



STRATUM

2015 HALF YEAR
MARKET REPORT

Q1-Q2

Released: August 2015

Welcome to the seventh edition of Stratum International's mining job market report. In the first half of the year we have continued to see increased activity in a number of core roles and specialist areas. Our optimism for a sector recovery is more tempered than in previous reports, for reasons explained later in the report.

At Stratum International we strive to make sure our clients and candidates remain well informed and up-to-date. This is why we continue to invest in original research and analysis to give our contacts insights and knowledge to help them perform their roles even more effectively.

Earlier this year we published our latest research report, The Lost Leaders, which looked at staff turnover at leadership levels in the mining industry. Once again, this report was picked up in the trade press, including Mining Journal, Coal News and InfoMine.

Our reputation for research, expertise and networks in the mining sector have led some organisations to ask us for more in-depth analysis or bespoke research as part of a wider advisory service for mining firms and investors.

If you need objective data or knowledge to support your decision making, please call **+44 (0) 20 3627 3271** or email **info@stratum-int.com** for an exploratory discussion.

We'd also be pleased to hear your comments on this report and what you'd like to see in future editions.

Candidate data collated across all registered senior professional and executive candidates whether **Active**, **Available** or **Passive**.

Stratum International

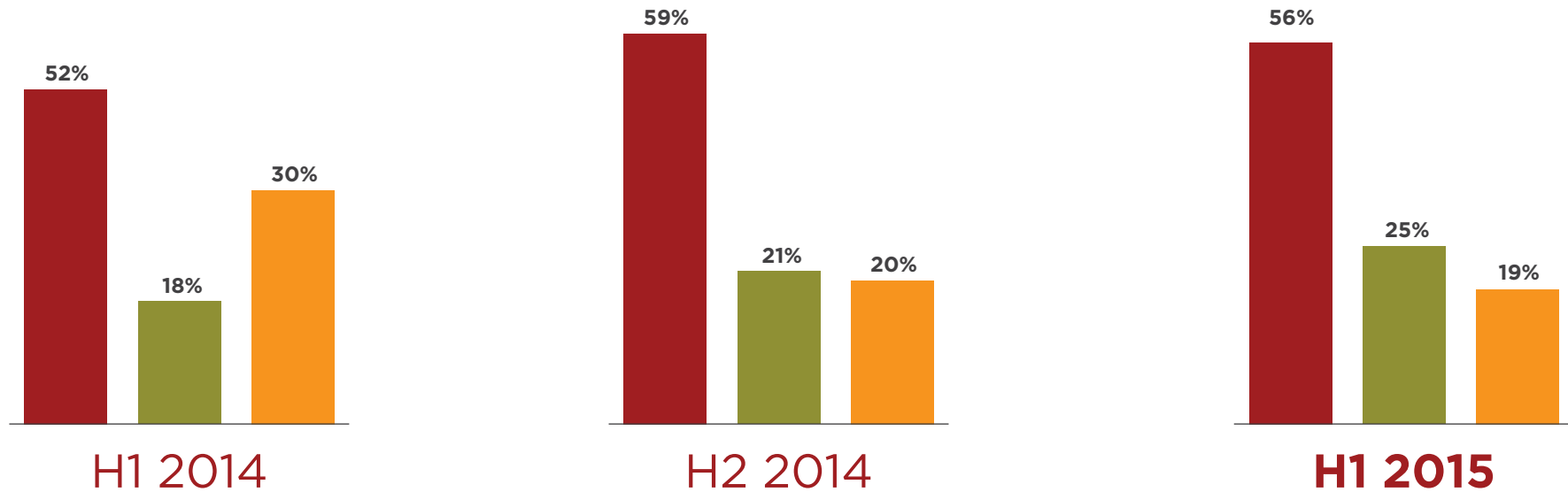
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H1 2014 - H1 2015

CANDIDATE MARKET OVERVIEW DATA



ACTIVE:

Candidates currently employed but considering alternative career options

AVAILABLE:

Candidates not currently working and immediately available

PASSIVE:

Candidates fully engaged in current employment

Continue overleaf for the market observations

CANDIDATE MARKET OBSERVATIONS

After an all-time high proportion of candidates (59%) described themselves as actively looking for a new role in the last half of 2014, this year has seen a small decline to 56%. To put this into context, this is still the second highest proportion of active candidates we have seen since we began these reports in 2012.

A further 25% describe themselves as available, meaning they are not currently working. This represents a four percentage point increase on the previous period, evidence that some miners are continuing to shed staff.

