

allowed to proceed if it has a minimum 50 per cent Australian equity together with at least 50 per cent of the voting strength on the board or controlling body held by Australian interests.

Proposals that are not contrary to the national interest but which do not meet the guideline of a minimum of 50 per cent Australian equity may be allowed to proceed if the Government judges that the unavailability of sufficient Australian equity capital on reasonable terms and conditions would unduly delay the development of Australia's natural resources. In that event, however, the Government will, as appropriate, seek satisfactory arrangements for Australian equity to be increased to at least 50 per cent within an agreed period.

Mineral Exploration

It is not mandatory for foreign interests to seek Australian participation in their mineral exploration activities. However, the Government wishes to see, to the extent practicable, a continuing and significant level of Australian involvement in mineral exploration. Accordingly, it expects foreign interests to seek Australian participation in those projects that can reasonably be expected to proceed to the development stage. Foreign exploration companies are also expected to advise the Foreign Investment Review Board annually of their forward exploration programs. Any proposed developments arising out of exploration activities are subject to examination in terms of the relevant guidelines for new mineral projects.

Scope for Foreign Companies to Naturalise

The Government welcomes proposals to increase Australian participation in existing foreign-owned companies. It has provided a framework and an incentive for the introduction of additional Australian equity into predominantly foreign owned companies. Companies whose proposals to become 'naturalised' over a period are accepted by the Government may avail themselves of certain benefits.

Naturalised and naturalising companies

A company may be granted *naturalised status* by the Government if:

- (i) it is at least 51 per cent Australian-owned;
- (ii) its Articles of Association provide that a majority of members of the board are Australian citizens; and
- (iii) general understandings have been reached between the company, major shareholder interests and the Government about the exercise of voting powers in respect of the company's business in Australia.

A company wishing to naturalise—a *naturalising company*—must meet certain pre-conditions. It must:

- (i) have a minimum of 25 per cent Australian equity;
- (ii) provide in its Article of Association for a majority of Australian citizens on its board; and
- (iii) give a public commitment to increase Australian equity to 51 per cent, subject to agreed understandings between the company, major shareholder interests and the Government, and have regular discussions with the Foreign Investment Review Board on progress towards achieving 51 per cent Australian ownership.

A company wishing to naturalise is required to reach an understanding with the Government on practical arrangements for achieving 51 per cent Australian ownership. These arrangements will include a general understanding with the major shareholder interests of the company on the process of naturalisation and the exercise of voting powers in respect of the company's business in Australia. The rights of a naturalising company may be withdrawn if it does not adhere to the understanding with the Government.

The Government will expect the process of naturalisation to take place primarily by way of new share issues to Australians to fund new projects and expansions, rather than by takeovers which remain subject to case-by-case examination under the Foreign Takeovers Act.