

**Economics Legislation Committee**  
ANSWERS TO QUESTIONS ON NOTICE  
Industry Portfolio  
Budget Estimates 2014-15  
2-3 June 2014

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY

**TOPIC:** Exploration Development Incentive

**REFERENCE:** Question on Notice (Hansard, 3 June 2014, page 35)

**QUESTION No.:** BI-61

**Senator RUSTON:** I want to ask about the new Exploration Development Incentive program announced in the budget, particularly in the context of coming from South Australia and the amount of mining exploration that has been going on there. I was wondering if you could give me a little bit more meat around what this \$100 million initiative is all about and what benefits it is going to deliver for the junior miners I suppose more than anything in my home state.

**Mr Hoffman:** It is a program that, being a tax measure, is primarily the responsibility of Treasury, but I am very happy to make some initial comments and colleagues might add to that. As you note, it is aimed at junior explorers, who tend to be the ones who make the most initial greenfields discoveries. They are often loss-making and so this program is available to companies that are loss-making in the sense that they have exploration expenditure without the income at this stage. Effectively there is \$100 million available over the four-year forward estimates period that enables eligible exploration expenditure to effectively be passed through as a tax credit to their investors. It effectively lowers the cost of capital for junior explorers. There are similar sorts of programs that have been in operation in other countries, particularly Canada, which in some senses is a major competitor to Australia for this sort of investment. The government is treating this as the first stage. It will look to an evaluation of its impact over the period and I believe it has made statements that it will consider then, at the end of that 100 million period, further investment of this type.

**Senator RUSTON:** Did this come on the back of industry indicating to or expressing a concern about the lack of capacity that these guys had to try to attract capital investment?

**Mr Hoffman:** I think there has been a long period of input from a range of industry, both industry associations and individual companies in this field, around the competitiveness of Australia for investment in greenfields exploration.

**Senator RUSTON:** What sort of impact is projected from this into some of our regional economies? Obviously it is an entirely regional program, so have we made any estimate about the kinds of benefits it will generate within those economies?

**Mr Hoffman:** Unless my colleagues have another answer, I am not aware that there has been specific modelling of the regional economic impact. I am happy to take that on notice though and check for you. But it is going to be relatively small in terms of the \$100 million of eligible tax credits being passed through. The real impact is if it leads to, over the medium term, the development of a new mine or a new mining province. The impact is likely to be down the track rather than immediately.

**ANSWER**

The Department of Industry has not conducted any specific modelling on the impact of the Exploration Development Incentive ('the Incentive') on Australia's regional economies.

However, the Incentive is expected to attract additional investment in small companies undertaking greenfield mineral exploration. Additional exploration activity would lead to increased employment, with potentially larger, long-term benefits should exploration lead to new mineral discoveries, and in turn, new mines. Such benefits would include increased employment, the possibility of new infrastructure in regional areas, as well as increases in royalty and taxation revenue.