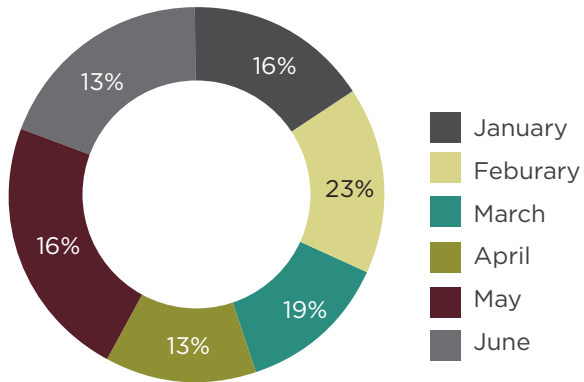
Our recent research report, The Lost Leaders, found that 52% of respondents would consider leaving their job today if the right opportunity came their way, with a further 13% saying they were already looking for the next role. So, according to that sample, nearly two-thirds of senior mining professionals have itchy feet.

In the current climate, many mining companies are either holding on for survival or delaying plans for growth until the economic and commodity outlook is more favourable. This means opportunities for progression with existing employers are more limited and ambitious employees recognise the need to look outside their organisations for career progression.

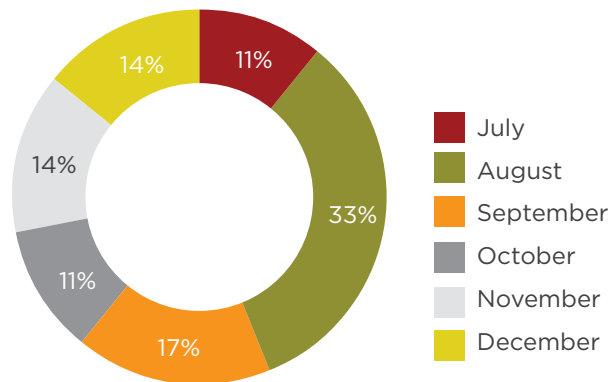
Once again Stratum International has enjoyed a successful period of growth, with a significant increase in senior operational and leadership placement activity in this half year. This report is based on our own data and performance and so may represent a more positive view of the market than others are experiencing.

MARKET METRICS CLIENT ACTIVITY

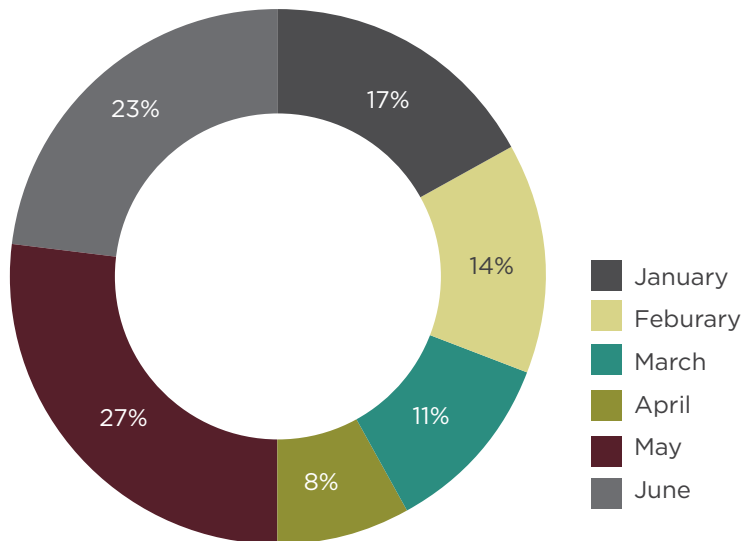
Hiring activity H1 2014



Hiring activity H2 2014



Hiring activity H1 2015



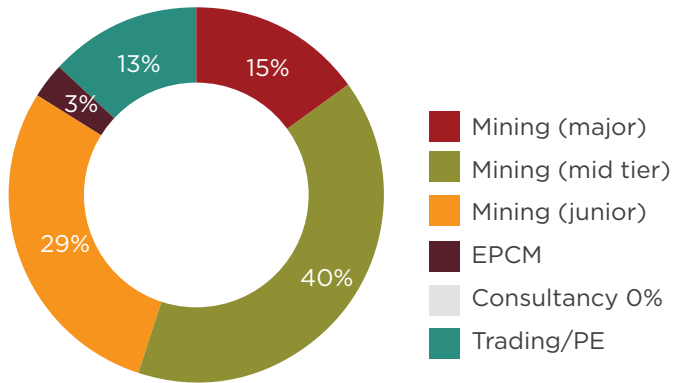
CLIENT ACTIVITY OBSERVATIONS

Our year got off to a strong start with a burst of activity as clients sought to replace the experienced talent that tends to retire or move onto new projects at the end of each calendar year. The end of 2014 saw an increase in executive operational hiring with a number of clients bringing in talent at VP and COO level to ensure assets are being run as effectively as possible. More recently executives we placed in executive positions are partnering with Stratum to help with lower level operational leadership changes at site to ensure the best possible teams are in place during this continued optimisation drive.

