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Resources
Regulator**

COMPLIANCE AUDIT PROGRAM

EL5674 WEBBS PROJECT

Webbs Resources Pty Ltd



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1. Introduction

1.1. Background

Exploration licence 5674 (EL5674) was granted to Australian Geoscientists Pty Ltd in January 2000. The licence was renewed several times and was last renewed in 2017. The licence was transferred to Webbs Resources Pty Ltd (Webbs Resources) in October 2021. The exploration area was about 12 km north west of Emmaville in northern NSW.

As part of the compliance audit program, a virtual audit of the exploration activities associated with the Webbs Project within EL5674 was undertaken on 14 December 2021 by the NSW 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 Webbs Resources exploration activities against the requirements of the *Mining Act 1992* and the conditions of the exploration licence 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:

- A review of documents and records pertaining to the exploration activities within EL5674 (1992).
- An assessment of compliance for the period commencing 1 December 2019 and ending 14 December 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 EL5674 (1992) (granted on 13 January 2000 and last renewed 20 November 2017)
- *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*
- Resources Regulator's [Public comment policy](#)
- *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 December 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 December 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 |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Compliance | Sufficient and appropriate evidence was available to demonstrate the particular requirement was complied with. |
| Non-compliance | <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>NC1 – the absence of planning or implementation of a required operational element that had 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 that was unlikely to result in a significant risk.</p> <p>NC3 – 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> |
| Observation of concern | <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 |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Suggestion for improvement | 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. |
| Not determined | <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"> ■ insufficient information on the file relating to the period covered by the audit or insufficient evidence collected to reach a conclusion ■ the wording on the criteria (approval condition) meant that no evidence could be gathered, or it was too difficult to gather the evidence. <p>A 'not determined' assessment was also made where the condition was outside the scope of the audit.</p> |
| Not applicable | <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 Webbs Resources 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 1 of EL5674 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 by Webbs Resources and approved by Mining, Exploration and Geoscience (MEG) with the application for transfer in October 2021.

For the term of the renewal, proposed exploration activities included:

- data compilation and validation
- reconnaissance mapping
- geological modelling
- infill diamond and RC drilling
- resource estimate

The annual exploration report for EL5674 for the period 14 January 2020 to 13 January 2021 identified that the extreme fire danger experienced throughout eastern Australia during 2019 and early 2020, and the COVID-19 pandemic, restricted exploration activities.

Generally, evidence was available to demonstrate that the exploration program was 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. Since transfer of the tenement in 2021, Webbs Resources prioritised updating and validation of existing data to refine the exploration program. It was noted that exploration progress had been assessed as acceptable by MEG.

Exploration data was maintained by the Webbs Resources 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.

Webbs Resources exploration staff advised that land access agreements were in place with Crown Lands and one other land holder. It was noted that there has been limited on-ground exploration on the title since 2012 and none since Webbs Resources took over the tenement.

3.3. Native title and exempted areas

Condition 2 of EL5674 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.

On 9 July 2007, following the completion of the right to negotiate process for Minister's consent undertaken by a previous titleholder, consent was granted to the holder of EL5674 allowing them to conduct prospecting on land or waters where native title exists. There was no time limit imposed on the consent and no evidence to indicate that the Minister ever revoked the consent. This consent remains effective and no further approvals were required.

Webbs Resources established that exempted areas under section 30 of the *Mining Act 1992* were present within EL5674 by conducting a preliminary constraints analysis and land tenure mapping. 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

Condition 3 of EL5674 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.

A community consultation risk assessment was documented as part of the community consultation strategy prepared by Webbs Resources for its tenements in the region, including EL5674. Challenges and constraints to consultation were documented as part of the community consultation strategy.

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.

Webbs Resources prepared the 'Stakeholder engagement and community relations strategy 2021' for all its tenements including EL5674. It was noted that the strategy addressed the mandatory requirements of the code of practice and targeted specific engagement activities for each project. For example:

- objectives for the consultation strategy were documented in section 4
- analysis of stakeholders and potential impacts was included in sections 3, 7 and 8
- consultation mechanisms were outlined in Table 2
- a timeline of consultation activities was documented in Appendix A
- processes to regularly monitor and respond to community consultation feedback were included in Appendix B.

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. Webbs Resources were using the electronic Consultation Manager system to record community consultation activities.

