NEW ZEALAND
PETROLEUM & MINERALS

Guide to NZP&M NAA Process

Version 0.1

Document Control

Version History

Date	Version	Author	Description of change
30 June 2015	0.1	C Taylor	Draft
28 Jan 2016		Elliot Smith	Reviewed.

Contents

NAA Process Guidelines

Purpose

This guide will help you to:

- Understand how the NAA process works
- Receive, process and determine NAA applications.

This guide describes the NAA process at a high-level. It is not intended to give detailed instructions on how to use RAPID for this purpose.

Audience

This guide is written for New Zealand Petroleum & Minerals (NZP&M) personnel who are involved in the NAA process.

Structure

This guide is split into three sections:

Section 1: Introduction to NAA

Section 2: Overview of the NAA process

Appendices Appendix A – Differences between AWPO and NAA

Appendix B – NAA Process

Appendix C – NAA permit application acceptance checklist

Appendix D – NAA extension of land application acceptance checklist

Other useful documents

These documents are related to the NAA process:

Comment [ES1]: Do you want to include a link to the external NAA guidance here?

Document	Description
Crown Minerals Act 1991 http://www.legislation.govt.nz/act/public/1991/0070/latest/DLM242536.html	The Primary Act for Crown Minerals
Crown Minerals (Minerals Other than Petroleum) Regulations 2007 http://www.legislation.govt.nz/regulation/public/2007/0399/latest/DLM1120013.html	The regulations for all Crown Minerals excluding petroleum
Minerals Programme http://www.nzpam.govt.nz/cms/pdf-library/minerals-legislation/Minerals%20Programme%202013%20web.pdf	The programme that outlines the requirements of operators and permit holders in relation to the Crown Minerals regime for minerals
NAA Template [insert link to Template Loader]	The recommendation template for assessment of competing NAA applications
Permit Grant Template [insert link to Template Loader]	The recommendation template for assessment of non-competing NAA applications (AWPO Assessment)

Table 1: Related Documents

Section 1 Introduction to NAA

Overview

NAA is a method of allocating minerals permits.

The Crown Minerals Act 1991 (**CMA**) provides for the grant of permits either under section 23A (upon application by a person for a permit) or section 24 (by public tender).

The Minerals Programme for Minerals (Excluding Petroleum) 2013 (**Minerals Programme**) distinguishes section 23A applications into two categories:

1. Acceptable work programme offer (**AWPO**)
2. Newly Available Acreage (**NAA**)

Differences between AWPO and NAA

AWPO applications can be received at any time over unpermitted areas other than those designated as reserved for public tender or NAA or excluded from permitting under Schedule 3 of the Minerals Programme.

The first AWPO application received over the area will be assessed and, provided the application meets the requirements of the Act and Minerals Programme in respect of the type of permit sought, the applicant will be awarded a permit.

NAA applications for Tier 1 and/or Tier 2 permits are subject to a time-bound competitive allocation process. This competitive element means that there are some key differences in the way that NAA applications are received and processed. These are set out Table 2 in **Appendix A**.

Differences between NAA and competitive tender allocation

The key difference between NAA and competitive tender allocation is that a minerals competitive tender is a public tender pursuant to section 24 of the CMA. The Minerals Programme provides that this process will be used where the Minister considers there is likely to be significant competitive interest in the land.

The application process and assessment criteria for competitive tenders and the conditions of any permit to be awarded are set out in the public notice. Iwi consultation is carried out in respect of the proposed blocks in the tender area prior to the opening of the tender.

Competitive tenders will offer Tier 1 permits only.

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Pre-NAA process

Prior to the NAA process commencing, a determination will have been made in accordance with clause 6.1(2) of the Minerals Programme that land that has ceased or will cease to be under a permit should be made available for allocation by NAA.

There is no statement of policy, principle or practice in the Minerals Programme about when NAA will be the preferred allocation method. Clause 6.7(1) provides that where NAA is used, the mineral group offered must be the mineral group that applied to the former permit. If the Crown interest may be best served by enabling applications to be made in respect of other mineral groups, the AWPO or competitive tender allocation method must be used.

[Consider whether to give affected iwi and hapu early notification that the area is to be made available for allocation by NAA and that consultation will occur in due course if the Minister is proposing to grant a permit.]

NAA Process

The NAA process is depicted in the process diagram in **Appendix B**. Below is a summary of the key steps in the process.

NAA application window

An area offered for permitting by NAA is open to applications from the time it is notified on the NZP&M website until 4.30pm on the day 40 working days after that date.

During this window, as applications are received, the fees will be processed but no other steps will be taken in the processing of the applications.

Acceptance or rejection of applications

Applications are reviewed for compliance with the regulations as set out in **Appendix C** and **Appendix D**. Valid applications are accepted and plotted and applicants advised whether their application is an equal priority application. Applications that do not meet the requirements of the regulations are rejected and the applicants advised.

Assessment of applications

Applications are assessed in accordance with the Minerals Programme, either as if they were AWPO applications (non-competing applications) or as equal priority applications (competing applications). For equal priority applications, neither iwi consultation nor capability assessment is initiated at this stage.

Ranking of applications

Equal priority applications are ranked in accordance with Chapter 7 of the Minerals Programme.

Capability assessment

Applicants of top-ranking equal priority applications are assessed for capability in accordance with section 29A/B of the CMA and Chapter 5 of the Minerals Programme.

Comment [AP6]: More of a discussion comment.

What about Tier 1 EP permits which don't meet 9.2 (2) (a) of the Minerals Programme, 'exploration targets for drilling which will be finalised within the first stages of the work programme'.

Are these applications rejected at this stage for not meeting the regulations, or do we just rank them lower for not meeting the Minerals Programme.

Because this requirement doesn't seem to be mentioned in the later sections.

Comment [ES7]: s 9(2)(h)

Iwi consultation

Iwi consultation is initiated in respect of the top-ranked equal priority application. All applicants who submitted valid applications are advised that a preferred applicant has been selected and iwi consultation has commenced. Where required, an LMS report is requested from the top-ranked applicant.

Comment [AP8]: Or do we require this for Tier 1 permits on application?

Inconsistent

LMS is included as a requirement in Appendix C for EP and MP.

Comment [ES9]: s 9(2)(h)

Permit area finalised

Any proposed changes to the permit area arising from iwi consultation are discussed and agreed with the top-ranked applicant.

Permit awarded

Any permits to be ~~awarded~~ granted in respect of the NAA are granted and notified on the NZP&M website [if there are AWPO and equal priority applications, are they all awarded at once or could an AWPO be granted ahead of a top ranked equal priority application in respect of the same NAA?]

Appendices

Appendix A – Differences between AWPO and NAA

	AWPO	NAA	Comments
Timeframe	Can be received at any time.	Must be received in the timeframe specified on the NZP&M website.	NAA applications received outside of the specified timeframe cannot be accepted.
Iwi consultation	Is initiated when the application is accepted.	Is initiated once the applications have been assessed and ranked, in respect of an NAA application that the Minister is considering granting.	As numerous competing applications may be received with very different proposed work programmes (e.g. applications for new prospecting, exploration and mining permits or extensions of land of existing permits may all be received in respect of an NAA area), consulting only on the preferred NAA application avoids unduly burdening iwi groups in consultation on applications that will not be granted.
Communications	NZP&M personnel can engage with the applicant in the usual manner when processing the application.	NZP&M personnel should apply similar disciplines as with a competitive tender process in communicating with applicants to avoid any suggestion of unfair advantage or bias to a particular applicant.	As NAA is a competitive process, any communications that could be perceived as giving a particular applicant or applicants an unfair advantage in the process may give rise to a challenge. In particular, NZP&M personnel should avoid making any statements or providing any information to a potential applicant that is not made generally available to all potential applicants. In addition, NZP&M personnel should avoid engaging with applicants or potential applicants or accepting hospitality or the like from applicants or potential applicants that could give rise to a perception of bias or influence.
Amendments	The applicant may seek an amendment to the land, minerals or applicant's identity and contact details in accordance with clause 4.8 of the Minerals Programme	Amendments other than minor or inconsequential corrections will not be accepted.	As NAA is a competitive process, an applicant should not be given an opportunity to change their application after it has been submitted if this could in any way be perceived as unfair to other applicants. Discretion may be exercised where there is a minor correction (for example, an applicant's name has been misspelled, versus a change to the legal entity making the application). No amendments to the proposed land, minerals, applicant, work programme or expenditure will be accepted except where it is clear there has been a manifest error in the application and no other applicant will be prejudiced by allowing the correction.
Capability assessment	Can be initiated when the application is accepted.	Capability assessment is carried out at a later stage once the applications have been assessed and ranked, in respect of an applicant to whom the Minister is considering granting a permit.	As numerous competing applications may be received, capability assessment only on the preferred applicant(s) avoids unduly burdening NZP&M and other agencies' resources in assessing capability of applicants that will not be granted a permit.

Table 2: Differences between AWPO and NAA

Appendix B – NAA Process

Comment [AP10]: This diagram is really hard to read – perhaps increasing font size, and changing the font colour to black might help

Comment [ES11]: Have a look at the flow diagram on page 9 in the 2015 Block Offer IFB. Perhaps you could use that layout here…

NAA Process Steps	
General notes	Communications with applicants 1) As NAA is a competitive allocation process, for the full duration of the NAA process NZP&M personnel should avoid engaging in any communications that could be perceived as giving a particular applicant or applicants an unfair advantage in the process as this may give rise to a challenge. 2) In particular, NZP&M personnel should avoid making any statements or providing any information to a potential applicant that is not made generally available to all potential applicants. 3) NZP&M personnel should avoid engaging with applicants or potential applicants or accepting hospitality or the like from applicants or potential applicants that could give rise to a perception of bias or influence.
Steps 1 & 2	NAA application window 1) Applications can be received between the NAA being notified on the NZP&M website and 4.30pm on the day 40 working days after that date 2) Fees are processed as applications are received 3) Applications are not plotted or evaluated 4) Any minor discrepancy or issue with the fees may be raised with the applicant and the applicant may be given a short timeframe to remedy the issue (e.g. 2 working days).
Step 3	Accept/reject applications 1) Review applications for a new prospecting permit, exploration permit or mining permit against the checklist in **Appendix C - NAA permit application acceptance checklist** 2) Review applications for an extension of land of an existing prospecting permit, exploration permit or mining permit against the checklist in **Appendix D - NAA extension of land application acceptance checklist** 3) If the holder of the previous permit over the NAA area has made an application, check whether they have met the reporting requirements set out in clause 6.7(4) of the Minerals Programme. If not, consult with Legal 4) Where there are minor or inconsequential errors in an application and no other applicant will be prejudiced by allowing the applicant to correct them, the applicant may be given a short timeframe to remedy the issue (e.g. 2 working days)
Step 3A	Notify rejected applicants 1) Notify any applicants whose applications have been rejected stating the reasons for rejection.
Step 4	Plot applications 1) Plot accepted applications.
Step 5	Identify competing applications 1) Identify applications to be assessed as AWPO or equal priority applications in accordance with Chapter 7 of the Minerals Programme.
Step 6	Notify equal priority applicants 1) Notify applicant that the application has been accepted is to be assessed in equal priority with other applications 2) Request any additional information required as described in clause 7.1(2)(a) and (b) of the Minerals Programme.

Comment [AP12]: Should be reiterated earlier in the guideline as key

Comment [ES13]: s 9(2)(h)

NAA Process Steps	
Step 6A	Notify non-competing applicants 1) Notify applicant that the application has been accepted is to be assessed as an AWPO application.
Step 7	Assess equal priority applications 1) Assess applications (use the NAA Template).
Step 7A	Iwi consultation and LMS request (where required) 1) Initiate iwi consultation 2) Where required, request an LMS report from the top-ranked applicant (this will be required for Tier 2 exploration and mining permit applicants or extension of land applications in respect of exploration and mining permits where an LMS report was not required to be submitted with the application).
Step 8	Rank Applications 1) Rank the equal priority applications in accordance with Chapter 7 of the Minerals Programme.
Step 8A	Assess non-competing applications 1) Assess application in the usual manner for an AWPO application, including iwi consultation and capability assessment (use the Permit Grant Template).
Step 9	Capability assessment 1) Initiate capability assessment of applicants of top-ranking equal priority applications in accordance with section 29A/B of the CMA and Chapter 5 of the Minerals Programme.
Step 9A	Finalise permit area 1) Notify the applicant of any proposed changes to the permit area arising from iwi consultation. NB: It is for the Minister to make a determination on any change to the permit area arising from iwi consultation but the applicant may choose to reject the revised permit area offered.
Step 10	Revise rankings (if required) 1) Revise ranking of equal priority applications if required as a result of capability assessment
Step 10A	Determine application 1) Authorised decision-maker grants or declines the permit application.
Step 11	Iwi consultation and LMS request (where required) 1) Initiate iwi consultation in respect of the top-ranked equal priority application 2) Advise all applicants who submitted valid applications that a preferred applicant has been selected and iwi consultation has commenced 3) Where required, request an LMS report from the top-ranked applicant (this will be required for Tier 2 exploration and mining permit applicants or extension of land applications in respect of exploration and mining permits where an LMS report was not required to be submitted with the application).
Step 11A	Further capability assessments (if required) 1) Carry out any further capability assessments required until preferred applications (if any) are identified.

NAA Process Steps	
Step 12	Finalise permit area 1) Notify the top-ranked applicant of any proposed changes to the permit area arising from iwi consultation NB: It is for the Minister to make a determination on any change to the permit area arising from iwi consultation but the applicant may choose to reject the revised permit area offered. 2) Return to step 10 if the top-ranked applicant rejects revised permit area.
Step 13	Determine application 1) Authorised decision-maker grants or declines the permit application.
Step 14	Publish permit awards 1) Any permits to be ~~awarded~~ granted in respect of the NAA are granted and notified on the NZP&M website.

Appendix C – NAA permit application acceptance checklist

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Minerals Prospecting Permit (MPP)	Minerals Exploration Permit (MEP)	Minerals Mining Permit (MMP)
Prescribed fee or evidence of the fee having been paid	✓	✓	✓
Correct form and required signatures	✓	✓	✓
Particulars of person responsible for the application	✓	✓	✓
Statement of technical qualifications of the applicant	✓	✓	✓
Statement of financial resources of the applicant	✓	✓	✓
If the application is on behalf of 2 or more persons an explanation of each person's interest in the permit (including the percentage share of the permit each person will hold)	✓	✓	✓
If the application is on behalf of 2 or more persons, the proposed permit operator	✓	✓	✓
The area of land to which the application relates (in hectares or square kilometres)	✓	✓	✓
A map of the permit area	✓	✓	✓
A Land Mineral Status (LMS) report	☒	✓ **Tier 1 only** (not required if application area is wholly offshore or if minerals are only gold and/or silver)	✓ **Tier 1 only** (not required if application area is wholly offshore or if minerals are only gold and/or silver)
A summary of the geology of the permit area	✓	✓	☒
A summary of the potential mineralisation of the permit area	✓	☒	☒
A summary of the past prospecting, exploration, or mining activities that may be relevant to the land covered by the permit	☒	✓	☒
A summary of the exploration and mining history of the permit area	✓	☒	☒

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Minerals Prospecting Permit (MPP)	Minerals Exploration Permit (MEP)	Minerals Mining Permit (MMP)
A statement as to whether the land contains any defined exploration targets or is contiguous with any defined exploration targets	☒	✓	☒
A map showing the size and location of the resource or deposit	☒	☒	✓
A description of the geology of the resource or deposit	☒	☒	✓
If applicable a description of the type of coal and its properties	☒	☒	✓
Estimates of total in-ground resources	☒	☒	✓
A report that sets out the evidence for a mineable mineral resource or exploitable mineral deposit sufficient to support a mining permit that includes estimates of the mineable mineral resource or exploitable mineral deposit, which may include inferred, indicated and measured resources or deposits and probably and proved resources or deposits	☒	☒	✓ (for Tier 1 estimates must be made in accordance with the Canadian National Instrument 43-101, the JORC Code or the South African Code and must be accompanied by a) documentation on input data, methodology, quality control, and validation of the resource or deposit; and b) a spatial definition of the areas to which the figures in the estimates apply; and c) a statement of the criteria used to determine the estimates; and d) a statement of whether the estimates are made on the basis of a scoping, pre-feasibility, or feasibility study, or on some other specified basis)
Mining feasibility studies, which include mine design, scheduling and production, resource recovery, and economic viability	☒	☒	✓
A report on the project economics of the operation, including financial viability, technical constraints, and proposed level of expenditure in relation to the scale and extent of the proposed operations	☒	☒	✓
Propose a minimum work programme	✓	✓	✓

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Minerals Prospecting Permit (MPP)	Minerals Exploration Permit (MEP)	Minerals Mining Permit (MMP)
A statement as to the objectives of the proposed minimum work programme	✓	✓	☒
Identification of the area to which the proposed work programme relates	✓	☒	☒
A statement as to the technical rationale of the proposed work programme	✓	✓	☒
A statement as to the milestones of the proposed work programme	✓	✓	☒
A statement as to the deliverables of the proposed work programme	✓	✓	☒
A statement identifying ongoing work commitment options	✓	✓	☒
A statement that indicates review or decision points in the programme that may lead to the exploration continuing; the permit holder applying for an extension of duration of the permit to appraise a discovery; or surrender of the permit	☒	✓	☒
If the programme depends on results from review or decision points, provide an outline of the likely course of exploration	☒	✓	☒
A report on any mine development plans that have been identified, which must include details of the projected ultimate recovery of the resource under each plan and a statement as to why these options have not been pursued	☒	☒	✓ Tier 1 only
An overview of the size, nature, extent, and siting of the proposed mining operation	☒	☒	✓
An overview of the mining methods to be used	☒	☒	✓
An overview of the proposed mining and production schedule	☒	☒	✓
An overview of the expected production and long-term mining scheme for the mineable resource	☒	☒	✓