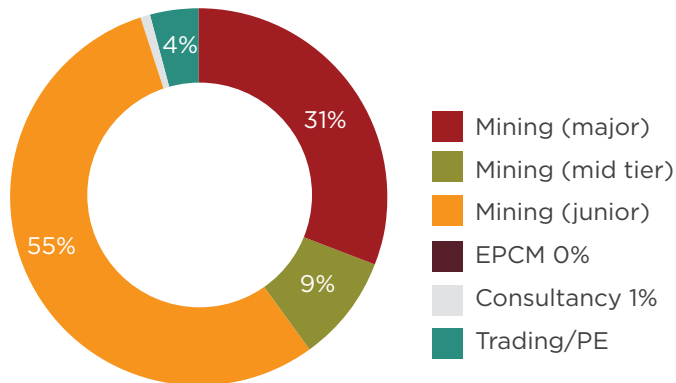
Surprisingly, H1 2015 saw hiring activity for project execution roles the highest we've witnessed for more than 18 months. Although a positive development, in our opinion this increase in hiring within the project space represents miners smartly focusing limited investment capital into projects with rock solid fundamentals and compelling prospects, rather than being a sign of a more generalised market recovery.

MARKET METRICS CLIENT ACTIVITY

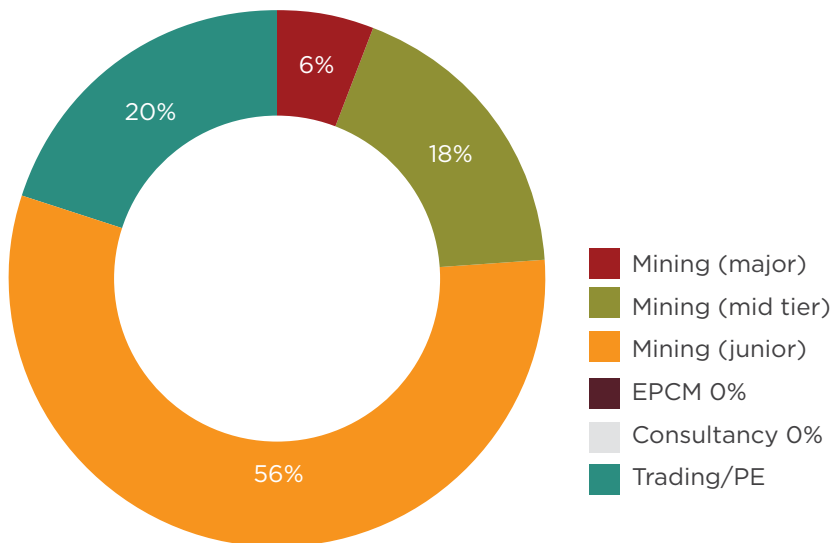
Client sector hiring activity H1 2014



Client sector hiring activity H2 2014



Client sector hiring activity H1 2015



CLIENT ACTIVITY OBSERVATIONS

Juniors once again formed more than half of market activity, following a significant increase in H2 2014. Our definition of Juniors includes miners with a single medium-sized operation and those with a number of small operations, generally with a maximum market cap of US\$200m.

In particular, we've seen a number of gold Juniors in West Africa cautiously advancing their projects, taking time to ensure studies are scrutinised to ensure basic project fundamentals stack up.

The trend of steady operational hiring amongst Juniors has continued as the smaller miners seek to improve operational efficiency by bringing in the best talent they can attract.

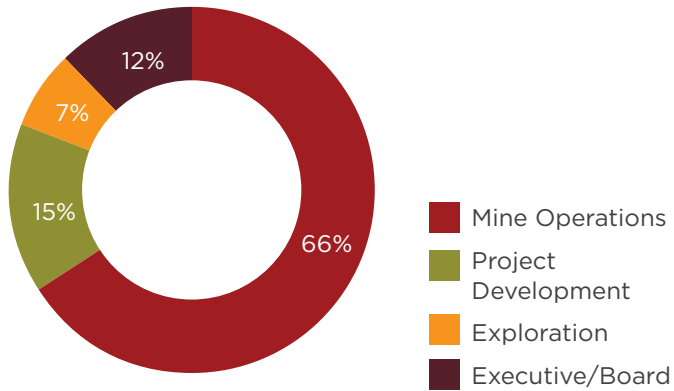
The decline in activity across Mid Tiers in H2 2014 has reversed to a degree, but the acceleration of activity we noted amongst the Majors in the same period has ground to a halt, down from 31% of activity to just 6%.

Conversely, Private Equity and Trading House clients, responsible for just 4% of activity in the last half of 2014, have reasserted themselves, accounting for a fifth of all activity. While it is possible that this might be skewed by Stratum's recent success in this area, anecdotally it does seem to reflect a more general trend of increased activity in this area. The same cannot be said for EPCMs, which continue to retrench.

