INDEPENDENCE GROUP

Greenfields Mineral Exploration and Project Development in Victoria

Submission to the Economic Development and Infrastructure Committee – September 2011

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

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

- 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

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. <u>Manage</u> 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