



South Australia 2020-21 Budget submission

Association of Mining
and Exploration Companies

info@amec.org.au | 1300 738 184

Follow us on   

www.amec.org.au



THE BUDGET 2020-2021

The 2020-21 State Budget is the second last Budget that the South Australian Liberal Government will deliver before the election of the 55th Parliament of South Australia on 19 March 2022.

This Budget must spell out a how South Australia will achieve the targeted 3% growth rate announced in the Joyce Review in 2019¹.

To establish the mining and mineral exploration industry for the next decade, the Association of Mining and Exploration Companies on behalf of industry make the following recommendations:

OBJECTIVES OF THE 2020 – 2021 BUDGET AND FORWARD ESTIMATES

The State Budget and Forward Estimates should aim to:

- **Increase economic growth through mineral exploration and mining activity, and**
- **Reduce the cost of doing business in the State.**

In order to achieve these objectives and create more jobs throughout the economy, AMEC recommends the following key industry related policy initiatives:

¹ Review of the South Australian Government's International and Interstate Engagement Bodies and Functions by Hon Stephen Joyce,
https://www.dpc.sa.gov.au/_data/assets/pdf_file/0007/47887/South-Australian-Government-International-and-Interstate-Engagement-Bodies-and-Functions-Review.pdf



BUDGET RECOMMENDATIONS

- 1.0 Continue the Accelerated Discovery Initiative unchanged.
- 2.0 Continue financing the Gawler Challenge
- 3.0 Support the development of a port at Cape Hardy by matching Federal funding of \$25m; and name it as the location for a port in the Spencer Gulf.
- 4.1 Undertake a feasibility study of development of a Venture Fund
- 5.1 Establish a Mining Rehabilitation Fund.
- 5.2 Stagger the removal of environmental performance bonds.
- 6.1 Establish a tenement fees and charges structure in participation with Industry that encourages investment.
- 7.1 Identify and clear future industry corridors
- 7.2 Ensure Industry has certainty of supply of cost-effective energy
- 7.3 Develop a strategy for water resources
- 8.1 Return the concessional royalty regime.
- 9.1 Fund the development of a base case for workflow digitalisation
- 10.1 Create an online database of the biodiversity of the past environmental reports
- 10.1 Digitalise environmental reports and studies and make them publicly available.
- 11.1 Pilot a block chain based mineral title registry.
- 11.2 Pilot smart contracts.
- 12.1 Develop 'investor ready' workshops
- 13.1 Prioritise the attraction of mineral exploration companies to Lot Fourteen.



STATE OF THE INDUSTRY

There are eight operating mines² in South Australia, including Olympic Dam one of the largest polymetallic deposits in the world. The most recent ‘tier one’ discovery in South Australia, Carrapateena, is in final stages of commissioning of one of the largest (non-iron ore) mines in Australia under development. There are also smaller, but locally significant projects such as Bird-in-Hand gold project and the Sivior Graphite deposit nearing development.

Despite these positive developments, a key indicator of mining activity in South Australia over the last five years has been a persistent downward trend in mineral exploration expenditure. In 2018, this trend began to reverse. Despite this increase, South Australia remains ranked sixth of jurisdictions for expenditure, despite being the fourth biggest State by geographical area.

Table 1 Mineral Exploration Expenditure by State and Territory (A\$ million)

	NSW	Vic	QLD	SA	WA	TAS	NT	TOTAL
2010	131.7	69.3	500.9	189	1401.7	31	166.7	2490.2
2011	211.8	65	891.5	312.8	1825.3	38.7	228.4	3573.3
2012	209.8	44.1	844.4	311.6	2052.6	40.7	152.6	3655.8
2013	163	36.3	519.6	144.7	1508.2	37.5	113.3	2522.6
2014	135.6	27.4	389.5	106.7	1045.3	23.7	108	1839.5
2015	118.8	26.8	271.3	57.9	843.7	14.4	104.5	1438.6
2016	122.4	30.3	195.9	49.4	927.6	13.5	85.6	1426.9
2017	181.7	55.5	245	46.2	1108.7	21.2	91.2	1753.8
2018	235.9	92.5	303.1	76.9	1317.7	21.7	123.2	2171.4

Source: [ABS, Mineral and Petroleum Exploration, Australia, Cat No. 8412.0.](#)

Mineral exploration is needed to discover future mines. The lull in South Australian mineral exploration expenditure could have long term impacts. Independent research estimates that in Australia it now takes over 13 years to develop a mine from a discovery.

