

Dept. Ref      MINI6/730  
Critical Date    19 July 2016

<b>NOTED</b>
<b>SIGNED:</b> _____
<b>DATE:</b> _____

## Issues Briefing Note for the Minister for Resources

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**SUBJECT: MINING INDUSTRY OVERVIEW**

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*Minister's notation:*

### **Current Situation:**

#### **MRT Divisional Overview**

- Mineral Resources Tasmania (MRT) is the State's corporate entity charged with the role of ensuring that the State's mineral resources are managed in a sustainable way now and for future generations in accordance with Government Policy.
- MRT provides the essential pre-commercial geoscience data and undertakes promotional activities which attract and sustain new exploration and investment to create wealth and employment.
- Currently promotional activities are funded as part of the Mineral Exploration Investment Attraction Plan, with a budget for 2016/17 of \$120 000, that was approved by the previous Minister, and pre-competitive geoscience is being funded through the recently announced Geoscience Initiative Program of \$1.4 million over four years.
- MRT has an extensive tenement regulatory role including the assessment and regulation of onshore and offshore exploration and mining tenements, environmental rehabilitation of abandoned mining sites, ensuring compliance with relevant codes of practice and the collection of royalties and other fees. MRT collected approximately \$15M in mineral royalties in 2015/16, representing a reduction from the \$23M in 2014/15 and the record \$50M in 2011/12.
- The employee headcount for the Division, as at July 2016, is 42 FTE with 2.6 fixed term employees.

#### **Relocation of MRT to Burnie**

- The relocation of Mineral Resources Tasmania (MRT) is an important component of this Government's Mining for Tasmania's Future Policy. Staff and resources are being moved progressively over the term of the Government via an implementation model consisting of a four stage plan. The Core Library and staff who utilise it will not be relocated. MRT staff have been fully consulted and informed during the implementation of the policy.

[REDACTED]

The Mining for Tasmania's Future Policy includes the

improvement of current linkages between MRT and CODES/UTAS. This will be achieved by continuing to co-locating a number of geoscientific staff from MRT at the UTAS Sandy Bay Campus and CODES/UTAS staff at Mornington, thereby securing the viability of both organisations.

- The TMEC have been consulted during the development of the plan and have provided their full support.
- Stages 1 and 2 of the relocation have been completed and Stage 3 is now underway, with 11 positions now located in the MRT Burnie office along with an office of the Director of Mines. Two of these staff are existing MRT staff members that have relocated from Hobart to Burnie. Stages 3 and 4 are in the early stages of implementation and are fully funded. Stage 4 of the plan involves the consolidation of remaining Hobart functions to the Core Library thereby vacating the Mornington Office [REDACTED]

## **Mining**

### **CMTs Mount Lyell**

- CMTs Mount Lyell Copper mine remains on Care and maintenance and although Government have agreed on a “capped” \$25 Million assistance package the Company has stated that operations will not restart until the Copper price is consistently at a higher level (a figure of US\$7 000 was stated publically [REDACTED])

### **Unity Mining**

- Unity Mining was recently acquired by Diversified Minerals and [REDACTED]

### **MMG's Avebury**

- MMG's Avebury Nickel mine remains on care and maintenance after sale discussions with at least 3 other parties (including ANML) have fallen through. Latest indications are the MMG are negotiating with a party who plan to use the Avebury mill to treat zinc-rich material from the nearby Zeehan smelters, thus remediating an environmental legacy, and re-open the Avebury mine when nickel prices increase.

### **Shree Mineral's**

- Nelson Bay River Iron ore Mine remains on care and maintenance. In November 2013 the EPA varied Shree's permit to operate, via an Environment Protection Notice (EPN), to allow the company to store potentially acid forming (PAF) waste above ground. This variation was successfully challenged by the Tarkine National Coalition (TNC) under judicial review rendering the variation invalid. The original permit conditions remain in place and the EPA issued a further EPN requiring Shree to relocate all PAF material stored at surface into the pit void-ground storage by 8 May 2016. Relocation of the PAF has not been completed and the EPA are dealing with the failure to comply with the permit. Currently MRT hold an \$827 000 security deposit for the site which is assessed as being adequate to address the current rehabilitation liability onsite.

## Venture Minerals

- Venture Minerals holds three mining leases at Riley Creek and Mount Lindsay (for iron ore) and Mount Livingstone (for tin-tungsten-magnetite-copper) all near Tullah and on the southern edge of the "Tarkine". Legal appeals by the TNC delayed the start up at Riley creek and, due to falling iron ore prices the operation was placed on care and maintenance in 2014. The TNC has successfully sought an order through the Supreme Court of Tasmania for a statement of reasons, from the Minister of Resources, for granting the Mt Livingstone and Mt Lindsay mining leases. The Government is appealing this decision (to be heard August 19) as [REDACTED]

## BCD Resources NL

- BCD Resources NL owns the now closed Beaconsfield gold mine and have been actively seeking ore sources for processing at the Beaconsfield mill. Most recently a Merger Implementation Agreement with Ivy Resources to treat material from the Hellyer Mine has fallen through and BCD blame the Government, in part, for this failure. The main issue is that whilst BCD were in Administration and receivership, rehabilitation of the Beaconsfield site has been on hold, and the Security deposit that MRT holds is insufficient to complete all required works. Some ground works are required in the near future as a local landowner is requesting that infrastructure on his land be remediated as previously agreed with BCD.

