

Minerals Industry 2002

SURVEY REPORT

SURVEY CONDUCTED BY

PRICEWATERHOUSECOOPERS 

data funds balance expenditure ratios labour costs outlook profit assets



**MINERALS
COUNCIL**
OF AUSTRALIA

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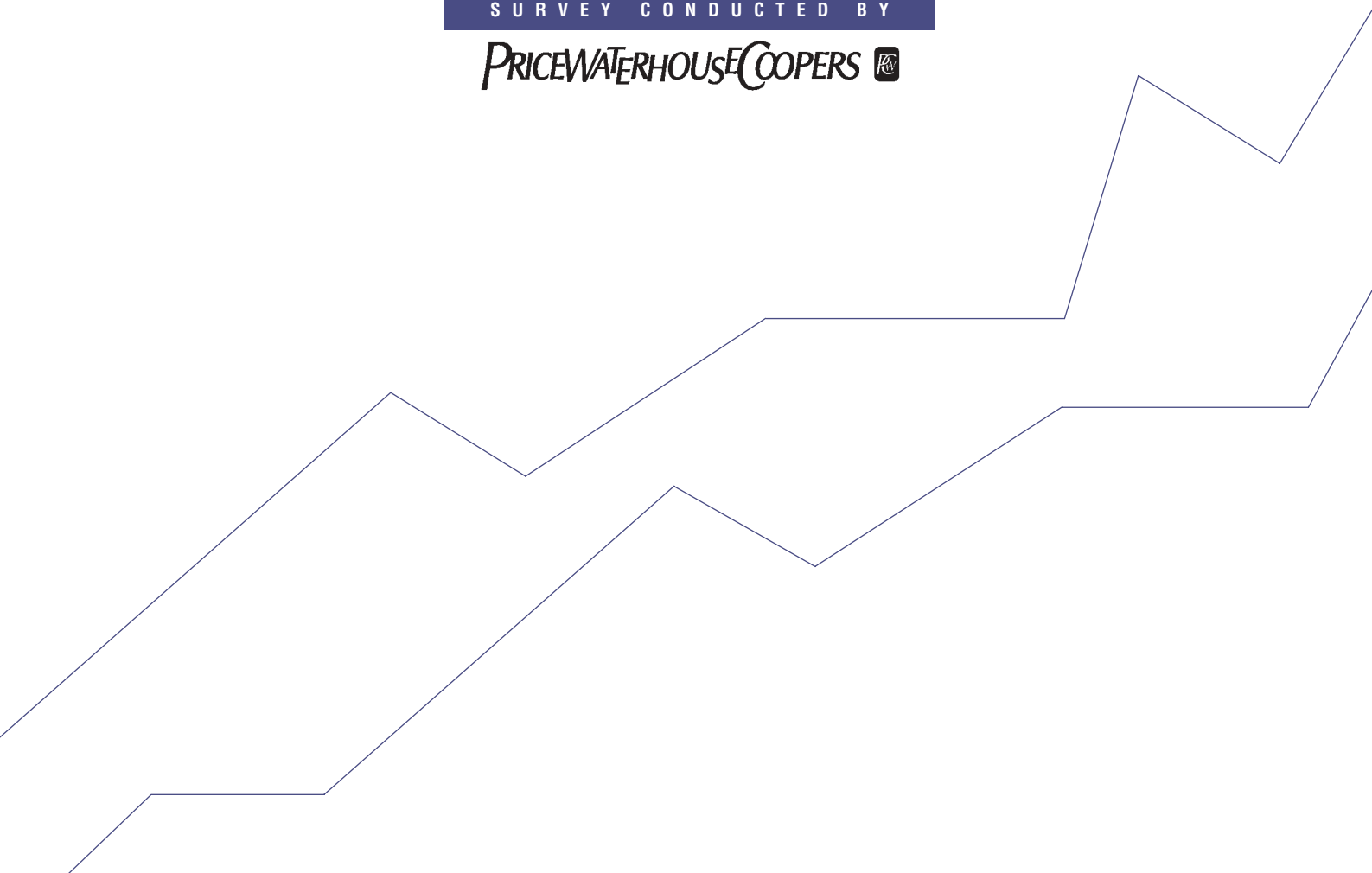
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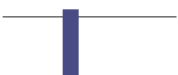
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Background

The aim of this annual survey is to provide timely and accurate financial data on the Australian minerals industry and to facilitate more informed debate on the industry's role and importance in the economy. The report also includes information on the safety and health performance of the industry, environmental rehabilitation, native title and indigenous development and overseas exploration expenditure by the respondents.

This twenty-sixth survey relates to the year ended 30 June 2002, although a number of respondents reported data relating to earlier balance dates.

The Minerals Council of Australia is very grateful for the support of all respondents, without whose assistance this report could not have been completed.

An electronic version of this report can be downloaded from the Minerals Council's web site at www.minerals.org.au (under 'Economics & Commerce, Publications').

Definition of the minerals industry

The minerals industry is defined as including exploration for, and extraction and primary processing of, minerals in Australia. Primary processing is taken to include the processing of minerals up to the first pouring of the refined metal but fabrication beyond that stage is excluded. The oil and gas and iron and steel industries are also excluded from the survey. The definition of the minerals industry used in this survey differs from that employed by the Australian Bureau of Statistics (ABS) and the Australian Bureau of Agricultural and Resource Economics (ABARE). While the definitions in all three sources are consistent in terms of the definition of individual commodity sectors, they differ in terms of the range of sectors included.

The ABS distinguishes 'metal product industries' from 'mining' which includes the oil and gas industry. The ABARE category 'mineral resources sector' is similar to that used in this report except that ABARE includes the iron and steel and the oil and gas industries.

Coverage

The survey aims to report on the financial position of all of Australia's minerals industry activity as defined above. This has been successful in that the survey coverage accounts for:

- All Australian alumina, diamond, lead, nickel, uranium and zinc production and around 90 per cent of bauxite, gold, ilmenite, iron ore and tin production.

- Around 80 per cent of rutile, silver and zircon production, over 70 per cent of copper and black coal production and around 50 per cent of aluminium production.

The respondent companies range from the largest companies to small exploration ventures. Respondent companies include Minerals Council of Australia members but not exclusively so. The survey has not captured some of the smaller mining, prospecting and exploration companies, some overseas controlled companies and a portion of some joint venture operations.

The proportion of activity covered in this year's survey generally exceeds coverage in the 2001 survey, particularly for black coal and gold.

Constant group

As respondents vary slightly from year to year, figures are not precisely comparable between annual surveys and it is not practical to correct for this by 'weighting' the data. For a more precise comparison, companies that responded to the survey in 2000/01 and 2001/02 are treated as a smaller "constant group". The major accounting items for this constant group are separately reported and compared with the total group in Appendix 2. This procedure allows the reduction of any bias in trends across survey years arising from changes in survey coverage. The companies included in the constant group had a total value of assets equal to 95 per cent of the total value of assets of all survey respondents.

Acknowledgments

The Minerals Council would like to acknowledge the assistance of the NSW Minerals Council, the Queensland Mining Council and the Australian Aluminium Council in survey sample and design.

The Minerals Council would also like to acknowledge the investment made in the industry by PricewaterhouseCoopers through its involvement in this survey. PricewaterhouseCoopers prepared the tables in this survey, based on information supplied to them in confidence by the respondents. This information was occasionally supplemented by publicly available reports. While PricewaterhouseCoopers has reviewed the responses for consistency, it has not audited them and cannot be held responsible for errors in the data supplied. The Minerals Council prepared the text commenting on the tables.

Overview for 2001/02

Industry profitability falls slightly in 2001/02, coming off the ten-year high recorded in 2000/01.

Industry investment has risen strongly, in line with expectations, reflecting the cyclical nature of investment in the industry.

The overall industry statement of financial position remains sound. Changes during the year reflect the impact of consolidation in the industry and on-going financing of operational expansions.

Continuing micro-economic reform and cost-reductions, combined with prudent macroeconomic policy are vital if Australia is to consolidate its minerals growth potential.

Safety and Health

The two key measures of safety performance in the minerals industry have improved over the last 12 months. Fatalities have declined from 14 in 2000/01 to an all-time low of six for the reporting year to June 2002 and the Lost Time Injury Frequency Rate is estimated at eight for the same period, down from a rate of 11 in 2000/01.

An outcome of the Minerals Council's 2001 National Safety and Health Conference on the effective management of catastrophic risk, was the decision to develop a national minerals industry risk assessment guideline. The Guideline was developed by Professor Jim Joy at the Minerals Industry Safety and Health Centre with the support of the Minerals Council's Safety and Health Committee. The Guideline is now publicly available as an on-line resource to help improve the quality of risk assessment regardless of the type of risk assessment being undertaken.

As part of the Minerals Council's ongoing leadership strategy, the annual CEO Safety and Health forum this year focussed on the elimination of fatalities from rockfalls. Rockfalls continue to be one of the major causes of fatalities in the industry and the development of a rockfall management guideline is a direct result of the action plan developed by CEOs.

In all its activities, the Minerals Council continues to pursue its ultimate objective of *an Australian minerals industry free of fatalities, injuries and diseases*.

Profitability

On all indicators of profitability, the performance of the minerals industry in 2001/02 was slightly down on the previous year, but reflects a significant improvement on recent earlier years. Net profit return on average shareholders' funds was 12.9 per cent in 2001/02, compared with 13.9 per cent in 2000/01, 4.0 per cent in 1999/2000 and 3.7 per cent in 1998/99 (with the exception of 2000/01, the 2001/02 result was the highest recorded since 1989/90). This result is also well up on the ten-year average (1992/93 to 2001/02) for the industry of 7.5 per cent.

The 2001/02 profitability result partly reflects strong sales revenue attributable to the impact of the relatively high \$A price level (reflecting the relatively low level of the \$A/\$US exchange rate during the year) and increased production levels.

Net profit return on average assets employed fell, from 6.7 to 6.2 per cent, but remains above the ten-year average for the industry.

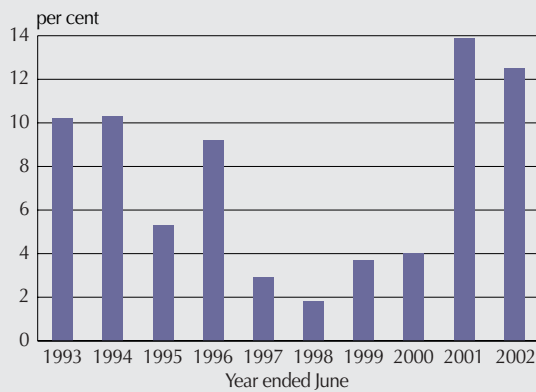
Prices

In 2001/02, average US dollar world mineral prices were almost unchanged, following a 1 per cent fall in the previous year. However, with the Australian dollar falling around 3 per cent between 2000/01 and 2001/02, this translated into a 3 per cent rise in the Australian dollar commodity price index between 2000/01 and 2001/02.

Despite the flat US dollar price index, average US dollar prices for a number of mineral commodities, particularly coking coal and steaming coal, rose in 2001/02. These increases were largely driven by a recovery in commodity demand due to renewed economic activity in Asia and the impact on supply of further industry consolidation. The overall index was pulled down by price falls, generally reflecting weak demand, for a number of major commodity exports, particularly iron ore, aluminium, copper, zinc and nickel.

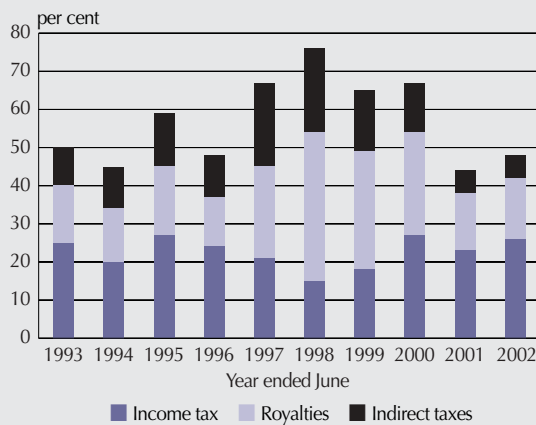
Official expectations (from ABARE) are for world prices for most mineral commodities to be higher in 2002/03, particularly for gold, aluminium, copper and nickel. This is expected to be a result of a combination of factors leading to improved industrial production growth, reflecting an improvement in economic conditions in the United States, Europe and Japan.

Net Profit – Return on shareholders' funds

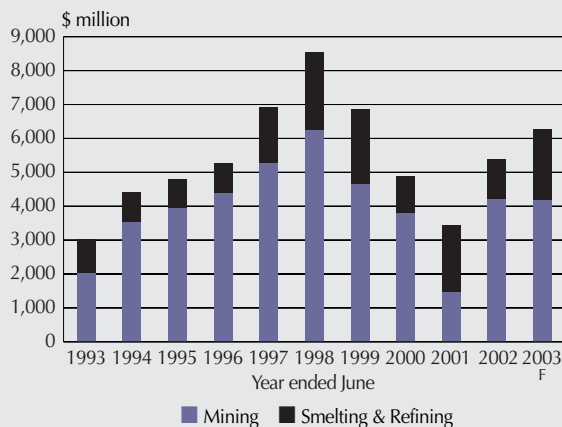


Taxes and Royalties

Share of profit before all taxes



Real spending on fixed assets (2000/01 dollars)



Production

Overall mine production by respondents to the survey, as measured by the Minerals Council of Australia Mine Production Index, rose by 6.9 per cent in 2001/02, following a rise of 1.5 per cent in the previous year. Overall, the Mine Production Index has risen by 37 per cent over the last ten years. Production of many mineral commodities was at record levels in 2001/02.

The Smelting and Refining Production Index fell by 0.5 per cent in 2001/02, with respondents' production results varying across the range of metals produced. Production of alumina, as reported by respondents, fell by 7 per cent in 2001/02, while production of aluminium rose by 6 per cent. Refined base metals production in 2000/01 rose by 6 per cent. Australian smelter and refinery production is expected to stabilise over the next few years until longer-term projects come on line (such as the Gladstone alumina refinery, which is due to commence production in 2005).

Industry revenues

Total revenue recorded by respondents to the survey rose 8 per cent, to \$38,833 million. Smelting and refining sales revenue rose 3 per cent, while mining revenue rose 8 per cent. This increase reflects the impact on Australian dollar prices of the relatively low level of the \$A/\$US exchange rate during the year (although some of these gains were mitigated by the hedging programs a number of respondents have in place to manage price fluctuations).

According to ABARE statistics (which have a broader coverage than this survey), the value of exports of minerals covered by this survey rose by 4 per cent in 2001/02 to \$41.2 billion, as a result of improved world prices, a lower average exchange rate and increased export volumes. Major increases in export revenue (in \$A terms) were reported for coal (particularly influenced by prices increases) and iron ore (which largely reflected an increase in volume).

Expenses

Total expenses rose 11 per cent, following a 7 per cent rise in 2000/01. This increase reflected a number of factors, particularly an increase in general operating costs associated with the increase in industry production and the adverse impact of the relatively low \$A/\$US exchange rate on the cost of a number of key inputs. In addition, labour costs rose 25 per cent, associated with increased redundancy payments in the industry and improved survey coverage (reflecting the impact of a number of new respondents to the survey this year).

Taxation

The total amount of direct and indirect tax liabilities incurred by respondents in 2001/02 was \$3,514 million, 8 per cent higher than in the previous year. In 2001/02, total tax expensed by companies represented 48 per cent of net profit before all taxes, compared with 45 and 68 per cent in 2000/01 and 1999/2000 respectively. Income tax expense rose by 13 per cent in 2001/02.

The share of royalties and indirect taxes in total payments decreased slightly during 2001/02, but was up in aggregate terms, from \$1,557 million in 2000/01 to \$1,610 million in 2001/02.

