

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE
Inquiry into greenfields mineral exploration and project development in Victoria

Melbourne — 29 August 2011

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Mr B. Edwards, Regional Manager, New South Wales, Victoria and Tasmania, Association of Mining and Exploration Companies.

The CHAIR — Welcome to the public hearings of the Economic Development and Infrastructure Committee's Inquiry into greenfields mineral exploration and project development in Victoria. The Committee is an all-party parliamentary committee and is hearing evidence today. All evidence taken at this hearing is protected by parliamentary privilege. Comments you make outside the hearing are not afforded such privilege. Can you please state your name and business address?

Mr EDWARDS — My name is Bruce Edwards, Level 3, 66 Hunter Street. I am the Regional Manager for AMEC, the Association of Mining and Exploration Companies.

The CHAIR — Hunter Street?

Mr EDWARDS — In Sydney. I am the regional manager for New South Wales, Victoria and Tasmania.

The CHAIR — You are appearing on behalf of the organisation?

Mr EDWARDS — I am appearing on behalf of AMEC and our members in Victoria and Australia wide.

The CHAIR — Would you like to make a brief oral presentation?

Mr EDWARDS — Thank you very much for the invitation to present to your committee. Thank you on behalf of AMEC members. I should introduce AMEC first. We were established in 1981 specifically to represent the exploration sector and the junior miners. Our head office is in Perth. We have recently established offices in New South Wales and Brisbane in response to a large number of explorers and junior miners coming to us and saying, 'Look, we want a voice. We are feeling as though we are not getting a voice. The whole debate is being ambushed by the big end of town.'

In response to the invitation to present before this committee, I did a roadshow of Victoria up and down St Kilda Road, Ballarat and Bendigo. By the way, if you have never visited the Art Gallery in Ballarat, it is exceptional; it really is.

Mr FOLEY — Yes, several times. It is very good. Did you see the original Eureka flag?

Mr EDWARDS — Yes, I did, two weeks ago. But if that is what gold mining exploration can bring to regional Victoria, I think the more the merrier because it really is an exceptional gallery. We have over 350 members Australia wide. Our membership is structured so that whether you are 'Twiggy' Forrest from Fortescue as a member or you are XYZ exploration out near Stawell, you have the same voice. There is no member capture because it is not a turnover-based membership.

We have made a conscious decision to keep away from coal, coal seam gas, oil, the energy assets. There is too much muddying of waters between minerals, in particular in New South Wales, and the energy assets. I cannot make any representation for coal and coal seam gas companies because we have very few members in the coal and the coal seam gas space.

Geoscience Australia has stated that:

... junior companies make up more than 70 per cent of companies engaged in mineral exploration expenditure within Australia and account for approximately 80 per cent of the capital raised explicitly for mineral exploration.

That homogeneity gives rise to the potential to really target incentives, target government — what should I call it — intervention? It gives the potential for the Government to play a serious role in helping the sector. The big end of town has lobbyists, lawyers and thousands of staff. They do not need the help of an industry association.

This is Intierra — a very good database that you might or might not be aware of. I ran this list off. In Victoria there are 160 different projects in Victoria so there are obviously people who find Victoria very prospective geologically. You have heard from previous speakers, the Minerals Council of Australia, Richard Shodde and many others. Victoria has enormous mineral prospectivity. It did not disappear 10 or 15 years ago. I am not going to talk too much about that though. So there are 160 different projects. There are no BHPs in there. Here are some examples: Resolve Geological, Matrix Gold, Mount Rommel, Castlemaine Goldfields, Oroya, Navarre, Mantle Mining, BCD Resources, Providence Gold and Minerals — you heard from Tom Burrowes earlier — Unity Mining and Glenburn Manor. They are the small end of town, not the big end of town.

The market is very, very competitive. It is competitive internationally, it is competitive domestically around Australia. The geological prospectivity means that, quite frankly, a lot of the explorers I have spoken to would like to explore and mine in Victoria. It is for reasons that you will not hear talked about in a commission like this. They have family here. They do not want to be flying in and out of Panama or Congo or West Africa or Indonesia. They want to work here. They want to work and explore where their families are.

