



**NSW  
Resources  
Regulator**

**COMPLIANCE AUDIT PROGRAM**

# **EL5933 PEAK GOLD PROJECT**

Peak Gold Mines Pty Ltd



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# 1. Introduction

## 1.1. Background

Exploration licence 5933 (EL5933) was granted to Peak Gold Mines Pty Ltd in April 2002. The licence has been renewed several times. An application for renewal was lodged in April 2020 but had not been determined. Under the provisions of section 117 of the *Mining Act 1992*, EL5933 continued to have effect until such time as the application was determined. The exploration area was in a pastoral area about six kilometres south east of Cobar in western NSW.

As part of the compliance audit program, a virtual audit of the exploration activities associated with the Wilga Downs Project within EL5933 was undertaken on 14 October 2021 by the Resources 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 Peak Gold Mines 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 the Peak Gold Mines exploration project including:
  - exploration activities within EL5933 including a selected sample of exploration drillholes
  - borehole sealing and rehabilitation activities for selected drilling activities undertaken since July 2019
- a review of documents and records pertaining to the exploration activities

- the assessment of compliance for the period commencing 1 July 2019 and ending 14 October 2021.

## 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 EL5933 (granted 17 April 2002 and renewal pending)
- exploration activities application (ESF4) dated 9 March 2017 for three diamond drill holes, and associated approval dated 29 March 2017 (OUT17/13230)
- *Exploration Reporting: A guide for reporting on exploration and prospecting in New South Wales* (Version 2, March 2016)
- *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*.

This audit report may be publicly disclosed consistent with the *Government Information (Public Access) Act 2009*.

## 2. Audit methods

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 detailed in the sections below.

### 2.1. Opening meeting

Opening remarks were included in the meeting held online on 14 October 2021. 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, 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

COVID-19 restrictions in NSW prevented travel from Maitland to regional areas of the state. 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 14 October 2021. 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 criteria

ASSESSMENT	CRITERIA
<b>Compliance</b>	Sufficient and appropriate evidence was available to demonstrate the particular requirement was complied with.
<b>Non-compliance</b>	<p>Clear evidence was collected to demonstrate the particular requirement was not complied with. There were three subcategories of non-compliance reflecting the severity and level of risk associated with the non-compliance:</p> <p><b>NC1</b> – the absence of planning or implementation of a required operational element that had the potential to result in a significant risk.</p> <p><b>NC2</b> – an isolated lapse or absence of control in the implementation of an operational element that was unlikely to result in a significant risk.</p> <p><b>NC3</b> – an administrative or reporting non-compliance that did 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 were issues that existed 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>

ASSESSMENT	CRITERIA
<b>Suggestion for improvement</b>	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.
<b>Not determined</b>	<p>The necessary evidence was not 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 included:</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 changed and were 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 online virtual 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 Peak Gold Mines 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

### 3.1. Work program

Condition 31 of EL5933 required the licence holder to complete the work program nominated in the application for grant or renewal of the exploration licence. A work program was submitted with the application for renewal in April 2020, but this had not been approved by Mining, Exploration and Geoscience (MEG).

The annual exploration report for EL5933 for the period 17 April 2020 to 16 April 2021 described the activities undertaken during the reporting period including:

- the data from a Mimdas IP survey conducted in 2010 was reprocessed by a geophysical consultant from Geodiscovery.
- the 2014 VTEM survey data was being reprocessed by a geophysical consultant from Southern Geoscience Consultants.

Generally, evidence was available to demonstrate that the exploration program is progressing. The exploration manager advised that the exploration status of the project was being reviewed against the stages of exploration described in the work program guidelines. A geophysics survey was planned in 2020 but COVID-19 restrictions prevented it from being completed. It was noted that exploration progress had been assessed as acceptable by MEG.

Exploration data is maintained by the Peak Gold Mines geologists and submitted to MEG with the annual activity reports as required.

### 3.2. Access agreements

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.

