (not a rock reserve) of sufficient size to satisfy financial managers.

Three sites were identified, near The Buffalo, in Williams Creek and beside the East Arm Road. The first two were suitable for the aggregate industry. The third site on the north side of East Arm Road contain basalt which would provide armour stone and also dolerite that could provide aggregate, but since 1991

95-3750

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TASMANIAN HARDROCK
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housing subdivisions have occurred close to this site so that there would be strong opposition to its use except in a small way.

3. (a) Having identified potential quarry sites I immediately had a problem because late in 1990 and in 1991 there was a move to establish a RAP over part of the Exploration License Area, including the best potential quarry sites in Williams Creek. This was a simple matter no doubt to Forestry Commission and other officers but it was eventually a very stressful matter for me because it drifted on for four years, during which I had grave difficulties in explaining it to potential investors who were in any case made very very hesitant by the media handling of environmental matters in Tasmania. I thought the matter had been resolved by an inter-Departmental meeting in 1994, but actually so far as I was concerned it was not. There was instead a dictat which seemed to go against the decisions at the inter-Departmental meeting. At one point, and one point only, I lost my cool, (which I regretted immediately), but only after four years of stress.
- (b) When the three potential quarry areas had been identified the next task was to start commercialisation of one or more of them.

A year was spent producing an essential and high-quality Business Plan by a team consisting of a geologist (me), a shipping expert from the Department of Transport, a banker from Westpac Banking Corporation, and a semi-trained engineer, with support from their organisations.

A copy of the Business Plan is with what was then Mines Department and another two with the former Tasmania Development and Resources. People from Departments inspected the Williams Creek site and I made invited presentations in Hobart and Launceston, and for several weeks had local newspaper, TV and radio interviews (without anyone opposing the project).

4. Austrade's Investment Manager, Mr Peter Collens, took up the project on the basis of the Business Plan, and advised that an Investment Memorandum should be prepared, which took two months, partly by KPMG Peat Marwick in Launceston, but also with full-time work by me.

In 1992 the Investment Memorandum was sent to a considerable number of selected Australian and overseas companies by Austrade and Peat Marwick's, and there were two responses.

One was from Holterdahl of Frankfurt and Switzerland, through a recently-acquired subsidiary, Central Queensland Cement. They sent their Project Officer, a chemical engineer, to look at the deposits and prepare a plan. He had worries, especially the RAP, and after some months the company said it would not proceed, though it was planning a similar operation in Queensland.

The second real response was from RGC (through an initiative by the Department). That company's geologists reported very enthusiastically on the project, and I had discussions with Directors. The company's Project Officer Mr George Lloyd was having discussions with Peat Marwick when the company's

CEO took another job. When a new CEO was appointed he had a different strategic plan involving the takeover of Pancontinental Mining and the company abandoned the Bell Bay quarry project.

I continued to work hard at commercialisation during 1994, with visits to California and Auckland included. Austrade advised that on no account would it be wise to go to Japan, but I worked with Tokyo by phone and fax and discussions with officers visiting Canberra. Some activity with Austrade's Hong Kong office was fruitful but suddenly went dead, and I discovered that Pacific Quarries (a name registered in Tasmania and Australia) had been confused with Pacific Cement and Quarries, a Hong Kong company in liquidation. There were other similar and unpredictable problems, some of them humorous.

5. At the start of April 1995 it was the intention to put down three drillholes in Williams Creek, and possibly another three in the "Buffalo area". Mr N.J. Turner of N.J. Turner Geological Services was engaged to assist with the work but it was put on hold because Mr Fred Ortner had "a full book" for drilling, and because of discussions with the Northern Tasmania Regional Development Board, but mainly because sound and reliable advisers in banks (CBA and Westpac), in Austrade, in BRS, in State Surveys and companies all said firmly that I was "putting the cart before the horse". The advice can be summarised as "You have established a very large, undoubted and high-quality resource and it is quite silly to drill up reserves until you have a "bankable sales agreement". When you have such an agreement the financing stages for drilling, quarry design and plant purchases all fall into place."
6. I also had unpaid advice from a very experienced specialist quarry consultant Mr Don Reed of Sinclair Knight and Partners, and from the distinguished Mr Joe Harms retired Chief Geologist of BHP. (Mr Reed has made a tour of superquarries in the North Atlantic region because of interest in the Tasmanian project).
7. The advice was unanimous and I therefore returned to the feasibility studies permitted in the Quarterly Report and worked full-time to try to obtain a "bankable sales agreement" from San Francisco, Auckland or Japan.

