

OVERSEAS INVESTMENT ACT 2005

REASONS FOR DECISION BY MINISTERS ON APPLICATION BY OCEANA GOLD (NEW ZEALAND) LTD IN RESPECT OF APPROXIMATELY 178 HECTARES OF LAND IN WAIHI

3 May 2019

1. Under the Overseas Investment Act 2005 (the Act), on 3 May 2019, consent has not been granted to the application by Oceana Gold (New Zealand) Ltd (Oceana Gold) to purchase land located in Waihi, application numbers 201710162 and 201810122. The reasons for the decision are set out below.

Description of the application

2. Oceana Gold has applied for consent under the Act¹ (Application) to acquire rural land comprising:²
 - the [REDACTED] approximately [REDACTED] ha of freehold land located at [REDACTED] Waihi;
 - the [REDACTED] approximately [REDACTED] ha of freehold land at [REDACTED] Waihi; and
 - approximately [REDACTED] ha of freehold land (adjoining the [REDACTED] Farm) at [REDACTED] Waihi,(together the Land) comprised in Computer Freehold Registers [REDACTED] and part of [REDACTED] which together comprise the acquisition of sensitive land under the Overseas Investment Act 2005 (the Act).³
3. Oceana Gold has applied for consent for overseas investment to enable the construction of a new mining tailings storage facility on the Land. This is largely linked to a future mining project called "Project Quattro", which is projected to commence in 2030.
4. The Associate Minister of Finance and the Minister for Land Information have carefully considered the Application dated 21 November 2018, the final version of the Investment Plan dated 21 November 2018, the further information provided by Oceana Gold on 31 January, 20 February, 22 February 2019 and 1 March 2019 and the OIO's report dated 22 November 2018.
5. The Act requires that the relevant Ministers must reach their own decision, notwithstanding advice that they, as relevant Ministers have received.
6. Both Ministers are satisfied that:
 - (a) The individuals with control of Oceana Gold⁴ have, business experience and acumen relevant to the overseas investment;
 - (b) Oceana Gold has demonstrated financial commitment to the overseas investment;
 - (c) All the individuals with control of Oceana Gold are of good character; and

¹ Oceana Gold submitted two applications: one for the [REDACTED] and the [REDACTED] consent application number 201710162); and another for the [REDACTED] consent application 201810122). Given the overlapping subject matter of these applications, these applications are being assessed as one application.

² All properties are sensitive land, being "rural land" as defined in the Ministerial Directive Letter.

³ As it applies to transactions entered into prior to 22 October 2018.

⁴ Being the "relevant overseas person" and including Oceana Gold Corporation.

- (d) All the individuals with control of Oceana Gold are not individuals of a kind referred to in section 15 or 16 of the Immigration Act 2009.
7. The benefit to New Zealand test is required to be met before consent may be granted:⁵
- (a) The Associate Minister of Finance's view is that the Application meets the benefit to New Zealand test.
- (b) The Minister of Land Information's view is the Application does not meet the benefit to New Zealand test.
8. The Ministers may come to separate conclusions regarding the criteria in the Act. If either of the Ministers conclude that any of the criteria is not met then an application must be declined.
9. As the Minister of Land Information is not satisfied the Application meets the benefit to New Zealand test, Oceana Gold's Application will be declined.

2. Background

10. Oceana Gold owns and operates a number of existing mines in Waihi (referred to herein collectively as the "Waihi mine").⁶
11. As part of large-scale expansion plans, Oceana Gold intends to carry out new [REDACTED] mining activities in two stages. The first stage "Project Martha" is set to commence at the beginning of 2019 and is projected to cease in approximately 2030 (subject to other consents being issued by the Overseas Investment Office (OIO)). "Project Martha" will cease two years earlier, in 2028, if the Application is declined.
12. The second stage, "Project Quattro" is set to commence in 2030 but may commence earlier. As part of the second stage, Oceana Gold intends to construct part of a new tailings storage facility on the Land. Tailings generated by mining activity may contain traces of chemicals and must be kept secure.

