

Resource Inquiry.

I was trying to find my copy of the old report into impediments into the resource industry and it would be about 10 years ago, and since this time things have gone from bad to worse.

You have asked for submissions on a narrow focus and I can't see how this can be done because they are all inter-related but I will give you my perspective of issues which are really now "show stoppers" for the small operators. I will outline below why we are getting out of the exploration industry.

My background.

I am a contract geologist but also a company director of Eagles Camp Mining and Outback Marble Co., both of which have been involved in exploration and mining since 1979 (ECM) and 1986 (OMC). Recent changes to the Mining Act and its Regulations in South Australia have now made exploration solely a big boys' role with the little operators now effectively squeezed out of the industry. As such both companies mentioned above are now trying to sell off their mining assets, distribute the profits or remaining funds and fold the companies.

Issues I see all the time which cause serious issues.

1. Government credibility

The problem with governments at all levels is their inability to be trustworthy. Its the same old story of giving preferential treatment to friends, big companies and those with media exposure. The little person who was the backbone of the industry just gets trampled now. When someone explores they do it for profit; if this motive is destroyed by changing the goal posts because of public pressure being put onto government officers and ministers it is hardly going to inspire people to spend money in an industry which is traditionally high risk to one where there effectively are no rules. The law gets ignored, projects are destroyed and the only recourse is for compensation through the courts- the little guy can't afford this.

The solution is for the mining act to be sacrosanct. The rules and guidelines must be clear and not subjected to the whims of ministers and public officers who may become a bit stressed because the vocal minority become vocal.

2. The right to explore must have a right to mine attached but too often now we see mega-bucks spent on exploration only to find out that mining is being banned because of various reasons many considered trivial eg upsetting the habitat of the Koonamore daisy or purple spotted gudgeon. There are so many places banned from being mined that explorers are only told about after they make a discovery. Unfortunately mineral discoveries occur where they do and not where people would like them to be found ie in someone else's backyard.

3. Red-tape & its Cost to Comply

About ten years ago I was asked about red-tape and the amount of time spent to comply with it: the answer then was that I would spend about 10% on physical exploration and the rest was complying with red-tape. Little organisations could handle this in-house so it was basically a time constraint. This number hasn't changed in the last 10 years but what has changed is that compliance now costs as it cannot be done in-house by the little explorers. It is not cheap and for example with lawyers charging +\$400 per hour an exploration budget for a small explorer ends up being blown in areas where it doesn't produce any results just feathers the nest of a growing group of exploration support industries. For an example getting access to land to explore now involves access agreements with landowners- if they want to argue we now have to pay their legal

expenses. This is a game stopper for the small operator but suits the larger ones because they have eliminated the small operator and more exploration ground then becomes available.

The SA Government have introduced “Program for Environmental Protection and Rehabilitation” (PEPR) and it is under this legislative changes where all the “game stoppers” exist. The requirements are so onerous that another Government Department “Rural Solutions” now offers consultancy services to provide the information sought by Mining Department of DMITRE. The Mining Department doesn’t have the people with experience or the skills to compile a PEPR but they demand the explorers to comply and they still assess the PEPR.

4. Government Officers

Government officers now tend to be career public servants with no direct industry experience. They tend to have come straight from an education institution, know it all and do not take kindly to criticism, being shown to being wrong and not knowing the subject. The management of these public servants tend to ignore the general public and only deal with the important organisations. This leads to all sorts of issues arising which otherwise would have not arisen because of poor management practices and inexperienced junior staff. A good example of this is the court case Neil Russell-Taylor vs the State of SA & Management Staff of the Dept of Primary Industries & Resources SA in Sept 2011. Findings of Justice Blue makes interesting reading.

The solution to this matter is quiet simple and that all staffing should be by officers with real industry experience and who have a bias towards customer service.

5. ASX, ASIC, ACC, and other federal government regulatory bodies.

How often do you hear the statement “I would never invest ever again in the stock market particularly in mining”. Quite clearly investors do not benefit from investing in this highly risky industry, but what makes it worse is that the regulatory bodies over seeing this industry steer clear of chasing the crooks. ASIC in particular state that they do not have the resources to investigate complaints and they refer the injured party to seek a remedy in the courts. This results in only the rich investor seeking justice but it does not take the crooks out of the system.

The solution is again quite simple in that Governments have to do their jobs. If they make the laws they should uphold them and not place the burden on individuals to seek remedies through the courts. I am in the industry and I would not invest in the mining shares publically listed on the stock market.

6. Uniformity of Mining Laws in Australia.

This obviously is one issue that should be corrected and best of luck addressing it

Conclusions are that until things become so bad that there are only the big explorers still active in this industry no organisation or Government is going to change anything. They are ruled by the vocal minority, the media and vested interest parties who do not know or do not want to know that they have created a long term problem. It has also been pointed out that now the industry is in serious decline the public servants have introduced more red-tape to justify keeping themselves employed.