

5 November 2008

The Hon Martin Ferguson AM, MP  
Minister for Resources and Energy; and Tourism  
PO Box 6022  
House of Representatives  
Parliament House  
Canberra ACT 2600

PO Box 6337, EAST PERTH  
Western Australia 6892  
Telephone: 1300 738 184  
Facsimile: 1300 738 185  
E-mail: [info@amec.org.au](mailto:info@amec.org.au)

**INTERNATIONAL**  
Telephone: +61 8 9225 4399  
Facsimile: + 61 8 9221 9377

Dear Minister,

**Proposal to Introduce Flow-Through Shares (FTS) in Australia**

The attached self explanatory joint industry submission, which has been supported by the major minerals stakeholder organisations, is presented for your urgent consideration.

The submission follows Labor's *Plan for a Stronger Resources Sector - Election 2007*, and the specific policy commitment to "*Promote investment in exploration by allowing the selective use of flow through shares schemes for smaller operators in the gas, oil and mineral exploration industries*".

Mining industry stakeholders and government departmental representatives have held several discussions and attended meetings to discuss the development of an appropriate FTS model that would meet the Government's objective and address the structural impediments and distortions facing junior exploration companies in raising capital for new and increased levels of exploration investment. These 'market failures', not market myopia, are the tax asymmetries that deny companies with insufficient taxable income the full benefit of immediate deductibility of exploration expenses, and the 'crowding out' effects of Government policies and programs designed to assist aspects of the small venture capital market, unsuited to junior explorers.

An FTS, comparable to that operating in Canada, would enable the transfer of deductions of individual exploration companies to individual investors. In this, the tax deduction of the exploration expenditure is leveraged in the capital markets in the subject year, attracting external investors rather than being accumulated as tax losses, which will only be realizable when the company earns a taxable income.

The imperative for an efficient and effective counter to the market failures disadvantaging junior explorers is compounded by the current circumstances in capital and product markets.

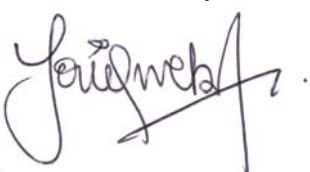
Industry therefore recommends that the FTS be implemented for commencement on 1 July 2009.

Whilst the implementation of an FTS is the industry's overriding and immediate request of Government, it also strongly encourages Government to consider broader strategies to stimulate mineral exploration in Australia.

AMEC has facilitated the preparation of this joint submission and would be pleased to continue in that role. Should any queries arise with the submission please do not hesitate to contact Graham Short, National Manager – Advocacy and Public Affairs.

In the meantime, we await your urgent advice on the outcome of this submission.

Yours faithfully,



Sonia Webster  
Acting Chief Executive

cc The Hon Kevin Rudd, Prime Minister  
cc The Hon Wayne Swan, Treasurer

