



**NSW  
Resources  
Regulator**

**COMPLIANCE AUDIT PROGRAM**

# **EL8744 BLACKWATER EXPLORATION DRILLING PROGRAM**

**Australian Consolidated Gold Holdings Pty Ltd**



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# 1. Introduction

## 1.1. Background

Exploration licence 8744 (EL8744) was granted to Australian Consolidated Gold Holdings Pty Ltd (ACGH) in May 2018. The exploration area is in an agricultural area about 20 kilometres north-west of Narromine in central NSW. ACGH is a wholly owned subsidiary of Inflection Resources Pty Ltd that is the operator of the title.

In October 2019, Inflection Resources submitted an application to conduct assessable prospecting activities. The description of activities included:

- drilling of eight AC-diamond holes across the Blackwater and Nine Mile targets
- the use of 16 inground sumps (two at each drilling location) for water management during the drilling program
- temporary access using existing farm tracks.

The application was approved by the NSW Resources Regulator on 1 January 2020. At the time of the audit in August 2020, three holes had been completed, with rehabilitation completed on two of those holes.

In May 2020, Inflection Resources was granted funding for the drilling program under the NSW Government New Frontiers Co-operative Drilling Program.

As part of the compliance audit program, an audit of the exploration activities associated with the Blackwater project within EL8744 was undertaken on 26 August 2020 by the Regulator within the Department of Regional NSW (the Department). The audit was initially proposed as a site audit, but wet weather had delayed the drilling program, and with the title holder and drilling crew demobilised interstate, COVID-19 border restrictions meant the audit was carried out remotely.

## 1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the ACGH (title holder) and Inflection Resources Pty Ltd (operator) exploration activities against the requirements of the *Mining Act 1992*, 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 title 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 Blackwater exploration project including:
  - exploration activities within EL8744, including a selected sample of exploration drillholes
  - borehole sealing and rehabilitation activities for selected exploration activities undertaken since June 2019.
- a review of documents and records pertaining to the exploration activities
- the assessment of compliance for the period commencing 1 June 2019 and ending 26 August 2020.

### 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 EL8744 (granted 15 May 2018)
- exploration activities application (ESF4) dated 17 October 2019 and associated approval dated 1 January 2020
- *Exploration Code of Practice: Environmental Management* (Version 2, April 2017)
- *Exploration Code of Practice: Rehabilitation* (Version 2, April 2017)
- *Exploration Code of Practice: Community Consultation* (Version 1.1, May 2016)
- *Exploration Code of Practice: Produced Water Management, Storage and Transfer* (Version 2, April 2017)

- *ESG4: Guideline for preparing an Environmental and Rehabilitation Compliance Report for exploration* (Version 2.1 November 2016)
- *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 2a, April 2016) published by the (then) NSW Department of Industry, Skills and Regional Development, Division of Resources and Energy
- *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 will be 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 title 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

The opening meeting was held online on 26 August 2020. The audit team was introduced, and the scope of its responsibilities was conveyed to the auditees. The objectives and scope of the audit were outlined. The team's methods 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 collected during the audit process were reviewed 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

Wet weather in the weeks before the audit resulted in the drilling program being suspended due to wet ground conditions. The drilling rig and all personnel were demobilised from the site. Given that personnel were located interstate, COVID-19 border restrictions prevented them from attending the site. As a result, a site inspection was not undertaken as part of the audit.

## 2.3. Closing meeting

The closing meeting was held online on 26 August 2020. 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
<b>Compliance</b>	Sufficient and appropriate evidence is available to demonstrate the particular requirement has been complied with.
<b>Non-compliance</b>	<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><b>NC1</b> – the absence of planning or implementation of a required operational element which has 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 which is unlikely to result in a significant risk.</p> <p><b>NC3</b> – an administrative or reporting non-compliance which does not have a direct environmental or safety significance.</p> <p>Note: The identification of a non-compliance in this audit may or may not constitute a breach of, or offence under, the <i>Mining Act 1992</i>. Non-compliances identified in this audit report may be further investigated by the Regulator and regulatory actions may be undertaken.</p>
<b>Observation of concern</b>	<p>Where an auditee may be compliant at the time of the audit but there are issues that exist that could result in the potential for future non-compliance if not addressed.</p> <p>Observation of concern was also used where an issue may not have particular compliance requirements, but which was not conducive to good management or best practice.</p>