3. Decision-making framework

Purpose of the Act

13. The Ministers' consideration of the application has been framed with the purpose of the Act (section 3) in mind, which states:

The purpose of this Act is to acknowledge that it is a privilege for overseas persons to own or control sensitive New Zealand assets by (emphasis added):

- a. *requiring overseas investments in those assets, before being made, to meet criteria for consent; and*
- b. *imposing conditions on those overseas investments.*

Rural land directive

14. As the Land includes non-urban land over 5 hectares the Ministers have undertaken their assessment in accordance with the rural land directive set out in the directive letter dated 28 November 2017 (Ministerial Directive Letter). The Ministerial Directive Letter notes the following factors will generally be of high relative importance for overseas investments in rural land:

- (a) The 'jobs' factor (s 17(2)(a)(i) of the Act);
- (b) The 'new technology or business skills' factor (s 17(2)(a)(ii) of the Act);

⁵ Overseas Investment Act 2005, s 16(1)(e)(ii)/(iii) and s 17.

⁶ This includes the Martha mine (open pit), Moonlight, Trio, Correnso and Slevin (underground) mines at Waihi.

- (c) The 'increased exports receipts' factor (s 17(2)(a)(iii) of the Act);
 - (d) The 'increased processing of primary products' factor (s 17(2)(a)(vi) of the Act); and
 - (e) The 'oversight and participation by New Zealanders' factor (r 28(j) of the Overseas Investment Regulations Act 2005 (Regulations)).
15. In relation to rural land, the Ministerial Directive Letter and s 16 of the Act recognises that the associated privilege is greater than for non-rural land. The Ministerial Directive Letter says:
- The primary sector, and the rural land it is based on, forms a particularly important part of the New Zealand economy.*
- The Act acknowledges the privilege associated with the ownership or control of rural land is greater than for non-rural land by requiring the benefits resulting from the overseas investment to be substantial and identifiable (a higher threshold).*
- The merits of overseas investment in the primary sector can be less compelling given that we are already world leaders in this area. The Government is therefore concerned to ensure that the benefits from overseas investments in rural land are genuinely substantial and identifiable.*
16. In relation to investments in general, the Ministerial Directive Letter also acknowledges that "environmental" considerations may be taken into account:
- (6) *The Government welcomes high quality overseas investment that:*
 - (6.3) *Is environmentally sustainable, minimising adverse impacts on the natural environment, and is likely to create positive and long lasting environmental benefits;*
 - (6.4) *Provides economic, environmental, social and cultural benefits to regional communities;*
 - ...
 - (8) *The Government also recognises that while economic goals are important, so too are environmental, social and cultural goals. Overseas investment must deliver for all of New Zealand.*

Measuring the benefits of an overseas investment

17. The Ministers have taken into account judicial guidance in undertaking the benefits assessment.⁷ In particular, the causal connection between investment and most of the permissible benefits must be assessed by reference to some other state of affairs – that is, a counterfactual. The test has been described by the Court as a "with and without" test, requiring a comparison of what is likely to happen with the investment, and what is likely to happen without the investment (the counterfactual).
18. The substantial and identifiable benefits assessments of the Minister for Land Information and the Associate Minister of Finance are set out below.

4. Minister for Land Information's benefits assessment

Benefits

19. The Minister has considered the factors of high relative importance as set out above, as well as the other factors listed in s 17 of the Act.

⁷ *Tiroa E and Te Hape B Trusts v Chief Executive of Land Information* [2012] NZHC 147.

20. The benefit assessment must be undertaken having regard to the nature of the investment (reflecting the proportional nature of the assessment). The investment in this case is the conversion of highly productive farmland currently used for food production through dairy farming and dry stock farming into land used primarily to store waste from Oceana Gold's gold mining operation. The Land is proposed to be used to create a tailings impoundment with a reservoir to accumulate waste.