Employment

In 2001/02, there was a reduction in direct employment by respondents. Employee numbers fell by 6 per cent from 50,944 at the end of 2000/01 to 48,004 at the end of 2001/02. This was mainly in mining and exploration activities, with smelting and refining employment actually increasing. Direct employment has fallen in each of the past six years after being relatively constant in the previous five-year period. However, respondents have forecast their direct employment levels to increase by 1 per cent next year.

In 2001/02, there were 15,951 full-time equivalent contractors engaged by respondents, a small decrease on the 16,069 full-time equivalent contractors engaged by respondents in 2000/01. This data does not include part-time contractors (undertaking short-term maintenance work or drilling operations, for example). The share of contractors in total employment therefore rose slightly, from 24 per cent to 25 per cent.

Taking contractors into account, total employment by respondents to the survey fell by 5 per cent, from 67,013 to 63,955.

Borrowings

Reflecting the level of investment activity, borrowings were \$16,181 million at the end of 2001/02, 2 per cent higher than at the end of the previous year. The level of borrowings denominated in \$A fell by 7 per cent while the level denominated in a foreign currency, particularly \$US, rose by 5 per cent. The debt to debt plus equity ratio fell slightly, from 0.36 in 2000/01 to 0.35 in 2001/02.

Exploration

In 2001/02, respondents spent \$132 million on overseas exploration activities and \$450 million in Australia. Total exploration expenditure by all survey respondents, of \$582 million, was 17 per cent lower than the \$702 million spent in 2000/01. Exploration expenditure in Australia by larger Australian minerals company respondents was steady while overseas exploration expenditure by larger survey respondents was down by 20 per cent.

Larger Australian minerals company respondents are on average currently spending over 27 per cent of their exploration budgets overseas. In the previous five years, this figure averaged 38 per cent. This underlines the critical importance of Australia's mineral investment climate remaining competitive.

Key developments in this area during the year included:

- the establishment of a House of Representatives Standing Committee on Industry and Resources *Inquiry into resources exploration impediments* in May 2002, which is due to report in early 2003 (submissions to the inquiry, including the Minerals Council's, can be found at www.aph.gov.au/house/committee/isr/resexp/submissions.htm); and
- the establishment of a Mineral Exploration Action Agenda by the Government in September 2002. The Action Agenda process provides a mechanism to identify and respond to issues impeding mineral exploration in Australia. An Action Agenda Strategic Leaders Group (chaired by the Minerals Council's Vice President and including the Minerals Council's Chief Executive as a member) has been established and a report to Government is expected in late 2003.

Investment

Net capital expenditure on fixed and deferred assets rose by 57 per cent in 2001/02 to \$5,643 million. It rose by 189 per cent in the mining sector but fell by around 41 per cent in the smelting and refining sector of the industry.

This increase in investment spending reflects the development of a number of significant projects in the industry during the year.

Outlook for 2002/03

The increase in investment activity in the industry during 2001/02 is expected to continue in 2002/03, reflecting a number of committed projects, particularly in the smelting and refining sector of the industry.

Net capital expenditure on fixed and deferred assets is forecast to increase by 16 per cent in 2002/03. Fixed asset expenditure in the mining sector is expected to decrease by 1 per cent while in smelting and refining it is expected to rise by 77 per cent.

Exploration expenditure in Australia is forecast to fall by 31 per cent in 2002/03. The outlook for research and development expenditure is also lower, with the 2002/03 result forecast to be down 23 per cent on the 2001/02 outcome. This represents the seventh year in a row where research and development expenditure has fallen and, together with the extremely low level of total exploration expenditure, is significant for the next generation of minerals developments.

The economic policy environment

Recently constructed projects in the industry and those subject to consideration will result in an increase in Australian minerals production over the coming years. Apart from market conditions, government taxation and regulatory policy will have an important influence on decisions to proceed.

In the context of international competitiveness, **fuel tax** has been a major issue for the minerals industry for many years. Fuel represents one of the principal variable inputs into the diverse, capital intensive, internationally competitive minerals industry. Policies in relation to the taxation of fuel are therefore critical, not only to government revenue, but also to the sustainability of export oriented business operations.

An important issue for the industry over the coming year will be the further development of the **new Energy Grants (Credits) Scheme**, which is set to commence on 1 July 2003 (following a deferral of its expected start time of 1 July 2002), and will subsume the current Diesel Fuel Rebate Scheme and the Diesel and Alternative Fuels Grants Scheme. The industry will be particularly keen to ensure the Government honours its commitments not to tax business inputs and that the future Scheme will maintain benefits that are equivalent to those available under the current Schemes. The industry will also be looking to work constructively with the Australian Taxation Office to ensure the administrative arrangements that underpin the new Scheme are as efficient and effective as possible.

Consistent with the principle of not taxing business inputs, there should be no cap on payments under either the Diesel Fuel Rebate Scheme or the Diesel and Alternative Fuels Grants Scheme and there should be no cap on these schemes once they are subsumed into the Energy Grants (Credits) Scheme.

In relation to **business taxation**, the Minerals Council has long argued that it is the combination of all business tax rates and measures, and not just the corporate rate (or any other single tax measure), that is important in assessing project viability. In this context, the Minerals Council continues to endorse the pragmatic approach the Government has taken in many aspects of its on-going reform of the Australian business taxation system.

The Government announced in the May 2002 Budget that it would introduce **statutory caps on the effective lives**, for taxation purposes, of aeroplanes, helicopters, gas transmission and distribution assets, oil and gas production assets and assets used to manufacture condensate, crude oil, domestic gas, liquid natural gas or liquid petroleum gas.

This decision is commendable in so far as it represents a step in the right direction – it also provides the basis for developing a consistent policy approach regarding the effective life, for taxation purposes, of all long-lived assets across all sectors. It would not be in the national interest if special consideration were given to any one sector in the absence of a consistent public policy position on all long-lived assets. The Minerals Council has long advocated a cap (say of 20 years) on the effective lives of long-lived assets for depreciation purposes. This would provide a consistent policy approach.

A key factor in improving Australia's attractiveness to investors is sustained improvements in productivity. Issues affecting competitiveness and the ability to improve productivity include **native title, environmental requirements and microeconomic reforms**, including removal of tariffs and other imposts on business inputs, labour market policies and practices, provision of world class economic infrastructure and streamlining of approvals processes.

Critical reforms in this area to be addressed in 2003 include the outcomes of the:

- Trade Practices Act Review, which has reviewed the competition provisions of the *Trade Practices Act 1974* and their administration; and
- Council of Australian Governments Energy Market Review, which has undertaken an assessment of strategic directions for the Australian energy market.

A **macroeconomic environment** featuring stable growth, low inflation, fiscal prudence and steady monetary policy must also be maintained.

There is a growing acknowledgment within the broader community of the need to put in place effective and efficient legislative mechanisms to support the **interaction of the minerals industry and indigenous interests**. The industry actively seeks to form cooperative partnerships with indigenous peoples. All arrangements, however, need to be underpinned by effective legislation that produces workable outcomes within realistic time frames.

In addition, the industry is concerned that **regulation**, including **environment** and **land access**, should not impose unnecessary cost, time and administrative burdens.

The industry discussed the strategic direction of its contribution to **sustainable development**, at the Minerals Council's inaugural Sustainable Development Conference, *Putting Principles into Practice*, held in Newcastle in November 2002. The industry's long-term viability and continuing contribution to sustainable development is grounded in the inter-dependency and balance between the economic, social and environmental responsibilities of mining and minerals processing.

This conference built upon the industry's global conference on mining and sustainable development, *Resourcing the Future*, held in Toronto, Canada from 12 to 15 May 2002 and the tenth anniversary of the Rio Earth Summit, including the World Summit on Sustainable Development (WSSD) held in Johannesburg, South Africa from 26 August to 4 September 2002.

The Johannesburg Declaration and Plan of Implementation arising from the WSSD gave explicit recognition to the importance of mining, minerals and metals to the economic and social development of many countries and that minerals are essential for modern living. The product of the WSSD was in essence a statement of international commitment to development that seeks to balance economic progress, social responsibility and environmental conservation, recognising the increasing global interdependency of trade, commerce and peoples.

The on-going international and Australian response to the issue of **climate change and greenhouse gas emissions abatement** will be critical to decisions on locating energy intensive minerals processing operations in Australia, and will also influence the nature and competitiveness of Australia's coal sector.

It is important that Australia's response to climate change and greenhouse gas stabilisation continues to be considered as part of a broader global solution. The industry supports the need for all parts of the Australian economy to make an equitable contribution to the international effort to reduce greenhouse emissions. Within this context, the outcome of Eighth Session of the Conference of the Parties (COP-8) at New Delhi, India in November 2002 is likely to lead to **Kyoto Protocol** entering into force as early as mid-2003.

For Australia, consideration of the merits of ratifying the Kyoto Protocol needs to be thorough and take account of the full range of actual and potential economic, legal and strategic issues and consequences. Only when all implementation issues are decided – both overseas and at home – will minerals companies be in a position to pursue future investments while contributing to Australia's greenhouse gas abatement responsibilities. Importantly, if the Protocol enters into force with the United States and developing countries not bound by any abatement commitment, the Protocol will cover countries responsible for only around 25 to 30 per cent of global greenhouse gas emissions. The Kyoto Protocol can only be considered to be effective when a pathway can be found for ensuring the involvement of the vast majority of countries responsible for greenhouse gas emissions.

Domestically, the minerals industry strongly supports Australia's commitment to reducing greenhouse gas emission levels to the Kyoto target. The industry is committed to working with government in the short- and longer-term to determine policies and actions for further greenhouse gas abatement and adaptation, while building a strong and internationally competitive economy.

The Minerals Council has also endorsed the four elements that will underpin the development of **Australia's forward climate change strategy**:

- Australia will strive for a more comprehensive global response to climate change;
- Australia will position itself to maintain a strong and internationally competitive economy with a lower 'greenhouse signature';
- Domestic policy settings will balance flexibility with sufficient certainty to allow key decisions on investment and technology development, and also emphasise cost effectiveness; and
- Australia will implement policies and programs that assist adaptation to the consequences of the climate change that are already unavoidable.

The industry has welcomed **the Government's commitment to a strong and effective dialogue with industry** and other interested parties to progress the development of effective, equitable and efficient greenhouse policies and measures to address global climate change consistent with sustainable development and Australia's position in a highly competitive, dynamic, global economy and market. This process commenced in August 2002 and is due to report to Government in May 2003.

The Minerals Council was an instigator in the establishment of the **Business Coalition for Greenhouse Strategy (BCGS)** during 2002.

The BCGS provides a vital capacity for industry in offering cohesive advice to Government on the next stages of policies and actions on greenhouse gas abatement and adaptation. This capacity will be even more important in 2003.

The WTO Doha Round of **multilateral trade negotiations** has now commenced, and provides the opportunity for further liberalisation of international trade by substantially reducing major barriers and obstacles to international trade. The imperative for the minerals industry is to ensure that, reflected in the government's negotiating position, is the Minerals Council's emphatic position on trade reform and its views on the need to improve market access, reduce subsidised competition and thwart attempts to use trade sanctions to achieve environmental or other non-trade objectives. The Minerals Council is establishing a network of key contacts on trade policy matters to ensure its position on key issues reflects the views of the minerals industry.

The Minerals Council as an Executive member of AUSTA, the Australian business group in support of a **Free Trade Agreement (FTA) with the United States**, welcomes the decision by the US Government to commence negotiations of a FTA early in 2003. The Minerals Council is actively involved with other members of AUSTA in working with the Government to identify key issues for inclusion in the negotiations (see www.austa.net for further details). Key issues of importance to the minerals industry relate to investment and the movement of people for work purposes.

The Australian minerals industry is involved in the largest **bulk minerals shipping task** of any country in the world. Approximately 380 million tonnes of dry bulk minerals are exported annually via our ports. The shipping task also includes significant movement of minerals around the Australian coast to locations where further processing occurs and importation of concentrate for processing in Australia.

The minerals industry is also an owner/operator of major ports and facilities throughout Australia and a major investor in and user of rail and road infrastructure. The Minerals Council therefore welcomed the establishment in 2002 of the Australian Logistics Council by the Deputy Prime Minister, the Hon John Anderson MP.

The operation of **integrated transport systems** from the mine gate through Australian ports and overseas via shipping need to be safe, environmentally sound and competitive. As Australia is an island, it is also vital that we learn to integrate the conduct of our trade and commerce with the sustainable management of our ocean resources.

In 2003, the Minerals Council will be working with officials involved in implementing the Government's policy response to the **Great Barrier Reef Review of Ship Safety and Pollution Prevention Measures**, in reviewing Australia's position regarding **International Maritime Organisation** initiatives and the proposed development of **enhanced maritime security in Australia** and in ensuring the **tax treatment of shipping operating from Australia** does not involve taxes on business inputs.

The Minerals Council continues to play a key role through the **National Introduced Marine Pests Coordinating Group** to ensure an effective integrated national approach to the prevention and management of introduced marine pests is developed consistent with international developments.

Note: As discussed in the Background above, the aim of this annual survey is to provide timely and accurate financial data on the Australian minerals industry and to facilitate more informed debate on the industry's role and importance in the economy. The report also includes information on the safety and health performance of the industry, environmental rehabilitation, native title and indigenous development and overseas exploration expenditure by the respondents.

This report does not, therefore, discuss in detail the full range of Minerals Council policy positions on matters such as education, workplace relations, innovation, social principles and community relations. For further details on these, and other, Minerals Council positions, please visit our web site at www.minerals.org.au.

Items of Interest	2001/02 \$ million	2000/01 \$ million	1999/2000 \$ million
Operating Revenue	38,833	36,080	31,755
Total Assets at Year End	63,039	61,815	57,410
Borrowings at Year End	16,181	15,925	15,081
Interest Expense	2,834	2,613	1,644
Direct Taxes	3,086	2,783	1,903
Operating Profit Before Abnormal Items	5,797	6,243	3,891
Net Profit	3,834	4,010	1,121
Net Capital Expenditure (Investment) on Mining, Smelting and Refining Assets	5,643	3,604	4,885
– mining fixed assets	4,413	1,525	3,790
– smelting and refining assets	1,230	2,079	1,095
Employment information	Number	Number	Number
Direct employees at Year End	48,004	50,944	52,053
Contractors considered a substitute for full time employees	15,951	16,069	17,633
Total Employment	63,955	67,013	69,686
Rates of Return	Per cent	Per cent	Per cent
Operating Profit Before Abnormals Return on Average Shareholders' Funds	19.5	21.7	13.8
Net Profit Return on Average Shareholders' Funds	12.9	13.9	4.0
Net Profit Return on Average Assets Employed	6.2	6.7	2.0
Gross Debt to Equity Ratio	0.35	0.36	0.34

Forecasts	2002/03 forecast \$ million	2001/02 actual \$ million	Forecast Percentage Change
Net expenditure on mining assets	4,384	4,413	-0.7
Net expenditure on smelting and refining assets	2,180	1,230	77.2
Total net expenditure on mining, smelting and refining assets	6,564	5,643	16.3
Employment information	Number	Number	
Direct employees at Year End	48,481	48,004	1.0

Safety and Health Performance

The Minerals Council's highest priority remains the elimination of minerals industry fatalities, injuries and diseases.

The industry's main lag indicator, the Lost Time Injury Frequency Rate (LTIFR), is estimated to have fallen to 8 per million hours worked for 2001/02, compared with 11 per million hours worked for 2000/01.

The Minerals Council has continued its efforts to provide reliable, comprehensive and consistent data on the industry's safety and health performance.

The Minerals Council regards any fatality as unacceptable and is disappointed that six fatalities occurred in the minerals industry in the 2001/02 reporting year.