² There are also ten mines currently identified as being in care and maintenance.
http://www.energymining.sa.gov.au/minerals/mining/mines_and_quarries#mines

Nationally, over 70% of economic discoveries are made by small mineral exploration companies³. Most discoveries lead to smaller mines with shorter mine lives, that create jobs, social and economic benefits.

Mineral exploration is inherently risky, with the Victorian Government estimating a conversion rate of 1 in 300 at best, from exploration to a mining development. Mineral exploration involves substantial commitment, but it brings rewards. From 1990 – 2017, \$1.68 of value was created for every \$1 spent on exploration⁴

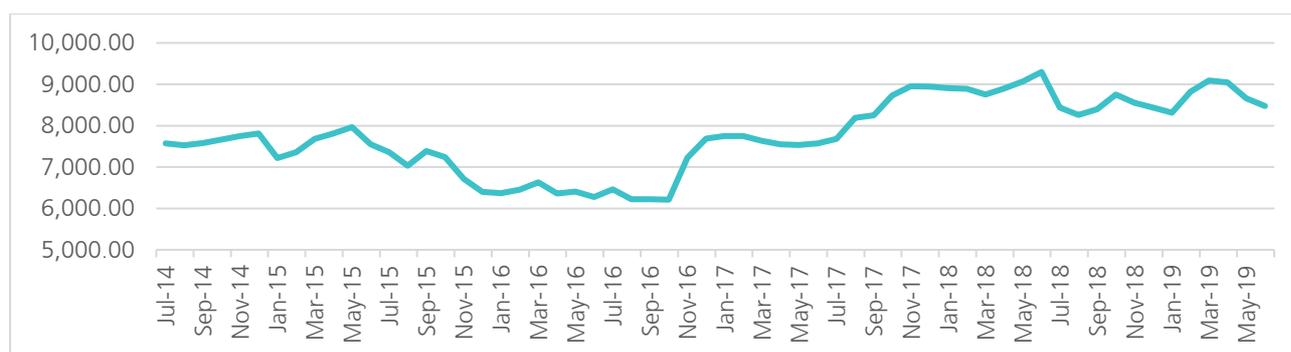
MinEx Consulting carried out a study assessing 100 gold and copper discoveries around the world and found that on average it took 12 years and 2.5 companies to make the discovery. The successful company, i.e. the last company in the chain, took 2.5 years to find the deposit. Over the last 40 years, statistically, the rate of discovery appears to be slowing down⁵.

Whether a discovery is then developed is a question of the geology and whether an economic return can be gained from mining the mineral. The economics of a return are, in part, determined by factors within the Government and companies control such as the costs of land access, Government regulation, mining and processing the mineral. There are also factors that are beyond the control of the South Australian Government such as the commodity cycle, market sentiment and the value of the Australian dollar.

Only 45% of the 4,676 discoveries made globally since 1950 that have been tracked by MinEx Consulting have been developed⁶. There is also a lag, with 72% of the deposits developed

The commodity cycle drives investment and underpins the financing of mineral exploration projects. For example, in 2017 the copper price appears to reset from a long run average of \$7,000 a ton to \$8,300 a ton (from 2017-19). This \$1,300 step change in price will make some marginal projects profitable.

Table 2 Copper price (AUD per metric tonne)



³ Slide 26, MinEx Consulting Keynote to Copper to the World Conference 2017, http://minexconsulting.com/wp-content/uploads/2019/04/Copper_to_the_World_Richard_Schodde_Keynote_address_27_June_2017.pdf

