# World Mining Equipment

**Industry Study with Forecasts for 2013 & 2018**

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INDUSTRY STRUCTURE

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A recovery is expected in the mining industry due to rising demand for commodities such as iron ore and copper, as well as to the ongoing thirst for energy sources such as coal.

Global demand to increase 4.9% yearly through 2013

Global demand for mining equipment (including separately sold parts and attachments) is projected to increase 4.9 percent per year through 2013 to $58 billion. Despite a sluggish outlook in the shorter term, recovery is expected in the mining industry due to rising demand for commodities such as iron ore and copper. In addition, the ongoing thirst for energy will boost global coal output. China and India will be leading sources of mining equipment demand. However, just as importantly, these nations will continue to fuel demand for mined products throughout the world, stimulating mining equipment demand in other countries as well. Prices for mineable commodities increased significantly during the 2003-2008 period, leading to intensified efforts to mine materials and subsequent demand for mining machinery. Commodity prices dropped during the 2008-2009 world macroeconomic slowdown, but recovery is expected by 2013.

China to be primary driver of demand gains

China has shown strong growth in mining equipment demand, a direct result of investment in its local mining industry. For example, coal output more than doubled from 1998 to 2008, reflecting the nation’s intense need for energy. China is also a major source of commodities such as iron ore and bauxite. Other major Asia/Pacific region markets for mining equipment include India and Australia. Like China, India has experienced major growth in coal output in recent years. Australia, a leading producer of bauxite and iron ore, is a major source of commodities for its developing Asian neighbors.

China will be the primary driver of demand gains, accounting for one-half of new mining equipment demand through 2013. Other developing nations in Asia, the Africa/Mideast region and Latin America which have extensive mineable resources are projected to exhibit solid growth in mining equipment demand, with the mature markets of Western Europe and North America trailing. However, these regions are home to some fairly notable global mining powers, including the US and Canada in North America, each with an abundance of natural resources; and Germany, which is a major source of coal, in Western Europe.

China has quickly emerged as the world’s leading producer of mining equipment, due in large part to the nation’s growing mining industry. The other leading producers of mining equipment are the United States and the industrialized nations of Western Europe. Such countries have a long history and extensive expertise in the development of capital equipment industries of all types, which many have leveraged in mining equipment.

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AFRICA/MIDEAST

South Africa: Outlook & Suppliers

Demand for mining equipment in South Africa is projected to increase 3.3 percent per year to $2 billion, below the global forecast average pace. The recent historical performance in commodity markets and sluggish outlook for fixed investment spending will result from a flattening in commodity prices.

Shipments of mining machinery will advance 5.2 percent per year through 2013 to $890 million, reflecting domestic demand but still resulting in a widening of the country’s trade deficit in these products.

Prior to June 2009, Boart Longyear was involved in the South African mining equipment industry via production sites in Chamdor and Roodepoort. The Chamdor plant made underground drilling rigs and other items, while the Roodepoort site manufactured coring and percussive tools. In May 2008, the company sold the Chamdor location and its product line to the Nedbank Capital group of Nedbank Group and Mataisis Investment. In June 2009, Boart Longyear sold the Roodepoort plant and its product line to the Tranter Energy and Mining Services subsidiary of Tranter Holdings.

Not surprisingly, many of the world’s other major mining equipment multinationals are well represented in South Africa, many through production and related operations. Among the major companies with manufacturing capacity in the country are Atlas Copco, Bucyrus, Caterpillar, Downer EDI, FLSmidth, Joy Global, Metso Minerals and Sandvik. Numerous other multinationals are represented through sales/distribution/servicing operations.