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Minerals Prospecting Permit (MPP)	Minerals Exploration Permit (MEP)	Minerals Mining Permit (MMP)
The proposed start date for production	☒	☒	✓
An overview of any proposed prospecting or exploration work in relation to the permit area	☒	☒	✓
A statement as to whether the proposed exploration / mining operations is in accordance with good industry practice	☒	✓	✓
A statement as to the minimum expenditure for each stage	✓	✓ (a stage can be no more than 36 months)	☒
A statement as to the minimum expenditure for the proposed duration of the permit	✓	✓	☒
An overview of the proposed expenditure under the permit	☒	☒	✓
If applicable, an overview of the point of valuation for royalty purposes	☒	☒	✓
If the application is over a broken area of land as statement of the reasons why the application is necessary for a broken area	✓	✓	☒
A statement that allows the Minister to form a view as to whether the proposed permit operator has, or is likely to have, by the time the relevant work in any granted work in any granted permit is undertaken, the capability and systems that are likely to be required to meet the health and safety and environmental requirements of all specified Acts for the types of activities proposed under the permit	☒	✓Tier 1 only	✓ Tier 1 only
A statement of any permit held by the applicant in an overseas jurisdiction that has been revoked in the past 10 years and the reasons for the revocation	☒	✓	☒

Table 3: NAA permit application acceptance checklist

Appendix D – NAA extension of land application acceptance checklist

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Extension of land of a MPP or MEP	Extension of land of a MMP
Prescribed fee or evidence of the fee having been paid	✓	✓
Correct form and required signatures	✓	✓
The reference number of the permit concerned	✓	✓
Particulars of person responsible for the application	✓	✓
The area of land to which the proposed extension would apply (in hectares or square kilometres)	✓	✓
A map showing the land for which the proposed extension is sought in relation to the existing permit.	✓	✓
A statement of the reasons why, in the permit holder's opinion, the Minister should extend the land to which the permit relates, including— (a) geological evidence that supports the application; and (b) details of how the permit holder proposes to prospect or explore the additional land; and (c) a discussion of any proposed amendments to the current minimum work programme for the permit or the expenditure for it; and (d) the results of prospecting, exploration, or mining work undertaken under the permit up to the date of the application; and (e) a discussion of how extending the land to which the permit relates will enable the permit holder to more effectively prospect or explore; and (f) a discussion of how the prospecting or exploration to be undertaken over the additional land relates to that undertaken or planned under the existing permit.	✓	☒
Estimates of total in-ground resources for the land to which the extension is sought.	☒	✓

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Extension of land of a MPP or MEP	Extension of land of a MMP
A statement of the reasons why, in the permit holder's opinion, the Minister should extend the land to which the permit relates, including—		
(a) geological evidence that there is a deposit capable of being mined in the area for which the proposed extension is sought (including maps, diagrams, cross-sections, and any other supporting evidence that indicates the location and extent of the identified deposit in that area); and		
(b) estimates of the mineable mineral resource of the deposit in the land for which the extension is sought,—		
(i) which may include inferred, indicated, and measured resources or deposits and probable and proved resources or deposits; and		
(ii) which, for an application in relation to a Tier 1 mining permit, must be made in accordance with the Canadian National Instrument, the JORC Code, or the South African Code and accompanied by		
(a) a spatial definition of the areas to which the figures in the estimates apply; and		
(b) a statement of the criteria used to determine the estimates; and	☒	✓
(c) a statement of whether the estimates are made on the basis of a scoping, pre-feasibility, or feasibility study, or on some other specified basis; and		
(c) details of how the permit holder proposes to mine the additional land; and		
(d) a discussion of any proposed amendments to the current work programme for the permit and a summary of any other complementary requests to change the permit or permit conditions; and		
(e) a discussion of any proposed change to the point of valuation for royalties payable under the permit; and		
(f) the results of prospecting, exploration, or mining work undertaken under the permit up to the date of the application; and		
(g) a statement of how the mining to be undertaken over the additional land relates to that undertaken or planned under the existing permit; and		
(h) geological evidence that the mineral resource of the deposit in the land for which the extension is sought is generally contiguous with the mineral resource to which the mining permit applies.		

Table 4: NAA extension of land application acceptance checklist

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Comment [ES7]: s 9(2)(h)

Capability assessment

Applicants of top-ranking equal priority applications are assessed for capability in accordance with section 29A/B of the CMA and Chapter 5 of the Minerals Programme.

Iwi consultation

Iwi consultation is initiated in respect of the top-ranked equal priority application. All applicants who submitted valid applications are advised that a preferred applicant has been selected and iwi consultation has commenced. Where required, an LMS report is requested from the top-ranked applicant.

Comment [AP8]: s 9(2)(h)

Permit area finalised

Any proposed changes to the permit area arising from iwi consultation are discussed and agreed with the top-ranked applicant.

Permit awarded

Comment [ES9]: s 9(2)(h)

Any permits to be ~~awarded~~ granted in respect of the NAA are granted and notified on the NZP&M website [if there are AWPO and equal priority applications, are they all awarded at once or could an AWPO be granted ahead of a top ranked equal priority application in respect of the same NAA?]

Appendices

Appendix A – Differences between AWPO and NAA

	AWPO	NAA	Comments
Timeframe	Can be received at any time.	Must be received in the timeframe specified on the NZP&M website.	NAA applications received outside of the specified timeframe cannot be accepted.
Iwi consultation	Is initiated when the application is accepted.	Is initiated once the applications have been assessed and ranked, in respect of an NAA application that the Minister is considering granting.	As numerous competing applications may be received with very different proposed work programmes (e.g. applications for new prospecting, exploration and mining permits or extensions of land of existing permits may all be received in respect of an NAA area), consulting only on the preferred NAA application avoids unduly burdening iwi groups in consultation on applications that will not be granted.
Communications	NZP&M personnel can engage with the applicant in the usual manner when processing the application.	NZP&M personnel should apply similar disciplines as with a competitive tender process in communicating with applicants to avoid any suggestion of unfair advantage or bias to a particular applicant.	As NAA is a competitive process, any communications that could be perceived as giving a particular applicant or applicants an unfair advantage in the process may give rise to a challenge. In particular, NZP&M personnel should avoid making any statements or providing any information to a potential applicant that is not made generally available to all potential applicants. In addition, NZP&M personnel should avoid engaging with applicants or potential applicants or accepting hospitality or the like from applicants or potential applicants that could give rise to a perception of bias or influence.
Amendments	The applicant may seek an amendment to the land, minerals or applicant's identity and contact details in accordance with clause 4.8 of the Minerals Programme	Amendments other than minor or inconsequential corrections will not be accepted.	As NAA is a competitive process, an applicant should not be given an opportunity to change their application after it has been submitted if this could in any way be perceived as unfair to other applicants. Discretion may be exercised where there is a minor correction (for example, an applicant's name has been misspelled, versus a change to the legal entity making the application). No amendments to the proposed land, minerals, applicant, work programme or expenditure will be accepted except where it is clear there has been a manifest error in the application and no other applicant will be prejudiced by allowing the correction.
Capability assessment	Can be initiated when the application is accepted.	Capability assessment is carried out at a later stage once the applications have been assessed and ranked, in respect of an applicant to whom the Minister is considering granting a permit.	As numerous competing applications may be received, capability assessment only on the preferred applicant(s) avoids unduly burdening NZP&M and other agencies' resources in assessing capability of applicants that will not be granted a permit.

Table 2: Differences between AWPO and NAA

Appendix B – NAA Process

Comment [AP10]: This diagram is really hard to read – perhaps increasing font size, and changing the font colour to black might help

Comment [ES11]: Have a look at the flow diagram on page 9 in the 2015 Block Offer IFB. Perhaps you could use that layout here…

NAA Process Steps	
General notes	Communications with applicants 1) As NAA is a competitive allocation process, for the full duration of the NAA process NZP&M personnel should avoid engaging in any communications that could be perceived as giving a particular applicant or applicants an unfair advantage in the process as this may give rise to a challenge. 2) In particular, NZP&M personnel should avoid making any statements or providing any information to a potential applicant that is not made generally available to all potential applicants. 3) NZP&M personnel should avoid engaging with applicants or potential applicants or accepting hospitality or the like from applicants or potential applicants that could give rise to a perception of bias or influence.
Steps 1 & 2	NAA application window 1) Applications can be received between the NAA being notified on the NZP&M website and 4.30pm on the day 40 working days after that date 2) Fees are processed as applications are received 3) Applications are not plotted or evaluated 4) Any minor discrepancy or issue with the fees may be raised with the applicant and the applicant may be given a short timeframe to remedy the issue (e.g. 2 working days).
Step 3	Accept/reject applications 1) Review applications for a new prospecting permit, exploration permit or mining permit against the checklist in **Appendix C - NAA permit application acceptance checklist** 2) Review applications for an extension of land of an existing prospecting permit, exploration permit or mining permit against the checklist in **Appendix D - NAA extension of land application acceptance checklist** 3) If the holder of the previous permit over the NAA area has made an application, check whether they have met the reporting requirements set out in clause 6.7(4) of the Minerals Programme. If not, consult with Legal 4) Where there are minor or inconsequential errors in an application and no other applicant will be prejudiced by allowing the applicant to correct them, the applicant may be given a short timeframe to remedy the issue (e.g. 2 working days)
Step 3A	Notify rejected applicants 1) Notify any applicants whose applications have been rejected stating the reasons for rejection.
Step 4	Plot applications 1) Plot accepted applications.
Step 5	Identify competing applications 1) Identify applications to be assessed as AWPO or equal priority applications in accordance with Chapter 7 of the Minerals Programme.
Step 6	Notify equal priority applicants 1) Notify applicant that the application has been accepted is to be assessed in equal priority with other applications 2) Request any additional information required as described in clause 7.1(2)(a) and (b) of the Minerals Programme.

Comment [AP12]: Should be reiterated earlier in the guideline as key

Comment [ES13]: s 9(2)(h)

NAA Process Steps	
Step 6A	Notify non-competing applicants 1) Notify applicant that the application has been accepted is to be assessed as an AWPO application.
Step 7	Assess equal priority applications 1) Assess applications (use the NAA Template).
Step 7A	Iwi consultation and LMS request (where required) 1) Initiate iwi consultation 2) Where required, request an LMS report from the top-ranked applicant (this will be required for Tier 2 exploration and mining permit applicants or extension of land applications in respect of exploration and mining permits where an LMS report was not required to be submitted with the application).
Step 8	Rank Applications 1) Rank the equal priority applications in accordance with Chapter 7 of the Minerals Programme.
Step 8A	Assess non-competing applications 1) Assess application in the usual manner for an AWPO application, including iwi consultation and capability assessment (use the Permit Grant Template).
Step 9	Capability assessment 1) Initiate capability assessment of applicants of top-ranking equal priority applications in accordance with section 29A/B of the CMA and Chapter 5 of the Minerals Programme.
Step 9A	Finalise permit area 1) Notify the applicant of any proposed changes to the permit area arising from iwi consultation. NB: It is for the Minister to make a determination on any change to the permit area arising from iwi consultation but the applicant may choose to reject the revised permit area offered.
Step 10	Revise rankings (if required) 1) Revise ranking of equal priority applications if required as a result of capability assessment
Step 10A	Determine application 1) Authorised decision-maker grants or declines the permit application.
Step 11	Iwi consultation and LMS request (where required) 1) Initiate iwi consultation in respect of the top-ranked equal priority application 2) Advise all applicants who submitted valid applications that a preferred applicant has been selected and iwi consultation has commenced 3) Where required, request an LMS report from the top-ranked applicant (this will be required for Tier 2 exploration and mining permit applicants or extension of land applications in respect of exploration and mining permits where an LMS report was not required to be submitted with the application).
Step 11A	Further capability assessments (if required) 1) Carry out any further capability assessments required until preferred applications (if any) are identified.

NAA Process Steps	
Step 12	Finalise permit area 1) Notify the top-ranked applicant of any proposed changes to the permit area arising from iwi consultation NB: It is for the Minister to make a determination on any change to the permit area arising from iwi consultation but the applicant may choose to reject the revised permit area offered. 2) Return to step 10 if the top-ranked applicant rejects revised permit area.
Step 13	Determine application 1) Authorised decision-maker grants or declines the permit application.
Step 14	Publish permit awards 1) Any permits to be ~~awarded~~ granted in respect of the NAA are granted and notified on the NZP&M website.

Appendix C – NAA permit application acceptance checklist

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Minerals Prospecting Permit (MPP)	Minerals Exploration Permit (MEP)	Minerals Mining Permit (MMP)
Prescribed fee or evidence of the fee having been paid	✓	✓	✓
Correct form and required signatures	✓	✓	✓
Particulars of person responsible for the application	✓	✓	✓
Statement of technical qualifications of the applicant	✓	✓	✓
Statement of financial resources of the applicant	✓	✓	✓
If the application is on behalf of 2 or more persons an explanation of each person's interest in the permit (including the percentage share of the permit each person will hold)	✓	✓	✓
If the application is on behalf of 2 or more persons, the proposed permit operator	✓	✓	✓
The area of land to which the application relates (in hectares or square kilometres)	✓	✓	✓
A map of the permit area	✓	✓	✓
A Land Mineral Status (LMS) report	☒	✓ **Tier 1 only** (not required if application area is wholly offshore or if minerals are only gold and/or silver)	✓ **Tier 1 only** (not required if application area is wholly offshore or if minerals are only gold and/or silver)
A summary of the geology of the permit area	✓	✓	☒
A summary of the potential mineralisation of the permit area	✓	☒	☒
A summary of the past prospecting, exploration, or mining activities that may be relevant to the land covered by the permit	☒	✓	☒
A summary of the exploration and mining history of the permit area	✓	☒	☒

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Minerals Prospecting Permit (MPP)	Minerals Exploration Permit (MEP)	Minerals Mining Permit (MMP)
A statement as to whether the land contains any defined exploration targets or is contiguous with any defined exploration targets	☒	✓	☒
A map showing the size and location of the resource or deposit	☒	☒	✓
A description of the geology of the resource or deposit	☒	☒	✓
If applicable a description of the type of coal and its properties	☒	☒	✓
Estimates of total in-ground resources	☒	☒	✓
A report that sets out the evidence for a mineable mineral resource or exploitable mineral deposit sufficient to support a mining permit that includes estimates of the mineable mineral resource or exploitable mineral deposit, which may include inferred, indicated and measured resources or deposits and probably and proved resources or deposits	☒	☒	✓ (for Tier 1 estimates must be made in accordance with the Canadian National Instrument 43-101, the JORC Code or the South African Code and must be accompanied by a) documentation on input data, methodology, quality control, and validation of the resource or deposit; and b) a spatial definition of the areas to which the figures in the estimates apply; and c) a statement of the criteria used to determine the estimates; and d) a statement of whether the estimates are made on the basis of a scoping, pre-feasibility, or feasibility study, or on some other specified basis)
Mining feasibility studies, which include mine design, scheduling and production, resource recovery, and economic viability	☒	☒	✓
A report on the project economics of the operation, including financial viability, technical constraints, and proposed level of expenditure in relation to the scale and extent of the proposed operations	☒	☒	✓
Propose a minimum work programme	✓	✓	✓

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Minerals Prospecting Permit (MPP)	Minerals Exploration Permit (MEP)	Minerals Mining Permit (MMP)
A statement as to the objectives of the proposed minimum work programme	✓	✓	☒
Identification of the area to which the proposed work programme relates	✓	☒	☒
A statement as to the technical rationale of the proposed work programme	✓	✓	☒
A statement as to the milestones of the proposed work programme	✓	✓	☒
A statement as to the deliverables of the proposed work programme	✓	✓	☒
A statement identifying ongoing work commitment options	✓	✓	☒
A statement that indicates review or decision points in the programme that may lead to the exploration continuing; the permit holder applying for an extension of duration of the permit to appraise a discovery; or surrender of the permit	☒	✓	☒
If the programme depends on results from review or decision points, provide an outline of the likely course of exploration	☒	✓	☒
A report on any mine development plans that have been identified, which must include details of the projected ultimate recovery of the resource under each plan and a statement as to why these options have not been pursued	☒	☒	✓ Tier 1 only
An overview of the size, nature, extent, and siting of the proposed mining operation	☒	☒	✓
An overview of the mining methods to be used	☒	☒	✓
An overview of the proposed mining and production schedule	☒	☒	✓
An overview of the expected production and long-term mining scheme for the mineable resource	☒	☒	✓

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Minerals Prospecting Permit (MPP)	Minerals Exploration Permit (MEP)	Minerals Mining Permit (MMP)
The proposed start date for production	☒	☒	✓
An overview of any proposed prospecting or exploration work in relation to the permit area	☒	☒	✓
A statement as to whether the proposed exploration / mining operations is in accordance with good industry practice	☒	✓	✓
A statement as to the minimum expenditure for each stage	✓	✓ (a stage can be no more than 36 months)	☒
A statement as to the minimum expenditure for the proposed duration of the permit	✓	✓	☒
An overview of the proposed expenditure under the permit	☒	☒	✓
If applicable, an overview of the point of valuation for royalty purposes	☒	☒	✓
If the application is over a broken area of land as statement of the reasons why the application is necessary for a broken area	✓	✓	☒
A statement that allows the Minister to form a view as to whether the proposed permit operator has, or is likely to have, by the time the relevant work in any granted work in any granted permit is undertaken, the capability and systems that are likely to be required to meet the health and safety and environmental requirements of all specified Acts for the types of activities proposed under the permit	☒	✓Tier 1 only	✓ Tier 1 only
A statement of any permit held by the applicant in an overseas jurisdiction that has been revoked in the past 10 years and the reasons for the revocation	☒	✓	☒

Table 3: NAA permit application acceptance checklist

Appendix D – NAA extension of land application acceptance checklist

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Extension of land of a MPP or MEP	Extension of land of a MMP
Prescribed fee or evidence of the fee having been paid	✓	✓
Correct form and required signatures	✓	✓
The reference number of the permit concerned	✓	✓
Particulars of person responsible for the application	✓	✓
The area of land to which the proposed extension would apply (in hectares or square kilometres)	✓	✓
A map showing the land for which the proposed extension is sought in relation to the existing permit.	✓	✓
A statement of the reasons why, in the permit holder's opinion, the Minister should extend the land to which the permit relates, including— (a) geological evidence that supports the application; and (b) details of how the permit holder proposes to prospect or explore the additional land; and (c) a discussion of any proposed amendments to the current minimum work programme for the permit or the expenditure for it; and (d) the results of prospecting, exploration, or mining work undertaken under the permit up to the date of the application; and (e) a discussion of how extending the land to which the permit relates will enable the permit holder to more effectively prospect or explore; and (f) a discussion of how the prospecting or exploration to be undertaken over the additional land relates to that undertaken or planned under the existing permit.	✓	☒
Estimates of total in-ground resources for the land to which the extension is sought.	☒	✓

Application requirements (Crown Minerals (Minerals Other than Petroleum) Regulations 2007)	Extension of land of a MPP or MEP	Extension of land of a MMP
A statement of the reasons why, in the permit holder's opinion, the Minister should extend the land to which the permit relates, including—		
(a) geological evidence that there is a deposit capable of being mined in the area for which the proposed extension is sought (including maps, diagrams, cross-sections, and any other supporting evidence that indicates the location and extent of the identified deposit in that area); and		
(b) estimates of the mineable mineral resource of the deposit in the land for which the extension is sought,—		
(i) which may include inferred, indicated, and measured resources or deposits and probable and proved resources or deposits; and		
(ii) which, for an application in relation to a Tier 1 mining permit, must be made in accordance with the Canadian National Instrument, the JORC Code, or the South African Code and accompanied by		
(a) a spatial definition of the areas to which the figures in the estimates apply; and		
(b) a statement of the criteria used to determine the estimates; and	☒	✓
(c) a statement of whether the estimates are made on the basis of a scoping, pre-feasibility, or feasibility study, or on some other specified basis; and		
(c) details of how the permit holder proposes to mine the additional land; and		
(d) a discussion of any proposed amendments to the current work programme for the permit and a summary of any other complementary requests to change the permit or permit conditions; and		
(e) a discussion of any proposed change to the point of valuation for royalties payable under the permit; and		
(f) the results of prospecting, exploration, or mining work undertaken under the permit up to the date of the application; and		
(g) a statement of how the mining to be undertaken over the additional land relates to that undertaken or planned under the existing permit; and		
(h) geological evidence that the mineral resource of the deposit in the land for which the extension is sought is generally contiguous with the mineral resource to which the mining permit applies.		