An Australian company, Camelot Resources, established by former Normandy Poseidon managers, was interested, but only briefly.

San Francisco failed because the US company made a strategic decision to concentrate on pay television and to move away from resources.

New Zealand efforts with Fletcher Challenge were initiated by officers of the Northern Tasmania Regional Development Board. Fletcher Challenge is now Australia's sixth largest company by ASX capitalisation. It has a quarry division, Winstone Aggregates (Win-stone) which I visited in Auckland making presentations, providing samples and so on. The General Manager visited Australia to make market enquiries, but like all others who have investigated the project he was interested in the financials, took my word about the resource and

did not want to visit Bell Bay. He was interested in the project but later told me that the Company's Strategic Management Group decided that the project did not fit the Company Strategic Plan. It was my impression that the company had done a serious job, but is "sticking to a Strategic Plan".

The Japanese effort has been headed by Austrade and has involved approaches to more than 10 different companies. After a time it was decided to concentrate on cement companies, especially the "Big Three", Onodo (Ono) Cement, Nihon Cement and Osaka Cement, and on two smaller companies, Ihichibu and Daiichi, and on Obayashi. All agree that there is going to be a shortage of rock and sand and show initial interest with varying degrees of follow-up. For example Onodo had a New Projects Team of six which decided to make a "Company Presentation". I made 12 very high-quality overhead projection slides in colour to assist them, and sent photos and a video of Bell Bay but the project has "vanished" into higher levels of the company (possibly for reasons of the type mentioned in the next paragraph).

8. The Japanese economy has been in near-depression for a long time and companies have not been in a mood to take on new ventures. Trade disputes with the USA and the steep rise in the value of the yen have made difficulties and have given rise to new strategies. For example Nippon, Onoda and Marubeni have built cement plants in China. By Chinese law they are required to export 70% of their production because China wants hard currency. The Japanese have turned this to their advantage. Some of the exports go to the USA where they appear as Chinese exports, thus avoiding dumping accusations against Japan and not adding to Japan - USA trade imbalance problems. Using the 70% rule three companies have made trial shipments of sand, and some of limestone rock, from China to Japan but have used 1,000 to 2,000 tonnes ships because of waterfront unloading problems and for other reasons such as just-in-time policies. The attempts to import rock and sand have no doubt been watched by other companies. They must have been costly because of the very small ships that have been used.

9. A previously unrecognised problem for Tasmanian Hardrock came up when **Obayashi stated that Tasmanian dolerite is of too low a quality for them.** This was a shock and a mystery until I realised that their information about quality had come almost certainly from the Tasmania Department of Resources and Energy, Division of Mines and Mineral Resources - Report 1991/22 "Some physical properties of dolerite". The report was compiled to assist my project at my cost. It is included in the Information Memorandum, which was sent to Obayashi and all other companies. Unfortunately the report includes test results on soft rock and weathered rock, which could be the cause of concern by Obayashi. The matter has to be handled in future. I am trying to correct the matter by sending more samples of fresh rock from Williams Creek (though no-one wants them), and by inviting Japanese to inspect Bell Bay and the rock deposits, but not one invitation has been accepted because, according to Austrade "an overseas trip for a Japanese salaryman (or woman?) is a special and rare deal and very very hard to arrange".

10. The waterfront unloading and storage problems mentioned in (4) above have been raised by every Japanese company, and gave me a lot of hard thinking, which resulted in a first decision to target cement companies. More recently I learned that Japan's steel mills are the only companies with big tracts of under-used waterfront land. Their sites are urban, and the steel companies are experienced in shipping and handling rock products (iron ore, limestone, manganese and coal), and so feasibility work is now to be redirected to them. They use 120,000 to 200,000 tonnes ships which lower costs but are too big for Bell Bay which takes Handysize ships (see the Business Plan).

All this work would be disheartening but for the fact that I watched the same kinds of things happen with the coal and iron ore export industries over a longer period. It just seems to take 10 years to get a mining and export project off the ground. The first necessity is to have a resource. The second is to get a bankable sales agreement, and the third is a bankable feasibility study and business plan, and the financial controllers then give the go ahead, whether they are in banks or companies or both, and engineers can then start their work.



H.J. HARRINGTON
MANAGER