

Australian mineral exploration expenditure at record highs

Strong global demand underpins record expenditure

Lynton Jaques and Mike Huleatt

Record world mineral exploration

World mineral exploration is at record levels according to the latest survey by the Metals Economics Group (MEG) survey which showed that world non-ferrous mineral exploration budgets for 2007 reached an estimated US\$10.5 billion, a 40% increase on 2006 figures (figure 1). This figure, based on a survey of 1 821 companies with mineral exploration budgets of US\$100 000 or more, does not include iron ore, coal or uranium. However, MEG estimated uranium exploration budgets were an additional US\$936 million based on responses from 363 companies. This was the first time that MEG included uranium in the survey and gives a combined estimate for world mineral exploration budgets for non-ferrous minerals (that is, excluding iron ore and coal but including uranium), of more than US\$11.4 billion. Of this 42% was allocated for gold exploration and 36% for base metals (copper, nickel, lead and zinc) which was up strongly (55%) on 2006 budgets.

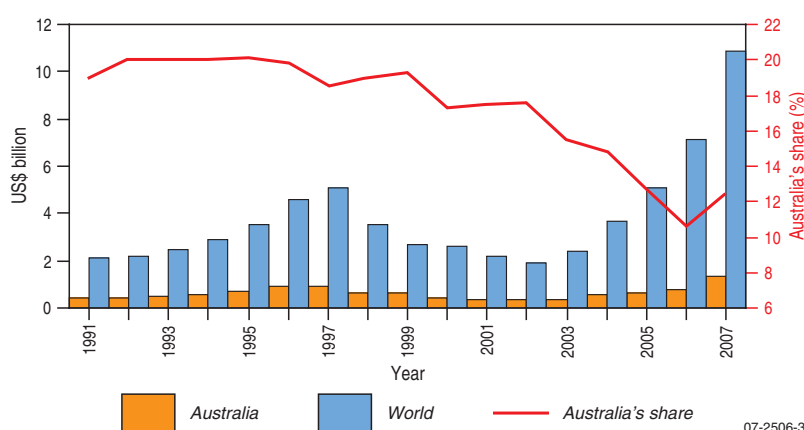


Figure 1. World and Australian non-ferrous mineral (excluding iron ore and coal) but including uranium exploration budgets in 2007 (Source: Metals Economics Group Corporate Exploration Strategies).

Exploration budgets increased in all regions of the world, and world mineral exploration budgets have risen by a factor of five since 2002, when mineral exploration was at the lowest level in recent years (figure 1). Canada continued to attract the largest share, as it has since 2002 when it overtook Australia, with 19% of world non-ferrous mineral exploration budgets, which is comparable to recent years. Australia attracted the second largest share with 11.9% of global non-ferrous mineral exploration budgets in 2007 in the MEG survey. This increased from 10.6% in 2006 and was the first increase in Australia's share since 2002 (figure 1). Canada and Australia also dominated world uranium exploration which is estimated to have risen tenfold since 2003, with approximately 43% and 19% of world uranium exploration budgets, respectively. As a consequence, Canada's share of world non-ferrous mineral exploration budgets, including uranium, in 2007 was 21.2 % and Australia's share was 12.4%.

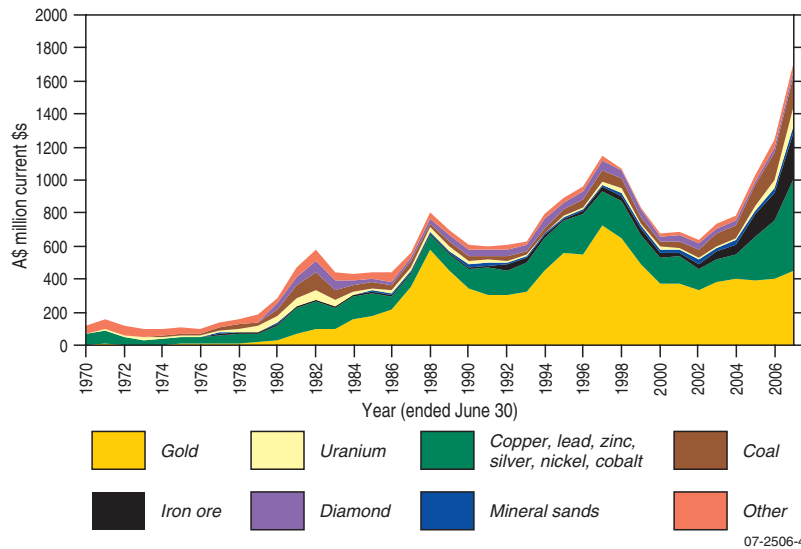


Figure 2. Australian mineral exploration expenditure 1970-2007 (current dollars, source: Australian Bureau of Statistics).