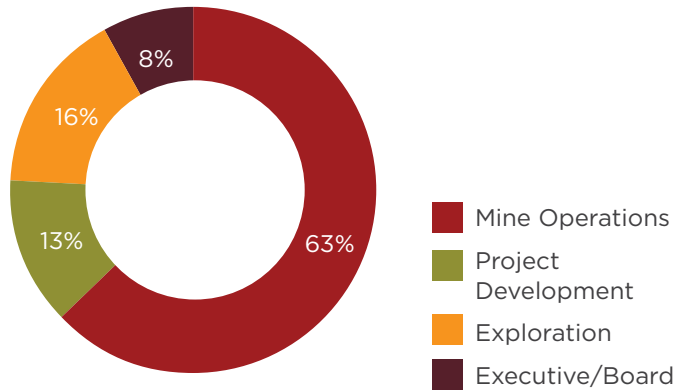
One trend we have noticed over the last 12 months is the increased tendency for clients to ask Stratum for a consultancy-led approach to identifying potential issues and subsequently ensuring the best possible talent is secured for key positions. This combination of advisory work and executive search has resulted in one client achieving record production, reducing costs in eight out of nine operations, and increasing profits by US\$16m at one site alone. Another has seen a 24% reduction in costs while realising a 36% increase in production.

MARKET METRICS CLIENT ACTIVITY

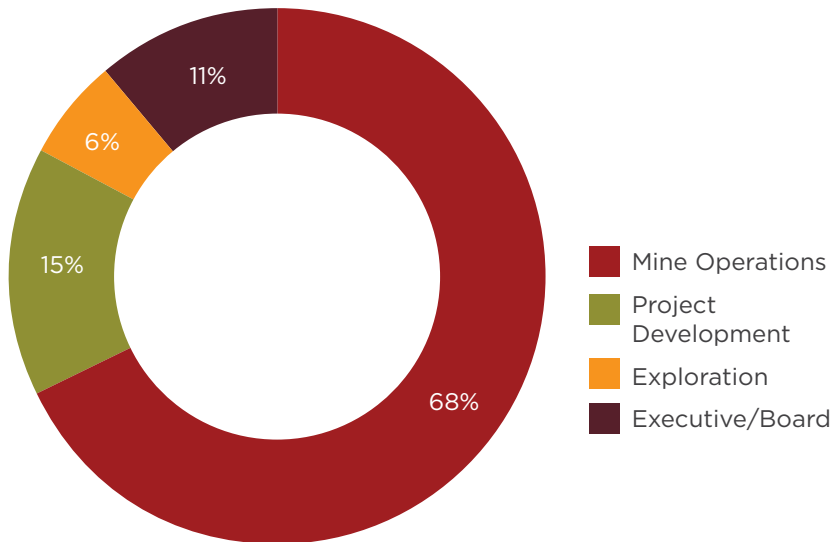
Discipline activity H1 2014



Discipline activity H2 2014



Discipline activity H1 2015



CLIENT ACTIVITY OBSERVATIONS

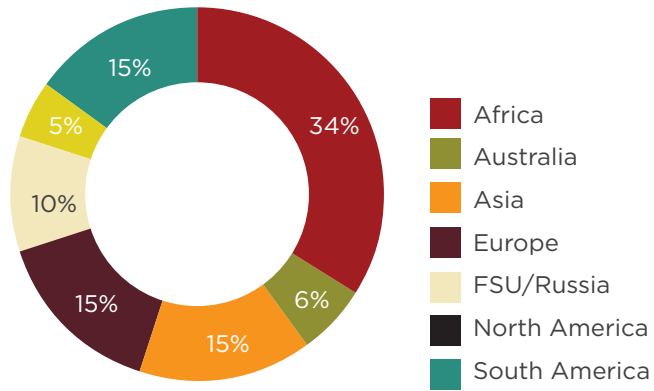
Mine Operations continues to be the dominant area of recruitment activity, accounting for two-thirds of the total. The small increase in the proportion of Project Development activity fails to reflect the fact that this represents a greater percentage of higher overall activity.

In Exploration, often a barometer for the whole industry, activity is down, both in real terms and as a proportion of the total. This is disappointing following the encouraging increase in the previous half year and is a trend we shall continue to monitor.

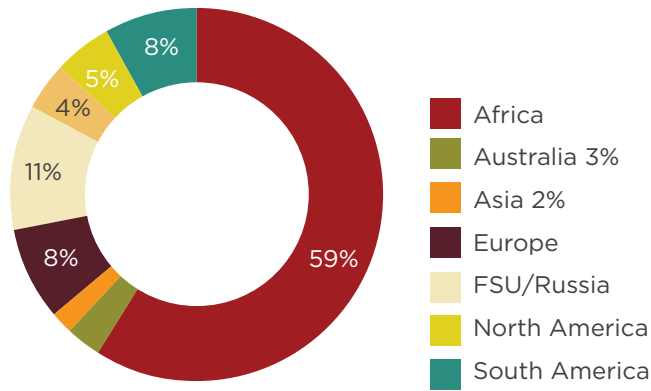
In our last report we suggested that Private Equity funds would begin to be injected into the market in late 2015 or early 2016 and that this would see an increase in executive level recruitment. Although the funds are still in abeyance, we remain confident that the time for investment is rapidly approaching, and it seems the battle for experienced executives has already begun with a small but significant increase in activity.

