

Australian mineral exploration *update*

Global mineral exploration grows, but our share falls again

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A recently released survey of world non-ferrous mineral exploration budgets for 2005 shows that the total budget increased for the third consecutive year to almost US\$5.1 billion, 38% higher than in 2004. This was only slightly less than the US\$5.2 billion achieved in 1997 at the peak of the last exploration boom (figure 1). The survey, by Canadian company Metals Economics Group (MEG), included over 1400 companies with exploration budgets exceeding US\$100 000.

The MEG 2005 survey shows that Australia's share of global exploration budgets fell to a new record low of 13%. This is a 30% fall from about 19% in 1999 and is well below our 19–20% historic average. While the 2005 global mineral exploration budget rose by 38% over 2004, the overall Australian budget rose by only 17%.

On a regional basis, Australia was again ranked fifth of seven after Latin America, Canada, Africa and the Rest of the World (figure 2). Canada remained the leading nation for the third year running, having displaced Australia from that position in 2002 and widened its lead in the 2005 survey.

The decline in Australia's share of world mineral exploration reflects the fact that minerals exploration is a global business in which Australia competes with other countries that also have rich mineral endowments.

Gold exploration budgets again exceeded those for base metals in dollar terms but base metals exploration budgets showed the greatest dollar increases in 2005. Copper exploration budgets increased substantially but the real standouts are the zinc exploration budget which increased about 90% and the nickel exploration budget which increased by almost 65%.

Late-stage exploration continues to be important in the current exploration cycle as companies work to bring projects to production to take advantage of the current high metals prices. The total budget for late-stage exploration (including feasibility work) was slightly higher than total grassroots exploration budgets.

According to the MEG survey, approximately 59% of the 2005 exploration budgets of Australian-based companies was for mineral exploration in Australia. The survey included 266 Australian-based companies with non-ferrous mineral exploration budgets of more than US\$100 000 that were exploring in Australia. Budgets for Australian exploration were strongly directed to gold (US\$331.4 million, 54%) which was 2% higher than in 2004.



Australian mineral exploration increases

Australia Bureau of Statistics (ABS) data for the 2004–05 financial year shows total mineral exploration expenditure of \$1028.3 million. This is a 28% increase on 2003–04 figures and 49% on the low point of 2001–02, but is still 25% below the 1996–97 peak in real terms.

The steady rise in expenditure (figure 3) has been driven by a marked increase in demand for minerals, notably from China, and high metal prices—with most at or near 15 to 20-year highs. Improvements in the global economic market and high prices for mineral commodities have resulted in substantial improvement in the economic performance of the resources sector.

Spending increased in all jurisdictions except Victoria, where a minor fall occurred. Western Australia was the leader, attracting \$606 million, an increase of 30% on 2003–04. It was followed by Queensland where spending rose by 32.9% to \$166.4 million and New South Wales where spending rose by 45.7% to \$73.6 million. Spending in South Australia rose by 60.4% to \$66.9 million and in the Northern Territory (up by 30.8%) to \$55.6 million. Tasmania recorded a 10.7% increase to \$8.5 million. Victorian exploration spending fell by 3.7% to \$51.5 million.

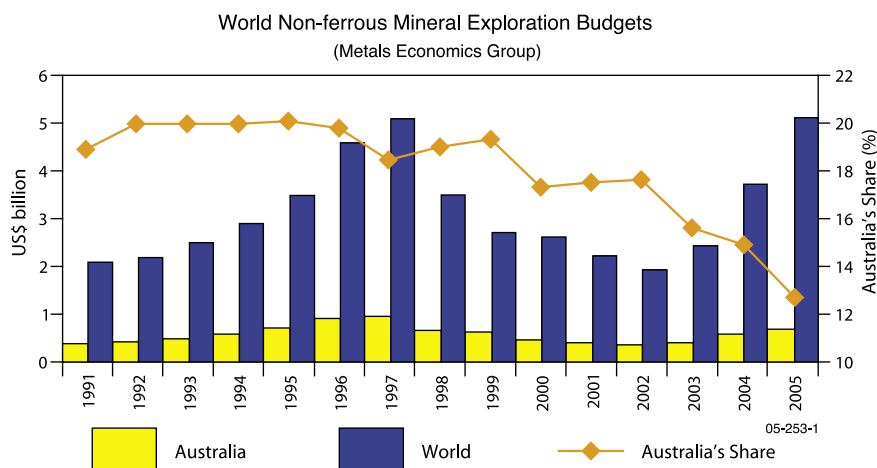


Figure 1. Global non-ferrous metal exploration budgets for 2005 together with Australian non-ferrous metal exploration budget and Australia's share of global mineral exploration budgets for the period 1991 to 2005. Source: Metals Economics Group Corporate Exploration Strategies.

