

Queensland
**EXPLORATION
SCORECARD**

TRACKING QUEENSLAND'S PROGRESS
TOWARDS BECOMING AN EXPLORATION
LEADER BY 2020, WITH BRISBANE
AT ITS HEART

2015
QUEENSLAND EXPLORATION SCORECARD
HIGHLIGHTS

WELCOME TO THE FIFTH ANNUAL QUEENSLAND EXPLORATION SCORECARD

Each year, the exploration scorecard aims to run the ruler over the state of exploration in Queensland. The scorecard asks the question - how close is Queensland to being recognised as an exploration leader? That's the 2020 goal of the Queensland Exploration Council (QEC).

Now, with the luxury of five years of consistent data, the scorecard is starting to build up a valuable time-series, which allows changes in sentiment and performance to be tracked. What has changed since last year? How quickly are tenures being approved? Is Queensland discovering enough resources to replace those we produced last year? These are some of the debates that we hope will be instigated and informed by this year's scorecard.

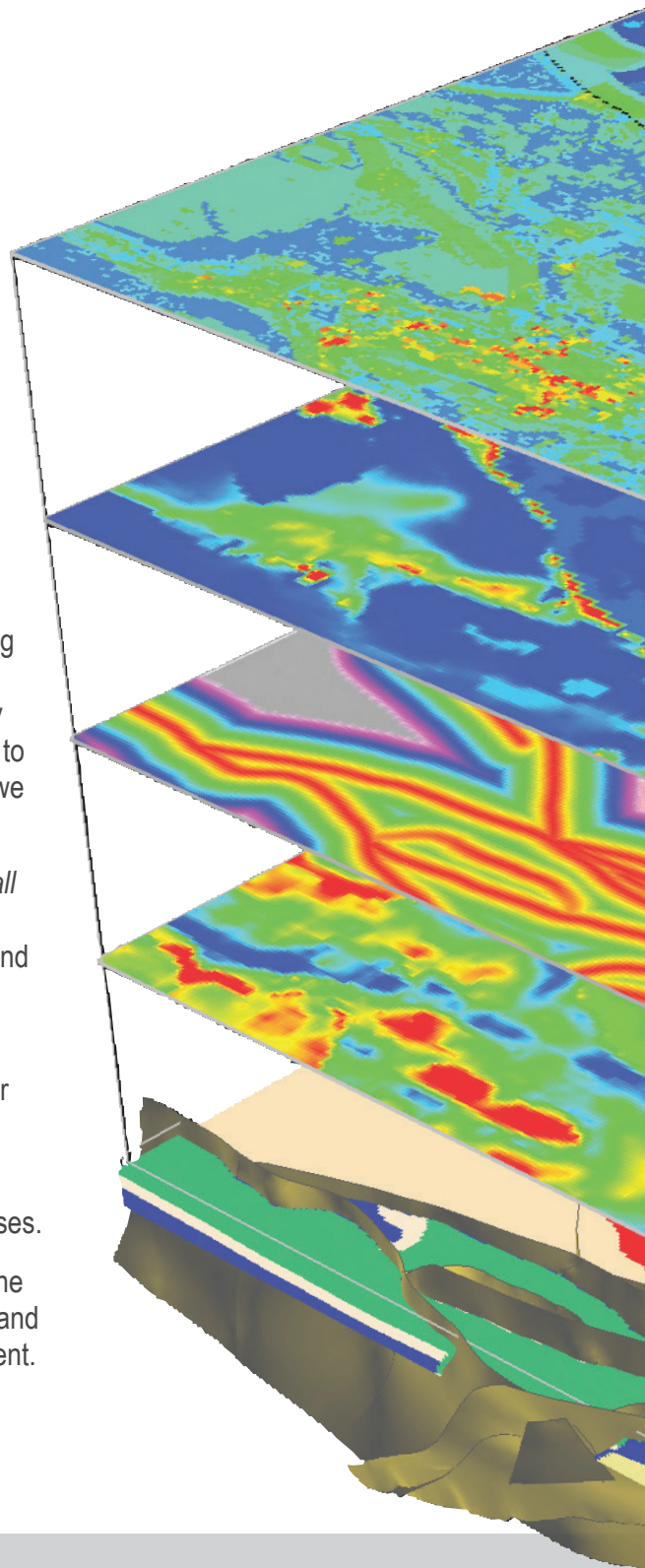
Unfortunately, exploration in 2015 has been a case of '*a falling tide lowers all boats*'. Just about every lead indicator has declined. Clearly, the operating environment remains very tough – with troubling results amongst the lead and lag indicators of exploration activity.

