

## BUSINESS CASE

### Ngāti Waewae direct sourcing and management of Pounamu

#### CURRENT SITUATION & SUMMARY

- International tourists, let alone most New Zealanders, are not aware Ngāti Waewae is required to purchase <sup>Comm</sup>% of the Pounamu (greenstone) for its commercial operations from third party mining companies operating on the West Coast. This is despite the Ngāi Tahu tribe, to which Ngāti Waewae belongs, legally owns the resource by virtue of the Ngāi Tahu (Pounamu Vesting) Act 1997.
- Further, jade imported from countries including China, Mongolia, Myanmar and Canada is being sold in New Zealand with motifs and carving styles that resemble those traditionally used by Māori. This ongoing practice is more than likely misleading purchasers in the belief they are buying authentic Pounamu carved in New Zealand.
- Before the Ngāi Tahu (Pounamu Vesting) Act 1997 was enacted, and to some extent at present, most carved Pounamu commercialised in New Zealand was obtained from black market sources.
- Ngāti Waewae seeks to prevent the above unwanted situations through the Ngāi Tahu Pounamu Authentication Scheme. However, as noted above, Ngāti Waewae is required to source Pounamu supply for its commercialisation and tourism operations mainly from West Coast mining permit holders who unearth Pounamu boulders and rocks as by-product of their mining operations for other minerals (usually gold miners).
- Such sourcing of Pounamu supply from mining companies is a result of the Pounamu Recovery Agreement between New Zealand Petroleum and Minerals (**NZP&M**) and Te Rūnanga o Ngāi Tahu, Ngāti Waewae and Te Rūnanga o Makaawhio (**Pounamu Recovery Agreement**) as a way of addressing the Pounamu black market and enforcing legal ownership enshrined through the Ngāi Tahu (Pounamu Vesting) Act 1997. Since the commencement of this agreement in 2013, over 20 tonnes of Pounamu have been recovered.
- Under the Pounamu Recovery Agreement, Ngāti Waewae has various agreements specifically in place for the recovery of Pounamu with permit holders within its takiwā (traditional tribal territory). Under these specific agreements a recovery fee equal to <sup>Comm</sup>% of the fair value of the recovered Pounamu is paid to the miners by Ngāti Waewae. In practice, this means Ngāti Waewae is purchasing Pounamu that it already owns under the Ngāi Tahu (Pounamu Vesting) Act 1997. Interestingly, a previously implemented lower recovery fee of <sup>Comm</sup>% of the fair market value proved unsatisfactory as barely any Pounamu was delivered to Ngāti Waewae then (which reinforced the existence of the black market).
- Without the above agreements and the current recovery fee, the volume of Pounamu sourced from miners would be almost exclusively fed into the black market. Consequentially, Ngāti Waewae would virtually have no access to its legally owned resource.
- For avoidance of doubt, the Ngāi Tahu Pounamu Authentication Scheme and Ngāi Tahu Pounamu are governed, managed and operated by both West Coast rūnanga – Te Rūnanga o Ngāti Waewae (primarily) and Te Rūnanga o Makaawhio (who rely mostly for this on the work done by Ngāti Waewae). As such, all Pounamu ventures for both rūnanga essentially depend on their own funds, resources, capability and capacity.

- Funding from the Provincial Growth Fund (**PGF**) is sought to provide Ngāti Waewae a form of control (rangatiratanga) over the direct sourcing, management and ultimate use and sale of its Pounamu. Such funding will contribute towards Ngāti Waewae being able to purchase heavy equipment, machinery and vehicles, as well as other required tools to create a profitable Pounamu direct sourcing business (**Project**). It would be a first of its kind in the South Island; a modern minerals business owned by Māori, for Māori, and driven by Māori tikanga and values.
- Given the direct sourcing and extraction of Pounamu will take place on Māori-owned land (Ngāi Tahu land – see below), Ngāti Waewae's proposed Project is eligible for the PGF's Whenua Māori Allocation (**WMA**).
- For the Project, Ngāti Waewae has made arrangements with **Commercial Information** for the purpose of direct sourcing and extraction of Pounamu. Ngāti Waewae have also commissioned work with GNS Science that identifies the key subterranean areas where the Pounamu resource is located. For ease of reference, in this Business Case we have overlaid those locations with the land estates **Commercial Information**
- Ngāti Waewae will employ up to <sup>Comm</sup> of their own people for the Project and ongoing operation of the direct sourcing of Pounamu business.
- The mentioned PGF WMA funding to be sought by Ngāti Waewae is \$995,500. There will be another circa \$ <sup>Commercial Informat</sup> required (to be funded by Ngāti Waewae) to cover infrastructure and operational costs. As such, the total estimated costs for the Project are \$ <sup>Commercial Information</sup>.
- Given the Pounamu to be directly sourced as a result of the Project will feed into Ngāti Waewae's existing Pounamu business and operations, low commercial risk is anticipated for the above investment.
- Further, the Project is also anticipating unlocking profitability levels which have been considered for verifying the business proposition assessed by this Business Case. One tonne of Pounamu can be purchased for approximately \$ <sup>Commercial Informat</sup>. Subject to the final product (size, quality, etc.), the business proposition hereby assessed becomes viable on the basis of <sup>Co ercia</sup> tonne per annum being directly sourced and extracted by Ngāti Waewae, with profit being achieved from <sup>Commercial Information</sup> onward. This will add significant vertical value to Ngāti Waewae's overall Pounamu business operations.



## CRITICAL FACTORS

For Ngāti Waewae, being able to source Pounamu directly is critical because:

- The Government's current policy of "No New Mines" (and current interpretation of existing laws) further compromises Ngāti Waewae's access to the supply of Pounamu, as the stance at present for accessing supply is reactive and subject to miners unearthing Pounamu as a by-product. This could soon dry-up.
- At present Ngāti Waewae directly employs <sup>Comm</sup> staff members comprising carvers, retail, administration and management positions. Further, Ngāti Waewae also supports Marae staff for these purposes, which in total means over <sup>Comm</sup> people's livelihoods would be at risk.
- If Ngāti Waewae's access to Pounamu dries-up the impacts could be nationwide. At present Ngāti Waewae supplies over <sup>Comm</sup> registered carvers who supply <sup>Comm</sup> retail outlets across New Zealand all of which are registered stockists as part of the Ngāi Tahu Authentication Scheme.
- Ngāti Waewae will need ongoing access to / supply of Pounamu for the purposes of its commercial and tourism Pounamu operations. At present, Ngāti Waewae is required to supply between <sup>Commercial Informa</sup> tonnes per annum into the Pounamu "formal" market. However, this volume will soon grow as at present Ngāti Waewae is having to turn away interested purchasers given there is not enough Pounamu to supply the market. As a result, such shortfall perpetuates the existence of the Pounamu black market.
- It provides Ngāti Waewae with a strategically proactive approach to the resource rather than depending on third parties who are only incentivised to deliver Pounamu to Ngāti Waewae by the recovery fee they receive based on the current NZP&M arrangements.
- It is another form of tackling head-on the black market of Pounamu as it further supports the authentication of Pounamu both as a raw resource and once it has been carved. This is important because with the Pounamu that will be sourced directly, Ngāti Waewae will be self-reliant to supply to the mentioned registered carvers who in turn supply to retail outlets across New Zealand as part of the Ngāi Tahu Authentication Scheme.
- It may open access to further involvement in the industry for Ngāti Waewae by obtaining permits for any by-product that may be unearthed whilst extracting Pounamu. Further, it is anticipated such by-product can be utilised by the New Zealand Institute for Minerals to Materials Research.
- It will be a source for creating new jobs for Poutini Ngāi Tahu in a traditional industry for the West Coast <sup>Commercial Information</sup>
- All the above will create economic benefits for the West Coast by creating and maintaining sustainable jobs and increased economic activity with consequential direct and indirect benefits for Te Tai Poutini.



