Junior Minerals Exploration Incentive - 2018-19 Annual Impact Assessment

October 2023

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# 1. Introduction

The Junior Minerals Exploration Incentive (JMEI) commenced in 2018. The JMEI aims to increase the amount of investment in junior minerals exploration companies[[1]](#footnote-2) to support more greenfields exploration[[2]](#footnote-3) activity in Australia.

Exploration and discovery of new mineral resources is vital to the Australian economy. It often involves significant expenditure and risks. Larger, established mining companies are generally able to fund exploration activities from their own profits. However, smaller companies focusing solely on exploration are dependent on attracting investment to fund their activities. Smaller companies are also more likely to engage in more speculative minerals exploration in greenfields areas rather than focusing on the development of existing resources.[[3]](#footnote-4)

The JMEI was initially allocated $100 million, capped over four years from 2017–18. The 2021-22 Budget provided an additional $100 million in fiscal balance terms to extend the JMEI for a further four years until June 2025.

The JMEI allows junior minerals exploration companies to generate tax credits. Companies can choose to give up a portion of their income tax losses from greenfields exploration expenditure in an income year. JMEI works on a pre-approval basis and broadly operates as follows:

1. Junior minerals exploration company applies to the Commissioner of Taxation (‘Commissioner’) for an allocation of available exploration credits (‘JMEI round’);
2. Commissioner allocates exploration credits on a first-come first-served basis;
3. Junior minerals exploration company raises capital on the market (e.g. via the Australian Securities Exchange (ASX));
4. Junior minerals exploration company uses the funds raised to conduct exploration activity (i.e. greenfields minerals expenditure). It generally has two years including the year in which it raises the capital to use the funds for exploration activity;
5. Junior minerals exploration company creates exploration credits based on their income tax loss and greenfields minerals expenditure for the year;
6. Junior minerals exploration company issues these exploration credits to investors who contributed to the capital raising. This effectively converts the tax losses of the junior explorer into tax offsets for the investors (for Australian tax residents).

Section 418-190 of the *Income Tax Assessment Act 1997* (the ITAA 1997) requires an impact assessment of the additional exploration or prospecting attributable to the JMEI round. Impact assessments must be conducted for each of the 2017-18, 2018-19, 2019-20 and 2020-21 income years, and must be conducted as soon as practicable after the end of each income year covered by a JMEI round. Each impact assessment must make provision for public consultation, including consultation with the industry.

The ITAA 1997 further requires that each impact assessment must produce a report. The report must include any information made publicly available by the Commissioner of Taxation under section 3F of the *Taxation Administration Act 1953* (the TAA 1953) in relation to exploration credits allocated for the income year.

There is a lag in data collection for each round of the JMEI. Although participants have one year to raise capital, they have two years to incur eligible greenfields minerals exploration expenses. Participants need to have lodged their income tax return and have been assessed before they can create and issue credits to eligible investors and subsequently report to the ATO. This report satisfies the legislative requirements for the 2018-19 income year impact assessment.

A copy of the 2017-18 impact assessment can be found at: <https://www.industry.gov.au/publications/junior-minerals-exploration-incentive-2017-18-annual-impact-assessment>.

# 2. Key program data

The full amount of exploration credits available for allocation for the 2018-19 round was $31,532,069:

* $25,000,000 available exploration credits for the 2018–19 income year round.
* $6,532,069 unallocated credits carried forward from the 2017-18 income year round.

The 2018-19 year was over-subscribed. In total 63 companies submitted applications to the Commissioner of Taxation under this round, of which 46 were successful. The 17 unsuccessful applications were due to the annual cap being reached. This is consistent with the first-come, first-served design of the incentive. The full amount of exploration credits totalling $31,532,069 were allocated in the 2018-19 round to these 46 companies. This information is summarised in Table 1.

