

# **Compliance Audit Program**

## **EL8968 Cargelligo Exploration Project**

**Australian Gold and Copper Ltd**

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# 1. Introduction

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## 1.1. Background

Exploration licence 8968 (EL8968) was granted to New South Resources Pty Ltd in April 2020. The licence was transferred to Australian Gold and Copper Ltd (Australian Gold and Copper) in December 2020. The exploration area is about 18 kilometres north-west of Lake Cargelligo in central NSW.

In January 2022, Australian Gold and Copper was successful in being granted funding under round 4 of the NSW Government's New Frontiers Co-operative Drilling Program for a drilling program on EL8968.

As part of the compliance audit program, a desktop audit of the exploration activities associated with the Cargelligo Project within EL8968 was undertaken on 10 November 2022 by the NSW Resources Regulator (the Regulator) within the Department of Regional NSW (the Department).

## 1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the Australian Gold and Copper exploration activities against the requirements of the *Mining Act 1992* and the conditions of the exploration licence and activity approvals issued pursuant to that Act.
- assess the operational performance of the exploration activities and the ability of the licence holder and/or its operator to implement management systems and controls to provide for sustainable management of the operations.

## 1.3. Audit scope

The scope of the audit included:

- the exploration activities associated with Cargelligo exploration project including:
  - exploration activities within EL8968 including a selected sample of exploration drillholes
  - borehole sealing and rehabilitation activities for selected drilling activities undertaken since April 2020
- a review of documents and records pertaining to the exploration activities.

The assessment of compliance for the period commencing 9 April 2020 and ending 10 November 2022.

## 1.4. Audit criteria

The audit criteria against which compliance was assessed included:

- *Mining Act 1992*, specifically, Sections 5, 30, 140, 163C to 163E, 163G, 378D
- Mining Regulation 2016, specifically clauses 59 to 68
- Conditions attached to EL8968 (granted 9 April 2020)
- assessable prospecting activities application dated 15 June 2021 for 20 RC/DD holes, and associated approval dated 16 June 2021 (APO0001039)
- assessable prospecting activities application dated 21 April 2022 for 1000 auger holes, and associated approval dated 19 May 2022 (APO0001213)

- assessable prospecting activities application dated 17 June 2022 for 250 air core holes, and associated approval dated 29 June 2022 (APO0001234)
- *Exploration Code of Practice: Environmental Management (Version 4, June 2021)*
- *Exploration Code of Practice: Rehabilitation (Version 4, June 2021)*
- *Exploration Code of Practice: Community Consultation (Version 1.1, May 2016)*
- *Exploration Code of Practice: Produced Water Management, Storage and Transfer (Version 4, June 2021)*
- *Exploration Reporting: A guide for reporting on exploration and prospecting in New South Wales (Version 2, March 2016)*
- *Exploration Guideline: Annual activity reporting for prospecting titles (Version 3.0, December 2020)* published by Department of Regional NSW
- *ESG4: Guideline for preparing an environmental and rehabilitation compliance report (Version 2.3, March 2019)* published by NSW Resources Regulator.

## 1.5. Publishing and disclosure of information

This audit report was published on the Regulator's website consistent with:

- Section 365 of the *Mining Act 1992*
- NSW Resources Regulator's [Public comment policy](#)
- *Government Information (Public Access) Act 2009*.

## 2. Audit methods

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The audit process involved the interview of site personnel, a review of documentation and samples of records provided by the licence holder and/or operator to determine the level of compliance of the operations and assess the status of the operational performance. The audit process and methodology are described in more detail in the sections below.

### 2.1. Opening meeting

Opening remarks were included in the meeting held online on 10 November 2022. The audit team was introduced, and the scope of their responsibilities was conveyed to the auditees. The objectives and scope of the audit were outlined. The methods to be used by the team to conduct the audit were explained, including interview of personnel, the review of documentation, and examination of records to assess specific compliance requirements.

### 2.2. Site interviews and inspections

#### 2.2.1. Data collection and verification

Where possible, documents and data provided during the audit process were reviewed electronically on the day. Several documents were unable to be reviewed on the day and were provided following the remote audit.