Peak Gold Mines advised that there were no access agreements in place for EL5933, but the company was intending to negotiate access agreements to facilitate further exploration. It was noted that no onground exploration works had occurred within the previous three years.

### 3.3. Native title and exempted areas

Condition 8 of EL5933 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* and condition 3 of EL5933 required the consent of the Minister before a licence holder undertook any activities within an exempted area.

Peak Gold Mines advised that a native title claim over an area including parts of EL5933 was accepted for registration in 2012 (NC2012/001 - Ngemba, Ngiyampaa, Wangaaypuwan and Wayilwan native title determination application). Peak Gold Mines had done no exploration in that area since the claim was registered. The company had not undertaken the right to negotiate process and no indigenous land use agreements had been entered into. Given that no exploration works have been undertaken, no further approvals under condition 8 were required.

Peak Gold Mines had established that exempted areas under section 30 of the *Mining Act 1992* were present within EL5933. A review of departmental records showed that exempted area approvals were sought and granted for previous exploration operations within EL5933. No exploration operations were undertaken during the audit scope period and further approvals under section of the Act were not required.

### 3.4. Community consultation

EL5933 was renewed in 2015 and was subject to an older set of exploration licence conditions which remained in force after the 2020 renewal application was submitted until it was determined. EL5933 was not subject to the requirements of the community consultation code of practice and no community consultation reports were required to be submitted.

Condition 34 of EL5933 required the licence holder to establish a community and landholder liaison program to effectively address enquiries from land holders and community members within the area. Peak Gold Mines advised that no exploration drilling or other onground works were completed on the tenement from 2018.

Evidence was available to confirm that Peak Gold had established a community and landholder liaison program. A contact register was established to log details of consultation undertaken. Peak Gold Mines had established a central email address and phone number for complaints and enquiries and advised that these details were advertised in the Cobar Weekly newspaper. No issues of concern had been raised in relation to EL5933. The process described by the Peak Gold Mine staff included:

- enquiry or complaint received at mine site
- details recorded on complaint form and in community complaints log

- complaint or enquiry forwarded to relevant section for action.

Peak Gold Mines advised that it regularly liaised with Cobar Shire Council in relation to activities at the mine, including exploration works. Peak Gold Mines had an established community consultation committee (CCC) for the Peak Gold Mine. Exploration operations were reported to be included in the discussions at the CCC meetings where relevant. Prior to the COVID-19 restrictions, CCC meetings were held six-monthly at the Cobar Golf Club.

### 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.

Exploration activity approvals were sought and granted for exploration activities. Recent exploration activity approvals included:

- exploration activities application (ESF4) dated 9 March 2017 for three diamond drill holes, and associated approval dated 29 March 2017
- exploration activities application (ESF4) dated 2 March 2018 for the Langtons Prospect soil sampling program and associated approval dated 26 March 2018

Three diamond drill holes were drilled in 2017 but Peak Gold Mines advised that the Langtons Prospect soil sampling project did not proceed.

### 3.6. Environmental management

Condition 11 of EL5933 required the licence holder to implement all practicable measures to prevent and/or minimise any harm to the environment that may result from the prospecting operations. The Exploration Code of Practice: Environmental management was not applicable to the exploration activity approvals granted in 2017 or 2018, and as such no assessment against the code of practice requirements was required.

Due to COVID-19 restrictions, a site inspection was not undertaken. Given that no onground exploration activities had been undertaken since 2018, desktop assessment of the environmental management of exploration activities was not undertaken as part of the audit.

### 3.7. Security deposit

Condition 25 of EL5933 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 EL5933 was \$122,000 which departmental records confirmed was held. An application for rehabilitation signoff was submitted and accepted as satisfactory in July 2021. There was no change to the security for the title.

### 3.8. Rehabilitation

Condition 21 of EL5933 required the licence holder to rehabilitate any land disturbed by prospecting operations to a stable and permanent form so that there is no adverse environmental effect outside of the disturbed area. The requirements of the *Exploration Code of Practice: Rehabilitation* were not applicable to EL5933 and an assessment against the mandatory requirements of the code was not undertaken.