MARKET METRICS CLIENT ACTIVITY

Geographic spread of positions H1 2014



Geographic spread of positions H2 2014



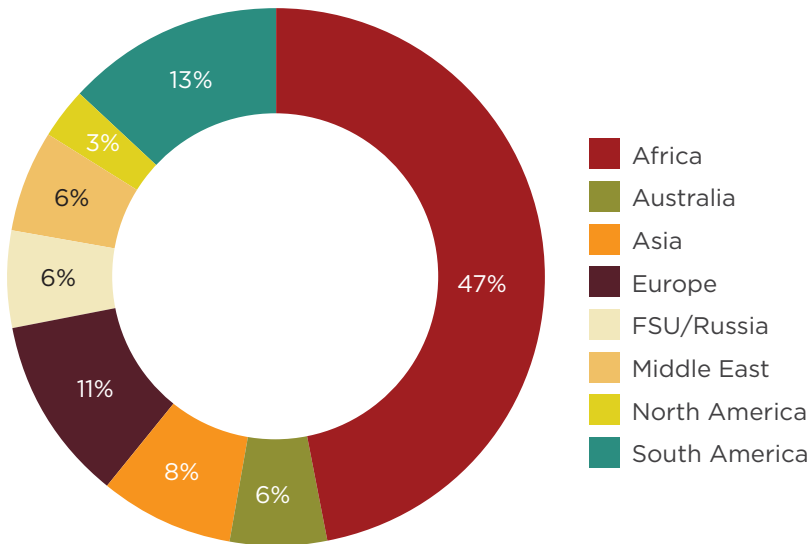
CLIENT ACTIVITY OBSERVATIONS

Africa continues to dominate Stratum's regional senior level recruitment activity. Accounting for nearly half of the total, this is, however, down from the all-time high of 59% in the previous half year.

In absolute terms the numbers are steadier, but overall activity has increased, with much of the extra activity coming from Europe, the Middle East and, in particular, South America and Asia.

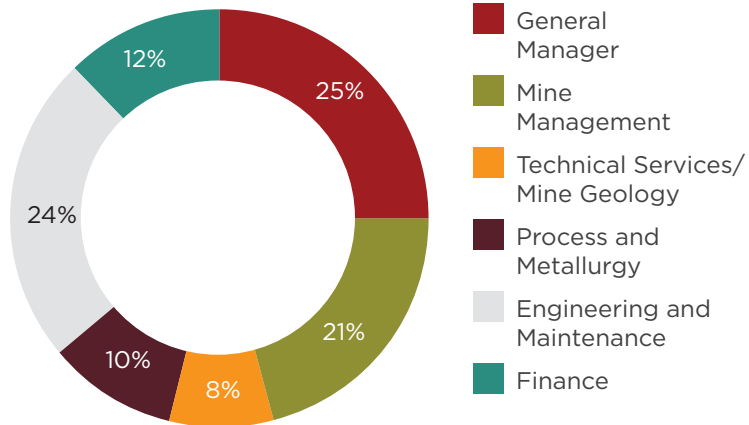
The Middle East continues to emerge as an important new market, overtaking North America and reaching the same level of activity as the FSU/Russia and Australia.

