Oil, Gas and Mining People

MARCH 2015

DFP Mining and Resources Job Index

Introduction

Welcome to the latest edition of the DFP Mining and Resources Job Index which provides month end data for March 2015.

The Index experienced another significant decline of 8.2% in March, with the year on year decline now at 31.2% nationally. Permanent vacancies continue to fall far more steeply than temporary and contract work within the sector. Recent rises in vacancies in Queensland have not continued, with a 4.2% fall recorded in March erasing the gains made earlier in the year. A further decrease in Western Australia's job advertisements has also seen the WA index fall below 50% in the proportion of roles advertised nationally.

We welcome all comments and observations. Our aim is to deliver research that is timely and informative to employers, job seekers and those with an interest in the Australian Mining and Resources job market.

National Job Index

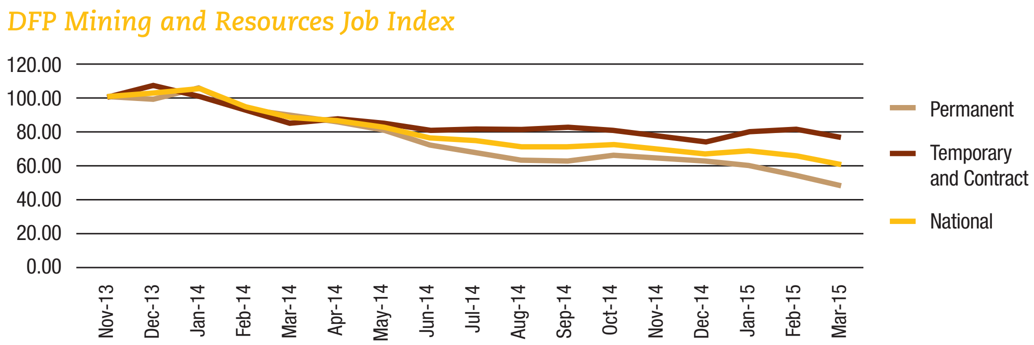

Chart 1: National Index and Job Type Analysis

The DFP Mining and Resources Job Index experienced a significant fall in March with the Index falling 8.2% from 65.41 to 60.05. Although the first 2 months of 2015 were showing signs of a slowdown in the rate of decline, this month's fall suggests we have not seen the end of the downturn. Last month we suggested that the sector could be in for another tough year and at this point those fears look well founded.

This month's very weak advertisement numbers make depressing reading in all of our comparatives. Year on year the number of advertisements has fallen 31.2% nationally, 15.1% in the last 6 months and 10.7% in the last quarter. The rate of decline shows no sign of easing in light of further recent challenges and reports coming from the Resources sector.

A sure sign of employer's lack of confidence is demonstrated by the trend away from permanent hiring and continued movement towards temporary and contract staffing solutions. Permanent opportunities now represent 48% of all vacancies, down from 60% in November 2013. Permanent vacancies fell 10.9% in March and the index has slipped to 48.52, down 45.8% in 12 months. Over the same period the Temporary and Contract Index fell only 8.7%.

THINKING PEOPLE

National Job Index *(continued)*

DFP Consultants are experiencing further uncertainty from clients with respect to temporary assignment lengths, and the decision to act on appointing temporary personnel is taking longer than usual. This is again due to the "wait and see" approach in light of commodity prices and funding challenges.

The major influence on hiring activities by mining and resource companies remains the price of commodities. This month the DFP Index fell 8.2% while the RBA's Bulk Commodities (non rural) Index fell 5.0%. The correlation remains strong although it is possible that once prices fall below the cost of production, hiring will decrease at a greater rate.