Table 4: NAA extension of land application acceptance checklist

Memorandum

Date: 01/05/2017

To: Ilana Miller
National Minerals Manager

From: Tim Journeaux
Principal Minerals Advisor

Subject: **Memorandum on Minerals Estate Allocation Strategy**

Dear Ilana,

I sent this memo to Marcos late last year in response to his email regarding the need to start work on the Mineral Estate Allocation Strategy. I read through the Minerals Allocation Review Final Report May 2016 report and presented the commentary below. Hopefully these will provide some structure and clarity around any subsequent discussion.

Appendix I gives a bit of a flow chart view of the various variables with commentary and possible ways of addressing or improving the processes and outcomes (some are fairly aspirational). I have also added a summary of the review report as Appendix II (mainly for my own benefit so it isn't critical to read).

Since then I have started looking at achieving, or at least initiating, some of those improvements but in a fairly ad hoc way. Involvement in the Knowledge Investment Strategy would be a more formal way of addressing some of the identified issues.

Happy to discuss at your convenience.

Sincerely

Tim Journeaux

Introduction

The Minerals Allocation Review Final Report (the review) presents a review of the processes used for allocation of land for the purposes of mineral discovery and exploitation and the allocation methods or types used. A summary of the review report is given in Appendix I.

The key aim of the review was to evaluate ERM practices in terms of efficient allocation of mineral permits, which, according to the review, means:

1. Obtained by the party who is most likely to conduct work most effectively and in a timely manner;
2. Issued in a manner that minimises transaction costs;
3. Processed in a timely manner; and
4. Obtained by the party who is likely to comply with the permit conditions and actually carry out the work.

Three permit allocation methods are used, Acceptable Work Programme Offer (AWPO), which is a first in first served process, and the competitive methods Newly Available Acreage (NAA) and Competitive Tender Application (CTA).

The review provides considerable analysis of results from the three methods and draws conclusions from comparison between them. The primary conclusion is that the more competitive allocation methods, NAA and CTA, have not performed better than the first in, first served, AWPO method. In fact, by most measures, they have performed much worse. The key findings were:

1. Significant competition has not been generated for the NAA and CTA methods;
2. Actual expenditure compared to committed expenditure has been significantly lower for the more competitive methods. This has been due to permit surrender and changes in conditions reducing exploration activity. Clearly this has also resulted in no significant increase in data or knowledge in these areas;
3. There have been a high rate of surrender, particularly from the CTA process;
4. Land was 'reserved' for long periods of time (up to just over 4 years) in preparation of the tender process in particular, meaning it was not available for any other potential work and expenditure in that time; and
5. Ultimately a very low proportion of the total reserved land area was actually taken up and covered by permits.

The review did outline some possible mitigating factors (although presented as weaknesses) for the poorer performance of the competitive methods, particularly CTA's. The main examples of these are:

1. The period of the review, from 2008 to 2015, covered a period of decline in commodity prices and market conditions for most minerals globally (with the possible exception of gold) with the concomitant reduction of exploration budgets

and appetite for risk. This was particularly true for the CTA's, which have only occurred since 2012;

2. The methodologies and strategies used were ad hoc to varying degrees;
3. There were land access issues post the permitting process;
4. The length of time taken with associated costs and publicity for the CTA process (note the review recommends a change in legislation to actually increase the timeframe for NAA rounds from the current one day equal priority period);
5. Degree of consistency in tenders (possibly language issues) and understanding of IFB requirements;
6. Uncertainty around which minerals were Crown owned; and
7. The short period of time allowed between announcement and final date for application for NAA's.

It is also worth noting that only three CTA's have been conducted, which is a small sample set for comparison purposes.

Some positives from the CTA process were reported to be a more focused approach, more streamlined process for potential investors, a helpful promotional tool and useful in developing long term relationships.

Parts of the review are also pertinent to the question of efficiency within individual allocation types including AWPO. One particular example of this is the suitability of the proposed work plans.

The main conclusion of the review was that it was difficult to determine to what extent the most suitable allocation method has been chosen without a consistent, structured process attributable to ERM. The review found improving the consistency of processes and decisions as well as monitoring of land recommendations is desirable. The review report highlighted that very few of the NAA decisions (5% of NAA's sampled) had documented justification for the decision.

The review also makes a number of well-considered recommendations at least for the current period with no change to the legislation. In fact the majority of recommendations are likely to be valid irrespective of legislative change.

Additional output of the review was also an 'efficient allocation' framework and 'systems map' detailing the process and decision points for allocation method and permit recommendations.

Commentary on the Issues and Review

There appear to be two areas of consideration:

1. Efficiency of allocation, both internally to each method and between each method type; and
2. Strategy and process for making a decision on the best allocation type to use.

It appears evident that any strategy for improving efficiency and decisions on allocation method would need to consider (in no particular order):

1. Timeliness;
2. Market/socio-economic conditions;
3. Legislation and the regulatory framework;
4. Technical knowledge/prospectivity;
5. Possible impediments to land access and exploration/mining activity;
6. Likelihood of competition and knowledge of who the competitors might be and their background (desire to compete or participate in exploration at less than optimal times, i.e. counter cyclical, may in fact be good business but generally requires more mature and established companies); and
7. History of competitors; who has a history of discovery?

What is critical in developing a successful strategy is having a clearly defined objective or target to develop it around. One would be around the concept of efficiency as outlined in the Introduction but one question might be in how well this fits in to the stated primary purpose and target of MBIE, which is to increase real household income i.e. increase national wealth in the relatively short term and the components that come under this.

In the main, the two are most likely to be completely compatible but an open mind needs to be kept for circumstances where that may not be the case. An example could be a delay in allocation due to a preference for a particular investor or company who may offer the greatest ultimate return but require encouragement or negotiation. Naturally there is risk of this failing to achieve the desired outcome and benefit and also the criticism that failure can attract.

So one of the first actions might be in very clearly defining the primary objective(s) of the allocation processes if we aren't already satisfied that we have.

Selecting a competitive allocation method in preference to AWPO

The prime consideration for selecting a competitive allocation method over an AWPO is that the land in question is sufficiently attractive to generate some degree of competition and that the process would result in a superior or enhanced work programme, which builds greater knowledge and, assumedly, greater opportunity for exploration success (this would very much depend on the work programme).

According to the review the prime driver of the allocation method decision process was the concept of prospectivity, which might be determined by a number of criteria. Other factors reported to influence the decision and ultimate success are commodity prices, land access and ownership, mineral ownership, timeliness of the process and the degree of competition anticipated.

Prospectivity

The key criterion to consideration of prospectivity tends to be the pseudo-science of 'nearology'. That is, proximity to known deposits or resources. That can simply be geographic proximity but generally also includes consideration of similarities in geological and structural architecture.

Other considerations can be the general data set available (in terms of type, density and quality), size of the potential area available and the type of mineral. A question that could be asked is the degree of 'received wisdom' when considering factors like mineral type. Is prospectivity considered for more uncommon minerals considered on the basis of geology e.g. REE's?

The creation or improvement of any existing prospectivity models is discussed in the review report as well as a more fully integrated GIS, a map of hotspots and improved final company reports. These last few would assist in development of regional and national scale prospectivity models.

Development of 3-dimensional (3D) regional models is also discussed, which would add significant strength to the assessment of prospectivity and prospectivity models. Development of 3D regional models could also benefit areas other than the minerals domain. For example, structural and geological models could assist with development of understanding of seismic activity. Finding areas of additional value could have the desirable effect of spreading the cost.

The review report recommendations suggest 3D regional modelling would add value to government acquired data. It could also help strengthen relationships with groups such as universities and GNS. The review report also suggests the delineation of areas of future prospective value could also be enhanced by building on those relationships.

There are also significant sources of geological, geochemical, geophysical and structural information already available.

Ready availability of detailed prospectivity models at suitable scales would help speed up the allocation decision process leading to a reduction in the time needed to preserve land.

Timeliness

The reservation of land for either future NAA or CTA allocation effectively removes that land from the more immediate AWPO process and delays any ground activity. As the review revealed this didn't necessarily result in superior work actually being conducted or greater expenditure. It also didn't result in significant proportions of the reserved land being taken up.

So anything that reduces the time the land is reserved and unavailable would be beneficial and increase the desired efficiency. Pre-loading of information e.g. the availability of more detailed prospectivity maps/models, as discussed, to feed into the initial decision process could reduce the land reservation time. Provision of comprehensive information packs to prospective competitors covering all relevant areas that could impact not just permit applications, e.g. H&S as well as financial and technical capability, but also potential downstream impacts such as land access and resource consents.

This would be particularly beneficial to prospective international competitors who may not be completely familiar with New Zealand's legislation and regulatory framework. A more complete understanding of requirements might also help reduce the number of early permit surrenders.

Market Conditions

Low commodity prices have been offered as one possible contributing factor to the poor performance of the competitive allocation processes through the review period. Consideration of the wider market conditions, particularly on a global scale, do not appear to have been considered.

The review comments on this and recommends more input from the Commercial Analysis & Investment team. This should be a standard component of the decision making process. A baseline set of market condition data should be (and may in fact already be) maintained, again to allow pre-loading of information to accelerate the decision making process.

It is also important to note that market conditions can differ markedly for different mineral commodities at any given time, so strategies or decisions may vary for different minerals or mineral suites at different times. Markets tend to be cyclical so forecasts and position of the cycle are also critical to consider. In theory market downturns are the ideal time for exploration given the lead times required to progress a project to a mining stage. In reality few mining companies have the courage of those convictions at the bottom of a commodity price cycle.

Socio-Economic/Regulatory Considerations

The minerals industry is not universally embraced in New Zealand with some areas more amenable than others to mining and mining related activity. Consideration of some of the

key drivers in different area, particularly in relation to any areas identified as highly prospective, such as employment levels, particular environmental concerns or potential impediments. For example the review report highlighted issues around land access as a possible cause of early permit surrender and that the lengthy reservation process attracted greater public attention.

There can also be issues around land/mineral ownership and resource consent. Additional complexity can occur due to complexities around different government departments and levels of government as well as potentially conflicting legislation.

Iwi are consulted as a matter of course once an area is reserved for potential competitive tender.

Process

The overall decision process was reported as ad hoc with a recommendation to make the process more consistent. A lot of the personal responses in the review report indicate a lack of understanding and consistency of purpose. With the number of variables to be considered any ultimate decision to use a competitive allocation process is likely to remain ad hoc. What should not be ad hoc is the strategy and process used to arrive at that decision.

As part of the review a systems map and efficient allocation framework was put together and these could be used as a base to build on. For consistency of process there needs to be well developed and understood guidelines. There also needs to be a 'guideline' review process as well at given time intervals utilising comprehensive measurement of past decisions and peer reviews.

The final stage of the recommendation process is, or should be, quality assurance (QA) and sign-off. The review report suggests there is no clear cut process for either with questionable consistency and a lack of clarity on the process. There may be times that the guidelines are not strictly followed for valid reasons but there needs to be a clearly documented justification for all decisions.

Internal Allocation Type Efficiency

Once an allocation method is selected then the main measure of the efficiency of permits issued using that method appears to be the proportion of the accepted work program actually completed and the timeliness of the work relative to the timeframe of the permit.

It is possible to gain a perception in parts of the review report that efficiency may be measured more from a process perspective at times rather than from an outcome perspective. The greatest value outcome from the permit system should be successful discovery and exploitation of mineral resources to their maximum value. While being efficient and increasing the scope of work programmes might increase the knowledge and

confidence in 'prospectivity' (as stated in the Review) it does not necessarily result in economic discovery, which should be the primary aim. A minimum aim for prospecting or exploration work could be generation of well-defined local scale exploration targets with compelling evidence or, failing that, strong evidence of ground sterility.

As well as having an outcome focus it is important some level of quality assurance for data is included in a work program. This is an important component in providing confidence in future decisions on the degree of prospectivity of an area.

A final decision on a successful competitive bid, as well as the normal criteria, might also take some account on the history of success of the applicant. Some companies, or at least individuals or teams of geologists, have a success rate that can't be explained simply by luck.

Summary

The allocation review investigated, at some depth, the questions around the efficiency of the allocation methods used to allocate permits for minerals exploration activity.

The findings of the review give a strong impression that the competitive allocation methods have failed to deliver significant value, particularly in comparison to the AWPO process. This may be the case but there are a number of factors that possibly mitigate that impression, which are recognised in the review report. There are also a number of steps that could be taken to strengthen the overall method decision process and potentially the value proposition of the competitive allocation methods.

The systems map and efficient allocation frameworks could be used as a base to build on and the recommendations provide guidance on what the next steps could/should be to add further value to the allocation process. A number of discussion points are listed that could help crystallise a way forward with the aim of increasing allocation efficiency including the value of outcomes:

1. What precisely do we mean by efficiency and what is the objective we are trying to achieve. Are we happy with the general definition given in the review report;
2. Having defined our target what strategy(s) can we put in place to better achieve them (What are our 'selling points');
3. The key driver on allocation method decisions appears to be prospectivity. So how do we improve our understanding of prospectivity;
    a. Develop regional 3D models. As discussed in the review report this could have the additional benefit of strengthening relationships with other groups e.g. Universities, GNS. Looking outside the minerals sphere for value in 3D model development could add additional value and help spread the cost;
    b. Look to take first use value from government funded data acquisition;
    c. Enhanced GIS capability and overlay of data;

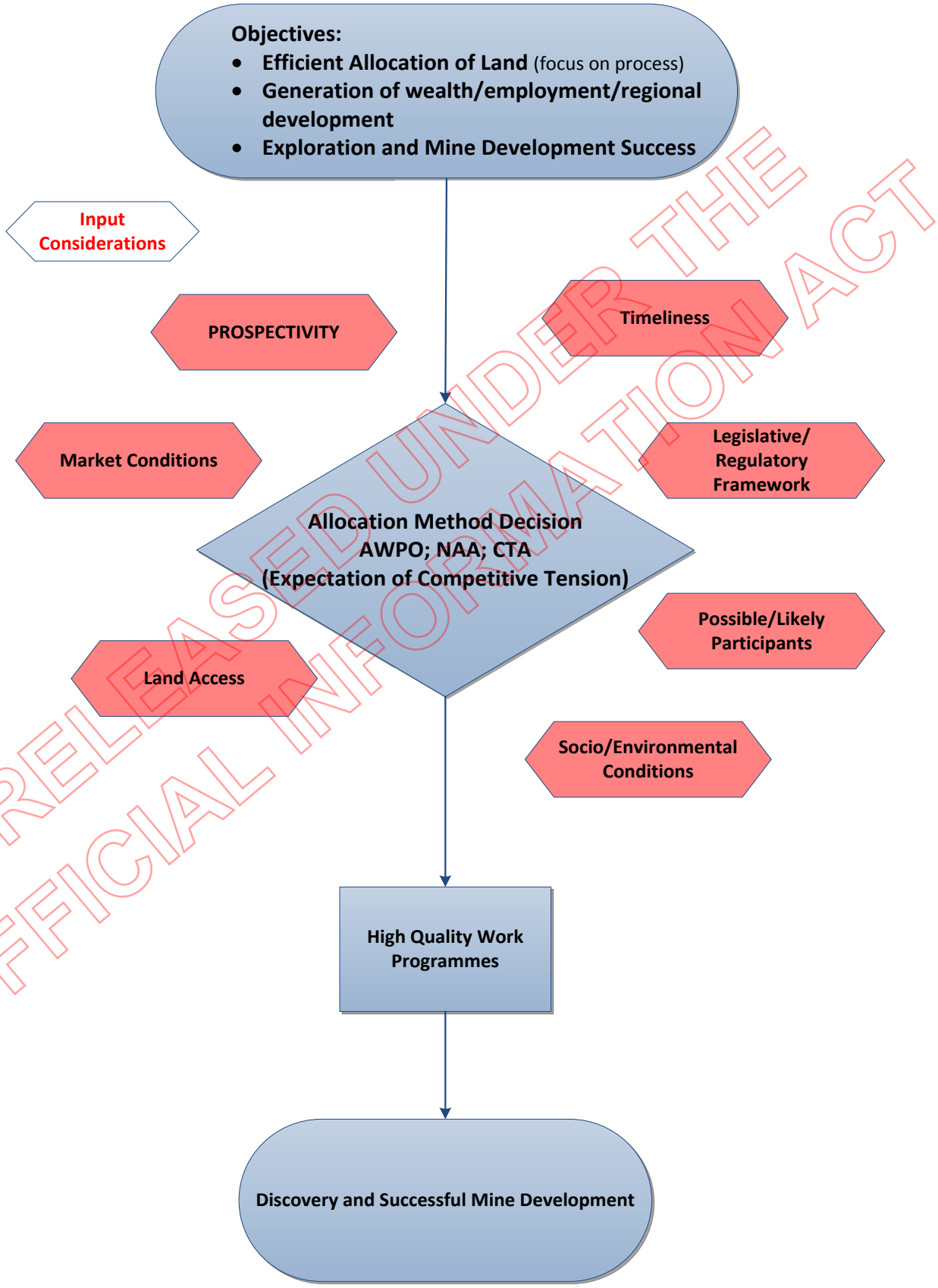
    d. Conduct some targeting and range analysis workshops considering a full economic mineral suite;
    e. Maintain regional/national prospectivity maps;
4. Reduce the reservation time for land prior to and during a competitive tender process;
    a. Maintain a base line set of data e.g. prospectivity, commercial i.e. pre-determine suitable areas;
    b. Provide a **comprehensive** information pack to bidders allowing fully worked applications covering all identified issues;
    c. Create a list of desirable competitors, which could be based on a variety of criteria e.g. size, history of success, desirable new international investor, technical ability;
5. Consider market conditions and forecasts early in the decision making process;
    a. Have ongoing engagement with the Commercial Analysis & Investment team and involve them early in any potential CTA process;
    b. Take care to consider what potential minerals occur in the area under consideration and who owns them;
6. Consider any socio-economic considerations that could assist or impede a competitive allocation process decision such as;
    a. Consideration of local benefits e.g. primary and secondary employment;
    b. Known impediments such as environmental concerns or land access;
    c. General attitude of affected Iwi groups;
7. Clear process and consideration of efficiency;
    a. **Develop coherent, consistent, systematic guidelines**;
    b. Have a clear understanding of what outcomes are wanted from a work programme, including data quality;
    c. Ensure there is documented justification of decisions; and
    d. Continued measurement of results and established feedback process.