Jobs – s 17(2)(a)(i) (Ministerial Directive Letter - high relative importance)

21. The Waihi mine (as part of "Project Martha") has the capacity to store [redacted] million tonnes of tailings in the existing tailings storage facilities which Oceana Gold says equates to another nine years of life for the mine until 2028 without the acquisition of the Land.⁸
22. Oceana Gold expects 250 existing FTE direct employees and about 100 existing FTE contractors currently employed at the Waihi mine will be retained if the Land is acquired and "Project Quattro" proceeds.⁹ Oceana Gold has advised they expect these jobs to continue or increase for as long as the processing plant continues to operate, beyond the current mine life and beyond the capacity of the current tailings storage facilities.¹⁰ However, from the information provided, "Project Quattro" does not appear to create any new jobs.
23. While the investment could extend the period of mining activities in the area by nine years from 2028 to 2036, the counter-factual is that mining continues until 2028. In a "without the investment" scenario, four current FTE jobs on the [redacted] and [redacted] farms will remain, and the jobs associated with "Project Martha" are likely to continue until 2028. Should the mining operations then cease, there would be about 30 to 40 workers involved with rehabilitation works and post-closure monitoring for three to five years.¹¹
24. That provides time for the affected community to attract alternative investments in sustainable enterprises and plan for any workforce changes that might occur. An independent economics assessment on Project Martha, provided with Oceana Gold's application, noted that "with sufficient preparation and planning, likely negative effects on local employment ... can be reduced".¹² A period of around nine years is likely to be sufficient to establish new employment opportunities, particularly if New Zealand continues to transition to a low-emissions economy.
25. The Waihi mine has been operating for some time yet the median personal income in the Hauraki District is only \$23,000. This suggests that the applicant's investment and operation has not necessarily generated substantial and identifiable benefits for the immediately affected community at Waihi. There are recognised limits to mining's effect on social outcomes, which can be accounted for.¹³
26. The Minister considers it relevant that mining can continue as part of "Project Martha" until 2028, but acknowledges that jobs will be retained for a further nine years if the Land is acquired.
27. Accordingly, the Minister would give the "jobs" factor a moderate weighting.

New technology or business skills - s 17(2)(a)(ii) (Ministerial Directive Letter - high relative importance)

⁸ Letter of 1 March 2019 from [redacted] Oceana Gold to OIO.

⁹ Letter of 20 February 2019 and 1 March 2019 from [redacted] Oceana Gold to OIO.

¹⁰ Letter of 20 February 2019 from [redacted] Oceana Gold to OIO.

¹¹ Further information table "Counterfactual" at 1 (provided with letter of 20 February 2019 from [redacted] Oceana Gold to OIO).

¹² Sense Partners, Project Martha: Economic impact, 24 May 2018 p 11.

¹³ Sense Partners, above n 9, pp 7-8; Ministerial Directive Letter at [8].

28. Oceana Gold advised they may invest in robotic/semi-autonomous mining equipment and that this equipment is not presently used in other mines in New Zealand. There is no certainty that this new technology will be introduced.
29. The applicant has provided information around the current checks and balances for the safety of tailings storage facilities.¹⁴ There is no certainty Oceana Gold will invest in “new” risk management technologies for tailings processing. Accordingly, the Minister would give this factor no weight.

Increased export receipts – s 17(2)(a)(iii) (Ministerial Directive Letter - high relative importance)

30. Oceana Gold said mining of “Project Quattro” will generate on average █████000 ounces of gold per year, all of which will be exported to Australia.¹⁵
31. In a “without the investment scenario”:
 - (a) the Land will continue to be used for dairy farming, with an estimated export value of \$████000 per annum;¹⁶ and
 - (b) “Project Quattro” will not proceed because of the lack of adequate tailings storage, the Waihi mine will cease operations in 2028 and Oceana Gold’s projected gold exports of, on average, █████000 ounces will not occur for the projected six year project life of “Project Quattro”.
32. The Minister acknowledges that mining can continue at the Waihi mine until 2028 without acquiring the Land and that current projections are for the mine to continue to operate at most for a further nine years beyond that if the Land is acquired. An increase in export receipts will therefore only occur at most for an additional nine years if the Land is acquired.
33. Accordingly, the Minister would give this factor moderate weighting.

