

11 May 2018

The Honourable Jackie Trad
Deputy Premier, Treasurer and
Minister for Aboriginal and Torres Strait Islander Partnerships
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Dear Deputy Premier

The Queensland Exploration Council (QEC) is a not-for-profit organisation charged with promoting exploration in Queensland. We focus on bringing investment into Queensland for resource projects.

Queensland is well endowed with mineral and petroleum potential, with some of the largest deposits in the world found here in Queensland. In such a globally competitive market, Queensland is being challenged from other jurisdictions for investment and jobs to develop the resources the world needs.

QEC's budget submission (attached) focuses on these problems and outlines a number of recommendations for funding in your upcoming budget.

An investment in exploration is an investment in the development of regional Queensland and studies have shown the return on investment for exploration data can up 50:1. More detail on this is outlined in our submission.

We commend the Government's priorities to create jobs in a strong economy and the Premier's delivery priorities for you to "work with other Ministers as part of the economic team to drive job growth across Queensland" and furthermore to "leverage private sector investment".

The Queensland resources sector provides one in every \$6 dollars in the Queensland economy, sustains one in eight Queensland jobs, and supports more than 16,400 businesses across the state, all from 0.1 percent of Queensland's land mass.

Thank you for your consideration.

Yours sincerely



Brad John PSM
Chair
Queensland Exploration Council

cc Minister for Natural Resources, Mines and Energy, Dr Anthony Lynham MP
Director-General, Department of Natural Resources, Mines and Energy,
James Purfill



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QEC BUDGET SUBMISSION TO THE QUEENSLAND GOVERNMENT

11 MAY 2018

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Introduction

The Queensland Exploration Council (QEC) is a not-for-profit organisation charged with promoting exploration activity and investment in Queensland.

The QEC has over 90 members representing a diverse cross section of the resources exploration industry, including those companies that service the industry.

Exploration activity typically represents how healthy and diverse the industry is. In tough economic times, exploration activity is the first to decline, acting as a leading indicator for the wider industry.

Queensland explorers target a diverse range of resources, including coal, petroleum, and base and precious metals. Despite declines in Queensland exploration expenditure since 2014-15, expenditure growth has recently increased on the back of improving prices and demand for Queensland's commodities. Exploration expenditure for base metals increased by 63%, petroleum increased by 23% and coal increased 8% in the December 2017 quarter, when compared to the same quarter in 2016.¹

Further exploration is necessary for the pipeline of new operations and royalties to continue. Resources royalties alone contributed \$3.8 billion to the Queensland state budget in 2016-17 and is forecast to deliver another \$3.7 billion this financial year—enough to pay for Cross River Rail and the Sunshine Coast University Hospital combined. Coal is by far the largest contributor to Queensland's royalties. In 2016-17, the Queensland coal industry paid a record \$3.4 billion to the State—around 10% more than the previous coal royalty high of \$3.1 billion in 2008-09.

The exploration industry is an important part of the larger resources industry in Queensland. Our explorers are able to be nimble and are known for some of the greatest innovations for the sector. Queensland's explorers' resilience is testament to the level of investment encouraged by Queensland's reputation for high resource prospectivity and the Geological Survey of Queensland's customer service focus.

Significantly, exploration proves the resource underpinning local, interstate and overseas investment and local job creation in mine and extraction projects. Therefore, the ability for exploration to attract overseas investment is consistent with the target of the Palaszczuk Government's "Trade and Investment Strategy 2017-2022" to "increase the number of investment outcomes facilitated by the Queensland Government by 20% by 2022".

¹ ABS 8412.0

Investment in exploration data must be a priority

What's the problem?

Queensland is not keeping up with globally competitive jurisdictions for access to quality geological data. The North West Minerals Province is one example of a market failure to find any new discoveries to sustain the region. There must be increased funding to upgrade Queensland's data management systems and well as access to new technologies and experts held within the Geological Survey of Queensland.