Decisions are rarely perfectly informed; they are generally subjective and based on precedent, judgement and experience as well as data. Additionally circumstances can change after decisions are made. Decisions however, still have to be made.

Inevitably this will result in less than optimal decisions at times but the process and personnel still need to be supported otherwise the system can be paralysed or a trend to 'safe' decisions will reduce value over time. There can also be occasions where it is suitable to step outside the guidelines to achieve greater value. This emphasises the importance of having well documented justification.

By the nature of the minerals industry and markets, decisions on the allocation type to use will remain ad hoc but the process used to arrive at that decision however, should not.

Appendix II Process Maps



High Quality Work Programmes

A high quality work programme should look to capture as wide a range of information and data as possible from the activity being undertaken, looking to exceed standard industry practice and to allow optimisation of any downstream activities. All data collection should be auditable and the accuracy and precision of the data demonstrable.

Influencing the Scope of Work (SoW)

- **The more competitive the process the more influence we can have on the SoW.**
- What stage of work are we at; prospecting, exploration, resource definition, pre-mining study phases, mine development?
- What data is required for the primary purpose(s) of the activity? e.g.
  - primary mineral assays.
  - geological data/logs.
- What other data could be collected that could provide downstream benefit? e.g.
  - environmental – hydrological data, waste characterisation.
  - geomechanical – rock mass characteristics, fracture frequencies.
  - metallurgical – mass sample, deleterious elements.
  - structure – orientation, extent, nature.

Data Quality (may be required to be demonstrated in reporting)

- Requirements for demonstrating, suitability, accuracy and precision.
  - auditable processes.
  - sampling – methodology.
  - assay data – standards, duplicates, preparation methodology.
  - spatial accuracy – sample and collar coordinates, downhole surveys.

Capturing the Benefits

- How do we capture the benefits of high quality work programmes?
  - using as templates and examples.
  - clear reporting standards and guidelines.
  - optimal databases for data storage and export.

PROSPECTIVITY

Prospectivity is the likeliness or probability of an economic mineral discovery in any particular area. It is the primary input into influencing competitive mineral interest and consequently, into decisions on land allocation method.

Consideration of Prospectivity.

- 'Nearology' - proximity to known resources.
- Consideration of geological and structural setting and architecture with known analogous mineral deposits (preferably proximal) e.g. camp spacing.
- Consideration of 'footprint' of desired resource.
- Consideration of possible economic mineral suite (Do we consider widely enough e.g. REE's).

Enhancing Determination/Demonstration of Prospectivity.

- Fully integrated GIS.
- Ability to export/extract QAQC data with parent data for assessment (e.g. hierarchal database).
- Develop 'hotspot' and/or prospectivity maps at a regional scale for conceivable range of minerals.
- Development of regional 3D geological/structural models?
- Targeting/Range Analysis workshops?
- Database/Folder of useful reference material for dissemination e.g. GEM research, Mineral Deposit Models.

Timeliness

The reservation of land for possible future allocation delays any possible ground activity. Consequently, delays should be minimised and the outcomes of allocation need to be of a quality to justify the delay.

How do we reduce reservation time to improve efficiency?

- Identification and flagging of areas that should be subject to competitive allocation.
- Pre-loading of information (e.g. prospectivity map or model) into decision making process.
- Provision of comprehensive information packs to prospective competitors.
  - cover all relevant areas e.g. CMA requirements, H & S, land access, RMA.
  - could be beneficial to international competitors unfamiliar with New Zealand's legislation and regulatory framework.
  - could reduce the number of early permit surrenders.
- Efficient processing of permit applications (use of risk based evaluation approach).
- **If competitive allocation method appears attractive then seeking pre-offer understanding or agreements through meetings with land owners, other government departments and/ or councils.**

Market Conditions

The appetite for exploration is closely tied to market conditions, specifically commodity prices, and short, medium and long term forecasts depending on the commodity type and size of company. In theory, times of price downturn within the commodity cycle are ideal for exploration and discovery given lead times for mine development but few companies have the courage of these convictions.

Where are we in the commodity price cycle and what is the forecast?

- Second most important input after prospectivity.
- Maintain a baseline set of market condition data and forecast for pre-loading into allocation decision process.
- Consider mineral types and relativities in terms of the market and commodity cycle.

Legislative/ Regulatory Framework

The legislative and regulatory framework provides the majority of conditions and constraints around land allocation and subsequent activities. As a collective there are difficulties in attracting investment and significant sector players into the minerals sector.

Issues around the current legislative and regulatory framework.

- Legislation applied at different stages of a company's efforts to gain permits and consents for land access and to conduct exploration activities and by different departments and levels of government.
- While these provide necessary checks and balances it makes working through the regulatory requirements time consuming and expensive.

If there is a competitive process for allocation what could we do?

- Short term look to more fully inform any competitive bids regarding the full legislative and regulatory process (see Timeliness).
- **Resolve mineral ownership prior to any competitive allocation process**.
- Reform LMS process.
- Longer term look to legislative and regulatory reform and amendment.
- **Seek pre-offer understanding or agreements through meetings other government departments and/or councils.**

Land Access

Land access is problematic with issues arising post the permitting process. Private land is down to landowners but the majority of land is under Crown control with a number of impediments to access and the ability to engage in normal exploration activity. Land access issues have been identified as a key reason for early permit surrenders.

Why can Crown land be difficult to access and work on?

- Some land apparently permanently locked out e.g. World Heritage Areas, Schedule 4 land and increasingly land designated Significant Natural Areas.
- Other land under Crown control might be accessed after gaining permission (involving time delays and costs, including payment for access).
- Conditions can be restrictive e.g. non-ground disturbing activity might be straight forward but as a project develops restrictions can be placed on more ground disturbing activity such as drilling such that the activity is impractical (or hazardous).
- Some restrictions and denial of access may be ideologically driven.

How do we improve land access?

- Short term look to more fully inform any competitive bids regarding land access issues.
- Work with agencies, e.g. DOC, LINZ, to improve access, e.g. **early engagement**, advocacy.
- Longer term look to legislative and regulatory reform and amendment.

Socio/Environmental Conditions

Some regions are more amenable to mining and mining related activities than others but there is widespread opposition due to environmental 'concerns' through New Zealand.

How do we address issues?

- Work on work programme standards and mine plans to alleviate concerns.
- Continue with compliance activities.
- Promote mining as a legitimate and worthwhile development activity.
- Push back against misinformation.
- Maintain an issues/development opportunity database for informing decisions.

Possible/Likely Participants

It is difficult to choose 'winners' and caution should be used when deciding on preferred applicants. Some generalisations can be made however, with preferences for larger more established companies with demonstrable technical abilities and proven track records of exploration success and compliance with all requirements.

Things to consider?

- Different companies can have particular skills and experience with different commodities and geological settings.
- Build a list of preferred companies.
- Give strong consideration to the technical ability of a company to conduct high level, high quality exploration.
- Need to remember that we are also the regulator so must be cautious to avoid the perception of conflict of interest.

Appendix I - Summary of Minerals Allocation Review

Introduction

The key aim of the Minerals Allocation Review (the Review) was to evaluate ERM practices in terms of efficient allocation of mineral permits. Efficiency in this sense, according to the Review, means permits, of any type, are:

1. Obtained by the party who is most likely to conduct work most effectively and in a timely manner;
2. Issued in a manner that minimises transaction costs;
3. Processed in a timely manner; and
4. Obtained by the party who is likely to comply with the permit conditions and actually carry out the work.

There are three permit allocation methods currently available in New Zealand. These are:

1. Acceptable work programme offer (AWPO), in which the first application with an AWPO will be accepted;
2. Newly available acreage (NAA), where public notification applies to the land and overlapping applications are assessed competitively; and
3. Competitive tender application (CTA), where bids are invited for mineral exploration or mining over a defined area. Application evaluation is based on staged work programme bidding.

Allocation of permits using the AWPO method is by far the most common allocation method.

The Review scope was to consider the processes and outcomes of the three allocation methods with the intention of supporting MBIE to (in the words of the Review):

1. Provide clear rationale and evidence for reserving minerals, tendering and land recommendation decisions; and
2. Create consistent and transparent decision making (for choosing between allocation methods) taking into account market conditions, understanding of prospectivity and expected levels of competitive interest from potential investors.

As well as making a decision on the suitable allocation the Review also listed a number of additional factors that can add complexity to the allocation process to variable degrees depending on context and circumstance. These include, but are not restricted to, geographical spread, level of interest in particular minerals, land access and consents at local government level and uncertainty on extent of Crown-ownership of non-statutory minerals.

The key questions for the Review were:

1. To what extent is the right allocation method being chosen given the circumstance;
2. How efficiently is ERM utilising the chosen method; and
3. What enhancements should be considered to ensure decisions are resulting in efficient allocation?

Method

The Review methodology was apparently developed to involve four phases but only the first two were apparently completed due to time constraints. These phases are understood to be:

1. Defining efficient allocation;
2. Describing context/current practice, reviewing allocation decision making, reviewing outputs/outcomes of permits;
3. Current practice compared with "efficient allocation framework"; and
4. Identify alternative approaches/recommendations/guidelines.

To develop a 'shared' definition of 'efficient allocation' a number of sources were interrogated or otherwise consulted:

1. Review of key legislation e.g Act and Mineral Program. Act definition of efficiency deals with efficiency of progress, granting to the party that values it most and outcomes such as royalties (could also consider other value outcomes such as employment);
2. Brainstorming sessions by the 'Project Team' to assess what should be happening when making allocation decisions e.g. what information is required, land availability, the how of processing and assessment;
    a. From this a draft 'efficient allocation' framework was developed;
    b. This highlighted a gap where efficiency of process was focussed on process and output of allocation decisions not on how decisions on actual allocation method were made;
    c. A system map detailing process and decision points for allocation method decision and permit recommendation (type?) was also developed;
    d. The 'systems map' and 'efficient allocations framework' was circulated to ERM staff with feedback incorporated into the documents;
3. Review of ERM documents on internal processes and interrogation of the permit database; and
4. Interviews with ERM staff tailored to the persons role. The interviews were qualitatively coded to produce themes under the key Review questions.

Some data limitations were noted in the report:

1. NAA data was only available from 2008 (Tier 1 and 2) and CTA data from 2012 (3 tenders, tier 1 only);
2. Inconsistent collation and storage of data (the data has been migrated to a new database);
3. Some data was only available in hardcopy making it difficult to access or analyse; and
4. A key member of the team dealing with the three tenders was not able to be interviewed.

Findings

Findings were found for two key questions.

To what extent is the correct allocation method being chosen for the right circumstance?

There are a variety of information sources both formal and informal to use for consideration on making recommendations on land allocations. They can be variably utilised but the majority of decisions are reported as being reasonably straightforward to make. The key sources of information are:

1. Permit reports, possibly the most comprehensive and reliable source of information but can be arduous reading;
2. Commercial environment e.g. commodity prices;
3. ERM colleagues, institutional knowledge and experience but possible over reliance on particular individuals; and
4. Geological information, which is viewed as reasonably comprehensive between GNS and the available GID data.

The most up to date data is prioritised. The report indicates that there doesn't appear to be any real threshold in terms of information for a decision to be made.

Possible improvements to the types and sources of information were listed in the report:

1. More fully integrated GIS;
2. A map of 'Hot Spots';
3. Final company reports (not always available); and
4. **A prospectivity model.**

Of these the provision of a prospectivity model or map would provide the greatest value in making a decision on allocation type. Prospectivity is given as the prime driver of competitive allocation type decisions.

A key assumption of allocation type decisions is based on the likely degree of competition as competition will lead to more comprehensive work programs. There are a number of criteria that can prompt consideration of a competitive allocation type for an area:

1. ‘Nearology’ or proximity to a known resource or positive exploration results;
2. Size of the area under consideration;
3. Newly available (i.e. had been held for a long time); and
4. The type of mineral(s) being considered.

Justification for the use of a competitive allocation type may not be entirely clear. Of the 351 NAA allocations sampled for the review only 19 are reported to have provided any justification.

Other factors reported to have some influence are:

1. Commodity prices (although study indicates no particular relationship);
2. Land access;
3. Land and mineral ownership; and
4. Resource consent.

How efficiently is ERM utilising the allocation methods (what are the outcomes)?

Analysis for the data showed AWPO formed the vast majority of the allocation types since 2008. CTA’s appeared only from 2013 but, while only three in total, accounted for a significant land area (70 to 80ha).

The review found 36% of land recommendations for land made available for any reason were recommended for NAA allocation. Of the total NAA type allocations only 6% actually resulted in a competitive situation with more than one applicant. A number of statistics are presented on the percentage of NAA’s deriving from different types of relinquishment but it is difficult to derive any meaningful trends from these.

Statistical comparison of the actual expenditure against the proposed expenditure shows a generally low percentage of actual expenditure against that planned. For the non-alluvial mineral domain the NAA and CTA are very low at 4% and 10% respectively against the AWPO at 64%. The permits previous to the NAA and non-competitive NAA’s had actual expenditure at 49% against the proposed expenditure.

The review report states the difficulty in gathering accurate data due to the many factors that contribute to expenditure. The statistics do indicate however, that the competitive land allocation methods do not appear to lead to significantly higher actual expenditure relative to the AWPO method.

According to the review this indicates the Crown has not demonstrated an understanding of where the value is compared to industry value. Two possible explanations are provided for the lack of success:

1. Initial decisions were not well informed with potential competition being overestimated; and

2. The provision of information and/or restrictive timescales does not allow the market to respond in a competitive manner.

The timescales do not appear to be particularly restrictive however, with the review stating the land reservation time prior to tender for the three CTA's went from 22 months for the 'Epithermal' tender, 36 months for the 'Platinum' tender through to 50 months for the 'Northland' tender. This also locked out any potential applicants who might have been interested but were not interested in bidding in the tenders.

Also highlighted in the review is the disappointingly low proportion of land allocated out of the total area reserved. This was 4% and 1% for the Northland and Epithermal CTA's respectively and 14% for the Platinum CTA.

The rationale for preserving land was given in the review as:

1. A high level of prospectivity, as assessed by ERM;
2. Existence of and/or new government funded aeromagnetic data;
3. Value of tenders as a promotional tool; and
4. An aim of attracting new companies, particularly those from overseas.

These points overlap with the key objectives of the tenders, which included; promoting New Zealand to larger overseas companies who could potentially go on to long term involvement, generating more domestic regional activity (particularly in Northland) and accelerating more extensive work programmes.

CTA's

The decision to reserve land for potential tender is reported to have been made on a case by case basis and was reasonably consistent. The tender process is set out in the Mineral Programme with reservations following a formal process. It was noted however, that there was no internal guidance or criteria on how to decide if land should be reserved for competitive tender.

Community and Iwi consultation took place after reservation of the land giving the public the perception the tender process was already underway.

A ranking process was used (not made entirely clear in the review report) with a ranking out of 10 but based assumedly on the proposed work programmes. The requisite capability assessment regarding financial, technical and safety capabilities was also completed on the top ranked application. If any of these areas did not meet the standard the next ranked applicant would then be considered. Participants in the review indicated the process to evaluate tenders was thorough with staff support, independent checks and peer review. Some issues appear to have been encountered around inadequate H & S plans and seeking additional information on work plans as the tenders were closed.

Final outcomes of the CTA process were poor. Only one bid was received for the Epithermal tender with 11 received for Northland and 20 received for Platinum. Of these five permits were allocated for both Northland and Platinum with only a single permit of these still current for the Northland CTA. As discussed, only a very small proportion of the total reserved land area was allocated. All three CTA's were for greenfield exploration.

Other points were made on other possible benefits accruing from the CTA process. These included an increased international awareness of New Zealand in terms of minerals, positive outcomes for scientific knowledge and the scientific community and the view that perhaps New Zealand was not so risk averse.

Negative feedback included the high cost of LMS reports contributing to the low retention of permits in the Northland area and a general observation of the impact on permit retention of the continued downturn of commodity prices over the last few years.

