

SUBMISSION TO THE  
HOUSE of REPRESENTATIVES  
STANDING COMMITTEE on  
INDUSTRY AND RESOURCES

INQUIRY INTO  
RESOURCES EXPLORATION IMPEDIMENTS

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Thank you for the opportunity to make a submission to the Inquiry into Resources Exploration impediments.

The background paper attached is part of a submission to the Tasmanian Government's pre-Budget community consultation of 2001. It describes the state of mineral exploration within Tasmania, and the negative impact it will have on the mining industry as a whole within the State.

We are aware that the Commonwealth Government has nominated mineral exploration as an Action Agenda item for the current government, and welcome that initiative.

In terms of your inquiry, you will have received submission which canvass matters such as the use of financial instruments (flow-through shares) to stimulate exploration.

From another standpoint, there is a view within some sections of industry that exploration is not cost-effective, compared to strategies such as mergers or acquisitions, which yield additional resources. The extension of that argument is the need for more cost effective methods of exploration to be found.

Traditionally, the breakthroughs in exploration approaches or technologies have come from tertiary institutions. However, as often as not those new



approaches or technologies have been applied in other countries, which in a sense works against Australia's interests.

A different approach may both reduce the capital risk of exploration for minerals and enhance Australia's natural competitive advantage in terms of mineral endowment.

Firstly, the inquiry should recognise that the downturn in mineral exploration will lead to a medium to longer-term diminution of the value of Australia's mineral exports. The attached submission makes that self-evident, from a Tasmanian perspective.

From there, Australia's universities and CRCs should be harnessed to bring to bear intellectual resources to provide better approaches or technologies to the discovery of mineral deposits within Australia.

An outline may be –

- An individual, or cooperative network, of universities or CRCs should work exclusively on mineral discovery techniques *within an individual State*.
- The approach should be used evenly in all States and Territories.
- Each individual research project should work *within the geological framework of that State*.



- The research projects for each State should be funded equally and should be treated, collectively, as a national, whole-of-government response to the slump in mineral exploration activity in order to maintain Australia's competitiveness.
  
- Given that the mineral exploration activity is in downturn, quick results would be needed from the research projects. Therefore, the research projects should span perhaps five years, but would require annual deliverables to industry.

In terms of funding, the individual research projects should be funded over and above any recurrent university funding, in order to produce an initiative which could maintain Australia's competitiveness.

Importantly, because the intellectual effort would address each State's geology specifically, Australia would be able to retain the competitive advantage it would produce, given that the intellectual property would not necessarily be of use elsewhere in the world.

Again, thank you for the opportunity to make our submission. We will be pleased to answer any questions you may have.

Yours faithfully

Terry Long  
Executive Director.





37601

**Submission to Budget Committee**

**Tasmanian Minerals Council**

**October 2001**

## **Introduction**

This brief submission addresses the single most important issue to the minerals sector in Tasmania – the serious and prolonged downturn in greenfields exploration.

Greenfields exploration is described as work undertaken in search of new ore bodies which can be mined economically.

The larger mines in Tasmania are old. They include Savage River, Mt Lyell, Renison and Rosebery. The newer mines – the rejuvenated Beaconsfield Gold Mine and the Henty Gold Mine – have relatively short lives (less than ten years).

Within industry, there is weight being given to the forecast that the mining industry in Tasmania will end within ten to fifteen years, unless new ore bodies are found quickly. That outlook was endorsed recently by Tasmania's best-respected geological academic, Prof. Ross Large during a briefing to Tasmanian Parliamentarians (3 October 01).

We are already within the danger zone. If any of the existing mines closes within five years, there will be nothing to replace them. Even if an economic ore body is discovered today, the normal lead time for a mine is five to six years. That includes the time necessary for approvals, planning and construction of the necessary infrastructure.

The only real possibility for a new mine at present is a nickel deposit discovered West of Zeehan. However, that is not guaranteed to proceed to a mine.

## **Existing work**

Some work is being undertaken through the State Government's mining agency, Mineral Resources Tasmania.

It is being funded, in the main, by the Commonwealth Government through the Regional Minerals Program.

The work has produced amongst other things some excellent geological information, being published as maps for the exploration community.

It is hoped and expected that this may spark some renewed interest by exploration houses in Tasmania's prospectivity.