While this is an improvement on the outcome in relation to fatalities for the two most recent years (14 in 2000/01; 19 in 1999/00), the industry will not be satisfied until zero harm is achieved.

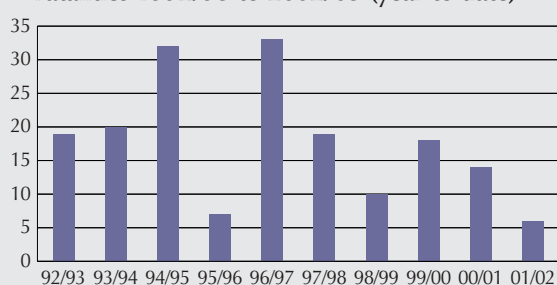
The industry recognises that new initiatives will be required if further improvements in the LTIFR are to be attained.

The Minerals Council's Safety and Health Committee continued its strategic leadership program to drive improvements to the industry's safety and health performance.

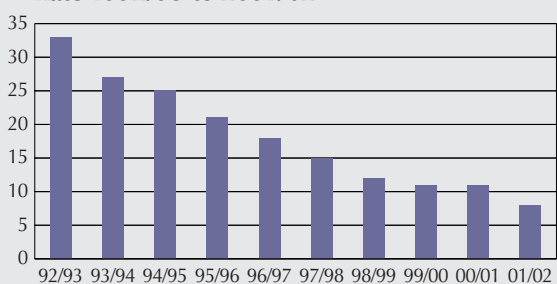
Fatalities

Of the six fatalities this reporting year, three occurred at underground mining operations – two in the metalliferous sector and one in the coal sector. Two men died at open-cut operations – one coal, one metalliferous – and one in the extractive (quarrying) sector. Only the exploration sector was fatality-free.

Fatalities 1992/93 to 2002/03 (year to date)



Total Industry Lost Time Injury Frequency Rate 1992/93 to 2001/02



The following are minerals industry colleagues who have died in this reporting year (2001/02). This list acknowledges their loss to their families, the community and the industry.

Christopher Harris	WA
Howard Harvey	WA
Shane Ricki Tipa	WA
Chris Belfield	Queensland
Shane Prowse	Queensland
Graham Jordan	NSW

Lost Time Injuries

The *Safety Survey Report* published by the Minerals Council estimates the Australian minerals industry's LTIFR at eight (lost time injuries per million hours worked) for the year ending June 2002. However, it is likely that the figure will remain at or just below eleven when the official results are released in 2003.

In a comparison of data from the *Safety Survey Report*, underground coal continues to have the highest LTIFR with a rate of 23, a slight improvement on the rate of 24 reported last year. The open-cut coal rate has improved significantly (from 11 to eight). A contrasting trend is noticeable for metalliferous rates: the LTIFR for the open-cut metalliferous sector has improved from five to four, but the underground metalliferous rate has worsened from last year's rate of five to nine. Smelting/refining LTIFR has marginally declined to five (from six) and exploration likewise to three from four.

Note: The first quarter's *Safety Survey Report* for the period July to September 2002 indicates a significant improvement in LTIFR for both the underground coal and underground metalliferous sectors.

Minerals Council of Australia activities

Since 1996, the Minerals Council of Australia has made safety and health its highest priority. A key component of the Minerals Council's strategy to give practical effect to its safety and health goals is its leadership program driven by CEOs.

In 2002, the four key areas of activity in support of improvements in safety and health performance were: leadership, recognition, learning and continuous improvement and risk management.

Safety and Health Leadership

Leadership continues to provide the major focus of the Minerals Council's strategy to improve the industry's safety and health performance. With two of this year's six fatalities and seven of last year's fourteen fatalities attributed to rockfall, industry CEOs met in April 2002 to develop a strategy for the elimination of fatalities from rockfall. A direct outcome has been the decision to develop a rockfall management guideline applicable to both the coal and metalliferous sectors.

Executive Committee members continued their practice of sharing information on safety and health including an outline of personal efforts to improve safety and health performance within their company.

Safety and Health Recognition

In safety and health, the Minerals Council believes it is important to identify best practice and share experiences by recognising and promoting excellence and innovation.

The Minerals Council promotes two national safety and health awards that offer widespread recognition for safety and health:

- *MINEX Awards* — Pasminco Century Mine in Queensland was the 2002 recipient of the MINEX Awards, which were presented at the NSW Minerals Council's Safety and Health Conference at Terrigal on 2 September 2002. Pacific Coal's Kestrel Coal Mine was awarded a High Commendation. Two operations received a Commended award: BHP Billiton's Mt Whaleback and Coal & Allied's Mt Thorley Operations. In addition, two sites were awarded an Acknowledgment: Sons of Gwalia's Greenbushes operations in WA and BHP Billiton's Illawarra Coal — Appin Colliery.

Following strong industry interest over the past two years with 29 applicants in total, the Minerals Council is hoping for a continuation of the momentum that sees sites recognising the benefits of participating in the MINEX Awards and through peer review benchmarking their own performance against that of the industry.

- *National Safety and Health Innovation Awards* — The fourth National Safety and Health Innovation Awards presentation was held in Adelaide in October, in conjunction with the Minerals Council's national safety and health conference. This year's Award was presented to M.I.M.'s Carpentaria Gold — Ravenswood Operations for the Evans Roller Frame which enables return rollers to be changed from the conveyor walkway thereby reducing the potential for injuries, saving considerable roller replacement time and involving the workforce in seeking creative solutions to identified hazards. A High Commendation was given to Coal & Allied's Mt Thorley Operations for their dozer fall protection frame which allows maintenance personnel to conduct maintenance tasks in the field, preventing exposure to injuries from working at heights.

A case study on this year's MINEX Award recipient will be finalised shortly. Previous years' case studies and all Innovations Profiles booklets (1999 to 2002), describing each innovation finalist, are available from the Minerals Council's web site (under '*Safety & Health, Publications*').

Learning and Continuous Improvement in Safety and Health Performance

The Minerals Council has continued its efforts to provide reliable, comprehensive and consistent data on the industry's safety and health performance. Stakeholders both nationally and internationally use these publications for monitoring and benchmarking purposes. The industry uses the data to raise awareness of safety and health and to report on its progress and performance.

The two key relevant Minerals Council publications are the quarterly *Safety Survey Report* and the annual *Safety and Health Performance Report of the Australian Minerals Industry*. The quarterly report gives a swift but approximate snapshot of the industry's standing in relation to fatalities, LTIFR and other injuries, whereas the annual Performance Report is a much more comprehensive document. Both publications are available from the Minerals Council's web site (under '*Safety & Health, Publications*').

Other activities nearing completion include:

- publication of *Positive Performance Measures: a practical guide* to assist in the development of site-specific positive performance indicators;
- promotion within the industry to report broader outcomes measures such as total recordable injuries which incorporates fatalities, lost time injuries, medical treatment injuries and those injuries where the injured is unable to resume his/her complete range of normal duties. This new, broader outcome measure, total recordable injuries, is now being reported in the quarterly *Safety Survey Report*;
- publication of the *Safety & Health Self Evaluation Tool* which offers the opportunity for sites to obtain a snapshot of their current performance which can then be compared to recognised, leading practice; and
- the development of *Safety Share*, a significant incident (and near-miss) alert and reporting scheme, currently being trialed. It is hoped that there will be sufficient interest to populate the database during the pilot scheme and for the system to be launched nationally in late 2002.

Effective Risk Management of Safety and Health

As a result of last year's national safety and health conference, the Minerals Council commissioned the development of a national minerals industry risk assessment guideline to provide the industry with guidance on risk analysis processes and how they are best applied. The Risk Assessment Guideline is now available as an on-line resource accessible through the Minerals Industry Safety and Health Centre web site, at www.mishc.uq.edu.au.

Conclusion

The Minerals Council of Australia and its member companies remain committed to the safety and health vision, beliefs and awareness. The Minerals Council will continue its leadership drive to improve safety and health performance in 2003 and beyond.

SAFETY AND HEALTH VISION

An Australian minerals industry **free** of fatalities, injuries or diseases.

SAFETY AND HEALTH BELIEFS

- All fatalities, injuries and diseases are preventable.
- No task is so important that it cannot be done safely.
- All hazards can be identified and their risks managed.
- Everyone has a personal responsibility for the safety and health of themselves and others.
- Safety and health performance can always improve.

SAFETY AWARENESS

The state of mind where we are constantly aware of the possibility of injury and act accordingly at all times.

Price Movements

The overall price index remains steady in \$US terms, as falls in prices for a range of major commodity exports are offset by rises in steaming and coking coal.

The fall in the value of the \$A during the year means that prices for most major commodity exports rose slightly in \$A terms.

Official expectations are for average \$US prices to be higher in 2002/03.

In 2001/02, average US dollar world mineral prices were almost unchanged, following a 1 per cent fall in the previous year. However, with the Australian dollar falling around 3 per cent between 2000/01 and 2001/02, this translated into a 3 per cent rise

in the Australian dollar commodity price index between 2000/01 and 2001/02.

Despite the flat US dollar price index, average US dollar prices for a number of mineral commodities, particularly coking coal and steaming coal, rose in 2001/02. These increases were largely driven by a recovery in commodity demand due to renewed economic activity in Asia and the impact on supply of further industry consolidation. The overall index was pulled down by price falls, generally reflecting weak demand, for a number of major commodity exports, particularly iron ore, aluminium, copper, zinc and nickel.

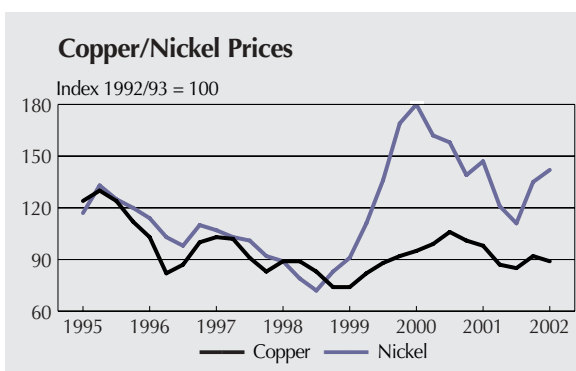
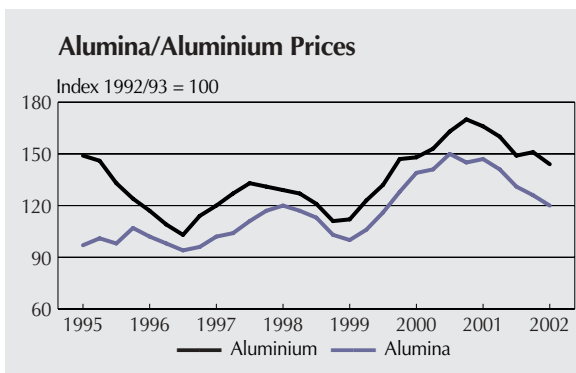
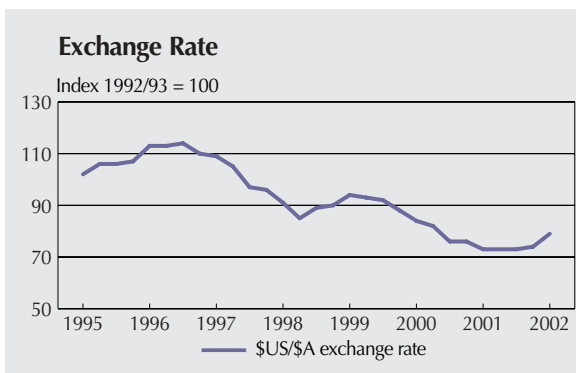
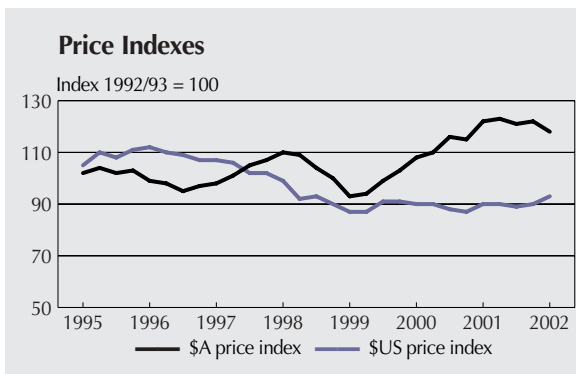
Official expectations (from ABARE) are for world prices for most mineral commodities to be higher in 2002/03, particularly for gold, aluminium, copper and nickel. This is expected to be a result of a combination of factors leading to improved industrial production growth, reflecting an improvement in economic conditions in the United States, Europe and Japan.

US dollar copper and nickel prices fell by 6 and 10 per cent respectively in 2001/02, while US dollar lead prices rose by 1 per cent. Australian dollar copper prices fell by 3 per cent while nickel prices fell by around 7 per cent in Australian dollar terms. Lead prices rose by 4 per cent in Australian dollar terms through the year.

US zinc prices fell 4 per cent through the year, and by 2 per cent in Australian dollar terms.

Steaming coal prices rose 6 per cent in US dollar terms 2001/02. This followed a 5 per cent rise in the previous year. Compared to steaming coal, coking coal demand was slightly weaker and the rise in US dollar prices, at 4 per cent, was less pronounced.

World demand for steaming coal is expected to increase in 2002/03, in line with rising global economic growth and higher demand for energy. Negotiations in early 2002 resulted in a decrease in long-term steaming coal and an increase in long-term coking coal contract prices with Japanese importers. Coking coal demand is expected to improve slightly in 2002/03 in response to some increase in demand by Asian steel makers. However, the possible introduction in Japan of a tax on coal imports could significantly influence the cost competitiveness and therefore demand for coal going forward.



Iron ore prices fell by 2 per cent in 2001/02 in US dollar terms. However, demand for iron ore is expected to improve strongly in 2002/03 as a result of stronger Asian demand, particularly in China and, to a lesser extent, Japan and Korea.

In 2001/02, weak aluminium demand combined with growth in world aluminium production resulted in slight decreases in world aluminium and alumina prices, with falls of 2 and 3 per cent respectively recorded over the previous year.

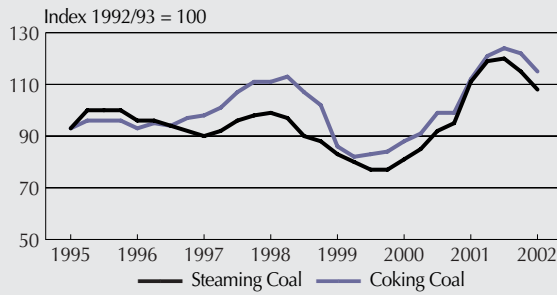
US dollar gold prices fell by less than 1 per cent in 2001/02, following a 4 per cent fall in the previous year. In Australian dollar terms, gold prices rose by around 3 per cent in 2000/01, after a 12 per cent rise in the previous year.

Australian gold producers, in general, retain a degree of management of short-term price fluctuations via the hedging programs that major companies have in place (however, general conditions for hedging have been less favourable in recent years, with many producers significantly reducing their hedge book positions).

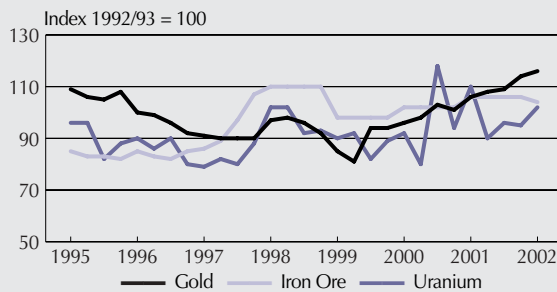
Australian dollar prices for ilmenite rose by 2 per cent in 2000/01, while rutile and zircon prices rose by 2 and 5 per cent, respectively. Since the early 1990s, prices have risen substantially as a result of constrained supply in other exporting countries, and continuing strong demand in the developed economies. Price increases are expected for ilmenite, rutile and zircon in 2002/03, reflecting expected growth in key export markets.

