

Guideline 6 – Minimum and Admissible Expenditure

1 Expenditure Report

An *Expenditure Report* is to be submitted annually to the Department of Primary Industry and Resources by the holder of an EL, ELR or ML under Section 94(2)(b) of the *Mineral Titles Act* (the Act) and Regulation 81 of the *Mineral Titles Regulations* (the Regulations). This guideline describes admissible expenditure for EL, ELR and ML titles under the Act and also provides an indication of acceptable minimum expenditure for the first two operational years of an exploration licence.

The *Expenditure Report* will also include proposed expenditure for the following reporting year. Whilst years 1 and 2 of an exploration licence will be subject to minimum expenditure amounts, proposals for years 3 and beyond should support a work program that considers the following factors:

- existing geological knowledge and general prospectivity of the area
- the guiding geological model
- the long term exploration strategy
- the relevance of exploration activities to the targeted mineralisation
- minimum standards required for resource classification
- commodity price and exchange rate trends
- size, location, terrain and physical access to the mineral title.

If the department deems the proposed expenditure to be unacceptable in light of the above factors the title holder will be required to submit a revised *Expenditure Report*.

Only expenditure relating to reported mineral exploration information undertaken with the expectation that the information will be publicly released can be claimed. Expenditure reporting should relate to geoscientific surveys, drilling programs and technical studies and investigations described in the *Annual Report*. Individual *Expenditure Reports* will remain confidential although summary information may be made available by the department.

2 Acceptable minimum expenditure

The application of minimum expenditure amounts for the **first two operational years** of an exploration licence provides an indication of possible minimum acceptable expenditure for a title. Title holders must nominate realistic and practical work programs and proposed expenditure levels that reflect the maturity of the title and the knowledge of and type of resource. Work programs should be designed to actively progress the potential discovery and assessment of minerals in the title area.

Although the acceptable minimum expenditure amount is not fixed, a title holder must have regard to this Guideline when nominating proposed expenditure amounts. It is the title holder's responsibility to ensure that the title remains in good standing otherwise penalties may be applied, including a forced reduction in size of the title area.

Title holders will be expected to nominate an amount, referred to as the covenant, for each 12 month operational reporting period. The nominated amount for the first two operational years would usually be in excess of the indicative minimum expenditure amounts listed below. If the actual expenditure is less than the covenant amount, the title holder must apply for a Variation of Covenant (VOC) to continue to keep the title in good standing.

Indicative Minimum Expenditure for Exploration Licences:

Year One	\$10,000 plus \$ 150 per block
Year Two	\$10,000 plus \$ 250 per block

3 Explanatory notes for expenditure reports

The intention of expenditure reporting is to capture and monitor mineral exploration costs directly attributable to the acquisition of reportable geoscientific data.

An applicant for an exploration licence must include the proposed expenditure for years' one and two in the application. An existing title holder must submit an *Expenditure Report* showing expenditure for the completed reporting period and a nominated minimum expenditure amount for the upcoming reporting period. Any variation to a title's proposed minimum expenditure must be approved by the department prior to the commencement of the operational year.

The *Expenditure Report* is to be submitted using Approved Form 17.

An *Expenditure Report* is required with an *Annual Report* or a *Final Report*. An *Expenditure Report* is not required with a *Partial Relinquishment Report*.

A title ceased through surrender or expiry requires a *Final Expenditure Report* covering the period from the last *Expenditure Report* to the ceased date.

A description of work undertaken is required for each admissible expenditure category quantifying the work done (eg number of stations, samples, drill holes etc.) and the total amount spent in each category. Details of requirements for submission of the form, including formats and lodgement details are provided in *Guideline 7 - Reporting on Mineral Titles*.

4 Admissible expenditure categories

Following is a list of admissible expenditure categories for mineral title activities.

- Geological activities and prospecting
- Geochemical activities
- Geophysical and remote sensing activities
- Drilling
- Bulk sampling and earth works
- Rehabilitation
- Pre-feasibility including metallurgical and environmental
- Office studies
- Land access
- Overheads (a maximum of 15% of the total of all other admissible expenditures)
- Preliminary exploration

Expenditure relating to data acquisition can only be claimed if the data is supplied to the department in the format advised in *Guideline 7 - Guidelines for Reporting on Mineral Titles* and the right to redistribute the data is clearly stated in the annual or *Final Report*.

If an admissible expenditure category is not relevant to the reporting period activities, insert "not applicable" in the appropriate section of Approved Form 17.

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A description of accepted activities for each admissible expenditure category appears below.

a. Geological activities and prospecting

Geological mapping, core logging, geological sample description, petrology, geological data processing, basic interpretation and expenses associated with conducting these activities on the mineral title.

General prospecting including metal detecting, loaming, panning, sampling, dollying and dry-blowing.

Specify and quantify all activities undertaken, eg hours spent mapping on the title, or 300 m of diamond core logged and cross-sections prepared, or 15 samples prepared for petrology and analysed in-house.