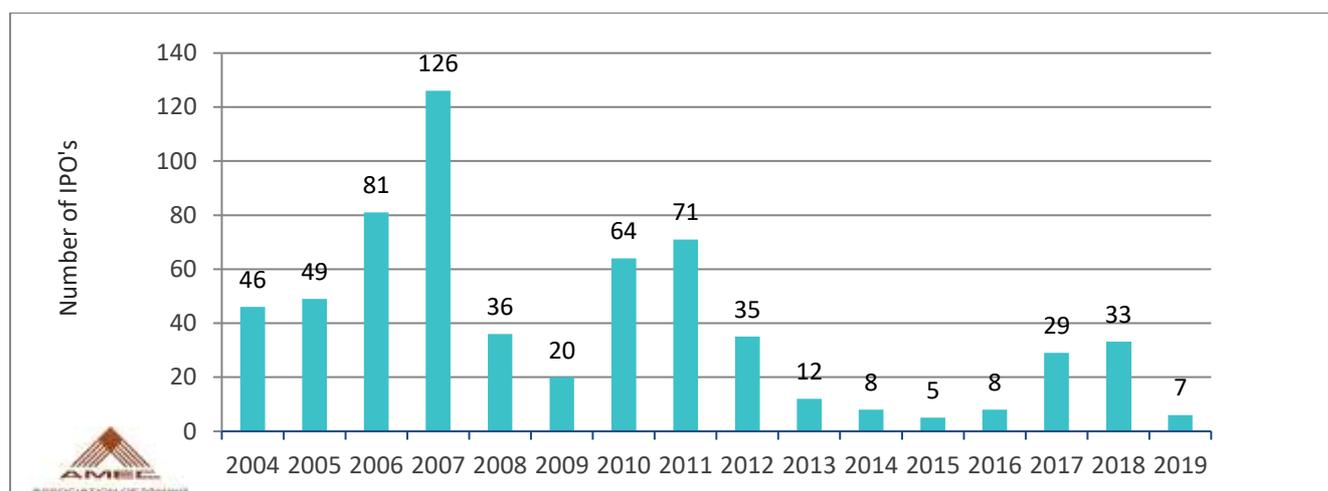
⁴ Slide 16, Ibid.

⁵ Slide 45, Keynote Address to PacRim Conference 2019, MinEX Consulting <http://minexconsulting.com/wp-content/uploads/2019/04/PACRIM-Conference-April-2019-FINAL-updated.pdf>

⁶ Slide 22, Keynote Address to Gamblers Game Breakfast 2018, MinEX Consulting <https://bit.ly/2NrhYEC>

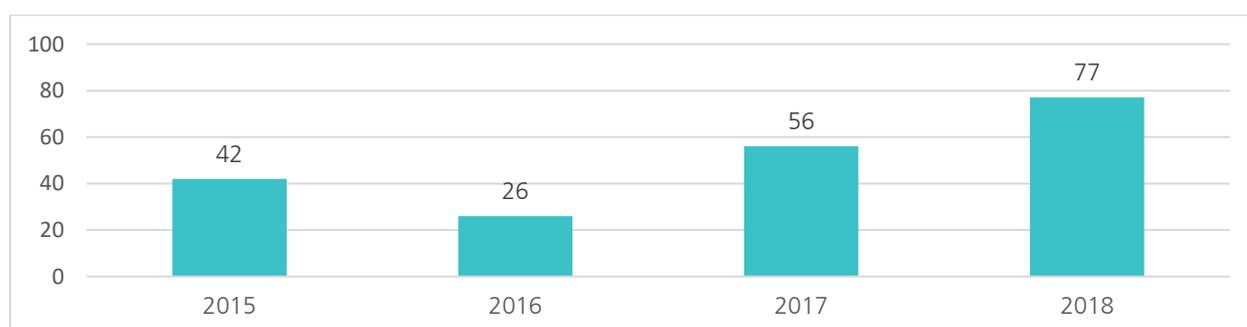
Raising capital in the market is currently difficult for new companies. The ASX has had six new listings this year, the same as 2015 which was during the economic downturn. Listings are down from the halcyon days of 2007 and a quarter of 2018. The ASX, a traditional source of cash to finance new exploration ventures has this year slowed significantly. New ways of attracting finance need to be considered.

Table 3 New mining and mineral exploration companies listed on the ASX



A further complexity is that in 2018, across all of Australia, only one in ten of the already listed mineral exploration companies were drilling under cover. This is due in large part to the higher costs and the increased risk of exploring where there is less data and greater depths to be drilled.⁷

Table 4 Australian exploration under cover (derived from ASX announcements)



This is relevant to South Australia as 75% of the State is 'under cover'. As the Department of Energy and Mines website acknowledges it is a "major challenge that mineral exploration faces in many parts of South Australia in exploring efficiently and effectively through this extensive and thick cover".

⁷ Slide 5, Minotaur Exploration presentation to Mines and Money, https://www.minotaurexploration.com.au/wp-content/uploads/2019/06/MEP_Mines-Money-conference_13Jun2019_169.pdf

RECOMMENDATIONS IN DETAIL

The following recommendations were developed in participation with the AMEC member companies and are listed in order of priority for the South Australian Budget 2020-21.

1 Continue the Accelerated Discovery Initiative

The Accelerated Discovery Initiative is an innovative approach to drive greater investment to grow mineral exploration. The South Australian Government's ongoing commitment to the ADI is important to increase the metres drilled in greenfields exploration.

Independent studies on similar Government initiatives, such as the PACE program in South Australia and Western Australia's Exploration Incentive Scheme showed returns of 19:1 and 10:1 respectively.