ABARE reports that average \$US prices for most mineral commodities are expected to be higher in 2002/03. However, ABARE notes the higher expected Australian dollar, combined with the higher expected \$US prices, may see the \$A prices for most mineral exports remain flat during this period.

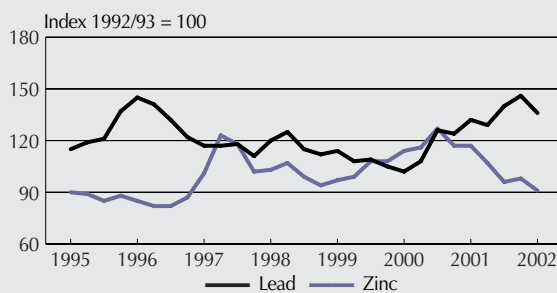
Steaming Coal/Coking Coal Prices



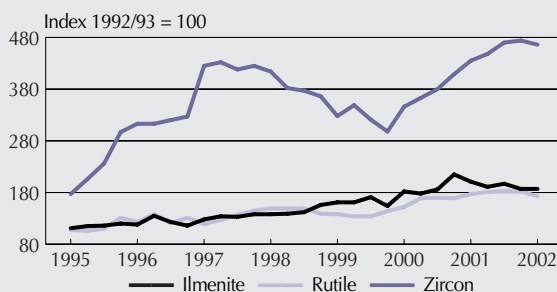
Gold/Iron Ore/Uranium Prices



Lead/Zinc Prices



Mineral Sands Prices



Note: The charts describe movements in Australian dollar prices for major minerals. Prices are presented in the form of quarterly indexes with the base year, 1992/93, equal to 100. The prices shown on the graphs for lead, copper, nickel and zinc are London Metal Exchange (LME) spot prices expressed in Australian dollars at average quarterly exchange rates. Alumina, aluminium, coking coal, steaming coal, iron ore, uranium and mineral sands prices are unit export values (export values divided by export tonnages). Gold prices are from the London bullion market. The Index of Mineral Commodity Prices is a weighted average of prices, using each mineral product's contribution to the total value of mineral exports over the period 1991/92 to 1993/94 to apportion weights. Raw price data are from Australian Bureau of Agricultural and Resources Economics, *Australian Mineral Statistics*, various issues.

Production

Australia retains its position as one of the world's leading minerals producing nations.

The Minerals Council of Australia Mine Production Index has increased by 37 per cent over the ten years to 2001/02.

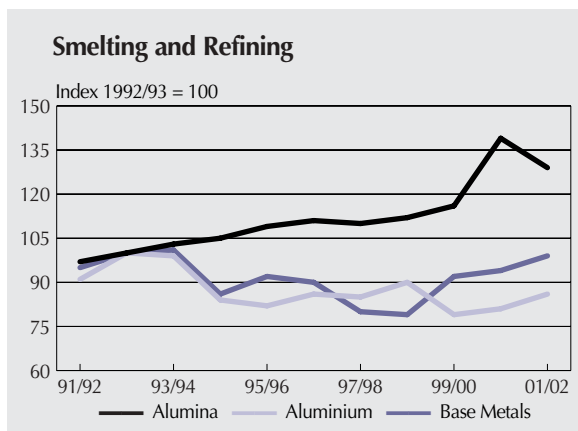
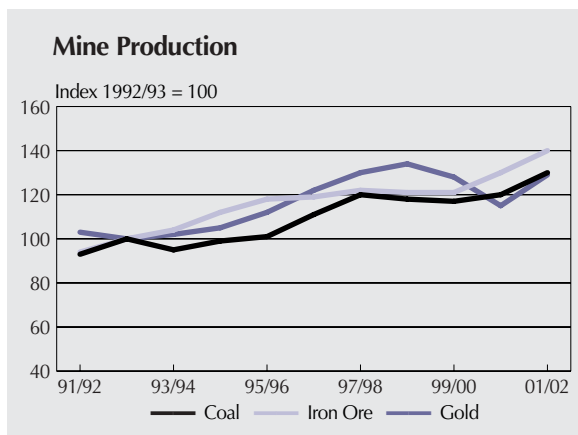
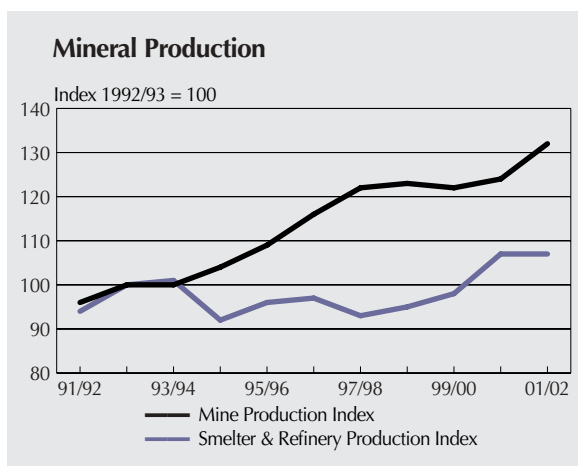
Smelting and refining production falls by 1 per cent.

The value of exports rises by 4 per cent as a result of volume increases and stronger \$A prices for many commodities.

Mine Production

Australia continued its position as one of the world's leading minerals producing nations in 2001/02.

This position should be maintained well into the future, as official estimates by Geoscience Australia note that Australia has the world's largest economic demonstrated resources (mineral resources for which profitable extraction or production is possible) of lead, mineral sands, nickel, tantalum, uranium and zinc.



In addition, its level of economic demonstrated resources is in the top six worldwide for bauxite, black coal, brown coal, cobalt, copper, gold, iron ore, lithium, manganese ore, rare earth oxides and gem/near gem diamond (see Geoscience Australia, *Australia's Identified Mineral Resources 2002*, or www.ga.gov.au, for further details).

Mine production by respondents to the survey, as measured by the Minerals Council of Australia Mine Production Index, rose by 6.9 per cent in 2001/02, following a rise of 1.5 per cent in the previous year. Overall, the Mine Production Index has risen by 37 per cent over the last ten years. Production of many mineral commodities was at record levels in 2001/02.

Bauxite production by respondents fell by 13 per cent in 2001/02 following a 12 per cent rise in 2000/01. However, this figure has been affected by a slightly lower level of coverage of bauxite in this year's survey. Government figures show that bauxite production fell by just over 1 per cent between 2000/01 and 2001/02.

Iron ore production by respondents rose by 8 per cent to record levels in 2001/02. The volume of iron ore exports rose by 5 per cent in 2001/02. Iron ore export volumes are expected to increase further in 2002/03, as a result of stronger Asian, particularly Chinese, demand.

Black coal production by respondents rose by 9 per cent in 2001/02, following a 2 per cent rise in the previous year. The Australian coal industry is continuing to undergo restructuring. A number of new mines in Queensland and New South Wales are commencing or expected to commence shortly, marking a turnaround from the experience of recent years. In addition, growth in world coal trade is expected to strengthen in 2002/03, following an increase in 2001/02, as coal fired electricity generation and blast furnace steel production grows.

Mine production of copper rose 1 per cent in 2001/02, lead production rose 10 per cent and zinc production rose 9 per cent. The increase in copper production during the year was largely the result of increased production at WMC's Olympic Dam mine in South Australia. The increase in zinc production was largely the result of increased production at Pasminco's Century mine in Queensland. The increase in lead production was largely the result of increased production at Pasminco's Century mine in Queensland, BHP Billiton's Cannington mine in Queensland and M.I.M.'s Mount Isa and George Fisher operations in Queensland.

Production of Major Mineral Commodities by Survey Respondents^(a)

	2001/02 '000	2000/01 '000	1999/2000 '000
Mine Production			
Bauxite	50,230	57,973	51,723
Black Coal (saleable) ^(b)	196,365	180,664	176,701
Copper ^(c)	664	659	643
Diamonds ('000 carats)	26,097	26,500	41,681
Gold ^(c) ('000 troy ounces)	7,915	7,073	7,866
Iron Ore	170,627	158,211	147,763
Lead ^(c)	731	664	648
Mineral Sands – Ilmenite ^(c)	1,799	1,968	1,746
– Rutile ^(c)	172	191	157
– Zircon ^(c)	350	316	321
Manganese Ore ^(c)	1,955	1,612	1,501
Nickel ^(c)	292	271	220
Silver ^(c) ('000 troy ounces)	61,523	56,359	56,244
Tin ^(c)	7	9	9
Uranium (tonnes)	8,581	9,151	8,244
Zinc ^(c)	1,660	1,523	1,233
Smelting and Refining Production			
Alumina	15,735	16,930	14,202
Aluminium	965	909	889
Refined Copper	440	435	425
Lead Bullion	200	153	165
Refined Lead	275	215	233
Refined Zinc	375	344	333
Refined Nickel	89	90	86
Iron Ore Pellets	2,024	2,066	3,498
Refined Silver ('000 troy ounces)	13,919	11,715	13,057
Synthetic rutile	480	510	459

Notes: (a) Thousand tonnes unless otherwise specified.

(b) Raw coal production less rejects removed at coal washeries plus unexplained stock adjustments at the mine.

(c) Metallic content of mine production.

Nickel production rose by 8 per cent in 2001/02. Further increases in nickel production are expected in the next few years. Ramping up of production at the Cawse, Bulong and Murrin Murrin laterite nickel mines and expanding output from LionOre's Emily Ann mine will result in increases in mine production and export returns in coming years.

Respondents' gold production rose by 12 per cent in 2001/02. However, this figure has been affected by a higher level of coverage of gold in this year's survey. According to Government figures, gold production actually fell by 8 per cent in 2001/02. Production is expected to remain flat in 2001/02, although increases are expected in the second half of the year as a number of operations reach

capacity production levels and some new operations commence.

Uranium production fell in 2001/02, following an increase in 2000/01. This was a result of decreased demand and difficult world market conditions.

Ilmenite and rutile production fell during 2001/02, by 9 per cent and 10 per cent respectively. Zircon production was 11 per cent higher.

Smelting and Refining Production

The Smelting and Refining Production Index fell by 0.5 per cent in 2001/02, with respondents' production results varying across the range of metals produced.

Production of alumina, as reported by respondents, fell by 7 per cent in 2001/02, while production of aluminium rose by 6 per cent.

However, the figures for aluminium have been affected by the survey's relatively low level of coverage of aluminium compared to other commodities. This relatively low level of coverage will make ABARE estimates a more reliable guide. According to ABARE figures, aluminium production rose by 1 per cent in 2001/02. A further small increase is expected in 2002/03 as a result of efficiency improvements at a number of smelters and refineries.

Refined base metals production in 2001/02 rose by 6 per cent following a 2 per cent rise in 2000/01. Respondents' production of refined copper rose by 1 per cent. Refined zinc production rose by 9 per cent. Production of refined nickel fell by 1 per cent, while production of lead bullion rose by 31 per cent and production of refined lead by 28 per cent. Production of refined nickel is expected to increase in the coming year, reflecting increases in production by WMC and the three Western Australian laterite nickel producers.

Alumina production is expected to remain flat with no new expansions in capacity expected in 2002/03. Looking forward however, Comalco's announcement in October 2001 that Rio Tinto Limited had approved the commencement of construction of the Comalco Alumina Refinery 10 kilometres northwest of Gladstone, Queensland will see expenditure of \$US 750 million (on the first stage) to produce 1.4 million tonnes per annum of

alumina. The construction and commissioning of the refinery is scheduled to be completed in three years with first product shipped in early 2005.

Reflecting the rise in refined lead production, production of refined silver rose by 19 per cent.

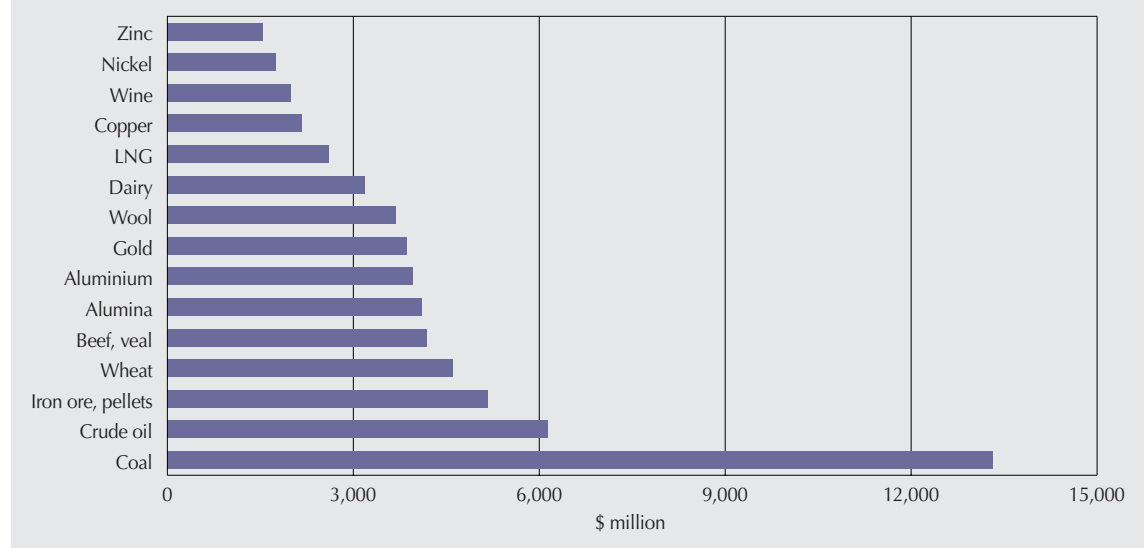
Exports

Around 90 per cent of Australian mineral production (by value) is exported directly or indirectly. According to ABARE statistics, the value of exports of minerals covered by this survey rose by 4 per cent in 2001/02 to \$41.2 billion, as a result of a lower average exchange rate and increased export volumes. Major increases in export revenue were reported for coal and iron ore.

As foreshadowed in last year's report, improved \$A prices and increased export volumes underpinned the improvement in exports. In 2002/03, exports are expected to increase further, particularly for coal, copper, gold and nickel.

Note: The Minerals Council of Australia Mine Production Index and Smelting and Refining Index are based on production of survey respondents. The indexes are weighted averages with individual commodity weights based on each commodity's contribution to export earnings in the three years 1991/92 to 1993/94. The production figures reported in this survey generally differ slightly from Government estimates for the entire industry. As company coverage varies from year to year, the figures in the table may, in some cases, give a misleading impression of the movement in production volumes. In these cases, the commentary will point this out.

Major Australian commodity exports, 2001/02



Aggregate Statement of Financial Position

Reflecting the level of recent expansions at existing operations and industry consolidation through acquisitions, the total value of assets employed increased by 2 per cent from 2000/01.

Borrowings rose by 2 per cent to finance operational expansions and acquisitions.

The overall industry statement of financial position remains sound.

At the end of 2001/02, the total value of assets employed in the minerals industry by survey respondents was \$63,039 million, an increase of 2 per cent on the previous year.

The value of fixed and deferred assets rose by 6 per cent to \$41,470 million. This followed a 2 per cent increase in the previous year. The increase in the value of fixed assets is a result of the level of recent expansions at existing operations and industry consolidation through acquisitions during the year.

Shareholders' funds rose by 6 per cent. To partly finance operational expansions and acquisitions, borrowings rose by 2 per cent in 2001/02 to be \$16,181 million. As a result of the increase in the level of shareholders' funds and the relatively smaller increase in borrowings, the debt to debt plus equity ratio fell slightly, from 0.36 in 2000/01 to 0.35 in 2001/02, but still well above the average for the past ten years of 0.29.

