



**NSW
Resources
Regulator**

COMPLIANCE AUDIT PROGRAM

TIMOR LIMESTONE MINE

Stoneco Pty Ltd



Document control

Published by NSW Resources Regulator

Title: Compliance audit program: Timor Limestone Mine, Stoneco Pty Ltd

First published: July 2022

Authorised by: Director Compliance

CM9 reference: RDOC22/104371

AMENDMENT SCHEDULE

Date	Version	Amendment
July 2022	1.0	First published

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1. Introduction

1.1. Background

Timor Limestone Mine was a limestone mine about 26 km south of Nundle in northern NSW. The mine operated under Mining Lease 1660 (ML1660) which was held by Stoneco Pty Ltd (Stoneco).

As part of the compliance audit program undertaken by the NSW Resources Regulator, an audit of the mining operations associated with the Timor Limestone Mine was undertaken on 16 December 2021.

1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the Timor Limestone Quarry, operated by Stoneco, against the requirements of the *Mining Act 1992* and the conditions of the mining lease issued pursuant to that Act
- assess the operational performance of the Timor Limestone Quarry mining operations and the ability of the titleholder and/or 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 mining activities associated with the Timor Limestone Quarry including:
 - mine development within ML 1660 (1992)
 - rehabilitation activities associated with mining activities
- A review of documents and records pertaining to the mining and exploration activities
- The assessment of compliance for the period commencing 1 December 2019 and ending 16 December 2021.

1.4. Audit criteria

The audit criteria against which compliance was assessed included:

- *Mining Act 1992*, specifically Sections 5, 6, 163C to 163E, 163G, 378D
- Mining Regulation 2016, specifically clauses 59 to 68
- Conditions attached to ML 1660 (granted on 23 November 2011)
- Commitments made in Timor Limestone Quarry Mining Operations Plan (MOP) for the period from 10 July 2014 to 9 July 2021 (approved on 14 July 2014)
- Exploration Reporting: A guide for reporting on exploration and prospecting in New South Wales (Version 2, March 2016)
- Rehabilitation Cost Estimation Tool Handbook (June 2017)
- ESG3: Mining Operations Plan (MOP) Guidelines, September 2013
- Guidelines and Format for Preparation of an Annual Environmental Management Report (January 2006)

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 16 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 16 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 Audit assessment categories

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>
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>

ASSESSMENT	CRITERIA
	<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>
<p>Not applicable</p>	<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 mining operations 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 Stoneco for comment. Consideration was given to any representations made during the finalisation of the audit report as discussed in the audit findings.

3. Audit findings

3.1. Mining operations plan

Condition 3 of ML1660 required the lease holder to carry out mining operations in accordance with an approved mining operations plan (MOP).

Stoneco prepared the MOP for the Timor Limestone Quarry in July 2014, which was approved by the Regulator. Approval for the MOP was to expire in May 2021 but was extended to July 2022 to align with the amendments to the Mining Regulation in relation to rehabilitation.

Section 2 of the MOP described the mining activities to be undertaken during the MOP period including:

- exploration – no exploration was proposed
- construction – construction of internal roads, stockpiling and handling areas
- mining operations – recovery of limestone using drill and blast methods
- overburden emplacement – minimal overburden produced
- processing operations – crushing, screening and stockpiling of material
- progressive rehabilitation and completion – no areas were proposed for rehabilitation during the MOP period.

Section 3 provided an assessment of the environmental issues associated with the mining operations, including an environmental risk assessment focussing on rehabilitation-specific risks.

The remaining sections of the MOP (sections 4 to 9) focussed on rehabilitation, including:

- rehabilitation planning and management
- implementation of the rehabilitation program
- rehabilitation monitoring and research
- intervention and adaptive management, including a trigger action response plan (TARP).

Generally, evidence was available to confirm that the controls and mitigative strategies outlined in the MOP were implemented.

3.2. Rehabilitation

Condition 7 of ML1660 required that any disturbance resulting from the activities carried out under the mining leases must be rehabilitated to the satisfaction of the Minister. A desktop assessment of compliance with the MOP commitments in relation to rehabilitation of the site was undertaken during the audit as detailed in the following sections.

3.2.1. Risk assessment

To achieve successful rehabilitation outcomes, the lease holder must be able to identify and manage any risks that could compromise rehabilitation outcomes.