To reach the State Government's 3% growth target, South Australia will need to lift mineral exploration and mining. Mineral Exploration is the lifeblood of the mining industry and each economic discovery creates a new mine with jobs, royalties and benefits for the local community.

Recommendation

1. Continue the Accelerated Discovery Initiative unchanged.

2 Focus on Financing the Gawler Challenge

As called for by AMEC in last year's Budget submission, the Gawler Challenge is an open data competition that will focus attention on the Gawler Craton, one of Australia's most prospective regions. The Gawler is highly prospective with discoveries including Olympic Dam, Carrapateena and Prominent Hill - this challenge will help make the next big discovery.

The Gawler Challenge will bring fresh, innovative thinking to a known geological province.

Recommendation

2. Continue financing the Gawler Challenge

3 Make a Port in the Spencer Gulf the number one priority

The development of a port in the Spencer Gulf has been identified, overwhelmingly, as the number one priority for infrastructure in South Australia by the South Australian Advisory Committee.

There is a long history of discussed potential port(s) in the Spencer Gulf, but the need for a point of egress for minerals outside of Adelaide remains unanswered to this day.

A deep-sea port will transform the economics of several projects in the port's hinterland. On 4 December 2019, Quantum Graphite Limited signed a MOU with Iron Road to demonstrate their support for a facility^[1] and other mining developers on the Eyre Peninsula and beyond are expected to follow.

Currently, the development of a deep-water facility at Cape Hardy with the potential for multi-user mineral, grain and hydrogen facilities is the nearest term of all possible port developments. It has a range of physical advantages including no required dredging, an existing road infrastructure network, occurs within the green hydrogen hot zone and comprises a 1,100Ha site in a non-urbanised area. It enjoys the support of the Eyre Peninsula Local Government Association (EPLGA), Regional Development Australia Wyalla and Eyre Peninsula (RDAWEP), the Federal Government and the local farming community. The port has all Federal and State environmental approvals and is listed as a priority project for the nation by Infrastructure Australia. Furthermore, a registered Indigenous Land Use Agreement (ILUA) exists with the Barnjarla Traditional Owners.

On 15 December 2019, the Federal Government announced \$25m seed funding in the multi-commodity deep-water Cape Hardy Port Precinct.

It is a Liberal party Election commitment to "analyse as a priority... A grain/minerals port on Eyre Peninsula to ensure the optimum location for this facility"^[2]

Given the fiscal commitment from the Federal Government, the Federal and State Government environmental approvals for the location, priority project listing with Infrastructure Australia, and the local support from farmers and district councils, it seems sensible that the State Government commit to Cape Hardy as the preferred port location on the Eyre peninsula.

In other States, such a development has been supported by a loan provisional on the successful full funding of the port precinct.

A financial and planning commitment by the State will have an outsized impact on the sourcing of financing. The commitment demonstrates the Government's support and commitment to the project. A further benefit is that the Government's loan will only be called upon when the project is fully financed. However, the early initial commitment, mirroring the Federal Government, will send an invaluable signal to the financial market and potential investors.

The location of a port in the Spencer Gulf needs a solution, this South Australian Government could be the first to provide that answer. AMEC calls on the Government to prioritise the development of a port at Cape Hardy, name it as the preferred location on the Spencer Gulf and make a financial commitment to ensure it is delivered.