The ratio of current assets to current liabilities fell from 1.17 in 2000/01 to 0.89 in 2001/02. The ratio of revenue to fixed and deferred assets rose slightly, from 0.92 to 0.94. The funds turnover ratio also rose slightly, from 0.82 to 0.85.

The overall industry statement of financial position remains sound. The increased investment in the industry will provide a good base for the industry to capitalise on any future upturn in world commodity prices.

	2001/02	2000/01	1999/2000	2001/02	2000/01	1999/2000
	\$ million			Percentage of total assets		
Shareholders' Funds	30,615	28,909	28,748	48.6	46.8	50.1
Borrowings	16,181	15,925	15,081	25.7	25.8	26.3
Total Funds Employed	46,796	44,834	43,829	74.3	72.6	76.4
Income Tax Provision	4,508	3,889	3,528	7.1	6.3	6.2
Other Provisions	5,560	5,522	4,913	8.8	8.9	8.6
Trade Creditors and Accruals	5,507	5,277	3,527	8.7	8.5	6.1
Other Liabilities	668	2,295	1,601	1.1	3.7	2.7
Equity and Liabilities	63,039	61,815	57,410	100.0	100.0	100.0
Fixed and Deferred Assets	41,470	39,113	38,502	65.8	63.3	67.1
Operating Current Assets	12,349	13,889	10,513	19.6	22.5	18.3
Other Assets	9,221	8,815	8,396	14.6	14.2	14.6
Total Assets	63,039	61,815	57,410	100.0	100.0	100.0
		Average ratios				
Revenue to Fixed Assets	0.94	0.92	0.82			
Funds Turnover Ratio	0.85	0.82	0.75			
Debt to Debt plus Equity Ratio	0.35	0.36	0.34			
Current Ratio	0.89	1.17	1.25			

Aggregate Statement of Financial Performance

Industry profitability falls slightly in 2001/02, coming off the ten-year high recorded in 2000/01.

Australian dollar price increases and solid production levels mean that total revenue records an 8 per cent increase.

Total expenses increase, with labour costs and production and other operating costs contributing most to this rise.

Industry profits decreased slightly in 2001/02, due to the combination of an increase in revenue being more than offset by an increase in costs. Profit levels do, however, remain relatively high after a period of low returns.

Total revenue rose 8 per cent to \$38,833 million. Within this total, smelting and refining sales revenue rose by 3 per cent, while mining revenue rose by 8 per cent. These results reflected the combination of world price movements, generally higher production volumes and the lower \$A/\$US exchange rate. They are also impacted by the difficulty of splitting revenue between mining and smelting and refining faced by some integrated producers in the industry. Other revenue rose by 26 per cent, reflecting a number of one-off transactions in the industry, particularly asset sales.

Total expenses rose by 11 per cent, following a 7 per cent rise in 2000/01. Labour costs and production and other operating costs (reflecting a number of operational expansions in the industry and the adverse impact of the lower average \$A/\$US during the year) contributed most to this rise.

Interest expenses rose by 8 per cent. This rise was the result of the impact of the relatively low average exchange rate during the year, the lower level of interest capitalisation on major projects and changes in the level of inter-company borrowings of major respondents.

Resource based taxes rose by 8 per cent. This reflected the impacts of the changes in some production levels on royalty payments, the impact of changed coal royalty arrangements in Queensland and some new respondents to the survey.

Depreciation and amortisation expenses rose by 1 per cent during the year. Labour costs rose by 25 per cent in 2001/02, reflecting the fall in direct employment that gave rise to a significant level of redundancy payments during the year.

Operating profit was \$5,797 million, following a period of low profit returns. The industry experienced a significant decrease in net exchanges losses, which fell by 96 per cent from \$673 million in 2000/01 to \$28 million in 2001/02. It is important to note the survey does not identify the mix of realised and unrealised net exchange losses.

Net profit in 2001/02 was \$3,834 million. This outcome, which is 4 per cent lower than 2000/01 was significantly impacted by losses incurred by a small number of major respondents.

In summary, profitability has fallen slightly, but remain at a relatively high level, confirming that the weakness of results in previous years has reflected factors other than an erosion of productivity or efficiency. The industry has responded to difficult circumstances by instituting major changes to the way it operates and, as a result, is better placed to meet the challenges in the years ahead.

	2001/02 \$ million	2000/01 \$ million	1999/2000 \$ million
Mining Sales	22,945	21,184	20,181
Smelting and Refining Sales	13,041	12,628	10,300
Other Revenue	2,847	2,268	1,273
Total Revenue	38,833	36,080	31,755
Labour Costs	4,980	3,995	4,290
Government Rail and Port Charges	1,253	1,059	1,225
Cost of Production and Operating Costs ^(a)	18,422	16,085	15,412
Depreciation and Amortisation	3,909	3,855	3,708
Interest	2,834	2,613	1,644
Resource Based Taxes	1,182	1,097	949
Net Exchange Losses	28	673	186
Indirect Taxes	428	460	450
Total Expense	33,036	29,837	27,864
Operating profit before abnormals	5,797	6,243	3,891
Abnormal Gain (Loss) ^(b)	0	(548)	(1,816)
Operating Profit	5,797	5,695	2,075
Income Tax Expense	1,904	1,685	954
Net Profit Before Extraordinaries	3,893	4,010	1,121
Net Extraordinary Gain (Loss)	(59)	0	0
Net Profit	3,834	4,010	1,121

Notes: (a) Includes costs of production, contractor costs and marketing costs that are not separately identified in the Table.
(b) Following changes to the relevant Australian Accounting Standard in 2001, abnormal gains (losses) are no longer separately recorded but are rather included in 'Cost of Production and Operating Costs'. This change only applies to the 2001/02 data.

Profitability

Industry profitability falls slightly in 2001/02, coming off the ten-year high recorded in 2000/01.

A fall in profitability was recorded in the mining sector of the industry while profitability in the smelting and refining sector of the industry improved.

Following a period of low profitability in the mid to late 1990s, both overseas and in Australia, and last year's strong result, indicators of profitability for the industry fell slightly during 2001/02, but continue at a relatively high level. In part, the low level of profitability in the late 1990s reflected the number of new projects in the industry that did not meet profit expectations (and was also influenced by major asset write-downs). Having been commissioned, most of these projects are now contributing to profit levels. On this basis, the outlook is for continuing profitability in coming years.

The net profit return on average shareholders' funds was 12.9 per cent in 2001/02, compared with 13.9 per cent in the previous year. This is well above the ten-year average of this measure of profitability of 7.5 per cent.

The net profit return on average assets employed fell slightly, from 6.7 per cent in 2000/01 to 6.2 per cent in 2001/02. This was also well above the ten-year average of this measure of 3.8 per cent. A broader measure of rates of return, operating profit before interest and income tax expense on average funds employed, was 19.5 per cent in 2001/02. This is up on the 18.7 per cent return recorded in 2000/01, and well up on the 8.6 per cent return recorded in 1999/2000.

As in most years, there was large variation in profits / losses across commodities and across respondents.

Note: The ratios quoted in the table below are a better measure of performance than absolute dollar earnings. The latter is not a reliable guide to the industry's performance unless it is related to the level of funds invested or the asset base. Figures in the funding and profitability table should be interpreted with care. Asset values have generally not been adjusted to reflect the effects of inflation. Consequently, in current dollar terms, the returns on shareholders' funds and the other profit measures tend to be overstated and the aggregate value of assets understated. For definitions, see Appendix 1.

	2001/02 \$ million	2000/01 \$ million	1999/2000 \$ million
Average Shareholders' Funds	29,762	28,829	28,219
Average Funds Employed	44,315	44,332	43,263
Average Assets	62,427	59,613	57,117
Operating Profit Before Abnormal Items ^(a)	5,797	6,243	3,891
Operating Profit Before Interest and Income Tax	8,631	8,308	3,719
Operating Profit Before Income Tax	5,797	5,695	2,075
Operating Profit After Income Tax	3,893	4,010	1,121
Net Extraordinary Gain (Loss)	(59)	0	0
Net Profit	3,834	4,010	1,121
Rates of Return	per cent	per cent	per cent
Operating Profit Before Abnormals Return on Average Shareholders' Funds ^(a)	19.5	21.7	13.8
Operating Profit Before Interest and Income Tax Expense on Average Funds Employed	19.5	18.7	8.6
Net Profit Return on Average Shareholders' Funds	12.9	13.9	4.0
Net Profit Return on Average Assets Employed	6.2	6.7	2.0
Net Profit Return on Total Revenue	9.9	11.1	3.5

Notes: (a) Following changes to the relevant Australian Accounting Standard in 2001, abnormal gains (losses) are no longer separately recorded but are rather included in 'Cost of Production and Operating Costs'. This change only applies to the 2001/02 data

The mining sector of the industry recorded a profit of \$1,901 million, representing a net profit return on average assets employed of 4.9 per cent. This was down from the 6.4 per cent recorded in 2000/01.

In the smelting and refining sector of the industry, net profit return on average assets employed in this sector of the industry was 8.1 per cent. This compares with a return of 7.4 per cent in the previous year.

Note: Some care should be taken in interpreting the figures reported in the table below. The aluminium / alumina sector largely reports on a calendar year basis. Thus, the survey does not reflect price changes in the latter half of 2001/02. Secondly, the split between mining and smelting and refining is somewhat artificial. For example, primary gold smelting to produce doré is included in the mining sector.

	2001/02 \$ million	2000/01 \$ million	1999/2000 \$ million
Mining			
Sales Revenue	22,945	21,184	20,181
Net Profit	1,901	2,456	1,585
	per cent	per cent	per cent
Net Profit on Average Assets Employed	4.9	6.4	4.1
Smelting and Refining	\$ million	\$ million	\$ million
Sales Revenue	13,041	12,628	10,300
Net Profit	1,933	1,554	(464)
	per cent	per cent	per cent
Net Profit on Average Assets Employed	8.1	7.4	-2.5

Statement of Cash Flows

Net cash from operating activities was applied to on-going investment activities and returned to stakeholders in the form of interest and dividend payments.

In 2001/02, the minerals industry received \$35,545 million from customers. Net cash from operating activities totalled \$7,133 million, which was largely applied to investment activities, particularly the purchase of property, plant and equipment. Overall, however, net cash used in investment activities was lower than net cash provided by operating activities.

Proceeds from the issue of shares in 2001/02 were \$1,064 million, 21 per cent lower than in 2000/01. The statement of cashflows shows new borrowings and refinancing of existing debt down from 2000/01.

Dividend payments were recorded as \$2,491 million. This result reflects the final dividend payment for 2000/01 and an interim payment for 2001/02. In addition, this amount does not necessarily equate to shareholder payments, as it can reflect payments by subsidiaries to parent companies.

	2001/02 \$ million	2000/01 \$ million
Operating Activities		
Receipts from customers	35,545	32,362
Payments to suppliers and employees	(25,559)	(22,034)
Dividends received	514	475
Interest received	838	896
Interest and other costs of finance paid	(2,643)	(2,233)
Income taxes paid	(1,407)	(745)
Other	(155)	73
Net cash provided by operating activities	7,133	8,794
Investing		
Payment for purchase of controlled entities	(1,256)	(2,306)
Proceeds from sale of controlled entities	626	1,506
Payments for property, plant and equipment	(5,364)	(4,870)
Proceeds from sale of property, plant and equipment	982	219
Other payments	(740)	(1,297)
Other proceeds	1,097	969
Net cash used in investing activities	(4,655)	(5,779)
Financing		
Proceeds from issues of shares	1,064	1,344
Proceeds from borrowings	9,389	12,522
Repayments of borrowings	(9,452)	(11,505)
Dividends paid	(2,491)	(3,637)
Other	1,025	(1,527)
Net cash provided by financing activities	(465)	(2,803)
Cash at the beginning of the year ^(a)	1,939	1,241
Net increase / (decrease) in cash held	2,013	212
Movements attributable to exchange rate fluctuations on foreign currencies held	(116)	29
Cash at the end of the year	3,836	1,482
Note: (a) The change in the mix of respondents means cash at the beginning of 2001/02 differs from the 2000/01 end of year figure.		

Borrowings

Reflecting the level of investment activity in the industry during the year, borrowings were \$16,181 million at the end of 2001/02, 2 per cent higher than at the end of the previous year.

The shift towards longer-term debt evident in 2000/01 was turned around, with major short-term borrowings by a small number of respondents.

Around 72 per cent of debt is now denominated in a foreign currency.

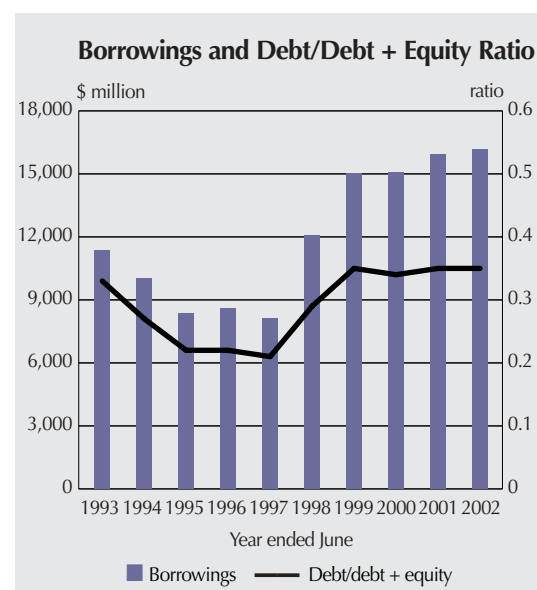
At the end of 2001/02, borrowings were \$16,181 million, 2 per cent higher than at the end of the previous year.

As a result of the rise in borrowings but a relatively larger rise in the level of shareholders' funds, the gross debt to debt plus equity ratio fell slightly, from 0.36 in 2000/01 to 0.35 in 2001/02. It does, however, remain well above the average for the past ten years (see Appendix 3).

The proportion of borrowings repayable between two and three years fell from 24 per cent to 14 per cent, while the proportion of debt repayable between four and five years rose from 8 per cent to 12 per cent. The share of debt repayable after more than five years fell from 50 per cent to 35 per cent. The share of debt repayable within one year rose significantly, from 18 per cent to 39 per cent. This reflected the impact of the borrowing activities of a small number of major respondents.

In 1999/2000, there was a pronounced increase in foreign, especially \$US, denominated debt. This increase continued in 2000/01, and has continued again in 2001/02, with debt denominated in a foreign currency now accounting for around 72 per cent of total borrowings.

Debt denominated in a foreign currency, particularly that which is \$US denominated (in the Australian minerals industry, foreign currency debt is predominantly \$US denominated), provides the advantage of a natural hedge arising from the fact that most of the industry's revenue is denominated in foreign currency. While the optimal mix of debt will vary with industry circumstances, incentives to shift in or out of foreign denominated debt can also be explained by the relative rates of interest that are available in overseas financial markets, compared with domestic interest rates.



Amounts Owing at Balance Date Repayable Within:	June 2002 \$ million	June 2001 \$ million	June 2000 \$ million	June 2002 Percentage of total	June 2001 Percentage of total	June 2000 Percentage of total
1 Year	6,230	2,790	1,491	38.5	17.5	9.9
2 – 3 Years	2,296	3,818	3,561	14.2	24.0	23.6
4 – 5 Years	1,965	1,287	3,795	12.2	8.1	25.2
After 5 Years	5,690	8,030	6,234	35.1	50.4	41.3
Total Borrowings^(a)	16,181	15,925	15,081	100.0	100.0	100.0
In foreign currency	11,695	11,110	9,620	72.3	69.8	63.8
In Australian currency	4,486	4,815	5,461	27.7	30.2	36.2

Note: (a) For a small number of respondents, the figures for borrowings do not include inter-company debt.