Beyond the Regional Minerals Program work, the Tasmanian Government has supplied funds in recent years for extensions to the MRT core library at Rosny, and has given \$1.5 million for the completion of the MRT project TIGER.

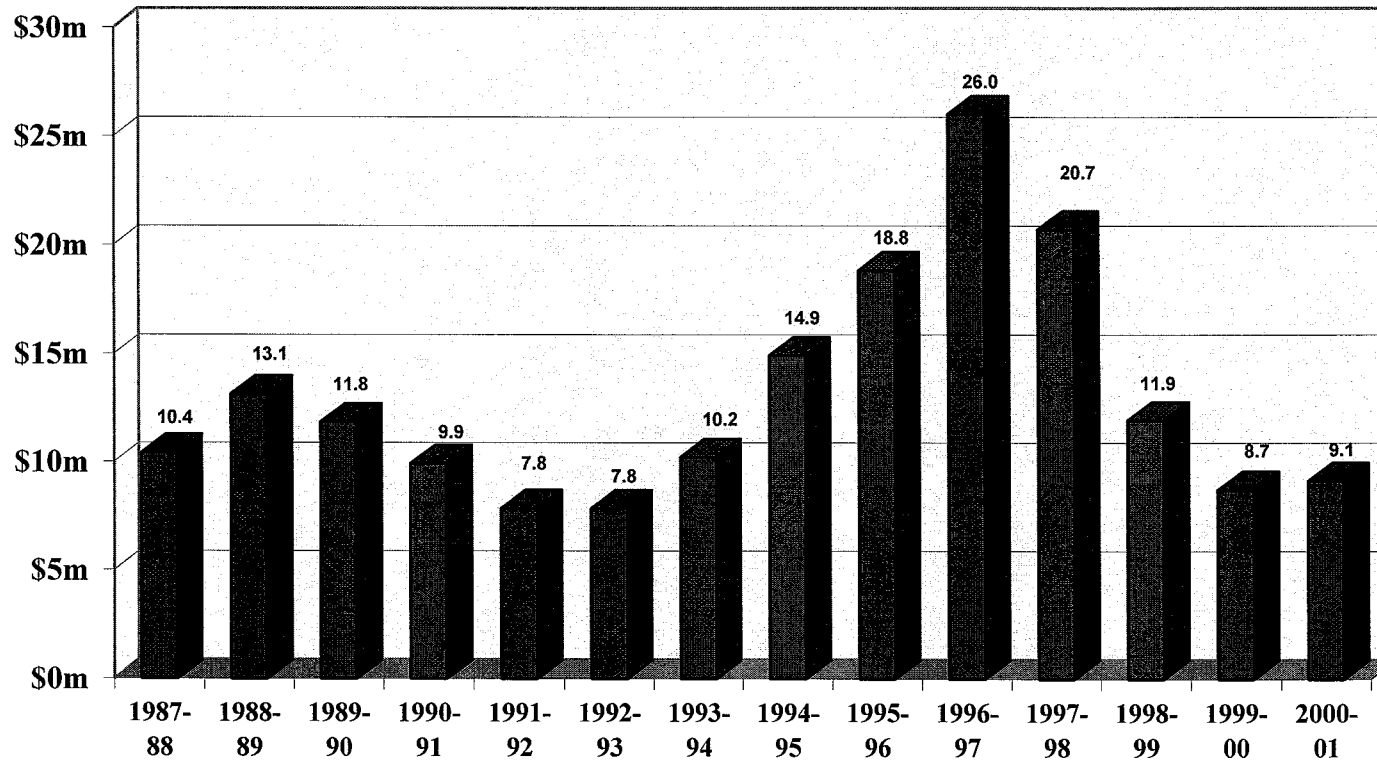
The Commonwealth and State Government contributions are acknowledged by industry. In addition, it is not disputed that the present Government has a good grip on the fundamental importance to Tasmania of the minerals sector.

However, statistics from the ABS, compiled by MRT, underscore the dire situation in Tasmania with greenfields mineral exploration –



# Tasmanian Mineral Exploration Expenditure

(ABS Data)



NB: Of the 9.1 million dollars spent in Tasmania in 2000-2001, some 8 million was spent on existing mine leases rather than on greenfields exploration – Source: Tasmanian Minerals Council Survey October 2001.

