



23<sup>rd</sup> August 2011

Mr Neale BURGESS - MP

Chair

Economic Development and Infrastructure Committee

Parliament House

Spring Street

EAST MELBOURNE VIC 3002

Dear Sir

### **Association of Mining and Exploration Companies - Submission**

The Association of Mining and Exploration Companies (AMEC) is the peak national industry representative body for hundreds of mineral exploration and mining companies across Australia, with a particular focus on the mid-tier and junior sectors. AMEC was established in 1981, and has a substantial member base in eastern Australia with offices in Perth, Sydney and Brisbane.

On behalf of our Victorian members, explorers, miners and mining service companies we write to you to alert the government to the real threat posed both to the viability of Victorian mineral exploration and ultimately the Victorian economy by the tragic decline in government support of the metals exploration industry. It is essential to understand that exploration is the pipeline that maintains a healthy mining industry.

AMEC recognises that coal and coal seam gas exploration are of community concern with a need for government action, however most exploration in Victoria is seeking metals such as gold, copper, base metals, specialty metals and mineral sands and is conducted in the central, northern and western regions of the state. This exploration activity, diminished as it is by neglect, is an important contributor to the economic health of regional Victoria and provides for a more diversified economy in regions that experience frequent and often devastating droughts. Our regional communities will miss out on the jobs, especially apprenticeships, and increased services that come with the development of new projects, and the Victorian taxpayers will miss out on the benefits from the royalties.

Victoria competes on both the national and the global stage for mineral exploration investment. This is reflected in the recent Canadian Fraser Institute 2010/2011 Survey of Mining Companies – (Current Mineral Potential, assuming current regulations and land use restrictions), that has seen Victoria fall from 43<sup>rd</sup> out of 65 in 2006 to 60<sup>th</sup> out of 79 in 2011 (next to China) and last of all Australian States and Territories. This decline can be reversed.

## AMEC Analysis and Submission

“Victoria is closed for business” is the perception most commonly held by mineral exploration and mining companies operating in Australia.

With enormous geographic choice available in Australia, Asia, Africa and South and Central America, Victoria has been put into the “too hard basket” alongside California and Western Europe. This needs not be the case as the geological potential exists in Victoria to support a vibrant and profitable exploration and mining sector. The sector could regain its place as a major contributor to the all-important “exporter of goods and services”, the lifeblood of any healthy state, nation or for that matter, household.

A bold and overarching transformation is required in order to “reset” the negative perception of Victoria as a minerals destination. It would be futile for the new Victorian Government to just “tinker around the edges” of the Mining Resources Act(1990) in a half-hearted effort to stimulate exploration and mining investment and jobs in Victoria. In essence Victoria needs to punch above its weight against larger and better endowed neighbours such as NSW, SA, Qld and WA. To do this the legislative and bureaucratic climate in Victoria has to lead the nation. This nation leading public policy and process climate then has to be communicated to potential exploration and mining partners.

The Fraser Institute Survey of 2011 was disturbing in that it ranked Victoria the lowest State in terms of government/environmental regulation, parks and socioeconomics and low on regulatory duplications/inconsistencies. A positive note was the high rankings for infrastructure and geological data.

Gold mines in Victoria did not cease due to lack of gold but for the following reasons;

- Limitations of mining technologies; many of which have since been solved,
- Geological knowledge; much of which is now available resulting from excellent geoscience and reinterpretation of old data,
- Economic conditions; mainly a low gold price and manpower shortages during the two major 20<sup>th</sup> century wars. With gold at \$1,800 an ounce no longer an issue,
- Political impacts; government and external impacts and adverse bureaucracies and processes, had, and are having a negative effect on exploration and mining in Victoria.

It should be remembered that Victoria has produced 32% of all gold mined in Australia and 2% of global production and an average yield of 10.8kg per km<sup>2</sup>, which is vastly greater than any other State. It is a sorry state of affairs when today Tasmania produces more gold than Victoria.

In addition Victoria has world scale mineral sands deposits, the recently discovered copper porphyry province in western Victoria, industrial minerals, base metals and some tech metals.

Profitable and sustainable development of the abundant mineral wealth mentioned above depends on the following;

## 1. Precompetitive geoscience

- a. Victoria, via GeoScience Victoria, already has possibly the best minerals database in Australia but this can be improved by tighter aero magnetic and gravity surveys, expanded geo-chemical sampling, depth-of-cover research, more detailed 3D basement modelling and synchronisation with Geoscience Australia of the cross border data.
- b. Publically funded geoscience data/service is the carrot that attracts explorers and can greatly reduce their risk of doing business in Victoria. It is the “prospectus” that showcases the geological attractiveness of Victoria’s mineral endowment. The Gold Undercover initiative has been particularly useful in identifying up to 73 Moz of gold to find in NW Victoria, (potential in-ground value at current gold price of in excess of \$120bn).
- c. These geoscience, geological mapping programs and their digital distribution, Australia wide, have led to the opening up of new mining provinces and have provided data for modelling that has led to new discoveries and mines.
- d. Geoscience mapping also provides data on soil types, construction material occurrences, groundwater and surface water flows; all useful data sets when compiling strategic land use and environmental management plans.
- e. Funding is needed for further analysis, modelling and distribution of the impressive primary data obtained to date by Gold Undercover and Rediscover Victoria.
- f. GeoScience Victoria needs to vigorously sell the fact that Victoria hosts substantial copper porphyry gold potential, mineral sands, base metals in addition to the well-known Victorian nuggety gold.