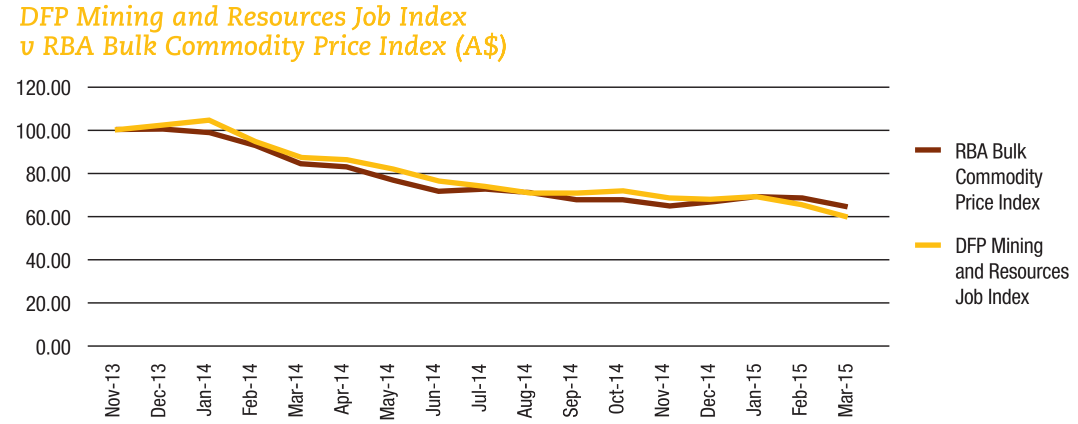

Chart 2: Comparison between the National Index and the RBA Commodity Price Index

State Analysis

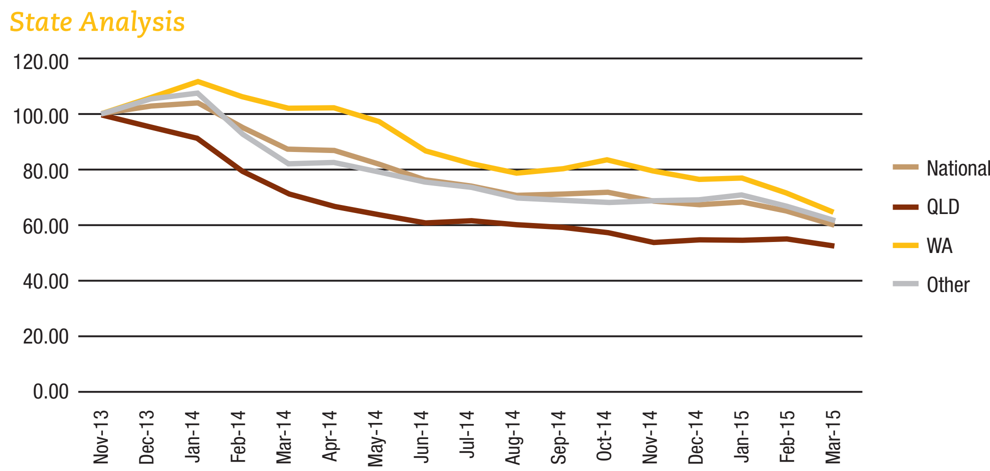

Chart 3: Comparison of State Job Indices against the National Norm

The precipitous national fall was felt across all states. Western Australia took the brunt of the decline, falling 10.2%. Whilst WA benefits from a broad spread of commodities extracted across the state, the severe and continuing decline in iron ore prices clearly has a hard impact. The iron ore price has now hit a price of $US47 per tonne. Iron ore producers are now racing to stay ahead of costs with more job cuts on the horizon. This will certainly have a downward affect on our data.

Exploration in oil and gas was considered as the next area of industry growth after the peaks of iron ore mining. However the fall in oil prices continues to impact production and exploration in oil and results are contracting.

Queensland fell by 4.2% in March wiping out the small gains in the previous 3 months. Over the last 12 months vacancies in Queensland have fallen 25.3%.

