

R J Morrison,
11 Chadwick Court,
Gulliver,
Qld. 4812.
2 April 2014.

The Manager
Deputy Premier,
Not-for-Profit and Industry Tax concessions unit
Small Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600.

email: ExplorationIncentive@treasury.qld.gov.au

Dear Sir / Madam,

SUBMISSION
Exploration Development Incentive Policy Design

Summary:

- The objectives of the Exploration Development Incentive Policy Design (EDIP) should include maximizing the potential for early benefit to all Australians from discovery of new mineral resources.
- Unless the definition of “greenfields” is very broad the policy will unduly restrict its potential to maximise economic benefit for the country.
- It is proposed that ITAA subparagraph 40-730(4)(a)(i) be altered to:
“greenfields exploration is exploration of unexplored or incompletely explored areas directed at discovering new resources. It does not include exploration for mineralisation that has been classified as an Inferred Mineral Resource or higher under the Joint Ore Reserves Committee (JORC) Code or lie in direct physical continuity with such Resources.”

FEEDBACK:

I am a Geologist who has worked on Australian mineral exploration for over 40 years with mining and exploration companies both large and small. I have observed, worked on and generated numerous exploration programs and seen the huge benefits to Australia from resultant discoveries.

Question 2.1 The “no mining activities” test will not help junior mineral explorers engaging in high potential mineral exploration but which, in order to fund the exploration, are mining. The operations provide useful employment and business activity but are rarely profitable (when mineral prices are high) but normally only break-even or are loss making. This could prevent them from receiving EDIP related funding and prevent the benefits flowing from resultant high grade mineral discoveries.

Question 2.2 The “no mining activities” test is unnecessary, counterproductive and should be scrapped. The “no taxable income” test is sufficient.

Question 3.1 The objective of the policy should be to attract new money into mineral exploration. The preferred option should thus be to restrict exploration credits to new share issues. If possible the red tape should be reduced by streamlining the process.

Question 4.2 Many if not most recent new discoveries have been located near known mineralisation. While the discovery of new remote “greenfields” deposits is a worthy goal, surely one of the objectives of the policy should be to maximise the potential for early benefit to Australian taxpayers and the wider community from development of new discoveries anywhere in Australia. The risk is that an unnecessarily high proportion of the \$100M of tax deductions will be spent on remote low potential exploration targets while better targets near existing operations languish and their mining infrastructure and employment is lost. Examples of new orebodies found near existing operations include:

- Different commodities found near existing operations e.g. Mt Isa copper adjacent to the earlier found lead/zinc/silver ore (Qld), Merlin high grade Mo-Re ore beneath Mt Dore copper (Qld).
- Potential deep high grade oreshoots separated by economic viability from past or existing operations, e.g. Charters Towers goldfield (Qld), Starra Line Cu-Au (Qld).
- Ore displaced from known mineralisation by structural or other discontinuities, e.g. Ni sulphide ore below the pegmatite at Nepean (WA).
- Overlooked ore located on mining leases but geographically separated from the known orebodies, e.g. Rocky’s Reward on the Leinster leases (WA), Vera-Nancy Au-Ag on the Pajingo leases (Qld).

Distinguishing remote “greenfields” exploration from similar but near mine “brownfields” exploration has very high potential to reduce the potential benefits to all Australians. The proposal in Clause 25 dot-point 1 would clearly be counterproductive.

A way around this would be to alter ITAA subparagraph 40-730(4)(a)(i) to:

“greenfields exploration is exploration of unexplored or incompletely explored areas directed at discovering new resources. It does not include exploration for mineralisation that has been classified as an Inferred Mineral Resource or higher under the Joint Ore Reserves Committee (JORC) Code or lie in direct physical continuity with such Resources.”

Yours faithfully,



R J Morrison.
MSc, FRMIT, FAusIMM (CP Geo), MAIG, FAAG.