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Resources
Regulator**

COMPLIANCE AUDIT PROGRAM

EL8735 RAZORBACK PROJECT

Colossus Metals Pty Ltd



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1. Introduction

1.1. Background

Exploration licence 8735 (EL8735) was granted to Snossen Pty Ltd on 16 April 2018. The name of the company was changed to Colossus Metals Pty Ltd on 5 July 2019. The exploration area is in an agricultural area about 19 kilometres south-east of Wellington in the central west region of NSW.

In June 2020, Sultan Resources Limited acquired 100% of Colossus Metals. Although the title remains in the name of Colossus Metals, Sultan Resources are the operator of the title.

As part of the compliance audit program, an audit of the exploration activities associated with the Razorback Project within EL8735 was undertaken on 28 April 2022 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 Colossus Metals Pty Ltd 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 Colossus Metals Razorback exploration project including:
 - exploration activities within EL8735 including a selected sample of exploration drillholes
 - borehole sealing and rehabilitation activities for selected drilling activities undertaken since April 2019

- A review of documents and records pertaining to the exploration activities
- The assessment of compliance for the period commencing 28 April 2019 and ending 28 April 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 EL8735 (granted 16 April 2018 and last renewed 10 August 2020)
- Exploration activities application (ESF4) dated 15 April 2021 for 10 Diamond (DD) drill holes each to a depth of approximately 450m each, and associated approval dated 13 May 2021 (MAAG0010675)
- Exploration activities application (ESF4) dated 19 April 2021 for 4 Diamond (DD) drill holes each to a depth of approximately 400m each, and associated approval dated 5 May 2021 (MAAG0010710)
- Exploration activities application (ESF4) dated 2 August 2021 for 10 diamond drill (DD) holes each to a depth of approximately 100m each, and associated approval dated 10 August 2021 (MAAG0011828)
- *Exploration Code of Practice: Environmental Management* (Version 3, September 2017 and Version 4, June 2021)
- *Exploration Code of Practice: Rehabilitation* (Version 3, September 2017 and 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 3, September 2017 and 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*
- *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 described in more detail in the sections below.

2.1. Opening meeting

An opening meeting was held onsite on 28 April 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 the interview of personnel, review of documentation, examination of records and a site inspection 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 audit site inspection.

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

Due to heavy rainfall in the area in the days before the audit, the site was not accessible by vehicle. A site inspection could not be completed as part of the audit.

2.3. Closing meeting

A closing meeting was held onsite on 28 April 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 criteria

ASSESSMENT	CRITERIA
Compliance	Sufficient and appropriate evidence is available to demonstrate the particular requirement has been complied with.
Non-compliance	<p>Clear evidence has been collected to demonstrate the particular requirement has not been complied with. There are 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 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>
Observation of concern	<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>
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 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>

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 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 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 Colossus Metals 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 EL8735 required the licence holder to carry out the operations described in the approved work program. Work program WP-EL8735-2020-2025 was approved by the (then) division of Resources and Energy within the Department of Industry on 10 August 2020 as part of the renewal of EL8735. A review of this work program undertaken by Mining Exploration and Geoscience (MEG) during assessment of the renewal application showed that the proposed work program was considered satisfactory. However, it was noted that exploration progress over the previous term (2018-2020) was considered by MEG to be unsatisfactory.

Evidence was available to confirm that exploration activities were progressed since 2020. The annual report for the reporting period 17 April 2020 to 16 April 2021 described the exploration activities completed during the period, including:

- soil sampling programs at Big Hill and Ringaroo
- induced polarisation (IP) surveys at Big Hill and Ringaroo
- geological reconnaissance, mapping and rock chip sampling at Razorback Ridge.

Sultan Resources were granted funding under the NSW Government's New Frontiers Co-operative Drilling Program for a drilling program on the Razorback prospect in EL8735. These holes were drilled and Sultan Resources was awaiting analysis results.

Exploration data was maintained by the Sultan 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.

Sultan Resources staff advised that land access agreements were negotiated for each exploration activity. The land access agreement with the landholder for the Razorback drilling program was reviewed by the auditor. The agreement, signed in 2021, was noted to include special conditions

relating to load limits on the bridge on the property access road. Sultan Resources advised that changes were made to the drill rig selection to accommodate the load limit conditions.

3.3. Native title and exempted areas

Condition 2 of EL8735 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.

Sultan Resources staff advised that exploration activities were being conducted in areas of freehold land. A review of published mapping showed that no holes had been drilled in any exempted areas within the licence area. No further approvals under section 130 of the *Mining Act 1992* were required.

Sultan Resources 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 EL8735 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.

Sultan Resources 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 low. The auditor concurred with this assessment.

Although the exploration activities were assessed as being low impact from a community consultation perspective, 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.

Sultan Resources prepared a community consultation strategy for the exploration activities on EL8735. The consultation strategy was found to be generally consistent with mandatory requirement 3. For example, the strategy was noted to include:

- objectives for the consultation strategy
- identification and analysis of stakeholders – a range of stakeholders were identified including landholders, local Council, other government agencies
- mechanisms for revising the consultation strategy.

