INDEPENDENCE GROUP

Greenfields Mineral Exploration and Project Development in Victoria

Submission to the Economic Development and Infrastructure Committee – September 2011
Credibility

Corporate:
- $1.0B - $1.5B market capitalisation
- $10B+ of metal in the ground
- company based on exploration success
- success with multiple commodities

Individuals involved in this submission:
- in excess of 100 yrs of relevant experience
- exploration, permitting, operations, closure
- all Australian states + international
Geological prospectivity

- Victoria has excellent geological prospectivity
- Competing land use is manageable
- Need to attract small to medium explorers
- GeoScience Vic output is not ‘class-leading’
- Technology can change the field
Cost of doing business

- Victoria is a relatively expensive jurisdiction;
- on-ground costs vs. compliance costs
- significant non-attributable costs
- work plan requirements
- multiple decentralised agencies
- high start-up costs
Would IGO explore here?

Question:
• Would have JML / IGO have come to Victoria if Stockman was an exploration play (vs. a known deposit)?

Answer:
• Probably not

• So then, what are the issues?
All major production discovered decades ago:

• Vein gold discovered 1800’s
• Brown coal discovered 1800’s?
• Oil and gas discovered 1950/60’s BHP?
• Mineral sands discovered 1970’s CRA?
• Base metals discovered 1970’s WMC
Victoria has a poor perception as a mining investment destination

Issues are:

• complex and time-consuming processes
• lack of certainty of outcome
• poor regulator knowledge

• Something must change, or nothing will
• Desperate need of a success story
Business craves certainty and predictability:
  • predictable outcomes
  • certainty of rules and process

Uncertainty = sovereign risk

Lack of certainty apparent in:
  • TRG – issues and timeline
  • EES assessment ‘options’
  • inquiry panel - litigation risk
  • approval process and timeline
Crucial to improving workability of processes

• Exploration:
  • DPI - currently a regulator; not a facilitator
  • delegated powers to from others i.e. DSE
  • ability to make decisions for others if timelines aren’t adhered to e.g. Tasmania

• Permitting:
  • DBI / RDV proactive; not DPI or DPCD
  • no government champion for project
Time (is money)

- Exploration delays:
  - reduce ability to do work on the ground
  - exacerbate poor on/off-ground cost ratios
  - less results to report to the market

- Permitting delays:
  - no one can give an approval timeline
  - dramatic effect on discounted cash flow
  - open to manipulation by vested interests
  - cost; Stockman +$5M/yr during permitting
  - inquiry panel at least $¼M
• TBL should be fundamental to the EES process
• TBL is stated in many Acts (DSE, CMA, etc.) but given little practical weight in EES
• 17 separate TRG agencies
• Only 1 interested in social and economic outcomes – East Gippsland Shire Council; not DPI; not DPCD; certainly not DSE
• DBI/RDV not represented at TRG
• Vegetation offsets:
  • very, very expensive and opaque market
  • strict framework is a double edged sword
  • no credit given to rehabilitation

• Mining seems to be a tough fit for regulators:
  • Lacking in knowledge of the industry
  • inherent uncertainty c/w civil projects
  • extendable project lifespan

• No common “major project” status or benefit
What would be better?

1. Less departments
   - Lead agency and project champion
2. Certainty:
   - do this, then this approval issued, by then
3. Quicker:
   - time is money - used as a bargaining lever
4. Manage the EES process; upskill regulators
5. High level conviction that mining is welcome
• Advantages:
  • good fundamental prospectivity
  • multiple land use is manageable
  • attractive royalty regime
  • strong services industry

• Impediments:
  • complex process; difficult navigation
  • lack of certainty of outcome
  • expensive jurisdiction to operate in

• Exploration capital is scarce and mobile