The figures that are often trotted out are that 1 in 1000 prospects becomes a globally important mine and 1 in 100 becomes a nationally important mine. That overlooks the fact that the other 999 out of 1000 spend money.

They do not become huge mines like Olympic Dam, Cadia Ridgeway, Mount Isa or Broken Hill, but they spend a lot of money. You might have a prospect. A smaller exploration company might raise \$5 million or \$6 million. They will spend probably 70 per cent to 80 per cent of it in the State. It will be drilling rigs. It will be geochemical sampling. It will be for land access. It will be in the pubs. I have been to a number of pubs from Braidwood to Beechworth and they say, 'Thank God we have had exploration over the last 10 years'. It is the only thing that has kept the pubs afloat — not that that is a good sign.

Mr FOLEY — Purely for professional purposes.

Mr EDWARDS — Yes, of course. They have to sleep somewhere. The 999 out of 1000 or the 99 out of 100 might not become producing mines, but they spend money and they spend lots of money. Shareholders are not always happy when it is spent and they do not produce anything, but that is part of the game. If you invest in the junior end, you know the risk.

The real problem in Victoria is industry perception. They would like to mine here. They would like to explore here. Geological prospectivity is not a problem. The research that has come out of the Rediscover Victoria initiative and the Gold Undercover reports talks about 15 million to 74 million ounces, which is equivalent to what has been mined in the last 150 years in Victoria. One hundred and fifty million ounces was mentioned in the previous presentation. That is plenty of gold, and that is nuggetty saddle reef gold, which is difficult. It is not all that, though. There is copper porphyry in western Victoria where there is a fair bit of exploration going on. There is talk around that that is where the explorers are hoping to hit a monster discovery of some sort. There is antimony in Costerfield; there are base metals; there are mineral sands. It is not just the traditional nuggetty gold that you read about in Bendigo and Ballarat; the digging up of 2-ounce nuggets before breakfast sort of thing.

The CHAIR — It would be nice though.

Mr EDWARDS — It would be good, but there is a lot more. You have to look a bit further than just traditional gold. But Victoria has to get serious. There is no point at all just tinkering around the edges. If you want to tinker around the edges and change your land access a bit and have your exploration tenement renewal go from instead of losing 25 per cent after two years you lose 25 per cent after three years, you are just fiddling around at the edges. It is not going to change the perception. Prospectivity will stay the same, but your exploration spend will keep going down. Your metre's drilled will keep going down because the cost of a metre drilled has probably doubled. To drill a metre, particularly diamond, has probably doubled in the last six or seven years. It is now probably now up to \$120 to \$150 a metre. And then you add all the analysis on top of that.

So if the exploration spend has done that, the number of metres drilled has probably fallen even though the exploration spend has doubled. It is the metres drilled that is the acid test. All the geoscience is wonderful, and Victoria has exceptionally good geoscience — probably the best in Australia from everybody I have spoken to. The geoscience in Victoria is really good, but it needs to continue to have money spent on it.

Where the perception is falling down is the MRSD Act, the access. The purpose of that Act is to encourage an economically viable industry — that is section 1. In section 2 the objectives of the Act are to encourage and facilitate exploration for minerals and foster. When I go and talk to the explorers they say, 'Hang on, that is not what we are experiencing.' The response from the bureaucrats is, 'We are here to regulate, not to assist. You are the private sector. You work in the private sector. It is the big fish who eat the little fish. It is the free market. We are here to regulate, not facilitate.' That perception has to be changed.

We need to go right along the value chain from precompetitive geoscience through to the infrastructure and the processing at the other end. Victoria, in order to change the perception and to economically mine and turn into

actual cash flow and gross state product, has to be the best of any state in Australia for everything from precompetitive geoscience to the exploration permitting to the planning to the development approvals then through the infrastructure and then through to the processing. It is not just good enough to tinker around by changing the current legislation.

On the geoscience side, the response I am getting from our members is that there needs to be more work done on the 3D basement modelling. The aeromagnetics and the gravity is pretty good. It could be a little bit tighter to stay ahead of the pack because South Australia and New South Wales are spending money, as well as Western Australia, to bring them up to where Victoria has been for the last three or four years. To stay ahead of the other states you need to renew — I think it is Rediscover Victoria; it is the latest program. That ran out of funding, I think, at the end of June. Is that right?