While Queensland has little influence over international commodity prices and global investor sentiment; we can control the regulatory environment for explorers. How has Queensland responded to the challenge of reform?

For the second year running, the sentiment survey recorded strong improvements in industry's view of Queensland's exploration permit processes.

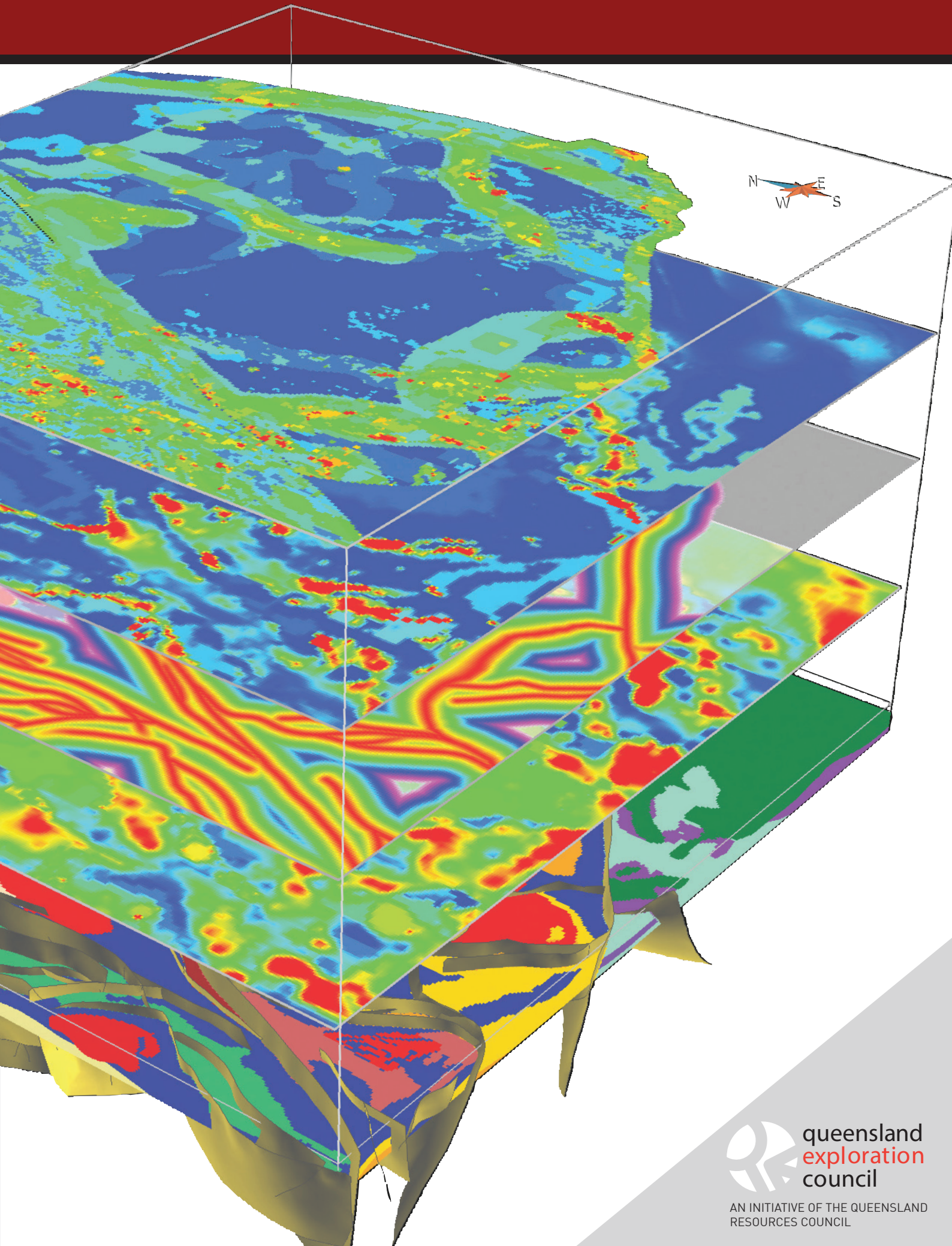
The full scorecard is published as an online document. You can download the full document from the QEC website, www.queenslandexploration.com.au, and we hope that this overview will whet your appetite to read the entire document.

Thank you to all the exploration and drilling companies who replied to our survey.



