



Stockbrokers Association of Australia

Crown Promenade, Melbourne

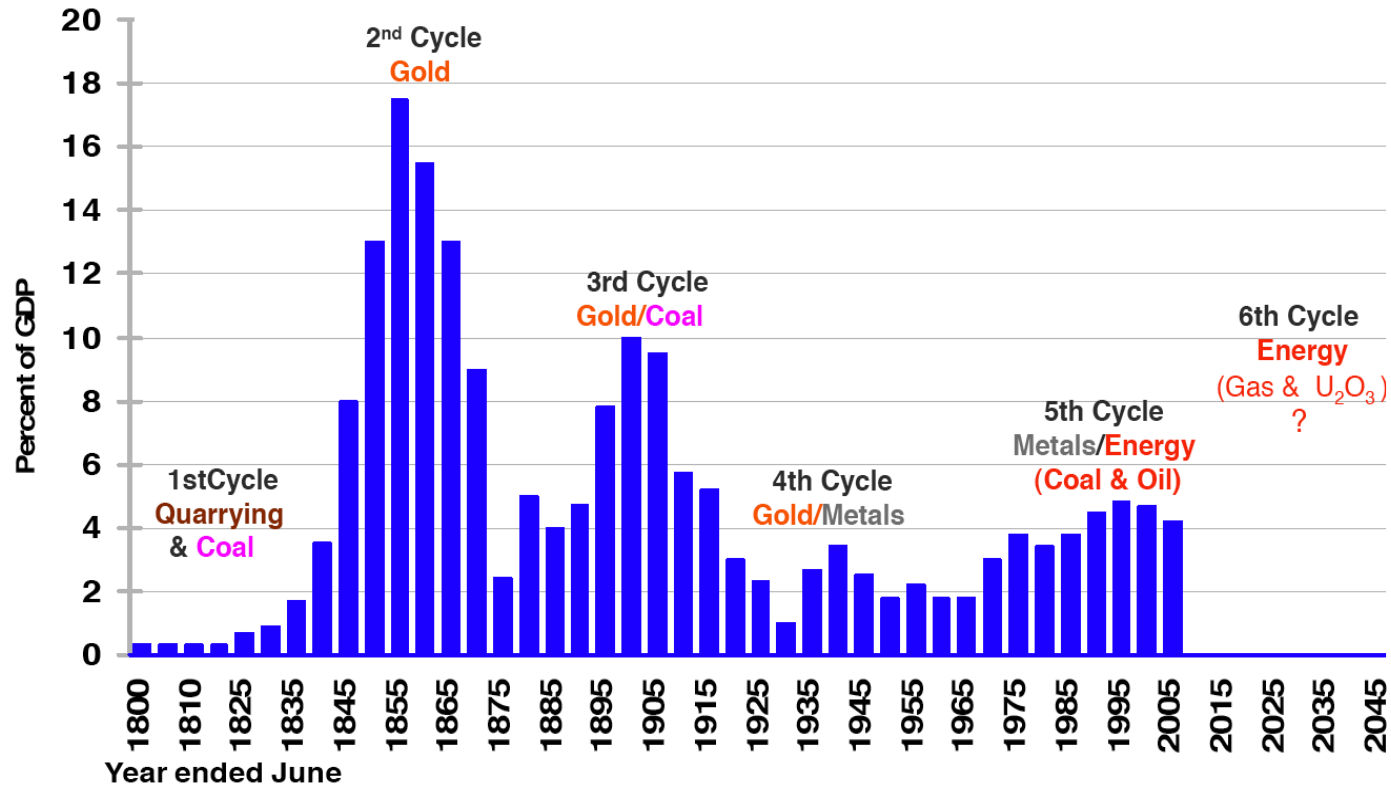
9 June 2010

Keynote Address

Mitchell H Hooke
Chief Executive Officer
Minerals Council of Australia

Australian Mining Industry Lifecycle....