## PROJECT ACTIVITIES AND COMPONENTS

- Purchase of equipment and machinery including diggers as well as vehicles and special tools.
- Land access arrangements.
- Geographic information system (GIS) and 3D geological mapping.
- Spatial predictive modelling.
- Resource estimation.
- Development and proposal of a sustainable development plan for Pounamu.
- Advanced manufacturing technology and customised carving.
- Any required permits for ownership (or access) of mineral by-product from Pounamu extraction.
- Project management for coordinating all these workstreams.
- The creation of jobs to fulfil all the above.

PGF WMA funding will support [redacted] % of the total Project costs and will be used for capital expenditure (mainly for contributing towards the purchase of required equipment, machinery, vehicles and tools). Other funding either from Ngāti Waewae or by accessing other partners and / or sources of funding will cover the remaining Project costs ([redacted] %) i.e. operational expenditure and any other costs not covered by the PGF WMA funding.

## OUTLINE OF PROJECT PLAN

To note:

- The below outline summarises at a high-level the key components and activities Ngāti Waewae is anticipating for the Project and more widely for setting up and operating the new business for direct sourcing and extraction of Pounamu.
- More fully developed planning (including firm dates) is expected to be carried out once a successful decision is confirmed for the PGF WMA application.
- Should the application to the PGF WMA be successful, such funding will contribute to the key components and activities listed at numbers 4 and 5 below.
- The estimated duration of the Project for the purposes of any contract to be entered with the PGF WMA is Commercial Information from when a positive outcome for the PGF WMA application is confirmed.

	<b>Key components and activities</b>	<b>Responsible:</b>	<b>Date / Period:</b>
1	PGF WMA Application to be submitted	<ul style="list-style-type: none"> <li>• Ngāti Waewae</li> </ul>	<span style="background-color: #cccccc;">Commercial Information</span>
2	Outcome of PGF WMA application confirmed – contract/funding arrangements formalised	<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<span style="background-color: #cccccc;">Commercial Information</span>
3	Project start: <ul style="list-style-type: none"> <li>• Engagement of Project delivery partners / associates (specialist consultants)</li> <li>• Coordination <span style="background-color: #cccccc;">Commercial Information</span> to determine and confirm key dates for commencing on-site operations and other detail</li> </ul>	<ul style="list-style-type: none"> <li>• <span style="background-color: #cccccc;">Commercial Information</span> (project management)</li> <li>• Ngāti Waewae (sign-off)</li> </ul>	<span style="background-color: #cccccc;">Commercial Information</span>
4	Required pounamu equipment and machinery confirmed, quotes assessed. GIS and 3D geological mapping, spatial predictive modelling and resource estimation all undergone and completed	<ul style="list-style-type: none"> <li>• Specialist consultants</li> <li>• <span style="background-color: #cccccc;">Commercial Information</span> (project management)</li> <li>• Ngāti Waewae (sign-off)</li> </ul>	<span style="background-color: #cccccc;">Commercial Information</span>
5	Set-up: <ul style="list-style-type: none"> <li>• Pounamu equipment and machinery purchased</li> <li>• Staff employed / contractors engaged for on-site operations</li> </ul>	<ul style="list-style-type: none"> <li>• Specialist consultants</li> <li>• <span style="background-color: #cccccc;">Commercial Information</span> (project management)</li> <li>• Ngāti Waewae (sign-off)</li> </ul>	<span style="background-color: #cccccc;">Commercial Information</span>
6	Direct Pounamu sourcing and extraction operations commence. Ensure Health and Safety processes are in place prior to commencement of operations	<ul style="list-style-type: none"> <li>• Specialist consultants</li> <li>• <span style="background-color: #cccccc;">Commercial Information</span> (project management)</li> <li>• Ngāti Waewae (sign-off)</li> <li>• Operations staff / contractors</li> </ul>	<span style="background-color: #cccccc;">Commercial Information</span>

## WHY THE FUNDING IS REQUIRED


Ngāti Waewae does not have the resources or capital to establish all these Project activities and components on its own. The PGF, with its aims to increase productivity and unlock the economic development potential in the regions, provides the perfect platform for Ngāti Waewae to implement the Project. The PGF WMA funding will contribute decisively to pursuing the Ngāti Waewae Economic Vision, which is the representation of all projects and initiatives currently in the pipeline or being considered by Ngāti Waewae. The Ngāti Waewae Economic Vision will be further outlined in the application to be made to the PGF WMA for the Project.

## WHAT THE PROJECT WILL DO

Further to the above and given the significance of Pounamu as a Taonga, the Project will follow a suite of fundamental principles:

- No extraction will be made from any tribal land of special historic, cultural and spiritual significance to Ngāti Waewae. This is an important cultural / tikanga-based decision.
- The Project's direct sourcing and extraction of Pounamu will only take place in areas where mining permits would normally be viable, and on Ngāi Tahu land or nearby.
- The Project's direct sourcing and extraction of Pounamu will not detrimentally affect other Pounamu flowing down valleys and rivers of special significance for Poutini Ngāi Tahu i.e. Arahura River.
- The Project's direct sourcing and extraction of Pounamu will not prejudice traditional cultural Pounamu fossicking by Poutini Ngāi Tahu members.
- Ngāti Waewae acknowledges the need to be self-reliant whilst sustainably managing a finite resource such as Pounamu. Following the Te Rūnanga o Ngāi Tahu Pounamu Resource Management Plan 2015 and the resource estimation to be undertaken, the Project will develop and propose a sustainable development plan in consideration of the estimated total volume available of the resource. The sustainable development plan will propose a system akin to a maximum quota of Pounamu to be extracted per annum.

## WHY IS THE PROJECT NOT ALREADY UNDERWAY?

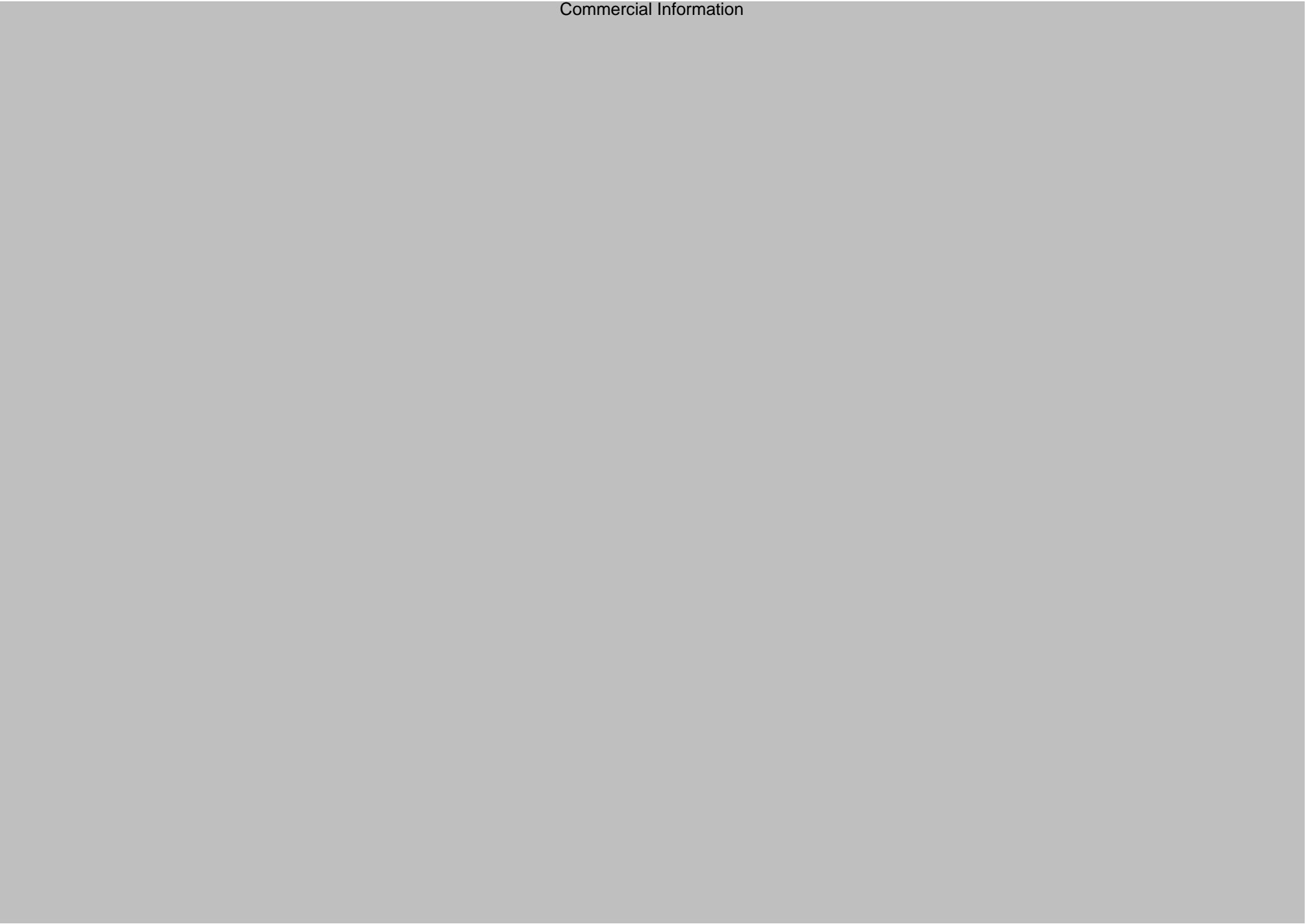
The current situation for sourcing Pounamu has Ngāti Waewae in a reactive stance. By virtue of the Pounamu Recovery Agreement, Ngāti Waewae sources approximately % of the Pounamu raw stones used for its tourism and commercialisation operations from West Coast mining permit holders who unearth Pounamu boulders and rocks as by-product of their mining operations for other minerals.