It was noted that the strategy did not include much detail on the mechanisms for community consultation. For example, there was no indication how the different stakeholder groups were to be consulted. This is raised as observation of concern no. 1. It is recommended that Sultan Resources review the community consultation strategy to include details on how the different stakeholder groups are to be consulted for future exploration operations.

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. Consultation records were noted to be recorded on an excel spreadsheet that detailed the stakeholder details, date, issues raised, and responses given.

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.

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

- Exploration activities application (ESF4) dated 15 April 2021 for 10 Diamond (DD) drill holes each to a depth of approximately 450m each, and associated approval dated 13 May 2021 (MAAG0010675)
- Exploration activities application (ESF4) dated 19 April 2021 for 4 Diamond (DD) drill holes each to a depth of approximately 400m each, and associated approval dated 5 May 2021 (MAAG0010710)
- Exploration activities application (ESF4) dated 2 August 2021 for 10 diamond drill (DD) holes each to a depth of approximately 100m each, and associated approval dated 10 August 2021 (MAAG0011828)

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 EL8735 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 heavy rain in the week before the audit, the site was inaccessible by vehicle. No site inspection was conducted.

Based on a review of records and photographs provided by Sultan Resources, the exploration drilling program was noted to be generally undertaken in accordance with the *Exploration Code of Practice: Environmental Management* 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.

Sultan Resources staff advised that all drilling chemicals, fuels and lubricants were stored in bunded storages adjacent to the drill rig. Spill kits were available at the drill rig. Storage of chemicals and fuels and the provision of spill kits was noted to be checked by the Sultan Resources exploration geologist as part of weekly rig inspections and pre-start audits.

It was noted that the requirements for the storage, use and disposal of chemicals were included in the Sultan Resources *Exploration drilling, environmental, rehabilitation and sampling guideline*.

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.

The Sultan Resources exploration manager advised that water for exploration drilling operations was sourced from a water tank on the property with the consent of the landholder. Aboveground sumps were used to minimise the potential for impacts to water quality.

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.

The Sultan Resources exploration manager advised that the risk of adverse noise impacts was very low given the location of the exploration drilling programs in relation to the nearest sensitive receptors. The nearest residence was measured to be about 2.5 kilometres from the drilling site. As a result, specific controls for management of noise impacts were not considered to be required.

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.

The Sultan Resources exploration manager advised that the risk of adverse air quality impacts was very low given the location of the exploration drilling programs in relation to the nearest sensitive receptors.

The nearest residence was measured to be about 2.5 kilometres from the drilling site. As a result, specific controls for management of air quality impacts were not considered to be required.

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
- drill cuttings slurry.

Sultan Resources staff advised that drill cutting slurry from the aboveground sumps was pumped out using sucker trucks and disposed off-site by a licenced waste management contractor. Copies of invoices from the waste contractor were provided as evidence of disposal.

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.

The Sultan Resources exploration manager advised that, generally, drilling sites were selected to avoid the need for vegetation clearance. No vegetation was required to be cleared for the Razorback drilling program. The drill rig and other vehicles were driven over the groundcover vegetation to each site with no formal access track construction required. Existing tracks were used wherever possible to minimise site disturbance and environmental impacts.

Photos provided during the audit generally confirmed that there was no clearing of vegetation and minimal surface disturbance for the holes drilled.

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.

The Sultan Resources exploration manager advised that generally, tracks used to access drill sites were existing farm tracks. Access to sites was generally through driving over existing groundcover vegetation. It was noted that the Sultan Resources environmental risk assessment identified the use of existing tracks as a control to mitigate track degradation. It was also identified that tracks should not be driven on in wet weather. The Sultan Resources exploration manager advised that the drilling program was delayed due to rain. It was noted that the audit team were unable to inspect the drill sites due to wet weather and the inaccessibility of the tracks.

Existing creek crossings were used with the main access having a bridge over the creek. The landholder had put a load limit on the bridge as part of the negotiated land access agreement, but a smaller drill rig was used to meet the load limits.

The exploration manager advised that regular liaison was maintained with the landholder during the drilling program and no issues of concern were raised by the landholder.

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.

The risk of weeds affecting rehabilitation progress was identified in the Sultan Resources environmental risk assessment. Vehicle washdown was the primary control identified for reducing weed introduction. For the Razorback drilling program, it was noted that the presence of weed and soil material on the drill rig was checked as part of the drill rig audit when the rig arrived on site.

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.

The Sultan Resources exploration manager advised that, generally, the landholder moved livestock to other paddocks during drilling. Inground sumps were not used for the drilling programs and no specific controls were required.

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 Aboriginal sites were identified. No specific controls were 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.

Wet weather before and during the drilling program reduced the risk of fire. Despite the low risk, the Sultan Resources exploration manager advised that a 1000 litre fire fighting unit was available on site during the drilling. It was also advised that smoking was not permitted on site.