State Analysis *(continued)*

The graph below provides a breakdown of the proportions of each state and territory:

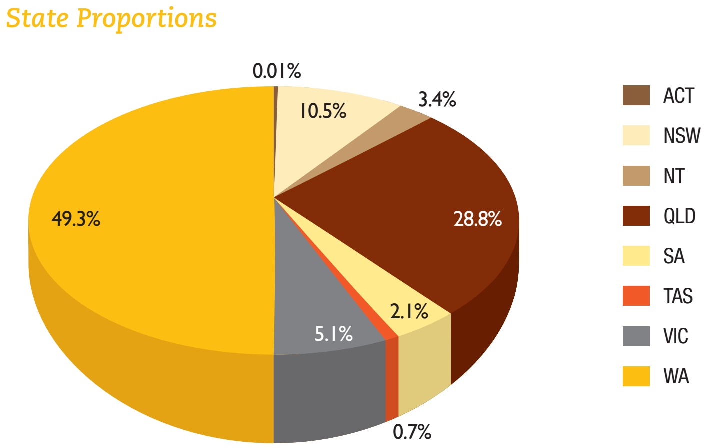

Chart 4: Analysis of Job Advertisements by State and Territory

Western Australia's national market share of mining and resources job advertisements has fallen below 50%. This represents a decline of over 9% over the past 12 months.

Sub Sector Analysis

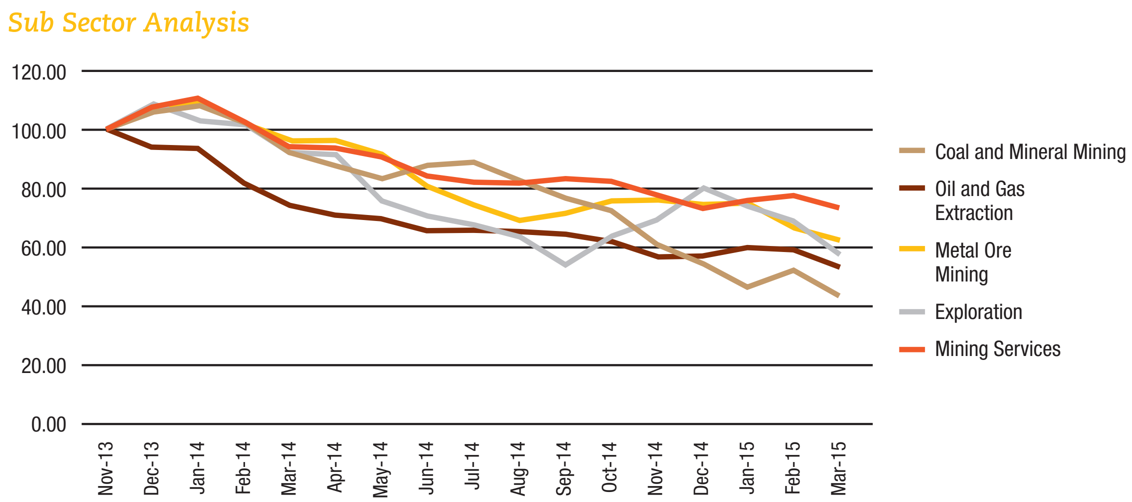

Chart 5: Analysis of Job Vacancies by Sub Sector

Exploration and Coal Mining both fell a staggering 15.5%. Exploration has now fallen 36.7% in the last year.

We anticipated an upswing in exploration activity in late 2014 with the exploration incentive scheme coming into affect. The challenges in this space continue with many explorers unable to raise the capital to fund such projects. Whilst the Gold price has maintained a price over AU$1,500 per ounce since early February with a high point of $AU1651, there has been little reprieve for drilling companies who are fiercely competing for exploration work.

As reported by Australian Mining Online, "Several banks including Deutsche Bank say iron ore will continue to track downwards and reach a floor of $US45 a tonne. The prediction comes as steel demand in China dropped 5 per cent in the past 6 months, its biggest fall since the GFC."