Added market competition, greater efficiency or productivity, enhanced domestic services – s 17(2)(a)(iv)

34. The Minister is satisfied the acquisition of the Land will likely result in gains in efficiency with Oceana Gold able to continue mining while using much of the Waihi mines existing infrastructure.
35. In a “without the investment scenario” the tailing capacity needed to extend life of the Waihi mine beyond 2028 will not occur, but the land will continue to be farmed in a similar manner to which it is currently farmed. The Minister accepts the regulator’s assessment that the investment will not result in added market competition or enhanced domestic services. She notes that gains in efficiency will at most only be for those additional nine years.
36. Accordingly, the Minister would give this factor moderate weighting.

Introduction into New Zealand of additional investment for development purposes – s 17(2)(a)(v)

37. The Minister is satisfied the acquisition of the Land will likely result in the introduction of additional investment for development purposes.

¹⁴ Letter of 20 February 2019 and Further information table “Risk Management”.

¹⁵ Oceana Gold’s Investment Plans dated 21 November 2018 at paragraphs 70 (██████████) and 66 (██████████).

¹⁶ Application for consent to acquire sensitive New Zealand Assets dated 21 November 2018 (██████████) and land at ██████████ at paragraph 73 and application for consent to acquire sensitive New Zealand Assets dated 21 November 2018 (██████████ Farm) at para 69.

38. While this factor has been given a high weighting, the Minister notes it is not one of high relative importance for sensitive, rural land.

Increased processing of primary products – s 17(2)(a)(vi) (Ministerial Directive Letter – high relative importance)

39. The OIO's view was that "Project Quattro" [REDACTED] [REDACTED] would not result in increased processing of primary products. The OIO considered that Oceana Gold's activities in New Zealand related to the extraction of gold and that any processing of the extracted gold occurred offshore at the Perth Mint in Australia.

40. Accordingly, the Minister considers this benefit would give this factor no weighting.

Adequate mechanisms in place for protecting significant indigenous vegetation and significant habitats of indigenous fauna – s 17(2)(b)

41. The [REDACTED] property includes a 15 ha. area of indigenous vegetation which forms part of a larger [REDACTED] significant natural area [REDACTED] under the Hauraki District Plan. The tailings impoundment will destroy around 5 ha of this SNA and Oceana Gold has provided no certainty that adequate mechanisms exist to protect or offset these impacts.

42. The Land is close to the Ruahorihori Stream and Ohinemuri River which flow into the Firth of Thames. The Firth of Thames is an important site for waders and shorebirds, and is listed as a wetland of international importance under the Ramsar Convention. The Minister notes there is no certainty around protection being provided through the Resource Management Act process. The Minister has taken into account the information Oceana Gold has put forward regarding risk management.

43. The Minister would give this factor a low weighting.

Other factors - s 17(2) (c) – (f)

44. The Minister does not consider any of the factors in s 17(2)(c) – (f) are relevant to the Application. Accordingly, the Minister would give these factors no weight.

Previous investment - s 17(2) (g) and r 28(e)

45. The Minister recognises that Oceana Gold has previously undertaken investments in New Zealand with the Macraes mine and Waihi mine which have benefited the company and the region. The Minister would give this factor low weighting.

Government policy – s 17(2)(g) and r 28(f)

46. The acquisition of the Land will enable more mining, and therefore more emissions, which could encumber New Zealand's transition to a net-zero emissions economy. The Government has agreed that the transition to a net-zero emissions economy is in New Zealand's interests.¹⁷

47. The Minister would give this factor negative weighting.

Ongoing viability of other investments – s 17(2)(g) and r 28(g)

48. The Minister recognises the acquisition of the Land will extend the life of the Martha Mine at Waihi and will therefore enhance the viability of Oceana Gold's investment in that mine. In the counterfactual, the ongoing viability of other investments is likely to continue for Project Martha until 2028.