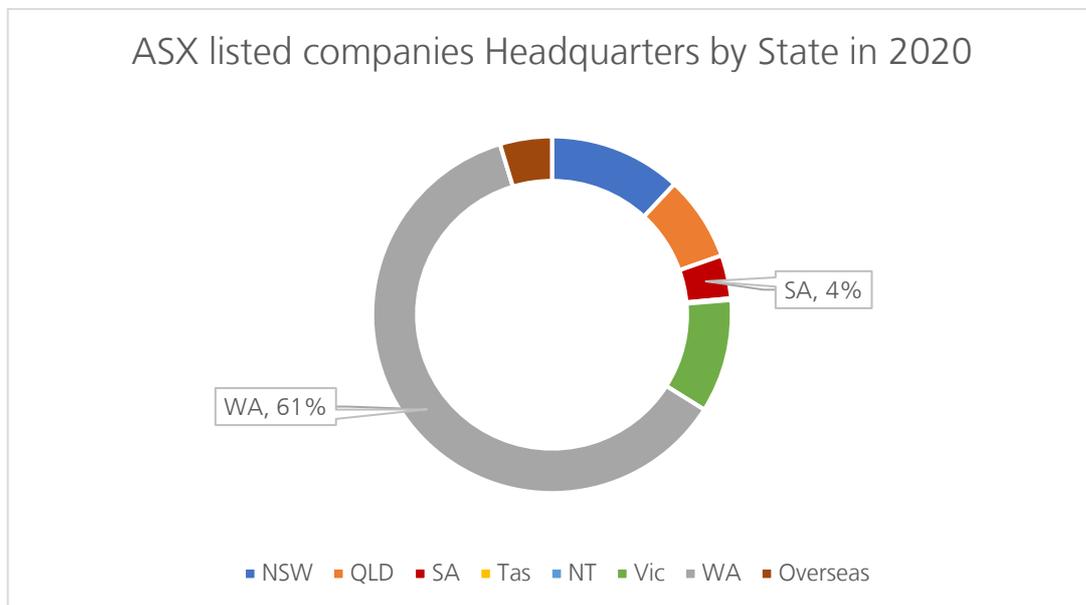
Recommendation

- 3. Support the development of a port at Cape Hardy by:**
 - a. Match Federal Seed Funding of \$25m**
 - b. naming it as the location for a port in the Spencer Gulf.**

[1] Iron Road Media Release, 4 December, http://clients2.weblink.com.au/news/pdf_1%5C02181964.pdf

[2] <https://strongplan.com.au/policy/our-infrastructure-priorities/>

4 Start Up Mineral Exploration Fund



Nationally, South Australia is underrepresented on the ASX by for mineral exploration companies and junior cap miners domiciled in the State. Of the 663 companies on the ASX, roughly 4% are headquartered in South Australia whereas the vast majority are in Western Australia.

This is an important statistic, because most companies initially invest in their home State and then move further afield. As already outlined, nationally, over 70% of economic discoveries are made by small mineral exploration companies⁸ In South Australia This includes the Carrapateena deposit, which was found by a junior mineral exploration company that been invested in by a major international, Teck.

The under representation of South Australia in mineral exploration needs to be corrected. The previous recommendations seek to facilitate an environment that encourages new entrants or existing companies to establish their presence in South Australia.

In parallel with and complimentary to the Accelerated Discovery Initiative, the Government could establish a Venture Fund to directly boost mineral exploration, overseen by an independent board, charged with supporting explorers to establish themselves in South Australia to pursue projects in the State.

The Venture Fund would vet and support via pre-IPO seed funding of \$1 million per successful candidate the potential IPO listing of new ventures with innovative exploration concepts. It could also be used to incentivise explorers to locate to SA.

⁸ Slide 26, MinEx Consulting Keynote to Copper to the World Conference 2017, http://minexconsulting.com/wp-content/uploads/2019/04/Copper_to_the_World_Richard_Schodde_Keynote_address_27_June_2017.pdf

Such a venture needs clear goals. An aim of creating 5-10 new SA based ASX listed exploration companies within 5 years. The endorsed companies could have an Australia-wide range, but recruit from within SA, have head office in Adelaide and have, as the flagship, a project in the State.

Alternatively, the State Government could expand the SA Venture Capital Fund beyond it's digital focus to include mineral exploration companies within the funding remit.

Recommendation

4.1 Undertake a feasibility study of development of a Venture Fund.

5 Mining Rehabilitation Fund

Delivering the Mining Rehabilitation Fund that is enabled in the new South Australian Mining Act could lower environmental bonding costs and lead to better environmental outcomes in South Australia.

The recently amended Mining Act established head powers for a Mining Rehabilitation Fund (MRF). AMEC consider the MRF model as a national best practice. It is successfully operating in Western Australia, where \$100million is already held in the Fund. The Northern Territory has a similar fund, the Mining Remediation Fund, which is in the process of finalising its development.

The MRF involves companies reporting disturbance data and contributing annually to the fund based on the calculation of their rehabilitation liability estimate using a standardized calculator. Tenements with a estimate below a threshold of \$50,000 must report disturbance data but are not required to pay.

Interest earned from the MRF must be kept and focused on rehabilitating 'legacy' mines sites in South Australia. This provides monies that were previously not available to the Government, other than using scarce taxpayers' funds.

It is a fund of last resort and has demonstrated its value when the Western Australian State Government was able to ensure safety and environmental risks were addressed at the Ellendale Diamond Mine in the West Kimberley region of WA. Without the MRF, consolidated revenue would have been drawn upon to address the issues at Ellendale.

Underpinning an MRF is a prioritised list of sites around the State that need rehabilitation and remediation.

