



## Australia's strong share of developing projects at stake with proposed changes

**Halifax, Nova Scotia, May 13, 2010** – The Australian government's proposed 40% super-profits tax on revenue from Australian resources, if enacted, will clearly change mining company calculations on doing business in the country. While an associated 30% exploration credit is aimed to boost the attractiveness of exploration, it may not work for all companies.

Australia accounts for a significant share of worldwide exploration and an even larger share of advanced development projects. According to Metals Economics Group's Corporate Exploration Strategies (CES), in 2009 Australia commanded 12.5% of worldwide exploration budgets for nonferrous metals, down from a high of almost 18% in the earlier years of the decade. Results from the field in the first four months of this year show Australia keeping track with a similar percentage of significant drilling results and new resource announcements.

The CES shows Australia's share of exploration is ahead of the U.S., at 6.5%, but behind Latin America as a whole, at 26.5%, Canada at 16%, and Africa at 15%. Exploration in Australia has been distinguished in the recent past by a greater focus on grassroots (new targets) than the worldwide average. Nevertheless, as in the rest of the world, this has been falling in Australia in recent years, from as high as 50% in 2003, to just under 40% in 2009. Exploration at mine sites in Australia has jumped from 22% of the total in 2007 to 33% last year. This makes the prospect of new discoveries in the future even more challenging.

According to MEG's MineSearch project database, in terms of near-term new supply, Australia has 25% of the iron ore projects which have made production decisions and 13% of the new planned gold mines but just 4% of the upcoming copper mines and none of the new nickel mines. However, if we look at those projects that have identified resources and will be approaching production decisions in the next few years, Australia plays a substantially larger role. It is currently home to 11% of active late-stage copper projects, 19% of late-stage gold projects, 23% of late-stage nickel projects, and 37% of late-stage iron ore projects. It is in deciding the fate of these projects that changes in the tax regime are likely to have the most impact.

Looking earlier along the pipeline, Australia is in competition for exploration dollars primarily with Latin America (led by Peru and Chile), North America, and increasingly Africa. Based on this data, and recent activities in the market, those companies who can, may choose to explore where they see the best potential returns from successful finds, as Xstrata's recent announcement about putting Australian copper exploration on hold in the country demonstrates.

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### About Metals Economics Group ([www.metalseconomics.com](http://www.metalseconomics.com))

Metals Economics Group (MEG) provides information and analysis on the global mining industry, focused on addressing both strategic and tactical business needs. Clients benefit from a painstaking commitment to accuracy, many years of experience, excellent relationships with other industry experts, an unbiased approach to reporting and analyzing the latest trends and issues, and a responsive, personal approach to customer care. Through analysis, information services, and consulting, MEG continuously builds on its foundation as the primary source of intelligence on global minerals exploration, development, and production; strategic planning issues; and acquisitions activity.

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