Annual community consultation reports were prepared and submitted, generally in accordance with the reporting guidance in Appendix 2 of the code of practice. The 2019 consultation report was reviewed by MEG and found to be adequate. The 2020 consultation report was reviewed by the auditor and found to be adequate.

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 previous exploration activities up to 2012. No on-ground exploration activities requiring approval were undertaken after 2012. Further approvals have not been required.

3.6. Environmental management

Condition 4 of EL5674 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. The requirements of the Exploration code of practice: Environmental management were not applicable to EL5674 at the time of the audit because there had been no exploration drilling or other surface disturbing exploration activities undertaken on the licence area since 2012.

Due to COVID-19 restrictions, a site inspection was not undertaken. Given that no on-ground exploration activities had been undertaken since 2012, desktop assessment of the environmental management of exploration activities was not undertaken as part of the audit.

3.7. Security deposit

Condition 5 of EL5674 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 EL5674 was \$52,000, which department records confirmed was held.

3.8. Rehabilitation

Condition 6 of EL5674 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*. Exploration activities were carried out before the introduction of the code of practice, so the requirements of the code were not applicable to the rehabilitation of the previous drilling activities. The code requirements were used as a guide in the assessment of the rehabilitation undertaken of the previous activities. No site inspection was undertaken during the audit to verify the status of rehabilitation.

Rehabilitation of the drilling completed to 2012 was not undertaken in a satisfactory manner. Directions under section 240 (1)(e) of the *Mining Act 1992* were issued to the previous titleholder Silver Mines Limited in 2017 and 2018 to rehabilitate the site. Significant rehabilitation works were completed in 2019 and 2020 in compliance with the notice issued. As part of the works required, Silver Mines Limited were required to prepare a rehabilitation strategy, which included rehabilitation objectives and completion criteria. The rehabilitation strategy was prepared and was accepted as satisfactory by the Regulator. Webbs Resources staff advised that monitoring of the rehabilitation was ongoing.

An application for rehabilitation signoff was submitted and accepted as satisfactory in May 2020. This reduced the security from \$199,000 to the \$52,000 required. The progress of the remaining rehabilitation will be monitored during future inspections by the Regulator.

3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016, and condition 8 of EL5674 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*.

During the audit scope period, Webbs Resources (or its predecessors) had submitted annual activity reports comprising:

- annual geological report
- revised work program (up to January 2021)
- environmental rehabilitation and compliance report
- community consultation report.

Generally, reports were found to be in accordance with the MEG and/or Resources Regulator templates and guidance material. MEG reviewed the report submitted in February 2020 annual exploration report and assessed this as satisfactory. The report submitted in February 2021 report was assessed by MEG and found to be unsatisfactory because no field-based work had been done and exploration progress was not on track to complete the approved work program. It was noted that this report was submitted prior to the transfer of title to Webbs Resources and the approval of the current work program.

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.

Webbs Resources exploration staff advised that core was initially stored at a site in Emmaville and then transferred to a site in Texas, Queensland. Core was stored in core trays stacked on pallets which were stored in a storage building protected from the weather. Webbs Resources had relogged and catalogued

the core as part of the updating and validation of previous data. Chip samples were reported to be stored in chip trays which were stored in shipping containers.

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 production to any inspector and must be maintained for a period of four 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 Webbs Resources had generally maintained records as required by the *Mining Act 1992*, the licence conditions, and the codes of practice. Examples of records reviewed included:

- land tenure mapping
- access agreements
- community consultation strategy
- community consultation records using the Consultation Manager software
- monthly tenement reports
- 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 Webbs Resources 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 generally 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.

No drilling was undertaken on EL5674 since 2012. 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 Webbs Resources had established an inspection and monitoring program for the exploration activities, primarily focussed on the monitoring of the rehabilitation completed in 2019 and 2020. Further inspections and monitoring were planned by Webbs Resources to provide data for a review of the rehabilitation risk assessment.

4.4. Licence holder response to draft audit findings

Webbs Resources were provided with a copy of the draft audit report and invited to submit a response to the draft audit findings. Webbs Resources did not have any comments on the draft audit report.

5. Audit conclusions

From the evidence reviewed during the audit, Webbs Resources had generally identified the compliance requirements and were establishing systems to manage these. It is also noted that that field-based work had not been undertaken on the licence area for a number of years. 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.