



GeoDiscovery Group

Minerals exploration, discovery and management

**SUBMISSION TO THE HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON INDUSTRY AND RESOURCES
INQUIRY INTO RESOURCES EXPLORATION IMPEDIMENTS**

**Prepared for Geo Discovery Group Pty Ltd
by Neil McLean, General Manager**

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INTRODUCTION

Geo Discovery Group Pty Ltd (GD) is a Brisbane-based mineral exploration consultancy. The group was founded in May 1999 with the purpose of providing a range of mineral exploration services to the mining industry. The range of services that the group specialises in and offers to clients is as follows:

- Project generation including the identification and definition of targets for a wide range of base and precious metal mineralisation styles on a global scale.
- The provision of project management services and co-ordination of field programs to enable testing of defined targets including the acquisition of exploration tenures and the negotiation of access.
- Access to full geophysical support services including specialist interpretation and modelling capabilities.

GD currently consists of seven experienced geologists and geophysicists that form the core of the group. In addition a variable number of contract geologists and field personnel are used to support the group's activities particularly during field campaigns. Appendix 1 outlines the group's functions in more detail.

As much of the focus of the group's activities is at the early or 'grassroots' phase of mineral exploration, this puts us in a strong position to offer comment on some of the terms of reference regarding impediments to mineral exploration, particularly within Queensland and the Northern Territory where many of our field-based programs are concentrated.

The issues facing mineral exploration in Australia have been well documented in recent times (see AIG News No 68, for example) and it is not the intention of this submission to restate these issues.

That there is a crisis in mineral exploration in Australia is without question as the experiences of numerous geoscientists, both individual and collective, attest. Some of the causes of this crisis are global in nature and understandably beyond the abilities of federal and state governments to influence them; metal prices and corporate mergers being examples. However we believe that there are a number of home-grown impediments that exacerbate the problems that explorers face and that every effort should be made to alleviate these impediments. In addition efforts should also be made to promote mineral exploration by providing mechanisms to encourage investment and accessibility to geoscientific data.

The remainder of this submission will expand on what we see as the critical impediments to mineral exploration and will offer some recommendations to help remove them.

AUSTRALIA'S PLACE IN THE MINERAL EXPLORATION WORLD

As a country Australia attracts more mineral exploration investment than any other. However there has been a consistent fall in expenditures over the past few years (Jaques and Huleatt, AusIMM Bulletin No 1, Jan/Feb 2002).

Australia has historically attracted a high level of exploration investment for a number of reasons:

- Demonstrated metallogenic endowment
- Efficient and professional mining and exploration culture
- High quality and accessible geoscientific data
- Security of tenure
- Workable mining laws
- Historical mining culture
- Thriving junior resource industry
- Accessibility to capital

However Australia is not unique in having many or all these characteristics. In recent years strong challenges for exploration investment have come from Canada and more recently countries in South America such as Chile, Brazil and Peru to name but a few. To a lesser extent political and economic changes in Russia, central Asia and Africa have also attracted exploration investment that might otherwise have been spent in Australia. In an increasingly competitive world, dominated by non-Australian resource companies with global exploration strategies, Australian governments and industries cannot assume that the status quo is going to be maintained.

Australia cannot rely on its undoubted metallogenic endowment to maintain its status. Elsewhere in the world highly attractive geological terrains have become available to mineral explorers as many countries have opened the door to foreign investment and improved their mining and taxation laws to provide more fiscal certainty and security of title. Therefore Australia has to compete for mineral exploration investment, something that has not had to be considered before. This has also occurred concurrently with the introduction of a Native Title regime following the Mabo and Wik High Court decisions and an unprecedented degree of uncertainty for mineral explorers as Federal and State governments have struggled to develop workable legislation. This process has taken five or six years and, as we will submit, has yet to be adequately resolved.

IMPEDIMENTS TO MINERAL EXPLORATION: OUR EXPERIENCE

Over the three years of its existence Geo Discovery has had a client base dominated by global mining companies, in particular Canadian companies. We have been able to offer these companies a high level of instant Australian expertise; generating projects, acquiring tenure and executing exploration programs. Therefore we have had direct exposure to the many of the issues listed in the terms of reference and can offer first hand comment on them.

Land Access

We regard the issue of land access, particularly access onto land subject to Native Title, to be the principal impediment to mineral exploration in Australia. Our experiences have shown that, ten years after the High Court recognised Native Title, Australian law makers have been unable to come up with a workable, fair and rational solution to land access for explorers and have created problems rather than solved them.