¹⁷ Cabinet "[Just Transition to a Low Emissions Economy](#)" and "[Public Consultation on the Zero Carbon Bill](#)".

49. The Minister considers this to be relevant and has therefore given this factor a low weighting.

Economic interests – section 17(2)(g) and r 28(i)

50. The Minister recognises that encouraging sustainable economic activity is the best way to increase the long-term wellbeing of New Zealanders. To this end, the Government's priorities include "a broader measure of success" that goes beyond a narrow definition of economic benefit, supporting "thriving and sustainable regions," and transitioning to a "clean, green and carbon neutral New Zealand".¹⁸

51. When considering the potential for "substantial and identifiable benefits", the Minister considers it is important to distinguish between investment in sustainable enterprises, and investment in non-renewable resource extraction that creates environmental and economic risks and takes productive land out of circulation for long periods of time.

52. Ensuring the long-term economic wellbeing of New Zealanders is reliant on shifting New Zealand's economy to a sustainable, circular model that operates within the boundaries of natural ecosystems. Part of this is encouraging energy-efficient industries over energy-intensive industries. Where non-renewable resources are used for economic gain, the focus should be on adding value to each unit of resource, rather than extracting extra units. It is difficult for an economic benefit to be truly substantial if it is not sustainable. The nature of the proposed investment in non-renewable resource extraction is inherently unsustainable.

(a) Loss of future land use options

53. The Ministerial Directive Letter is clear that productive farmland is an important economic asset and that the Government is particularly sensitive about overseas ownership of farmland.

54. The subject land is currently highly productive farmland used for food production. If this land was to be used to create a tailings reservoir it is likely that some of the land would be contaminated and lost for food production. Converting it into a waste-storage area for the by-products of a non-renewable extractive industry, reduces any economic benefit from the proposal. The Minister also notes that no information has been provided on alternatives to the establishment of a new tailings reservoir, such as different processing technologies.

55. The hazardous and toxic nature of the mining waste restricts options for future uses of the land including food production and, potentially, housing or recreation.

(b) Economic impact of environmental risks

56. Mining tailings reservoirs inherently create environmental risks arising from potential breaches, overflows, or structural failures, and these environmental risks have direct and indirect economic effects. Related clean-up costs may fall on the local community, council, and central government.

57. The Minister for Land Information accepts that New Zealand's resource management framework may go some way to minimising the risk of a tailing dam failure. However, it will not completely absolve that risk, and every year there are significant failures in tailings dams globally.¹⁹ The highest profile tailings dam breaches with the highest economic costs have happened in the developing world, such as at Brazil's Córrego do Feijão mine, where over 200

¹⁸ Cab-18-Min-0111, [Progressing Our Government's Priorities](#), 26 March 2018.

¹⁹ The highest profile tailings dam breaches with the highest human, ecological, and economic costs have happened in the developing world, such as at Brazil's Córrego do Feijão mine, where over 200 people were killed by 62 million cubic litres of toxic mining waste being washed down a river valley in January 2019.

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58. Tailings dam breaches have also occurred in developed countries with extensive regulatory regimes in place such as Canada, Israel, and the United States, and in mines owned or managed by established mining companies.²⁰ It is prudent to consider the possibility of such an event in New Zealand. These events can have significant direct adverse economic effects on local ecosystems and nearby population centres, and substantially reduce the value of affected ecosystem services such as drinking water sources.
59. A collapse or overtopping of the proposed new tailings impoundments risks major harm to nearby land, the Ohinemuri River, the Firth of Thames, and New Zealand's economic interests (in terms of response and rehabilitation costs).
60. The broader economic impact of a tailings dam failure in New Zealand could be significant. There could be serious negative effects on nearby productive land, the Ohinemuri and Waihou Rivers, and the Firth of Thames. It could have a flow-on effect to reduce tourism in the Waihi, Karangahake, and Thames areas, which are attractive to tourists for their natural beauty and conservation values. It could also do damage to New Zealand's international reputation as an environmentally sustainable country, which underpins not only our tourism revenue but also the value of our food exports. These risks would not be in New Zealand's economic interests.