Geographic spread of positions H1 2015

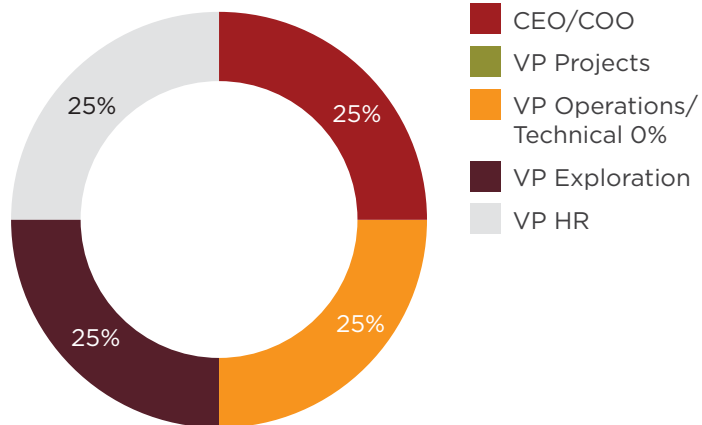


CLIENT ACTIVITY CONTINUED

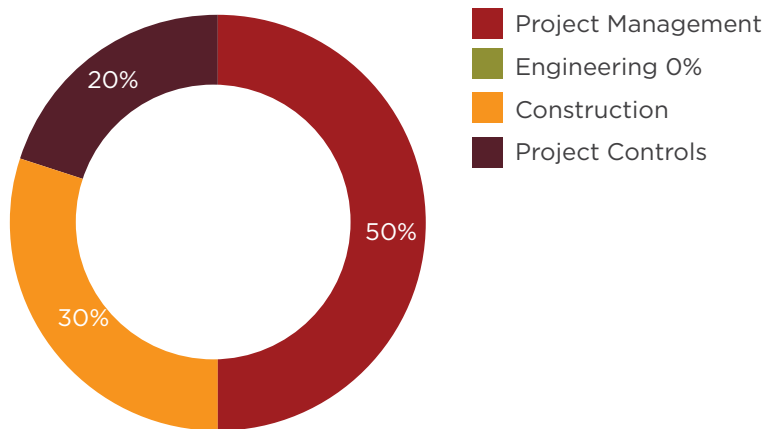
Mine operations



Executive



Project development



COMMENTARY

Over the previous year we saw an increase in recruitment activity for General Managers and Operations Managers, as new senior leaders brought in new teams to support them. These roles continue to account for nearly half of all mine operations recruitment. Interestingly, we've seen an increase (from a zero base) in the amount of financial recruitment activity, a clear sign - as if we needed one - of the fact that a close collective eye is being kept on operating costs.

The increase in specialist recruitment we reported in the second half of 2014 has fallen back as a proportion of total hires, though in real terms the numbers remain elevated. This is a trend we anticipate will continue as firms continue to build strong teams in the second and third tiers of management.

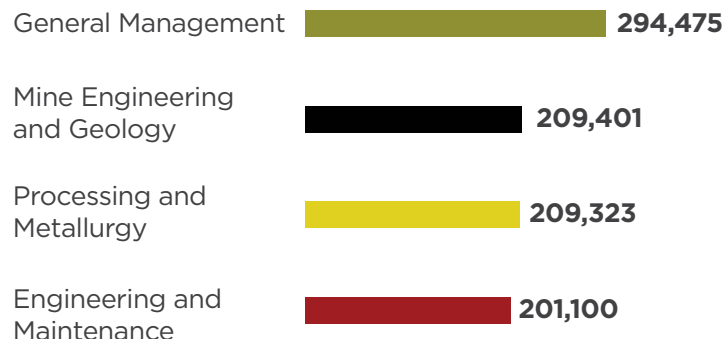
Project development continues to be a quieter area, with project manager roles now accounting for half of activity in this area. More positively, the increase in executive level exploration recruitment we reported in the last report was no one-off blip and represents a quarter of executive level recruitment in the first half of 2015. Exploration is a natural precursor to growth elsewhere and, following a sustained period of difficult times, we seek reassurance where we can find it.

REMUNERATION INFORMATION - AVERAGE SALARIES 2015

Executives



Operations



Project Development Management



COMMENTARY

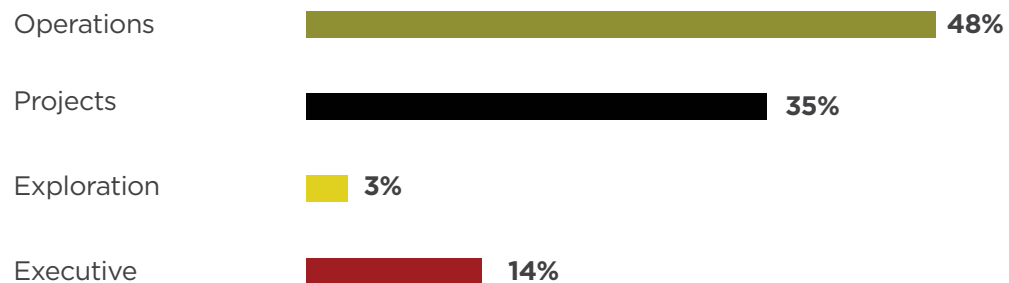
Average salary levels for all roles have either declined or remained static compared with the previous six months, as miners continue to control all discretionary costs in a still difficult market. As the war for mining talent heats up, this might change, but for the time being firms are holding their nerve and offering salaries that they feel reflect current market conditions.

The information on this page represents the average net salaries for senior and expatriate professionals during H1 2015. This data does not include bonus, benefits or stock or share options and is based on net US\$. Please refer to the end of the report for definitions.