All the analysis has been done, but then you need to model it inside GeoScience Victoria. That needs to be modelled to be presented because the precompetitive geoscience is the prospectus and you are in the business of raising money. It is raising money that creates jobs and keeps the pubs running in Beechworth. It is the prospectus. That is where the risk is minimised; that is where the risk is outlined. It is the drilling that is the seed capital, and on the precompetitive geoscience, more detailed geochemical data sets would be useful. The depth of cover research is pretty good, but that could be tidied up a little bit; and cross-border data with Geoscience Australia across New South Wales and Victoria would be very useful, and Victoria and South Australia. I spoke to Chris Pigram of Geoscience Australia, and he is very supportive of tidying up that cross-border geoscience because geology does not respect state borders.

Digital delivery of the geoscience is very important. That is quite well done in Victoria, but it needs extra funding. I am just parroting what our members say. Analysis of the geoscience that is very well done and digital delivery is also important. Where geoscience is also very useful is to provide data on the soil types. This is more for the strategic land use and the environmental management plans. The geoscience is very good for the groundwater, surface water, the soil types and what construction materials should be used. That gives you a much better data set for making informed decisions on land use for planning.

Where money needs to be spent is on marketing the fact that you have prospective geology and very good geoscience. That needs to be trumpeted, whether you do that through Invest Victoria or through annual conferences, or whether you take booths at PDAC in Canada. The AMEC national conference was in Perth. The Tasmanians were there, the Western Australians were there, the South Australians were there; New South Wales was not there.

Mr FOLEY — And Victoria?

Mr EDWARDS — Victoria was not there.

Exploration permitting — because of the more difficult geology, two years is not enough. Because of the difficulty with land access and the difficulty created by flooding and for environmental reasons, two years is often not enough before you start relinquishing part of your exploration tenements.

Western Australia is going from five to six years. New South Wales is debating at the moment and they are now going to three years before there is any relinquishment. One of the positives of that is that it requires less manpower, less human resources. If you are reviewing tenements every three years and not every two years — you can do the sums; you reduce your workload. That would be very important. You need to really look at pushing it, because at the moment in Victoria I think it is two years. After two years there is a 25 per cent drop off and in another two years there is a 35 per cent drop off in your exploration tenements. That is seen as much too short. It is just not competitive on a national scale.

The response to that would be: we need to ensure turnover of ground. If you look at DPI's figures, you can probably see here that between 1994 and 1996 there were about 300 exploration tenements, 150 new tenements and 150 renewals in Victoria. We are now down to 50 new exploration licences and 50 renewals. It has been divided by three in 15 years. They are DPI's figures. There is minimal problem with enough available land.

The CHAIR — We might wrap up there and move to questions, if that is all right. If I were to ask you on behalf of your members what is the most important recommendation this committee could make, what would you say that would be?

Mr EDWARDS — That was my next step. It would be to make earth resources, old minerals and petroleum a separate organisation that has full control, not captive to agriculture or primary industries or environmental. Make it a central organisation that coordinates as a case officer, that walks a company through. Just to cut out all the overlaps, all the ambiguities in the planning, in the development. The real thing is that it is time. None of our members have a real concern about, ‘You’ve got to comply with the environmental’. Nobody has an issue with that. You have to comply with the land access rules, you have to consult with the farmers; they have been there for decades. You have got to consult with them. As an aside, our experience is that a lot of farmers see resources and exploration as a secondary cash flow. Why not? The explorers need to see that there is some framework where they can resolve their differences quickly, and a lot of the explorers say that there is no issue. You go and talk to them, you tell them what you are going to do, you consult with them, they can see some revenue out of it and there is no issue. It is the timing.

Mr FOLEY — Thanks for that presentation, Bruce. Your analysis and submission starts with ‘Victoria is closed for business’ as the perception.

Mr EDWARDS — Yes.