Detailing a predetermined risk-based approach focused on community safety and environmental impact provides a consistent basis for the assessment of sites and rehabilitation prioritisation.

Establishing an MRF will allow the staggered removal of the environmental performance bonds held by the Government. The reduction of bonds does not in any sense diminish the environmental responsibilities of mining and mineral exploration companies to rehabilitate their sites. However, doing so will release a company's capital back into South Australia's mining and mineral exploration sector from money currently quarantined. To introduce the MRF without a corresponding bond reduction will increase the cost of doing business in South Australia and reduce investment.

The delivery of the Mining Act regulations provide an avenue for the development of the MRF, the staggered removal of the bonds held, and the prioritisation of legacy mines for rehabilitation.

Recommendation:

5.1 Establish a Mining Rehabilitation Fund

5.2 Stagger the removal of environmental performance bonds.

6 CUT THE CAPITAL COST FEE

The Budget for 2020-21 must seek to lower the cost of doing business in South Australia.

A jurisdiction's cost of doing business is a key determinant of whether an investment decision is made.

The capital cost fee charged upon application for a Mining Licence or a Miscellaneous Purposes Licence is a disincentive to investing in South Australia.

The capital cost fee increases as a mine sites capital cost rises above \$1million reaching a maximum of \$200,000 for a project with a capital cost above \$10million. Nearly all mines being developed have a capital cost above \$10million, whereas quarrying operations do not.

The recent announcement to cost recover the Program for Environmental Protection and Rehabilitation (PEPR) based on 50% of the capital cost fee has had a further negative impact on mining and mineral exploration companies.

The capital cost fee was originally installed to partially recover the cost of undertaking the approval process. The link between the capital cost and the regulatory complexity (and cost) of a project remains tenuous at best. The cost recovery approach ignores the broader benefits of a new mine and reduces the capital available to the company to further invest in the project and the community.

The capital cost fee is charged at a point in a mines life when the company developing the mine has limited cash flow and is constrained from undertaking a further capital raising on the market.

This capital cost fee is a considerable cost impost and creates an unnecessary perception barrier to investment. It is a further impost that adds to the ever-increasing cumulative cost of doing business in South Australia.

South Australia needs a competitive fee structure to the encourage investment, and recognise that each new mine brings jobs, royalties and revenues to local communities.

Recommendation:

6.1 Establish a tenement fees and charges structure in participation with Industry that encourages investment.

7 STREAMLINE INFRASTRUCTURE

The infrastructure needs in South Australia are broader than a Port in the Spencer Gulf. Resolving energy, water and rail access issues would facilitate the future growth for the mining industry in regional areas.

Access to reliable, secure and cost-efficient infrastructure lowers the cost of development. Each infrastructure project is faced by a 'first mover issue', the first entrant will have to bear a substantial cost developing the infrastructure. The second user bears less cost, and the access to infrastructure makes financing easier.

To overcome the first mover issue, the Government could assume a role of a 'broker' to draw together potential entrants into the same market to coordinate the financing of major infrastructure. The infrastructure issues restraining the development are known in the magnetite industry.

Planning for, and undertaking necessary environmental clearances, for future infrastructure corridors in the Eyre Peninsula and across regional South Australia will make it easier to develop infrastructure. This will also reduce future potential sources of friction between the farming and mining community.

The lack of water in regional South Australia presents a considerable challenge. Greater hydrological surveying to identify needed water resources, consideration of pipelines or other options needs to be explored.

The Government has worked hard to counter perception of expensive electricity in South Australia. Generation and distribution are a cost a pressure for companies developing mines in remote areas that will remain.

The lack of identified water constrains development, as without water the refining of many minerals is impossible. A continued focus on unlocking water resources will support development.

While the construction of infrastructure is expensive and needs to be a political priority. There are a number of potential and inexpensive solutions.

Recommendation:

- 7.1 Identify and clear future industry corridors;**
- 7.2 Ensure Industry has certainty of supply of cost-effective energy;**
- 7.3 Develop a strategy for water resources.**

8 RETURN THE ROYALTY REGIME CONCESSIONAL RATE

Return the concessional royalty regime to shift the economics on potential projects during the crucial financing stage of projects. The faster a payback period the easier it is to get financing.

The discounted royalty rate of 2%, for a new mine for a period of 5 years was a clear and distinct competitive advantage for South Australia. This provision still exists in the Act. The discount provides an incentive to companies to invest and develop the mine in the critically important early stage.

The timing of additional royalty streams is dependent on discoveries, global economic conditions, development approvals and new mine sites to an operational level. Royalty revenue does not flow until commercial production commences, with the discount representing forgone revenue.