MEMBERS OF THE QEC SCORECARD WORKING GROUP 2015

Euan Morton (Chair)	Synergies Economic Consulting Pty Ltd	Brett O'Donovan	Exploration Industry Consultant
John Briggs	Ashurst Australia	Mark Thornton	Geological Survey of Queensland
Chris Brown	Morgans Financial Limited	SUPPORT	
Nigel Carpenter	Australian Drilling Industry Association	Andrew Barger	Queensland Resources Council
Lyll Hinrichsen	Department of Natural Resources and Mines	Amy Greene	Queensland Resources Council
Stephen Kelemen	Santos	Emma Haigh	Queensland Resources Council







HOW DOES QUEENSLAND MEASURE UP?




































The performance summary pulls together the key findings from the full exploration scorecard and assigns one of four 'traffic light' ratings to the results.

Red indicates significant problems in the year to June 2015. Amber indicates that there is cause for concern. White indicates no significant impediments and green indicates that 'all systems are go' for that indicator. The summary presents the results of the past four years in the same consistent ranking.

Please note that the key findings reported are for the 2014-15 financial year.

LEGEND

Good	
No significant impediment	
Cause for concern	
Significant problems	

LEAD INDICATORS – DRIVERS OF ACTIVITY AND PERFORMANCE	Year to June...				
	2011	2012	2013	2014	2015
Resources prospectivity and endowment (Section 2) <ul style="list-style-type: none"> Highly prospective - Queensland enjoys significant endowments of coal, minerals and gas. 					
Commodity prices (Section 3) <ul style="list-style-type: none"> Prices for most base and precious metals have weakened over the past 12 months. 					
<ul style="list-style-type: none"> The \$US thermal and metallurgical coal prices have decreased substantially. 					
<ul style="list-style-type: none"> As the global oil price has fallen, so too has the index price for LNG. 					
State government geoscientific funding and activities (Section 4.1) <ul style="list-style-type: none"> The Geological Survey of Queensland (GSQ) expenditure in 2014-15 was \$18.4 million, consistent with average expenditure over previous years. GSQ approved four projects under the third (and final) round of the Future Resources Program Industry Priority Initiative; successfully launched the Resources Queensland online app and online HyLogger™ data through the AuScope portal and allocated grants for rounds 8 & 9 of the Collaborative Drilling Initiative. 					
Regulatory and policy stability (Section 4.2) <ul style="list-style-type: none"> The Queensland Government has been responsive to industry feedback, establishing Ministerial Roundtable processes and has continued to streamline regulation and improve tenure processes. The Queensland Government introduced a new policy for petroleum and gas to allow applications for Potential Commercial Areas (PCAs). Industry has welcomed this new tenure option. The Queensland Government introduced a ban on uranium mining, which has a detrimental impact on uranium exploration. Queensland's land access regime remains unchanged, despite consistent industry concerns with its cost and delays. 					
Operating and investment sentiment (Section 4.3) <p>Survey results from exploration companies noted:</p> <ul style="list-style-type: none"> 9 of the 13 factors recorded an improvement in sentiment in Queensland from last year. Significantly, sentiment towards <i>Departmental assistance</i> saw Queensland pass the national figure for the first time in five years of the scorecard. Queensland's sentiment scores for <i>successful use of geoscience data</i> (+25) and <i>resource prospectivity and endowment</i> (+23) are considered the most positive whereas <i>conduct and compensation agreements</i> (-50) and <i>environmental regulations</i> (-45) are considered the most negative. As you would expect given generally low activity levels, <i>land available for exploration</i> (+5), <i>equipment availability</i> (+30) and <i>labour and skills availability</i> (+27) were all positive and improved strongly on 2014 results. The significant improvements in sentiment continued for factors primarily influenced by the DNRM – for example the <i>exploration permit process</i>. Queensland sentiment still trails the rest of Australia, but the gap has generally narrowed. Sentiment in Queensland remains negative and behind the rest of Australia in the areas of <i>cultural heritage regulations</i>, <i>Native Title regulations</i>, <i>environmental regulations</i>, <i>conduct and compensation agreements</i> and <i>policy uncertainty</i>. 					