Ngāti Waewae does not have at present the resources to undertake the Project on its own. The PGF funding will be combined with self-funded resources and other sources of funding that pooled together will allow to carry out the Project. This aggregation of funds and efforts will enable Ngāti Waewae to take decisive steps to controlling security of supply of Pounamu for its tourism and commercial operations. Admittedly, this will be grown over time and the need to rely almost exclusively from the Pounamu sourced by miners will be phased out as Ngāti Waewae gains control over the supply of its rightful resource. This will be done in an organic way, seeking to avoid any negative impacts to the supply of Pounamu into the "formal" market.

## OVERVIEW OF PROPOSED PROJECT

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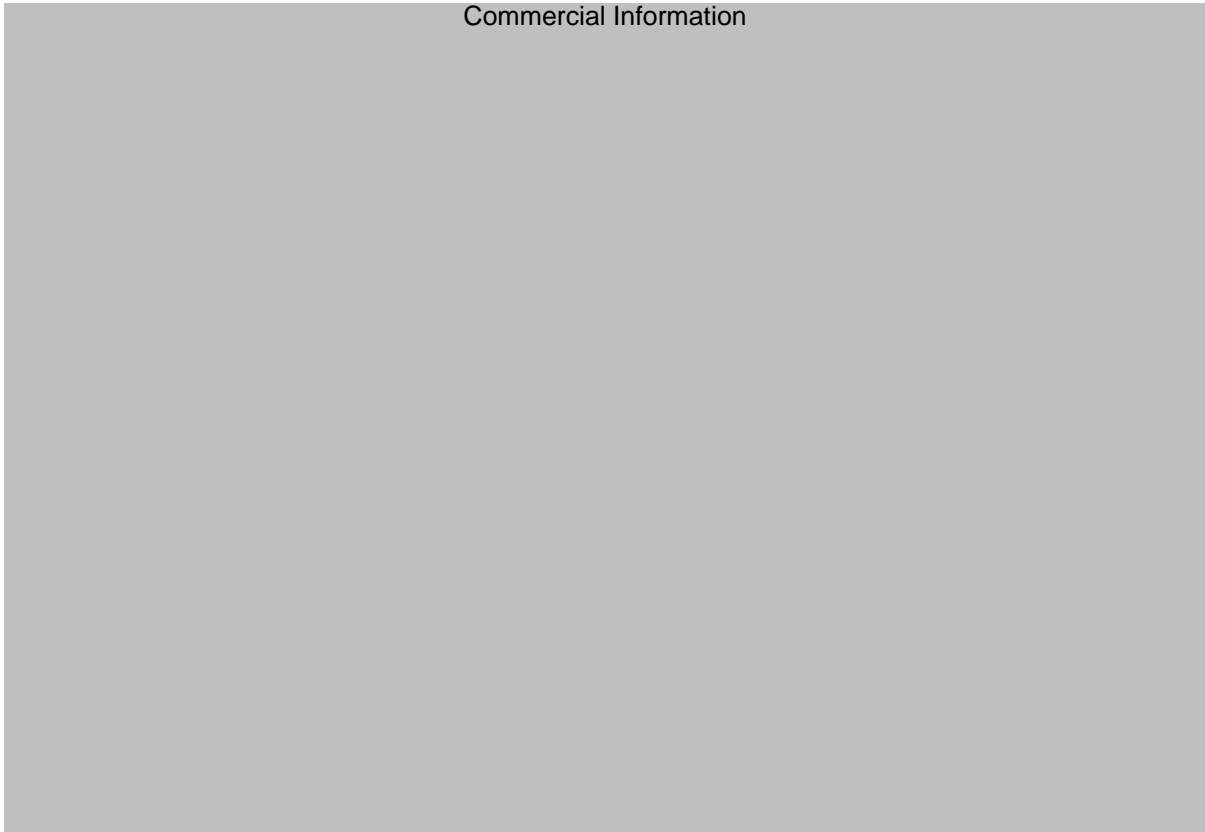
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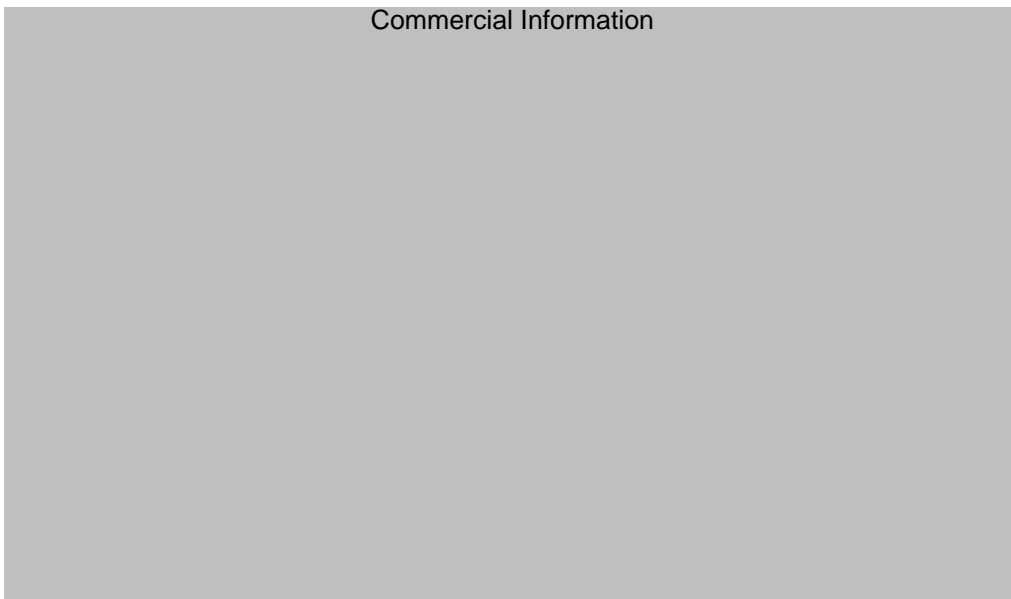
## POUNAMU LOCATIONS

Below are the different locations where Pounamu can be found and sourced within the traditional Ngāi Tahu tribal boundaries. Represented in yellow are the areas under jurisdiction of the various Regional Councils, including where Pounamu can be found.

