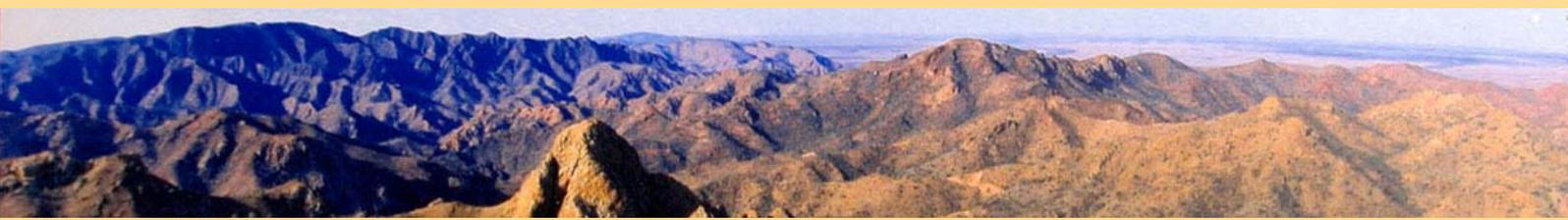


ARKAROOLA WILDERNESS SANCTUARY



From the ARK Update 06/01/10

SCRUTINISING 'SOVEREIGN RISK'

The best way for a business to get what it wants out of government these days is to call any contrary policy a "sovereign risk".

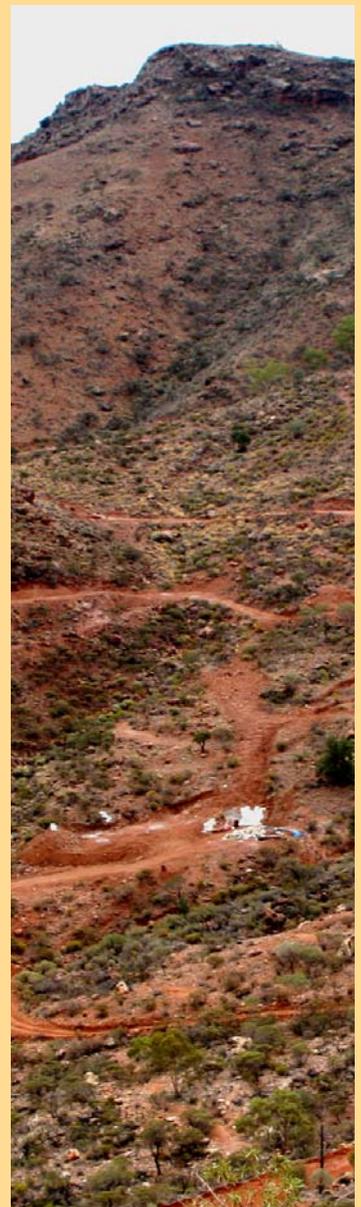
Charles Berger www.onlineopinion.com.au

Originally a monetary market term, *sovereign risk* has become a catchcry of business, particularly in the Energy and Resources sector. Governments are warned against implementing new policies or revised regulatory frameworks that may impact negatively upon the investment environment and lead to diminished taxation and royalty revenues for the State. Should regulations change after a project has commenced, governments may be vulnerable to redress by companies affected by the changes. As a result, some industries have considerable influence upon policy development.

The new management framework proposed in *Seeking a Balance* is intended to: "provide greater certainty for exploration and mining companies, landowners, traditional owners and the community." *Seeking a Balance* also states that as new information is gathered, the management zones will be further refined. For exploration companies, such a framework provides no guarantee that any investment in proving up a resource will be rewarded with a lease to mine. For conservationists, it delivers no guarantee that investment in biodiversity management will be protected in perpetuity. For tourism businesses, it threatens long-term investments that will deliver revenue to the State long after the miners have moved out. This patchwork policy will provide no certainty for any stakeholder groups. It is no surprise then that Marathon Resources is already playing its *sovereign risk* card. In an address to shareholders at its' AGM in Adelaide last November, Marathon Resources Chairman, Mr Peter Williams, said of *Seeking a Balance*: "It is a very interesting business for the state in respect of sovereign risk."

The *sovereign risk* argument is powerful and has the potential to diminish a government's ability and willingness to develop strong new policies and regulatory frameworks, as fresh challenges arise. Taken to its extreme, *sovereign risk* could be used as a bullying tactic by lobbyists to advance the interests of one business sector over another. Whilst all stakeholders are urged to reject the *Seeking a Balance* management framework, the *sovereign risk* argument must also be carefully scrutinised. It should be challenged where it seeks to protect the interests of one industry at the expense of others. Whilst mineral exploration companies can be adversely affected by policy decisions, tourism businesses are also vulnerable. The value of Arkaroola's tourism assets, the contribution it makes to the regional and state tourism industry, and its significance as a long-term regional employer were not adequately considered in *Seeking a Balance*. So much for balance! Be prepared to carefully scrutinise *sovereign risk* should it be used as an argument to support mineral exploration and mining within the uplands of Arkaroola Wilderness Sanctuary.

For more information go to www.savearkaroola.com.au or www.arkaroola.com.au/breakingnews.php



NORTHERN FLINDERS RANGES

SOUTH AUSTRALIA

AUSTRALIA