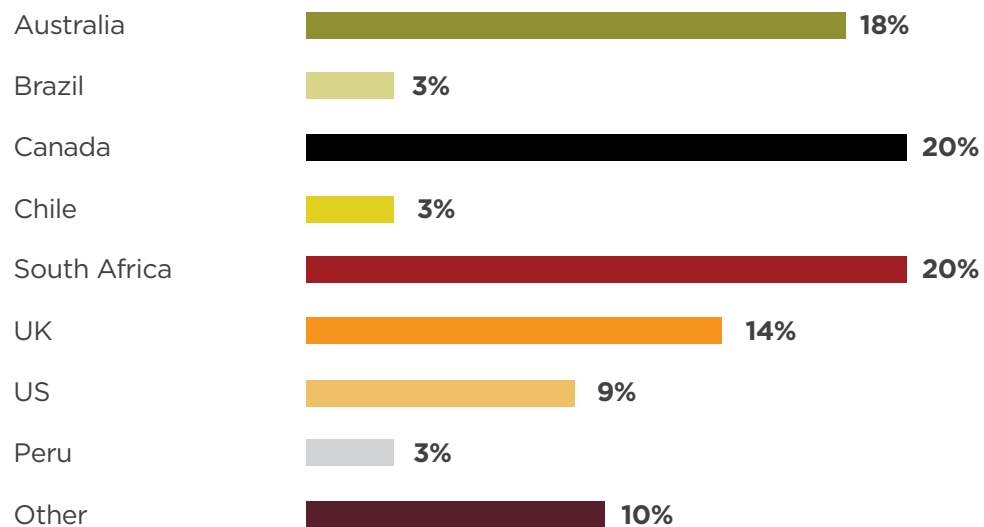
Please note that this data is only a snapshot in time. Stratum clients are able to access our searchable real-time salary data tool in the secure login area of our new, interactive website www.stratum-international.com to see the latest salary trends and data.

CANDIDATE DEMOGRAPHICS

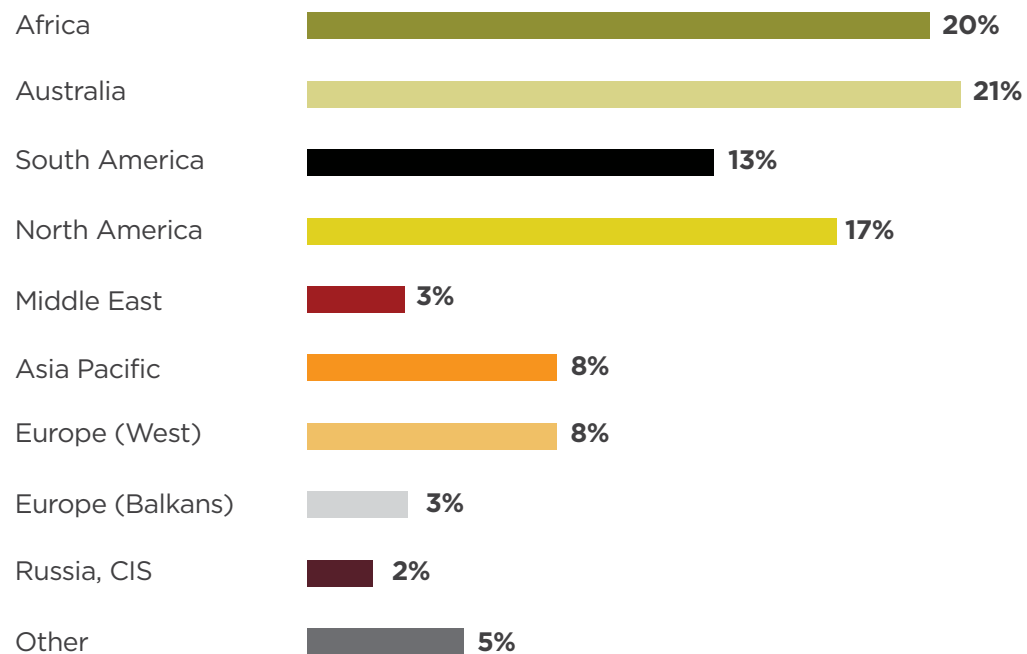
Functional areas by %



Candidate nationality



Regions (candidates currently working)



OBSERVATIONS AND PREDICTIONS

As we predicted in our last report, senior level hiring activity in the first half of the year has remained the same, with a steady flow of activity accounting for typical turnover. The only increase in hiring worth noting has been in project development, particularly in the gold miners of West Africa.

In a recent interview with Stratum International, Aureus Mining's CEO, David Reading, talked about the launch of the firm's new gold mine in Liberia, explaining "We are strong believers that by starting the project in a downturn, it positions the company well to reap the rewards in a subsequent upturn... Our objectives for New Liberty are to achieve commercial, profitable gold production by the end of 2015, and to sustain a production rate of 120,000 ounces per year throughout 2016."

Anecdotally, it's the Juniors in West Africa, often with Private Equity backing, who appear most confident about prospects in the region. Their methodical approach of focusing limited funding on a tightly focused number of promising prospects offers an attractive balance of risk and reward.

In 2014, the EPCM industry retracted and the first half of 2015 has seen this trend continue. There are, however, more positive signs ahead. Many Junior clients have told us about awards of studies and pre-construction projects, reinforcing the widely-held view that precious and base metals have hit the bottom of the market and are beginning a slow recovery.