Recommendation:

8.1 Return the concessional royalty regime.

9 MOVE APPROVALS ONLINE

The Commonwealth Government, New South Wales, Victoria and Western Australia are moving or have moved significant mining approvals online. South Australia should begin to move approvals online.

There are cost benefits to be gained for Government and industry, if approvals move online.

Channel	Total Annual Volume (millions)	Forecast Annual Volume in a decade (millions)	Cost per Transaction (\$)
Face-to-Face	84.1	42.6	\$16.90
Telephone	139.0	70.3	\$6.60
Postal	97.4	49.3	\$12.79
Online	490.0	648.4	\$0.40
Total	810.60	810.60	

Deloitte: Digital government transformation

<https://www2.deloitte.com/au/en/pages/economics/articles/digital-government-transformation.html>

A single online 'portal' for approvals could provide a method to:

- simplify the necessary approvals;
- reduce the per unit cost of approvals considerably;
- provide 'real time' tracking of approvals; and
- create a single channel for all Government to company communications. The effectiveness of this channel will multiple the greater the number of Government agencies included on the channel.

New South Wales is currently undertaking a process of approvals and workflow digitalisation. The first phase of the new online Titles Management System was launched on 9 December 2019, with the second stage underway. Western Australia began to shift the Programme of Work approvals online in 2017.

The Prime Minister and WA Government announced the move to a single portal for State and Federal environmental approvals in WA in November 2019. A similar opportunity exists in South Australia.

Shifting online will transform the way the South Australian Department of Energy and Mines will work. However, such implementation demands exhaustive planning and a long-term commitment to the process.

The first step to shifting to an online approvals system is to form a working group with industry, and to develop a base case.

Recommendation:

9.1 Fund the development of a base case for workflow digitalisation.

10 BOOST SARIG BY DIGITALISING OLD DATA

Expanding the precompetitive information that is available on the South Australian Resources Information Gateway (SARIG) should be a priority for the Government and considered in this Strategy.

Currently SARIG supplies data of a representative drill hole with each tenement record. Providing the details of a greater number of drill holes at each tenement would increase the understanding of tenements.

Furthermore, a number of drill reports are provided in non-searchable Adobe PDFs. This is because they were input without optical character recognition (OCR) which is now standardised on scanners. Rescanning these PDFs could make these documents searchable, and open to digital manipulation.

The digitalisation of the considerable body of reports that remain on paper should be a priority for the Government. Digitalising this existing geological and geophysical data would maximise the information available.

Just as the Geological Survey of South Australia underpins economic growth by effectively informing decision-making in the mining sector through its collection and presentation of geophysical and core samples, creating the equivalent for capturing, curating and analysing biodiversity data could enhance effective environmental assessment and protection.

The mining and mineral exploration industry has produced and funded many environmental reports, flora and fauna surveys, water quality and air quality studies.

Frequently, environmental studies performed on tenements are repeats of previous studies which are inaccessible or unknown. A potential hurdle that must be overcome is that some of these reports are held as the intellectual property of the consultant. The treatment of these reports as public documents in future policy and legislative reforms could have a substantial precompetitive advantage.

The digitalisation and collation of such reports in SARIG could reduce the cost of doing business and support the due diligence that occurs during tenement selection. It would also develop an accessible body of knowledge to the benefit of the Government and broader community, showcase the broader scientific contribution made by the mining and mineral exploration industry.

Underpinning this expansion of precompetitive information is a need to ensure that SARIG has the necessary information communication technology infrastructure to ensure high latency.

If the shift of approvals system online progresses, ensuring a seamless interface with SARIG should be a priority.

Recommendations

10.1 Create an online database of the biodiversity of the past environmental reports.

10.2 Digitalise environmental reports and studies and make them publicly available.

11 PILOT BLOCKCHAIN

Blockchain is a technology greater than the currency Bitcoin.

The application of distributed ledger technology in the regulatory sphere to simplify processes and increase transparency in the mining sector is under explored. It could be used to facilitate the secure, decentralized, transparent and accountable exchange of digital data.

Blockchain is a digital list of records in which transactions are recorded in 'blocks' and linked using cryptography. Once each block is filled with data, they are 'sealed' and added to the blockchain chronologically in a manner that is verifiable and cannot be altered without the consensus of a majority of participants⁹.

As a technology blockchain could create advantages for Government, however its application is still at the very early stages internationally. For example, the technologically progressive Californian State Government launched a Government Working Group to explore the implementation of the technology on regulation on 2 August 2019. South Australia could take the lead with blockchain, but care must be taken to implement reforms incrementally.

