



28 July 2020

Dr Michael Amon
Manager, Evaluation Unit
Department of Industry, Science, Energy and Resources
GPO Box 2013
Canberra, ACT 2601

Dear Dr Amon

The South Australian Chamber of Mines and Energy (SACOME) welcomes the opportunity to make this submission to the Department of Industry, Science, Energy and Resources (DISER) Junior Mineral Exploration Incentive (JMEI) Review Survey (the Review).

SACOME is the peak industry body representing companies with interests in the South Australian minerals, energy, extractive, oil and gas sectors and associated service providers.

At the end of 2019, SACOME was part of a joint industry association call for¹ continued funding of the JMEI by the Commonwealth Government through the Federal Budget. Industry associations specifically requested that:

- JMEI funding continues over the forward estimates with an increased allocation to \$50 million per annum (\$200 million over the Forward Estimates);
- the JMEI is made a permanent initiative in the Federal Budget; and
- that the Commonwealth Government allows for the carry forward of unused/returned JMEI exploration credit to future annual funding rounds, making them available to eligible applicants.

SACOME reiterates its support for these calls and the continuation of the JMEI program given the importance of exploration incentives in supporting the discovery of new deposits and ensuring continued development of resource projects.

The mining exploration to production cycle is a long-term investment, with the average mine taking 13 years to go from discovery to production in Australia. SACOME further submits that these calls and the continuation of the JMEI program also provides

¹ <https://secureservercdn.net/198.71.233.51/0h5.0cf.myftpupload.com/wp-content/uploads/2020/01/Junior-Mineral-Exploration-Incentive-Submission-11-Dec-2019-Commonwealth.pdf>

resources sector operators with the long-term certainty they require to raise capital in the future.

SACOME notes the Review seeks feedback on the design, implementation, early outcomes and impact and lessons learned from the JMEI, with the aim of improving future editions of the scheme. SACOME has consulted with member companies and based on the priority issues raised provides the following comments:

Design

The mining exploration to production cycle is a long-term investment. The JMEI has been in existence for four years, making it difficult to critique the design and quantify the overall impact of the JMEI in the context of a project development timeframe.

Some SACOME member companies have raised that the scheme may incentivise capital raising over exploration activity; and the first-in, first-served approach, potentially rules out projects that may have more merit from a discovery perspective. This may be an area where iterative improvement can be made.

SACOME member companies have consistently expressed that the JMEI is an improvement on the Exploration Development Incentive (EDI) and are uniform in their support for the initiative.

Outcomes and Impacts

Since the second round of JMEI funding in 2018/19 the scheme has been over-subscribed indicating the value of the scheme to operators seeking to attract the necessary investment the exploration sector requires for greenfield mineral exploration.

SACOME member companies who have been successful in applying for JMEI funding advise that it has assisted in raising capital for exploration activities and operated as an investor incentive.

Lessons learned

In terms of improving the scheme, member companies have raised that at the time of capital raising, potential investors seek concrete information about the volume/value of tax credits they will receive. However, member companies have indicated that it is impossible for companies to respond to investors with any degree of certainty which potentially limits the JMEI's attractiveness for encouraging new investment.



SACOME member companies have suggested that it would be far more useful in raising capital, if at the time of the placement they could provide potential investors with certainty about the amount of tax credits they will receive.

SACOME also supports the improvements to the JMEI flagged in the joint industry submission, specifically:

- allow companies to carry forward an allocation in the event they are unable to raise sufficient capital in the year. Currently, credits are 'forgone' and return to the JMEI pool;
- allow companies to allocate JMEI credits to particular capital raisings rather than using the whole of year pool approach. This would provide more certainty regarding shareholder entitlements and improve the marketability of the scheme.
- balancing adjustments on mining information and rights be excluded from 'tax loss' for the purpose of determining the maximum amount of JMEI credits a company can distribute;

SACOME reiterates its strong support for the continuation and expansion of funding for the JMEI as an important mechanism in supporting the discovery of new deposits and ensuring continued development of resource projects.

SACOME thanks the DISER for the opportunity to provide feedback to the Review and remains committed to ongoing dialogue with DISER in relation to these matters.

Kind regards

A handwritten signature in black ink, appearing to read 'Rebecca Knol'.

Rebecca Knol
Chief Executive Officer