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 has not been collected to enable an assessment of compliance to be made within the scope of the audit.</p> <p>Reasons why the audit team could not collect the required information include:</p> <ul style="list-style-type: none"> <li>■ insufficient information on the file relating to the period covered by the audit or insufficient evidence collected to reach a conclusion</li> <li>■ the wording on the criteria (approval condition) meant that no evidence could be gathered, or it was too difficult to gather the evidence.</li> </ul> <p>A ‘not determined’ assessment was also made where the condition was outside the scope of the audit.</p>
<b>Not applicable</b>	<p>The circumstances of the authorisation or title 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 site 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 ACGH 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 EL8744 requires the licence holder to carry out the operations described in the approved work program. Work program WP-EL8744-2018-2024 was approved by the (then) Division of Resources and Energy (DRE) on 15 May 2018 as part of the grant of EL8744.

ACGH was in year 3 of the approved work program. Proposed activities for year 3 included the drilling of five diamond drill holes at the Blackwater target and three diamond holes at the Nine Mile target. Drilling of the Blackwater and Nine Mile targets had commenced with three holes completed, but wet weather had temporarily suspended the drilling program at the time of the audit. Evidence was generally available to confirm that the approved work program was progressing.

Exploration data is maintained by the ACGH geologists and submitted to the Department's Mining Exploration and Geoscience (MEG) with the annual activity reports as required.

### 3.2. Access agreements

Section 140 of the *Mining Act 1992* states, '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 is required to be agreed in writing between the holder of the prospecting title and each landholder of that area of land.

Access agreements were observed to be in place for the properties upon which drilling was undertaken. Generally, these were standard access agreements, although landholders have made requests regarding the timing of drilling and rehabilitation works to accommodate cropping of the land.

### 3.3. Native title and exempted areas

Condition 2 of EL8744 requires 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* requires the consent of the Minister before a licence holder undertakes any activities within an exempted area.

ACGH had undertaken mapping using geographic information system (GIS) software and the SEED portal to identify areas of Crown land and other exempted areas within its tenements, and any areas to which native title may apply. The Blackwater exploration program was being undertaken on freehold land upon which native title had been extinguished. Further approvals were not required.

## 3.4. Community consultation

Condition 3 of EL8744 requires the licence holder to carry out community consultation in relation to the planning and conduct of exploration activities. Community consultation is 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 requires the title holder to conduct a risk assessment to identify and consider the range of opportunities and potential threats associated with community consultation and engagement.

ACGH undertook an assessment of the potential activity impact level according to the guidance in Appendix 1 of the code. The assessed exploration activity impact level was low, which the auditor concurs with, given the nature and scale of the exploration program. This activity impact assessment was documented in Section 2.3 and Table 2 of the community consultation strategy.

A stakeholder risk assessment was undertaken for the exploration program to provide an assessment of the risk that various stakeholders could pose to the exploration activities, based on their possible concerns and the likely impact the activities could have upon them. This risk assessment was documented in section 3.2 and Table 3 of the community consultation strategy. The risk assessment identified direct landholders as being a high risk to the company's social licence.

### 3.4.2. Community consultation strategy

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

ACGH had prepared a community consultation strategy for the exploration activities on EL8744 commensurate with the activity impact assessment documented under mandatory requirement no. 1.

The strategy was reviewed during the audit and was found to address the requirements of the code of practice. For example:

- the risk assessment was documented in section 3.2
- stakeholder identification was addressed in section 3.1

- engagement mechanisms were identified in section 4.2
- complaints management and feedback processes were documented in section 4.3
- Section 6.2 of the strategy set out the requirements for monitoring and revising the strategy based on an evaluation of the landholder engagement activities
- Section 6.1 of the strategy documents the requirements for reporting.

### 3.4.3. Implementation and reporting

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

Evidence was available to demonstrate that ACGH has generally implemented the community consultation strategy. For example:

- stakeholder engagement records
- community consultation log
- land access agreements.

A community consultation report for the 2019-2020 reporting year was submitted as part of the annual activity reporting required by condition 8 of EL8744. The report was reviewed by MEG and was found to be adequate. The 2019-2020 report was reviewed by the auditor and found to be generally consistent with the reporting guidance provided in Appendix 1 of the code of practice.