Mineral Titles is a data set that could benefit from the secure and verifiable characteristics of block chain. South Australia could develop a pilot registry of mineral titles, with a blockchain sequence with the owner's details, the standardised conditions, Programme of Environmental Protection and Rehabilitation and the history of the title within each separate blockchain string.

⁹ Overseas Development Institute, <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12439.pdf>

In Sweden and Georgia, two blockchain based title registries that applied blockchain technology to provide certification, and to speed transaction have been developed and implemented. The case studies underline that blockchain is a maturing technology that will benefit from further development.¹⁰

Recommendation

11.1 Pilot a block chain based mineral title registry;

11.2 Pilot smart contracts.

12 Investment Attraction Day

Mineral exploration is a function of geology, a committed company and financing. Globally, it has been noted that financing for mineral exploration is becoming more difficult to access.

The Prospectors & Developers Association of Canada¹¹ 2018 State of Financing report stated that there has been the lowest figure recorded in a decade for mineral exploration bought deal financing (underwriting), and that passive investments and cannabis investment are crowding out local mineral exploration company investment. This trend continued in 2019 and is mirrored in Australia which recorded the lowest number of IPOs since 2016.

The 2020-21 State Budget is an opportunity to improve the South Australian Government's investment reach.

One of the main forms of financing for mineral exploration in 2019 has been through private placements and joint ventures from companies with producing assets into mineral exploration companies. These investments are based on awareness from the producing company and the offer being made by the mineral exploration company meeting certain parameters. The formulation of these deals is a result of what a company has to offer and the skills of the executives involved to close the deal.

There is an opportunity to facilitate and focus these opportunities in South Australia so as to maximise investment.

The first step is to organise a series of preparatory workshops to ensure South Australian companies that are seeking investment have an offer that is shaped in a manner that will attract investment. Combined with this is deliberately upskilling executives in attracting investment to South Australia will have an outsized impact on the State. Each executive seeking investment in South Australia is acting as a defacto ambassador for South Australia. Boosting the ability of firms to reach

¹⁰EU, Blockchain for Digital Government, An assessment of pioneering implementations in public services

<https://joinup.ec.europa.eu/sites/default/files/document/2019-04/JRC115049%20blockchain%20for%20digital%20government.pdf>

¹¹ https://www.pdac.ca/docs/default-source/priorities/access-to-capital/state-of-mineral-finance-reports/pdac-state-of-mineral-finance-2019.pdf?sfvrsn=96808a98_6

AMEC proposes to coordinate, with Government support, a series of workshops to boost the skills of executives and explore organising an event that matches Australian mid-tier mining companies with mineral exploration companies based in South Australia that have an opportunity for investment.

Recommendation

12.1 Develop 'investor ready' workshops for mineral exploration companies.

13 Expand Lot Fourteen

Lot Fourteen is a hub of entrepreneurial activity on the 7-hectare site of the former Royal Adelaide Hospital. With a total of 23,500m² of space across seven heritage and historic buildings on North Terrace and Frome Road, there is potential for the development of mineral exploration start up hub within its grounds.

Lot Fourteen is created on the premise that clustering businesses together within a small defined geographic area creates synergies. These include lower costs, due to the lower transport costs, sharing of resources and reduced distances. The proximity also facilitates smoother flow of information, skills and ideas.

The South Australian Government has prioritised other industries such as Defence and Space at Lot Fourteen. Accelerating mineral exploration

There are two ways to grow mineral exploration in South Australia: encourage existing companies to invest in South Australia more, which is one of the underlying strategies proposed mineral exploration; or alternatively grow the number of mineral exploration companies in South Australia.

Seventy percent of mineral discoveries are made by these small mineral exploration companies. Most mineral exploration companies start with tenements in the same State they are domiciled.

A mineral exploration company has a growth path like most startups, an individual or a group consider that they have an opportunity, they form a company, then they peg tenements and begin exploring. Like most startups, they are a risky venture. Setting up that company with a supportive environment of like minded individuals and companies create opportunities for cross pollination, and facilitate growth.

Clusters are the premise that underpin Lot Fourteen. In mineral exploration the positive impact of clusters is evident. Queensland has the Eagle Street Triangle, and Western Australia has West Perth. South Australia does not have a distinct geographically concentrated area, but Lot Fourteen is an opportunity for the Government to facilitate such an incubator of mineral exploration.

Recommendation

13.1 Prioritise the attraction of mineral exploration companies to Lot Fourteen.