All information obtained during the audit process was verified by the audit team where possible. For example, statements made by site personnel were verified by viewing documentation and records, including site photographs, where possible. Where suitable verification could not be provided, this has been identified in the audit findings as not determined.

#### 2.2.2. Site inspections

Extensive flooding in inland NSW restricted travel from Maitland to regional areas west of the Great Dividing Range. As a result, a site inspection was not undertaken as part of the audit.

### 2.3. Closing meeting

Closing remarks were included in the meeting held online on 10 November 2022. The objectives of this meeting were to discuss any outstanding matters, present preliminary findings and outline the process for finalising the audit report.

### 2.4. Compliance assessment definitions

The reporting of results from the compliance audit was determined based on the definitions presented below in Table 1.

Table 1 Compliance assessment definitions

Assessment	Criteria
<b>Compliance</b>	Sufficient and appropriate evidence is available to demonstrate the particular requirement has been complied with.
<b>Non-compliance</b>	Clear evidence has been collected to demonstrate the particular requirement has not been complied with. There are 3 subcategories of non-compliance reflecting the severity and level of risk associated with the non-compliance:

Assessment	Criteria
	<p>NC1 – the absence of planning or implementation of a required operational element which has the potential to result in a significant risk.</p> <p>NC2 – an isolated lapse or absence of control in the implementation of an operational element which is unlikely to result in a significant risk.</p> <p>NC3 – an administrative or reporting non-compliance which does not have a direct environmental or safety significance.</p> <p>Note: The identification of a non-compliance in this audit may or may not constitute a breach of, or offence under, the <i>Mining Act 1992</i>. Non-compliances identified in this audit report may be further investigated by the Regulator and regulatory actions may be undertaken.</p>
<b>Observation of concern</b>	<p>Where an auditee may be compliant at the time of the audit but there are issues that exist that could result in the potential for future non-compliance if not addressed.</p> <p>Observation of concern was also used where an issue may not have particular compliance requirements, but which was not conducive to good management or best practice.</p>
<b>Suggestion for improvement</b>	<p>Where changes in processes or activities inspected or evaluated at the time of the audit could deliver improvement in relation to risk minimisation, sustainable outcomes and management practices.</p>
<b>Not determined</b>	<p>The necessary evidence has not been collected to enable an assessment of compliance to be made within the scope of the audit.</p> <p>Reasons why the audit team could not collect the required information include:</p> <ul style="list-style-type: none"> <li>insufficient information on the file relating to the period covered by the audit or insufficient evidence collected to reach a conclusion</li> <li>the wording on the criteria (approval condition) meant that no evidence could be gathered, or it was too difficult to gather the evidence.</li> </ul> <p>A ‘not determined’ assessment was also made where the condition was outside the scope of the audit.</p>
<b>Not applicable</b>	<p>The circumstances of the authorisation or licence holder have changed and are no longer relevant (e.g. no longer mining, mining equipment and plant has been removed).</p> <p>An invoking element in the criteria was not activated within the scope of the audit.</p>

## 2.5. Reporting

Following completion of the desktop audit, the audit checklists were completed, and audit notes were reviewed to compile a list of outstanding matters to be noted in the audit report. This report was prepared to provide an overview of the operational performance of the site in relation to the exploration activities and identify any non-compliances or observations of concern noted by the auditors during the documentation review and interviews.

The draft audit findings were forwarded to Australian Gold and Copper for comment. Consideration was given to the representations made during the finalisation of the audit report as discussed in the audit findings.

## 3. Audit findings

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### 3.1. Work program

Condition 1 of EL8968 required the licence holder to carry out the operations described in the approved work program. Work program WP-EL8968-2020-2023 was approved in April 2020 as part of the granting of EL8968. The approved work program was resubmitted with the transfer to Australian Gold and Copper and remains the approved work program for the tenement.