Mr FOLEY — That seemed to be a pretty strong theme to what you were saying. Given that your companies are, as you say, not the global dominant partners, but that is the business, if you like, at the other end, the project development end, how do you see what you have just mentioned as the one-stop shop phenomenon in terms of the regulatory, institutional part of government stepping through people linking at the same time to the investment? You talk in your submission about the idea of making it part of the Victorian, the international and domestic marketing approaches. How do you see that one-stop shop and the international and national marketing of Victoria coming together? Has there been any work done by your members as to how that would operate? Is there a best practice model or is that reputation and marketing also something that you would see falling within the purview of whatever the one-stop shop is?

Mr EDWARDS — We are talking more about what is being done in South Australia. You have a case officer, and White Dam is often used as a model. It is 12 months for development approval to go from late-stage exploring with a feasibility study through to actually upgrading. In New South Wales at the moment it is taking two years. Disaster! It is awful. If you can get Victoria to a stage where you have a case officer who walks a late-stage explorer or junior producer through 12 months, that is a huge selling point to the exploration sector. They are not thinking, ‘We’re going to be explorers for the rest of our lives’; they are thinking, ‘We’re going to find an economic resource’. If you can sell the fact that you have case officers who walk them through, that is a big plus.

It is about timing. If you are ordering plant and equipment, often it comes from China or the States. You have debt covenants. You have to get approvals or your debt falls away. Commodity prices can go from \$50 an ounce to \$39 an ounce, as silver did recently, in the blink of an eye. It is all tied to stages. If you know that you have a 12-month period and a case officer is going to walk you through, you can go to bankers, investors and material suppliers with confidence. If you know you have long tenure in exploration terms, that is a plus. The marketing is separate. It has to sell the whole package of reforms that Victoria can put in place to make every step of the chain attractive for an explorer and a miner.

Mr NOONAN — Thanks for your submission and your presentation today. You have introduced us to this concept of co-funded drilling. What we are hearing is that the data that can be collected by GeoScience Victoria, say, and centrally provided to the market is of value, but it is not until you start drilling that you start to really get a sense of the true prospectivity. You say that other states have implemented joint public-private funded exploration drilling programs. Can you explain how they work and what they have yielded, if anything?

Mr EDWARDS — PACE in South Australia was the first one that kicked off, and the fact that that was very successful led the Queenslanders to follow in 2005, the Northern Territory in 2008 and, about a year and a half ago, Western Australia. It actually started in New South Wales in the 1980s, and then they dropped it. New South Wales dropped lots of balls, starting in the 1990s. It normally works as dollar for dollar between private and public. It will be targeted on a particular greenfields area.

Mr FOLEY — A sector, not a physical area?

Mr EDWARDS — No, a physical area. It is often a commodity as well, but commodities like copper and gold go together. Often you have someone popping in, then someone else popping in and then someone coming in with gold, so it is difficult to take an actual commodity. Most of it is in minerals — the hard rock. None that I know has been done for direct-shipping ores — bulk commodities like iron ore, coal or bauxite. Although, Ian Levy from Australian Bauxite did mention recently that the modelling that came out of the co-funded drilling led to two of his discoveries. It is normally dollar for dollar and for a certain period. It is on a tender basis. There is a total dollar amount allocated for that year, and then the actual drilling results become public domain after, say, six months. There is a public utility. There can be geothermal data done as well.

Mr FOLEY — You say there is a tender. If I am a prospector and you are a prospector and we are all invited to tender — —

Mr EDWARDS — You know there is a certain parcel of money.

Mr FOLEY — And I have to put my case better than yours in terms of what my dollar is going to buy in partnership with government. It is a bit like those market-based incentive programs like BushTender and a whole range of different ones. Whoever puts the best bid in is the partner that gets it.

Mr EDWARDS — GeoScience Victoria, Western Australia or South Australia will actually look at the respective merits of each program and say, ‘We have a \$50 million kitty: you get \$2 million; you get \$3 million; you wanted \$4 million, but you will get \$3 million’.

Mr NOONAN — You have suggested that copper in western Victoria might be a pilot that this state or this government should consider. Why is that? We have heard that Victoria might be one big discovery away from potentially changing some perceptions, both nationally and internationally. Is that a view that you hold?

