

BIDDING OR AUCTIONING OF MINERAL EXPLORATION AND MINING RIGHTS - SOME GENERAL COMMENTS

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- Bidding for oil and gas concessions, usually for off-shore blocks, is a well-established practice, particularly in conjunction with Production Sharing Agreements.
- The reason oil/gas concessions are amenable to bidding is because oil, condensate and gas reserves are normally trapped in large-scale geological structures such as anticlines and are mainly restricted to limited favourable geological formations and ages. Such structures or traps can be readily outlined by geophysical techniques or by proximity to existing producing fields. The main risk in oil and gas exploration is not so much the location of the exploration areas, but the high cost of drilling deep wells to determine if there are sufficient economic reserves in the oil/gas traps or if faulting or leakage has allowed oil/gas accumulations to escape.
- Mineral occurrences, on the other hand, are extremely diverse in geometry, size and grade distribution and depth of formation, and occur in all rocks throughout geological history. In fact, every deposit is unique in some of its characteristics.
- Probably less than 10% of Vietnam's mineral resources have been discovered to date, and a mere fraction of known mineralization in Vietnam is being exploited by modern, efficient mining methods. Most of the known resources in Vietnam are being squandered and lost either through artisanal high-grading, leaving low-grade resources economically unmineable in the future, or through poor recovery methods.
- Much of Vietnam's mineral potential does not outcrop. It is buried beneath barren rock and is not directly detectable by surface observation. These deposits will only be found by well-coordinated geological mapping, geochemical and geophysical methods and exploratory drilling.
- Most importantly, these hidden deposits will almost certainly be found based on initial conceptual thinking by geological experts who recognize some similarities between the rocks, alteration, structural setting and indicator minerals that have led to discoveries elsewhere in the world. Companies who employ these experts are highly unlikely to share their ideas and conceptual thinking if the area they are interested in is subject to open bidding. Areas for new exploration are applied for around the world on an exclusive rights basis so that the concepts can be tested. Therefore bidding does not make sense and is likely unworkable for "grass-fields" or "green-fields" exploration where there is little knowledge to bid on.
- Bidding for proven mineral deposits or near-proven deposits may work if the data presented in the bidding process is of sufficient quality and reliability to encourage competitive bidding. I am not sure if any such deposits are available in this category in Vietnam at the present time.

- Until we know what MONRE has in mind for a “bidding process”, that is, at the prospecting or exploration stage or at the proven reserve stage, it is difficult to offer further constructive comment.