The role of geological information cannot be underestimated. In many respects it is the gateway to investment in Queensland. Dr Ned Stolz from Geoscience Australia says that quality geological data has the potential to –

- Reveal new geology and structure and leads to new interpretations and ideas; and
- Can develop regional geological context for conventional empirical targeting methods.

The Geological Survey of Queensland does a great job as the steward of Queensland's geoscience data with minimal resources. Access to quality data is a critical component of new discoveries. Studies on the return-on-investment from geological data and modelling have been undertaken in parts of the United States and show the investment is well worth it, with the benefits estimated to exceed costs by 50:1 on a \$21 million investment over 18 years. It is estimated that the Geological Survey of Queensland has data valued at \$40 Billion (replacement value).

The Geological Survey of Queensland is funded through a four-year budget package as well as funds raised through the cash bidding process for coal and petroleum land tenders. It's fair to say the estimates at the time of introduction of the cash bidding process have not been realised and as a result, the Geological Survey of Queensland services to industry are limited.

Queensland needs to focus on the data of the future and what industry will need to make those new discoveries. The discoveries of the future will be realised through much more complex modelling and analysis of available data. These resources will generally be deeper, of lower grade and in more remote areas, with smaller satellite discoveries required to make operations economically viable. Access to high quality geoscience data will be critical in this future, including state-of-the-art data management systems for large complex files and intelligent systems to reduce the Survey's workload in data administration.

QEC is keen to make geoscience data Queensland's advantage – establishing the world's best geological survey information service will provide dividends for decades to come. We already have a great service provided by the Survey, and we have an opportunity to build on what we do well to optimise our potential as the worlds' third most prospective mineral jurisdiction.²

Case Study – the importance of the data

Valiant Resources was founded in 2012 and six years on is a great example of just how critical geoscience data is to the discovery of new resources.

With a large exploration permit for coal west of Taroom, Valiant Resources have been able to prove up their resource to an indicated JORC level through publicly available data through the Geological Survey of Queensland as well as data provided by their coal seam gas company overlapping tenure holder(s) and coal neighbour(s). The company is targeting the Bandanna Formation coal measures in the southern Bowen Basin.

The Company was able to rely on coal seam gas drilling from 20 years of records and different operators drilling exploration, development and production wells.

Not many people are aware but companies that hold leases by law are required to submit their data to public record within a period to add to the government and public central data bank. It is this bank Valiant Resources relied on to investigate and validate a theory of high ranking coking coals correlating with the presence of high permeability gas fields that lead to the original efforts to secure this tenure.

“Without the public records available to us, and the QDEX system, Valiant wouldn't have been able to test its thesis to subsequently validate it. Without this, the project may not exist.

“Investigations into gas data helped enhance our studies and as undertaking the studies, whilst still millions of dollars, is a fraction of the cost of 'acquiring' the data, the studies we were able to undertake could be more extensive and lateral in their approach to farm and query the datasets from new innovative ways.

“What was critical to success for Valiant Resources was the ability to rely on the comprehensive archive and records of the QDEX and GSQ data stores.”

Stephen Roux, Valiant Resources

Recommendation

QRC recommends that the State Government increase its investment in Queensland's pre-competitive exploration capability to ensure Queensland's national pre-eminence. For the Geological Survey of Queensland to have a stable and appropriate base funding, funding needs to increase by a minimum of 20 per cent of its current funding base.

² 2017 Fraser Institute Survey – Queensland 3rd jurisdiction in the world for mineral prospectivity.

Queensland Exploration & Resources Gateway

What's the problem?

One of the key challenges that explorers and investors face is knowing where to find exploration investment information and resources for Queensland. The Queensland Resources and Exploration Gateway (QUREX) helps businesses discover the advantages of investing in Queensland's thriving resources exploration industry and provides them with opportunities for their future growth and prosperity.