Australian Mining Industry Lifecycle Value Added Share of GDP



IBISWorld 17/01/05

Source : Minara Resources presentation to Melbourne Mining Club 2005

Underpinning Australia's Economic Performance....

- Two and a half decades of free market economic reforms
- Australia's unique position as a global supplier of minerals
- The critical role of China's stimulus package in reinforcing minerals demand
- The regulation of Australia's financial system
- The Government's fiscal stimulus package
- Government's early commitment to national capacity building

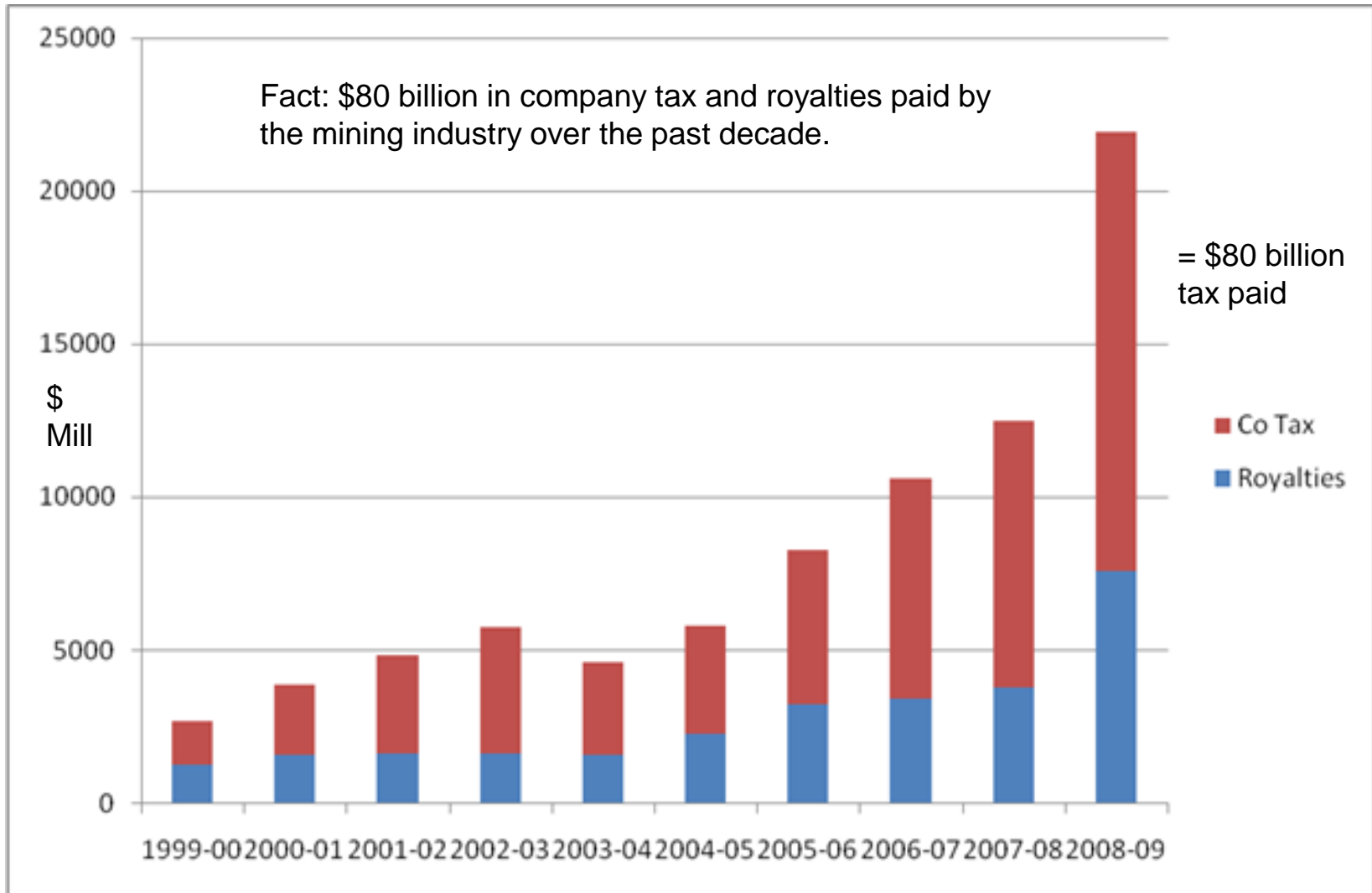
Current Minerals Royalty Arrangements....