Most of Tasmania's independent geologists, who normally would undertake exploration work on behalf of national or international exploration companies, have been out of work at some time in the past twelve months and some are still out of work. Some of them do not believe the situation with greenfields exploration will improve without a significant circuit breaker, and are actively looking for alternative careers, such as teaching.

### **Where does the blame lie?**

It is not useful to try to apportion blame for the decline in greenfields exploration in Tasmania.

It has been caused by a number of factors, including –

- Low and declining worldwide metal prices
- Risk aversion by investors
- Cost-cutting by the larger mining houses
- A tendency for larger mining houses to buy known reserves, rather than to explore
- International competition for the exploration dollar.
- The rise of green tape in Tasmania
- A lack of recent exploration success in Tasmania.

On the positive side, land tenure is relatively stable under the Regional Forest Agreement and Native Title is not the issue in Tasmania that it has become in other States.

However, while the Regional Forest Agreement stabilized land tenure, it also lifted the bar once again in terms of regulation of exploration, which is essentially a minimal impact scientific activity in most of its stages.

### **The way forward**

It is fairly clear that Tasmania needs to take some action, beyond what is being done now, if the State is to have a mining industry, even in the short-term.

The Tasmanian Minerals Council does not believe that any one party to the mining industry necessarily has the answer.

However, at the same time it is self-evident that the situation needs to be reversed.

There are a number of parties with a key stake in the avoidance of collapse in the mining industry in Tasmania. Among them are –

- The Commonwealth Government
- The Tasmanian Government
- The Tasmanian Community
- Hundreds of suppliers
- Consulting geologists
- Hydro Tasmania
- The industry itself.

Although the medium-term outlook is not bright (collapse of the mining industry within ten to fifteen years), the short-term outlook is equally bleak.

Without discovery of economic ore bodies, it is likely that individual mines will cease to be economic or will become mined-out in a shorter timeframe. Accordingly, the real scenario is one of gradual decline, which will hit the Tasmanian economy hard.

For example, figures from the Minerals Council survey of industry (completed October 2001) demonstrate that the average wage in the mining industry in Tasmania is \$59,000. The annual payroll in the mines is \$70 million. Capital expenditure in the mines last financial year was around \$70 million, although it had been higher the year before. Most mines have between 300 and 500 suppliers, but one mine has more than 1100. These are small to medium sized businesses selling goods and services to the mines. The existing mines spent around \$8 million on exploration on existing mining leases last financial year, which is the bulk of the total spent on exploration in Tasmania in the same period. It was spent to find extensions to existing ore bodies, which of itself is valuable to Tasmania – but it was not spent looking for the new ore bodies which are needed to sustain the industry.

**The Tasmanian Government could take some immediate action through allocation of \$250,000 to market the scientific information which has been generated by the Regional Minerals Program. The information will be of interest to explorers. However, it needs to be sold hard. Tasmanian government officials should target large and small exploration companies in Australia and overseas. Officers should visit those companies to market the new information, and seminars should be held in Tasmania and representatives of national and international companies should be invited to attend.**

**The Regional Minerals Program information, as already noted in this submission, makes a quantum leap in the quality of mineral data on offer, but Tasmania needs to aggressively market the data in order to try to reap the economic benefits.**

**The Commonwealth has paid \$5 million to generate the data. It is hoped the Tasmanian Government can find \$250,000 to take it to the marketplace.**

However, the Minerals Council does not believe that the aforementioned initiative of itself is enough to address what has become a serious situation.

The Minerals Council suggests that a forum, or series of forums, are needed in order to try to find a way forward – to revitalize the exploration industry in Tasmania.

The forums should involve the Commonwealth and Tasmanian Governments and industry and other stakeholders, such as the small businesses which supply the mining industry.

Given the Federal electoral cycle, it is possible that the timing may be opportune for a pilot program on exploration revitalization in Tasmania, which could later be used in other States.

As mentioned earlier in this submission, the Minerals Council does not pretend to have all of the answers. However, the Council is convinced that action needs to be taken now, in order to prevent the collapse of the industry incrementally over the next ten to fifteen years.

The Minerals Council is prepared to work with the Tasmanian Government to help organize a series of forums charged with the responsibility of finding a way through the current difficulties. For its part, the Tasmanian Government could fund the forums and provide some secretarial assistance.

A collective effort is needed and goodwill will be required of both the Tasmanian and Commonwealth Government. A lot is at stake.