(c) Economic impact on affected people

61. The proposed acquisition would facilitate further underground mining under homes in Waihi. This could cause stress from underground vibrations and uncertainty around property values, with resulting impacts on mental health. In 2017, noise and vibration issues were the most common reason for complaints regarding OceanaGold's New Zealand operations.²¹ These health effects have human and economic costs.
62. Overall, the Minister has given the economic interests factor negative weighting.

Oversight – s 17(2)(g) and 28(j) (Ministerial Directive Letter - high relative importance)

63. The Minister considers that it is unlikely that New Zealanders will be able to participate at an ownership or control level. This has been given no weighting.

Third party submissions

64. No third party submissions have been received on what will be a large project, possibly because the Project Quattro mine expansion has not been made public and the applicant's request to the OIO for commercial confidentiality. The applicant says that "residents' perceptions about the impacts of mining on the economy of Waihi have remained generally positive"²² but also notes that the company had made no announcements of the Project Quattro mine extension plans to the community. Accordingly, it is at least worth recording in the Minister's decision that there is no information to demonstrate the Waihi and wider Hauraki District community believe the application to have benefits.

²⁰ For example, at Mishor Rotem in Israel (2017), New Wales in Florida, USA (2016), Mount Polley in British Columbia, Canada (2014), Obed Mountain in Alberta, Canada (2013), and Gullbridge in Newfoundland, Canada (2012).

²¹ Oceana Gold 2017 Sustainability Report <https://oceanagold.com/wp-content/uploads/2018/06/OceanaGold-Corporation-2017-Sustainability-Report.pdf>

²² Phoenix Research (April 2018) OceanaGold (NZ Limited) "Waihi Social Impact Management Plan 2017 Annual Monitoring Report.

Overall benefit assessment

65. At this time, the Minister's overall assessment is that while the proposed investment will likely create short term financial benefits in terms of jobs and servicing for the local economy the use of the Land to establish a third permanent tailings reservoir to extend the life of the Waihi mine and allow the establishment of new Project Quattro is inconsistent with sustainable economic interests.
66. Consequently, when considering the factors collectively, the Minister's view is that the benefits are not substantial and identifiable within the context of this investment, and having regard to the Ministerial Directive Letter.

5. Associate Minister of Finance's benefits assessment

Benefits

67. The Associate Minister has considered the factors of high relative importance as set out above, as well as the other factors listed in s 17 of the Act.

Jobs – s 17(2)(a)(i) (Ministerial Directive Letter - high relative importance)

68. Oceana Gold expects 250 FTE direct employees will be retained and over 100 FTE contractors currently employed at the Waihi mine will be retained if the Land is acquired and "Project Quattro" proceeds.
69. Oceana Gold has advised they expect these jobs to continue or increase for as long as the processing plant continues to operate, beyond the current mine life and beyond the capacity of the current tailings storage facilities.²³
70. Oceana Gold has advised of the 263 direct employees working at Waihi mine as at 31 January 2019, 261 of those employees are New Zealand residents for immigration purposes and that about 50% of those employed lived in the region prior to working at the Waihi mine.
71. The Associate Minister has also had regard to the annual average salary of current Waihi mine employees, which is \$120,000, compared with the median personal income of \$23,100²⁴ in the Hauraki District.
72. In a "without the investment" scenario, four current FTE jobs on the [REDACTED] will remain, and the jobs associated with the Waihi mine are likely to continue until 2028. Should the mining operations then cease, there would be about 30 to 40 workers involved with rehabilitation works and post-closure monitoring for three to five years.²⁵
73. Accordingly, the Associate Minister would give the "jobs" factor a high weighting.

New technology or business skills - s 17(2)(a)(ii) (Ministerial Directive Letter - high relative importance)

74. Oceana Gold advised they may invest in robotic/semi-autonomous mining equipment and that this equipment is not presently used in other mines in New Zealand. Oceana Gold is still evaluating whether this equipment is suitable. There is therefore no certainty that this new technology will be introduced. Accordingly, the Associate Minister would give this factor no weight.