Mr EDWARDS — That becomes a perception idea. Everybody is accustomed to copper porphyry. It is hard rock. When you drill it, you know that when you put down half a dozen drill holes that they will be fairly consistent, whereas if you are drilling into the traditional Victorian nuggetty gold, you can pass a drill hole right next to it and come up with nothing, yet you can go through here and you have a bonanza. With copper porphyry it is disseminated, so it is fairly consistent. You can actually drill up a JORC resource. That is where I think there needs to be some work between GeoScience Victoria and the JORC, the Joint Ore Reserves Committee, to find some way of making it easier for Victorian nuggetty gold, and the Canadians have the same problem — to actually define an economic resource using historic figures and get around the fact that, if you do not have a JORC resource, you will not get a feasibility study, and if you do not have a feasibility study, it is difficult to get the debt funding and difficult to get to production.

Mrs PEULICH — You mentioned, consistent with other submitters, that a key issue for mining in Victoria is to change perceptions and that we have to be the best of any state, from the pre-competitive geoscience right through to infrastructure and processing. I think you have outlined that case very well, so thank you very much. When you are talking about changing perceptions, you are really talking about making Victoria a more attractive place in which to explore and to mine — it is for those who are direct participants in that. I will come back to that in a moment because among those who do not have a direct involvement in the industry there is obviously a perception that impedes and intersects with the business.

Mr EDWARDS — It is a very tight family. They all talk.

Mrs PEULICH — I was going to come back to that. In the meantime you also said that tinkering around the edges of legislation was piddling, so my question is this: notwithstanding the substantive case you have put forward for the need to change perceptions and the things we need to do to achieve that, does that mean we should stop tinkering at the edges of legislation?

Mr EDWARDS — I think you have to look at international best practice — looking at Congo, looking at Uzbekistan and looking at different places.

Mrs PEULICH — That is contrary to previous evidence that we have received — that is, on Monday the view was that there is so much to be done that anything that anyone can do to advance the industry is welcome. Waiting for the big bang, which may or may not happen, may be putting all the eggs in the one basket. Do we

stop delivering slices of salami in the hope that you will get the entire stick of salami? Do we wait for the stick of salami?

Mr EDWARDS — That is just gambling. Waiting for a big discovery somewhere to generate interest is gambling. There needs to be a more systematic overview of the entire process, from upgrading the geoscience — it is already a step ahead of the rest, so continue to keep the geoscience one step ahead — to making the exploration tenement process best practice and making the renewals happen within six weeks or two months. Out in New South Wales they are now between 6 and 18 months. Explorers are getting legal advice that maybe, if they continue to explore and spend money when they do not have a tenement renewed, they could be liable under directors and officers liability. You do not want that to happen anywhere in Australia.

Mrs PEULICH — My follow-up question, and the other side of the coin, is about the changing of perceptions, which is not about making Victoria more attractive for miners, prospectors and explorers. Those who have little direct experience of mining see open-cut mines, dirt and not a blade of grass, and what they think — I am being a complete and utter devil's advocate — is that there is an extraction of the benefits but no restoration. Can you make a comment on the importance of rehabilitation?

Mr EDWARDS — The Royalties for Regions program is very important. That has been in place in Western Australia and is very well received. If local communities see some of the financial benefits flowing back to the communities in the way of schools, hospitals, roads, covered water pipelines and better services, that is wonderful. Education is a joint industry-government role. Industry has probably been a bit slack in not educating the public that exploration tenements do not mean that there is a bulldozer there. It may just mean that somebody walks across and takes some rock chips for geochemical analysis. It may mean a drill hole, but you need to show a picture of some land before a drill hole and half an hour after a drill hole. If it has been done probably with geotextiles you will not notice the difference. Two or three days later and after a bit of rain there is no difference. It is an education process that has to be done by explorers and miners, and the Government has to be part of it as well, because it is an important revenue base.

Mrs PEULICH — The marketing strategy that Martin Foley was talking about should obviously be a broader one to promote the general perception of the industry.

Mr EDWARDS — Yes. It has to be directed towards the general public and also towards the international investors.

The CHAIR — Bruce, we greatly appreciate your presentation. Thank you very much for being here today. You will receive a copy of the transcript of proceedings within about two weeks, and you can make alterations to any typographical errors et cetera but not to the substance of the document. That wraps us up for the day. Thank you very much.

Committee adjourned.