Distribution of Assets by Activity

Total exploration and mining sector assets rise year-on-year, while total smelting and refining assets fall slightly.

At the end of 2001/02, assets employed in the minerals industry totalled \$63,039 million, an increase of 2 per cent on the previous year. The total value of fixed and deferred assets was \$41,470 million, an increase of 6 per cent. The value of other assets fell by 5 per cent.

Total assets employed in the exploration and mining sector of the industry rose by 3 per cent. There was an 8 per cent increase in the value of fixed and deferred assets, while other assets fell by 6 per cent.

In the smelting and refining sector, total assets employed fell marginally, with an increase of 2 per cent in the value of fixed and deferred assets more than offset by a 4 per cent fall in other assets.

The share of exploration and mining assets in total assets employed remain steady at 61 per cent in 2001/02, but down from 69 per cent in 1999/2000. This ratio had been stable at 75 : 25 in the late 1990s.

	June 2002 \$ million	June 2001 \$ million	June 2000 \$ million
Exploration and Mining			
Fixed and deferred assets	26,028	23,991	26,413
Other ^(a)	13,145	13,925	12,971
Total	39,173	37,916	39,384
Smelting and Refining			
Fixed and deferred assets	15,442	15,122	12,089
Other ^(a)	8,424	8,777	5,937
Total	23,866	23,899	18,026
Total Assets			
Fixed and deferred assets	41,470	39,113	38,502
Other ^(a)	21,569	22,702	18,908
Total	63,039	61,815	57,410
Note: (a) 'Other' assets include inventories, receivables, future income tax benefit assets, inter-company balances and assets held for resale.			

Government and Taxation

Total taxes expended by minerals companies rose by 8 per cent. Much of the rise is in income tax expense, which is up 13 per cent – despite the slightly lower profitability levels.

If the Government wishes to continue to adopt and implement a more certain, equitable and durable taxation system to deliver lasting benefits for all Australians, it is vital that genuine and on-going consultation with industry is maintained.

The total amount of direct and indirect tax liabilities incurred by respondents in 2001/02 was \$3,514 million, 8 per cent higher than in the previous year. In 2001/02, total tax expended by companies represented 48 per cent of net profit before all taxes, compared with 45 and 68 per cent in 2000/01 and 1999/2000 respectively.

Income tax expense rose by 13 per cent, despite the slightly lower profitability levels.

In 2001/02, income tax accounted for 36 per cent of pre-income tax net profit, up from 30 per cent in the previous year. In any given year this figure may differ from the company tax rate (which is currently 30 per cent) due to differences in the definition between accounting profit and taxable income.

Royalty payments to government in 2001/02 were \$1,182 million, 8 per cent higher than in the previous year. This partly reflects the decision in the 2001/02 Queensland State Budget to ‘refine’ royalty arrangements facing the Queensland coal industry – which widened the coal royalty revenue base on which the flat rate of 7 per cent is calculated. This change in royalty arrangements has cost the industry an extra \$32 million in the six months since the royalty came in effect on 1 January 2002.

Government port and rail charges rose by 18 per cent to \$1,253 million, reflecting the increase in production levels for relevant mineral commodities.

The total of indirect taxes paid by the industry fell by 7 per cent in 2001/02 to \$428 million. This decrease was due to a sharp fall in fuel excise payments and other taxes, which were down 39 per cent. The other components of total indirect taxes all recorded increases.

In 2001/02, income tax accounted for 54 per cent of total taxes expended by companies, resource based taxes accounted for 34 per cent and indirect taxes accounted for 12 per cent.

In relation to business taxation reform, the Minerals Council has long supported simplification of Australia’s business income tax system to make it more equitable, efficient and transparent. As part of this, the Minerals Council has long argued that it is the combination of all business tax rates and measures, and not just the corporate rate (or any other single tax measure), that is important in assessing project viability. In this context, the Minerals Council welcomes the pragmatic approach the Government has taken in many aspects of its on-going reform of the Australian business taxation system.

The Government announced in the May 2002 Budget that it would introduce statutory caps on the effective lives for taxation purposes of aeroplanes, helicopters, gas transmission and distribution assets, oil and gas production assets and assets used to manufacture condensate, crude oil, domestic gas, liquid natural gas or liquid petroleum gas.

This decision is commendable in so far as it represents a step in the right direction – it also provides the basis for developing a consistent policy approach regarding the effective life of all long-lived assets across all sectors. It would not be in the national interest if special consideration were given to any one sector in the absence of a consistent public policy position on all long-lived assets. The Minerals Council has long advocated a cap (say of 20 years) on the effective lives of long-lived assets for depreciation purposes. This would provide a consistent policy approach.

The industry has now worked with the new Uniform Capital Allowance (UCA) regime since 1 July 2001. It was always recognised there may be a need to amend further the legislation once industry and the Treasury/ATO had had some experience in its practical operation. The Minerals Council continues to advocate that a range of technical amendments should be introduced expeditiously in consultation with industry along the lines adopted under the Tax Law Improvement Project. That is, they would be moved after consultation as technical amendments as part of the regular *Taxation Laws Amendment Bill* process with effect backdated to 1 July 2001. The Minerals Council looks forward to amendments to address a number of important UCA issues progressing through the Parliament in early 2003.

The Government also introduced the new Consolidations regime, which for some groups took effect from 1 July 2002. As with the UCA regime, there will be a need to amend further the legislation once industry and the Treasury/ATO had had some experience in its practical operation, especially given the complicated nature of the new regime.

Taken together, these Acts reflect government and opposition parties’ willingness to listen and consult with industry to achieve a pragmatic outcome. This approach augurs well for the future as further reforms are considered and developed. The Government is also to be commended for issuing exposure draft legislation in many areas for comment prior to introduction into Parliament.

The Government is also conducting, through the Treasury and the Board of Taxation, a review of international taxation arrangements. This review has examined whether existing international tax arrangements impede Australian companies expanding offshore, whether they impede attraction of domestic and foreign equity, and how they affect holding companies and conduit holdings being located in Australia. Ensuring the outcomes of this review are in the best interests of the Australian economy and the Australian minerals industry will be a key focus for the Minerals Council in 2003.

The Minerals Council welcomes this emphasis on consultation, as it will assist, in the words of the Ralph Review, the adoption and implementation of “a more certain, equitable and durable taxation system to deliver lasting benefits for all Australians”.

Note: The income tax figures in this table differ from income tax actually paid during the year because of differences in the timing of the recognition of income tax expense in the accounts of respondents and the actual payment of income tax to the Government. Actual tax payments made in 2001/02 are also partly reflected in profits of the 2000/01 financial year.

	2001/02	2000/01	1999/2000	2001/02	2000/01	1999/2000
	\$ million			per cent of total company taxes		
Taxes Levied On Companies						
Mineral Royalties, Licence Fees, etc	1,182	1,097	949	33.6	33.8	40.3
Income Tax Expense	1,904	1,685	954	54.2	52.0	40.5
Total Direct Taxes	3,086	2,782	1,903	87.8	85.8	80.8
Land Taxes and Rates	51	51	55	1.4	1.6	2.4
Payroll Tax	205	174	199	5.9	5.4	8.4
Fringe Benefits Tax	69	67	89	2.0	2.1	3.8
Fuel Excise & Other Taxes	103	168	107	2.9	5.2	4.6
Total Indirect Taxes	428	460	450	12.2	14.2	19.2
Total Tax Expense by Companies	3,514	3,242	2,353	100.0	100.0	100.0
Taxes Levied On Others						
Income Tax Paid by Employees	931	864	1,163			
Withholding Tax Paid by Lenders and Shareholders	5	14	5			
Total Taxes	4,450	4,120	3,521			
Government Rail and Port Charges	1,253	1,059	1,225			
Total Government Revenue	5,703	5,179	4,746			

Rehabilitation Expenditure

As at November 2002, 42 companies were signatories to the 2000 Australian Minerals Industry Code for Environmental Management, applying the Code at numerous sites, both domestically and overseas.

The annual expense for rehabilitation in 2001/02 was \$229 million.

The figures presented in this survey cover only part of the industry's total environmental expenditure.

In 2001/02, the industry provided \$229 million for expenditure on rehabilitation. The accumulated balance of the provision for rehabilitation expenditure rose to \$1,838 million at the end of 2001/02. The strong rise in the balance over the past few years is consistent with an increased focus on environmental rehabilitation by the minerals industry. The balance is provided for the purpose of rehabilitation and can be expected to be drawn down in future years.

Expenditure on rehabilitation is projected to decrease next year. This reflects, to some extent, the increasingly targeted, cost effective and efficient rehabilitation methods developed by respondents, as well as the 'maturing' of some provisions to reflect the full anticipated future costs of rehabilitation.

It should also be noted that the figures presented in this survey cover only part of the industry's total environmental expenditure (see note at the end of this section).

More than in any other way the community judges the minerals industry by its environmental and related social performance. It is only with demonstrated operational performance that the industry can achieve support and improved standing with regulators and decision-makers and eventually with the community at large.

The industry's efforts in this area are demonstrated through the *Australian Minerals Industry Code for Environmental Management* (the Code), which provides a framework for continual improvement in environmental management and communication and which encourages companies to exceed the requirements prescribed by regulation.

The Code is designed to drive the industry's continual improvement of environmental performance in each phase of mineral development, from initial exploration to closure and final rehabilitation, and to communicate that performance to the industry's stakeholders and the community.

Forty two companies have now become signatories to the *2000 Australian Minerals Industry Code for Environmental Management*, representing almost 95 per cent of production in the Australian minerals industry. Further details of the Code, including a list of signatory companies, can be found at the Code's web site at www.minerals.org.au (under 'Sustainable Development, Continually Improving Environmental Management').

The value of the *Australian Minerals Industry Code for Environmental Management* in providing a framework for continual improvement in environmental management is becoming better understood and accepted by industry and its stakeholders. A common criticism of the Code, however, has been that it does not go far enough in addressing broader social issues such as the rights of local and indigenous communities.

In response to this and the increasing involvement of the industry in this area, as highlighted by the outcomes of the Global Mining Initiative (see www.globalmining.com/index.asp for further details), the Minerals Council's Sustainable Development Committee undertook to examine options for evolving the Code for Environmental Management to better incorporate a social dimension. This process will continue in 2003 and will incorporate a comprehensive stakeholder engagement phase to ensure that the Code continues to best meet the needs of industry and remains attuned to community expectations regarding the industry's social and environmental performance.

The Minerals Council's sustainable development activities during 2002 focussed heavily on monitoring the progress of the international agenda, and participating strategically, through the International Council on Mining and Metals (ICMM, see www.icmm.com for further details), without losing sight of the need to focus on the national implications and to maintain leadership at both levels.

The Minerals Council's President, Mr Barry Cusack, and Chief Executive, Mr Mitchell H Hooke, attended the Global Mining Initiative (GMI) Conference in Toronto, Canada in May 2002 where, amongst a range of high quality presentations on the industry's role in sustainable development, Mr Hooke delivered a presentation highlighting the industry's leadership through the *Australian Minerals Industry Code for Environmental Management* and the certification pilot being undertaken by a number of Australian minerals companies in association with the World Wide Fund for Nature.

Sustainable development can be an opportunity or an obstacle for the minerals industry. Through the GMI, the industry has decided to capture the opportunity by acknowledging and exploring the obstacle. The GMI is global in nature, but it has challenged perceptions and provided the motivation to drive change at the national and local level. Similarly, the Australian minerals industry's leadership on sustainable development has a broad impact and is acknowledged internationally. In taking this leadership role, and by demonstrating on-the-ground improvement in performance, the Australian industry has begun to establish the relationships and the credibility it requires to maintain its 'licence to operate'.

The Australian minerals industry undertakes considerable research and development and professional training in areas related specifically to improving environmental performance. Research and training is undertaken directly by companies and through sponsorship and support of research and training institutions such as the Australian Centre for Mining Environmental Research and AMIRA International.

Note: The figures presented in this survey cover only part of the industry's total environmental expenditure. In addition to minesite rehabilitation, substantial environmental expenditures are incurred in research, pollution monitoring and control, clean up and in capital expenditures designed to minimise the environmental impact of mining and minerals processing plant and equipment. In providing figures, respondents may also distinguish between the amount spent and the amount charged to the statement of financial performance.

Rehabilitation Expenditure	2002/03 Forecast \$ million	2001/02 \$ million	2000/01 \$ million	1999/2000 \$ million
Annual Provision ^(a)	166	229	185	242
Accumulated Balance of Provision ^(b)		1,838	1,619	1,396

Notes: (a) Annual provision for rehabilitation represents the amount charged to the statement of financial performance during the period, which increases the total rehabilitation provision. Actual payments made will be made directly from the total rehabilitation provision, and will not necessarily equal the amount charged to the statement of financial performance.
 (b) The change in the mix of respondents means the accumulated balance of provision figure at the beginning of 2001/02 differs from the 2000/01 end of year figure.

Native Title and Indigenous Development Expenditure

In 2001/02, the industry spent \$112 million on Native Title and Indigenous development.

It is anticipated that total expenditure will continue to increase in coming years.

Native title expenditure excludes any costs arising from the significant delays that have been experienced by the minerals industry in gaining access to land for exploration.

The minerals industry in Australia is concerned with the increasing level of expenditure resulting from legislative and common law developments arising from native title and related indigenous issues.

Respondents have supplied information (where available) on internal expenditure relating to land access and indigenous development and external expenditure relating to the same categories. It is important to note that overall response rates to this part of the survey is lower than for most other parts of the survey and confidence in the accuracy of the data presented is therefore lower. In addition, the ABS is currently investigating (in association with the Minerals Council) the feasibility of a broader 'cost of land access' survey of the industry, which may result in this part of the survey being discontinued in 2003.

Internal expenditure on land access relates to the statutory requirements of the *Native Title Act 1993*. In particular, the requirements and procedures arising from its 'future act provisions' and the need for mineral companies to be respondents to claims for native title on land where they have interests in mineral exploration and development. For 2001/02, internal expenditure for respondents to this part of the survey was \$35 million.

External expenditure on land access and indigenous development for 2001/02 was \$77 million.

This expenditure relates to payments made to indigenous people and third parties acting for indigenous interests. The level of expenditure is concerned with the external costs of complying with procedures arising from the 'future act provisions' of the *Native Title Act 1993* and reflects expenditure rising from native title agreements with native titleholders on land access.

It is anticipated that the total expenditure estimate, of \$112 million in 2001/02, will increase as the current backlog of mineral tenement applications is processed and agreements and determinations result in compensation payments.

Native title expenditure in 2001/02 excludes any costs arising from the significant delays that have been experienced by the minerals industry in gaining access to land for exploration. The costs arising from these delays are not recorded as native title expenditure, but have resulted in a switching of exploration expenditure from off-lease exploration in Australia to either on-lease exploration or overseas exploration. They may also have resulted in a diversion of exploration expenditure to other areas.

Native Title and Indigenous Development Expenditure	2001/02 \$ million	2000/01 \$ million
Internal		
Expenditure relating to land access ^(a)	16	14
Expenditure relating to Indigenous Development ^(b)	19	18
Total internal expenditure	35	32
External		
Expenditure relating to land access ^(a)	70	14
Expenditure relating to Indigenous Development ^(b)	7	10
Total external expenditure	77	24
Total Native Title and Indigenous Development Expenditure	112	56

Note: (a) Land access expenditure includes items such as compliance with the *Native Title Act 1993* and indigenous heritage legislation, legal, representational, negotiation and anthropological studies and compensation (cash or in kind) paid to indigenous peoples.

(b) Aboriginal development expenditure includes items such as special education, training, employment, small business, community development programmes for indigenous peoples and indigenous communities.

