

EXPLORATION INCENTIVE SCHEME

Direct drilling costs

Drilling techniques, equipment and consumables are not static, and as such, a one-off complete list of direct drilling costs cannot be supplied. However, as a general rule, it will include all costs that are associated during active drilling to produce diamond core, percussion-drilled rock chips, or auger samples.

Activities	Consumables	Instruments/equipment
Active standby ¹	Accommodation and messing	Axis Champ Gyro
Barrel change	Bit	Booster
Bit change	Collar stabilising items (PVC pipe/casing/foam)	Gyro hire/survey
Between EIS hole rig movement ²	Collar casing	Lighting tower (night drilling) ⁷
Cartage of water ³	Down hole consumables	Orientation tool
Casing operations	Diesel ⁶	Single shot camera
Metre rate downhole ⁴	Drilling mud additives	Solid returns unit ⁸
Minimum shift rate ⁴	Foam (for collar stabilization)	Temporary above ground sump ⁸
Mobilisation	Grease/tacky	
Pack up drill site	PCV pipe (for collar)	
Pulling casing	Potassium Chloride	
Pulling/running rods	Roll black plastic	
Reaming ground conditions	Water ³	
Reaming casing		
Rigging down		
Rigging up		
Set up drill site		
Site -to-accommodation travel		
Standby ¹		
Tramming ²		
Water bore drilling ⁵		

Table 1. Direct drilling costs for Round 32 projects onwards. Direct drilling costs have been given according to three categories: Activities, consumables and instruments/equipment (including hire). Where items have a superscript refer to specific notes provided below the table. This list is not exhaustive, if there is an item that you consider to be a direct drilling cost that is not listed please contact the EIS Team to discuss.

Stand-by

Stand-by maybe itemised on some drilling invoices depending on the drilling company invoicing methodology and contract with the resource company. It is acknowledged that stand-by generally has two subsections.

Active Stand-by

Active Stand-by is considered to be part of the direct drilling costs.

This is considered to be where the drillers are actively working, but are not drilling to produce diamond core or chips. The active rate is charged at hourly rather than by meter rate. Actions that may be taking place are:

- Running rods to change bits
- Using down hole equipment such as gyros to record the orientation of the hole
- Navi drilling
- Hole conditioning
- Reaming of a hole
- Wedging
- Daily safety/toolbox/pre-start meetings (as required by mining regulations)

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Non-active (e.g., passive/inactive/non-billable) Stand-by

Non-active stand-by is not considered to be part of direct drilling costs under the EIS co-funded drilling agreement.

This is where no drilling activity or associated data collection is occurring. Such costs may include:

- The drill crew waiting for instructions from the Resource company (client stand-by)
- Waiting delivery of replacement parts
- Waiting on delivery of fuel or water
- Weather delay
- Client induction/client safety induction

Moving between holes on the project site/tramming

This cost is where the rig is already on site (not to be confused with mobilisation/ demobilisation) and is moving from the first hole drilled to the next at the project/ prospect site described in the co-funded drilling application. The cost of moving from one hole to the next (sometimes referred to as tramming), is usually built into the active stand-by rate and often not listed separately on the drillers invoices.

Also included as direct costs are charges related to the set up of the drill site and pack up of the drill site.

Cartage of water

Where water is required for diamond drilling, the cost of the:

- Water and/or,
- Cartage of the water

is considered to be a legitimate direct drilling cost. **Invoices for all water costs (as above) will need to be submitted to the EIS co-ordinator as proof of purchase.**

Metre rate down hole

Metre rate down hole or minimum shift rate (if metre rate is not met). Rates will vary according to type of drilling and drilling contract between the drilling company and resource company.

Drilling of water bores

Drilling of a water bore is not considered to be a drill hole under the co-funded agreement, in particular where drilling of a water bore has been part of a negotiation with a landholder (lease or freehold).

However, where it can be shown that drilling a water bore **for a water supply to undertake diamond drilling** will be:

- Significantly more economical than transporting water, and/or
- Reduce the ecological impact in a sensitive flora/fauna region (with all environmental approvals granted)

The water bore costs **may be considered** as a direct drilling cost. This consideration **must be** discussed with the EIS team before the drill rig is on site. An example of where such a cost was allowed was a drill site in the Kimberley Region had no accessible water supply and would have required a significant track upgrade combined with transportation over 50km through a sensitive floral area combined with creation of a new section of track.

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Diesel

Where the cost of diesel for the rig has not been included in the drilling costs/contract, and is delivered to site by a third party, the cost is considered as a legitimate direct drilling cost. However, for it to be claimed, invoices from the third party must be provided to the EIS Team.

Lighting tower for night drilling

Where diamond drilling is occurring across a day/night time (24 hour) drilling schedule and a lighting tower is required this will be considered as a legitimate direct drilling cost. The cost must be itemised on the driller's invoices and logs show meterage obtained against the 'night' time schedule.

Temporary above ground sump/solid returns unit (SRU) for diamond drilling

If there are limitations to ground disturbance (e.g. sensitive flora/fauna conservation area; drilling in urban area with city council conditions) and the company cannot dig a ground sump, the cost of hiring a Solid Returns Unit (SRU) **may be accepted** as a legitimate direct drilling cost. This cost must be discussed with the EIS Team before the drill rig is on site.

Items that are not direct drilling costs

- Administration costs
- Site preparation costs (e.g. sumps and pads)
- Land access and/or Heritage surveys
- ILUA agreement or processes
- Airfares to site
- Geological core logging
- Core farm delivery
- Tyres
- Downhole scientific surveys (e.g. petrophysics) other than downhole orientation
- Assay under a General co-funded drilling application, or where a Prospecting application* is undertaking diamond drilling
- Non-active standby (see section 1)

*Prospectors are required to submit geochemical analyses to the department if non-cored drilling is undertaken. In this case it is expected that an equivalent of about 25% of direct drilling costs is spent on analyses. For example, where a grant of \$40,000 (maximum possible) is offered the approximate breakdown will be \$30,000 for drilling and \$10,000 for assays.