As discussed previously there was very low actual expenditure against expected. Of the 10 permits surrendered only two are reported to have completed anything more than literature reviews. Most bids had work programs only marginally better than the minimum programs outlined in the IFB. Only one bid exceeded the 1,000 m drilling minimum stipulated.

A number of strengths and weaknesses of the CTA's were reflected in the review on the basis of participant feedback. A summary of the strengths are:

1. A more focussed approach to permit evaluation (faster than normal processing);
2. A streamlined process for potential investors where they were provided with data as opposed to doing their own research;
3. Use of the tenders as a promotional tool; and
4. Development of longer term relationships.

Weaknesses were presented as:

1. Poor timing for these particular tenders in terms of market conditions;
2. An unclear strategy in terms of the tenders being ad hoc;
3. Locking up large areas for significant periods of time;
4. Non-inclusion of Tier 2 permits;
5. Land access issues post the permitting process;
6. Timeliness, costs and publicity issues around the process; and
7. Uncertainty around which minerals were Crown owned.

The summary for the CTA process was that the tenders did generate competition but in terms of exploration activity and expenditure were disappointing. Surrender rates were high with only one permit still current. Promotional aspects however, were seen as successful and could lead to future investment.

Acceptability of Work Programmes

The review found that there was a lack of consistency and/or understanding of what an acceptable work programme should be. This is reported as being due to the complex nature and understanding of areas applied for and work history. Also, the Crowns understanding of the commercial value of areas is seen as insufficient.

Agreed work programmes might be undemanding and restrictive with no significant increase in knowledge. Changes to work programmes over time also have the effect of reducing activity (there may be legitimate reasons for these changes to be approved). The overall effect of these issues is the reduction of return of knowledge to the Crown.

This could raise the question however, is the priority an increasing knowledge base or is it successful discovery and exploitation of minerals to New Zealand's benefit? There is also a question of the quality of the previously 'known' knowledge.

Review Conclusions

The following conclusions have been directly paraphrased from the review report.

"The Review has drawn on data collated about the processes and outcomes of the three allocation methods used to allocate land through mineral permits.

Without a consistent, structured process it is difficult to determine to what extent ERM is choosing the right allocation method in the right circumstance. ERM has been utilising all three methods, however more competitive allocation methods have not been leading to better outcomes.

Outcomes for methods other than AWPO – intended to generate competitive interest, and more ambitious work programmes from well-resourced, technically competent investors – have not been better than a first-in, first-served approach. Further, the use of those 'competitive' methods has been limited over the period reviewed – AWPO has been the allocation approach in the vast majority of cases. Findings showed:

- Competition (NAA cases with more than a single applicant, CTAs with significantly more applicants than permits awarded) has not been generated to any real extent.
- The very limited extent of competition in NAAs has not been correlated with the level of commodity prices.
- Proposed expenditure in work programmes has not been higher under NAA when compared to AWPO.
- NAA allocations have mainly been used for lower significance, Tier 2 permits.
- Interest in CTAs has been low, with high rates of surrenders.
- Actual expenditure under NAA and CTA allocated permits has been significantly lower than commitments entered into, both through surrenders and changes in conditions which have reduced the intensity of exploration activity.

Referring to the efficient allocation framework and data collected, there seems to have been a lack of focus on establishing operational criteria on which to base decisions about land reservation and hence the use of methods other than AWPO. There is a lack of codified guidance and procedures to ensure that judgements about the preconditions for the successful use of these two alternative methods – perceptions of relatively high prospectivity and high levels of commercial interest – are met.

What appear to be ad-hoc approaches to decision-making, informed by the knowledge and experience of Geologists and technical information from wider Minerals Team, have not led to better results on the whole from potentially competitive methods in comparison with AWPO.

The question remains as to whether outcomes implied by the purposes of the CMA can be achieved to a greater extent by the use of methods other than AWPO.

What enhancements should be considered to the methods for allocating permits to ensure decisions are resulting in efficient allocation?

There are several areas where changes to current approaches may be beneficial – the first two relate to the preconditions for the successful use of an allocation method mentioned above.

Perceptions of prospectivity

The provision of geotechnical information whether from government-funded, pre-commercial prospecting activity or from the packaged release of information acquired by permit-holders can have a significant impact on how areas are viewed by potential investors. Much of the discussion around the CTAs focussed on the 'green field' nature of the areas offered.

Commercial interest

It would be useful for ERM to consider how the Commercial Analysis team can contribute to the land recommendation decision making process. Questions for the team include:

- How can the Commercial Analysis Team inform decisions about likely competitive interest?
- Which areas are companies interested in?
- Where are we in a commodity cycle?
- Is there a role for a more formal company nominations process as takes place in the annual petroleum Block Offer process?

Process improvements

The internal ERM systems are an area for improvement to ensure consistent processes and decision-making for land recommendations. Questions for the ERM branch include:

- How does ERM know it is allocating and promoting in the right areas?
- Are resources within ERM being allocated appropriately?
- What is the role of ERM in collating and analysing geological data about the mineral estate to determine relative prospectivity and more fully inform decisions about allocation methods?
- Is ERM properly integrating knowledge investments with a broader strategy toward allocation decisions?
- Should less reactive approach to reservations and release of land be developed?

Features of allocation methods may also prevent effective competition. A key issue relates to the period allowed under NAA between announcement and final date for applications, which may be too short to allow companies other than incumbents to prepare convincing applications.

Accessibility of CTAs may be improved by further guidance about how our system works, as well as a roadmap specifying how to navigate through our regime. This and other key documents (such as the IFB) should be translated into other languages.

A more strategic approach

AWPO is by definition reactive. Without reservation of land, ERM cannot influence the pattern or timing of activity or set and deliver priorities over commodities or areas. Without reservation it is not possible to group together potential areas for more effective marketing or to benefit from placing geographical data collection in a timely manner into the public domain.

Regular monitoring of land recommendation decisions and evaluation of ERM activities to increase exploration (for example the Data Acquisition Programme) would provide evidence to the Branch of which allocation methods are being effective and why."

Review Recommendations

The review team recommended that a forward work programme be developed that fits with the current commodity cycle and be adaptable. It should also:

1. Take account of the review, the PEPAR (?) and Minerals Investment Review;
2. Seek input from the governance group on findings and options;
3. Seek input from the Commercial Analysis & Investment team;
4. Leverage off what has been learnt and encourage current interest; and
5. There may also be different strategies for particular commodities.

A number of options or suggestions were given with no changes to the current legislation:

1. Strengthen delineation of areas of future prospective value through building on relationships with GNS, Universities and consultants;

2. Adding value to government acquired data e.g. 3D regional modelling;
3. Using industry to support identification of prospective areas through the establishment of a regular nomination process;
4. Building a consistent process for making decisions about NAA e.g. through:
    a. Contributions from the commercial team to decisions;
    b. Grouping NAA's into potential opportunities through land reservation;
    c. Promotion of these opportunities to a broad range of potential investors; and
    d. Reserving potential areas to allow time to analyse data.

It would seem that the last two points made above in terms of building a consistent process has already been utilised in the competitive process. Possibly they just need to be made more consistent.

The review feels that over the period prior to any changes of the legislation that it is unlikely that there would be suitable areas appropriate to hold a competitive tender.

The one recommendation the review makes in terms of legislation changes is assessment of the equal priority period for NAA's with a view of increasing them.

Newly Available Acreage (NAA) -

How might we better use the Newly Available Acreage (NAA) process to allocate mineral permits?

Design and Findings Brief

The purpose of this document is to define the problem, confirm the core purpose of the work, and outline the key considerations and intended parameters.

Executive summary

This document details the investigation and outcomes from examining the topic of *how might we better use the Newly Available Acreage (NAA) process to allocate mineral permits.* Aspects of the Rapid Innovation Challenge (RIC) methodology were used to carry out the investigation. The project team was tasked with investigating why the NAA method of resource allocation has not been attracting the level of competition it was designed to achieve.

Insights were drawn from internal sources to gain an understanding of how NAA acreage is selected and assessed. External stakeholders provided insight into using the NAA application process and overall customer experience.

Project team members were drawn from policy, analysis, minerals and GIS backgrounds. The investigation highlighted independent drivers that contributed to the lack of competition for NAAs.

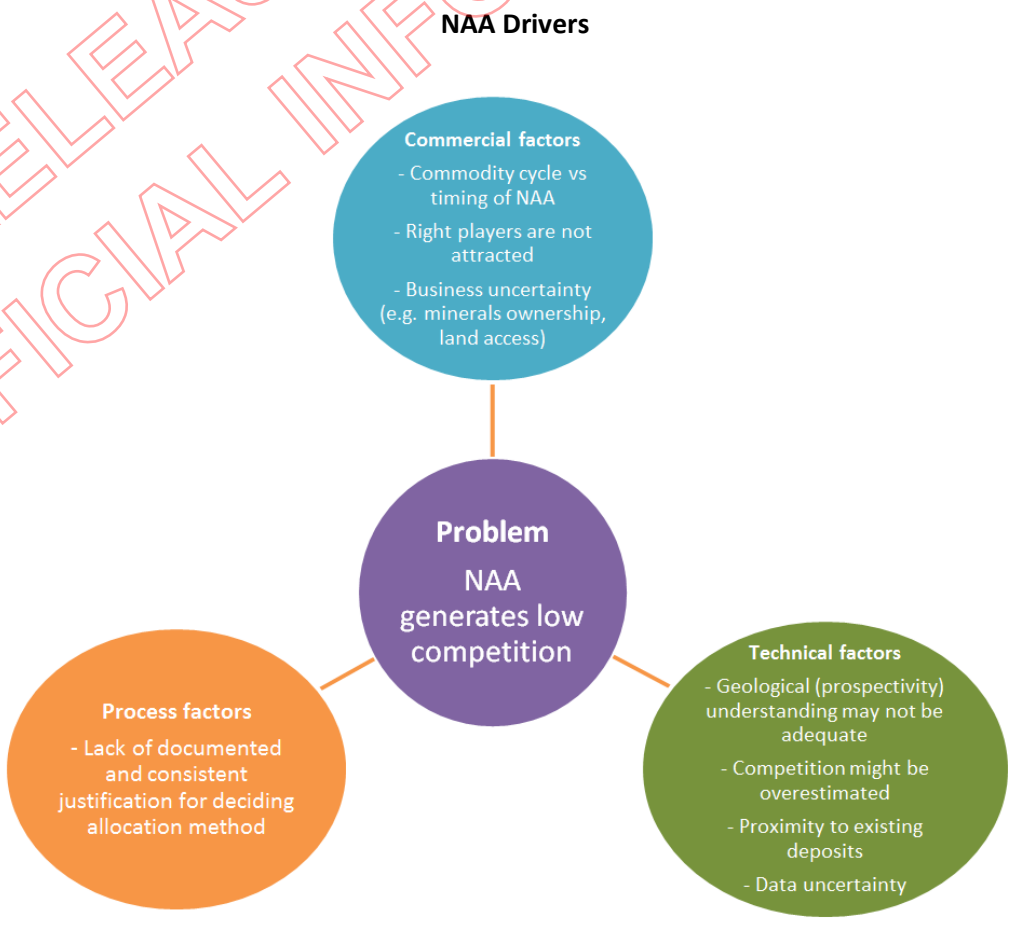
The drivers fall into three categories:

- Technical factors
- Process factors
- Commercial factors

Technical factors range from geological prospectivity to data uncertainty, process factors include lack of consistency in resource allocation methodology and, commercial factors allude to commodity cycles and target markets.

The investigation revealed that the drivers had a wider influence across all resource allocation methods and not just NAAs. Where possible, improvement ideas for the various drivers will apply to all resource allocation methods.

Based on this finding, a decision was made to terminate the project at the Investigate Phase as improving other allocation methods was beyond the scope and available resources of the project team.



Recommendations

Recommendations		
The challenge team acknowledges that the Governance Group:		
1	**Agree** the RIC NAA can be halted at the end of the Investigate phase as key findings will be incorporated into a larger project to assess the entire minerals allocation process.	**Agreed / Not agreed**
2	**Agree** that some quick-fixes identified during the Investigate Phase will be implemented immediately. The improved NAA process will be trialled until the end of 2017 to enable work to progress on more in-depth amendments.	**Agreed/ Not agreed**

Governance Group Sign-off			
Name	Marcos Pelenur/Ilana Miller	**Title**	National Manager Minerals
Signature		**Date**	

Name	David Darby	**Title**	Manager Commercial Analysis and Investment
Signature		**Date**	

Name	A J Millward	**Title**	Manager Sector Development Policy
Signature		**Date**	

Introduction – The Problem Statement

The project team was given the following subject:

How might we better use the Newly Available Acreage (NAA) process to allocate mineral permits?

Overview

In 2015, MBIE conducted a Review of the current minerals allocation methods operating in New Zealand. The purpose of the Review was to assess the extent to which the current Energy and Resource Markets (ERM) practices are resulting in efficient allocation of mineral permits.

There are three methods used to allocate mineral permits:

1. **First Acceptable Work Programme (AWPO),** a non-competitive 'first come, first served' approach that results in a quick turnover of land
2. **Newly Available Acreage (NAA),** a less intensive competitive process than CTA, used if geologists consider there to be competitive interest or high prospectivity
3. **Competitive Tenders (CTA),** a rigorous competitive tender process

The review found that '*Geologists consulted widely within the branch and used a range of information to support decision making. However, there was a lack of consistency in how they did this*', and that there was '*a lack of clear and consistent guidelines when making and signing off land recommendations*'. There was also a lack of formal justification provided for the majority of decisions.

The review found that only 6% of NAA rounds were actually competitive, and that actual expenditure for permits allocated by NAA was lower than those allocated by AWPO, while the proposed expenditure was higher.

More competitive allocation methods have not led to better outcomes — there is a gap between what customers want and what geologists *think* customers want.

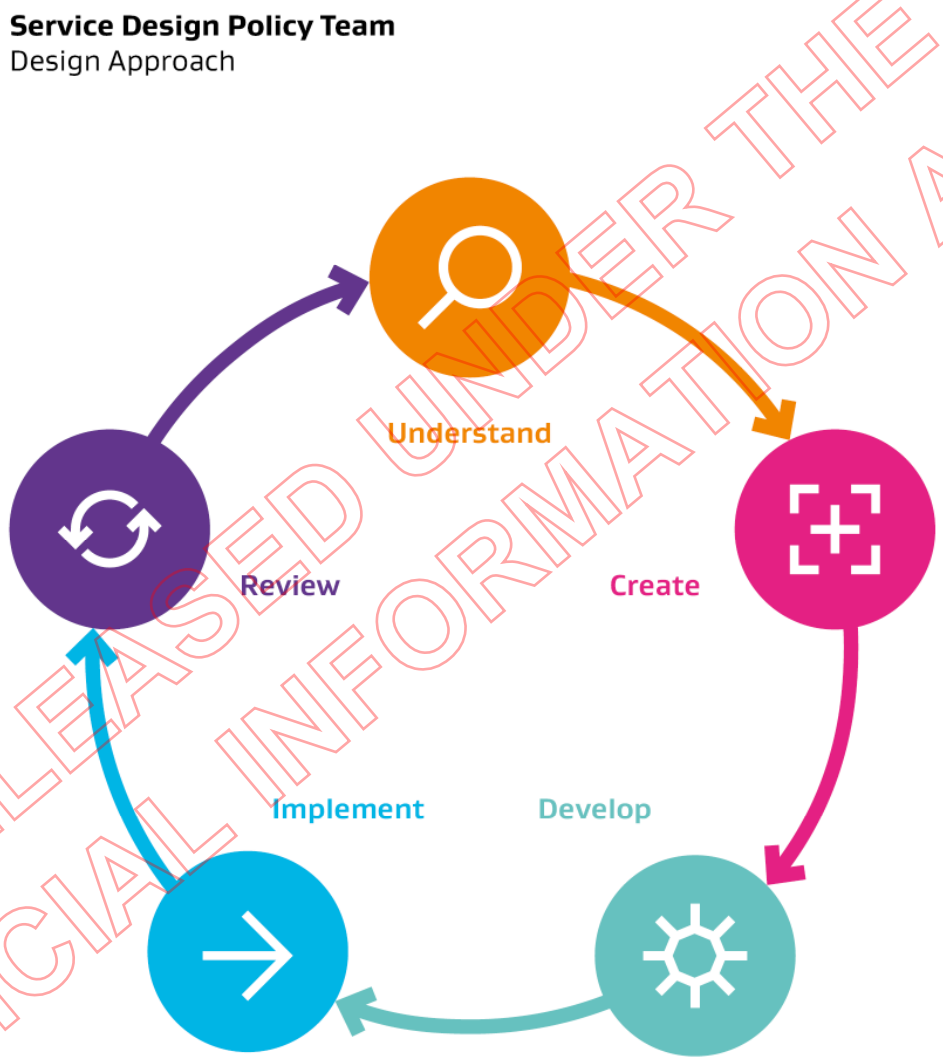
All materials, images and documents from the challenge can be accessed here:

http://mako.wd.govt.nz/otcs/llisapi.dll?func=ll&objId=61154544&objAction=browse&sort=name

Objectives

The ERM Commercial Analysis & Investment team (CAI) sought guidance from the Service Design Policy Team to facilitate the investigation to improve the NAA process (including understanding the problems with the current process, from the perspectives of both customers and ERM staff).

The project commenced at the *understand* phase (by taking into account the findings of the 2015 Review), and then was planned to advance to the *create* phase, followed by the *develop* phase.



Strategic Links and Environmental Context

The 2015 Review identified a number of problems with the current process — this work will not be duplicated, but explored further to understand why those pain points exist. The project team will identify and take into consideration any other pieces of work that may have links to this project.

Scope

The project will deliver recommendations to improve the NAA process.

The project team may also consider the wider minerals allocation process (i.e. AWPO and CTA), as the initial kick-off meeting identified this as a longer-term objective. However, this is not the primary purpose of the project and any recommended solutions will relate to the NAA process only.