LEAD INDICATORS – DRIVERS OF ACTIVITY AND PERFORMANCE CONTINUED	2011	2012	2013	2014	2015
<p>Sentiment of drilling companies (Section 4.4)</p> <p>Survey results from drilling companies noted:</p> <ul style="list-style-type: none"> • Sentiment towards all types of regulation is more negative from drilling companies active in Queensland when compared to other Australian jurisdictions. • The majority of drilling companies are unsure they will have sufficient cash reserves to sustain their operations beyond two years. • Drilling companies active in Queensland have become more negative with regard to <i>environmental, mining and workplace health and safety legislation</i> when compared to 2014. • Although still negative, sentiment towards <i>petroleum and gas, policy uncertainty and land access</i> have marginally improved when compared to 2014. 					
<p>Tenure administration (Section 5.1)</p> <ul style="list-style-type: none"> • Reforms to tenure processing have been a real success story, delivering a major acceleration in processing times. • For the second year running, DNRM has substantially outperformed its customer service standard for applications for coal and mineral exploration. The aim to have 80% of applications processed within 12 months (6 months if there is no native title) has been achieved, for 94% of applications. • While the area granted for petroleum exploration in 2014-15 was comparable with 2013-14, the areas granted for coal and metal exploration declined. 	●	●	●	●	●
<p>Access to human and intellectual capital (Section 5.2)</p> <ul style="list-style-type: none"> • Internet vacancies for geologists and geoscientists indicate a dramatic decline from early 2012. • Completion of drilling qualifications continued to decline in Queensland. 	●	●	●	●	●
<p>Liveability of Queensland (city and regional hubs) (Section 5.2.2)</p> <ul style="list-style-type: none"> • Brisbane is once again rated the most liveable of the Australian cities and regions most commonly chosen by geoscience professionals to reside. 	●	●	●	●	●
<p>Access to equity capital (Section 5.3)</p> <ul style="list-style-type: none"> • In 2014-15 companies exploring in Queensland announced \$55 million in capital raisings for minerals exploration. This is an increase of 36% compared with 2013-14, but well below the first three years of the scorecard. 	●	●	●	●	●
LAG INDICATORS – EXPLORATION SUCCESS	2011	2012	2013	2014	2015
<p>Mineral exploration (Section 6)</p> <ul style="list-style-type: none"> • Queensland in 2014-15 recorded a 28% decrease in mineral exploration compared to 2013-14 (\$475 million to \$340 million). • Queensland's greenfields performance as a percentage of total minerals exploration expenditure decreased in 2014-15 to 35% compared with 36% in 2013-14. • In 2014-15, Queensland spent 1.3% of its minerals revenues (sales) on exploration, a decrease from 1.6% in 2013-14. 	●	●	●	●	●
<p>Petroleum exploration (Section 6)</p> <ul style="list-style-type: none"> • Petroleum expenditure in Queensland increased 23% in 2014-15 (\$613 million to \$752 million). All other states experienced a decline. 	●	●	●	●	●
<p>Levels of reserves (Section 7)</p> <ul style="list-style-type: none"> • Reserve/production levels for copper, gold, lead, silver, and zinc remain at low levels. 	●	●	●	●	●
<ul style="list-style-type: none"> • Reserve/production levels for Queensland bauxite is currently ~58 years. • Reserve/production levels for Queensland coal is currently ~32 years of coking and ~67 years of thermal. 	●	●	●	●	●
<ul style="list-style-type: none"> • Reserve/production levels for Queensland will change once all LNG plants are fully operational from ~132 years at current production to ~26 years. 	●	●	●	●	●
<p>Minerals production and comparison with global demand (Section 8)</p> <ul style="list-style-type: none"> • The growth in Queensland's total production of bauxite, coal, copper, gold, lead, silver, zinc and nickel and aluminium and alumina exceeded the growth in global demand for these commodities in 2014-15, which saw Queensland regain market share. 	●	●	●	●	●
<p>Market capitalisation movements (Section 9)</p> <ul style="list-style-type: none"> • The QEC Exploration Index showed a 5.3% decline over the 12 months to 30 June 2015. This compares with a 3% decrease for the S&P/ASX All ordinaries, a 1.8% decrease in the Queensland Exploration Index (Queensland based ASX listed companies) and a 21.7% decrease in the Deloitte Queensland E&R Index (Queensland based ASX listed energy and resources companies). 	●	●	●	●	●

TITLE IS VITAL

For each of the three major commodity groups, these maps provide a useful snapshot of where granted tenures exist as well as presenting the areas where applications for new exploration tenures have been lodged.

The maps provide a simple way to get a feel for where Queensland's exploration hotspots are located.