The main issues are:

- **The necessity to consult and/or negotiate with claimant groups who may or may not have a legitimate claim to title.** It seems illogical that there is a necessity to consult and/or negotiate access agreements with parties that may not be granted title to the area. This paradox is emphasised by the requirement to consult/negotiate with **all** the claimants of overlapping claims. Common sense suggests that agreements should only be required with parties who have granted title and not claims to title.
- **The inordinate amount of time taken to determine Native Title claims.** It is now more than five years since the initial Native Title claims were lodged in Australia. As was pointed out in the media, on the recent anniversary of the Mabo decision, there have been no significant Native Title determinations within that period. This delay has created a great deal of uncertainty and frustration within the mineral exploration industry. Pressure should be placed on the National Native Title Tribunal to make timely determinations on claims.
- **No time frame to reach agreement on the Federal Government's Indigenous Land Use Agreements (ILUAs).** Vexatious parties are able to delay the negotiation and registration of an ILUA for an undefined period. Exploration companies on a defined annual budget cannot afford these delays and uncertainties. Meaningful time frames should be drawn up for the various stages involved in the process. We can quote a case study whereby the ILUA registration process will have taken our client, a major offshore company, **14 months to complete.**

Accessing Capital

After several years in the doldrums there is now a sign that the junior mineral exploration sector is starting to rejuvenate with a number of successful floats being realised. However this movement could be significantly accelerated by having Australia adopt a favourable tax regime which properly reflects the high risk involved in investing in junior exploration companies. In Canada, the federal and provincial governments have developed tax incentive schemes to stimulate mineral exploration at the junior end of the market; the so-called 'super flow-through shares'. Up to 115% of an individual's investment is tax deductible.

There is no doubt that this initiative has stimulated exploration in Canada and it is our strong recommendation that a similar scheme be adopted in Australia and expanded to include investments by companies as well as individuals. Any scheme should also favour investments in bona fide 'grassroots' exploration plays including all the generative work that leads to the development of such projects.

Provision of Geoscientific Data

Australia has been at the vanguard of developing new and innovative technologies and ideas in the mineral exploration industry. Australia has also been one of the countries, along with Canada, which has mining laws that have encouraged companies to spend money acquiring data over very large areas – regional data – using these new technologies. Consequently there is a wealth of geological,

geophysical and geochemical data that has been acquired over the last three decades, in particular.

Much of these data resides in the states 'mines' departments in various degrees of accessibility. This data represents an invaluable source of information that can be re-processed in light of new software developments and re-interpreted in the light of new mineral deposit models. It is critical that this data be made available in a useable – i.e. digital – form for all companies to benefit, regardless of their financial resources. State departments that have responsibility for these data should be directing their funds, as a matter of priority, to digitising and packaging this data and making it freely available.

The Federal and State governments should also continue to fund, but at higher levels, a **nationally coordinated** geoscientific data acquisition program. Land access issues have restricted the collection of much regional data by companies and it is therefore recommended that governments expand their efforts to replace this lost asset. Acquisition should include the following data:

- detailed (1:100,000) geological and regolith mapping of key terrains.
- regional and high resolution geophysical surveys using state-of-the art technologies such as airborne gravity, high resolution aeromagnetism and time domain-based airborne electromagnetics.
- Regional geochemical surveys.

This data should be available either free or at low cost.

CONCLUSIONS AND RECOMMENDATIONS

We believe, that by adopting the following recommendations, mineral exploration in Australia has a chance of regaining some of its lost impetus. If this is not achieved then there is less likelihood of replacing the depleted mineral resources that are so critical to the economic and social wellbeing of the country.

- Alter the Native Title legislation such that consultation and/or negotiation is with the party that has been granted Native Title and not the claimant(s).
- Accelerate the process of determination of Native Title claims to deliver more certainty to mineral exploration companies and aboriginal stakeholders.
- Put in place a meaningful time frame for the negotiation and registration of Indigenous Land Use Agreements (ILUAs) – say 6 months – to discourage vexatious delaying tactics.
- Adopt tax incentive schemes, similar to the Canadian 'flow-through share' scheme, to stimulate investment in junior exploration companies.
- Have the Federal and State custodians of exploration data accelerate the digitising, packaging and distribution of that data at little or no cost.
- Fund a nationally coordinated geoscientific data acquisition program to collect regional data sets and make them available at little or no cost.