- The method of levying royalties for the same mineral differs across States
- Rates differ for the same mineral across States
- In some cases, rates differ for different mines extracting the same mineral in the same State
- Volume royalties are usually imposed on low value minerals and
- There is no uniformity in the legislative base adopted by the States

Royalty Reform Principles....

- Prospective
- Internationally competitive
- Equitable and efficient
- Differentiated
- Minerals resource based

Total Tax/Royalty Contribution....



Source: Access Economics Estimates

Effective Tax Rates by Industry Sector....

Sector	Effective Corporate Tax Rate (Net Tax/Net Income)	Effective Tax Rate including royalties Net Tax + Royalties/Net Income
Agriculture, Forestry & Fishing	26.07	29.06
Mining	27.81	41.34
Manufacturing	28.38	30.25
Electricity, Gas, Water and Waste Services	26.11	28.47
Construction	28.44	28.62
Wholesale Trade	28.61	30.49
Retail Trade	28.76	31.24
Accommodation and Food Services	27.18	31.48
Transport, Postal and Warehousing	27.90	28.14
Information Media and Telecommunications	29.11	30.67
Financial and Insurance Services	21.54	22.37
Rental, Hiring and Real Estate Services	22.77	23.19
Professional, Scientific and Technical Services	27.98	30.01
Administrative and Support Services	28.48	29.43
Public Administration and Safety	29.65	31.22
Education and Training	29.15	30.54
Health Care and Social Assistance	28.76	28.92
Arts and Recreation Services	28.86	30.01
Other Services	28.01	28.92
Other	18.07	18.44
Total	24.56	27.18

Source: Australian Taxation Office, *Taxation Statistics 2007-08*.

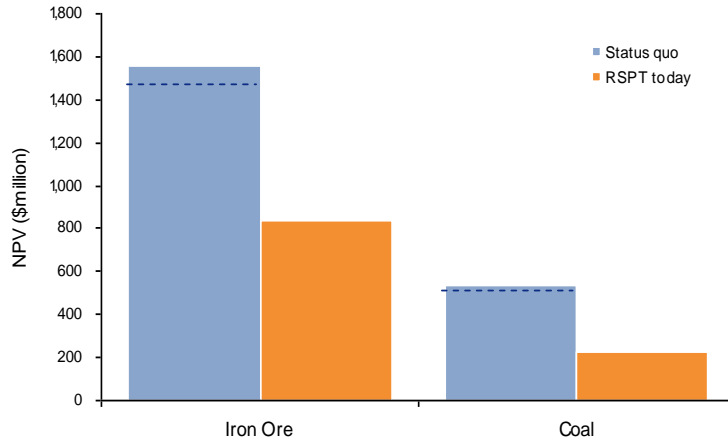
Growth Rates of Key Economic Indicators...

Economic Indicator	Growth in 2008-09: Mining Sector	Growth in 2008-09: Overall Economy Equivalent
1. Gross Value Added	2.16 per cent	0.68 per cent
2. Index of Industrial Production	3.5 per cent	-1.0 per cent
3. Merchandise Exports	43 per cent	26.5 per cent
4. Employment	15.3 per cent	1.1 per cent
5. Average Weekly Earnings	7.2 per cent	3.84 per cent
6. Total Compensation of Employees	19.6 per cent	5.6 per cent
7. Gross Operating Surplus and Mixed Income	11.7 per cent	6.95 per cent
8. Investment (Gross Fixed Capital Formation) ^{a,b}	17.6 per cent	5.1 per cent
9. Royalty Revenue ^c	73 per cent	Not applicable
10. Net Company Tax Paid (growth between 2007/08 and 2006-07)	18.6 per cent	-0.6 per cent