Sub Sector Analysis *(continued)*

Coal prices have also tumbled and so have employment opportunities. Vacancies in coal mining are half that recorded 12 months ago, with the index at an all time low of 43.83.

Metal Ore employers reduced vacancies advertised by 6.3% and Mining Services fell 5.3% in March.

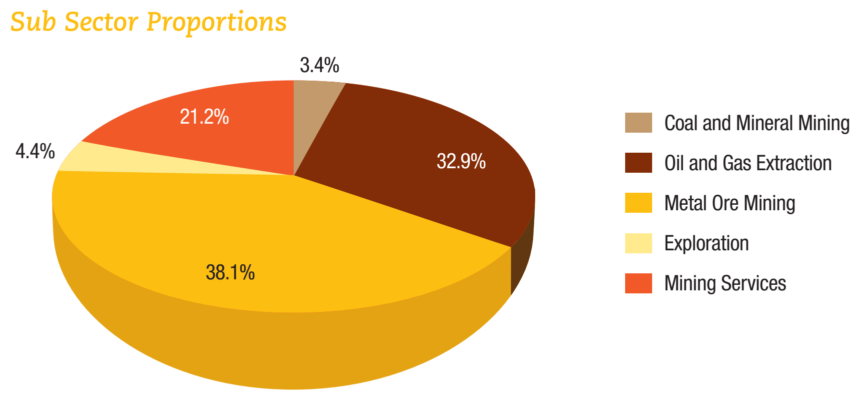

Chart 6: The Proportion of Job Vacancies by Sub Sector

Metal Ore Mining share of all vacancies rose to 38.1% from a 37.4% share of all advertised vacancies in Australia in March. Mining Services also picked up its market share to 21.2% as a consequence of the larger falls across other sectors, particularly in Oil and Gas Extraction.

High Level Occupational Analysis

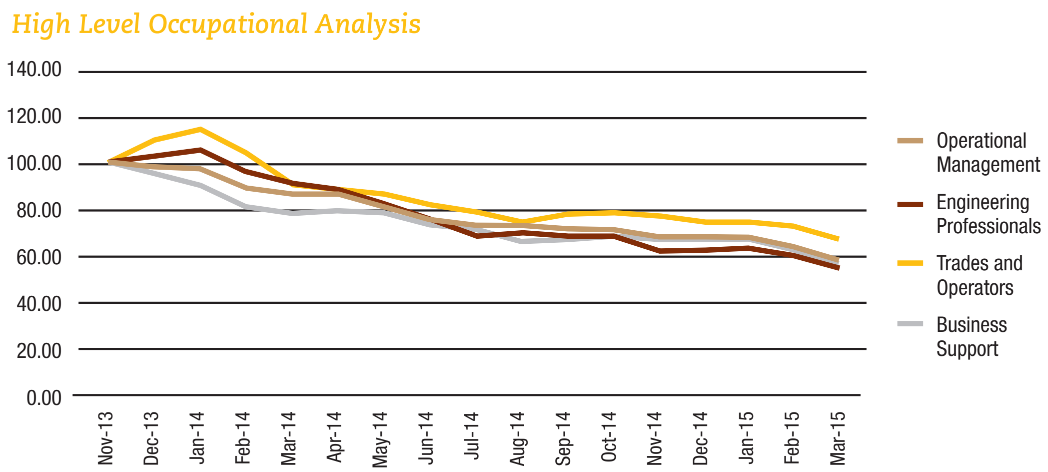

Chart 7: Analysis of Job Advertisements by Occupational Group

It is interesting that once again the overall decline in vacancies seems to have been shared fairly evenly across all occupational groups within the Mining and Resources sector. Operational Management (-10.3%) and Business Support (-9.3%) were above the norm while Engineering (-7.6%) and Trades and Operators (-6.5%) performed better than the average. It can be expected that cost cutting, or at least hiring restrictions, start in head office and at higher salaried managerial levels.