CHART 1: EXPLORATION PERMIT MINERAL COVERAGE, JULY 2015

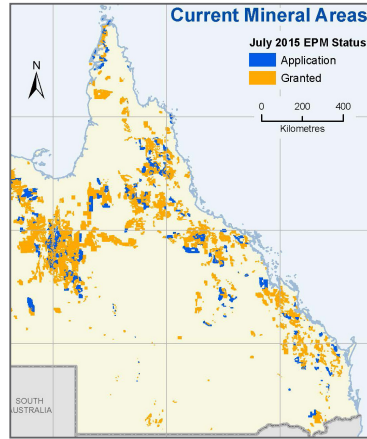


CHART 2: EXPLORATION PERMIT COAL COVERAGE, JULY 2015

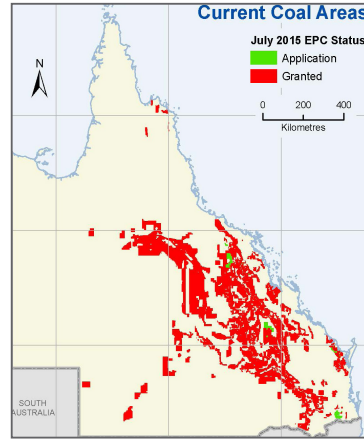
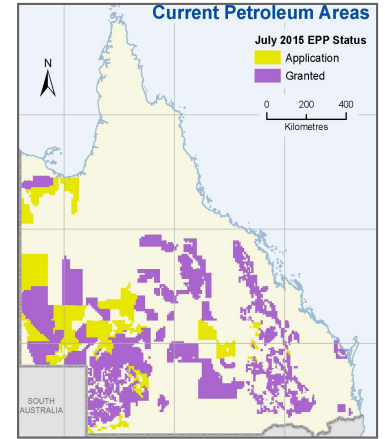


CHART 3: AUTHORITY TO PROSPECT PETROLEUM, JULY 2015



Source: Department of Natural Resources and Mines

ARE THE GOALPOSTS MOVING?

LEGEND

- Favourable reduction in regulatory control occurred in that year ●
- No change in regulatory control occurred in that year ●
- Potentially unfavourable but too early to tell ●
- Unfavourable increase in regulatory control occurred in that year ●

TABLE 1: CHANGE IN REGULATORY CONTROLS – FROM 1 JULY 2014 TO 30 JUNE 2015

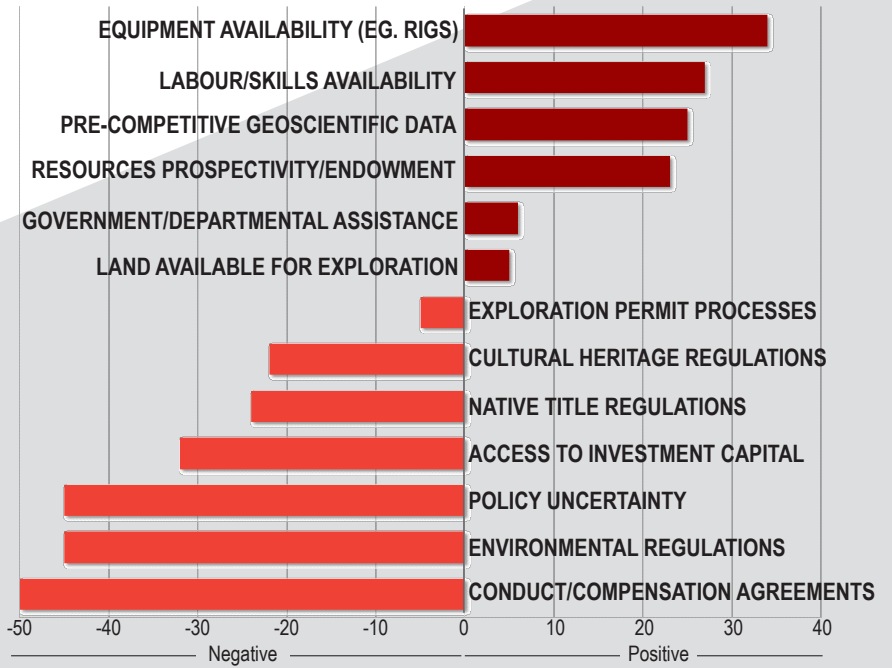
Types of exploration controls in Queensland	Changes between 2011 and 2012	Changes between 2012 and 2013	Changes between 2013 and 2014	Changes between 2014 and 2015
A. Foundation requirements for exploration - processes that most holders of exploration permits must meet on application and continuously through the life of the tenure:				
• Cultural heritage (Aboriginal and non-Aboriginal)	●	●	●	●
• Application for environmental authority (this requirement removed in 2013 in some circumstances)	●	●	●	●
• Application for exploration rights (applications for coal subject to tender process in 2012 - minerals applications are unchanged)	●	●	●	●
• Application for exploration rights (petroleum and gas rights subject to tender process)	●	●	●	●
• Landowner compensation	●	●	●	●
• Native title considerations	●	●	●	●
• Remediation obligations	●	●	●	●
• Renewal of exploration rights	●	●	●	●
• Administrative improvements in processing applications				●
B. Gateway controls on exploration - policies that present barriers to tenure in some areas:				
• Land regulated as 'Restricted Area'	●	●	●	●
• Land otherwise off limits for environmental reasons (e.g. National Parks and strategic environmental areas)	●	●	●	●
• Restrictions on exploration activity in other areas of regional interest (e.g. priority agricultural areas (including strategic cropping areas) and priority living areas)			●	●
• Land subject to other third party interests (e.g. overlapped exploration rights for other commodities)	●	●	●	●
C. Conditioning controls on exploration - policies that impose additional conditions:				
• Applications and approvals to disturb native vegetation	●	●	●	●
• Applications and approvals to work in waterways	●	●	●	●
• Transfer duty – became payable in 2012 – farm-in agreements exempted in 2013	●	●	●	●
D. Controls on production (but indirectly relevant to exploration):				
• Ban on uranium mining - lifted in 2013 and reimposed in 2015		●	●	●
• Introduction of new Federal controls on impacts of coal seam gas and large coal mining developments on water resources		●	●	●