An environmental risk assessment was documented in section 3 of the approved MOP and summarised in Table 9. There were no high or very high risks identified. The key risks for environmental management and rehabilitation were listed as:

- Erosion and sedimentation – the MOP referenced the soil and water management plan (SWMP) which incorporated a section on erosion and sediment control measures to be implemented.
- Groundwater and groundwater dependent ecosystems – the MOP referenced the SWMP. Key controls were maintaining a floor depth at least five metres above the lower chert band and maintaining surface water quality.
- Weed control and management – the MOP referenced the landscape management plan, which included a weed control program to manage weed densities.
- Bushfire – a bushfire management plan was prepared, and controls identified.

3.2.2. Rehabilitation objectives and completion criteria

The post-mining land use goals were documented in section 4.2 of the approved MOP. The approved final landform was documented in Plan 3 of the MOP.

Rehabilitation objectives and targets to achieve the nominated post-mining land use are documented in Table 11 of the approved MOP. The objective for the final land use was to provide for a combination of sustainable nature/biodiversity conservation land with some grazing and lifestyle activities.

It was noted that the approved disturbance was reasonably small, being only 6 ha. The objectives and completion criteria were generally appropriate for the size and nature of the disturbance.

3.2.3. Rehabilitation progress

No significant rehabilitation was proposed over the term of the approved MOP. Stoneco advised that it had completed some replanting at the quarry entrance with the local Landcare group but generally, there were no suitable areas available for rehabilitation due to the compact nature of the quarry and most areas being actively involved in operations. This should be verified on site during future inspections by the Regulator.

Section 8.2 of the MOP described the use of rehabilitation trials to refine the rehabilitation methodology for the site. It was noted that no timeframe for these trials to be conducted was specified and no trials had been commenced. This is raised as observation of concern number one Stoneco should develop and implement a plan to commence rehabilitation trials for the site.

3.3. Reporting

3.3.1. Annual rehabilitation reporting

Condition 4 of ML1660 required the lease holder to lodge environmental management reports annually which report on compliance with the MOP and report on progress in respect of rehabilitation completion criteria.

An annual report was lodged with the Regulator for the 2019 reporting year. The report for the 2020 reporting year was due to be submitted in March 2021. A review of the Regulator's records showed that the 2020 report had not been submitted at the time of the audit. Stoneco advised during the audit that the 2020 report had been prepared and was submitted to other agencies but was inadvertently not sent to the Regulator. It was submitted immediately after the audit. Late submission of the 2020 annual report is raised as non-compliance number one It is recommended that Stoneco develop and implement processes to ensure that annual reports are submitted as required.

It was noted that neither the 2019 or 2020 reports included any discussion on rehabilitation but it is acknowledged that the approved MOP did not include any significant rehabilitation over the MOP term.

3.3.2. Annual exploration reporting

Section 163C of the *Mining Act 1992* and clause 59 of the Mining Regulation 2016 required the preparation and submission of an annual report that provided full particulars of all exploration and other operations or activities conducted during the 12-month period.

One exploration report was submitted during the audit scope period for the 2018-2019 reporting period:

- Timor Limestone Quarry – Fifth annual exploration report on ML1660 for the period 23 November 2018 to 22 November 2019.

It was noted that 2019 report was submitted late, being due in December 2019 and submitted in August 2020. The annual report for the 2020 reporting period had not been submitted but was submitted immediately after the audit. Both annual reports were nil reports because no exploration works were conducted in either reporting period. The issue of late submission of reports was raised as non-compliance no. 2. It is recommended that Stoneco develop and implement processes to ensure that annual reports are submitted as required.

3.3.3. Environmental incident reporting

Condition 5 of ML1660 required the lease holder to provide environmental incident notifications and reports to the Secretary no later than seven (7) days after those environmental incident notifications and reports were provided to the relevant authorities under the *Protection of the Environment Operations Act 1997*.

Stoneco advised that no environmental incidents were reported or had occurred during the audit scope period. No notifications under condition 5 were required.

3.4. Other mining lease compliance requirements

3.4.1. Notice to landholders

Condition 1 of mining leases ML1660 required the lease holder to provide a notice in writing to each landholder within the lease area advising that the lease has been granted or renewed. Mining lease ML1660 was granted in 2011. The timeframe fell outside of the scope of the audit; therefore, the notification requirements were not verified during the audit.

3.4.2. Security deposit

Under Condition 19 of ML1660, the lease holder was required to provide and maintain a security deposit to secure funding for the fulfilment of obligations under the mining lease.

A review of the security deposit was undertaken in 2014 in conjunction with the submission of the MOP. A security of \$168,000 was identified as being required and departmental records confirmed that this amount was held. A review of security was requested by the Regulator upon Stoneco's submission of the request for extension of the MOP approval in December 2021. This was received by the Regulator in January 2022 and was under assessment.