Project Team

ERM NAA Review Team (January – April 2017)

s 9(2)(a)

Josh is a Senior Policy Advisor in the Sector Development Policy team. Josh has worked in upstream minerals policy and operations at Ministry for the Environment, the Environmental Protection Authority and MBIE. Josh originally moved to Wellington to study public policy at Victoria and is from Ohope in the Bay of Plenty.

s 9(2)(a)

Martha is a Policy Advisor in the Resource Markets Policy team. She joined MBIE 18 months ago, and has been involved in different work streams across the branch, such as the petroleum allocation review and Treaty settlement processes. She enjoys working with people from different backgrounds where different ideas and perspectives can be explored. She bakes 'yummy' cakes.

s 9(2)(a)

Tim is a Principal Minerals Advisor in the Minerals team. Tim brings extensive experience in the minerals industry covering the entire mining value chain from exploration through to mine development and mining, across most mineral commodities. As well as the geological aspects of the minerals industry he also has experience with strategic planning and integrating multi-disciplinary activity, working collaboratively with people to find optimal solutions to issues.

s 9(2)(a)

Dipankar is a Senior Market Analyst in the Commercial Analysis & Investment team. He provides strategic advice and analytical support to the branch. Before joining MBIE, Dipankar worked in the energy and financial services sector. He is always interested in learning new ways of doing things and working with people on specific problems.

s 9(2)(a)

Alvin is a Senior Market Analyst in the Commercial Analysis & Investment team. Alvin is a geologist by profession. Prior to joining MBIE, Alvin spent 3 years at Wood Mackenzie in Perth and Sydney as Senior Analyst – Iron Ore Costs. Before that he was with Rio Tinto Diamonds and Rio Tinto Iron Ore in various exploration, mining and international JV and M&A roles.

s 9(2)(a)

Greg is a Senior Geospatial Advisor in the Business Systems team in Information Systems. Greg brings a large volume of experience with IT and Geographic Information Systems and has fulfilled positions across the full gamut of roles from end-user to solutions architect. He enjoys a good challenge and revels in finding unique resolutions to seemingly unsolvable problems.

s 9(2)(a)

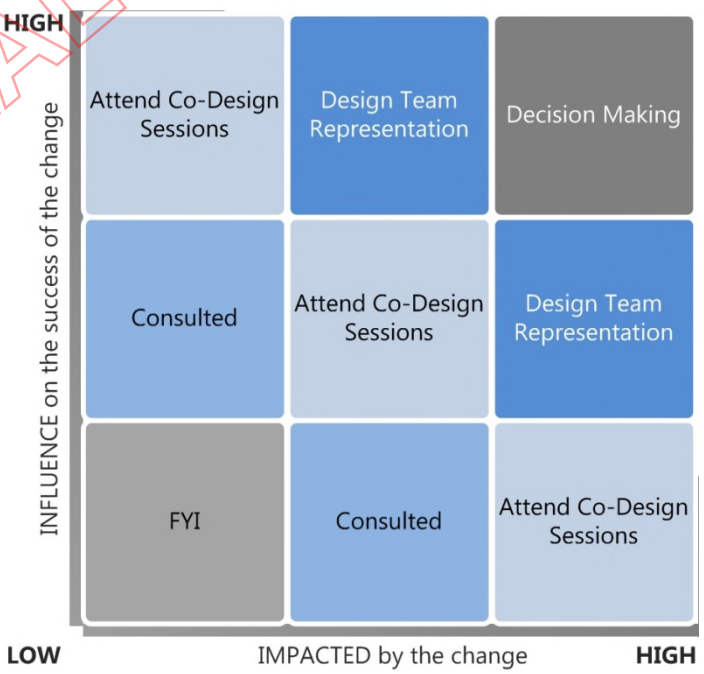
Florence is a Senior Advisor in the Service Design Policy team in Market Services. She has service design thinking experience working within MSD, DOC, IRD and MoJ. She is passionate about design thinking and loves to focus around customer centric values and seeing those values through to implementation from solution/s explored.

s 9(2)(a)

Jeremy is a new Advisor in the Service Design Policy team in Market Services. He recently graduated with a degree in visual communication design and has experience in graphic and service design. Jeremy enjoys working collaboratively to tackle unfamiliar problems.

Participation Approach

The following model was used to evaluate the required participants (stakeholders, customers, business partners, governance groups etc.). The generic model below is the specific plan for this piece of work[1].



[1] Descriptors for the different segments are provided as Appendix One

Participation Plan

The make-up of the project team is vital to the success of the design approach. The nature of the topic means participants have the relevant technical knowledge, but it is equally important to have people who are open to exploring new and innovative solutions. The project team consists of a wide mix of policy and operational people to ensure diversity of thinking.

Participant Type	Names of Participants	Participation Approach
Governance Panel	Marcos Pelenur Mark Steele AJ Milward David Darby	Oversee the work and give approval to proceed at key milestones
Project Team	Alvin D'Almaida (CA&I) Dipankar Ganguly (CA&I) Tim Journeaux (Minerals) Josh O'Rourke (SDP) Martha Cardena (RMP) Greg Holland (BusSys)	Lead the work, keep others informed of progress Provide regular input to the work and share perspectives and experiences Provide feedback on draft deliverables, share experiences and identify links with other work
Consulted/Co-Design	Service Design Policy branch within Market Services	Provide design methodology Consistent approach to problem solving
Internal Review	David Buckrell	Pre-governance review
External Review	TBC — external	Note the work, use the deliverables

CA&I – Commercial Analysis and Investment
SDP – Sector Development Policy
RMP- Resource Markets Policy
BusSys – Business Systems

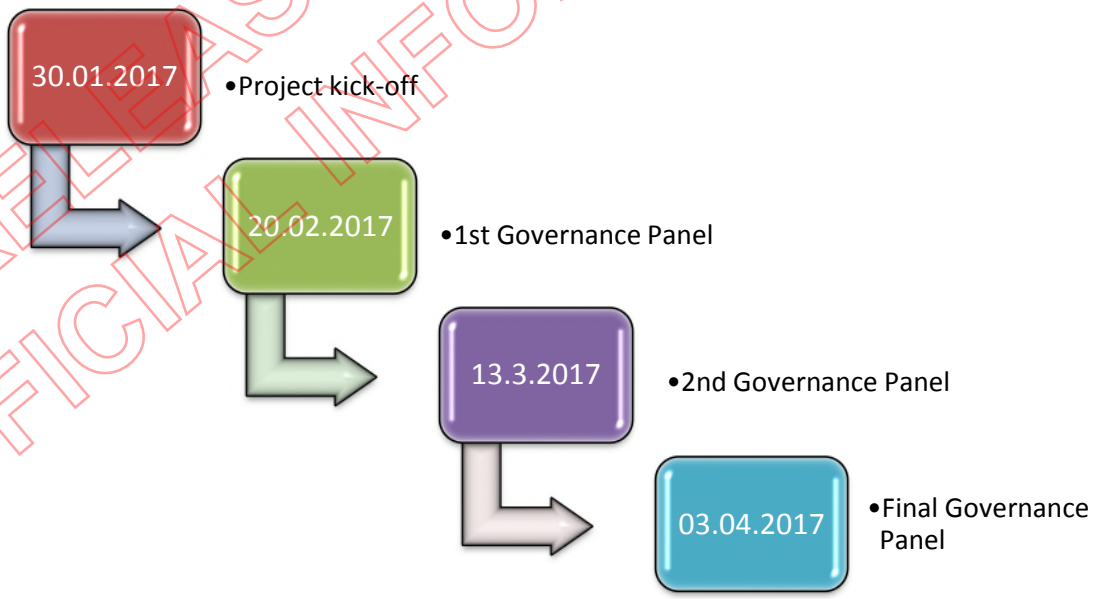
Time Commitment

- The rapid service design guidelines recommend a total time commitment of 24 hours per member for the initial *understand* phase. A similar time commitment is recommended for the *create* phase with approximately 16 hours commitment for the final *develop* phase.
- This translates to six hours per member per week.
- Calendar invitations were sent to members as place-setters for designated project time in two three-hour blocks per week.
- Meeting rooms were booked with each calendar invitation. However, face-to-face interactions were not required for the entire period.
- Project members were strongly urged to attend at least the first hour of each meeting to provide feedback and engage in discussion.

Governance

- Results and findings from each phase were presented to a governance panel for direction, scope-check and guidance.
- The panel consisted of Leadership Team members who are project owners and potentially leaders in implementing recommendations from the *develop* phase.
- The governance panel presentation for the *understand* phase was scheduled for 20 February 2017.

Proposed Timeline



Next Steps

The project was initially planned to be conducted in three stages, as outlined below.

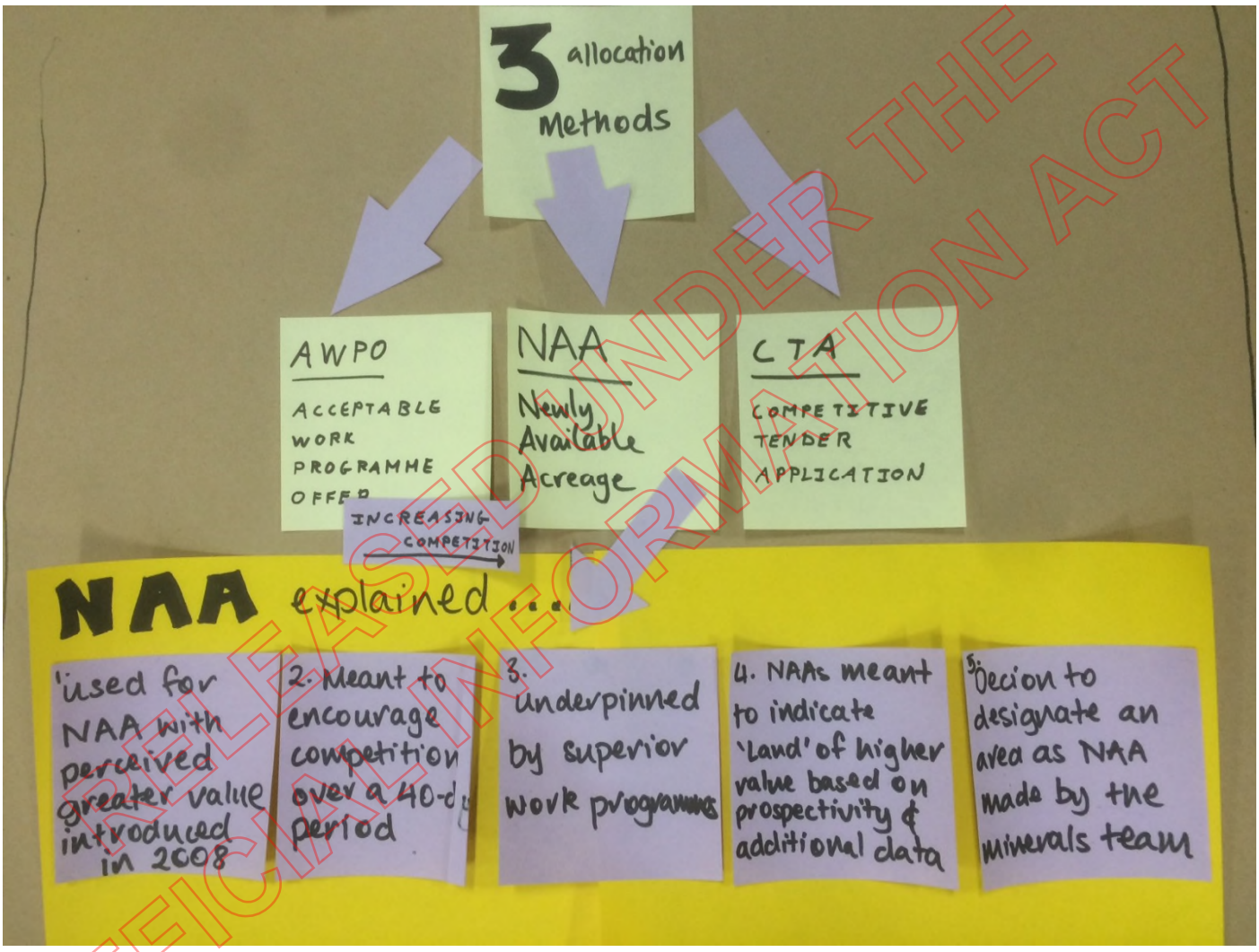
Stage	Activities	Outputs	Indicative timing
1. Understand	Review literature, interview 'experts' consider lessons learnt from recent projects.	Refined problem definition Design criteria Recommendations for areas to focus on in stage 2	24 hours per person
2. Create	Generate options for addressing the problem(s), prototype options and select options to evaluate fully in the next stage.	Recommended options to proceed to detailed design	24 hours per person
3. Develop	Detailed design of recommended products or outputs, documentation of key findings.	Guidance, tools and templates. Report with key findings and recommendations Material for communicating findings to key stakeholders	16 hours per person

Background: what we know about resource allocation methods

This phase focused on understanding the problem and learning as much as possible about the people involved and impacted by it, the existing context and touch points, business processes, constraints, and opportunities.

We outlined the three allocation methods in increasing order of competition and highlighted the key features of the NAA model.

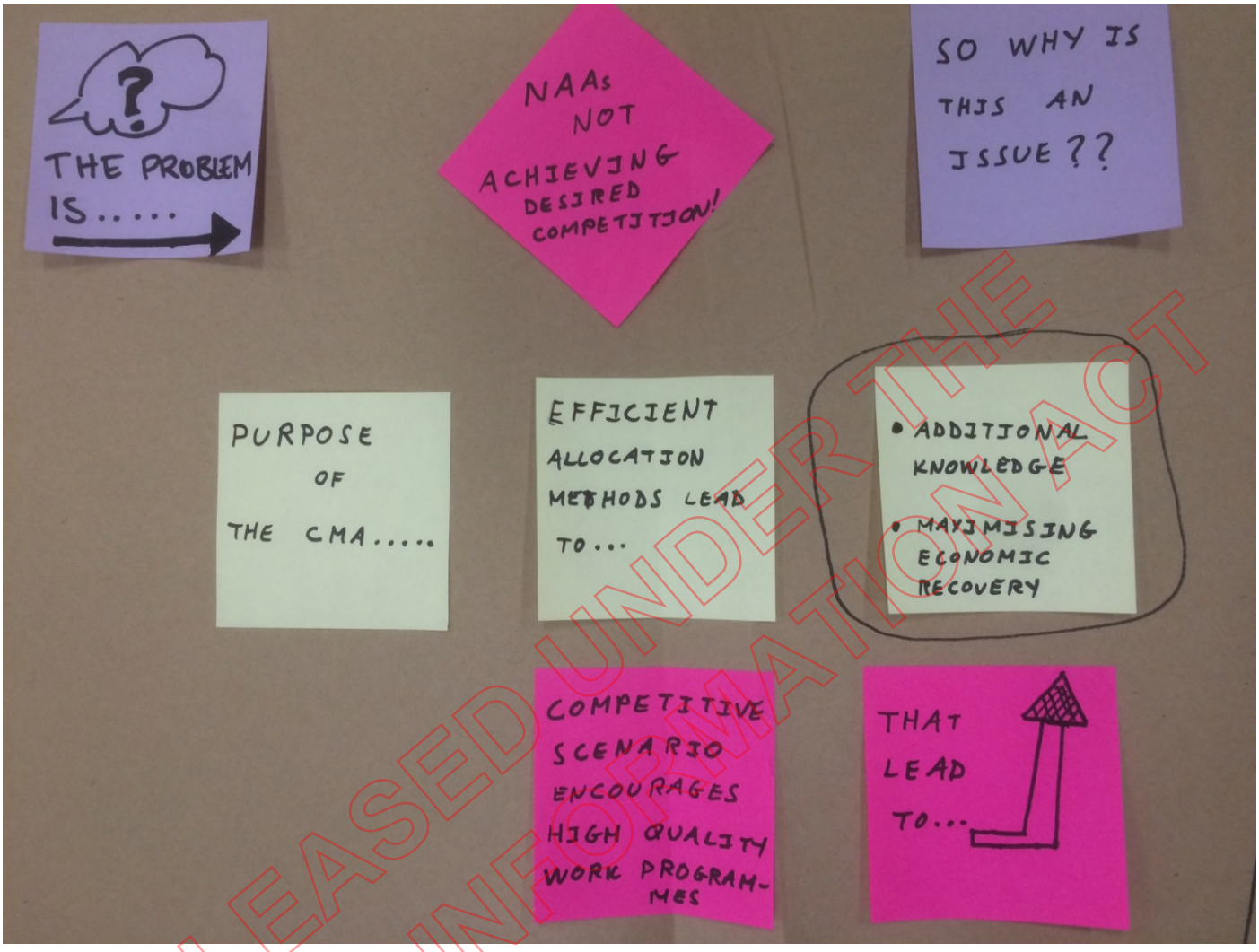
Resources allocation methods



The flow-diagram below illustrates why the lack of competition from NAAs is seen to be an issue. The NAA is one of several tools used to administer New Zealand's mineral estate under the Crown Minerals Act (the Act) to maximise investment return to the Crown.

Increased competition from NAAs is meant to drive high-quality work programmes that increase geoscience knowledge and lead to exploration success. The lack of competition does not encourage this cycle of productivity and quality, therefore questioning the NAA's ability as a tool that maximises return to the Crown.

The NAA competition to quality cycle



Key Findings

We cast a wide net during the understand phase of the challenge and consulted with a broad range of stakeholders.[2] The key insights sourced from these stakeholders have been themed and documented in this section.

Steps for current NAA allocation methodology:

1. Permit tested via RAPID for permit EOD, surrender, expiry and revocation.
2. Permit flagged as 'land decision pending' in system and public maps.

Permit decisions influenced by:

1. Size and prospect of economic return.
2. Prospectivity decision is subjective but discussed with senior geologist.
3. Some consideration given to market conditions (if known). However, there is no formal consultation with the market analyst from the Commercial Analysis and Investment (CAI) Team, as part of the process.
4. Actual knowledge of competitive interest.
5. Last technical report from the permit area under consideration.

[2] Refer to appendix for list of stakeholders

6. Note: the older system (TEXAS) is reported to have had better functionality for recommendation documentation.

By comparison, the petroleum allocation method (Block Offer) considers the following:

1. Strong CAI input along every step of the process.
2. CAI input into the following stages prior to acreage release:
    a. Prospectivity assessment
    b. Geological consideration
    c. Commercial interest
    d. Schedule for exclusions where necessary
    e. Policy in practice
    f. Ministerial involvement for release campaign

Several information exchanges between NZPAM and permit applicants tend to prolong the decision-making process for awarding successful permits.

