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Irwin, Debbie (REPS)

House of Representatives Standing Committee  
on Industry and Resources

**From:** Jim Durrant [jimd@strikeoil.com.au]  
**Sent:** Friday, 19 July 2002 9:34 PM  
**To:** ir.reps@aph.gov.au  
**Cc:** Ashton Simon; Don Poynton; Andy Lydyard; Rob Weeden  
**Subject:** Parliamentary Inquiry into Resources Exploration Impediments -

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Submission No: 42  
Date Received: 22 JULY 2002  
Secretary: *[Signature]*

**Parliamentary Inquiry into Resources Exploration Impediments - Submission from Strike Oil NL.**

Strike Oil NL  
Level 10, International House  
26 St Georges Tce.,  
Perth, WA 6000

19th July 2002

Honourable Members of the committee

Strike Oil is represented on the APPEA council and endorses the APPEA submission.

Strike Oil wishes to add one point of further submission to the committee regarding proposed incentives to encourage petroleum exploration:

Strike oil contends that incentives to encourage capital investment into the small exploration companies is critical for the advancement of petroleum development in Australia and that it would be irresponsible to assume that the International Petroleum Companies will, left to their own devices, adequately explore for additional resources across the entire spectrum of exploration opportunities that need to be researched. We contend that the junior explorers have a track record of initiating the concepts and projects which are eventually funded and developed by the larger petroleum companies and that an environment conducive to encouraging risk capital into the junior sector is essential for the survival and future development of this sector.

Strike proposes that the junior exploration sector is significantly disadvantaged in competing with the established petroleum corporations because, by their very nature, they have no cash flow from petroleum production against which to offset tax deductible expenditure. Hence, their exploration dollar is 100% compared to the 64% exploration dollar expended by the established petroleum producer.

There is clearly not a level playing field for the mostly Australian small exploration companies who compete against the largely International Companies. The problem is compounded by the fact that any indigenous company that has exploration success is most likely to be forcibly taken over by larger (predatory) companies. Hence, perpetuating the vicious circle which leaves our Nation depleted of the small explorers it desperately needs to research and develop our immense petroleum resource opportunities.

Strike contends that exploration should be viewed as true research for the benefit of National Development. As such exploration companies should receive immediate tax credits to plough back into the research effort rather than accumulate tax deductions over the many years required to establish positive cash flow from successful exploration, probably to be taken over many years before reaching such a position.

Strike believes such an approach is preferable to the alternative proposal of passing such exploration tax credits back to the capital investor as this has the potential to distort the market to be driven by the tax deductibility, rather than the technical merits of the opportunity.

I finish with a request for understanding by the committee that it is very difficult for a junior explorer to devote significant resources to tasks such as this submission and that the committee excuses us for the brevity of our submission .

Sincerely Yours, Jim Durrant.  
Exec. Dir. - Strike Oil NL.