MEDIA RELEASE

Association of Mining & Exploration Companies Inc.

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"AMEC calls for level playing fields!"

"Despite continued opposition to the proposed additional and extremely complex tax on the Australian iron ore and coal mining sector, AMEC is genuinely and constructively engaging with the Federal Government`s Policy Transition Group (PTG) on the proposed Minerals Resource Rent Tax (MRRT) and various exploration development options," said Simon Bennison, AMEC CEO.

"Once the design features of this additional tax on mining have been finalised through the parliamentary process, it is critically important for individual businesses, and the future of Australia, that a level playing field exists at the domestic and at the international levels.

"In our submission (www.amec.org.au) to the PTG we have highlighted the fact that 'one size does not fit all', and that the proposed MRRT impost will have very different impacts between the major miners; and mid tier / emerging mining companies.

"In fact, the mid tier / emerging companies will experience significant domestic and international competitive disadvantages against larger Australian based multi-national and multi-commodity miners to the point that a number of factors will detrimentally affect their overall '*per unit cost of production*', return on investment and their effective tax rate. The mid tier / emerging companies have therefore become, and will continue to be collateral damage as a direct consequence of the proposed MRRT.

"Some of the key points of difference, indicate that mid tier / emerging companies have:

- Lower capacity to attract exploration and development capital through the equity markets,
- Higher risk profiles with the result that the cost of capital is higher,
- Lower economies of scale, as they are mainly single project and single commodity companies,
- Significant administration and compliance costs, even if they are under the proposed profit threshold and not subject to the MRRT,
- Continuing uncertainty over the implementation and application of the MRRT.

"AMEC has therefore made a number of major recommendations concerning the proposed design features of the MRRT, such as:

- ✓ Increasing the profit threshold to $250m; tax free to the minimum level; and indexed annually,
- ✓ Implementing a phased introduction of the MRRT over 6 years for small companies and emerging developments,
- ✓ Increasing the uplift rate to reflect the true cost of capital faced by smaller companies,
- ✓ Providing flexible valuation methodologies of the 'taxing point' to reflect varying production and operating processes,
- ✓ Allowing a full credit for all royalty payments to State / Territory Governments,
- ✓ Allowing deductibility of capital expenditure incurred between 2nd May 2010 and 30th June 2012.

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“Implementation of these recommendations will be critically important in levelling the playing fields.

“We have also mentioned in our submission that the proposed MRRT does not encourage investment or development, and has accordingly damaged Australia`s sovereign risk and reputation as a safe place in which to invest.

“In order to promote exploration and ensure a pipeline of resource projects for future Australian generations, AMEC has recommended an Exploration Tax Credit (ETC) model; which is a hybrid of a Flow Through Shares concept, Australia`s franking system and a tax credit.

“The ETC model proposes that accumulated losses (based on eligible exploration expenditure) that are incurred by companies with “no assessable income” can voluntarily pass those losses, by way of a tax credit, through to their shareholders at the company tax rate (currently 30%) by using a system that is based on Australia`s franking system. The shareholder will therefore receive a benefit, rather than the losses being “trapped” in the company for many years or never used at all.

“AMEC is of the strong view that this model will assist in attracting much needed equity finance in junior explorers; increase exploration investment in Australia; and contribute towards addressing the market failure that has lead to declining discovery rates in Australia and ensure a level playing field for the after tax cost of exploration between those companies with revenue and those without. While correcting this imbalance, there is also an opportunity to implement other policies that attract investment into Australia and to promote much needed greenfields exploration.

“AMEC also considers that the recommended ETC model should be funded from consolidated revenue and not tied to the MRRT reform process, particularly noting that it would be in the national interest to promote future exploration activities throughout Australia,” said Mr Bennison.

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