Employment and Labour Costs

Total direct employment in the industry falls by 6 per cent.

Around 25 per cent (or 1 in 4) of full-time equivalent positions in the industry are contracted out.

Labour costs per employee rise sharply – mainly due to redundancy payments.

The number of people directly employed in respondent companies fell by 6 per cent in 2001/02, following a 2 per cent fall in the previous year. This fall is due to the on-going effects of company restructures, productivity improvements and industry consolidation.

A further trend evident in recent years is a move towards 'shared service facilities', whereby a number of company functions (such as accounting, taxation services and human resources) are performed in a centralised business unit.

The industry trend since 1989/90 has been towards lower direct employment. The effect of increased activity and new production on employment levels has been more than offset by a continuing trend towards increased use of contractors and improved labour productivity through changes in work practices, training and improved technology.

Employment in mining operations fell by 9 per cent during the year (a fall of around 3,300 persons). Following a 3 per cent reduction in employment in smelting and refining in 2000/01, employment in smelting and refining actually rose by 5 per cent (or around 800 persons) in 2001/02. Employment in the exploration sector fell by 30 per cent, following a 35 per cent fall in 2000/01.

In contrast to the fall in direct employment, total labour costs rose sharply. Gross wages and salaries per employee rose by 29 per cent during 2001/02. Redundancy payments associated with industry restructuring continue to contribute to the level of wages and salaries paid in the industry. In 2001/02, gross wages and salaries accounted for 85 per cent of total labour costs while non-wage costs accounted for 15 per cent.

Important non-wage costs include fringe benefits tax (FBT) and payroll tax. In 2001/02, FBT payments per employee were \$1,379, 7 per cent lower than in the previous year. Payroll tax per employee was \$4,101, 21 per cent higher than in the previous year. In the minerals industry, payroll tax can potentially constitute a significant tax on employment and as such can discourage employment growth.

Contracted employees

Over the past few years, there has been a strong trend towards contracting rather than direct employment of labour.

In 2001/02, there were 15,951 full-time equivalent contractors engaged by respondents. This represents a decrease of 1 per cent on the 16,069 full-time equivalent contractors engaged by respondents in 2000/01. The decrease was in other (non-mining) contractors, with mining contractors rising. These data do not include part-time contractors (undertaking short-term maintenance work or drilling operations, for example).

Thus, approximately 25 per cent of full-time employment provided by respondents in 2001/02 was contracted-out. This compares with 24 per cent in 2000/01 and 25 per cent in 1999/2000.

Taking contractors into account, total employment by respondents to the survey fell by 5 per cent, from 67,013 to 63,955.

Note: The figures for wages and salaries include production bonuses, overtime, penalty rates, long-service leave, sick pay and leave loading. People employed by contractors are not included in the table. The employment numbers presented in the table relate to end of period employment. Labour costs per employee are calculated on average employment for the year rather than end of year employment. A number of estimates are made to provide separate exploration and mining figures, which are only meant to be indicative.

	2001/02 number	2000/01 number	1999/2000 number	2001/02 percentage change
Direct Employment				
Exploration	1,012	1,447	2,214	-30.1
Mining	32,106	35,362	35,336	-9.2
Exploration and Mining	33,118	36,809	37,550	-10.0
Smelting and Refining	14,886	14,135	14,503	5.3
Total Direct Employment	48,004	50,944	52,053	-5.7
Contractor Personnel Considered a Substitute for Full-time Employees				
Contract Mining	12,022	11,595	11,894	3.7
Other Contracting	3,929	4,474	5,739	-12.2
Total Contract Employment	15,951	16,069	17,633	-0.7
Total Employment				
Total Employment	63,955	67,013	69,686	-4.6

	2001/02 \$ million	2000/01 \$ million	1999/2000 \$ million	2001/02 per cent of total
Aggregate Labour Costs				
Gross Wages and Salaries	4,239	3,388	3,606	85.1
Payroll Tax	205	174	199	4.1
Workers' Compensation	122	92	77	2.5
Fringe Benefits Tax	69	67	89	1.4
Superannuation, training and other	345	274	319	6.9
Total Labour Costs	4,980	3,995	4,290	100.0
Recipients of Labour Costs:				
Employees Net Wages and Benefits	3,775	2,890	2,839	75.8
Government Tax Revenue	1,205	1,105	1,451	24.2

	2001/02 dollars	2000/01 dollars	1999/2000 dollars	2001/02 percentage change
Labour Costs per Employee^(a)				
Gross Wages and Salaries	84,734	65,792	66,457	28.8
Other Benefits	6,039	4,501	5,880	34.2
Payroll Tax	4,101	3,379	3,665	21.4
Fringe Benefits Tax	1,379	1,293	1,646	6.7
Total Expenditure per Employee	96,254	74,965	77,648	28.4
Note: (a) Based on average employment during the year and other than workers' compensation.				

Overseas Exploration Expenditure

Overseas exploration expenditure accounted for 23 per cent of total exploration expenditure by all respondents.

The share of gold in total overseas exploration expenditure fell, from 41 per cent in 2000/01 to 34 per cent in 2001/02.

North America, South America and Asia were the principal regions for overseas exploration, with the share of expenditure directed towards Africa falling.

The survey collects information on exploration expenditure in Australia and overseas. The latter information is sought by commodity and by overseas region. To enable a comparison and to establish trends over a longer period of time, those respondents that have provided overseas exploration expenditure figures over the past decade are separately reported as a 'constant group' below.

Analysis of all respondents

In 2001/02 respondents spent \$582 million on exploration, 17 per cent lower than the \$702 million spent in 2000/01. Respondents spent \$132 million on overseas exploration activities, or 23 per cent of total exploration expenditure, and \$450 million in Australia, or 77 per cent of total exploration expenditure. Official data from the ABS, which has a wider coverage of the industry than this survey, show that Australian minerals industry exploration expenditure fell by 6 per cent between 2000/01 and 2001/02.

There has been a worldwide decline in exploration expenditure. Despite this, in 2001/02, Australia in fact improved the share of worldwide exploration expenditure spent here.

The share of gold in total overseas exploration expenditure fell, from 41 per cent in 2000/01 to 34 per cent in 2001/02. The longer-term decline in gold prices has contributed to the fall in expenditure on gold exploration and a shift towards base metals exploration in recent years (the share of exploration expenditure directed towards gold was 53 per cent in 1997/98). Base metals exploration rose from 38 per cent to 39 per cent.

The major areas for overseas exploration in 2001/02 were:

- North America, 32.7 per cent (up from 24.2 per cent in 2000/01).
- South America, 24.4 per cent (down from 38.4 per cent in 2000/01).
- Asia, 18.8 per cent (up from 13.2 per cent in 2000/01).
- Africa, 10.7 per cent (down from 17.3 per cent).

Exploration in Papua New Guinea and the Pacific rose, from 2.6 per cent to 3.5 per cent. Exploration in Eastern Europe and Western Europe also rose, and now accounts for 5.5 per cent of total expenditure.

Overseas Mineral Exploration expenditure – all respondents

By Commodity	2001/02 \$ million	2000/01 \$ million
Gold and platinum	45.3	77.2
Base metals	51.5	61.8
Mineral sands	2.4	2.4
Diamonds	31.1	33.1
Coal	0.0	0.0
Other	3.0	6.1
Total overseas	132.4	180.7
Australia	450.0	521.5
Total	\$582.4	\$702.2
Gold (%)	34.2	40.9
Non-gold (%)	65.8	59.1
By Overseas Region	2001/02 Per cent	2000/01 Per cent
Papua New Guinea/ Pacific	3.5	2.6
Asia	18.8	13.2
South America	24.4	38.4
North America	32.7	24.2
Eastern Europe (inc. Russian Federation)	1.1	0.2
Western Europe	4.4	0.0
Africa	10.7	17.3
Other and general	4.4	4.0

Note: The Australian Bureau of Statistics (ABS) also conducts surveys of exploration expenditure by the minerals industry. Its quarterly surveys provide a wider coverage of Australian exploration expenditure than shown here.

While respondents to the Minerals Council's 2002 survey accounted for around 70 per cent of total minerals exploration expenditure in Australia in 2001/02 (as reported to ABS in *Actual and Expected Private Mineral Exploration, Australia*, Cat. No. 8412.0), they represented the bulk of the exploration spending by Australian companies overseas. The Minerals Council's survey is recognised as a more accurate time series of overseas expenditure than the ABS overseas survey, which has now ceased to be collected.

Decisions to explore in Australia or overseas are based on a comparison of a range of factors. These include prospectivity, the fiscal (especially taxation) and regulatory regimes, sovereign risk, access to geoscientific information, access to finance and the cost of access to land.

There has been a reduction in off-lease exploration in Australia, with greater concentration on on-lease exploration and development.

There is a growing acknowledgment within the broader community of the need to put in place effective and efficient legislative mechanisms to deal with the interaction of the minerals industry and indigenous interests. The Minerals Council is maintaining a longer-term perspective on the issue and recognises that industry and indigenous people will need to form cooperative partnerships. All arrangements, however, need to be underpinned by effective legislation that produces workable outcomes within realistic time frames.

There were a number of key developments in 2002 that sought to examine ways to address the low level of exploration expenditure:

- a House of Representatives Standing Committee on Industry and Resources *Inquiry into resources exploration impediments*, was established in May 2002 and due to report in early 2003 (see www.aph.gov.au/house/committee/isr/resexp/index.htm for further details. A copy of submissions to the inquiry, including the Minerals Council's, can be found at www.aph.gov.au/house/committee/isr/resexp/submissions.htm); and
- the Government in September 2002 announced a Mineral Exploration Action Agenda. The Action Agenda process provides a mechanism to identify and respond to issues impeding mineral exploration in Australia. The first meeting of the Action Agenda's Strategic Leaders Group (on which the Minerals Council is represented) was held in Canberra in late November 2002 and a report to Government is expected in late 2003 (see www.industry.gov.au/content/controlfiles/display_details.cfm?ObjectID=3BFFF52D-67F9-47CD-B3C76BF4C0A0B553 for further details).

Constant Group Responses

Constant group respondents' exploration expenditure in Australia fell marginally, from \$327 million in 2000/01 to \$326 million in 2001/02. Overseas exploration expenditure by the constant group fell from \$154 million to \$123 million, and now accounts for 27 per cent of constant group exploration expenditure, down from 32 per cent in 2000/01.

When the Minerals Council established the survey of overseas exploration over ten years ago, relatively few companies (about twenty) were exploring overseas. These tended to be the larger minerals companies. Over the intervening period, more Australian based operations have embarked on overseas exploration programs.

Analysis of the broad allocation of exploration expenditure shows that the increase in overseas exploration expenditures has been particularly marked in the first half of the 1990s, with the proportion of total expenditure by the larger companies devoted to overseas exploration rising significantly. 2001/02 represents only the third fall in the proportion of overseas exploration expenditure in total exploration expenditure since 1990/91.

In 2001/02, for the constant group:

- Asia accounted for 17.8 per cent of overseas spending, South America 25.5 per cent and North America 34.7 per cent.
- Gold and platinum exploration accounted for 31.4 per cent of the total overseas spending by respondents. This is a decrease on 2000/01, and is well below the peak 79 per cent share recorded in 1988/89. This is also below the share of gold in total group overseas exploration expenditure. The constant group spends a smaller share of overseas exploration expenditure on gold and platinum and a larger share on base metals and diamonds than does the total group.

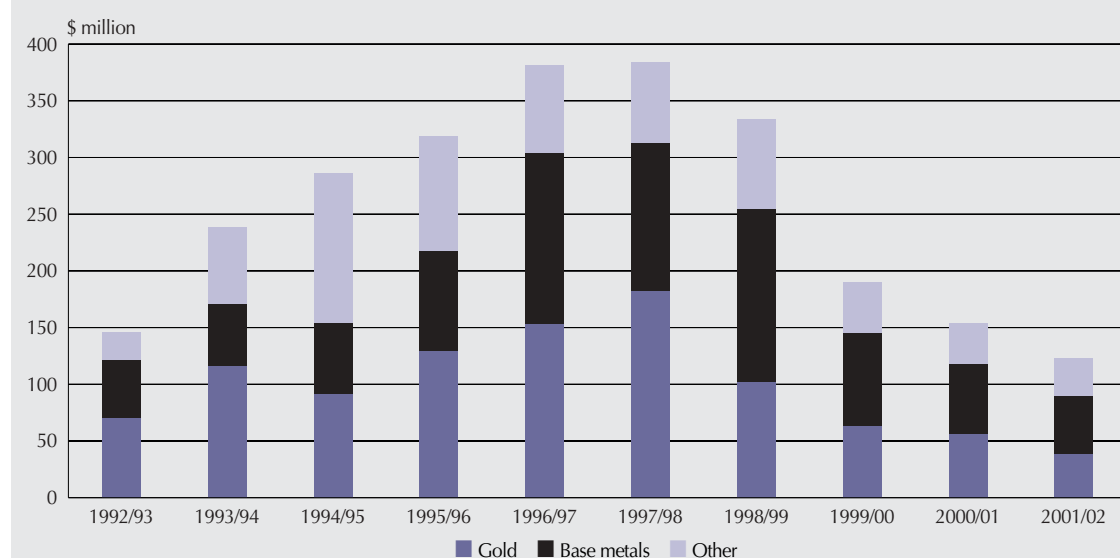
Broad Allocation of Mineral Exploration Expenditure – Constant Group

Year	2001/02	2000/01	1999/2000	1998/99	1997/98	1996/97	10 Year Average Annual Growth (%)
			\$ million				
Australia	326.0	326.8	344.4	396.7	468.4	506.2	0.3
Overseas	123.2	154.2	190.3	333.1	384.1	381.5	-1.6
Total exploration	449.2	481.0	534.7	729.8	852.5	887.7	-0.3
Overseas percentage	27.4	32.1	35.6	45.6	45.1	43.0	

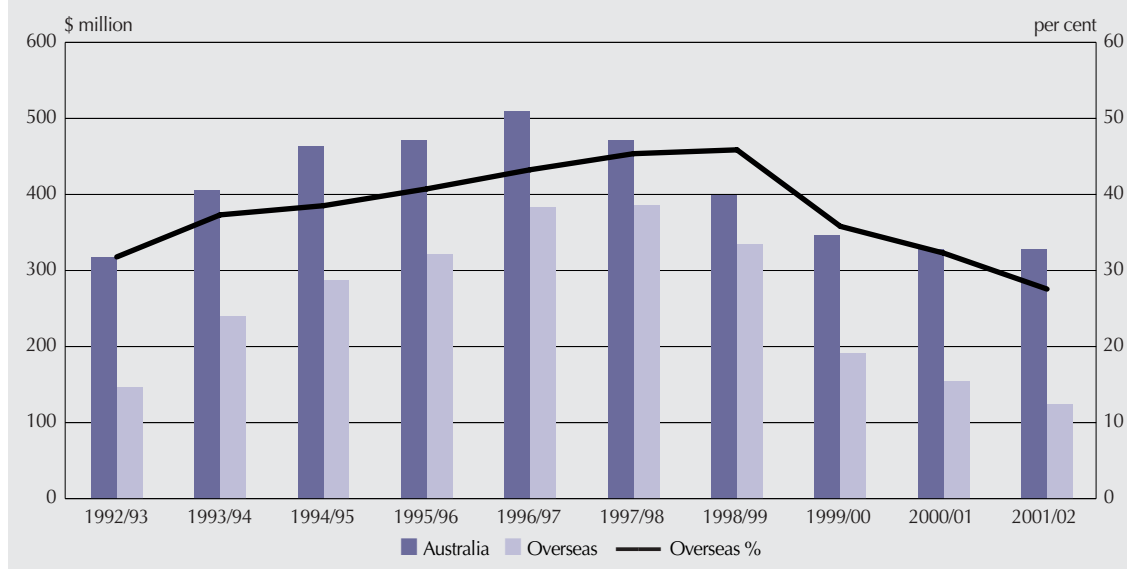
Overseas Exploration Expenditure by Commodity Sought – Constant Group