## Oil and Gas

- There is one current onshore conventional oil and gas exploration licence (Terra Tasmania) which expires in November 2016 and MRT have received several further applications for onshore licences:
  1. Ardilaun Energy, based in Ireland, lodged two applications in mid-2015. [REDACTED]  
[REDACTED] The applicant was assessed as not provided sufficient evidence of financial capability and as they have not responded to requests for further information one application lapsed on 2 July and the second will lapse on 30 July 2016.
  2. On the expiry of special Exploration Licence 5/2005 in late 2015, Overseas Energy Holdings Pty Ltd applied for three smaller exploration licences. These applications have been assessed and MRT are waiting on OEH to provide more detail on financial capability before making a recommendation regarding granting the licences.
  3. Tasmania Oil and Gas Australia (TOGA) have applied for a licence over ERA 981, the area previously held by Malcolm Bendall's Great South Land Minerals (GSLM). TOGA are closely associated with Companies and personnel from GSLM. MRT have assessed the application and TOGA do not have the financial capacity to complete the proposed exploration program. [REDACTED]  
[REDACTED]. Representatives of TOGA are seeking meetings with you and MRT next week. [REDACTED]
- In regards to unconventional oil and gas, there is currently no exploration for coal seam gas (CSG) in Tasmania and the composition and geological history of our coals make it unlikely that there are any economic CSG accumulations.
- In June 2016 PetraGas Pty Ltd (PetraGas) applied to surrender their Kempton exploration licence, 3/2013, which they were planning to explore for unconventional shale oil and gas.

PetraGas believes the area is still prospective but due to the lengthy downturn in gas and oil prices are re-directing the Company's focus away from oil and gas.

- The later stages of the possible exploration program on this licence may have required Hydraulic fracture stimulation ("fracking") of exploratory wells and this combined with public confusion between CSG and shale oil/gas prompted widespread concern about Fracking in Tasmania.
- In February 2015, and after a 12 month moratorium on fracking and a wide ranging review of this technique The Tasmanian Government implemented a five year moratorium on fracking, which extends until March 2020. This moratorium is currently being managed through MRTs policies and standard work programs approvals process.

### **Mineral Exploration**

- Although exploration expenditures have stabilised, anecdotal evidence indicates that drilling on greenfield targets is at historically low levels. Previous Ministers had feedback from some in the Industry that they are seeking the government to establish a co-funded drilling program to assist with increasing the level of exploration drilling in the State. Such co-funded programs have been successful in other jurisdictions, most notably South Australia. However, for such a program to be effective high levels of funding need to be committed (levels of \$5 million plus per annum).
- MRT have also been approached by industry regarding the current exploration licencing system, in particular the 'short' length of time for which exploration licences are granted and the long periods, up to 30 years, that holders of retention licences may effectively lock-up highly prospective areas. Initial discussions have been held and any significant changes would require the MRDA to be amended.



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## ISSUES BRIEFING NOTE FOR THE MINISTER FOR RESOURCES

**SUBJECT: CURRENT FORESTRY POLICY ISSUES**

*Minister's notation:*

### **Background:**

The Resources Policy Branch of the Department of State Growth consists of eight staff.

The Branch's core function is to provide strategic policy advice on issues relating to Tasmania's forestry industries and Tasmania's natural resource industries, including mineral exploration and mining.

### **Current Situation:**

Key forestry-related activities of the Branch in 2016-17 include:

#### **1. Regional Forest Agreement**

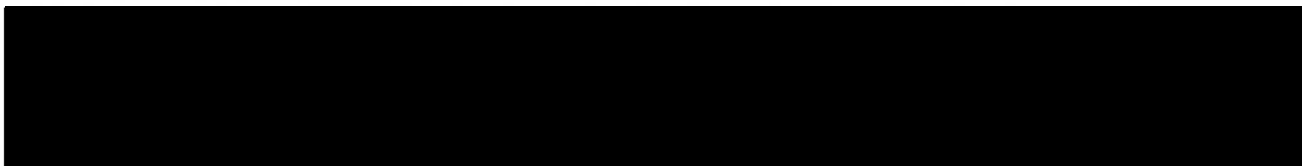
The Tasmanian Regional Forest Agreement (RFA) commenced in 1997 and expires in 2017. The Tasmanian and Australian Governments agree that the RFA should be extended. There remain a number of options as to how the extension may be achieved, and these are the subject of current discussion with the Australian Government.

