



21<sup>st</sup> January, 2013

Rob Hansen  
Research Director  
Agriculture, Resources and Environment Committee  
Queensland Parliament  
Parliament House Qld 4000

Via email: [arec@parliament.qld.gov.au](mailto:arec@parliament.qld.gov.au)

Dear Mr Hansen

**Mining and Other Legislation Amendment Bill 2012**

Thank you for the opportunity to provide a submission to the Queensland Parliament's Agriculture, Resources and Environment Committee on the proposed *Mining and Other Legislation Amendment Bill 2012*.

AMEC is the peak national industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises over 360 explorers, emerging miners and the companies servicing them; many have projects and operations in Queensland.


AMEC's strategic objective is to secure an environment that provides clarity and certainty for mineral exploration and mining in Australia in a commercial, socially and environmentally responsible manner.

This Bill is of particular concern to our members and attacks elements of AMEC's key policy objectives. Equality for mid-tier miners and explorers to compete for the most prospective land is curtailed by the introduction of cash-bidding to applications for exploration. AMEC strongly opposes this initiative in any form.

AMEC has a policy objective that generally promotes 'ground turnover' to avoid tenement warehousing and improve opportunities for successful mineral discovery. The proposed policy in this Bill will limit the competition for exploration to those companies with the most available cash, not necessarily the most-likely to explore the mineral wealth of Queensland.

AMEC is committed to opposing this policy and would be please to address the committee at the public hearing to support the attached submission. If you require further information please contact AMEC Regional Manager, Bernie Hogan on 0402142367 or [bernie.hogan@amec.org.au](mailto:bernie.hogan@amec.org.au)

Yours sincerely

  
for **Simon Bennison**  
Chief Executive Officer

**Association of Mining and Exploration Companies**

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Submission to:  
Queensland Parliament's Agriculture, Resources and  
Environment Committee

Mining & Other Legislation Amendment Bill 2012

ASSOCIATION OF MINING AND EXPLORATION COMPANIES

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## Introduction

Thank you for the opportunity to provide a submission to the Agriculture, Resources and Environment Committee regarding the *Mining and Other Legislation Bill 2012* recently introduced to the Queensland Parliament.

The Association of Mining and Exploration Companies (AMEC) is the peak national industry body for mineral exploration and mining companies within Australia. The membership of AMEC comprises over 360 explorers, emerging miners and the companies servicing them; many have projects and operations in Queensland.

AMEC's strategic objective is to secure an environment that provides clarity and certainty for mineral exploration and mining in Australia in a commercially, politically, socially and environmentally responsible manner.

## Executive Summary

AMEC considers the *Mining and Other Legislation Bill 2012* to be, in general, a piece of legislation which assists many of the very small members of the mining industry. Further to this, as the Bill also updates legislation to increase the harmonization of terms across the resources industry Acts in Queensland. AMEC supports this initiative.

The Bill includes the introduction of a cash-bidding auction component in the awarding of highly prospective tenure for coal exploration and development. AMEC strongly opposes this policy and views the introduction of cash auctions as discriminatory and counterproductive to the development of the exploration industry in Queensland.

Exploration, particularly "greenfield" exploration, which breaks new ground to discover mineral wealth, is overwhelmingly carried out by mid-tier or junior exploration companies. Contrary to the view expressed by the Minister for Natural Resources and Mines in the Queensland Parliament that cash bidding will ensure that mineral resources are developed, AMEC considers that this process simply allows the companies with the access to the largest amount of cash to warehouse tenements. In AMEC's view the proposed cash-bidding tenure process enshrines a system where those companies with the largest cash reserves win the most prospective tenure, not the company most-likely to develop any discovery.

The mid-tier miners have a greater impetus to develop projects and therefore pass on economic and social benefits to the people of Queensland and not simply add tenements into a potential production line of projects.

AMEC seeks amendments to this Bill to reflect recommendations that will give some certainty to mid-tier explorers and ensure that the wider mineral exploration industry is not subjected to a similar system.

The recommendations include:

- Removal of the cash-bidding component for the most prospective exploration tenures.
- Exploration Permits for Minerals should also not be subject to cash-bidding.

- Impose non-renewal of permits to ensure work programs are carried out as intended.

## Key Recommendations

### **Removal of cash-bidding component for tenure auctions.**

The policy proposed by the Queensland Government enshrines the premise that larger companies, potentially with more available funds will be most likely to develop projects. If the underlying driving force for this system is to derive long-term benefit for Queensland, AMEC considers the system misguided and will not necessarily result in the desired outcomes.

Mid-tier miners and explorers have a greater economic imperative to develop projects quickly (for reasons such of cash-flow, shareholder returns, share price growth) and in doing so provide a more immediate royalty income to the state of Queensland. The need for mid-tier companies to develop their projects within funding constraints and operate efficiently aligns with the Queensland Government's goal to provide long-term benefits to the state.

By imposing cash-bidding components to tenure application, the Government has made cash reserves the overwhelmingly major factor in determining tender winners as opposed to proponent capacity and capability. AMEC draws this conclusion assuming all exploration activities will be indistinguishable between proponents, given the known reserves. In effect the Queensland Government is placing the most prospective ground with companies that have little or no incentive to develop the project.

As part of a world-wide suite of exploration permits, multi-national miners have a commercial interest to progress those tenements that offer the best commercial return for shareholders. Cash-bidding for coal exploration permits in Queensland simply allows the largest companies to add to their stockpile of permits and removing the ability of mid-tier miners to contest these permits.

AMEC strongly recommends that this policy be removed and the current system of assessment be continued, allowing equality for all participants of the industry.

### **Exploration Permit for Minerals exempt from cash-bidding**

As written, the MOLA legislation does not specifically limit cash-bidding to coal but can be applied to other commodities. To be clear, AMEC seeks to limit the damage to the wider mining industry and does not support cash-bidding for tenements for any commodities.

Cash-bidding for permits is simply an increase in costs that will not be sustained by minerals projects. Explorers will not derive any further benefit from this increased cost, and Queensland would become less attractive as an investment opportunity for tight margin projects.

The outcome will be less sustained economic benefit for Queensland for the sake of up-front cash payments that lock up prospective land.

AMEC recommends that the Queensland Government should acknowledge cash-bidding auctions for exploration permits do not improve certainty for mineral exploration companies and grant permits for exploration based on the program of works stipulated in application.

### **Non-renewal of permits won through cash-bid auctions**

As exploration permits for coal that enter a cash-bid auction process are considered to be for the most prospective available parcels of land, there should be a strong incentive to progress the exploration of these areas.

To reduce the risk of warehousing of tenements and untapped reserves by the winners of the cash-bid auction process, the exploration permits could be classed as non-renewable beyond their initial 5 year term. The relinquishment requirements and work program reporting policies that have been released by the Department of Natural Resources and Mines in late 2012 allow sufficient latitude for exploration, to account for weather events, other delays or special circumstances.

As the permitted area, is to be for land that is regarded as more prospective, the risk should be reduced for the cash-bid auction winner. As such, there should be greater incentive for the proponent to undertake their program of works.

AMEC recommends that to reduce the risk of cash-bid auction winners tying up Queensland's most prospective land indefinitely, exploration permits won through this system should be non-renewable unless 'special circumstances' apply.