Increased export receipts – s 17(2)(a)(iii) (Ministerial Directive Letter – high relative importance)

²³ Letter of 20 February 2019 from [REDACTED] Oceana Gold to OIO.

²⁴ As recorded in the 2013 Census.

²⁵ Further information table "Counterfactual" at 1 (provided with letter of 20 February 2019 from [REDACTED] Oceana Gold to OIO.

75. Oceana Gold said mining of "Project Quattro" will generate on average █████ 000 ounces of gold per year, all of which will be exported to Australia.²⁶

76. In a "without the investment scenario":

(a) the Land will continue to be used for dairy farming, with an estimated export value of \$████ 000 per annum (cumulative gold export value from the Land is equivalent to approximately 1,610 years of the export value of the Land continuing to operate as a dairy farm);²⁷ and

(b) "Project Quattro" will not proceed, the Waihi mine will cease operations in 2028 and Oceana Gold's projected gold exports of, on average, █████ 000 ounces will not occur for the projected six year project life of "Project Quattro".

77. Accordingly, the Associate Minister would give this factor a high weighting.

Added market competition, greater efficiency or productivity, enhanced domestic services – s 17(2)(a)(iv)

78. The Associate Minister is satisfied the acquisition of the Land will likely result in gains in efficiency with Oceana Gold able to continue mining while using much of the Waihi mines existing infrastructure.

79. In a "without the investment scenario" there will not be greater efficiency or productivity (nor added market completion or enhanced domestic services):

(a) the Land will continue to be farmed in a similar manner to which it is currently farmed; and

(b) the life of the Waihi mine will not be extended and after 2028 there will be no use for much of the existing Waihi mine infrastructure.

80. Accordingly, the Associate Minister would give this factor a moderate weighting.

Introduction into New Zealand of additional investment for development purposes – s 17(2)(a)(v)

81. The Associate Minister is satisfied the acquisition of the Land will likely result in the introduction of additional investment for development purposes. In particular Oceana Gold has advised it will spend an estimated \$████ million on "Project Quattro" including \$████ million on the tailing storage reservoir to be constructed on the Land, \$████ million on a new waste rock disposal area and \$████ million on new ██████████

82. In a "without the investment scenario" there will be no additional investment for development purposes:

(a) there is no suggestion development of the Land would occur with the current vendors or with any subsequent alternate New Zealand purchasers; and

(b) Oceana Gold will not proceed with "Project Quattro" and the anticipated \$████ million additional investment.

83. The Associate Minister recognises that this investment will occur in a regional economy and is consistent with the Government's policy of enhancing economic development in the regions.

²⁶ Oceana Gold's Investment Plans dated 21 November 2018 at paragraphs 70 (████████) and 66 (████████)

²⁷ Application for consent to acquire sensitive New Zealand Assets dated 21 November 2018 (████████) Property and land at ██████████ at paragraph 73 and application for consent to acquire sensitive New Zealand Assets dated 21 November 2018 (████████) at para 69.

84. Accordingly, the Associate Minister would give this factor high weighting.

Increased processing of primary products – s 17(2)(a)(vi) (Ministerial Directive Letter – high relative importance)

85. The Associate Minister does not consider “Project Quattro” will result in increased processing of primary products. Oceana Gold’s activities in New Zealand relate to the extraction of gold, any processing of the extracted gold occurs offshore.

86. Accordingly, the Associate Minister would give this factor no weight.

Adequate mechanisms in place for protecting significant indigenous vegetation and significant habitats of indigenous fauna – s 17(2)(b)

87. The [redacted] property includes a 15 ha. area of indigenous vegetation which forms part of a larger [redacted] significant natural area [redacted] under the Hauraki District Plan. The tailings impoundment will destroy around 5 ha. of this SNA.

88. Oceana Gold has to apply for consents under the Resource Management Act 1991 (RMA) for “Project Quattro”. Oceana Gold has volunteered to mitigate any environmental effects by have specific conditions in the resource consent conditions.