Year	2001/02	2000/01	1999/2000	1998/99	1997/98	1996/97	1995/96	1994/95
			Percentage					
Gold & platinum	31.4	36.6	33.1	30.6	47.3	40.0	40.5	31.8
Base metals	41.3	39.5	43.0	45.8	34.1	39.7	27.6	22.0
Mineral sands	2.0	1.6	0.4	0.0	2.7	1.0	2.0	1.6
Diamonds	25.3	21.5	13.8	10.1	6.9	5.2	15.6	27.7
Coal	0.0	0.0	5.9	0.0	1.5	3.1	1.7	2.4
Other & general	0.0	0.8	3.8	13.5	7.5	11.0	12.6	14.5
Total (\$m)	123.2	154.2	190.3	333.1	384.1	381.5	319.1	285.8

Overseas Exploration Expenditure by Major Commodity – Constant Group



Broad Allocation of Exploration Expenditure – Constant Group



Minerals Exploration Expenditure by Overseas Region – Constant Group

	2001/02	2000/01	1999/ 2000	1998/99	1997/98	1996/97	1995/96	1994/95	1993/94
				percentage					
Papua New Guinea	0.0	0.7	0.4	0.3	0.2	2.4	3.7	2.8	4.4
Asia	17.8	12.2	13.2	28.0	15.3	21.8	23.4	21.9	18.4
Pacific	2.2	0.9	0.3	0.2	0.1	9.4	1.7	0.3	0.3
North America	34.7	28.3	19.7	27.2	35.1	21.2	29.4	33.8	33.6
South America	25.5	42.0	35.7	24.5	25.7	27.6	22.3	16.8	17.5
Eastern Europe (inc. Russian Federation)	1.2	0.3	1.0	0.6	7.2	3.7	3.6	5.0	3.4
Western Europe	4.7	0.0	1.4	0.0	2.6	0.2	2.8	1.8	2.7
Africa	11.1	13.4	15.5	11.5	9.1	6.2	7.5	15.3	13.3
Other and general	2.9	2.2	12.9	7.7	4.7	7.5	5.6	2.3	6.4
Total (\$m)	123.2	154.2	190.3	333.1	384.1	381.5	319.1	285.8	238.3

Note: Until 1993/94 the data was obtained from the exploration arms of member companies. For 1994/95 onwards, the data was obtained from company head offices as part of the Council's Minerals Industry Survey.

Outlook for 2002/03

The minerals industry is undergoing substantial restructuring in order to remain competitive in challenging market circumstances.

A larger number of projects are expected to be commissioned in 2002/03.

Maintaining a positive investment climate remains critical to further investment in the minerals industry.

Net capital expenditure on fixed and deferred assets is forecast to increase by 16 per cent in 2002/03, following a 57 per cent increase in 2001/02.

Fixed asset expenditure in the mining sector is expected to fall by around 1 per cent while fixed asset expenditure in smelting and refining is expected to increase significantly, by 77 per cent.

Direct employment by respondents is forecast to rise by 1 per cent to 48,481. This rise is expected to reflect the number of expansions currently underway in the industry.

A number of new projects were commissioned in 2001/02. These included BHP Billiton's Blackwater coal mine expansion near Emerald in Queensland, Newcrest Mining's Ridgeway gold-copper mine located near Orange in New South Wales, which is expected to produce around 350,000 ounces of gold and 34,000 tonnes of copper-in-concentrate a year, the extension of the Granny Smith gold mine, located in the Eastern Goldfields region of Western Australia, 20 kilometres south of Laverton and 200 kilometres northeast of Kalgoorlie, and the expansion of the Sunrise Dam Megapit, located 220 kilometres north northeast of Kalgoorlie in Western Australia. There were also expansions at Sons of Gwalia's two Western Australian tantalum operations at Greenbushes and Wodgina.

These new projects continue the levels of investment expenditure by the industry since 1992/93, and should underpin future expansions in industry production and exports.

There are also a number of projects at advanced stages of development. Major projects expected to be commissioned in 2002/03 include around thirteen coal projects, most notably Rio Tinto's Hail Creek coal mine in Queensland, BHP Billiton's Mount Arthur North project and Dendrobium project in New South Wales and Centennial Coal's Mandalong coal mine in New South Wales.

Two major iron ore projects are underway in Western Australia – BHP Billiton's Mining Area C development and Rio Tinto's West Angelas operation. There is, however, a lack of large-scale base metal operations under development at present, due to depressed world price and demand levels. Major capital expenditure in 2002/03 is also forecast for the Comalco Alumina Refinery project and the Australian Magnesium Corporation Stanwell Magnesium Project near Stanwell in central Queensland.

The outlook for the world economy remains somewhat uncertain, with many economies facing an economic slowdown in 2003. In the event of such a slowdown, the outlook for the industry may be lower demand and consequently lower prices. In addition, the overall investment climate in Australia compared to overseas, remains a critical factor.

The outlook for 2002/03 for the important areas of exploration and research and development is poor:

- Respondents forecast their exploration expenditure in Australia will decrease by 31 per cent in 2001/02.
- The forecast level of research and development expenditure, of \$139 million, is 23 per cent lower than the 2000/01 outcome. Such forecasts tend to be conservative however. For example, the R&D outcome for 2001/02, at \$181 million, is well above that forecast in last year's survey report (that is, of \$164 million). In addition, changes in R&D tax deductibility requirements may impact on this estimate in future years.

	2002/03 forecast \$ million	2001/02 actual \$ million	Forecast percentage Change
Net Capital Expenditure (investment) on:			
Mining Assets	4,384	4,413	-0.7
Smelting and Refining Assets	2,180	1,230	77.2
Total Fixed Assets	6,564	5,643	16.3
Exploration Expenditure in Australia	312	450	-30.7
Research and Development	139	181	-23.2
Number of Employees	48,481	48,004	1.0

Appendix 1: Coverage and Definitions

Survey Responses

Respondents to the survey include companies engaged only in exploration as well as companies that engage in a wider range of minerals activities.

While statistically desirable to have all respondents reporting their financial data for the same period, this was not always possible. To minimise the work of respondents, data for a financial year-end within six months before 30 June 2002 (that is, 31 December 2001) were accepted. Those whose year-end fell outside those parameters were asked to provide June fiscal year information. Some respondents, engaged principally in exploration activities, supplied data relating to financial years ending between November and January. This was accepted when it was confirmed that it was representative of data which would have applied had it been prepared for a financial year ended 30 June.

Definitions

In broad terms the 'minerals industry' has been defined as 'exploration for and extraction and primary processing of minerals in Australia'.

Adoption of this definition results in the inclusion of refining and smelting but excludes any minerals activities carried out by respondents overseas. It should also be noted that the conversion of iron ore and coal to iron and steel is not included in the survey, nor is the conversion of coal to coke.

Safety and Health Terms

The Lost Time Injury Frequency Rate (LTIFR) is defined as the number of lost time injuries per million hours worked. A Lost Time Injury (LTI) is defined as an injury that results in a minimum of one full shift's absence.

Financial Terms

Shareholders' Funds is the net total of values attributed to items of share capital, retained earnings, accumulated losses, interests of minorities in the capital and reserves of subsidiaries, reserves, goodwill or premium arising on consolidation and amounts set aside for dividends still unpaid at balance date. It also includes contributions by participants to a joint venture if the source of those funds cannot be accurately determined.

Borrowings is the amount of principal outstanding on loans, notes, debentures, mortgages, hire purchase and bank overdrafts.

Funds Employed is the sum of shareholders' funds and borrowings.

Fixed and Deferred Assets includes capitalised exploration and mine development expenditure in addition to assets such as plant, equipment, vehicles, buildings, normally classified as fixed assets.

Current/Non-Current Assets and Liabilities. The term 'current' signifies amounts normally expected to be received or paid within the ensuing period of twelve months.

Sales. Sales revenue derived by respondents from their minerals activities located within Australia, excluding sea freight and other costs of delivery outside Australia.

Accounting policies

The adoption of different accounting policies affected the homogeneous nature of the survey data. Respondents' information has generally not been modified to achieve uniform accounting data.

The two most common methods of accounting for exploration expenditure are to write-off expenditure as incurred, or to allocate costs to areas of interest.

Rounding

The monetary amounts in this survey have generally been rounded to the nearest million dollars. Any discrepancies between totals and the sum of components are due to rounding.

Adjusted figures from the previous report

Some respondents when completing this year's questionnaire made adjustments to figures for prior years' production, employment, exploration and revenue. These figures have been revised accordingly. Thus in some cases, figures for 2000/01 and 1999/2000 appearing in this report differ from the figures in the previous report.

Ratios

Debt to debt plus equity ratio	=	$\frac{\text{borrowings}}{\text{shareholders' funds plus borrowings}}$
Current ratio	=	$\frac{\text{current assets}}{\text{current liabilities}}$
Pre-interest profit on average funds employed	=	$\frac{\text{operating profit before interest and tax}}{\text{average of total funds at the beginning and the end of the period}}$
Net profit return on average assets employed	=	$\frac{\text{net profit}}{\text{average of total assets employed at beginning and end of the period}}$
Net profit return on average shareholders' funds	=	$\frac{\text{net profit}}{\text{average of shareholders' funds at the beginning and the end of the period}}$
Net profit return on total revenue	=	$\frac{\text{net profit}}{\text{total revenue}}$
Operating profit before abnormals return on average shareholders funds'	=	$\frac{\text{operating profit before abnormals}}{\text{average of shareholders' funds at the beginning and the end of the period}}$
Operating profit before interest and income tax expense on average funds employed	=	$\frac{\text{operating profit before interest and income tax expense}}{\text{average of total funds employed at the beginning and the end of the period}}$
Funds turnover ratio	=	$\frac{\text{total revenue}}{\text{average funds employed}}$

Appendix 2: Constant Group Financial Data

The aim of the survey is to include the activities of all companies operating in Australia qualifying under the given definition of minerals. This has been possible up to a point and the coverage has consistently accounted for a large proportion of total Australian minerals production. While there is generally a similar number of respondents for each survey, the mix of respondents may change slightly from year to year.

Accordingly, the figures are not precisely comparable from one survey to the next. To facilitate more precise comparisons between years, the returns from the respondents that have participated in 2000/01 and 2001/02 are separately reported as a constant group. Even so, the level of consolidation activity in the industry in recent years has impacted on the precision of this estimate.

In 2001/02, the constant group consisted of companies with total asset values equal to around 95 per cent of the total group's assets. This proportion has been influenced by the improved coverage of the industry in this year's survey (which has increased the relative size of the total group).

Data on the major aggregates for the constant group in 2001/02 are compared with the data for the total group in the table below. To assess the impact of changes in the respondent group, percentage changes on the previous year are compared for the constant group and for the total group. For most items the constant group and total group figures are similar. The percentage change figures are also similar.

Selected items for comparison	Constant Group 2001/02	Total Group 2001/02	Constant Group 2000/01	Total Group 2000/01	Constant Group % change	Total Group % change
	\$ million	\$ million	\$ million	\$ million		
Shareholders' Funds	30,243	30,615	28,217	28,909	7.2	5.9
Total Assets	59,424	63,039	59,605	61,815	-0.3	1.3
Borrowings	14,112	16,181	15,043	15,925	-6.2	1.6
Net Expenditure on Mining, Smelting and Refining Fixed and Deferred Assets	5,575	5,643	3,221	3,604	73.1	56.6
Total Revenue	36,519	38,833	34,312	36,080	6.4	7.6
Total Expense	30,215	33,036	28,222	29,837	7.1	10.7
Labour Costs:						
Gross Wages and Salaries	3,983	4,239	3,178	3,388	25.3	25.1
Other Labour Costs	484	536	405	432	19.4	24.0
Payroll Tax	187	205	167	174	12.2	17.9
Interest Expense	2,717	2,834	2,516	2,613	8.0	8.4
Direct Taxes						
Income Tax	1,841	1,904	1,630	1,685	12.9	13.0
Mineral Royalties, etc	1,111	1,182	1,054	1,097	5.4	7.7
Operating Profit Before Income and Resource Based Taxes	7,414	6,979	7,144	7,340	3.8	-4.9
Net Profit	4,430	3,834	3,912	4,010	13.2	-4.4

Appendix 3: 10 Year Historical Summary

Items of Interest (\$m)	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/ 2000	2000/01	2001/02	10 year average
Total Revenue	26,056	25,545	26,237	27,999	28,948	31,798	32,341	31,755	36,080	38,833	30,559
Total Assets at Year End	44,862	48,558	49,486	51,876	52,811	55,911	56,823	57,410	61,815	63,039	54,259
Borrowing's at Year End	11,363	10,482	8,342	8,610	8,106	12,056	15,006	15,081	15,925	16,181	12,115
Net Capital Expenditure on Mining, Smelting and Refining Assets	2,745	4,039	4,463	4,994	6,694	8,367	6,716	4,885	3,604	5,643	5,215
Interest Expense	917	811	859	921	1,054	1,528	1,249	1,644	2,613	2,834	1,443
Total Labour Costs	4,423	4,485	4,656	4,743	5,025	5,017	4,965	4,290	3,995	4,980	4,658
Profit before income, resource and indirect taxes	4,601	4,630	3,546	5,136	2,636	2,345	3,117	3,478	7,253	7,701	4,444
Direct Taxes	1,823	1,546	1,574	1,898	1,200	1,258	1,547	1,903	2,782	3,086	1,863
Resource Based Taxes	678	635	632	649	652	906	978	949	1,097	1,182	836
Indirect Taxes	467	490	499	542	583	520	513	450	460	428	495
Net Profit before Abnormal Gain (Loss)	2,338	2,377	2,372	2,828	2,018	1,868	3,097	2,937	4,558	3,834	2,823
Abnormal Gain (Loss)	(27)	205	(891)	(114)	(1,137)	(1,301)	(2,040)	(1,816)	(548)	0	(767)
Net Profit	2,311	2,582	1,481	2,714	881	567	1,057	1,121	4,010	3,834	2,056
Total Employment	72,139	70,243	72,085	71,901	70,489	61,675	56,459	52,053	50,944	48,004	62,599
Labour Costs per Employee	59,298	63,004	63,853	64,303	69,091	74,044	82,541	77,648	74,965	96,254	72,500
Rehabilitation Annual Expense	125	158	183	195	179	245	275	242	185	229	202
Rehabilitation Accumulated Balance of Provision	379	439	660	782	929	975	1,208	1,396	1,619	1,838	1,023
Overseas Exploration (constant group)	146.1	238.3	285.8	319.1	381.5	384.1	333.1	190.3	154.2	123.2	256
Australian Exploration (constant group)	316	403.4	460.8	468.7	506.2	468.5	396.7	344.4	326.8	326.0	402
Overseas Exploration (all respondents)	n/a	n/a	319.2	352.9	415.3	450.2	417.9	250.0	180.7	132.4	n/a
Australian Exploration (all respondents)	n/a	n/a	603.8	641.9	718.5	699.2	682.1	582.2	521.5	450.0	n/a
Net Profit Return on Average Assets Employed (%)	5.2	5.5	3.0	5.4	1.7	1.0	1.9	2.0	6.7	6.2	3.8
Net Profit Return on Average Shareholders' Funds (%)	10.2	10.3	5.3	9.2	2.9	1.8	3.7	4.0	13.9	12.9	7.5
Gross Debt to Debt plus Equity Ratio	0.33	0.27	0.22	0.22	0.20	0.29	0.35	0.34	0.36	0.35	0.29

