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23 August 2002

The Secretary  
House of Representatives  
Standing Committee on Industry and Resources  
Parliament House  
CANBERRA  
ACT 2600

Dear Secretary

Thank you for providing an opportunity to make a submission to the House of Representatives Committee of Inquiry into Resources Exploration Impediments. Given the ongoing change in management at Newmont Australia, many of our senior executives are engaged in strategic planning exercises in our head office in Denver and have been unavailable to contribute to this submission.

This letter therefore comprises an expression of interest in the Committee's deliberations and brief comment on the Terms of Reference of the Inquiry. Newmont Australia would appreciate the opportunity to appear before the Committee at a later stage when we would be happy to respond to detailed and specific questions, which may have arisen in the course of the Committee's deliberations.

### **Background**

Newmont Mining Corporation is the largest gold company in the world both in terms of exploration (gold reserves) and production (ounces sold each year).

Newmont Australia was established following the takeover of Normandy Mining Ltd by Newmont Mining Corporation. Newmont Australia comprises around 20% of the company's reserves and 23% of its exploration. It is significant to the global operations of Newmont, but must establish its priority against major projects in other regions including North America, Canada, Chile, South America and Europe and Africa.

It should also be noted that the production costs for our Australian operations are amongst the highest in our portfolio, a fact that is obviously critical in assessing the economic viability of potential projects and the relative priority accorded them.

### **Native Title**

Like many exploration companies, Newmont is concerned that the current Native Title arrangements are far from satisfactory given the different processes in place from State to State and the backlog in applications.

Newmont has had to withdraw or postpone exploration programs because there are no satisfactory procedures in place to enable new tenements to be granted within a timely period.

However, unlike many of its counterparts, Newmont Australia is not opposed to the concept of Native Title and the rights it gives indigenous people.

Our approach is to develop relationships with indigenous communities, which are based on trust and respect, and to deal with any indigenous person who claims to speak for the country. As an example

of the success of this approach, we have developed agreement to pursue mining activities at the Pajingo Mine in Queensland where two groups have claimed native title rights over the area where the operation is located.

We do not contest indigenous Australians' right to claim native title and will only engage in native title court proceedings if native title rights threaten to include water and mineral ownership.

### **Costs for heritage surveys - need for a standard process**

If an exploration license is granted, a Heritage Survey is required before ground-disturbing fieldwork can commence. If the relevant Land Council advises that four indigenous groups must be consulted with respect to obtaining Heritage Clearances, it is our experience that four separate Heritage Surveys are then required over the same area – indigenous groups are reluctant to share Heritage information amongst themselves because it may jeopardise future Native Title Claims. This becomes an expensive (\$20,000 per survey) and time consuming process that may take years to finalise.

While we accept that Heritage Surveys will continue to be part of the process for access to land, at present each Land Council has quite different standards about what is required for a Heritage Survey. We believe the Federal Government should establish a standard for the process and content of Heritage Surveys - a template - which would reduce the time and expense involved in their conduct.

### **Resourcing of the CLC's**

Land Council's are chronically under-resourced both in terms of funds and expertise. Newmont and most other major companies are now directly funding the use of consultants or other staff in an attempt to speed up the processing of applications and heritage surveys.

This is a far from satisfactory position leading to inconsistent application of a procedure and of more concern, creating the potential for perceived lack of independence in the work which results from these arrangements.

### **State Charges**

Newmont asserts that a disproportionate amount of the exploration budget is spent on State government charges, including:

- Stamp duty
- Exploration tenement rentals
- Exploration tenement fees

The amount allocated in each State varies according to taxation rates and the inclusion of certain charges. In Western Australia, Newmont has allocated \$ 9.5 million dollars for exploration in calendar year 2002. Of this \$3 million or 31% will be consumed by statutory charges.

In our eastern region, covering Northern Territory, Queensland, South Australia and New South Wales, Victoria and Tasmania, our exploration expenditure for the 2001/02 financial year was \$6.9 million. The percentage of these funds allocated to State Government charges is 5.2% - which is lower because of the type of tenure – large exploration licences with low statutory charges (Eastern Australia) rather than a matrix of small mining leases pegged for exploration purposes with high statutory charges (Western Australia).

We would contend that the discrepancy between the States and the disproportionate amount of our exploration budget allocated to meet State charges in Western Australia in particular is a disincentive to exploration. In certain cases these charges are paid simply to retain licenses which cannot be accessed due to delays in obtaining Heritage clearance.

### **Flow Through Shares**

We believe the time is ripe for a significant stimulus to investment in the resources sector. The capital markets are particularly risk averse at present, making access to capital for speculative mining ventures even more difficult to obtain.

The Canadian Government introduced such a direct incentive in 2000 - the exploration investment tax credit (EITC). This program provides for a 15% up front non-refundable income tax credit for share

investors in companies undertaking certain approved activities (ie prospecting, geological, geophysical and geochemical surveys and drilling).

It was developed as a boost to grassroots exploration and to complement other tax incentives for explorers such as the Mineral Exploration Depreciation Allowance. Its major benefit has been for junior explorers.

It should also be noted that the impact of the EITC varied from province to province. Provincial governments were encouraged to complement the federal initiative with their own tax incentives. The potential for similar schemes in Australia is obvious, assuming that restrictions on State Government revenue raising measures can be overcome.

#### **Education issues - declining enrolments**

The relatively low number of tertiary enrolments in the disciplines that directly supply graduates to the resources industry is of great concern and is directly out of proportion to the contribution the sector makes to the Australian economy.

More alarming is the decline in tertiary enrolments in a range of technical disciplines, which affect the resources industry - engineering, earth sciences, geoscience.

The solution to this problem requires a concerted effort at both State and Federal level, to create real employment opportunities in the sector and to target students at upper primary and secondary school to explain the excitement and potential of a career in the resources industry.

The Minerals Council of Australia has been working on this issue for a number of years and the Committee is referred to the recent submission by the Minerals Tertiary Education Council to the Higher Education Review, '*University collaboration and partnerships with industry yielding results for the minerals industry*'. The Mineral Tertiary Education Council was established in 1999 as an initiative of the Minerals Council of Australia to engage with selected Australian Universities to ensure sustainability of minerals education.

#### **Conclusion**

Again, we thank the Committee for the opportunity to provide an outline the impediments to resource exploration that we have experienced over the past few years. Should the Committee require further details to further its inquiry, please do not hesitate to contact the undersigned on 8 8303 1764 or via email at [helen.macdonald@newmont.com.au](mailto:helen.macdonald@newmont.com.au).

Yours sincerely



Dr Helen Macdonald  
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