89. The Associate Minister acknowledges there is to be an RMA consent process that will test the adequacy of Oceana Gold’s proposed mitigation measures and that a condition of consent to the Application (special condition 7) will require Oceana Gold to accept resource consent conditions which mitigate the environmental effects of the removal of any of the significant natural area.

90. The Minister is satisfied that the information provided by the applicant and the conditions attached to the application mitigate the risks associated with environmental effects and remediation costs. This includes special condition 7 which requires the applicant to accept the resource consent conditions in order to mitigate the environmental effects of the removal of any part of the Significant Natural Area on [redacted] Farm.

91. In addition to the above, the Minister notes that it is OceanaGold’s responsibility under future resource consent conditions to prepare and implement a Rehabilitation and Closure Plan for the mine. This includes ensuring groundwater quality is maintained, and financial plans for rehabilitations are in place. The Minister also notes the applicant’s assessment provides for total remediation expenditure of NZ\$50 million over twelve years of closure activities, and staffing of approximately 40 FTEs during the initial active rehabilitation period. The Martha Trust would have responsibility for ongoing site maintenance and management beyond closure.

92. Accordingly, the Associate Minister would give this factor moderate weighting.

Other factors - s 17(2) (c) – (f)

93. The Associate Minister does not consider any of the factors in s 17(2)(c) – (f) are relevant to the Application. Accordingly, the Associate Minister would give these factors no weight.

Previous investment - s 17(2) (g) and r 28(e)

94. The Associate Minister recognises that Oceana Gold has previously undertaken investments in New Zealand with the Macraes mine and Waihi mine that have been and continue to be of benefit to New Zealand.

95. The Associate Minister highlights the income tax Oceana Gold has paid in the last three financial years in relation to the Waihi mine (being \$ [redacted] million) and that the Waihi mine employees 263 staff on a full time basis (as at 31 January 2019).

96. Accordingly, the Associate Minister would give this factor a high weighting.

Ongoing viability of other investments – s 17(2)(g) and r 28(g)

97. The Associate Minister recognises the acquisition of the Land will extend the life of the Waihi mine and will therefore enhance the viability of Oceana Gold's investment in that mine.
98. Accordingly, the Associate Minister would give this factor moderate weighting.

Economic interests – section 17(2)(g) and r 28(i)

99. Oceana Gold has advised with its combined New Zealand operations it contributes approximately 84% of its total expenditure to the New Zealand national economy and this in country spend was \$373 million in 2016.
100. As at June 2016, gold was New Zealand's second largest export to Australia behind crude oil and the continued export of gold is an important aspect of New Zealand's trade with Australia. Oceana Gold has advised 100% of the gold it extracts from the Waihi mine will be exported to Australia.
101. The Associate Minister is satisfied the continued operation of the Waihi mine after 2028 at or above current levels of production will promote New Zealand's economic interests.
102. Accordingly, the Associate Minister would give this factor a high weighting.

Oversight – s 17(2)(g) and 28(j) (Ministerial Directive Letter - high relative importance)

103. The Associate Minister considers that it is unlikely that New Zealanders will be able to participate at an ownership or control level but does acknowledge Oceana Gold is incorporated in New Zealand. Accordingly, the Associate Minister would give this factor no weight.

Overall benefit assessment

104. Having regard to the factors set out in s 17 (and r 28) (as discussed above) and the Ministerial Directive Letter, the Associate Minister's assessment is that the proposed investment will or is likely to create substantial and identifiable benefit to New Zealand.

The decision

105. The Ministers have reached separate conclusions regarding the substantial and identifiable benefits to New Zealand under the Act. While the Associate Minister of Finance is of the view that the application meets the benefit to New Zealand test the Minister of Land Information is of the view that the application does not meet the benefit to New Zealand test.
106. If either of the Ministers conclude that any of the criteria is not met then an application must be declined. Accordingly, the application for consent is declined



Hon Eugenie Sage
Minister for Land Information
Date:



Hon Dr David Clark
Associate Minister of Finance