WHAT DID EXPLORERS TELL US THIS YEAR?

CHART 4: 2015 OPERATING SENTIMENT FOR EXPLORATION COMPANIES, 2014-15

Chart 4 provides an overview of 13 separate sentiment charts which are in the full scorecard. This 'totem pole' graph aims to provide a quick overview of explorers' sentiment to a range of 13 indicators from the most negative (Queensland's conduct and compensation agreements) to the most positive (Equipment availability in Queensland).

In 2014-15, sentiment towards 9 of the 13 factors in Queensland improved compared to last year.



Source: 2015 QRC survey of exploration companies

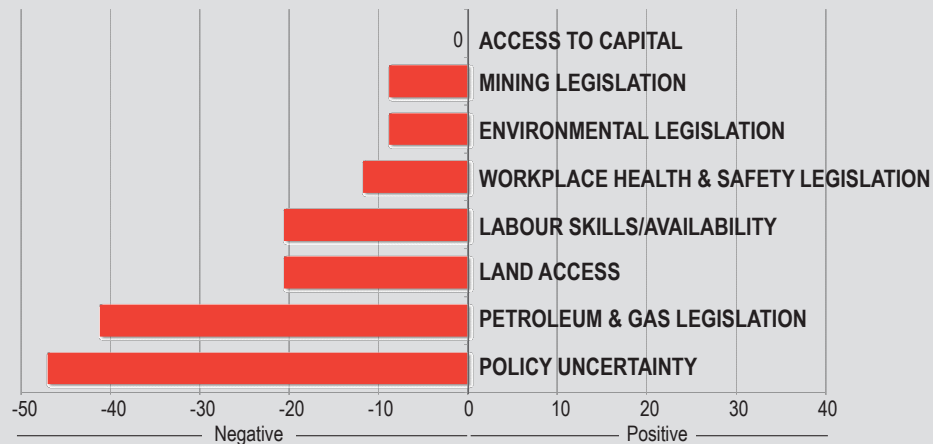
WHAT DID DRILLING COMPANIES TELL US THIS YEAR?

CHART 5: OPERATING SENTIMENT FOR DRILLING COMPANIES, 2014-15

Chart 5 provides an overview of 8 separate sentiment charts which are in the full scorecard for the drilling industry (Charts 20A to 20H). As was the case last year, the drilling industry reports no positive sentiment.

