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## **MINIMUM EXPENDITURE AND WORK COMMITMENTS ON EXPLORATION LICENCES**

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- The Minister sets a minimum expenditure for each licence year by year.
- The minimum expenditure is that which is needed to carry out a satisfactory program of work on the licence for that year.
- Some exploration programs may cost more than others. For example, it may be expected that drilling for petroleum or geothermal substances will be much more expensive than other mineral exploration drilling.
- The work commitment will be put into the licence document. Explorers are expected to meet the agreed work commitment.
- Where multiple applications are received for the same area under the Exploration Release Area system, the application that is successful may well contain an expenditure commitment which is higher than the competing applications.
- From now on the minimum expenditure for the first two years of the licence will be determined from the licence application.
- Where licence applications are granted over part of an ERA area the minimum expenditure commitment and work program may be set by negotiation between the applicant and MRT.
- Prior to the third and each subsequent year of the licence, the lessee must submit to the Director of Mines an exploration program for that year of the licence. The exploration program as approved by the Director is to be completed during that year of the licence. The minimum expenditure will be based on the proposed exploration program.
- Licences are reviewed annually. The minimum expenditure for the forthcoming year will be stated in the letter sent to a licensee following the annual review of the licence.
- To assist explorers in drawing up a suitable program of works, the following can be used as a guide. If the expenditure which is planned in any one year is less than shown in this table it is likely that there is not a sufficient quantity of work proposed.
  - First year \$200 per km<sup>2</sup>
  - Second year \$300 per km<sup>2</sup>
  - Third year \$500 per km<sup>2</sup>
  - Fourth year \$700 per km<sup>2</sup>
  - Fifth year \$1000 per km<sup>2</sup>
- Licensees may apply for extensions of term beyond the fifth year. These are generally considered on an annual basis. The minimum expenditure and program are set by negotiation between the licensee and MRT.
- The minimum expenditure commitment is to be at least \$10 000 per annum.
- Expenditure reported must be itemised. Only actual costs incurred in exploration work associated with the exploration licence are to be included.
- Administration costs, including licence fees and overheads, should not exceed 10 per cent of annual expenditure.
- Licences can be revoked for failure to complete the agreed work program for that year OR for failing to make the minimum expenditure for that licence in that year.

### **FURTHER INFORMATION**

For further information contact:

Mineral Resources Tasmania  
30 Gordons Hill Road Rosny Park Tasmania  
PO Box 56 Rosny Park Tasmania 7018

Telephone: (03) 6165 4800

Email: [info@mrt.tas.gov.au](mailto:info@mrt.tas.gov.au)

Facsimile: (03) 6233 8338

Internet: [www.mrt.tas.gov.au](http://www.mrt.tas.gov.au)