Ngāi Tahu have engaged GNS Science **Commercial Information** to investigate where Pounamu is located and the various types and quantities available at such locations. The map below shows the generic boundaries of Pounamu sources.

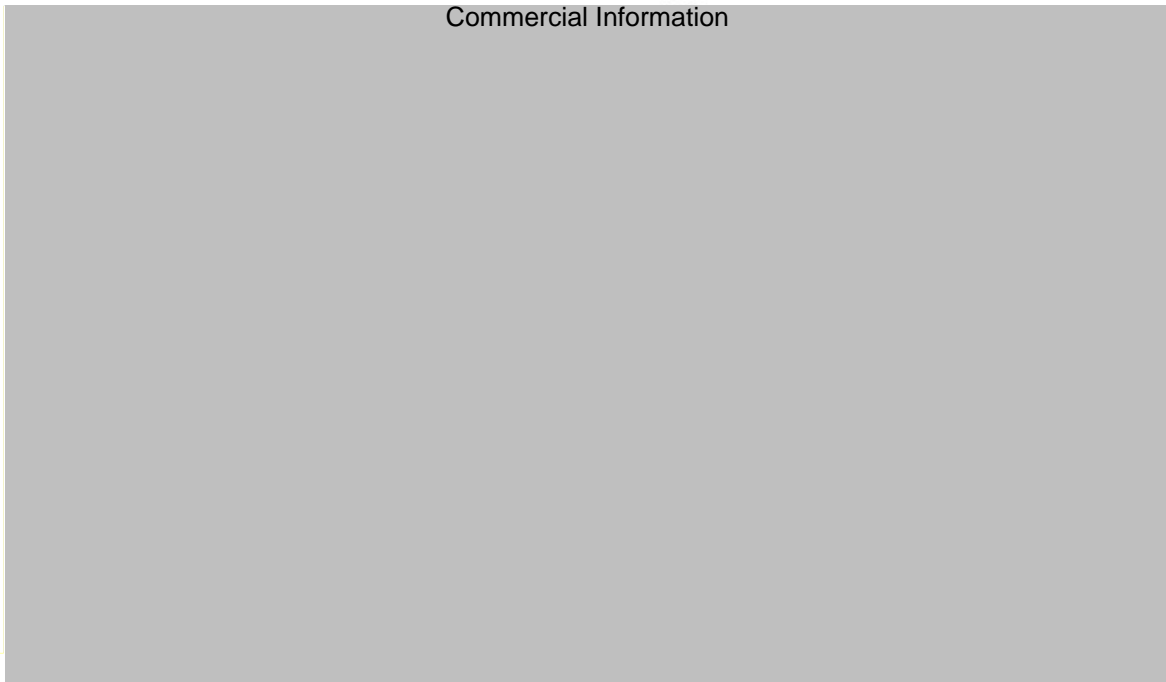


The map below also shows the river potential of Pounamu.





The below map shows the indicative locations of **Commercial Information**. The land in the shaded spots below is general land owned by Māori, which is deemed Maori Land under Te Ture Whenua Act 1993. This makes such land and the Project eligible for the PGF's WMA.



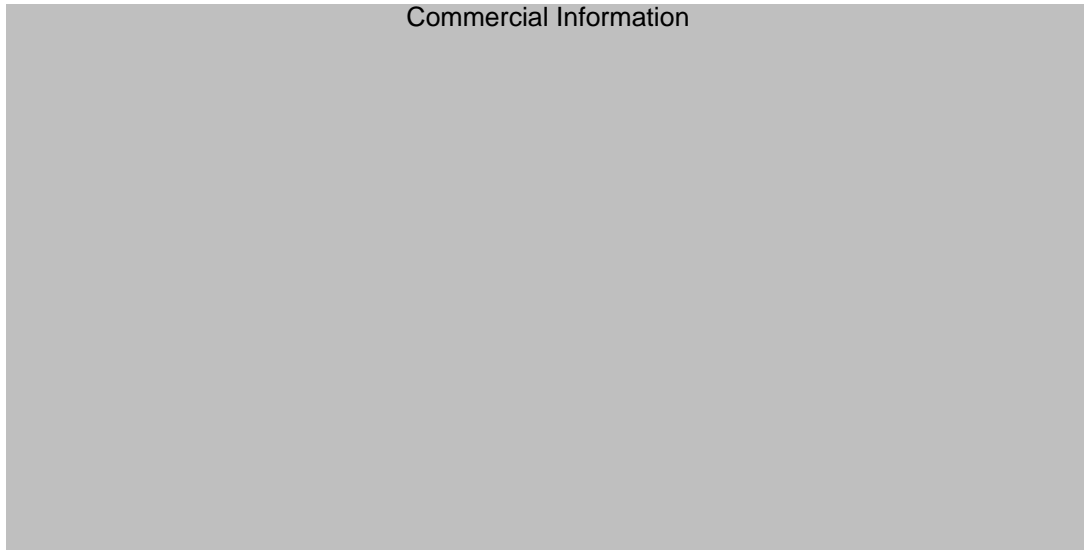
## MARKET DATA

This section of the Business Case examines the performance of **Commercial Information** across various areas using information from a number of sources including sales data from the **Commercial Information** website, online website analytic tools, a qualitative desktop review of the **Commercial Information** website and interviews with various links across the supply chain.

It provides both the standard economic analysis interested in raising profit margins and lowering operational costs and it also offers insights into how **Commercial Information** can ensure more capital is kept within the wider **Commercial Information**. As noted previously, **Commercial Information** is governed, managed and **Commercial Information**

Note: In preparing this Business Case we only had access to data from 2017. However, the Pounamu industry is not fast-changing, therefore key figures and data are at present likely to be the same or very similar.

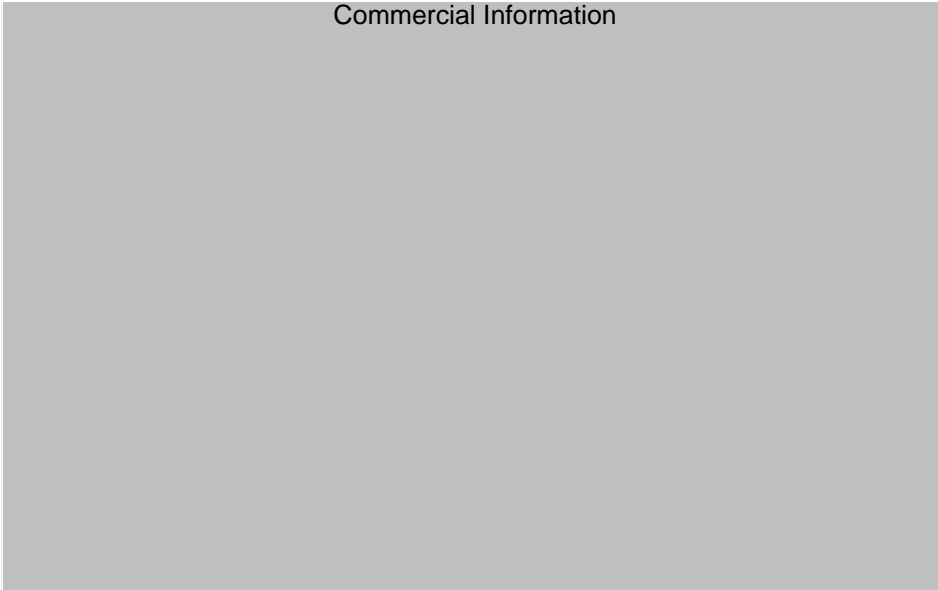
### Overview of key figures:



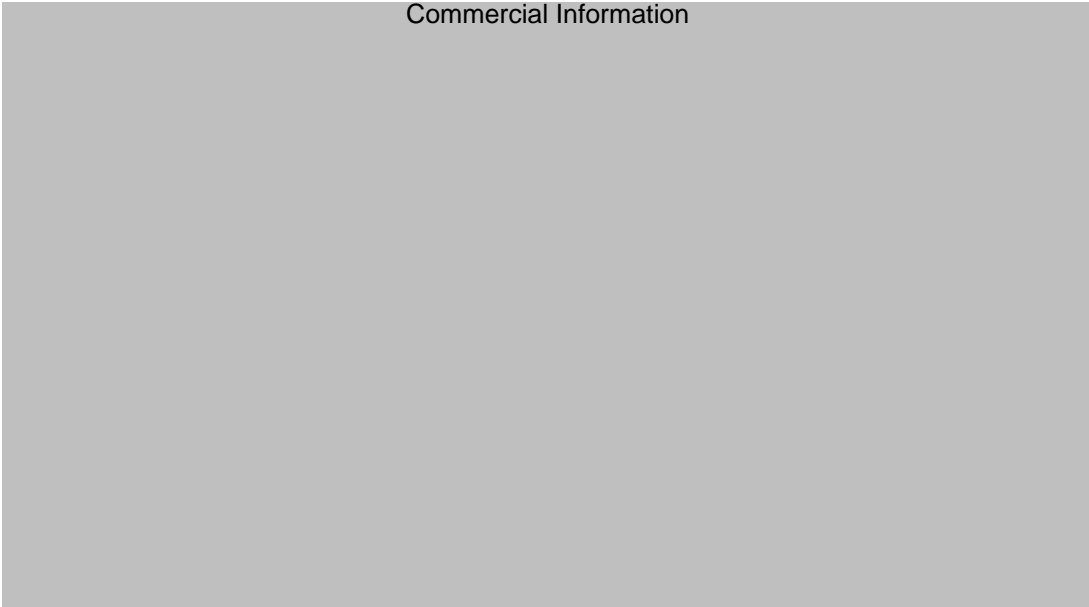
### Key insights from market data:

- **Commercial Information**

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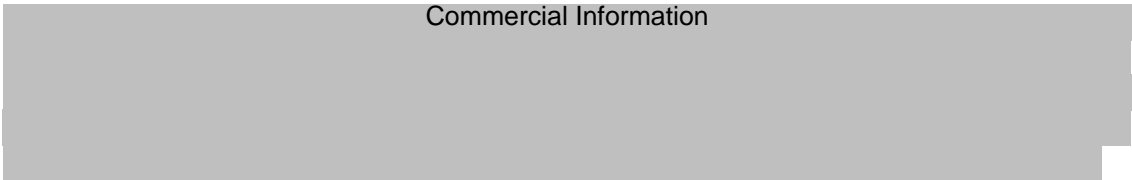
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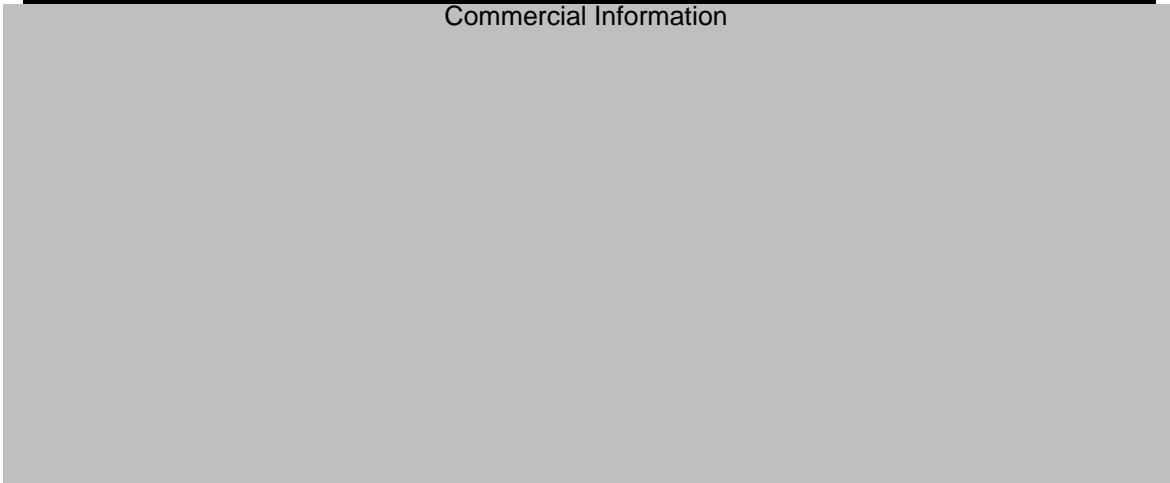
- **Types of carving:** The two most popular types of carving, accounting for <sup>Comm</sup> % of sales, appear to be two of the simplest types to carve (toki on the left and roimata on the right). See **Schedule One** for other types of carving.



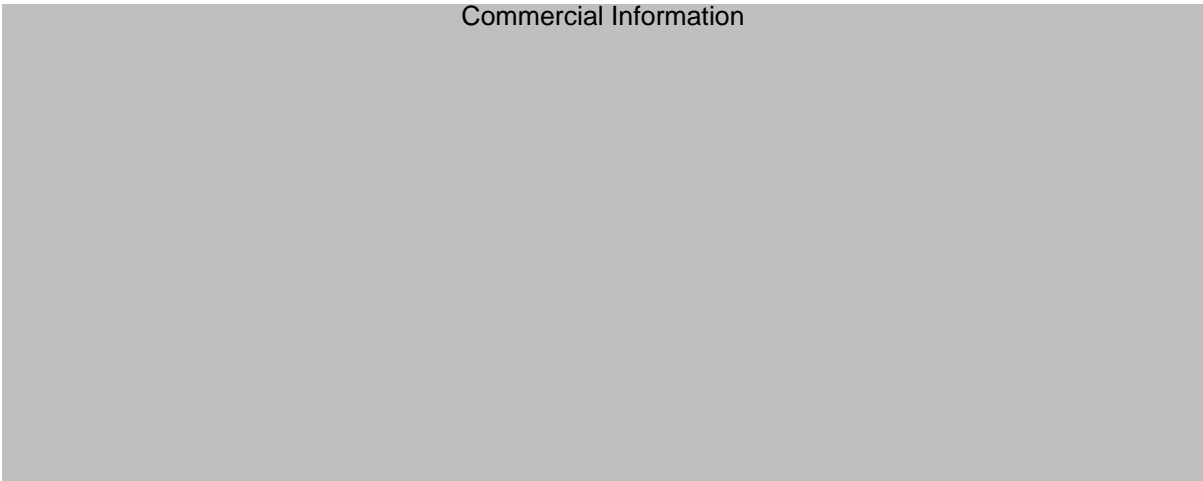
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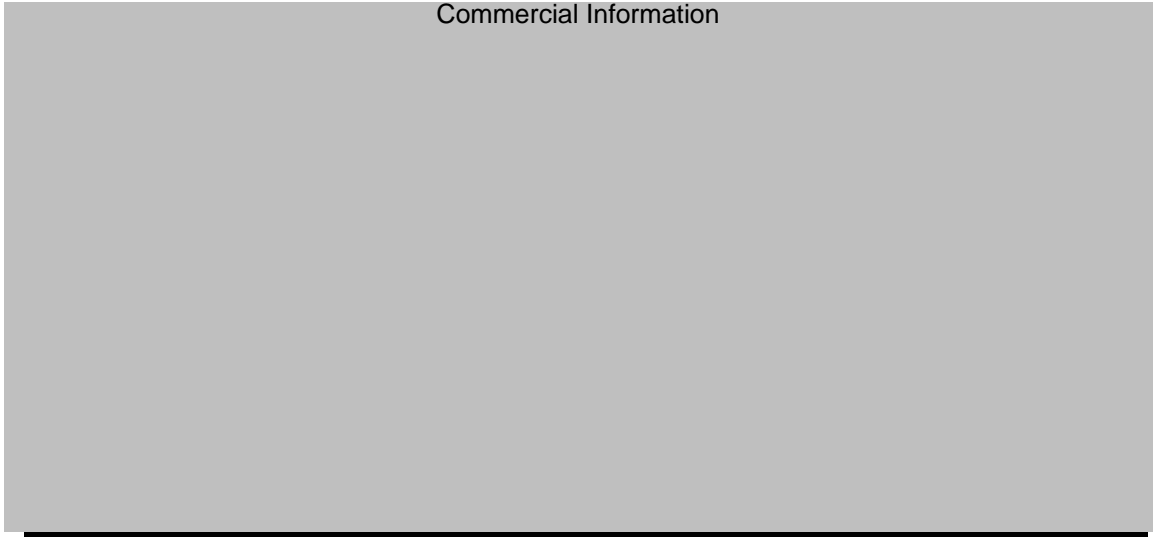
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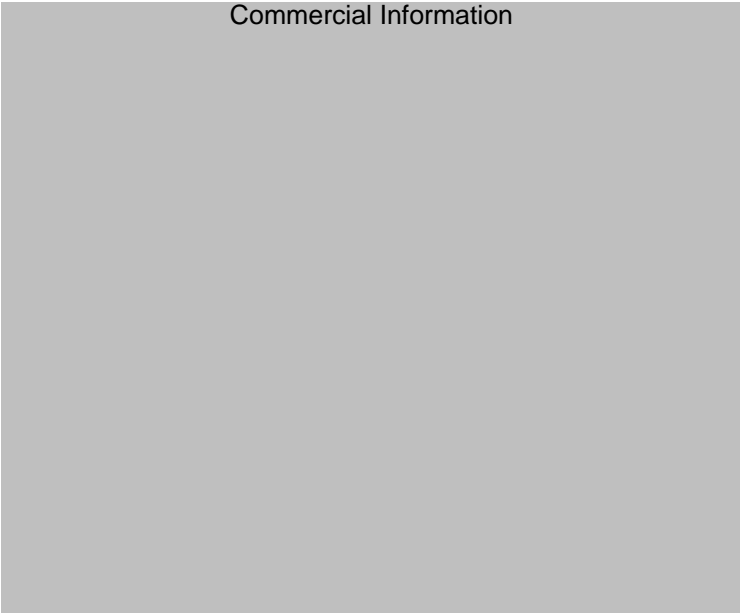