Australian mineral exploration also at record levels

Australian mineral exploration is also at record levels as shown by the Australian Bureau of Statistics (ABS) survey figures that record actual Australian mineral exploration expenditure (including iron ore, coal, and uranium) reaching a record \$1714.6 million in 2006-07, an increase of 38% from \$1240.7 million in 2005-06 (figure 2). Underpinning the record global exploration budgets and Australian mineral exploration expenditure is the continuing minerals boom with record or near-record commodity prices largely driven by demand from China.

In Australia during 2006-07 spending increased in all states and the Northern Territory. Western Australia was the leading destination attracting \$839.1 million (figure 3), an increase of 42%. However, the greatest percentage increase in exploration spending was recorded in South Australia which rose by 78% to \$260.7 million. Other

jurisdictions to record strong growth in mineral exploration expenditure included New South Wales (up 26% to \$144.1 million), Queensland (up 24% to \$272.3 million), and the Northern Territory (up 23% to \$92.2 million). Modest increases were recorded by Victoria (up 11% to \$82.5 million) and Tasmania which recorded a 5% increase to \$23.7 million (figure 3).

Base metals dominated Australian exploration expenditure for the first time since 1983 and reached \$555.0 million (figure 4), up 56% on 2005-06 figures. Exploration for silver-lead-zinc rose 96% to \$139.4 million, copper by 68% to \$234.5 million, and nickel by 24% to \$181.9 million. The largest increase was in uranium exploration which doubled to \$114.1 million. Iron ore exploration expenditure rose 77% to \$285.3 million. Gold exploration spending, in comparison, rose by only a modest 14% on the previous year to \$455.8 million and accounted for approximately 27% of total exploration (figure 4), its lowest share in nearly 25 years. Coal exploration was up 16% to \$193.3 million, the highest in real terms since 1981-82.

The ABS survey data showed that, nationally, 36% of spending

“Exploration budgets increased in all regions of the world, and world mineral exploration budgets have risen by a factor of five since 2002”

was on exploration for new deposits, compared to 37% in 2005-06. Victoria (46%) had the highest proportion of its exploration directed to the search for new deposits while South Australia had the lowest at 24%. The national share of exploration for new deposits is slightly lower than that estimated by the MEG world survey of non-ferrous minerals exploration budgets for 2007 which found that 39% of exploration budgets in Australia was for grassroots exploration.

In 2006-07, ABS reported that exploration drilling for all mineral commodities totalled 8.455 million metres, an increase of 1.618 million metres from 2005-06. Increases were recorded in both the search for new mineralisation which rose by 0.62 million metres to 3.24 million metres and exploration of existing mineralisation which rose by 0.996 million metres to 5.215 million metres.

Outlook for 2008

Commodity prices remain relatively strong reflecting continuing global demand, primarily from China, although most metal prices have eased from their record highs reached over the past 18 months. Most are forecast to ease further in 2008 as a consequence of increased world supply. The record world and Australian mineral exploration budgets reported in the MEG 2007 survey, coupled with the high levels of capital raising on both Australian and global financial markets in 2007, suggest that mineral exploration will remain at high levels through 2008. The strong focus on brownfields exploration in Australia (and globally) in recent years is a consequence of the shortfall in mineral supply with companies seeking to prove up resources and increase or commence production to capitalise on the high prices. This is particularly true of the recent strong growth in iron ore exploration. A continued dominance of brownfields over greenfields exploration may well be a cause for concern in the longer term as new mineral deposits – and, particularly, new mineral provinces – are needed for the long term future of the industry.

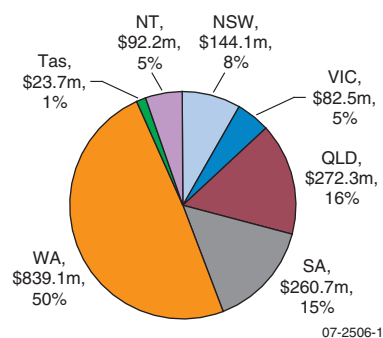


Figure 3. Australian mineral exploration expenditure 2006-07 by jurisdiction (Source: Australian Bureau of Statistics).

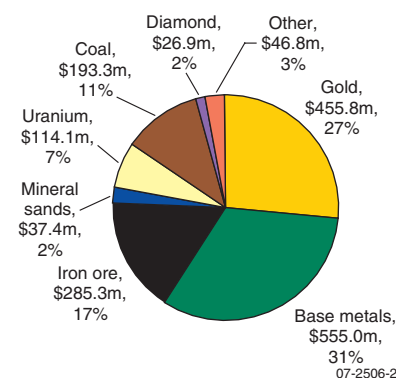


Figure 4. Australian mineral exploration expenditure 2006-07 by commodity (Source: Australian Bureau of Statistics).

For more information

phone Mike Huleatt on +61 2 6249 9087

email mike.huleatt@ga.gov.au