



Australian Government
Department of Industry,
Science and Resources

Junior Minerals Exploration Incentive - 2018-19 Annual Impact Assessment

October 2023

Copyright

© Commonwealth of Australia 2023

Ownership of intellectual property rights

Unless otherwise noted, copyright (and any other intellectual property rights, if any) in this publication is owned by the Commonwealth of Australia.

Creative Commons licence



Attribution

CC BY

All material in this publication is licensed under a Creative Commons Attribution 4.0 International Licence, save for content supplied by third parties, logos, any material protected by trademark or otherwise noted in this publication, and the Commonwealth Coat of Arms.

Creative Commons Attribution 4.0 International Licence is a standard form licence agreement that allows you to copy, distribute, transmit and adapt this publication provided you attribute the work. A summary of the licence terms is available from <https://creativecommons.org/licenses/by/4.0/>

The full licence terms are available from <https://creativecommons.org/licenses/by/4.0/legalcode>

Content contained herein should be attributed as *Report title, Australian Government Department of Industry, Science and Resources.*

Disclaimer

The Australian Government as represented by the Department of Industry, Science and Resources has exercised due care and skill in the preparation and compilation of the information and data in this publication. Notwithstanding, the Commonwealth of Australia, its officers, employees, or agents disclaim any liability, including liability for negligence, loss howsoever caused, damage, injury, expense, or cost incurred by any person as a result of accessing, using, or relying upon any of the information or data in this publication to the maximum extent permitted by law. No representation expressed or implied is made as to the currency, accuracy, reliability, or completeness of the information contained in this publication. The reader should rely on their own inquiries to independently confirm the information and comment on which they intend to act. This publication does not indicate commitment by the Australian Government to a particular course of action.

Contents

1. Introduction	3
2. Key program data.....	4
2.1 Reporting requirements by the Commissioner	5
2.2 Reporting requirements by applicants to the Commissioner.....	7
2.2.1 Notification of the issue or expiry of exploration credits	7
2.2.2 Annual Investment Income Report (AIIR) lodgements	8
2.2.3. Excess exploration credit tax return	8
3. Additional exploration or prospecting attributable to JMEI for the 2018-19 round	9
4. Public consultation.....	9
4.1 Stakeholder feedback	9

1. Introduction

The Junior Minerals Exploration Incentive (JMEI) commenced in 2018. The JMEI aims to increase the amount of investment in junior minerals exploration companies¹ to support more greenfields exploration² 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

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:

- a) Junior minerals exploration company applies to the Commissioner of Taxation ('Commissioner') for an allocation of available exploration credits ('JMEI round');
- b) Commissioner allocates exploration credits on a first-come first-served basis;
- c) Junior minerals exploration company raises capital on the market (e.g. via the Australian Securities Exchange (ASX));
- d) 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;
- e) Junior minerals exploration company creates exploration credits based on their income tax loss and greenfields minerals expenditure for the year;
- f) 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

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.

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.

³ Source: S&P Global Market Intelligence

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	\$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	\$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.

⁴ S 418-103(1) ITAA 1997

⁵ S 418-103(2) ITAA 1997

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
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 (<i>now Strickland Metals Limited</i>)	20109361195	756,250
Apollo Consolidated Limited	13102084917	580,250
Archer Exploration Limited (<i>now Archer Materials Limited</i>)	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 (<i>now Chalice Mining Limited</i>)	47116648956	1,375,000
Coolabah Minerals Pty Ltd	91625587555	1,200,000
Core Exploration Limited (<i>now Core Lithium Ltd</i>)	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 (<i>now King River Resources Limited</i>)	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 (<i>now Auteco Minerals Ltd</i>)	96110336733	137,500

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.

Name	ABN	Allocation (\$)
Navarre Minerals Limited	66125140105	1,576,603
Northern Cobalt Limited (<i>now Resolution Minerals Ltd</i>)	99617789732	1,375,000
PNX Metals Limited	67127446271	275,000
Prodigy Gold NL	58009127020	1,576,603
Queensland Energy & Minerals Pty Limited (<i>now QEM Limited</i>)	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 (<i>now Bardoc Gold Limited</i>)	40125578743	412,500
St George Mining Limited	21139308973	1,265,000
Stavely Minerals Limited	33119826907	1,576,603
Syndicated Metals Ltd (<i>now Discover Resources Limited</i>)	61115768986	220,000
Traka Resources Limited	63103323173	206,071
Tychean Resources Limited (<i>now Dreadnought Resources Ltd</i>)	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%)

	2017-18 income year	2018-19 income year
(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

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.

⁷ This data only accounts for the AIIR lodgements received by the ATO.

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 \$125,380,613⁸ 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.

⁸ Source: Australian Taxation Office.