Table 1: JMEI applications and exploration credits allocated.

|  |  |
| --- | --- |
| Income Year | 2018-19 |
| Participation forms submitted | 63 |
| Participation forms successful | 46 |
| Annual exploration credits cap[[4]](#footnote-5) | $25,000,000 |
| Unallocated credits carried forward from prior year (2017-18) | $6,532,069 |
| Exploration credits plus any carry forward | $31,532,069 |
| Credits allocated to successful participants | $31,532,069 |
| Exploration credits remainder[[5]](#footnote-6) | $0 |

*Source: Australian Taxation Office.*

The application period for applying for JMEI credits in the 2018-19 round is shown in Table 2.

Table 2: Application period.

|  |  |  |
| --- | --- | --- |
| Income Year | Application period opened | Application period closed |
| 2018-19 | 9.00am AEST on 1 June 2018 | 11:59pm AEST on 30 June 2018 |

*Source: Australian Taxation Office*

The annual exploration credit cap and credits that have been allocated, carried forward and added by regulation for the first four years of JMEI’s operation are shown in Table 3.

Table 3: Overview of JMEI credits over the first four years.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Income Year | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| Annual exploration credit cap | $15,000,000 | **$25,000,000** | $30,000,000 | $30,000,000 |
| Credits carried forward | $0 | **$6,532,069** | $0 | $5,000,000[[6]](#footnote-7) |
| Credits plus carry forward | $15,000,000 | **$31,532,069** | $30,000,000 | $35,000,000 |
| Credits allocated | $8,467,931 | **$31,532,069** | $30,000,000 | $35,000,000 |
| Credits remainder | $6,532,069 | $0 | $0 | $0 |

*Source: Australian Taxation Office*

## 2.1 Reporting requirements by the Commissioner

Section 3F of the TAA 1953 requires that the Commissioner make publicly available information on entities that have been allocated exploration credits in an income year relating to the ABN and name of the entity, and the amount of exploration credits allocated to the entity for the income year. Information on the 2018-19 round is provided at Table 4.

Table 4: Junior Minerals Exploration Incentive 2018-19 round – Successful Applicants.

| Name | ABN | Allocation ($) |
| --- | --- | --- |
| Accelerate Resources Limited | 33617821771 | 600,000 |
| Alchemy Resources Limited | 17124444122 | 330,000 |
| Alligator Energy Ltd | 79140575604 | 467,500 |
| Alloy Resources Limited (*now Strickland Metals Limited*) | 20109361195 | 756,250 |
| Apollo Consolidated Limited | 13102084917 | 580,250 |
| Archer Exploration Limited (*now Archer Materials Limited*) | 64123993233 | 390,000 |
| Auris Minerals Limited | 77085806284 | 825,000 |
| Ballista Resources Limited | 49626158352 | 390,000 |
| Black Cat Syndicate Limited | 63620896282 | 687,500 |
| Bryah Resources Limited | 59616795245 | 550,000 |
| Chalice Gold Mines Limited (*now* *Chalice Mining Limited*) | 47116648956 | 1,375,000 |
| Coolabah Minerals Pty Ltd | 91625587555 | 1,200,000 |
| Core Exploration Limited (*now Core Lithium Ltd*) | 80146287809 | 1,375,000 |
| Devex Resources Limited | 74009799553 | 646,250 |
| Emmerson Resources Limited | 53117086745 | 809,600 |
| Encounter Resources Limited | 47109815796 | 1,237,500 |
| Estrella Resources Limited | 39151155207 | 550,000 |
| Hammer Metals Limited | 87095092158 | 275,000 |
| Impact Minerals Limited | 52119062261 | 825,000 |
| Investigator Resources Limited | 90115338979 | 687,500 |
| Jindalee Resources Limited | 52064121133 | 515,625 |
| Kalamazoo Resources Limited | 33150026850 | 412,500 |
| King River Copper Limited (*now King River Resources Limited*) | 67100714181 | 1,058,750 |
| Liontown Resources Limited | 39118153825 | 1,127,500 |
| Marmota Limited | 38119270816 | 541,107 |
| Maximus Resources Limited | 74111977354 | 123,750 |
| Metals Australia Limited | 38008982474 | 137,500 |
| Minotaur Exploration Limited | 35108483601 | 581,607 |
| Monax Mining Limited (*now Auteco Minerals Ltd*) | 96110336733 | 137,500 |
| Navarre Minerals Limited | 66125140105 | 1,576,603 |
| Northern Cobalt Limited (*now* *Resolution Minerals Ltd*) | 99617789732 | 1,375,000 |
| PNX Metals Limited | 67127446271 | 275,000 |
| Prodigy Gold NL | 58009127020 | 1,576,603 |
| Queensland Energy & Minerals Pty Limited (*now QEM Limited*) | 13167966770 | 82,500 |
| Riversgold Limited | 64617614598 | 550,000 |
| Sabre Resources Limited | 68003043570 | 220,000 |
| Serena Minerals Limited | 49158164204 | 803,000 |
| Sipa Resources Limited | 26009448980 | 550,000 |
| Spitfire Materials Limited (*now Bardoc Gold Limited*) | 40125578743 | 412,500 |
| St George Mining Limited | 21139308973 | 1,265,000 |
| Stavely Minerals Limited | 33119826907 | 1,576,603 |
| Syndicated Metals Ltd (*now* *Discovex Resources Limited*) | 61115768986 | 220,000 |
| Traka Resources Limited | 63103323173 | 206,071 |
| Tychean Resources Limited (*now Dreadnought Resources Ltd*) | 40119031864 | 412,500 |
| Venus Metals Corporation Limited | 99123250582 | 687,500 |
| White Cliff Minerals Limited | 22126299125 | 550,000 |
|  | **Total** | **31,532,069** |