The annual report for the reporting period 9 April 2021 to 8 April 2022 described the exploration activities completed during the period, including:

- re-interpretation of the 2012 MLEM from Achilles and Mt Boorithumble
- geochemical analysis of samples collected during RC drilling program #1 in 2021
- RC and diamond drilling program #2 at Achilles 3 and Mt Boorithumble – 15 drillholes completed
- downhole electromagnetic survey and interpretation on 9 drillholes at Achilles prospect
- airborne geophysical survey over entire exploration licence area
- pXRF soil sampling and mapping program with rock chip sampling.

Evidence was available to confirm that exploration activities were progressing. A total of 28 drillholes across 3 drilling programs were completed by the end of the 2nd year of the renewal term. Exploration data was maintained by the Australian Gold and Copper geologists and submitted to Mining Exploration and Geoscience (MEG) within the Department of Regional NSW with the annual activity reports as required.

Australian Gold and Copper was granted funding under Round 4 of the NSW Government's New Frontiers Co-operative Drilling Program for a drilling program within EL8968.

### 3.2. Access arrangements

Section 140 of the Mining Act 1992 stated, 'the holder of a prospecting title must not carry out prospecting operations on any particular area of land except in accordance with an access arrangement or arrangements applying to that area of land'. The access arrangement was required to be agreed in writing between the holder of the prospecting title and each landholder of that area of land.

Evidence was provided to confirm that written land access agreements were in place for the exploration activities undertaken on EL8968. The land access agreements reviewed during the audit were generally noted to be prepared using a standard template. No additional conditions were noted on the agreements sighted but Australian Gold and Copper advised that verbal agreements with landholders were in place for specific exploration activities.

### 3.3. Native title and exempted areas

Condition 2 of EL8968 required the licence holder to obtain the prior written consent of the Minister before carrying out any activities on land on which native title had not been extinguished. Similarly, Section 30 of the Mining Act 1992 required the consent of the Minister before a licence holder undertook any activities within an exempted area.

Australian Gold and Copper exploration staff advised that exploration activities were being conducted in areas of freehold land and areas under Western Lands leases. A travelling stock reserve exists within the licence area. A review of the mapping data showed that no holes had been drilled in any exempted areas within the licence area. No further approvals under section 30 of the Mining Act 1992 were required.

Australian Gold and Copper exploration staff advised that most of the licence area was under freehold title where native title had generally been extinguished. Although not a compliance requirement, confirmation of extinguishment had not been sought from MEG. No further approvals under Condition 2 of the licence were required.

## 3.4. Community consultation

Condition 3 of EL8968 required the licence holder to carry out community consultation in relation to the planning and conduct of exploration activities. Community consultation was required to be carried out in accordance with the requirements of Exploration Code of Practice: Community Consultation.

An assessment against the mandatory requirements of the code of practice was undertaken as documented in the following sections.

### 3.4.1. Risk assessment

Mandatory requirement 1 of the code of practice required the licence holder to conduct a risk assessment to identify and consider the range of opportunities and potential threats associated with community consultation and engagement.

Australian Gold and Copper had undertaken an assessment of the activity impact level in accordance with the guidance in the code of practice. The activity impact level was assessed as medium.

It was noted that some risks associated with community impact and consultation were identified in the exploration environmental risk assessment. Given that the activity impact level was assessed by the titleholder as being a medium impact, it would be beneficial to undertake a more comprehensive consultation risk assessment to identify and consider the opportunities and threats associated with community engagement for the project. This was raised as suggestion for improvement no. 1.

### 3.4.2. Community consultation strategy

Mandatory requirement 2 required the preparation of a community consultation strategy to manage the risks identified in the risk assessment. Mandatory requirement 3 set out the requirements for preparation of the community consultation strategy.

Australian Gold and Copper prepared a community consultation strategy for the Cargelligo project. The strategy was noted to include:

- objectives for community consultation
- identification of stakeholders
- mechanisms for consultation
- processes for responding to community enquiries and complaints.

It was noted that the strategy was based on the minimum requirements set out in the guidance material in Appendix 1 of the code of practice. While this meets the minimum compliance requirements, it was noted that the strategy may not reflect the medium activity impact level assessed by the licence holder. This was raised as observation of concern no. 1. Australian Gold and Copper should review the community consultation risk assessment and the consultation strategy to ensure that the strategy is appropriate to manage the risks identified.