## 3.5. Exploration activity approvals

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

The Blackwater and Nine Mile drilling program is the first drilling program undertaken on EL8744. ACGH submitted an application for exploration activity approval (Form ESF4) in October 2019 which was approved by the Regulator in January 2020. The drilling program had commenced but was suspended at the time of the audit due to wet weather.

ACGH was tracking the holes drilled against the activity approval using the site identification number from the exploration activity approval and its corresponding drill hole number in the master data file. Generally, evidence was available to confirm that activities were being carried out in accordance with the exploration activity approval and the codes of practice as documented in the following sections.

## 3.6. Environmental management

Condition 4 of EL8744 requires 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 requires the licence holder to carry out the activity in compliance with Part B of the *Exploration Code of Practice: Environmental Management*.

The exploration drilling was suspended at the time of the audit and the drill rig had demobilised from site. Due to wet ground conditions, a site inspection was not undertaken. An onsite assessment against the *Exploration Code of Practice: Environmental Management* could not be completed but evidence in the form of records and photographs were used to undertake a remote desktop assessment as documented in the following sections.

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

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

ACGH advised that the DDH1 drilling contractor was using biodegradable drilling muds. DDH1 had provided a copy of its material safety data sheet (MSDS) register to ACGH. Rig nappies were reported to be used under the drilling rig, and bulk fuel was reported to be stored in a self-bunded facility at the ACGH Trangie base.

### 3.6.2. Water

Mandatory requirements 2.1 and 2.2 require 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.

Water for the drilling operations was provided by a contract water carter from the Trangie water stand. Inground sumps were being used to manage the return water and drilling muds. Although the inground sumps were not lined with plastic, ACGH reported that bentonite was added to the sumps to act as a seal.

At the completion of drilling, sucker trucks were used to pump out the sumps prior to backfilling and rehabilitation.

### 3.6.3. Noise and vibration

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

ACGH advised that drilling is undertaken on day shift only when drilling is undertaken within one kilometre of a residence. ACGH personnel were using noise monitoring phone apps to monitor noise levels during the drilling operations.

### **3.6.4. Air quality**

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

The ACGH environmental management risk assessment identified that dust was unlikely to be a significant issue given that water is used during the diamond drilling process. No specific controls were required.

### **3.6.5. Waste management**

Mandatory requirement 5.1 requires the title holder to manage all waste in a manner which does not, as far as practicable, cause harm to the environment.

Drilling fluids and return water captured in inground sumps were reported to be removed using a sucker truck and disposed of at a licenced facility. Drill cuttings were backfilled whilst domestic waste was collected in bins and removed off site.

### **3.6.6. Vegetation clearance and surface disturbance**

Mandatory requirements 6.1 to 6.4 require the title 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.

ACGH advised that generally, clearing of vegetation was not required for any of the drill sites, nor was the construction of specific drill pads required. The drill rig and other vehicles were driven over the groundcover vegetation to each site with no access track construction required. The drill holes were planned to avoid trees and other vegetation. No clearing of trees was required for the holes drilled.

Generally, the locations of the drill holes were low risk for erosion and sedimentation due to the flat nature of the topography. The risk assessment indicated that no specific controls were required.

ACGH had established an inspection and monitoring regime that required a pre-construction initial site inspection that included:

- site access
- land use
- any trees in the area or surface disturbance required.

The results of the inspections were documented in the company's Gocanvas electronic forms system. Examples of completed initial site disturbance register forms and completed site disturbance works forms were provided as evidence of implementation of the system.

### 3.6.7. Roads and tracks

Mandatory requirements 7.1 to 7.5 require the title 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.

ACGH advised that generally, tracks used to access drill sites were existing farm tracks. Drill rig and other vehicle access to each site was by driving across paddocks with no access track construction required. ACGH advised that a pre-start meeting was held with the first vehicle to access the site (usually the excavator) and an access route agreed. All other vehicles to access the site would use the same agreed access points.

Given the wet weather in the weeks before the audit, ground conditions had become unsuitable for access to the drill sites. In liaison with the landowner, ACGH and the contract driller demobilised from the site. ACGH staff advised that they would continue to liaise with the landowner and seek permission before accessing the site again.

### **3.6.8. Weeds, pest animals and disease**

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

ACGH advised that a washdown procedure had been implemented for the exploration program with the drill rig inspected and washed down at the Trangie base before moving between properties. Light vehicles were reported to be washed down daily at the Trangie facility.