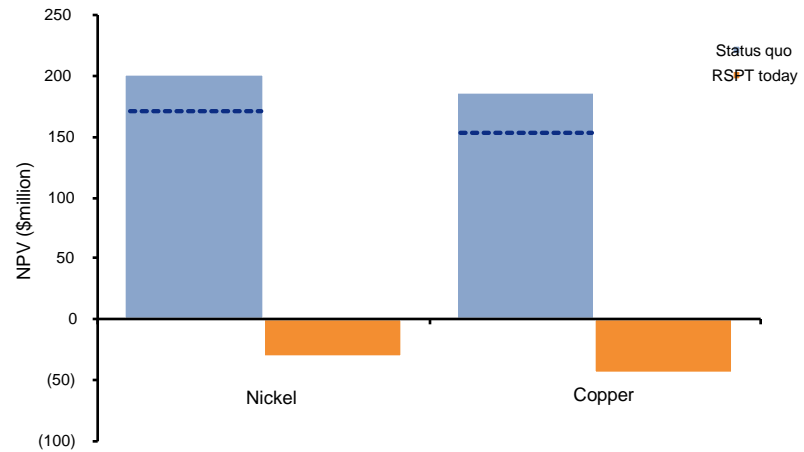
Source: Deloitte: *The Economic Contribution of the Australian Mining Sector During the Global Recession*

KPMG Model Outputs – Net Present Value....

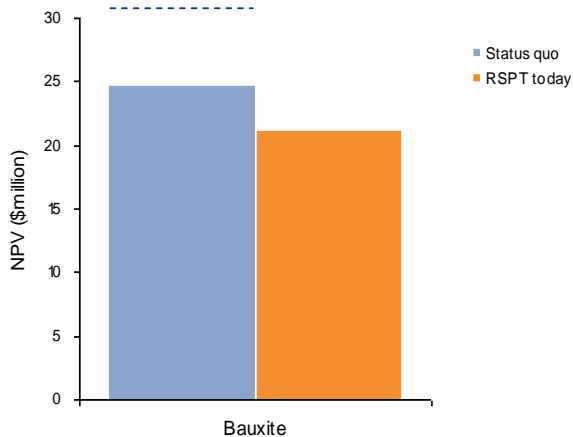
Bulk Commodities



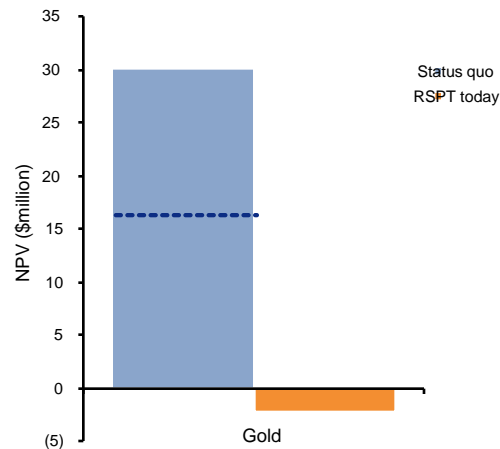
Base Metals



Bauxite



Precious Metal



Note: Dotted lines refer to "Tax neutrality" scenario

Source: KPMG analysis – presentation to Minerals Council of Australia Minerals Week 2010 Seminar, 2 June 2010

KPMG Model Outputs – Effective Tax Rates....

Total taxes paid in relation to a project

Total project profit before any taxes

Effective Tax Rate	Iron Ore	Coal	Nickel	Copper	Bauxite	Gold
Status quo	43.6%	41.1%	34.3%	34.4%	50.1%	34.6%
RSPT Today	54.7%	55.0%	55.1%	55.0%	54.0%	54.1%