*Source: Data.gov.au.*

Compared to the previous round, in the 2018-19 income year, the number of successful applicants doubled from 23 to 46, and credits allocated more than tripled from $8.5 million to $31.5 million (see Table 5 below). This result reflects some key differences between the two rounds.

For 2017-18 income year, legislation establishing the JMEI only passed Parliament in late March 2018 and the closing date to apply for an allocation of credits was 15 May 2018. Accordingly, companies only had around a month to raise capital in the 2017-18 income year. Whereas for the 2018-19 JMEI round, the closing date to apply for an allocation of credits was 30 June 2018 and companies had close to a year to raise capital in the 2018-19 income year.

There were also significantly more credits available in the 2018-19 income year, noting that over $6.5 million credits unallocated (undersubscribed) from 2017-18 were carried over to the 2018-19 income year. When added to the $25 million credits originally available for the 2018-19 income year, this resulted in $31.5 million credits being available for allocation in the 2018-19 income year. That is, around double the $15 million in credits originally available for allocation in 2017-18. A further factor is that JMEI participants may have had an increased awareness of the JMEI in its second year of operation.

Table 5: Allocations 2017-18 income year and 2018-19 income year.

|  | 2017-18 income year | 2018-19 income year |
| --- | --- | --- |
| Successful applicants | 23 | 46 |
| Annual exploration credit cap | $15,000,000 | $25,000,000 |
| Exploration credits plus any carry forward | $15,000,000 | $31,532,069 |
| Credits allocated to successful participants | $8,467,931 | $31,532,069 |
| Minimum allocation | $2,750 | $82,500 |
| Maximum allocation | $750,000 | $1,576,603 |
| Allocation ≤ $499,999 | 17 | 16 |
| Allocation $500,000 to $999,999 | 6 | 19 |
| Allocation ≥ $1 million | 0 | 11 |

*Source: Australian Taxation Office.*

## 2.2 Reporting requirements by applicants to the Commissioner

In addition to the lodgement of income tax returns, there are three reporting requirements for entities participating in JMEI:

* **ATO notification form for the issue or expiry of exploration credits** – companies participating in JMEI must notify the Commissioner of the amount of exploration credits issued or expired in an income year using this form.
* **ATO Annual Investment Income Report (AIIR)** – this report collects details of investors who received JMEI exploration credits from companies participating in JMEI. The AIIR is a general ATO report, separate to the JMEI regime, requiring investment bodies to notify their investors’ investment income in certain circumstances.
* **ATO excess exploration credit tax return** – this return is required where a company has distributed exploration credits in excess of their eligible amount.