### **3.6.9. Livestock protection**

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

ACGH advised that it maintained liaison with landowners during the exploration activities. Where stock could not be moved to other paddocks, each drill site was fenced off to exclude stock. Photos were provided to show examples of drill sites where fencing had been erected. For example, at site Blackwater 3, wire mesh barrier fencing was in place to prevent sheep from accessing the drill site and sumps. At another drill site, orange barrier tape fencing had been erected with caps on the star pickets for safety. Ramps were included in the construction of the sumps so that any animal that did enter the sumps had a means of getting out safely.

### **3.6.10. Cultural heritage**

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

ACGH undertook searches of the Office of Environment and Heritage's Aboriginal Heritage Information Management System as part of the preparation of its application for exploration activity approval. These searches showed no known artefacts in the proposed drilling areas and no specific controls were required.

### **3.6.11. Fire prevention**

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

An assessment of this requirement was not undertaken because the drill rig had demobilised from site and no activity was being undertaken.

### 3.6.12. Risk assessment

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

ACGH had undertaken a basic environmental risk assessment, organised according to the mandatory requirements of the code of practice. This risk assessment identified the controls that were to be implemented by both ACGH as the title holder and DDH1 Drilling as the contract driller. Examples of completed site inspection checklists were provided to demonstrate implementation of the ACGH controls. These checklists also provided some evidence of the implementation of the DDH1 Drilling controls but a full assessment of the implementation of controls could not be undertaken because the drill rig had demobilised from site and no activity was in progress.

## 3.7. Security deposit

Condition 5 of EL8744 requires the licence holder to provide a security deposit to secure funding for the fulfilment of obligations under the licence.

The security amount required was \$10,000 which departmental records confirm is held. Given the small number of holes approved to be drilled, the exploration activity approval did not trigger any increase in the required security deposit.

## 3.8. Rehabilitation

Condition 6 of EL8744 requires the title holder to carry out rehabilitation of all disturbance caused by activities carried out under the licence in accordance with the requirements of the *Exploration Code of Practice: Rehabilitation*.

A desktop assessment against the mandatory requirements of the code of practice was undertaken for the 2020 drilling program as documented in the following sections.

### 3.8.1. Risk assessment

Mandatory requirement 1 requires the title 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.

ACGH advised that the rehabilitation risk assessment was done as an informal process, but rehabilitation controls were noted to be documented in an excel spreadsheet. The controls listed were considered appropriate for the nature and scale of the exploration drilling program. As suggestion for improvement

no. 1, ACGH should consider documenting the rehabilitation risk assessment process in a similar manner to that done for the environmental risk assessment.

### **3.8.2. Rehabilitation objectives and completion criteria**

Mandatory requirement 2 requires the title holder, no later than 14 days prior to the commencement of surface disturbing activities, to provide to the Secretary a copy of specific, measurable, achievable, realistic and time-bound rehabilitation objectives and completion criteria. 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 ACGH indicated that the total surface disturbance area was less than 5 hectares (being 0.72 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.

Rehabilitation objectives and completion criteria were submitted by ACGH before the commencement of drilling with these being accepted as satisfactory by the Regulator. The objectives and completion criteria were generally consistent with the guidance material provided in the code of practice and were considered adequate for the drilling program.

### **3.8.3. Rehabilitation program**

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

Rehabilitation of drill sites had commenced but had not been completed due to the wet weather and ground conditions. ACGH advised that three of the drill holes had been completed with two of these being rehabilitated (Blackwater 1 and Blackwater 3). Nine Mile 1 had been drilled but rehabilitation was delayed due to the wet ground conditions and the resulting lack of access to the sites. Inground sumps have been constructed in advance of drilling at three sites (Blackwater 2, Nine Mile 2 and Nine Mile 3). ACGH advised that these would be rehabilitated once drilling was completed when the program resumed.

The rehabilitation monitoring program was noted to include a series of site inspections at defined intervals, with a photographic record maintained before, during and after drilling. Examples of the initial site disturbance register, and the site disturbance works form were provided for holes Nine Mile 1 and

Blackwater 1 to demonstrate that the monitoring and inspection system was implemented. The records for Blackwater 1 showed that there was no sign of erosion at the site, but that grass germination was poor and additional rehabilitation works were required.