The Exploration Code of Practice: Community Consultation was updated following industry consultation, with changes effective from 7 October 2022. Australian Gold and Copper should review the consultation strategy to ensure it reflects the requirements of the amended code of practice. This was raised as suggestion for improvement no. 2.

### 3.4.3. Implementation and reporting

Mandatory requirement 4 required the licence holder to implement, monitor and report annually on the community consultation strategy.

Evidence was available to confirm implementation of the community consultation strategy. Australian Gold and Copper were maintaining records of landholder consultation which documented any issues raised and outcomes achieved. The company advised that no complaints or enquiries were received for the Cargelligo project.

As part of its community engagement practices, Australian Gold and Copper prepared articles on the exploration project for the Lake Cargelligo newspaper. It was also noted that the company sponsored the local Lake Cargelligo football club to foster relationships between the explorer and the local community.

Annual community consultation reports were prepared and submitted, generally in accordance with the reporting guidance in Appendix 2 of the code of practice.

## 3.5. Exploration activity approvals

Section 23A of the Mining Act 1992 required the holder of an exploration licence to obtain an activity approval prior to carrying out assessable prospecting operations.

Evidence was available to confirm that exploration activity approvals were sought and granted for exploration activities. Exploration activity approvals granted included:

- assessable prospecting activities application dated 15 June 2021 for 20 RC/DD holes, and associated approval dated 16 June 2021 (APO0001039)
- assessable prospecting activities application dated 21 April 2022 for 1000 auger holes, and associated approval dated 19 May 2022 (APO0001213)
- assessable prospecting activities application dated 17 June 2022 for 250 air core holes, and associated approval dated 29 June 2022 (APO0001234).

Generally, evidence was provided to indicate that the exploration activities were carried out in accordance with the description provided in the applications and in accordance with the approvals given.

## 3.6. Environmental management

Condition 4 of EL8968 required the licence holder to prevent or minimise so far as is reasonably practicable, any harm to the environment arising from the activities carried out under the licence. Condition 2 of the exploration activity approval required the licence holder to carry out the activity in compliance with Part B of the Exploration Code of Practice: Environmental Management.

Due to extensive inland flooding, a site inspection was not undertaken. An onsite assessment against the *Exploration Code of Practice: Environmental Management* could not be completed but evidence in the form of records and photographs were used to undertake a remote desktop assessment as documented in the following sections.

### 3.6.1. Use of chemicals, fuels and lubricants

Mandatory requirements 1.1 to 1.4 identified the requirements for the management of chemicals, fuels and lubricants used during exploration activities.

Australian Gold and Copper exploration staff advised that all chemicals, fuels and lubricants used in the exploration drilling programs were stored in modified intermediate bulk storage containers (IBCs) at the rig site. Rig nappies were reported to be used under the drill rig where required at each drillhole. Safety data sheets for all chemicals, fuels and oils were reported to be supplied to the

licence holder by the drilling contractor as part of a review of safety management systems prior to drilling.

Australian Gold and Copper exploration staff undertook an inspection of the drill rig at each drillhole to confirm chemical and fuel storage and the location of spill kits. A minor fuel spill reportedly occurred from refuelling the drill rig during exploration operations. This spill was not considered by Australian Gold and Copper to result in any significant risk of harm to the environment and was not a reportable incident under condition 7 of the licence. A spill kit was used to manage the spill and the contaminated soil was removed for disposal. Australian Gold and Copper staff used this incident as an example in a safety briefing with the drilling contractors to educate and raise awareness to reduce the potential for future incidents.

### 3.6.2. Water

Mandatory requirements 2.1 and 2.2 required the licence holder to implement all measures to prevent, so far as reasonably practicable, causing adverse impacts on water quality and quantity, including groundwater levels and pressure.

Australian Gold and Copper exploration staff advised that above-ground sumps were used to manage water associated with drilling. Sumps were pumped out using a vacuum truck as required for disposal at a licensed facility in West Wyalong.

Water for drilling operations was either trucked in or sourced from farm water troughs with the landholder's consent.