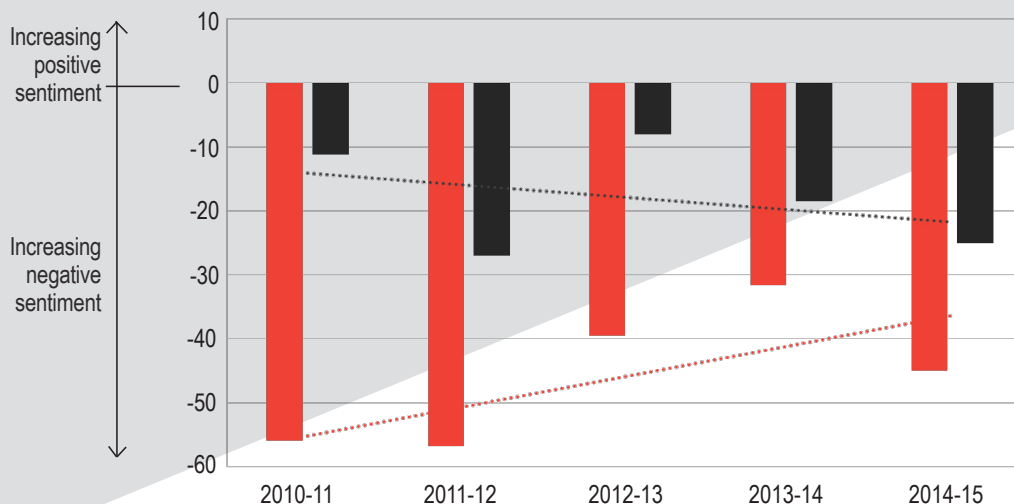
This finding reflects the drilling industry's bellwether status.

Lead exploration indicators affect drilling immediately and drilling is the last to benefit from positive or improving lag indicators.



Source: 2015 ADIA survey of members

CHART 6: POLICY UNCERTAINTY

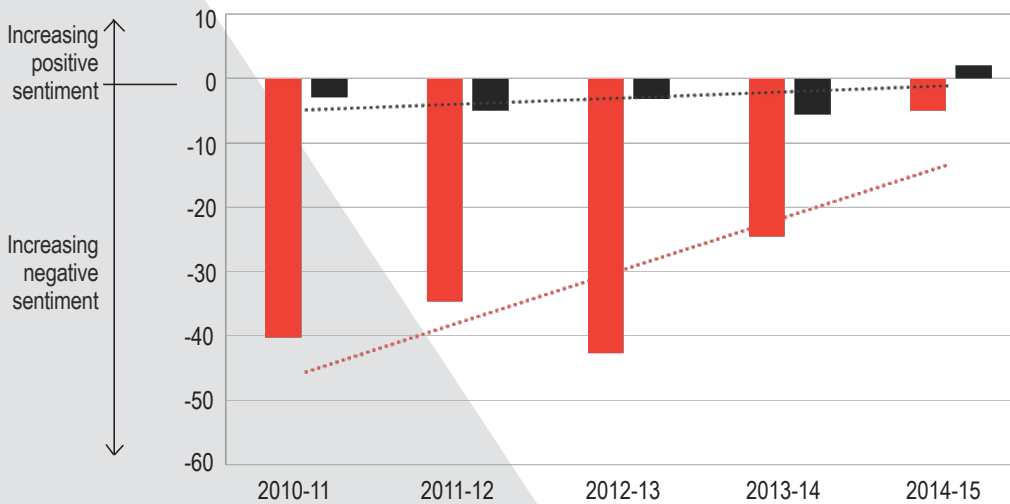


Source: 2015 QRC survey of exploration companies

Policy uncertainty is an anathema to investing in exploration. While the five-year trends suggest that Queensland is closing the gap on other jurisdictions, it is worrying that explorers are more concerned about policy uncertainty in Queensland in the last year.

- Queensland
- Rest of Australia
- ⋯ Trend (QLD)
- - - Trend (Rest of Australia)

CHART 7: EXPLORATION PERMIT PROCESSES



Source: 2015 QRC survey of exploration companies

Chart 7 is the one that the Minister and his Director-General should carry around in their wallets and show off at barbecues. The improvement in the five-year trend is very impressive, with most of the improvement recorded in the past three years.

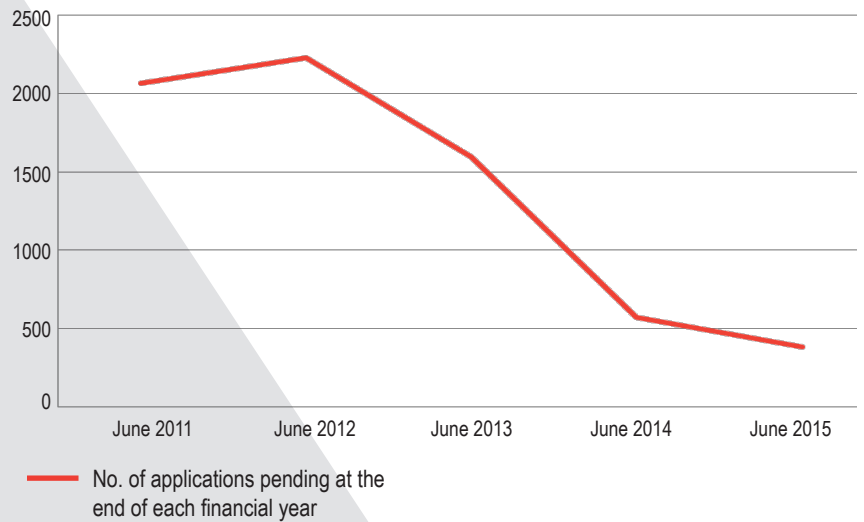
- Queensland
- Rest of Australia
- ⋯ Trend (QLD)
- ⋯ Trend (Rest of Australia)