Over the last 12 months, demand for Trades and Operators have held up best, despite falling 25.5%. A stabilisation in our job index figures would be welcome news, however unlikely in light of the continued challenges facing the resources sector in general.

Operational Management

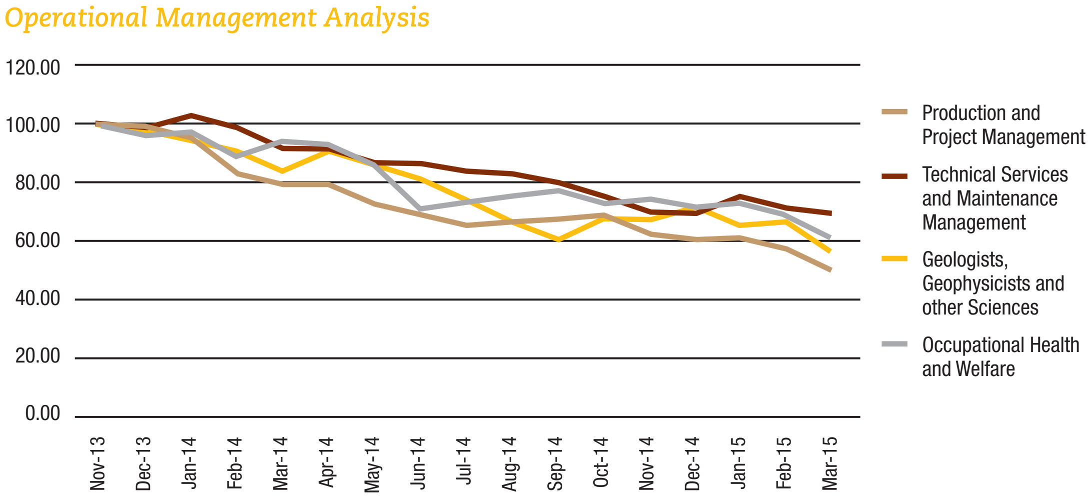

Chart 8: Analysis of Job Vacancies across Operational Management Occupations

Technical Services and Maintenance Management was again the strongest performing senior category of management, falling only 2.5% in March. In the last 12 months vacancies have fallen 25.1% and the index sits at 68.85, both the best performance of all managerial occupations measured.

With the large fall in exploration activity, Geologists, Geophysicists and Other Scientists are struggling as opportunities took another significant dive in March. Production and Project Managers are also finding the market short of good opportunities, with vacancies down 36.5% year on year.