Further detail on these reporting processes for the 2018-19 JMEI round is provided below.

### 2.2.1 Notification of the issue or expiry of exploration credits

Of the total 46 successful applicants, the ATO received 26 notification forms relating to the issue or expiry of exploration credits for the 2018-19 round (see Table 6 below). Of these, 18 forms lodged notified that exploration credits had been issued to investors. The remaining 8 forms lodged notified that no exploration credits had been issued to investors.

Some of the reasons why successful applicants may not lodge notification forms include:

* Entities participating in JMEI are not required to lodge a notification form if they did not meet the legislative criteria to be able to create exploration credits for an income year. For example, they did not incur greenfields minerals expenditure in the 2018-19 income year.
* Entities elected not to create any exploration credits. For example, entities instead elected to retain their tax losses.
* Entities were unable to raise any capital, or they have ceased operations during the 2018-19 income year.

Twenty participants that successfully received an allocation of credits have not lodged the notification form. Through its compliance program, the ATO will seek to gain assurance that the legislative requirements of JMEI are met, including the reporting, lodging and notification requirements.

Table 6: Notification Forms received by ATO for 2017-18 and 2018-19 rounds.

|  | 2017-18 income year | 2018-19 income year |
| --- | --- | --- |
| Applications received | 25 | 63 |
| Unsuccessful applicants | 2 | 17 |
| Successful applicants | 23 | 46 |
| Of the successful applicants: |  |  |
| (a) Notification forms received | 12 | 26 |
| (b) Applicants who lodged Notification Forms but did not issue credits | 4 of 12 (33%) | 8 of 26 (31%) |
| (c) Applicants who lodged Notification Forms and issued credits | 8 of 12 (67%) | 18 of 26 (69%) |

*Source: Australian Taxation Office.*

### 2.2.2 Annual Investment Income Report (AIIR) lodgements

Investment bodies including financial institutions and public companies are required to lodge an Annual Investment Income Report (AIIR) with the ATO if they meet certain criteria. Entities participating in JMEI are not required to make the relevant JMEI disclosures in the AIIR if they did not meet the legislative criteria to be able to issue exploration credits to investors (i.e., raise capital subsequent to the exploration credits allocation, and conduct exploration).

The AIIR provides the following details with respect to investors who have received JMEI exploration credits:

* Type of investor (company, trust, individual, superfund)
* Residency status of investor (resident or non-resident).

The AIIRs for the 2018-19 income year were due for lodgement on 31 October 2020. In total, 12 participants under the 2018-19 round of JMEI lodged AIIRs with the ATO. Based on those AIIR lodgements, JMEI credits to the value of $7,779,336 were distributed to investors in 2018-19. JMEI credits distributed to investors in 2018-19 involving mainly individual and company investors (in terms of amount) are shown in Table 7 below.

Table 7: Amount of JMEI credits distributed to investors in 2018-19 income year.[[7]](#footnote-8)

|  |  |
| --- | --- |
| Entity type | Amount |
| Company | $3,953,943 |
| Individual | $2,251,337 |
| Superannuation | $955,111 |
| Trust | $612,594 |
| Other | $6,351 |
| Grand Total | **$7,779,336** |

*Source: Australian Taxation Office.*

Per the AIIR lodgements, 2,632 investors indicated they were Australian residents and received a total of $7,539,831 of JMEI credits. This is an increase from the 1,128 investors receiving $3,163,488 JMEI credits in the 2017-18 round. 53 of the investors indicated that they were non-residents and received a total of $239,505 of JMEI credits. As a result of these credits being issued to non-resident investors, they were therefore unable to claim them as tax offsets.