Peak Gold Mines had established a tracking spreadsheet for each of its tenements to track the progress of rehabilitation from completion to sign off. Generally, rehabilitation of exploration activities had been completed and signed off for most areas of the tenement, except for drilling in the Lucknow area where rehabilitation had not been completed.

The rehabilitation monitoring program, as described by Peak Gold Mines, included:

- initial inspection at the time rehabilitation works were completed
- inspection at three months after completion of rehabilitation
- inspection at six months after completion of rehabilitation.

If these inspections showed that rehabilitation was not progressing as planned, corrective actions were identified and actioned.

An application for rehabilitation signoff (form ESF2) was submitted and accepted as satisfactory in July 2021.

### 3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016 required the licence holder to submit a report annually within one calendar month following grant anniversary date. Annual exploration reports were required to be prepared in accordance with the guideline *Exploration Reporting: A guide for reporting on exploration and prospecting in New South Wales*.

Being an older exploration licence that was awaiting renewal, EL5933 was not subject to the annual activity reporting requirements contained in condition 8 of newer titles. Peak Gold Mines were only required to submit annual geological reports, and these were submitted as follows:

- EL5933 Peak, Eighteenth Annual Exploration Report for the period 17 April 2019 to 16 April 2020
- EL5933 Peak, Nineteenth Annual Exploration Report for the period 17 April 2020 to 16 April 2021

Generally, reports were found to be in accordance with the MEG and/or Resources Regulator templates and guidance material. MEG reviewed the 2020 and 2021 annual exploration reports and assessed these as satisfactory.

### 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 drill cores remaining after sampling
- characteristic samples of the rock or strata encountered in any drill holes.

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.

Peak Gold Mines staff advised that there were three core farms at the Peak Gold Mine. Core yard 3 was for the storage of core and samples from regional exploration programs. Core was stored in galvanised steel core trays which were wrapped in plastic. The trays were inspected once every year and corrective actions implemented where required. Returned pulps and chip samples were stored in sealed shipping containers. The location of core trays and samples within the yard was mapped such that it was possible to locate a specific core tray if required.

### 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 were required to be kept in a legible form for production to any inspector and maintained for a period of four years after the expiry or cancellation of the title. It was noted that the mandatory record requirements of the codes of practice were not applicable to EL5933.

Records reviewed during the audit demonstrated that Peak Gold Mines had generally maintained records as required by the *Mining Act 1992*, and the licence conditions. Examples of records reviewed included:

- exploration activity approvals
- rehabilitation tracking spreadsheet
- community consultation register
- community consultation records
- CCC meeting minutes
- annual exploration reports.

## 4. Compliance management

### 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
- 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).

Generally, evidence was available to confirm that compliance obligations have been identified and understood. The Peak Gold Mines staff interviewed during the audit were conversant with the exploration licence conditions and the exploration activity approvals. Systems to track compliance with these requirements were established.

### 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.

Peak Gold Mines had done no drilling on EL5933 in the previous three years. An assessment of subcontractor management was not undertaken during the audit.

### 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.

Evidence was generally available to confirm that Peak Gold Mines had established an inspection and monitoring program for the exploration activities.

#### **4.4. Licence holder response to draft audit findings**

Peak Gold Mines were provided with a copy of the draft audit report and invited to submit a response to the draft audit findings.

Peak Gold Mines did not dispute the audit findings, but its response did correct a minor error in terminology within the report. No other changes were made to the final report because of the response from Peak Gold Mines.

## 5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that Peak Gold Mines had achieved a high level of compliance with the requirements of the exploration licence and exploration activity approvals, for the elements reviewed during the audit. Due to COVID-19 restrictions, a site inspection was not conducted. This prevented a full assessment of the compliance requirements and did not permit an assessment of rehabilitation performance. Further verification will be undertaken during future inspections by the Regulator's inspectors.

No non-compliances or observations of concern were noted during the audit.