

House of Representatives Standing Committee  
on Industry and Resources

Submission No: 4.1

Date Received: 19 JULY 2002

Secretary: S. Forbes

**Submission  
to the House of  
Representatives  
Standing Committee  
on Industry  
and Resources**

**Inquiry into any impediments  
to increasing investment in  
Minerals and Petroleum  
Exploration in Australia**

July 2002



ASX

## Part 1 – Executive Summary

ASX thanks the Committee for the opportunity to make this submission. ASX has been encouraging, facilitating and providing markets for the provision of risk and development capital for resource-based companies over a time that has spanned the latter part of the nineteenth century, the whole of the twentieth century and now the beginning of the twenty-first century. In the last decade of the last century we saw the Australian Resource Industry further mature into what could be fairly described as a truly world class industry. It makes a unique contribution to the Australian economy and is a credit to all of those people that participate in this industry. In a sense, it is a special industry because it is something that Australians do uniquely well. Although we do have some comparative advantage in our resource endowment, it is not exclusively the case. It could be said that we have made the most of what we have.

There is currently a concern, and it has been a concern for some time, that due to a lack of funding for exploration and the long lead times for the development of resources, the contribution that resource development makes to our economy will not be maintained into the future. There is a collateral concern that our ability to rectify the position will be further diminished by the failure to maintain our intellectual infrastructure. While resource based companies can operate successfully with projects in a number of countries they rely on the skills of the community of mining experts that are found in only a few countries. These experts provide the professional expertise, equipment, research and development, the capital and the financial and marketing acumen. If we cannot provide a future for these experts the skills will be lost.

It is clear from the statistics that there has been a significant downturn in mining exploration since 1997. This much has been clear to the industry participants well before the statistics are published. There are a number of possible reasons for the downturn in funding for exploration work. These would include commodity prices, access issues, environmental requirements and the perception that mining is an 'old economy' industry. What has been clear from within ASX is that, despite the resilience of the exploration companies, the 'market sentiment' for the funding of exploration activity has been and continues to be poor.

We would encourage the Government to take steps to redress this situation. For our part, we make two recommendations that:

- Government introduce a tax incentive for investors by way of a tax-advantaged equity security (similar to 'Flow-through Shares' introduced by the Canadian Federal and Provincial governments) so that expenditure incurred by exploration mining and petroleum companies on exploration areas within Australia will be deductible for investors.
- The Australian Securities & Investments Commission review the current Class Order relief [CO 02/0716] in relation to ASX Listed companies for the secondary sale of securities with a view to returning to the status quo prior to 11 March 2002. This would afford Government the time to implement a review of the changes made to Section 707 of the Corporations Act as a result of the FSR Act, which we understand is Government's current intention.