Engineering Professionals

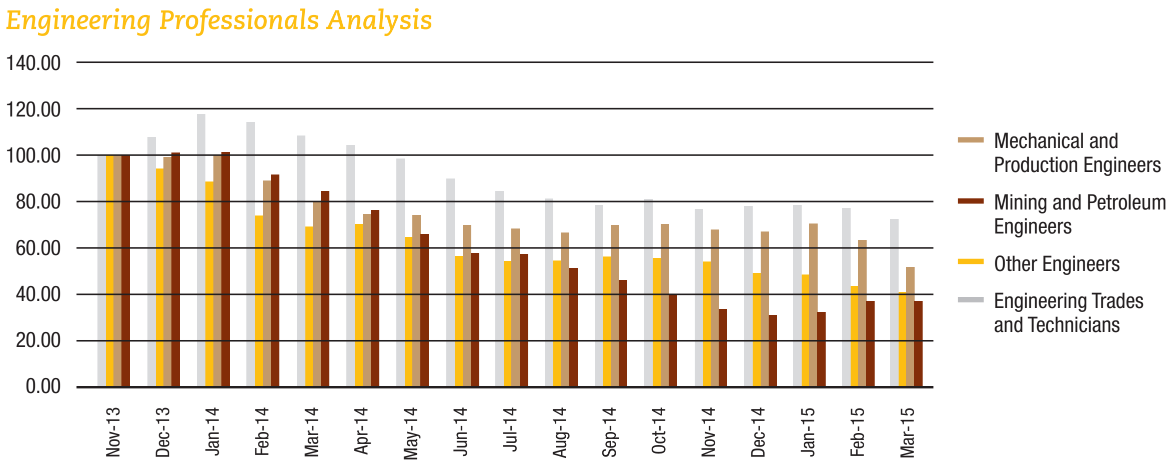

Chart 9: Analysis of Job Vacancies across Engineering Occupations

Engineering occupations have been hit hard by the downturn in the Mining and Resources sector. March was particularly severe for Mechanical and Production Engineers, where demand fell 17.3%. Many of these professionals have transferable skills that can and should be utilised in other sectors.

Mining and Petroleum Engineers recorded a somewhat surprising 4.3% rise in vacancies in March, the third in succession. Hopefully this will continue and demonstrate the worst is behind them.

Engineering Trades continue to fare best. While vacancies did fall 7.9%, the index sits at 70.92 after 6 months of relatively stable demand. Employers may be looking to save on salaries by recruiting trades and technicians over fully qualified engineers.

Trades and Operators

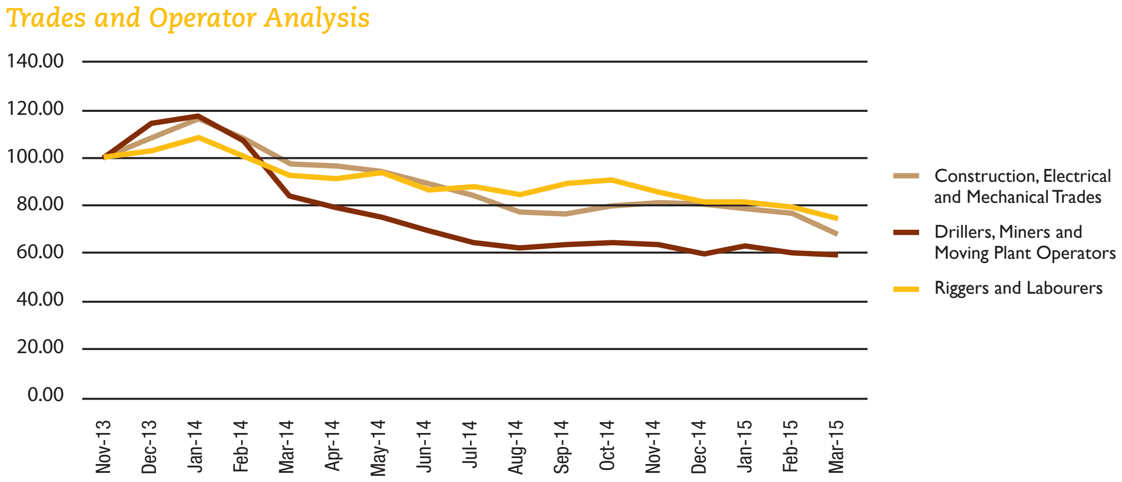

Chart 10: Analysis of Job Vacancies across Mining and Resources Trades and Operators

Trades and Operators are clearly holding up the strongest in a very weak market. Labourers and Process Technicians are still critical in a mineral processing environment and labour is still required for the purpose of getting our commodities to port.

Accordingly, demand for Drillers, Miners and Moving Plant Operators has held up remarkably well over the last 6 to 9 months and fell a mere 1.9% in March. Likewise demand for Riggers and Labourers fell 5.1% and demand is down less than 20% in a year. We do however recognise that many Drillers and Miners have left the industry and reinvested careers within different sectors. Therefore, experienced personnel within the current market can be challenging to source.

Construction, Electrical and Mechanical Traders took the brunt of the fall, declining 12.5% in March. Again we expect to see those who can no longer find work in the Mining and Resources sector to move into opportunities within the civil construction sector.