### 3.6.3. Noise and vibration

Mandatory requirement 3.1 required the licence holder to implement all practicable noise management measures to ensure that noise levels meet acceptable noise criteria for sensitive receivers.

Australian Gold and Copper provided aerial photos to demonstrate that drilling was undertaken in a sparsely populated area where noise was a low risk. To minimise any potential for adverse noise impacts, only dayshift was used for the RC drilling, with the RC drill rig having appropriate mufflers. The diamond drill rig had a lower sound power level than the RC drill rig and 24 hour operations were conducted for the diamond drilling program.

### 3.6.4. Air quality

Mandatory requirement 4.1 required the licence holder to implement all measures to prevent, so far as practicable, pollution caused by dust and other air pollutants.

Australian Gold and Copper provided aerial photos to demonstrate that drilling was undertaken in a sparsely populated area where air quality impacts were a low risk. Air quality controls included cyclones on the RC drill rig with geo-matting used underneath the cyclone to capture any residual fine material.

### 3.6.5. Waste management

Mandatory requirement 5.1 required the licence holder to manage all waste in a manner which did not, as far as practicable, cause harm to the environment.

Waste streams generated from the exploration activities included:

- general domestic waste
- sample bags
- drill cuttings and fluids.

Generally, domestic waste was removed from the drill sites for disposal at the local waste management facility. Drilling wastes were removed from site using a liquid waste management contractor.

### 3.6.6. Vegetation clearance and surface disturbance

Mandatory requirements 6.1 to 6.4 required the licence holder to:

- minimise the extent of any vegetation clearing and surface disturbance to as low as practicable
- implement all measures to prevent, so far as practicable:
  - adverse impacts to fauna caused by vegetation clearing or surface disturbance
  - causing any land degradation or pollution of land and water
  - harm to the environment when disturbing land in areas of potential or actual acid sulfate soils.

Australian Gold and Copper exploration staff advised that drillhole planning was used to minimise the amount of surface disturbance and vegetation clearance required for the drilling programs. Each drillhole was ground-truthed for location prior to drilling, and drillholes moved if required to avoid the need for vegetation clearance. Some small trees and overhanging branches were required to be removed to facilitate safe drill rig access.

The terrain in which drilling was conducted was reasonably flat. Sediment fencing was available for use if required but erosion was not a significant issue for the drilling completed and specific controls for erosion and sedimentation were not required. A small turkeys nest dam was in place to catch any water generated from the drilling process.

### 3.6.7. Roads and tracks

Mandatory requirements 7.1 to 7.5 required the licence holder to:

- consult with relevant landholders prior to establishing any new roads or tracks
- plan, design, construct and use roads and tracks in a manner which minimises the area and duration of disturbance
- construct any crossing of rivers, permanent and intermittent water lands and wetlands to prevent impacts on fish habitats
- refrain from using any unsealed road or track during wet conditions to prevent damage to that road or track
- repair all damage to existing roads and tracks resulting from exploration activities.

Australian Gold and Copper exploration staff advised that access to drill sites is agreed with the landholder prior to the start of drilling. For the completed drilling programs, no new roads or tracks were required. Access to drill sites was achieved using existing farm tracks. Drillers were required to stay on existing tracks and this was communicated to the drillers using a site specific induction.

The tracks used during drilling operations were repaired at the completion of the drilling program. All repairs were reported to be agreed with the landholder. Since the repairs to the tracks, extensive flooding in the Lake Cargelligo area has restricted access to the exploration licence area for further exploration and rehabilitation activities.

### 3.6.8. Weeds, pest animals and disease

Mandatory requirement 8.1 required the licence holder to implement all practicable measures to prevent the introduction and spread of weeds, pest animals, and animal and plant diseases.

Vehicle hygiene procedures were the primary control to avoid the introduction of weeds into the site. Australian Gold and Copper exploration staff advised that vehicles were washed down and

inspected regularly to minimise the risk of weed spread between properties. Vehicle washdowns were recorded on a 'weed and seed' form for each vehicle for each drilling program. Drill rigs were inspected upon arrival on site to check for the presence of excess dirt or vegetative material.

