26981 Highwood Circle
LAGUNA HILLS CA 92653

Tel: (949) 362 1600
Fax: (949) 362 5055
Email: pb@ktb.com

Monday, August 05, 2002

The Hon. Ian Macfarlane. M.P.,
Minister for Tourism and Resources
Government House
Canberra, A.C.T.,
Australia

Re : Inquiry To Impediments to Increasing Investment in Mineral and Petroleum Exploration in Australia

Dear Minister Macfarlane and Committee:

Tiger International Resources Inc. is a Canadian company, listed on the TSX Venture Exchange in Canada, and managed from California. The managing director of the company, Patric Barry, is an Australian who has been running the company for ten years.

Tiger International became active in diamond exploration in Australia five years ago, an effort initially attractive due to the prospectivity of the opportunity and the experience and familiarity of Patric Barry with the laws, customs and requirements of Australian mining and exploration requirements. The unique experience held by Mr. Barry allowed Tiger to engage in the opportunity by utilizing his experience and background.

However many difficulties were encountered along the way which proved unique to the Australian business and exploration scene that simply are not present in other countries, and which have proven a deterrent to further investment in Australia, and those difficulties we can discuss with your committee with the hope that changes can be made to bring Australia back into the mainstream.

While resource opportunity exists worldwide, with which Australia needs to compete in order to attract investment and skills in order to develop its natural resources, the impediments we encountered include:

a) Relatively high labour costs and indirect burdens,
b) Difficulty in raising precious capital due to lack of tax incentive,
c) Frustration over Native Title risks which clouds the Australian potential in international eyes,
d) Comparatively high land tenure costs from State Governments in Australia.

Labour Costs – candidly, technical help is more expensive in Australia than in almost all countries other than the United States. The expectation from trained Australian based geologists to earn A$600 a day is uncompetitive and deters foreign capital. The higher rates of indirect taxes (superannuation and other loadings) and the new burden of GST renders Australia less competitive on the world wide stage, and as a result investment money will typically use Australian staff within Australia, but foreign staff in other lands where labour is competitively priced.

Capital Raising is difficult within Australia since there are no incentives. While the two countries in the world which direct the bulk of resource exploration activity are Australia and Canada, Canada is domestically more active than Australia due to an incentive described as "flow through financing" which provides a direct tax incentive for investment in resource exploration.

In Canada the program of "Flow Through" gives a combined state and federal tax incentive of an average of a 130% deduction from income. Simply stated, a $10,000 investment in a public company's shares which are designated for flow through financing results in the investor deducting $13,000 from his income for tax purposes in the calendar year. Moreover, when the investor resells his shares only half of the capital gain is exposed to capital gains tax, the other half being tax free, providing a back end benefit. Restrictions on the program require that the investment be in a Canadian company and spent by the company on a Canadian property – foreign properties do not qualify. Staff and services need to be Canadian.

Studies conducted by the Canadian Government have found a ten times economic benefit to this incentive program. The money raised supports junior exploration companies, which embody the spirit of entrepreneurial effort and have proven to be more efficient explorers than the majors with high overheads. The companies employ Canadian labour, laboratories, contractors, the activity in their shares in the public markets indirectly employ share brokers and analysts and keeps the stock exchange alive, and the employment created down the line from this simple tax incentive provides in excess of ten dollars in taxable employment income for every one dollar of deduction, and the country benefits by getting resources developed which provides a flow on effect.

Major diamond finds in the Northwest Territories, now owned by BHP, Rio Tinto and DeBeers, were initially sponsored with flow through investment and have led to new mines opening with a capitalized value in the billions of dollars – sponsored by flow through tax investment programs which provided the high risk incentive capital that was lacking in the marketplace. Government experts and companies freely admit that these Canadian discoveries would not have occurred had flow through financing not been available to sponsor the high risk exploration. The nickel find at

Voiseys Bay, known as the world's largest nickel deposit, was sponsored with flow through capital. Most petroleum exploration within Canada is also sponsored by flow through incentives.

The frustration felt by Australian explorers by not having a similar tool is profound; indeed, when Tiger International sought further financing for its Australian work it was disappointed to see that without flow through (non-Canadian project so the Australian projects didn't qualify) it could not attract Canadian capital, and so Tiger formed a new company in Australia and cooperated in the floating of that company on the Australian Stock Exchange. While this returned the assets to direct Australian ownership, the disappointment to the majority Australian owned Tiger International was profound, and the entire exercise consumed time, resources, and simply wasted the coordinated effort which had been conducted over years of work. Had Australian flow through been available, Tiger could have financed the effort within Australia directly, rather than having to sell off its ownership at a reduced value.

Observing the numerous Australian companies which have moved to Canada and listed on the Canadian stock exchange has indicated that those companies moved so as to avail themselves of flow through financing opportunities, and now use their skill and expertise for the benefit of Canada, rather than Australia. Without question, economic effort follows opportunity and capital availability, and the flow through program in Canada has not just kept the industry alive during a prolonged period of resource exploration regression, but has led to industry growth in the Canadian domestic sectors which have received flow through funding. Australia has definitely missed out in a major way by denying the industry this benefit, and needs to revisit the issue and provide the stimulation needed within its own borders. Remember the ten times (and more) multiplier – had Australia offered this tiny tax concession in recent years just imagine how many qualified geologists and engineers might have stayed in Australia rather than being forced overseas where they had to go to earn a living.

Native Title has been a mess in Australia, and foreign capital has simply stayed away, frightened to become involved due to the uncertainties presented by the chaotic status presented by multiple overlapping native title claims and the governing weak legislation which governments (other than South Australia) have chosen to let the courts determine instead of providing clear legislation. At the end of the day, native title seems to not benefit the industry or the indigenous people of Australia, and has resulted in exploration being cancelled or deferred, and employment suffering and minerals staying undiscovered or being left in the ground.

High State Land Tenure Costs were introduced during periods of economic and speculative boom when the industry had capital coming out of its ears due to wild speculative investment driven by a need to commit funds rather than generate an economic rate of return. State governments climbed on the bandwagon by imposing punitive rates of tenement rentals, but greedily neglected to reduce the rentals to the prior levels when the speculative booms ended, leaving the industry burdened with a basic drain on capital that either does not exist in other countries, or exists to a lesser level. Tenement rentals must be paid from capital, and since capital is the hardest item for a junior exploration company to attract, the non-productive expenditure of that capital on bloated rates of tenement rentals is another disincentive to attracting capital for resource development in Australia.

We observe that Australian states want both bloated rentals and then charge a royalty on production – in other words, they want it both ways. Our recommendation is that tenement rentals are waived for a reasonable period until the prospectivity of the tenement can be determined.

In conclusion, the greatest deterrent to conducting exploration and development of mineral and petroleum resources in Australia is the combination of high government costs (a drain on capital) and absolutely no incentives for raising capital. While the Canadian flow through example has been widely promoted by Australians to their government, the government turning a deaf ear, your committee can make a difference by recommending to the Federal Government that it adopt a similar program to the Canadian example.

Should we be able to assist the committee further please feel free to contact us at your convenience.

Very Truly Yours,
Tiger International Resources Inc.

Patric Barry
President