### 3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016 and condition 8 of EL8744 require the licence holder to submit an activity report annually within one calendar month following the grant anniversary date. Annual activity reports are required to be prepared in accordance with the *Exploration guideline: Annual activity reporting for prospecting titles*.

During the audit scope period, ACGH had been submitting annual activity reports comprising:

- annual geological report
- revised work program
- environmental rehabilitation and compliance report
- community consultation report.

Reports for the 2019-2020 reporting year were reviewed during the audit:

- Exploration Licence No. 8744 (1992) (EL8744 Blackwater) Second Annual Report for the Period 15 May 2019 to 15 May 2020
- EL8744 Prospecting Title Work Program, year 3 submission
- Exploration Licence No. 8744 (1992) (EL8744 Blackwater) Annual Environmental and Rehabilitation Compliance Report, Submission with Second Annual Report
- Exploration Licence No. 8744 (1992) (EL8744 Blackwater) Annual Community Consultation Report, Submission with Second Annual Report.

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

The tenement manager for ACGH prepared a monthly tenement report which tracked when renewals and reports for each tenement were due. Departmental records show that reports were received within the timeframes required.

### 3.10. Core and sample storage

Clause 65 of the Mining Regulation 2016 requires 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.

ACGH advised that core and samples from the drilling program were stored on plastic pallets at the company's Trangie base. An inspection of the core storage was not undertaken as part of the audit.

### 3.11. Record keeping

Sections 163D and 163E of the *Mining Act 1992* relate 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 are 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 ACGH has generally maintained records as required by the licence conditions and the exploration codes of practice. Examples of records reviewed included:

- tenement monthly reports
- initial site disturbance register records
- site disturbance works form records
- incident reporting systems through GoCanvas system
- 2020 drill hole status records
- GIS mapping

- land access agreements
- drillers MSDS register
- risk assessments for environmental management and community consultation
- photographic records
- community consultation log
- 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 (i.e. changes in legislation).

Generally, evidence was available to confirm that compliance obligations have been identified and understood. The ACGH staff interviewed during the audit were conversant with the exploration activity approvals and the exploration codes of practice and had established systems to track compliance with these requirements.

ACGH used a tenement manager to monitor and manage the tenement obligations such as reporting and renewals.

### 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.

ACGH were using a contract driller when the drilling program was in progress. Environmental controls to be implemented by the driller were identified in the environmental risk assessment spreadsheet. Evidence was sighted to indicate that ACGH obtains critical records from the contractor. Monitoring of the drilling works was completed by the ACGH geologists while on site.

### **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.

ACGH had developed and implemented a robust inspection and monitoring system using the GoCanvas electronic forms and data collection system. Examples of the data and photos collected and stored in the GoCanvas system were reviewed during the audit. The initial site disturbance register records and the site disturbance works form records could generally provide evidence that the system is implemented and effective in managing any impacts from the drilling program.

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

ACGH was provided with a copy of the draft audit report and invited to submit a response to the draft audit findings. The response from ACGH indicated it had no specific comments on the content of the draft report. No changes were made in the final version.

## 5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that ACGH has achieved a high level of compliance with the requirements of the exploration licence, exploration activity approval and the exploration codes of practice, for the elements reviewed during the audit. Wet ground conditions had temporarily suspended the drilling program and a site inspection could not be conducted. This prevented a full assessment of the compliance requirements and did not permit an assessment of rehabilitation performance.

The ACGH staff had a good knowledge of the environmental issues and controls associated with the drilling activities. Evidence was generally available to confirm implementation of the controls. Robust and comprehensive inspection and monitoring systems have been developed, with these inspections being documented on electronic inspection checklists using the GoCanvas software system.

No non-compliances or observations of concern were identified during the audit. One suggestion for improvement was identified as documented in table 2.

*Table 1 Summary of suggestions for improvement*

SUGGESTIONS FOR IMPROVEMENT	DESCRIPTION OF ISSUE
1	ACGH advised that the rehabilitation risk assessment was done as an informal process, but rehabilitation controls were noted to be documented in an excel spreadsheet. The controls listed were considered appropriate for the nature and scale of the exploration drilling program. As suggestion for improvement no. 1, ACGH should consider documenting the rehabilitation risk assessment process in a similar manner to that of an environmental risk assessment.