The EPCM recovery will start in the lower cost regions like South Africa and ripple out from there. We predict that it will be some time before this hits regions such as Australia, however, where the costs of operation continue to seem high.

Is the market getting impatient with PE's lack of investment?

In the previous two or three market reports we have described how Private Equity firms and others have been accumulating impressive investment funds ready for the right opportunity. Like many other commentators, we anticipated that the first moves would not happen until late 2015 or early 2016.

As we approach this much-anticipated period, it's already clear that Private Equity firms, not normally noted for their patience, are frantically analysing assets to identify investible companies and leadership teams.

As the CEO of a Toronto-based fund said in a recent meeting with Stratum's senior partners, "If you have capital to invest and

Continues...

OBSERVATIONS AND PREDICTIONS

do your due diligence properly it is going to be impossible not to make money in the medium to long term.”

The fund considered by many analysts as the barometer for the Private Equity market in mining, Mick Davies’s X2, has been predicted by many to be ready to make its first move in the latter half of this year. It seems likely that any such move will act as a starting gun for M&A and consolidation activity as investors move quickly to secure some of the bargain opportunities available. It’s been a long time coming, but this will at last indicate a market segment that we have reached the bottom of the cycle and things are about to change. As we have warned before, however, anyone anticipating the accelerated growth of previous cycles may need to be more patient.

In West Africa, where many of Stratum’s clients are active, the Ebola outbreak is far from over, but we may have seen the worst of it – the end of the beginning, or the beginning of the end. Should the situation continue to improve, we are confident that the West African gold market and potentially some of the iron ore Juniors in the region will see increased interest over the next two years.

Juniors have already demonstrated that deals can be done; for example, B2Gold’s acquisition of Volta’s gold deposit in Burkina Faso, and SEMAFO’s acquisition of Orbis Gold. Both acquisitions look likely to create competitors for the region’s mining talent. We anticipate that, over time, activity will move to the Majors, who will look to buy their way back into the game – perhaps by buying out some of these newly-formed companies with relatively new projects and operations with decent mine lives.

Management cascade

If 2013-2014 was about a major change around at the very top of mining firms, with more than half of firms changing their CEO around that time, then 2014-2015 has seen a cascade of activity to the next level. Those roles reporting to the executive suite, such as operational and site-based executives and senior managers, have seen a resurgence of interest as executive leaders at corporate level establish their preferred site-based leadership teams.

At Stratum we’ve already noticed the trend moving towards the next tier, as many of the General Managers we have placed ask us to help build their support network on-site. For some this means bringing in some familiar faces. While there is a comfort in familiarity, with an unpredictable cycle ahead and the inflated cost of hiring from such a strictly limited pool, we recommend that it’s always worth testing the market to ensure your business attracts the best team possible.

DEFINITIONS

Executive – operational, projects, exploration and human resources executive level positions which may include junior, mid-tier and large companies. Note we do not report on salary averages for CEO level due to exponential differences in package structures depending on company size, objectives and development/operational strategies.

Project Management – project leadership (manager/director) role of full cycle project lifecycle or specific phase including study, construction, commissioning or completion. Leadership of group or executive function. Projects may include greenfield and brownfield expansions across mine infrastructure, civil and processing facilities and are typically in the range of \$300m upward to \$1bn+.

Project Controls – Leadership or senior discipline roles across project controls, including Project Controls Management, Estimating, Cost, Scheduling and Planning. FEL1 – FEL4 typically with leading EPCM or Owner's teams on projects \$300m to more than \$3 billion.

Engineering Management – engineering leadership of full cycle project lifecycle or specific phase including either study, construction, commissioning or completion. Leadership of group or executive function. Projects include greenfield and brownfield expansions across mine infrastructure, civil and processing facilities and are typically in the range of \$300m upward to \$1bn+.

Construction Management – leadership of full cycle project lifecycle or specific phase including mainly construction and commissioning, but may also include studies. Projects include greenfield and brownfield expansions across mine infrastructure, civil and processing facilities and are typically in the range of \$300m upward to \$1bn+.

General Management – leadership of operational mining site with multiple discipline subordinates. Includes multi site but not executive/board level responsibility. Also includes mine operations management.

Mine Engineering & Geology – may include senior operational and leadership positions including Principal/Chief Mining Engineer, Senior Mine Engineer, Geology Manager, Senior Production Geologist etc.

Processing & Metallurgy – leadership of operational mining processing facility. May include multi site but not executive/board level responsibilities.

Engineering & Maintenance – leadership of teams within the E&M function which includes fixed and mobile plant. May be multi site but is typically single site.

Exploration – includes exploration management and chief geologist seniority across geographies including all asset sizes across all sizes of exploration and producing companies.

WE WOULD BE DELIGHTED TO RECEIVE YOUR COMMENTS ON THIS REPORT AND WHAT YOU'D LIKE TO SEE IN FUTURE EDITIONS.

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