The negotiation of the extension to the RFA is being managed by a Joint Working Group, which is made up of senior officials from the Tasmanian and Australian Governments.

#### **2 Policy for Maintaining a Permanent Native Forest Estate**

The Policy for Maintaining a Permanent Native Forest Estate (the PNFEP) provides for the retention of 95 per cent of the 1996 native forest area of Tasmania.

The previous Minister for Forestry determined that the restrictions on clearing and conversion of native forest on private land would be further deferred until 1 July 2017. This was to allow further



consideration of the implications of changes to the policy, particularly in the context of the discussions with the Australian Government on an extension to the RFA.

### **3 Management of public forests- Forestry Tasmania**

A strategic review of Forestry Tasmania was undertaken by the Tasmanian Government in 2014-15.

The key recommendations from that review were that Forestry Tasmania:

- continue as a Government Business Enterprise
- transition to a mixed operating model that best suits the operating environment in each part of the State
- transition out of direct export operations
- fund operating deficits and transition costs from the sale of hardwood plantations.

The details of Forestry Tasmania's revised operating model have been the subject of direction discussion between the Government and the Board of Forestry Tasmania.

A pre-sale due diligence assessment of the hardwood plantations owned by Forestry Tasmania is now underway, led by the Department of Treasury and Finance. Forestry Tasmania's existing sawmill customers have strongly expressed the view that the plantations managed for sawlog production should remain in public ownership.

The process is being overseen by the Cabinet Committee on Forestry. The Department of Treasury and Finance provide the secretariat role to support the Cabinet Committee.

### **4 Expression of interest process- southern residues**

The Expression of Interest process for southern residues has been formally concluded.

One participant has now signed a contract with Forestry Tasmania. The final arrangements have yet to be confirmed by Forestry Tasmania, but will involve the transport of harvesting residues from southern Tasmania to Bell Bay for export as woodchips

Two other proponents are in negotiations with Forestry Tasmania. It is understood that these proposals will involve the export of whole logs from Macquarie Wharf.

### **5. Ministerial Advisory Council on Forestry**

Current items of business for the Ministerial Advisory Council on Forestry (MAC) include:

- development of a Strategic Growth Plan for Forest Industries; and
- input into the development of the Special Species Timber Management Plan.

The MAC currently has three sub-committees, both of which are chaired by Mr Terry Long:

- Special Species Timbers Sub-committee
- Residues Advisory Group
- 'Wood First' Policy Sub-committee

The MAC last met on 27 June 2016. The next meeting is currently scheduled for 1 August 2016, in Hobart.

## **6 Strategic Growth Plan for the Forest Industry**

Timmins Ray (Greg Ray), was appointed in November 2015 as consultant to assist in co-ordinating development of the Growth Plan. Timmins Ray prepared a draft Growth Plan, which it has discussed with the MAC, as well as with non-MAC members of the forest industry (primarily industrial plantation managers), and the Department of State Growth. Following feedback from non-MAC stakeholders, Timmins Ray is preparing a revised draft of the Growth Plan.

A copy of the revised draft Growth Plan will be provided to the Minister for his consideration before being provided to the MAC members ahead of the meeting scheduled for 1 August.

The Growth Plan is expected to be released by the end of September 2016, under *Agenda 2016*.

## **7 Wood and Fibre Processing Innovation Program**

The Wood & Fibre Processing Innovation Program (the Program) was launched on Friday 8 July 2016. The application period is open until 26 August 2016.

Grants of up to \$100 000 will be made available through the Program to support the development of projects that utilise forest harvesting and timber processing residues and/or agricultural plant residues to create value-added products in Tasmania.

Funding of \$1.25 million has been made available for the Program. Individual grants will be capped at \$100 000.

## **8 Wood First Policy**

On 26 May 2016, the previous Minister for Forestry announced the Government's intention to develop a policy to encourage the use of more timber and timber products in Government projects.

The Department is currently working with a sub-committee from the MAC to develop a draft policy, for consideration by the MAC, and broader consultation.

## **9 Strategic Marketing Funding**

As part of the 2016-17 Budget, the Government has committed up to \$500 000 in funding for strategic marketing of Tasmanian forestry products. This funding is to be matched by equal funding from industry.

The terms on which the funding is to be made available, and governance requirements, are yet to be finalised.

■ [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]



## 11 Special Species Timber – Management Plan

The *Forestry (Rebuilding the Forest Industry) Act 2014* (the Act), requires that a Special Species Management Plan (the Management Plan) be made by October 2017. Special species timbers are defined under the Act as huon pine, blackwood, sassafras, myrtle, celery-top pine and silver wattle.

A draft Management Plan is currently being developed by the Department for consideration by the sub-committee of the MAC.

Discussions have also been held with the University of Tasmania and SFM Environmental Services Pty Ltd with regard to additional research to better understand the availability, and properties of, special species timbers sourced from Hydro Tasmania lakes. SFM is currently harvesting wood from Lake Pieman, under the name of 'Hydrowood'.



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