- **Wholesale vs retail:** The large matte toki retails for \$ Commercial Information

When these units are wholesaled, about Comm% of the total earnings are leaked.

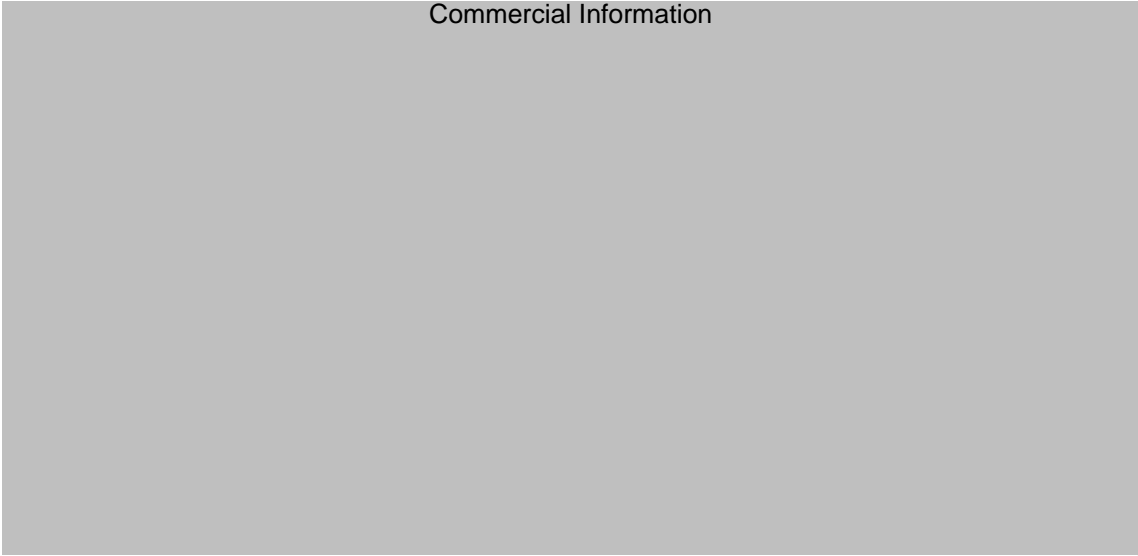
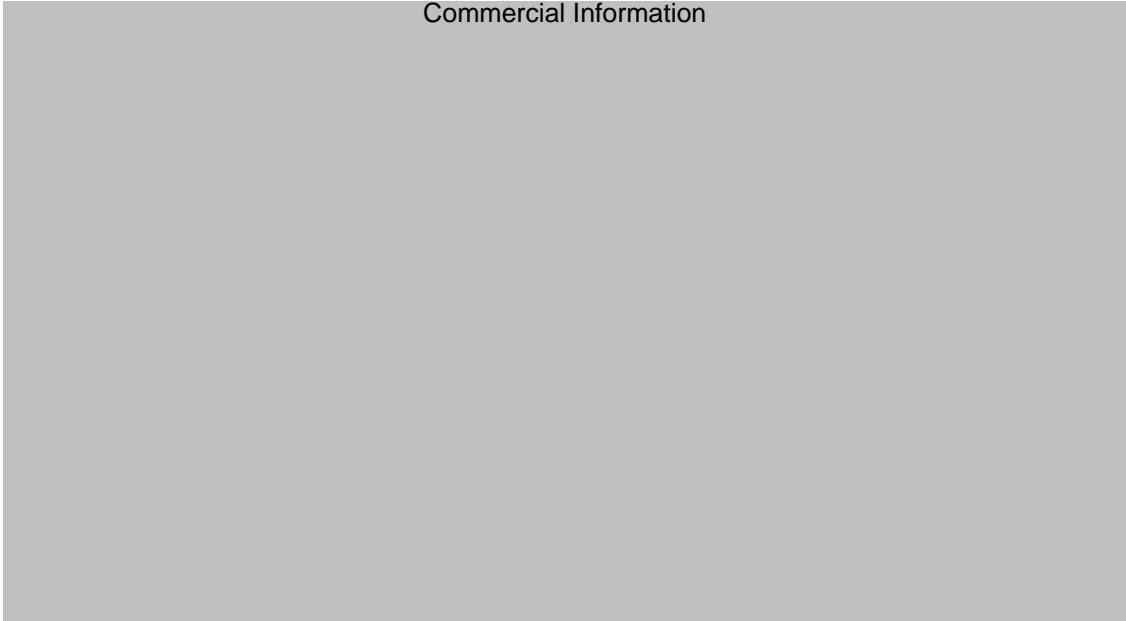
The following chart of monthly wholesale vs. retail sales helps to illustrate the comparison between both types of sales:

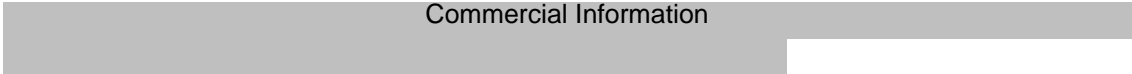

Commercial Information



While wholesale peaks at Xmas retail doesn't, which is surprising. It shows that with the right marketing the website could retain a lot of the leaked profit.