TABLE IX-3
SOUTH AFRICA MINING EQUIPMENT SUPPLY & DEMAND
(million dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>1998</th>
<th>2003</th>
<th>2008</th>
<th>2013</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million persons)</td>
<td>43.1</td>
<td>46.1</td>
<td>48.5</td>
<td>49.3</td>
<td>50.0</td>
</tr>
<tr>
<td>2007$ GDP/capita</td>
<td>7610</td>
<td>8330</td>
<td>9940</td>
<td>11460</td>
<td>14100</td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>328</td>
<td>384</td>
<td>482</td>
<td>565</td>
<td>705</td>
</tr>
<tr>
<td>% GFI</td>
<td>17.2</td>
<td>16.6</td>
<td>20.8</td>
<td>19.3</td>
<td>19.0</td>
</tr>
<tr>
<td>Gross Fixed Investment</td>
<td>56.5</td>
<td>63.7</td>
<td>100.2</td>
<td>109.0</td>
<td>133.9</td>
</tr>
<tr>
<td>$ mining equipment/000$ GFI</td>
<td>15.91</td>
<td>16.95</td>
<td>16.87</td>
<td>18.26</td>
<td>17.55</td>
</tr>
<tr>
<td>Mining Equipment Demand</td>
<td>899</td>
<td>1080</td>
<td>1690</td>
<td>1990</td>
<td>2350</td>
</tr>
<tr>
<td>Surface Mining Machinery</td>
<td>160</td>
<td>170</td>
<td>240</td>
<td>290</td>
<td>350</td>
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<tr>
<td>Underground Mining Machinery</td>
<td>216</td>
<td>237</td>
<td>395</td>
<td>460</td>
<td>520</td>
</tr>
<tr>
<td>Drills &amp; Breakers</td>
<td>170</td>
<td>209</td>
<td>310</td>
<td>370</td>
<td>425</td>
</tr>
<tr>
<td>Crushing/Pulverizing/Screening</td>
<td>139</td>
<td>182</td>
<td>300</td>
<td>370</td>
<td>440</td>
</tr>
<tr>
<td>Stationary</td>
<td>102</td>
<td>136</td>
<td>230</td>
<td>295</td>
<td>365</td>
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<tr>
<td>Portable</td>
<td>37</td>
<td>46</td>
<td>70</td>
<td>75</td>
<td>75</td>
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<tr>
<td>Mineral Processing Machinery</td>
<td>46</td>
<td>64</td>
<td>130</td>
<td>155</td>
<td>195</td>
</tr>
<tr>
<td>Parts &amp; Attachments</td>
<td>168</td>
<td>218</td>
<td>315</td>
<td>345</td>
<td>420</td>
</tr>
<tr>
<td>net exports</td>
<td>-380</td>
<td>-500</td>
<td>-1000</td>
<td>-1100</td>
<td>-1200</td>
</tr>
<tr>
<td>Mining Equipment Shipments</td>
<td>519</td>
<td>580</td>
<td>690</td>
<td>890</td>
<td>1150</td>
</tr>
</tbody>
</table>

CHART X-1
GLOBAL MINING EQUIPMENT MARKET SHARE, 2008
($45.4 billion)
RCR Tomlinson Limited
239 Planet Street
Welshpool, Western Australia  6106
Australia
61-8-9355-8100
http://www.rcrtom.com.au

Sales:  US$434 million (FY 2009)
Geographic Sales: (FY 2009, as percent total) Asia/Pacific region 100%
Employment:  2,205 (FY 2009)
Key Products:  materials handling products, mobile crushing and screening plants

RCR Tomlinson designs and manufactures heavy equipment and industrial boilers. It also offers on-site electrical and mechanical maintenance. RCR Tomlinson operates through four segments: RCR Engineering, RCR Energy Systems and Industrial Services, RCR Construction and Maintenance, and RCR Positron Electrical Services.

The Company is active in the world mining equipment industry through the RCR Engineering segment, which generated FY 2009 revenues of US$152 million, including eliminations. Via this segment, RCR Tomlinson manufactures materials handling products, and mobile crushing and screening plants, among other items. Among the Company’s materials handling products are feeders and conveyors. Feeders, which are offered in apron and belt models, feature stainless steel piped lubrication systems and hydraulic take-up systems. Conveyors from RCR Tomlinson are stacking types for mobile and fixed plant applications. These conveyors have hydraulic feed out and retract systems. The Company’s mobile crushing plants are track-mounted varieties that are made in jaw, cone and impactor configurations. Mobile screening plants, which are marketed under the ROCKSCREEN brand name, are

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“South Africa comprised a $1.7 billion market for mining equipment in 2008, largest by far in the Africa/Mideast region and sixth largest in the world. This is hardly surprising, as South Africa is among the world’s major global mining powers, as attested to by the list of mineable natural resources the country contains. In addition, unlike many developing countries, South Africa’s economy is advanced enough to afford relatively high-ticket productivity-enhancing capital inputs where needed.”

--Section IX, pg. 257
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