Include only salaries and wages directly related to 'on ground' tasks. Conceptual targeting or desktop studies are to be included in Office Studies category.

b. Geochemical activities

Geochemical sampling, analysis of surface and subsurface geochemical samples, handheld XRF assays, PIMA or hyperspectral studies on rock samples, mineral separation, mineralogy and analysis of diamond indicator minerals or other minerals, geochemical data processing and interpretation, isotopic studies, age dating and metallurgical testing.

Specify the number of samples collected and/or assayed, eg 205 rock chip samples were collected and measured with handheld XRF, 180 samples sent for ICP-MS analysis.

c. Geophysical and remote sensing activities

Ground based geophysical surveys, scintillometer surveys, track etch surveys, downhole logging, geophysical data processing and interpretation.

Airborne geophysical activities including aerial hyperspectral surveys, aerial survey costs, geophysical data processing and interpretation.

Includes hire of specific vehicle/plane/helicopter and running costs for the actual survey.

Purchase or acquisition and interpretation of remotely sensed data, satellite imagery, aerial photographs.

Specify the number of data points, grid spacing or flight line kilometres, orientation, height, eg Spot imagery was purchased and registered, or 2000 line km of magnetics and radiometric data was acquired at 400 m line spacing.

d. Drilling

All forms of drilling except pre-blast drilling, including exploration and grade-control drilling, underground, water bores, pre-collars, sterilisation, drill pad access tracks, drill site preparation and gridding.

Specify the type of drilling, metres drilled and number of holes. If non-exploration drilling, specify type (eg sterilisation, water bores). Specify number of metres gridded or number of drill pads prepared eg 12 RAB holes were drilled for a total of 605 m and 5 km of gridding and 12 drill pads were prepared.

e. Bulk sampling and earth works

Plant and equipment hire, fuel and consumables used under this title for costeaning, trenching and bulk sampling. Include all other substantial earthwork expenses.

Specify the tonnes excavated or moved, or length and depth of trenches, eg 100 m trenched to a depth of 1 metre.

Note that sampling costs and analysis of those samples taken from trenches or costeans should be reported under category C. Geochemical Activities.

f. Rehabilitation

Rehabilitation costs of drill holes, drill pads, grid lines, trenches.

Specify the number of holes, length of tracks and how they were rehabilitated, eg 18 drill holes were plugged and drill pads ripped by grader, or 50 km of grid lines were ripped by a grader and previously collected top soil redistributed.

g. Pre-feasibility including metallurgical and environmental

Feasibility and pre-feasibility studies, environmental studies, mine planning, engineering and design studies, if supplied to the department and able to be publicly released within five years (any Corporate-in-Confidence material must not be supplied and is deemed non-admissible expenditure).

h. Office studies

Non-field geoscientific studies such as research, literature and desktop studies, report preparation, map production, planning of exploration programs and conceptual targeting studies.

i. Land access

Post grant costs, such as AAPA certificates, to permit access to the title for the purpose of acquiring reportable geoscientific data. This category does not include cost for negotiations or agreements in general. Land Council agreement costs, legal fees and royalties are non-admissible.

j. Overheads (to a maximum of 15% of the total of a to h above)

Administrative activities such as office costs and tenement management fees.

Field supplies and support - general exploration equipment not specific to a given survey, consumables, plant and equipment hire/fuel/oil of general use vehicles for geologists or field staff used on this title, depreciation of direct exploration equipment if used on this title.

Field camp activities – running costs of an exploration base camp including accommodation, food and other costs not attributable to a specific mineral title.

Travel and accommodation - only those costs directly associated with mineral exploration activities conducted on the mineral title. This excludes marketing and road shows.

k. Preliminary exploration

Regulation 81(3) states that “for the first operational year of an EL the title holder may also include in the expenditure report details of any amount, as specified in an airborne survey report, expended by the title holder on an approved airborne survey of land now in the title area of the EL”. Pre-grant ground based surveys are also admissible provided they are conducted within the 12 months prior to the grant date and all data is provided to the department in accordance with Guideline 7.

5 Non-admissible Expenditure (ie expenditure that cannot be claimed)

- Land council agreement costs, legal fees, royalties
- Rent for titles
- Fines and late lodgement fees
- Insurance
- Transfer costs
- Marketing (either for the title or the commodity)
- Company prospectus
- Title search
- Costs of transfers, dealings or JVs
- Costs of reporting to a stock exchange
- Legal costs
- Costs of floating a company
- Bond /security deposit
- Advertising
- Training not directly related to this title
- Data capture where the data are not supplied to the department in the correct format or with the right to redistribute
- Purchase of data or reports where these are not supplied to the department in the correct format or with the right to redistribute
- Corporate-in-confidence material must not be supplied and cannot be claimed
- Mining Remediation Levy
- Salaries and Wages of staff not engaged on activities related to the title