### 3.6.9. Livestock protection

Mandatory requirement 9.1 required the licence holder to implement all measures to prevent, as far as practicable, causing adverse impacts to livestock.

Australian Gold and Copper advised that, generally, livestock was removed from the paddocks before drilling. Although no specific controls were identified as being required, it was noted that the site induction included a control for vehicle speeds to be restricted to 20 km/hr around animals.

### 3.6.10. Cultural heritage

Mandatory requirement 10.1 required the licence holder to implement all measures to prevent, so far as practicable, harm to Aboriginal cultural heritage and non-indigenous cultural heritage.

Searches of the Aboriginal heritage information system (AHIMS) were conducted as part of the preparation of applications for exploration activity approvals. No items of cultural heritage were identified within the areas proposed for drilling. No specific controls were identified as being required.

### 3.6.11. Fire prevention

Mandatory requirement 11.1 required the licence holder to implement all measures to prevent, as far as practicable, the ignition and spread of fire.

Australian Gold and Copper advised that during the bushfire risk season, hot works and smoking on site were restricted. Exploration vehicles were primarily diesel vehicles. Fire extinguishers were provided on the drill rigs and in all exploration light vehicles.

### 3.6.12. Risk assessment

Mandatory requirement 12.1 required the licence holder to monitor the risks associated with activities and, if the risk changes, implement revised environmental management controls.

Australian Gold and Copper prepared an exploration risk assessment that assessed the environmental risks associated with the exploration program. The risk assessment was noted to include required environmental controls. Exploration staff advised that the process for checking the implementation and effectiveness of controls was informal and not documented. As suggestion for improvement no. 3, Australian Gold and Copper should consider the development of a process to evaluate the effectiveness of the implemented risk controls, with revised controls identified where those risks changed, or controls were identified as being ineffective.

## 3.7. Security deposit

Condition 5 of EL8968 required the licence holder to provide a security deposit to secure funding for the fulfilment of obligations under the licence.

The security amount required for EL8968 was \$13,000 which department records confirmed was held. The security deposit was increased from \$10,000 to \$13,000 in July 2022 following the grant of exploration activity approvals.

## 3.8. Rehabilitation

Condition 6 of EL8968 required the licence holder to carry out rehabilitation of all disturbance caused by activities carried out under the licence in accordance with the requirements of the Exploration Code of Practice: Rehabilitation.

A desktop assessment against the mandatory requirements of the code of practice was undertaken for the exploration activities as documented in the following sections.

### 3.8.1. Risk assessment

Mandatory requirement 1 required the licence holder to conduct a risk assessment to evaluate the range of potential threats and opportunities associated with rehabilitating disturbed areas to a condition that could support the intended final land use.

It was noted that rehabilitation risks were included in the exploration risk assessment prepared by Australian Gold and Copper for the Cargelligo Exploration Project.

### 3.8.2. Rehabilitation objectives and completion criteria

Mandatory requirement 2 required the licence holder, not later than 14 days prior to the commencement of surface disturbing activities, to provide to the Secretary of the Department of Regional NSW a copy of clear, specific, achievable and measurable rehabilitation objectives and completion criteria (ROCC). For higher risk prospecting operations, a rehabilitation management plan was required to be prepared and submitted with the rehabilitation objectives and completion criteria.

The exploration activity approval application lodged by Australian Gold and Copper indicated that the total surface disturbance area was less than 5 hectares. The drilling programs did not fall within the definition of a higher risk activity under the code of practice and a rehabilitation management plan was not required to be developed.

Evidence was available in department records to confirm that ROCCs were submitted for each drilling program. It was noted that the ROCCs submitted were generally based on the template provided in Appendix 2 of the code of practice.

### 3.8.3. Rehabilitation program

Mandatory requirement 3 required the licence holder to develop, implement and complete a rehabilitation program (which includes a monitoring program) to rehabilitate disturbed areas to a condition that could support the intended final land use. Mandatory requirement 4 required the licence holder to commence rehabilitation of a site as soon as reasonably practicable following the completion of activities on that site.