3.4.3. Co-operation agreement

Condition 24 of ML1660 required the lease holder to make reasonable attempts to enter into a co-operation agreement with the holders of any overlapping titles.

Stoneco advised that a search of published mapping was undertaken, and no overlapping titles were identified. No co-operation agreements were required. This was confirmed by the auditor.

3.4.4. Other conditions

ML1660 was an older lease that had a range of conditions that were not included as lease conditions on newer leases. These conditions and an assessment of compliance included.

- Blasting (condition 10) – given that compliance with blasting requirements is a condition of the environmental protection licence for the site and is regulated by the NSW Environment Protection Authority, compliance with condition 10 was not determined. It was noted that no blasting exceedances have been reported by Stoneco within the audit scope period.
- Prevention of soil erosion and pollution (condition 12) – Stoneco prepared a soil and water management plan which included controls for erosion and sedimentation. The implementation and effectiveness of those controls was not verified by the Regulator and would be inspected on future site inspections by the Regulator’s inspectors.
- Roads and tracks (condition 14) – given that no site inspection was conducted during the audit, compliance with this condition was not determined.
- Trees and vegetation (condition 15) – given that Stoneco owns the land, no approvals to fell trees or cut timber on the lease were required.

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 a mine can include:

- regulatory requirements (for example, environmental legislation)
- conditions imposed on the grant, renewal, or transfer of mining leases
- specific commitments made by the organisation (for example, MOP commitments)

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

Stoneco had established and implemented some basic systems to manage compliance obligations, following previous non-compliances. Staff interviewed during the audit demonstrated a good knowledge of most compliance obligations, particularly those associated with the mining lease conditions and the MOP commitments.

4.2. 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.

Stoneco had established an environmental monitoring program that included monthly environmental inspections. These inspections were documented on inspection checklists and a monthly environmental operations report was prepared. A review of a sample of environmental operations reports confirmed:

- photographic records were maintained for most areas of site (eg, ponds, stockpiles)
- the inspection included erosion and sediment controls

- rainfall greater than 25mm in 24 hours triggered an additional inspection of the erosion and sediment controls
- the inspection included weed management controls and identified areas where weed management was required
- where corrective actions were required, each action was given a control reference number to facilitate action tracking.

4.3. 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.

Generally, records were available to demonstrate compliance with most requirements, including MOP requirements. Records requested during the audit were made available for the audit team to review. Examples of records sighted during the audit included:

- environmental operations reports
- environmental monitoring data
- waste management records
- photographic records
- annual environmental management reports
- exploration reporting.

4.4. Lease holder response to draft audit findings

Stoneco was provided with a copy of the draft audit report and invited to submit a response to the draft audit findings. No response was received from Stoneco.

5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that Stoneco achieved a moderate level of compliance with the requirements of the mining lease and MOP in relation to the operations of the Timor Limestone Mine.

It was noted that Stoneco had commenced implementation of systems for compliance management. Further development of these compliance management systems would be beneficial to promote a more robust approach to compliance management on site.

Two non-compliances (both ranked NC3), and one observation of concern were noted by the auditor as summarised in Table 2 and Table 3. Regulatory actions may be undertaken in relation to the non-compliances and observations of concern identified during the audit.

Table 2 Summary of non-compliances

NON-COMPLIANCE NO.	DESCRIPTION OF ISSUE	RECOMMENDATION
1 (NC3)	A review of the Regulator's records showed that the 2020 annual environmental management report had not been submitted at the time of the audit. Stoneco advised during the audit that the 2020 report had been prepared and was submitted to other agencies but was inadvertently not sent to the Regulator. It was submitted immediately after the audit.	It was recommended that Stoneco develop and implement processes to ensure that annual reports be submitted as required.
2 (NC3)	It was noted that 2019 annual exploration report was submitted late, being due in December 2019 and submitted in August 2020. The annual report for the 2020 reporting period was not submitted by the due date but was submitted immediately after the audit. Both annual reports were nil reports because no exploration works were conducted in either reporting period.	It was recommended that Stoneco develop and implement processes to ensure that annual reports be submitted as required.

Table 3 Summary of observations of concern

OBSERVATION OF CONCERN NO.	DESCRIPTION OF ISSUE	RECOMMENDATION
1	Section 8.2 of the MOP described the use of rehabilitation trials to refine the rehabilitation methodology for the site. It was noted that no timeframe for these trials to be conducted was specified and no trials had been commenced.	Stoneco should develop and implement a plan to commence rehabilitation trials for the site.