### 2.2.3. Excess exploration credit tax return

The ATO have not received any excess exploration credit tax returns for the 2018-19 JMEI round. If entities participating in JMEI did not distribute exploration credits in excess of their eligible amount, they are not required to lodge an excess exploration credit tax return. The ATO will seek, through its compliance program, to review selected JMEI participants to check that any exploration credits were distributed in line with legislative requirements.

# 3. Additional exploration or prospecting attributable to JMEI for the 2018-19 round

Under JMEI, participants are required to successfully raise capital in order to issue JMEI credits. Of the 46 successful participants in the 2018-19 round, 38 participants raised a combined $125,380,613[[8]](#footnote-9) in capital following receipt of their exploration credit allocation. This is an increase over the previous 2017-18 round where 12 of 23 successful participants raised $12.2 million. The remaining eight participants that received an allocation in the 2018-19 round from the Commissioner did not raise any capital in the 2018-19 income year.

During the 2018-19 income year, JMEI participants raised over $125 million in capital for investment in greenfields minerals exploration, 2,632 Australian investors receiving a total of $7,539,831 of JMEI credits. Given data limitations and the variety of factors that influence an entity’s ability to raise capital for exploration or prospecting, it is not possible to quantify the additional exploration or prospecting directly attributable to participation in the JMEI. However, demand amongst junior exploration companies through the 2018-19 JMEI round was strong.

# 4. Public consultation

The public consultation for the 2018-19 round opened on 16 September 2021 and closed on 27 October 2021. The discussion paper for that consultation is on the Department’s website: <https://consult.industry.gov.au/junior-minerals-exploration-incentive>. Two submissions were received, both from JMEI participants.

The public consultation posed two questions to participants:

1. To what extent did the 2018-19 income year round of the Junior Minerals Exploration Incentive generate additional exploration or prospecting activity?
2. Apart from the data presented, what other evidence is available to assess the impact of the 2018-19 income year round of the Junior Minerals Exploration Incentive on exploration or prospecting activity?

## 4.1 Stakeholder feedback

One participant stated that the JMEI makes it easier to raise funds for exploration, allowing explorers to expand exploration efforts. For example, to drill-test more targets.

General comments were provided by the two participants regarding the allocation of exploration credits. One participant suggested that tax credits should be proportionately allocated to eligible applications received on the same day, rather than first-in time. Another observation was that the ‘first-come first-served’ approach is not ideal as they did not receive a credit allocation.

1. To participate in the JMEI a greenfields mineral explorer company must be a disclosing entity under section 111AC of the *Corporations Act 2001*. To ensure the JMEI is confined to junior explorers, it excludes companies that have commenced resources production and companies connected or affiliated with an entity that has commenced resources production. [↑](#footnote-ref-2)
2. For the purposes of the JMEI, eligible greenfields exploration must be undertaken in an area that has not been identified as containing a mineral resource that is at least inferred in a Joint Ore Reserve Committee (JORC) Code report or other prescribed document. [↑](#footnote-ref-3)
3. Source: S&P Global Market Intelligence [↑](#footnote-ref-4)
4. S 418-103(1) *ITAA 1997* [↑](#footnote-ref-5)
5. S 418-103(2) *ITAA 1997* [↑](#footnote-ref-6)
6. In February 2020, the Income Tax Assessment Amendment (Exploration for Minerals) Regulations 2020 added $5 million of unused exploration credits from the 2017-18 income year to the 2020-21 income year. [↑](#footnote-ref-7)
7. This dataonly accounts for the AIIR lodgements received by the ATO. [↑](#footnote-ref-8)
8. Source: Australian Taxation Office. [↑](#footnote-ref-9)