## 2. Exploration permitting

- a. Victoria needs to provide the most attractive exploration licence tenure and renewal regime that better reflects today’s more difficult “under cover” geology, longer land access delays, and volatile investment cycles.
- b. Department of Primary Industry annual figures reveal that the number of exploration licences granted and renewed in Victoria has halved over the past 15 years. The geology has not changed, (in fact the geoscience has improved the prospectivity), and commodity prices have boomed, only an unattractive regulatory regime has deterred explorers from investing in Victoria.
- c. Surety of tenure for explorers is crucial. A balance needs to be found between the maximum possible initial exploration licence term (say 5 years) and a regular relinquishment of ground to promote new entrants to the region. We have seen no evidence to suggest that ground is not being turned over rapidly enough or that there is a backlog of applicants for exploration tenements. (b. above)
- d. To exploit the “nuggety gold” that has made Victoria one of the world’s most important gold producers, Earth Resources Victoria needs to work closely with JORC to establish a revised/improved method of establishing a “Resource” that

better reflects the in-ground economic value. The nature of nuggety gold makes it difficult to understand and report exploration results and delineate resources. Resolving this technical issue with JORC would facilitate Feasibility Studies and capital raising for many Victorian gold explorers.

- e. Transforming the substantial Western Victorian copper porphyry systems into major mines similar to those just across the border in NSW may require exploration stimulus in the form of attractive permitting, future royalty holidays or financial incentives, particularly co-funded drilling.

### **3. Co funded drilling**

- a. The “acid test” for the attractiveness or success of a minerals jurisdiction is the number of metres drilled each year. Geoscience is the starting point but drilling metres leads to success. If pre-competitive geoscience is the prospectus then co-funded drilling is the seed capital.
- b. As well as the Rediscover Victoria program, other states have implemented joint public/private funded exploration drilling programs focused on under explored and often remote regions. The copper/porphyry gold province in Western Victoria is an obvious target for this program.
- c. Downhole geophysical programs can be allied to co-funded drilling to magnify the utility of these programs.
- d. These “regional employment initiatives” add to the public domain geological/geoscience database and often stimulate private sector spending on new projects that greatly outweighs the small initial public sector co-funding.
- e. Drilling can also advance geothermal mapping coverage and assist Victoria meet its Renewable Energy Target.
- f. Co-funded drilling stimulates regional employment and technical training. AMEC strongly recommend continuation of the initiative.

### **4. Planning**

- a. Clarify as rapidly as possible Strategic Land Use plans to provide certainty, long-term tenure to the minerals, agricultural and tourism sectors.

### **5. Development consents.**

- a. National industry best practice for the mine development consent process is in SA where an economically viable exploration project can be moved to production within 12 months under the guidance of a dedicated PIRSA Minerals case officer. With highly volatile commodity prices, time restrictions on debt funding, plant

procurement delays and an often fickle capital raising environment, time to production is crucial.

- b. AMEC strongly recommends the appointment of industry experienced “Case Officers” to shepherd late stage explorers through the approvals process to production.

## **6. Royalties for Regions**

- a. AMEC and its members strongly support a Royalties for Regions program similar to that operating in Western Australia.

## **7. General**

- a. The Earth Resources Development Division (ERDD) ex Minerals and Petroleum, needs to be upgraded from a Division to an independent Department and not a subset of Primary Industries. There is a perception amongst the exploration and mining sector that the Earth Resources Development Division (ERDD) has been captured by an agricultural and environmental “friendly” bureaucracy, to the detriment of minerals exploration and mining.
- b. Invest Victoria through its overseas office network and via Austrade in other jurisdictions, needs to aggressively “market” Victoria as a minerals destination.
- c. Establish a state controlled Mining Rehabilitation Fund to replace the current Rehabilitation Bond regime. This would improve early-stage miners cashflow positions and give Victoria a permanent fund to rehabilitate historic, existing and future mine sites, if needed.
- d. Consideration needs to be given at the highest levels to provide investment incentives that would stimulate investment in brown coal “clean technologies”.
- e. In a geographically small, relatively heavily populated state that requires substantial amounts of building materials, consideration should be given to promoting technologies and businesses involved in the conversion of tailings gangue to cement. Results are a reduced carbon footprint and better rehabilitation of mine sites.
- f. The nuggety/narrow vein nature of much of Victoria’s substantial gold resources demands specific skills. Support/funding for specialist shrinkage stoping and airleg mining training is essential.
- g. Consideration be given to promoting development of the industrial minerals and tech metals sectors, on which much of modern high tech manufacturing depends. Mineral sands, in which Victoria is well endowed, host rare earth elements.
- h. Victoria and other States and Territories need to work with the Federal Government to promote the concept of an “Exploration Tax Credit” scheme. In October 2000 Canada introduced a 15% exploration tax credit for flow-through shareholders. This fiscal initiative resulted in Canada’s share of global exploration spend doubling in the following decade.

Rest assured there are many companies and minerals sector employees who would be thrilled to explore and mine in Victoria. The geological potential is substantial and more than adequate to attract investment and develop economically viable operations. The infrastructure is well developed and well distributed. Availability of process water is much less of an issue than in other Australian states. The labour force is available and often close to the prospective regions, eliminating the flyin/flyoutexpense and social/community problems of other States. The government provided geoscience is excellent.

It rests to see if the political will and vision is equal to the geological and human potential available in Victoria.

Yours sincerely

A handwritten signature in cursive script that reads "Bruce Edwards". The signature is written in black ink and is positioned below the "Yours sincerely" text.

Bruce EDWARDS

Regional Manager, NSW, Victoria & Tasmania