3.6.12. Risk assessment

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

Sultan Resources prepared a generic environmental risk assessment for the broader Star Plateau project in July 2020. The risk assessment identified key risks and proposed controls to manage any potential adverse impacts. The Razorback Ridge prospect is part of the Star Plateau project and as such, was covered by the generic risk assessment. However, the generic risk assessment was prepared over 12 months before the Razorback drilling program and may not have addressed site specific issues associated with the Razorback environment. This is raised as observation of concern no. 2. If Sultan Resources use the generic risk assessment for future drilling programs, it should be reviewed prior to drilling to ensure it accounts for any site specific risks.

Evidence was generally available from a review of records and photographs, to confirm implementation of the controls.

3.7. Security deposit

Condition 5 of EL8735 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 EL8735 was \$10,000 which departmental records confirmed was held. The exploration activity approvals in 2021 did not trigger an increase in security.

3.8. Rehabilitation

Condition 6 of EL8735 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*.

An assessment against the mandatory requirements of the code of practice was undertaken for the 2021 drilling programs 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 Sultan Resources Star Plateau Project risk assessment for the 2021 diamond drilling programs included rehabilitation risks. The risk assessment identified key risks and proposed controls to manage any potential adverse outcomes for rehabilitation of the drill sites. Risks identified included:

- poor vegetation regrowth due to hydrocarbon contamination of soil
- subsidence around drill holes at completion of drilling
- weed infestation

Evidence was generally available from a review of records and photographs to confirm implementation of the controls.

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 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 applications lodged by Sultan Resources 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.

ROCCs were submitted for each of the recently completed drilling programs (MAAG0010675, MAAG0010710 and MAAG0011828). 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.

The Sultan Resources exploration manager advised that the rehabilitation program generally included:

- collection and removal of waste and equipment
- cut off pvc casing below ground and cap hole
- backfill to surface.

Records provided by Sultan Resources demonstrated that rehabilitation was generally commenced as soon as testing had been completed, typically within four to six weeks of drilling. Photographic records before, during and after drilling were observed to be maintained by Sultan Resources, with these photographs supplemented by the completion of drill program rehabilitation checklists. Typically, photographs were taken about every three months to visually record the rehabilitation progress.

3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016 and condition 8 of EL8735 required the licence holder to submit an activity report annually within one calendar month following 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, Sultan Resources 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 2020 and 2021 annual exploration reports and assessed these as satisfactory. The 2020 and 2021 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 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.

The Sultan Resources exploration manager advised that core was stored at the MIME Field Services Pty Ltd storage facility in Parkes. Core photography was available for the diamond holes drilled. The core storage was not inspected during the audit, but photographs of the storage area and the core trays were provided for the audit team to review. It was noted that the core trays were well labelled and were noted to be stored inside a building to protect them from weather.

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 Sultan Resources had generally maintained records as required by the licence conditions and the exploration codes of practice.

Examples of records reviewed included:

- land access agreements
- environmental and rehabilitation risk assessment
- exploration drilling, environmental, rehabilitation and sampling guideline
- rehabilitation objectives and completion criteria
- pre, during and post drilling photos
- drill program rehabilitation checklists
- core storage records and photos
- waste management records
- weekly rig inspection checklists
- drilling pre-start audit checklists
- community consultation register
- community consultation strategy
- annual activity reporting.

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
- 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 Sultan Resources exploration team generally had a good understanding of the compliance requirements for exploration. Compliance obligations had generally been identified, and systems and processes had been developed to manage the obligations identified.

Evidence was available to demonstrate that risk controls were implemented but these were unable to be verified in the field due to wet weather.

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.

Sultan Resources was using contract drillers to complete the exploration drilling programs. Monitoring of the contract drillers was completed by the Sultan Resources exploration geologist who was on site during the drilling operations.

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.

Sultan Resources had developed inspection and monitoring programs for a range of exploration activities. For example:

- drill rig inspection checklists were noted to include environmental issues and the implementation of required controls
- drill program rehabilitation checklists were used to monitor the progress of rehabilitation of exploration operations.

It was noted that the monitoring and inspection process does not necessarily include an assessment of the effectiveness of the controls as implemented. As suggestion for improvement no. 2, Sultan Resources 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 Sultan Resources 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. Two observations of concern and two 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 strategy did not include much detail on the mechanisms for community consultation. For example, there was no indication how the different stakeholder groups were to be consulted.	It is recommended that Sultan Resources review the community consultation strategy to include details on how the different stakeholder groups are to be consulted for future exploration operations.
2	The Razorback Ridge prospect is part of the Star Plateau project and as such, was covered by the generic risk assessment. However, the generic risk assessment was prepared over 12 months before the Razorback drilling program and may not have addressed site specific issues associated with the Razorback environment.	If Sultan Resources use the generic risk assessment for future drilling programs, it should be reviewed prior to drilling to ensure it accounts for any site-specific risks.

Table 3 Summary of suggestions for improvement

SUGGESTIONS FOR IMPROVEMENT	DESCRIPTION OF ISSUE
1	Although the exploration activities were assessed as being low impact from a community consultation perspective, 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	It was noted that the monitoring and inspection process does not necessarily include an assessment of the effectiveness of the controls as implemented. Sultan Resources 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.