The intl sales are a component of the retail, making up about Comm% of the total for retail, so anything in grey in the chart below going above Comm% is more popular than average internationally and vice versa



- **Bounce rate:** The above charts for Top Page Views and Page Views vs Bounce Rate  
Commercial Information  
  


Commercial Information



- **Website** (see **Schedule Two** for more user data): The Christmas period is usually more prolific for Pounamu sales. **Schedule Two withheld - Commercial Information**

Based on the most common internet search terms for Pounamu, the ranking of Ngāti Waewae and Commercial Information in terms of best results was respectively

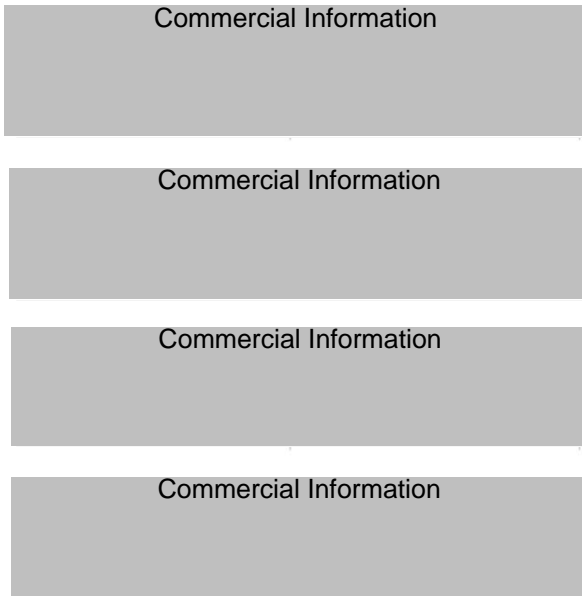


However, the averages are more revealing: Commercial Information Ngāti Waewae was frequently on the Commercial Information page of results.

Both the Commercial Information were four times each within the top results.

Commercial Information





■ New Visitor ■ Returning Visitor



USER COUNTRY 2017



The bounce rate, leaving from the landing page, seems to be quite an interesting metric for us.

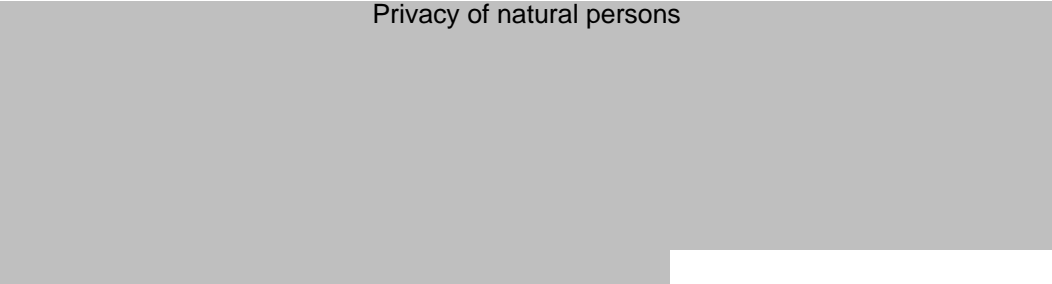
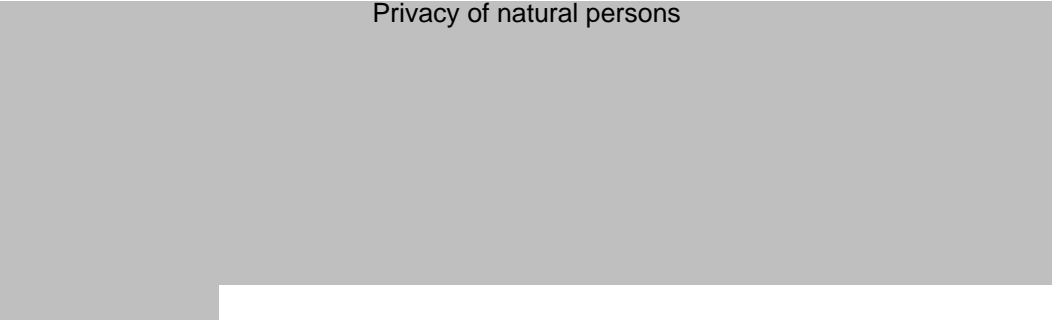
Out of top 5 NZ, Australia, and UK basically had the same bounce rate, around <sup>Combi</sup>%, while the US was <sup>Combi</sup>% and Canada <sup>Combi</sup>%.

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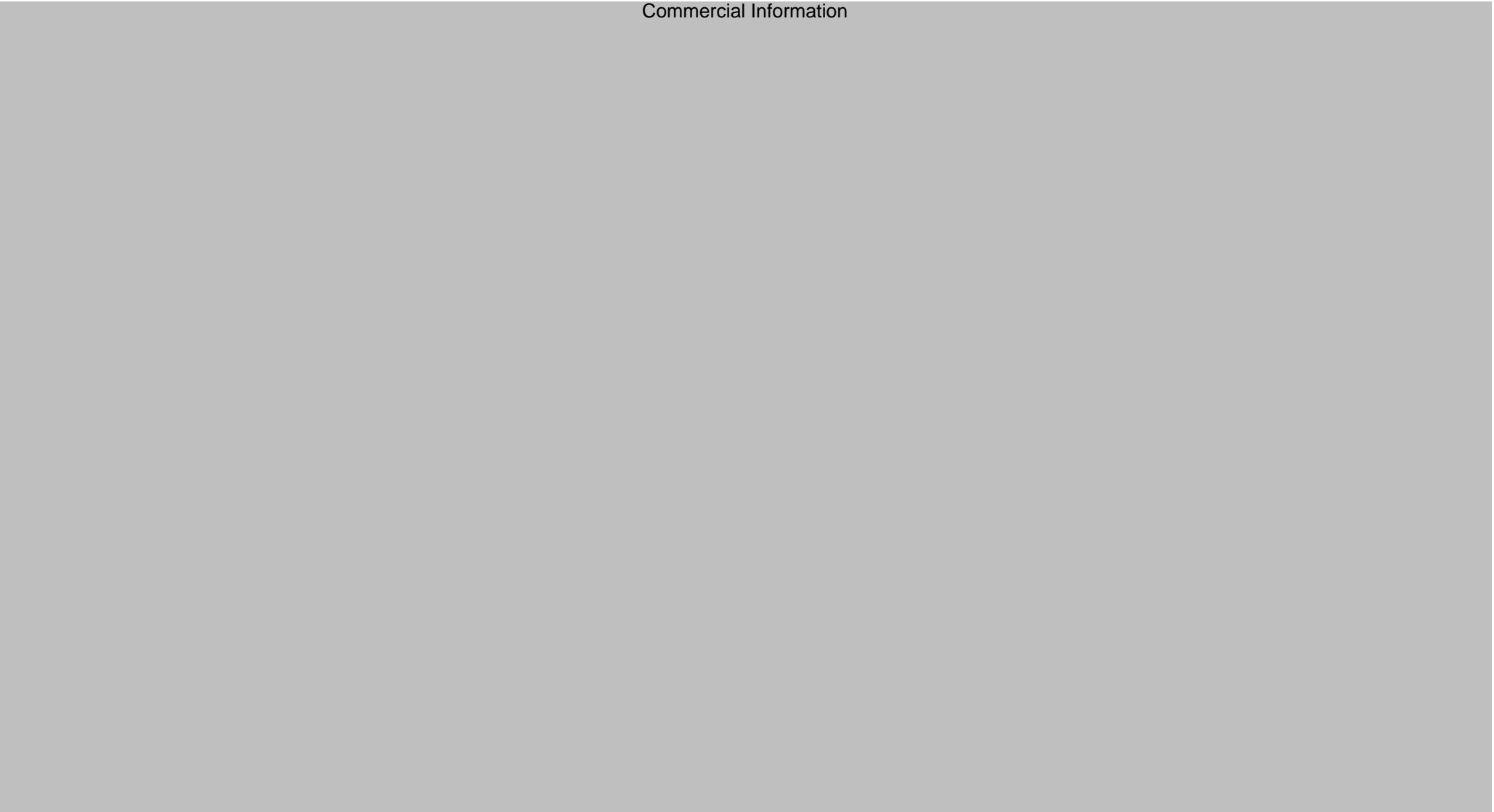
Could <sup>Commercia</sup> have a different landing page for them?