TENURE ADMINISTRATION

One of the real success stories in Queensland exploration has been the reforms to tenure processing. A concerted effort over a number of years to streamline these tenure processes, combined with a clear focus on managing the time taken to reach decisions has delivered a major acceleration in processing time.

Note: Chart 8 reflects applications on hand at the end of each financial year (annual time series), net of refused, abandoned and competing applications (permits that for a variety of reasons are still current but cannot be progressed).

CHART 8: TOTAL APPLICATIONS (ALL COMMODITIES) PENDING AT THE END OF EACH FINANCIAL YEAR, 2014-15



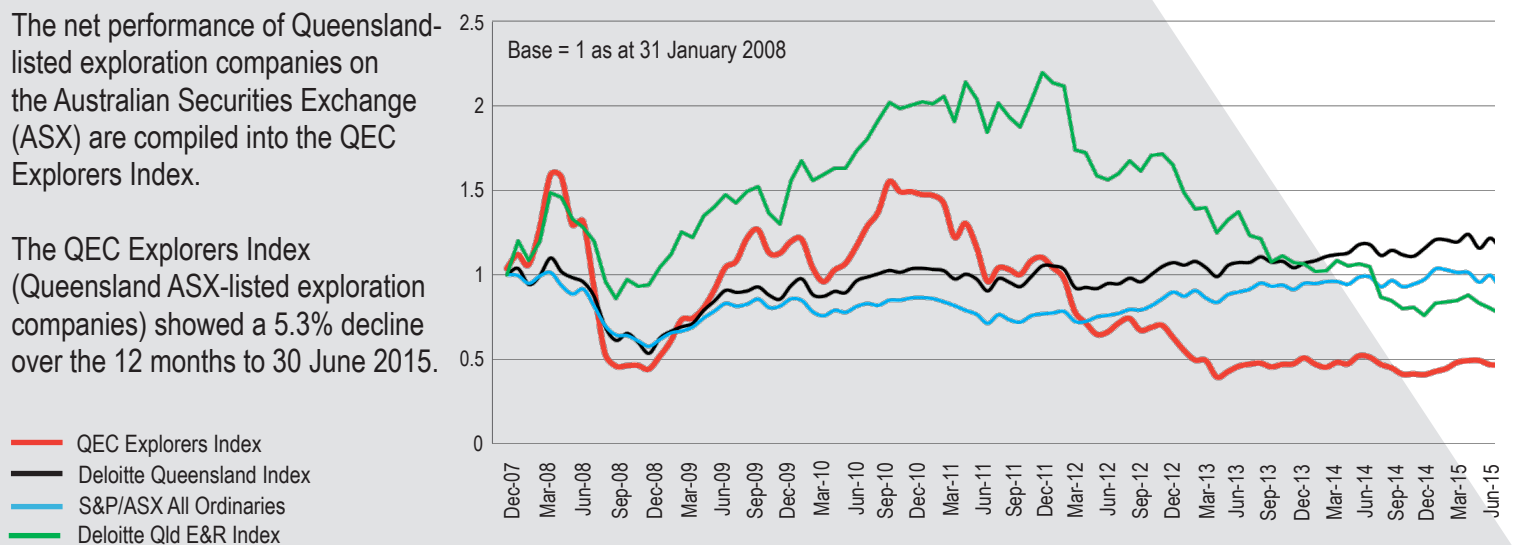
Source: Department of Natural Resources and Mines

HOW DOES THE MARKET VALUE QUEENSLAND EXPLORERS?

The net performance of Queensland-listed exploration companies on the Australian Securities Exchange (ASX) are compiled into the QEC Explorers Index.

The QEC Explorers Index (Queensland ASX-listed exploration companies) showed a 5.3% decline over the 12 months to 30 June 2015.

CHART 9: QEC EXPLORERS INDEX VERSUS OTHER INDICES



Source: Deloitte Touche Tohmatsu