QUREX plays an important role in connecting investors with the resources sector, the right areas of government, industry associations and business partners by providing information, tools, resources and support.

The QUREX Gateway was launched in 2017 by the Queensland Exploration Council and is supported by the Queensland Government, through the Department of Natural Resource, Mines and Energy, and Trade and Investment Queensland.

The QUREX Gateway has become an additional channel that is a user-friendly "one-stop-shop" for businesses looking to invest and/or explore in Queensland resources. The Gateway makes it easier to find essential information which has been difficult to access in the past. This has been proven through the increasing traffic to QUREX pages such as explorer company listings, exploration industry events, Queensland Government mapping systems and incentives, and listings of companies servicing the sector.

To continue to build on this success for QUREX and further develop its functionality, the QEC, as a not-for-profit initiative, must rely on sponsorship from its generous supporters within the Queensland resources sector.

Recommendation

As the largest financial contributor to QUREX, QEC seeks continued Queensland Government investment in the initiative. The QEC is seeking the modest investment of \$40,000 over four years, commencing in the 2018-19 financial year.

Success in Queensland's Collaborative Exploration Initiative

What's the problem?

Globally it is becoming more challenging to find new mineral deposits. In North West Queensland this has been for a number of reasons including underexplored resources are much deeper and hence more expensive to find. There is a clear case for government to provide support to address this current issue and the Collaborative Exploration Initiative (CEI) has been the vehicle for grants to industry over the years.

CEI has been an incredibly successful program run over 12 years, with 58 companies and almost 50 significant mineral deposit discoveries in underexplored areas of the state. Amongst them are a significant silver-lead-zinc deposit as large as South 32's Cannington mine and contributions towards Australia's largest copper-cobalt resource by Aeon Metals, and the Maronan deposit worth up to \$9 billion. As well as government funding for the initiative, the companies have invested about another \$21 million giving the program a leverage of 3:1.

QEC supported the decision late last year by the Government to extend the CEI to include other exploration techniques such as geophysics and geochemistry, not just drilling. The CEI is a good way to bring to bear innovation with new technologies and methodologies. The Initiative is an important conduit for testing ground for research and development in the sector.

Currently the CEI has funding of \$3.6 million over four years and when spread across the 12 projects and nine companies, this funding does not go far. The CEI should be increased each year, given the number of projects it could partner with could be double that of the current number.

Recommendation

The Queensland Government provide additional funding (double the current funding provided over the four-year period) for the CEI to continue this successful initiative.

Partner with industry in de-risking projects

What's the problem?

There are a number of mine sites slowly ramping down over the next few years in the North West. Some of these sites still hold significant value in their tailings and could continue to operate in a different form. There are also a number of abandoned sites across Queensland that also still hold value in mineral recovery. This provides an opportunity for the Queensland Government to reduce their environmental liability of these sites.

The QEC recommends that the Queensland Government plays a more active role in de-risking projects that are uneconomic on their own yet have significant potential to be meaningful to the State. Such projects include re-processing of mine tailings and re-visiting abandoned mine sites. These sites also offer potential for superior environmental outcomes instead of legacies handed back to the State to manage.

The New Century example of further exploiting MMG's Zinc mine in North Queensland is a great example of the value that can be realised in minerals re-processing. New Century however is somewhat different to other potential sites, given the re-processing activities have been able to start soon after closing of the mine. This is the optimal time to start mineral re-processing activities where infrastructure is still 'warm' and rehabilitation of the site has not commenced or is minimal.

There is a tremendous amount of value in some of these 'sitting' resources that are predominately found in the North-West Minerals Province. With the right policy settings and partnership with government, a new exciting industry could be realised.

Recommendation

QEC is aware of work being undertaken by the Department of State Development on low-grade minerals re-processing, including a report developed by CORE. QEC is seeking progress on this work through a partnership funding initiative for projects as well as a policy taskforce established to provide advice on what legislative or policy changes would be required to facilitate this new industry.