It was noted that Australian Gold and Copper had developed a drill site environmental monitoring sheet which included a rehabilitation and site monitoring checklist. It was noted that this checklist documented the rehabilitation process which included:

- collars capped and cut as soon as the rig moved off-site
- rig nappies rolled up
- waste collected and removed
- site left clean.

Rehabilitation monitoring was generally done using a photographic record with details recorded on the rehabilitation and site monitoring sheet. Photographs before, during, and after drilling were noted to be maintained for each site.

Australian Gold and Copper advised that rehabilitation of the drill sites was completed. No application for rehabilitation sign-off was submitted to the Regulator because final inspection of

the drill program areas was not able to be done by the exploration staff due to extensive flooding in the area.

### 3.9. Annual activity reporting

Section 163C of the Mining Act 1992, clause 59 of the Mining Regulation 2016 and condition 8 of EL8968 required the licence holder to submit an activity report annually within one calendar month following the grant anniversary date. Annual activity reports were required to be prepared in accordance with the Exploration guideline: Annual activity reporting for prospecting titles.

During the audit scope period, Australian Gold and Copper submitted annual activity reports comprising:

- annual geological report
- environmental rehabilitation and compliance report
- community consultation report (up to October 2022).

Generally, reports were found to be in accordance with the supplied department templates and guidance material. MEG reviewed the 2021 annual exploration reports and assessed it as satisfactory. The 2021 and 2022 environmental rehabilitation and compliance reports and community consultation reports were reviewed by the auditor and were found to be generally in accordance with the guidance material contained in the code of practice.

### 3.10. Core and sample storage

Clause 65 of the Mining Regulation 2016 required the holder of an authority to, so far as is reasonably practicable, collect, retain and preserve:

- all drillcores remaining after sampling
- characteristic samples of the rock or strata encountered in any drillholes.

All core and samples collected were required to be labelled, stored and managed in a manner that preserved the integrity of the core or samples.

Australian Gold and Copper exploration staff advised that core and samples from the exploration drilling programs were stored at a core facility in Orange. The core trays for each hole were stacked on pallets in depth order, lids placed on the top trays, and strapped together. Core trays were stored outdoors in hole number sequence. Photos were provided to confirm core storage. All core trays have high resolution photographs. Australian Gold and Copper advised that no core had been disposed of.

RC drilling resulted in the collection of chip samples which were stored in plastic chip trays, labelled with hole number and depth. Samples were stored in hole number order in a sealed storage container at the core yard in Orange.

### 3.11. Record keeping

Sections 163D and 163E of the *Mining Act 1992* related to the creation and maintenance of records required under the Act, the regulations, or a condition of title. Records must be kept in a legible form for presentation to any inspector and must be maintained for a period of 4 years after the expiry or cancellation of the title. Specific requirements for the types of records to be maintained for exploration activities were detailed in the mandatory requirements of the exploration codes of practice as follows:

- mandatory requirement 6 of the rehabilitation code of practice
- mandatory requirement 13.1 of the environmental management code of practice

- mandatory requirement 5 of the community consultation code of practice.

Records reviewed during the audit demonstrated that Australian Gold and Copper had generally maintained records as required by the licence conditions and the exploration codes of practice. It was noted that relevant documents and records were readily retrievable upon request.

Examples of records reviewed included:

- land access agreements
- drilling database
- drill rig inspection checklists
- vehicle hygiene records (weed and seed forms)
- rehabilitation objectives and completion criteria
- pre-, during and post- drilling photos
- drill site environmental monitoring sheets
- rehabilitation and site monitoring checklists
- waste management records
- drillcore storage records and photos
- community consultation register
- community consultation strategy
- annual activity reporting.

## 4. Compliance management

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### 4.1. Identifying compliance obligations

Identifying compliance obligations is a critical step in the development of an effective compliance management system. Compliance obligations for an exploration project can include:

- regulatory requirements (for example, the *Mining Act 1992*)
- conditions imposed on the grant, renewal, or transfer of exploration licences
- exploration activity approvals
- exploration codes of practice
- specific commitments made by the organisation (for example, commitments made in the approved exploration activity application).

Once identified, compliance obligations should be reviewed periodically to identify any changes in those obligations (for example, changes in legislation).