## FINANCIAL INFORMATION

- **Costings - rationale:** We interviewed several industry leaders on the West Coast to obtain support for verifying costs (both capital and operational). We received great support. The parties we interviewed were supportive and wished Ngāti Waewae all the best with its planned activities for the Project and said they would assist however they could. In particular:
  -  Privacy of natural persons
  -  Privacy of natural persons
- **Financial projections:** The spreadsheet information displayed in the following pages of this Business Case:
  - Have considered a breakdown of the equipment and establishment costs for the Project. As noted, the PGF WMA funding sought will contribute towards these costs.
  - Include certain assumptions gleaned from the costings and calculations noted above.
  - Consider projected costs and revenue for the first 10 years of operations. Please note there are references to “*mine life*” being 9 years. This is standard industry practice where a 9-year outlook is usually considered for projects of this nature. This is then accordingly corrected and updated going forward.
  - Can be altered using an editable copy of the spreadsheets. The spreadsheets will update automatically once changes are made to certain cells highlighted in yellow, allowing sensitivity scenario analyses.
  - Have been prepared by a mining industry professional on the basis that once we can confirm exactly how much financial support Ngāti Waewae can get and determine other operational aspects (e.g. site-specific characteristics), we can then easily produce more robust financials. At this stage, we have the fundamentals to demonstrate: (1) the business will be profitable based on calculations and current operations; and (2) we have support to ensure forward extraction planning and financial as well as industry support is available to Ngāti Waewae.

Commercial Information

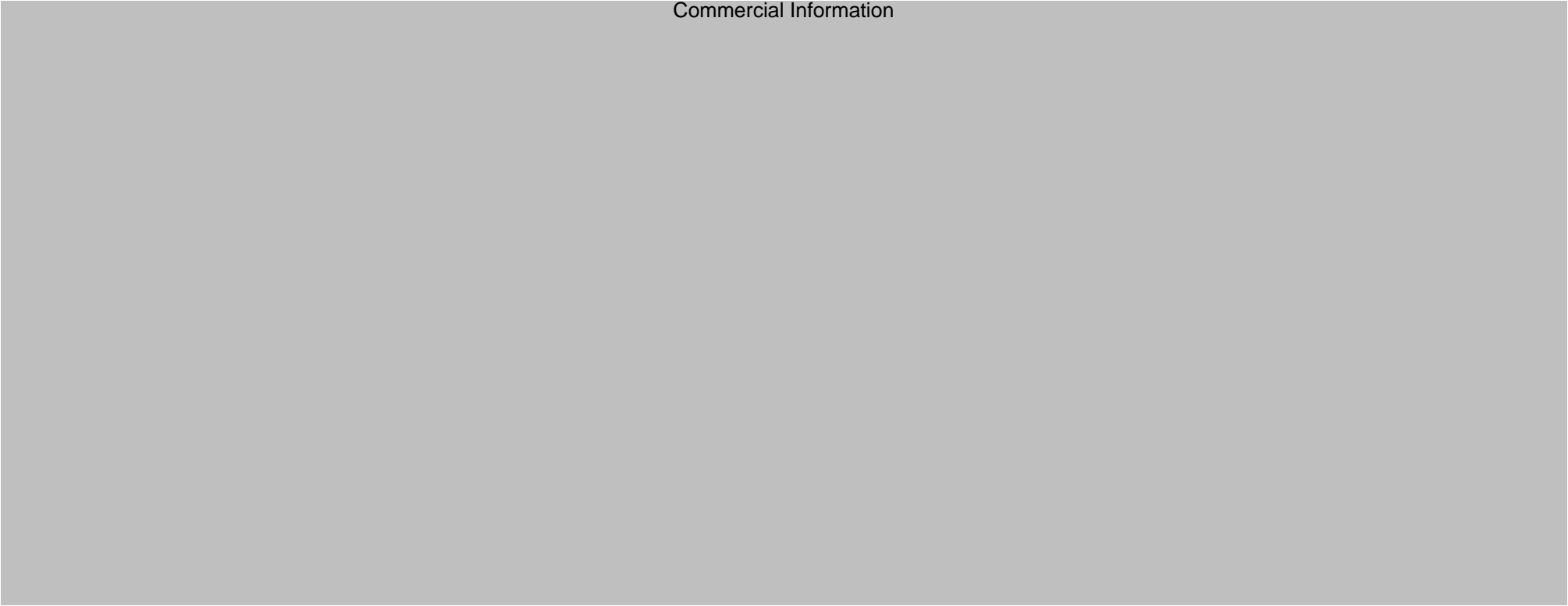


Commercial Information




PROACTIVELY RELEASED

Commercial Information



Commercial Information



## VERIFYING BUSINESS PROPOSITION:

- Based on the information outlined in this Business Case, the proposed Project for direct sourcing and extraction of Pounamu by Ngāti Waewae has been verified as a viable business proposition. One tonne of Pounamu can be purchased for approximately \$<sup>Commercial Information</sup>. Subject to the final product (size, quality, etc.), the business proposition hereby assessed becomes viable on the basis of <sup>Commercial Information</sup> per annum being directly sourced and extracted by Ngāti Waewae, with profit being achieved from <sup>Commercial Information</sup> onward.
- Ngāti Waewae have a key role in the production of quality and authentic Pounamu products, as well as a strong presence in the marketing, retail and wholesale of Pounamu. The key output of the Project, as will be articulated in an application to the PGF's WMA, is aimed at increasing productivity and unlocking economic development potential in the West Coast region.
- There are also obvious ancillary benefits from the proposed Project for key communities and stakeholders – supply demand being met, market growth, authenticity of Pounamu origin from sourcing through to carving and ongoing commercialisation. There is also the reduction of the Pounamu black market.
- Access to external funding, particularly from the PGF's WMA, would facilitate the development of the Project by Ngāti Waewae. For this, the Project meets the critical PGF WMA eligibility criteria and will also promote the PGF's main objectives:
  - **Required contribution from Ngāti Waewae as applicant.** Ngāti Waewae is able to fund directly <sup>Commercial</sup>% of the total Project costs.
  - **PGF WMA criteria being met.** The Project's land is general title land owned by Māori, which is deemed Māori land under Te Ture Whenua Act 1993.
  - **Investment ready status of the Project.** As soon as the PGF WMA application is approved, Ngāti Waewae will move forward through a suite of actions including the purchase of required equipment, employing their own for the Project's operations, and notifying <sup>Commercial Information</sup> such on-site operations for the Project will commence. If the PGF WMA application is approved in 2019, Ngāti Waewae expect to commence the Project during the <sup>Commercial Information</sup>. The actual direct sourcing and extraction operations are expected to commence soon after.
  - **Spade ready status of Project.** The land to be used for the Project has been confirmed as available to be used for this purpose <sup>Commercial Information</sup>.
  - **The Project will create new businesses and jobs for the West Coast.** At least <sup>Commercial In</sup> new jobs to be created through the Project (in addition to an estimated of <sup>Commercial In</sup> jobs during the initial phase of setting-up operations) totalling up to <sup>Comm</sup> new jobs to be created through the Project on the West Coast.
  - **The Project will increase economic output for the region.** Ngāti Waewae can have certainty of supply at good cost (the cost of the operation) and then start to diversify and later enter premium international markets (e.g. China). This is anticipated to benefit the tourism industry and have wider positive economic benefits for the West Coast by creating and maintaining sustainable jobs and increased economic activity with consequential direct and indirect benefits for Te Tai Poutini.