Promotion of NAAs

How and where are NAAs promoted?

1. NZPAM website with a highly visible home-page location
2. Invest NZPAM website with highly visible home-page location
3. Online traffic to the 'Land available for minerals applications' link via the Invest NZPAM was nil since the Invest NZPAM website was established in 2016.

Target markets for NAAs:

1. Tier I explorers: local footprint, smaller budgets, highly innovative
2. Tier II explorers: regional footprint, technical focus, larger exploration budget
3. Tier III explorers: global footprint, fully integrated producer
4. Despite being on the target market list, Tier I and Tier II companies are the main markets for NAAs.

Stakeholder Insights

Insights from ERM stakeholders external to the study team:

1. Time taken for full process from permitting to consenting and land access is too long and sometimes frustrating for project developers.
2. Interest in acreage spikes when five-year confidentiality period for original permit (i.e. before NAA) expires.
3. Perception that NAA permit areas have low prospectivity.
4. There is complete lack of interest in NAAs from mid-tier companies.
5. Perception that NAAs command higher budget work programmes than AWPOs.
6. Mineral allocation methods need to be branded to mimic oil and gas methods such as block offer and KTA??
7. Some companies are not aware of NAAs. They only find out about them through agents.
8. The decision to include or exclude an area from an NAA needs to be better communicated to industry.
9. High cost of evaluating an NAA before an application is made.
10. Cost of determining mineral ownership is high.
11. NAA selection must be more transparent.
12. NZPAM may not have all the required in-house experience to assess applications e.g. alluvial gold.
13. Geoscience data integrity. Companies explore when they think there is prospectivity but NZPAM is not sufficiently aware of New Zealand's prospectivity to carry-out effective promotion of the mineral estate.
14. Ownership of non-nationalised minerals is uncertain and poses a significant barrier to investment.

15. Market is unlikely to engage during a downturn in the commodity cycle.
16. Unsubscribed NAA acreage should automatically revert to AWPO acreage.
17. Radio Spectrum example: Perceived demand influences choice of allocation method.

Insights from Industry stakeholders:

A number of industry stakeholders were approached for feedback on the NAA process. A disappointingly low number (3) responded but their feedback had some commonality with the ERM feedback above and can be summarised under some key headings.

Timeliness

1. Insufficient time to make an informed application, particularly with the level of detail required by NZP&M.
2. The length of time taken to conduct evaluations and make decisions (a criticism not reserved to just NAA's).

Issues with NZP&M

1. Lack of transparency of process (concerns of bias with internal evaluation).
2. Poor record of picking 'winners'
3. Lack of relevant experience within NZP&M, particularly in alluvial settings.
4. Rigidity of the process (for both applicant and NZP&M) with an inability to discuss the contents of the application with the applicant, in particular the work programme/spending/applicant's technical and financial capability/good industry practice aspects.
5. Having to do an LMS report is costly and is a disincentive. These may also need to be done by multiple parties resulting in a duplicated effort and duplicated cost.
6. Overall costs, particularly fees with the unsuccessful applicants are not refunded.

External Issues

1. A limited number of agents acting as a filter reducing variance within work programmes.
2. Difficulty in putting together a competitive but realistic work programme without over selling it (without being able to seek a 'change in condition').

Possible Improvements

1. Make more timely decisions.
2. Allow greater time to do due diligence prior to applying.
3. Improve transparency and accountability (how is the evaluation being done and who is doing it).
4. Provide some mechanism for applicants to explain or provide further information.
5. Possible staggering of costs with final successful applicant bearing the greater cost.
6. NZP&M should commission any required LMS (possibly passing cost onto successful applicant).
7. Provide a clearer guide as to why an area has been selected for NAA as opposed to priority in time.
8. Improve guidelines to explain use of NAA's as opposed to other allocation methods.

Minerals Team Insights

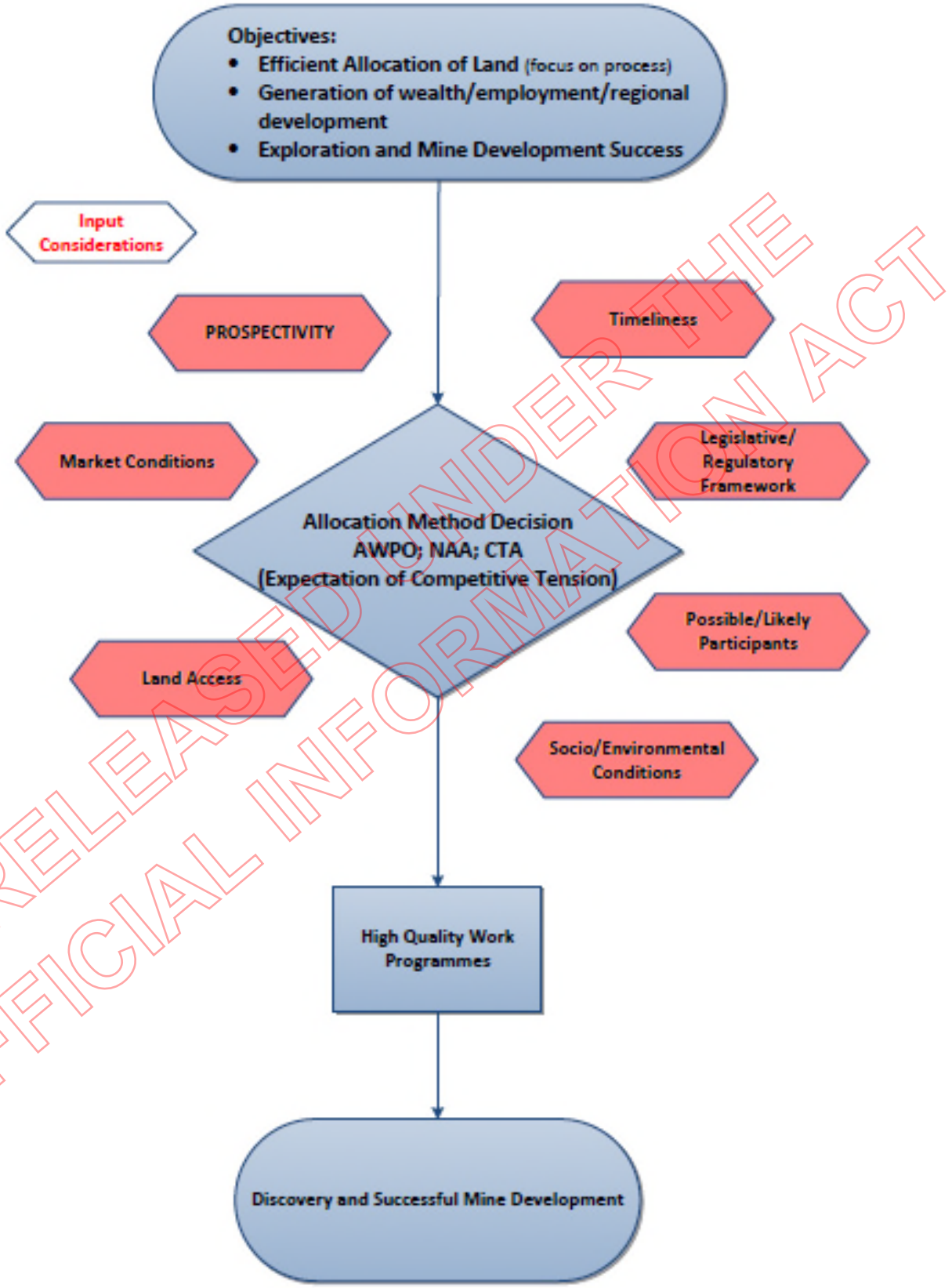
Minerals Advisor Insights and Suggestions

1. No adequate quality assurance currently in place for application assessments.
2. Work programmes should be ranked against set criteria where all options are weigh-up.
3. Internal processes can be improved with the use of NAA assessment templates.
4. Reserve all NAA acreages for an annual release.
5. Not all geologists in the Minerals Team are familiar with the NAA process.
6. Decision-making can take a variable amount of time.

7. There are no statutory time limits for processing applications.
8. Minerals geologists currently may not take into account previous permits and commercial activity in surrounding areas.
9. Insert comments box for geologists to insert recommendations for NAAs and AWPOs.
10. Improved application quality will enable minerals geologists to pool their resources for assessments.
11. Minerals geologists have limited tools for decision-making.
12. Short period (40 working days) limits the time available to prepare and submit a high-quality application.
13. Minerals geologists should be allocated work commensurate to their exposure and familiarity. e.g. location/type of allocation/type of mineral commodity.

The Principal Minerals Advisor (Tim Journeaux) has designed a flow sheet outlining the objectives and input considerations required for effective resource allocations.

Resource Allocation Input Flowsheet



Internal Costs

An overview of costs pertaining to permit application processing was undertaken with results tabulated below.

Staff Costs

Staff level / Role	Cost/hour ($)
Admin	27
Evaluator	44
Reviewer	78
Manager	80
Legal	N/A
Financial	75
Business Services	30
GIS	30

The average cost of processing new applications is tabulated below.

Processing Costs – New Applications

Application type	Cost/hour ($)
Prospecting	3,008
Exploration	4,794
Mining	10,096

Cost breakdowns for Tier 1 and Tier 2 permits as follows.

Tier 1

Application type	Cost/hour ($)
Prospecting	3,107
Exploration	5,019
Mining	14,601

Tier 2

Application type	Cost/hour ($)
Prospecting	2,887
Exploration	4,715
Mining	10,009

Environmental context

Minerals Investment Review 2015

1. China focussed strategy.
2. Fraser Institute findings that New Zealand is a good place to conduct mining but environmental regulations could be a barrier to investment.
3. The New Zealand Government has minister-level engagement with China.

Government Investment in Geoscience Data

1. Aeromagnetic surveys over various regions of the North and South Islands.
2. Geochemistry survey in the South Island.
3. Crown investment in minerals data totalling $10.9 million.

ERM Work Programme

1. Resource allocation method should be data driven.
2. A wider resource allocation review is required.

Opportunities and Gaps

There needs to be defined criteria for justifying the choice of allocation method. Not doing so may expose NZPAM to judicial review.

There is little commercial / analysis input from the CAI Team in the selection of acreage and the timing of NAA releases.

The actual cost of selecting, assessing and awarding of NAAs is not clearly understood at this time.

Conclusion

Input from cross-ERM teams provided valuable and insightful feedback in gaining an understanding of NAA inputs. In addition, feedback was also sought from external stakeholders to gain an understanding of the NAA experience from a user perspective.

Not all team members selected for the project were able to meet their commitments due to competing priorities, shortage of resources and staff departures. They however provided piecemeal input where required.

The overall capability of the remaining investigation team was not compromised.

The Investigate Phase of the NAA project revealed the method of resource allocation was not attracting the level of competition due to limited inputs from three driving factor:

1. Technical factors
2. Process factors
3. Commercial factors

The decision to end the project at the Explore Phase was made with the realisation that the three driving factors have a fundamental influence on all resource allocation methods, and not solely restricted to NAAs. The investigation has revealed options for quick process and operational gains together with longer-term options for a wider review of all allocation methods.

Options for Next Steps

Despite the project finishing prematurely, recommended actions address some of the identified issues with NAAs, without requiring a change to the Act or NAA guidelines in the Minerals Programme. The key actions for consideration are:

1. Construct a formal process for making a decision on whether to allocate land under NAA based on a scoring system taking into account the relevant aspects of prospectivity (e.g. structure, lithology, proximity to known deposits) and market conditions (e.g. short to medium term economic forecasts of relevant commodity prices). Having a formal decision making process with technical and commercial considerations brings greater discipline to the decision making process, can be modified as experience is gained and provides a clear justification for the decision;

2. Formulate a minimum required work programme to supply as a starting basis for applicants. Establishing a minimum work programme creates a baseline for prospective applicants and assists clarity and transparency;
3. Either do LMS reports internally for later recharging or ensure we know who owns the minerals as part of the NAA decision process. This is a major issue for the industry and would be a fairer system for all applicants; and
4. Include assessment of practicality of a submitted work programme as well as consideration of quantity and quality.

Other actions that may improve the NAA process but may be more problematic in terms of the Act and Mineral programme are:

1. Investigate ability to go back to applicants around their technical and financial capability, without affect to their work programme;
2. Allow greater time (than the 40 working days) for potential applicants to do due diligence and formulate a work programme; and
3. Review the fee's structure for NAA's in a way that not all applicants are required to pay full fees for evaluation of their application.

Other initiatives, such as the CPORT Knowledge Investment Strategy and the Data Acquisition Programme, being considered or implemented by ERM can help address the broader issues or shortcomings in the inputs to the land allocation process identified in the Resource Allocation Input Flowsheet presented earlier. This will lead to improved efficiency in land allocation over time and hopefully, increased discovery and utilisation of New Zealand's mineral resource.

If the level of desired completion in NAAS is still not achieved after recommendations have been implemented, an abolishment of the allocation method should be considered, by means of changing the Act or NAA guidelines in the Minerals Programme.

These initiatives need to be considered within an overarching resource allocation strategy rather than occur as independent actions.

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NEWLY AVAILABLE ACREAGE (NAA) -

How might we better use the Newly Available Acreage (NAA) process to allocate mineral permits?

Brief to ERM LT

17 October 2017

Introduction- The Problem Statement

How might we better use the Newly Available Acreage (NAA) process to allocate mineral permits?

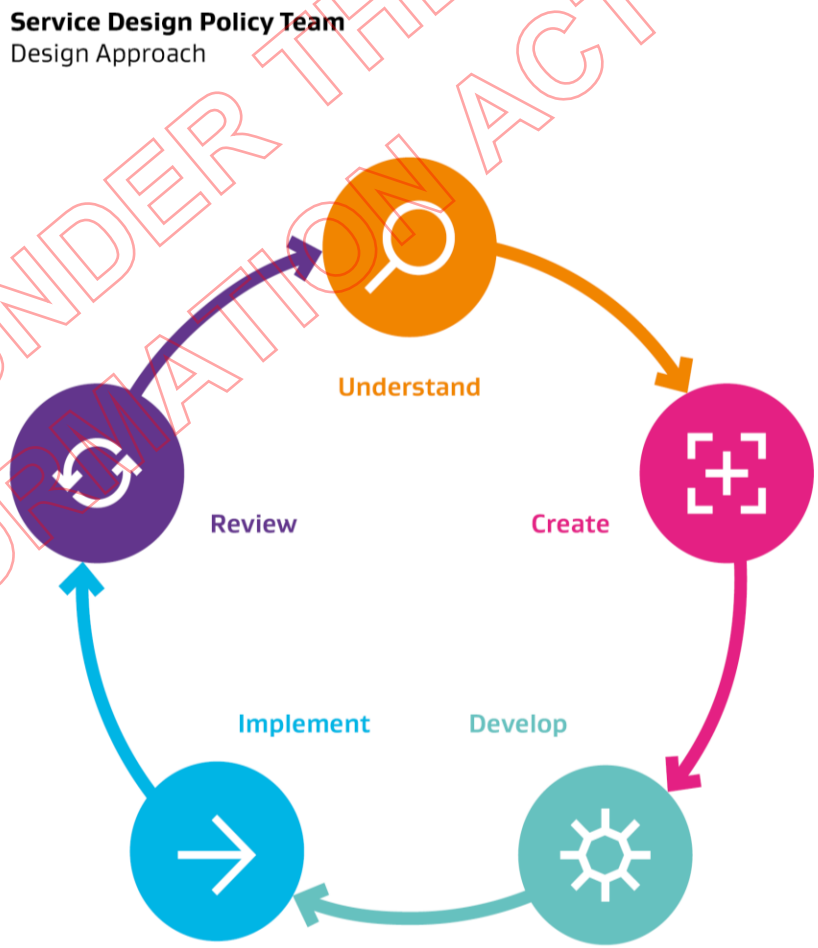
- In 2015, MBIE conducted a Review of the current minerals allocation methods operating in New Zealand
- The review found that:
  - '*Geologists consulted widely within the branch used a range of information to support decision making. However, there was a lack of consistency in how they did this*', and that there was '*a lack of clear and consistent guidelines when making and signing-off land recommendations*'. There was also a lack of formal justification provided for the majority of decisions.

Objectives

- Improve the NAA process (including understanding the problems with the current process, from the perspectives of both customers and ERM staff).
- The project commenced at the *understand* phase (by taking into account the findings of the 2015 Review), and then was planned to advance to the *create* phase, followed by the *develop* phase.

Scope

- Improve the NAA process (including understanding the problems with the current process, from the perspectives of both customers and ERM staff).



Participation Plan

- Wide mix of policy and operational people to ensure diversity of thinking.

