

United Kingdom's Mineral Report ISM Congress 2010 South Africa

This report covers the current position for which statistics are available regarding the mineral industry in the UK. These are available for the period leading up to the summer of 2008. It will therefore not fully reflect the effect of the worldwide recession, or the period of economic expansion experienced by the building and construction industries in the UK during the last 6 months. This has been due to Government investment in building and infrastructure for the end of 2009 and the start of 2010. The facts and figures contained within are as derived from the UK Valuation Office Agency Property (VOA) Market Reports and data from the Quarry Products Association (QPA).

Construction Materials

According to the results of the quarterly market survey by the Quarry Products Association, sales of construction materials all increased in the fourth quarter of 2007, compared with the same period of 2006. (In 2006 crushed rock increased by 1%, while sand and gravel was down by 2%). For 2007 crushed rock volumes grew by 6%, sand and gravel by 2%, ready-mixed concrete by 3% and asphalt by 3%. The VOA report indicates that for the whole of 2007, a 5% increase in crushed rock and a 1% increase in sand and gravel produced an overall 3% improvement in aggregates sales volumes. Ready-mixed concrete growth for the year was 2%, confirming the continued growth of construction activity in 2007.

The QPA quarterly construction material trends survey indicated that there was a downturn in construction activity in the second quarter of 2008, compared with the same period of 2007. The VOA indicate that the second-quarter decline in crushed rock aggregates sales (-5%) followed a flat first quarter, while the decline in sand and gravel aggregates sales evident in the first quarter (-8%) was broadly maintained in the second quarter (-7%). The QPA says the downturn in construction activity is also reflected in the 6% decline in sales of ready-mixed concrete in the first half of the year, confirming that the reduction in orders for new housing, commercial and industrial construction recorded to date in 2008 is now impacting in the concrete market. The slowdown in the UK housing market in 2008 continued to effect construction products firms. Lafarge UK reported an 11% fall in revenues. Tarmac reported a 22% drop in operating profit in the first half of 2008 while Cemex UK experienced a 23% fall in gross profit for the first half of the year. As indicated above, Government investment in new infrastructure and building programmes has helped to slow and reverse this trend.

While asphalt volumes were for 2007 flat as a whole, despite some recovery in the second half. Steady growth was reported in 2008 for asphalt sales. This sector saw a 3% growth for the first 6 months of 2008 as road building schemes were being completed.

The industry also saw an increase in April 2009 of the aggregates tax imposed by the Government to £2.00 per tonne of aggregate mined. Interestingly Only 0.12% of the UK land area was being quarried in 2007, and the area of land restored was higher than the areas of land prepared for quarrying

Marine Aggregates

Marine aggregates are an important contributor to the UK minerals industry; especially for certain locations for which land based sources of sand and gravel are increasingly difficult to obtain, e.g. Wales. Recent figures for production indicate that these resources provide 90% of

fine aggregate demand in South Wales, 20% of sand and gravel demand in England contributing 50% of construction aggregate demand for London. Legislation such as the recently published Marine and Coastal Access Act 2009, aims to ensure a balance between aggregate production and environmental protection of coastal resources.

Recycled and Secondary Aggregates

The QPA fourth Sustainable Development Report which provides data up to 2007 indicates that the share of recycled and secondary aggregate of the total GB aggregates market was 25% in 2007 which is the highest share anywhere in Europe. Current trends indicate output of around 50 million tonnes which compares well with 36 million tonnes being produced in 2001.

Coal

Even though the UK still depends heavily on coal as a source of fuel for power stations the UK coal industry still is still reducing. The following table based on Coal Authority and Department of trade and Industry data indicates the continuing trend:

Year	Deep mined	Opencast	Total UK	Deep mines	Opencast sites
2005	9,563	10,445	20,498	13	35
2006	9,444	8,635	18,528	13	26
Reduction	1%	17%	10%		

The last deep mine in Wales closed in 2008 however the recently opened East Merthyr opencast site has recently bucked this trend. The site has permission for 10 million tonnes for utilisation at the nearby power station. Permission has recently been achieved for a new deep anthracite deep mine at Margam, South Wales. The number of mines in the UK for 2008 was 17, of which nearly 50 percent were small scale.

Energy Minerals

Production fell by 6% in 2006 and 8% in 2007, but the UK still managed to be a net exporter for that year. The recently very high oil price has allowed the industry to stabilise, and both onshore and offshore outputs remain constant. The UK, which had been self sufficient in gas, has in recent years found that this is no longer the case. Energy security is a real concern and continuing investment in varying sources of renewable energy, primarily wind, and a new examination of the merits of nuclear power are currently under way.

Metalliferous Minerals

The continuing high price of metals across the world has resulted in attention being turned to some of the traditional metal mining locations of the UK that had ceased production some time ago. Western United Mines Limited was created in November 2007 and announced investment in excess of £3.5 million by June 2008 towards mine development including new tunnelling and drilling at South Crofty, Cornwall. The Company was aiming to bring the mine back into tin production, possibly as soon as the end of 2009; however in August of 2010 they announced that they would be widening their exploration areas before commencing production.

Regarding copper production, Anglesey Mining entered into a formal agreement for the sale of its Parys Mountain project to Western Metals Ltd (WML) in April 2008. WML are currently carrying out surface drilling and extending underground development so that the

mine which has a potential life of 20 years, can be moved back towards production. The table below provides recent ore details provided by the company on their web site:

Table 1 - White Rock resources - JORC compliant

Category	Zone	Fe	Cu%	Pb%	Zn%	Ag g/t	Au g/t
Indicated	White Rock	1.75	0.36	2.22	4.27	39	0.43
Inferred	White Rock	0.4	0.3	1.6	3.5	45	0.38

Table 2 - Other resources - not JORC compliant

Category	Zone	Fe	Cu%	Pb%	Zn%	Ag g/t	Au g/t
Indicated	Engine	1.41	1.99	3.42	6.65	99	0.79
	Total	1.41	1.99	3.42	6.65	99	0.79
Inferred	Engine	2.8	3.2	1.9	4.5	22	0.1
	Carreg y Doll	1.4	2.1	2.6	4.8	12	0.2
	Total	4.2	2.8	2.2	4.6	19	0.1
Total		5.61	2.6	2.5	5.1	39	0.3

All	Total	7.76	2.0	2.4	4.9	39	0.33
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