The Australian Gold and Copper exploration staff generally had a good understanding of the compliance requirements for exploration. Systems and processes for managing compliance requirements had been developed and implemented. It was noted that records were generally being maintained to demonstrate compliance.

### 4.2. Subcontractor management

Contractors are often used to undertake specialist tasks, for example, exploration drilling. Whilst the responsibility for compliance or the implementation of environmental controls is often passed to the contractor, the licence holder will retain accountability for compliance with its licence conditions and other compliance obligations. It is important that the licence holder exercises management control of its contractors by specifying contract requirements, providing oversight of contracted works, and evaluating the performance of the contractor during the contracted works.

Australian Gold and Copper used contract drillers to complete the exploration drilling programs. Given that the drilling programs were not in progress and a site inspection could not be completed, a detailed review of the subcontractor management arrangements was not undertaken as part of the audit. Australian Gold and Copper staff advised that exploration staff were at the drill site daily to monitor the drilling progress. Any issues of concern were raised directly with the drillers and a regular toolbox meeting was held with the drillers to reinforce required controls.

### 4.3. Inspections, monitoring and evaluation

An effective inspection, monitoring and evaluation process is required to:

- monitor the implementation of the risk controls
- evaluate the effectiveness of those controls based on an assessment of inspection and monitoring data
- implement an adaptive management approach if monitoring shows that controls may be ineffective.

Australian Gold and Copper established an inspection and monitoring process that aligned with the lifecycle of each drillhole. The drill site environmental monitoring sheet was observed to have 3 sections:

- general and statutory approvals
- site and water management

- rehabilitation and site monitoring.

Examples of completed drill site environmental monitoring sheets were reviewed during the audit.

Risk assessments were noted to be completed and risk controls identified and implemented. It was noted that there does not appear to be an inspection and monitoring program designed to monitor the effectiveness of the risk controls. As noted in suggestion for improvement no. 3, Australian Gold and Copper should consider expanding its risk assessment process to include a post-drilling review to assess the performance of the control measures and make any recommendations for future drilling programs, where those controls were shown to be not effective in addressing the risk.

## 5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that Australian Gold and Copper had achieved a high level of compliance with the requirements of the exploration licence, exploration activity approvals and the exploration codes of practice, for the elements reviewed during the audit.

Evidence was available to demonstrate that systems and processes had been developed to identify and manage compliance requirements. It was observed that records were being maintained as required to demonstrate compliance.

No non-compliances were identified during the audit. One observation of concern and 3 suggestions for improvement were identified as documented in Table 2 and Table 3.

Table 2 Summary of observations of concern

Observation of Concern No.	Description of Issue	Recommendation
1	It was noted that the community consultation strategy was based on the minimum requirements set out in the guidance material in Appendix 1 of the Exploration code of practice: Community consultation. While this meets the minimum compliance requirements, it was noted that the strategy may not reflect the medium activity impact level assessed by the licence holder.	Australian Gold and Copper should review the community consultation risk assessment and the consultation strategy to ensure that the strategy is appropriate to manage the risks identified

Table 3 Summary of suggestions for improvement

Suggestion for Improvement No.	Description of Issue
1	It was noted that some risks associated with community impact and consultation were identified in the exploration environmental risk assessment. Given that the activity impact level was assessed by the titleholder as being a medium impact, it would be beneficial to undertake a more comprehensive consultation risk assessment to identify and consider the opportunities and threats associated with community engagement for the project.
2	The Exploration Code of Practice: Community Consultation was updated following industry consultation with changes effective from 7 October 2022. Australian Gold and Copper should review the consultation strategy to ensure it reflects the requirements of the amended code of practice.
3	Australian Gold and Copper prepared an exploration risk assessment that assessed the environmental risks associated with the exploration program. The risk assessment was noted to include required environmental controls. Exploration staff advised that the process for checking the implementation and effectiveness of controls was informal and not documented. Australian Gold and Copper should consider the development of a process to evaluate the effectiveness of the risk controls implemented, with revised controls identified where those risks changed, or controls were identified as being ineffective.