Participant Type	Names of Participants	Participation Approach
Governance Panel	Marcos Pelenur Mark Steele AJ Milward David Darby	Oversee the work and give approval to proceed at key milestones
Project Team	Alvin D'Almaida (CA&I) Dipankar Ganguly (CA&I) Tim Journeaux (Minerals) Josh O'Rourke (SDP) Martha Cardena (RMP) Greg Holland (BusSys)	Lead the work, keep others informed of progress Provide regular input to the work and share perspectives and experiences Provide feedback on draft deliverables, share experiences and identify links with other work
Consulted/Co-Design	Service Design Policy branch within Market Services	Provide design methodology Consistent approach to problem solving
Internal Review	David Buckrell	Pre-governance review
External Review	TBC — external	Note the work, use the deliverables

Key Findings

Insights from key stakeholders included the following themes:

- Steps for current NAA allocation methodology
- Factors affecting permit decisions
- Comparison with petroleum allocation method (Block Offer)

Stakeholder insights

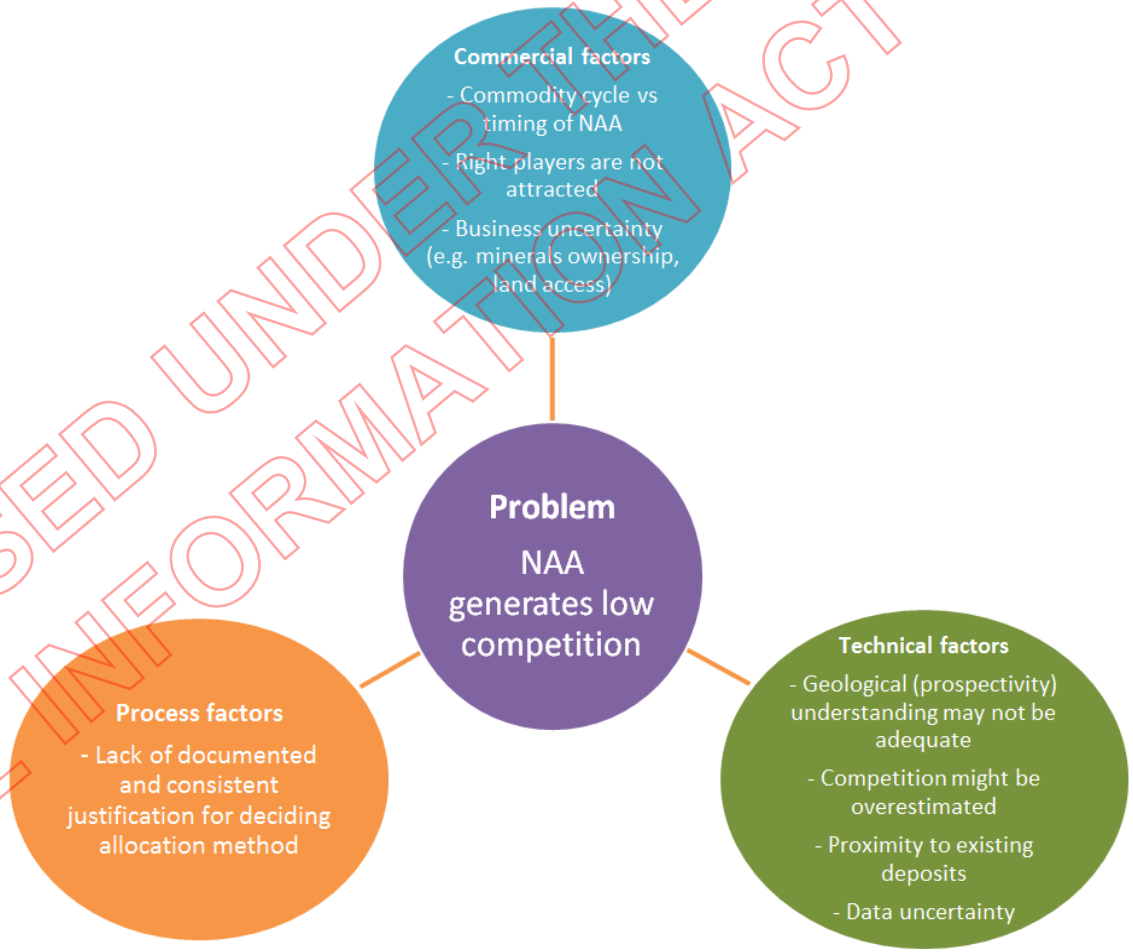
Insights sought from the following stakeholders:

- ERM stakeholders external to study team.
- Industry stakeholders
- Minerals Team

Conclusion

Independent drivers that contributed to the lack of competition for NAAs:

- Technical factors (key)
- Process factors
- Commercial factors



Next Steps – near term initiatives

- Technical scoring system to aid allocation decision-making
- Establish minimum work programme requirements
- Undertake LMS reporting internally for later back-charge to successful permit applicants

Technical Assessment Scorecard

Prospectivity Factor	Criteria	Scores	Ranking	Weighting (%)	Comments
Lithological Setting	Source rocks	1 - 5	3.0	10	
	Depositional setting				
Mineral Flux	No known or significant structural / hydrological system	1	4.0	25	
	Interpreted structure (e.g. geophys) / hydrological feature	2			
	Primary regional structure / hydrological system identified (e.g. mapped)	3			
	Primary and secondary structural / hydrological system established	4			
	Conductive structural / hydrological system established	5			
Geochemistry	No anomalous geochemistry	1	3.0	30	
	Minor vector minerals / incipient suitable alteration	2			
	Significant vector minerals / anomalous economic elements	3			
	Ore grade economic mineral	4			
	Ore grade polymetalic economic minerals	5			
Proximity to known deposits	No known relationship	1	5.0	35	
	Similarity in setting	2			
	Along trend/strike (outside of 'camp scale')	3			
	Along trend/strike (within 'camp scale')	4			
	Located within the same recognised system	5			
	Inferred Resource on permit	7			
	Indicated or Measured Resource on permit	9			
		Wgt Total	4.0		
		Decision	Yes		

Assessment Scorecard - Coal

Prospectivity Factor	Criteria	Scores	Ranking	Weighting (%)	Comments
Lithological Setting	Unknown coal field	1	3	30	
	Margins of known coal field	2			
	Known coalfield but only production pre 1980	3			
	Known coalfield but no current production	4			
	Known producing coalfield	5			
Coal Rank	Unknown	1	4	20	
	Anthracite	2			
	Lignite	3			
	Sub-bituminous	4			
	Bituminous	5			
Estimated Resources/ Reserves	Resources unestimated	1	5	30	
	Inferred resources remaining on permit	2			
	Indicated resources remaining on permit	3			
	Measured resources remaining on permit	4			
	Reserves estimated remaining on permit	5			
Commercial considerations / commodity cycle	Coking coal less than US$100/t or thermal coal (5500kcal) less than US$50/t	1	3	20	
	Coking coal less than US$150/t or thermal coal (5500kcal) less than US$60/t	2			
	Coking coal less than US$200/t or thermal coal (5500kcal) less than US$70/t	3			
	Coking coal less than US$250/t or thermal coal (5500kcal) less than US$80/t	4			
	Coking coal greater than US$250/t or thermal coal (5500kcal) greater than US$80/t	5			
			Total	3.8	
			Decision	No	

Next Steps – longer term initiatives

- Greater time (>40 days) for potential applicants to undertake due diligence and formulate a work programme
- Review of NAA fee structure
- Knowledge Investment Strategy CPORT and Data Acquisition Programme to increase level of understanding of allocated permit areas
- Consider abolishing the NAA by means of changing the Act if the desired level of competition is not achieved once all recommendations have been implemented

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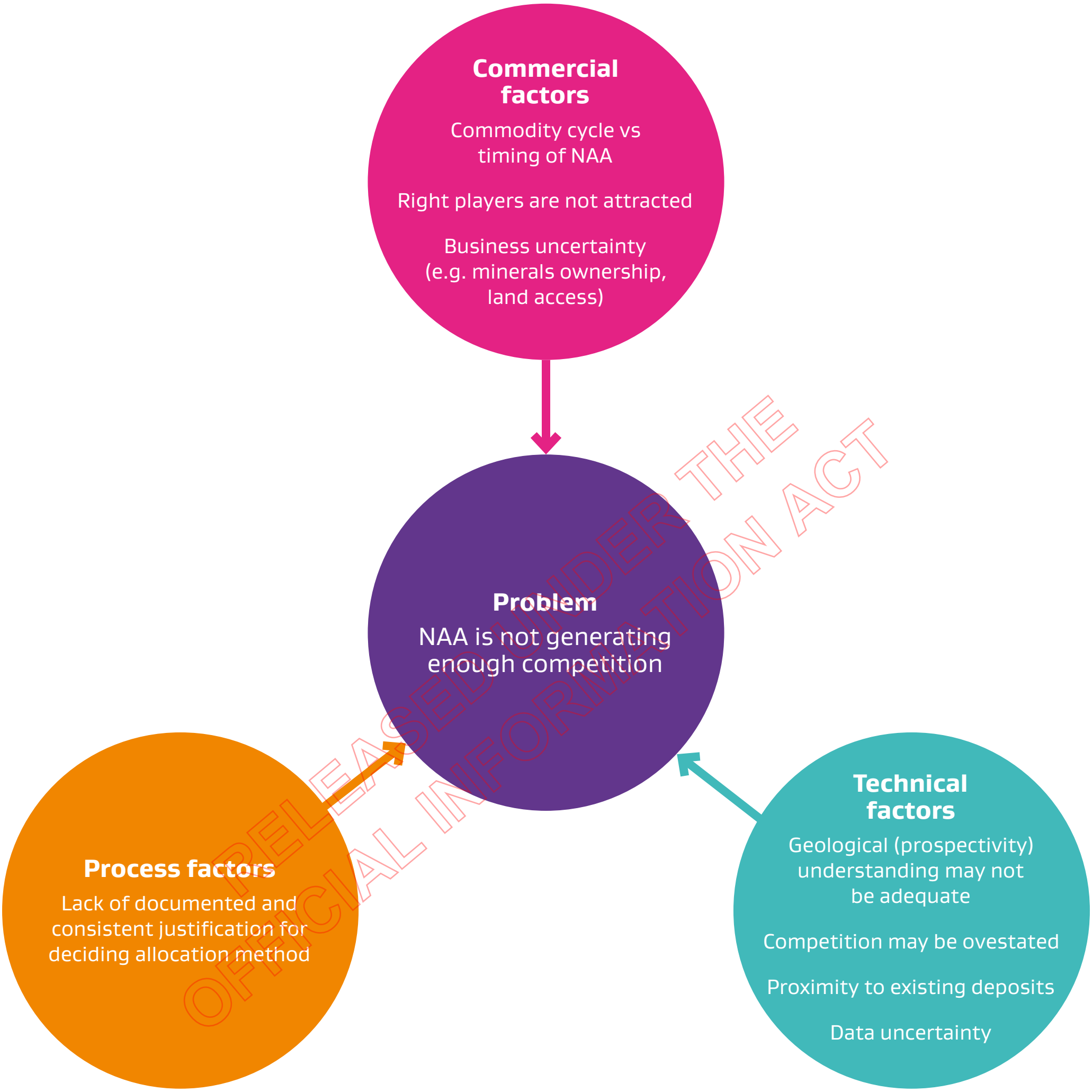

Key assumptions

- NAA should generate competition
- NAA needs improving
- Companies are concerned about mineral ownership uncertainty and land access
- Justification for allocation method decision is necessary

MINERALS ALLOCATION REVIEW 2015: SUMMARY OF FINDINGS

In 2015, MBIE conducted a Review of the current minerals allocation methods operating in New Zealand. The purpose of the Review was to assess the extent to which the current Energy and Resource Markets (ERM) practices are resulting in efficient allocation of mineral permits.

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI
RESEARCH & EVALUATION UNIT / ERM

KEY FINDINGS

Most permits were allocated by AWPO. How geologists made decisions on which allocation method to use varied across ERM.*

- *Geologists consulted widely within the branch and used a range of information to support decision making. However, there was a lack of consistency in how they did this.*
- *Multiple sources of information were considered, depending on what the permit was and what geologists considered important.*
- *There was a lack of clear and consistent guidelines when making and signing off land recommendations.*
- *The majority of geologists did not record justifications for selecting NAA*. Only 5% of NAA decisions sampled contained justifications.*

Geologists reserved land or allocated permits by NAA if they considered there to be competitive interest or high prospectivity.

- *Very few NAA rounds resulted in two or more applications. Only 6% of 351 NAA rounds were competitive.*
- *While there was higher proposed expenditure for NAA compared to AWPO, actual expenditure was less. Actual expenditure for NAA was* s 9(2)(b)(ii) .

The Competitive Tenders attracted new companies into New Zealand. However, competition was variable.

- *There was considerable interest and multiple bids in Northland and Platinum; however, there was only one bid in Epithermal.*
- *Valuable land was locked up for a long time. Only 4% of the reserved area was permitted for Northland.*
- *Of the 11 Northland permits awarded, only one permit has not been relinquished.*
- *Actual expenditure for tenders was well short of that proposed.*

Strengths and weaknesses of the Competitive Tenders were identified in interviews with ERM staff.

"Since the reservation came off there's been quite a few applications come in … did the [tender] process make them aware of it? I think so"

"One of the real weaknesses is that the ground is tied up for so long … while it's tied up for all that length of period – nothing's happening, nobody's on the ground and at the end of the process you get something like 10 or 20 percent of the area only permitted …"

ERM staff wanted a more consistent and structured approach to making land recommendations.

"I would say it's never been stated or written down exactly what should be considered and to what weight. Generally, if it's something that's complex – there is usually a discussion that goes on within the team"

Strengths and limitations of allocation methods

	*First Acceptable Work Programme (AWPO)	*Newly Available Acreage (NAA)	Competitive Tenders (CTA)
Strengths	Quick turnover of land Suits small operators Suits areas with limited knowledge of prospectivity	Competitive process that is not as intensive as CTA Suits land with well-known prospectivity Easy way to promote land	Rigorous permit evaluation ensures best company is allocated permit More streamlined process for potential investors Enables building of good relationships Increases available knowledge/amount of data on resource Opportunity to promote New Zealand's mineral resources Utilises government-acquired geoscientific information
Limitations	First applicant might not be the best applicant Does not encourage competition Lacks strategy	Lacks strategy 60 day turnaround is limiting	Locks up valuable land for long periods of time Land access issues

SO WHAT?

Without a consistent, structured process it is difficult to determine to what extent ERM is choosing the right allocation method in the right circumstances.

ERM has been utilising all three methods, however more competitive allocation methods have not led to better outcomes.

Better knowledge and understanding of prospectivity and commercial interest in order to enable better judgements about likely competition.

Appropriate government funding for data acquisition.

Improved ERM systems including consistent processes and decisions, clear accountabilities, and clear rationale for decisions.

Regular monitoring of land recommendation decisions and evaluation of ERM activities to increase exploration (e.g. Data Acquisition Programme).

From: Joshua O"Rourke
To: Tim Journeaux
Subject: Internal NAA guidance
Date: Monday, 30 January 2017 3:08:35 p.m.
Attachments: image001.jpg

Hi Tim

Legally privileged

As discussed

Comments from solicitor Elliot Smith (no longer here) from Jan 2016.

Here is the link to the internal NAA guidance:
http://mako.wd.govt.nz/otcs/llisapi.dll?func=ll&objaction=overview&objid=26375987

Note: see full NAA Guidance document included with DOIA 1819-0718

Regards

Josh

Joshua O'Rourke
SENIOR REGULATORY ANALYST
Energy & Resource Markets - Building, Resources & Markets Group
Ministry of Business, Innovation & Employment
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MBIE email signature basic

From: Florence Malama
To: Alvin D"Almaida; Dipankar Ganguly; Tim Journeaux; Greg Hollard
Cc: Jeremy Hall; Martha Carrillo Cardenas
Subject: Next steps... [UNCLASSIFIED]
Date: Monday, 27 February 2017 4:28:52 p.m.
Attachments: image001.jpg

Hi team,

Thank you for your efforts this afternoon, it was a good session with governance! Definitely some thought provoking questions raised that helped governance to identify that there are multiple issues across NAA that is not just limited to NAA in particular but rather symptoms of causes.

In terms of next steps, it makes sense to cancel this Wednesdays session until we get confirmation and agreement with governance about next steps with progressing this project – the how, what etc….I will send an email to the governance group including Marcus to recap on today's session and what we need them to consider for next steps re: prioritisation, design approach, resources etc…

For now, let's just hold off on any future sessions until we are clear about what the next steps are.

Dipankar – let's just leave the room bookings and sessions in our diary, if we don't need them closer to the day you can cancel out and free the room up for others to use.

Happy to chat and discuss further if anyone has any questions or problems.

Thank you
Flo

Florence Malama | Service Designer
Service Design Policy | Market Services
Ministry of Business, Innovation & Employment

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15 Stout St, PO Box 10729, Wellington 6011, New Zealand

Please note: I do not work on Wednesdays

From:	Florence Malama
To:	David Darby; Mark Steel; AJ Millward; Marcos Pelenur
Cc:	Alvin D"Almaida; Dipankar Ganguly; Tim Journeaux; Jeremy Hall; Martha Carrillo Cardenas
Subject:	For your action: NAA Governance [UNCLASSIFIED]
Date:	Thursday, 2 March 2017 2:05:08 p.m.
Attachments:	image001.jpg

Hi everyone,

Thank you for attending yesterday's governance session, yesterday's meeting proved to be a positive step towards strengthening our understanding about the NAA issues. The purpose of this email is to seek your guidance for how we progress this project.

Below are key areas of concerns that were raised that are impacting on the project, we would appreciate your direction for what our next steps are.

Gaps in 'understand phase':

- As discussed there are gaps in our 'understand phase' that we highlighted. This poses a risk to the project if these parts are not explored further before progressing to creation of solutions. Part of the Service Design approach is exploring and having an in-depth understanding of the user/customer perspective – both internal/external – to help identify key problem areas and opportunities. This is the main gap in our 'understand phase' and without being able to go out and understand the customer experiences it will minimise a holistic view and understanding of the problem and reduce the effectiveness of the design approach.

Resource constraints

- The past month has proved a challenge for us as facilitators and team members. We've had two members withdrawal and members unable to attend set sessions booked due to other work priorities. This proves challenging for us to help facilitate and guide the process but also puts pressure on the rest of the team members to take on extra work within the set timeframe. This has impacted on the progress of where we are currently at with the 'understand phase'.

As you are aware we are supporting and providing MSG resource into this project as part of our philosophy of supporting greater service design at MBIE – however this does come at an opportunity cost for the work that we are funded to provide for MSG, which we have delayed in order to support this work. To date we have spent approximately 80 hours on the project. It is important for us to be able to articulate in our business reports to MSG GMs that we are prioritising this work for you ahead of their work because it is such an important and high priority piece of work for you and wider MBIE.

Due to these concerns we need your direction *around prioritisation, the design approach and is it the right fit for now*. Some questions we need answers to are:

1. How much of a priority is this problem?
   - Is this the right time for this problem to be solved within the business given resourcing constraints
2. Is the design thinking approach the right fit for progressing this project forward?
   - Given the customer experience gaps highlighted

- If the design approach is what the business wants to progress forward with then consideration to fully committing resourcing needs to happen and timeframe will need to be extended to accommodate for changes

In the meantime our planned sessions with the group are on hold for now until we know what our next steps are. If you could please discuss and come back to us to discuss next steps by **COB Friday 10 March** with direction on the above to help steer this piece of work.

Kind regards,
Florence

Florence Malama | Service Designer
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