Gold

The strong growth in exploration expenditure in 2004–05 is encouraging but gold exploration has remained flat (declining in real terms) over the past two years. This trend is of concern because:

- for the past 20 years gold has comprised more than half Australia's mineral exploration expenditure
- the resource life for gold is lower than that of any other commodity except diamond.

ABS reported gold exploration spending for 2004–05 was \$391.7 million, a reduction of \$5.4 million over 2003–04. Western Australia was the focus of gold exploration with \$259.6 million (66% of total spending).

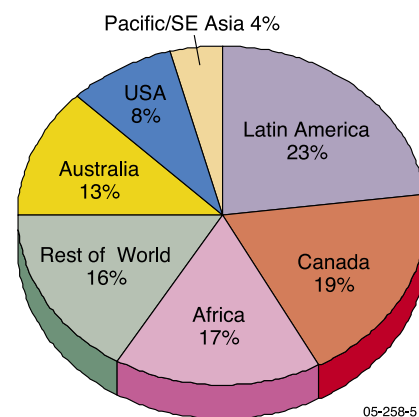
Other metals

Copper exploration spending for 2004–05 was \$71.3 million, an increase of \$33.5 million (89%) over 2003–04. An increase in spending in South Australia of 139% to \$32.7 million saw that state become the principal target for copper.

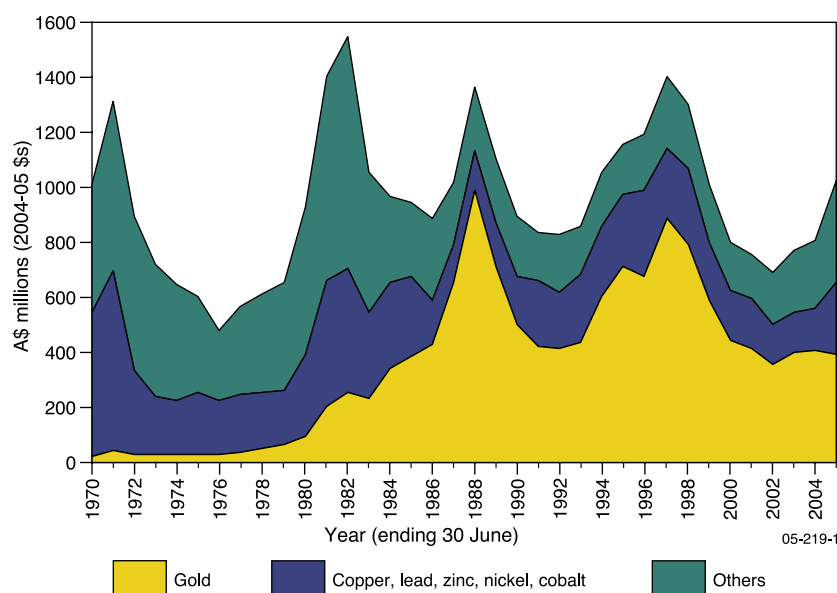
Exploration for nickel in 2004–05 rose by 88% to \$158.6 million with all but \$9.9 million spent in Western Australia. In contrast to the strong growth reported in nickel and copper exploration, spending on zinc, lead and silver exploration rose by only \$1.5 million to \$31.2 million.

ABS reported that spending on exploration for iron ore more than doubled in 2004–05 to \$138 million, of which \$136.9 million was spent in Western Australia and \$0.9 million in the Northern Territory.

In 2004–05, ABS reported that exploration drilling totalled 6.78 million metres, an increase of 1.1 million metres (19%) from 2003–04. Of that total, 2.78 million metres was drilled in search for new deposits, accounting for 41% of all exploration drilling (a substantially smaller share than the 47% recorded the previous year).



▲ **Figure 2.** Distribution of world non-ferrous metal exploration budgets in 2005, as reported by the Metals Economics Group.



◀ **Figure 3.** Australian mineral exploration expenditure 1970–2004 in constant 2004–05 dollars, based on Australian Bureau of Statistics data deflated by the Consumer Price Index.

Favourable outlook for exploration

Mineral exploration in Australia continued to recover in the past year; however, as illustrated by the MEG data, it is growing at slower rate than in many other parts of the world. Persistent high gold and metal prices and continuing strong demand for metals and bulk mineral commodities such as iron ore and coal, particularly from China, are driving the growth.

In the longer term, demand for base metals and bulk commodities will primarily depend on the rate and extent of economic growth in China, the strength of the US economy and the impact of high oil prices on the international economy.

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