



**NSW  
Resources  
Regulator**

**COMPLIANCE AUDIT PROGRAM**

# **EL8867 JUNEE EXPLORATION DRILLING PROGRAM**

**Freeport-McMoRan Exploration Australia Pty Ltd**



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# 1. Introduction

## 1.1. Background

Exploration licence 8867 (EL8867) was granted to Freeport-McMoRan Exploration Australia Pty Ltd in June 2019. The exploration area is in an agricultural area about 37 kilometres south west of Cootamundra in central southern NSW. New South Resources Pty Ltd is the operator of the title on behalf of Freeport-McMoRan.

There have been four exploration drilling programs undertaken on EL8867 since the title was granted as summarised in Table 1.

*Table 1 Summary of recent exploration drilling programs on EL8867*

PROGRAM	ACTIVITIES
September 2019 - Dobroyde	<ul style="list-style-type: none"> <li>■ five HQ-NQ drill holes with RC collars</li> </ul>
October 2019 – Stoney Hill	<ul style="list-style-type: none"> <li>■ 89 aircore holes to an average depth of 48 metres</li> </ul>
November 2019 – Junee Reefs	<ul style="list-style-type: none"> <li>■ 28 RC holes to a depth of about 350 metres each</li> </ul>
January 2020 – Junee Phase 2	<ul style="list-style-type: none"> <li>■ 20 RC drill holes with diamond tails</li> <li>■ Re-entered previous RC hole and drilled 260 metres of diamond core</li> </ul>

These programs were approved by the NSW Resources Regulator within the Department of Regional NSW between September 2019 and January 2020.

As part of the Regulator's compliance audit program, an audit of the exploration activities associated with the Junee project within EL8867 was undertaken on 5 November 2020.

## 1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the Freeport-McMoRan Exploration Australia Pty Ltd (titleholder) and New South Resources Pty Ltd (operator) 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 titleholder 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 Junee exploration project including:
  - exploration activities within EL8867 including a selected sample of exploration drillholes
  - borehole sealing and rehabilitation activities for selected drilling activities undertaken since June 2019.
- a review of documents and records pertaining to the exploration activities
- the assessment of compliance for the period commencing 26 June 2019 and ending 5 November 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 EL8867 (granted 26 June 2019)
- exploration activities application (ESF4) and supplementary information dated 16 July 2019 and associated approval dated 4 September 2019 (EAMSG0003655)

- exploration activities application (ESF4) and supplementary information dated 3 October 2019 and associated approval dated 10 October 2019 (MAAG0004601)
- exploration activities application (ESF4) and supplementary information dated 22 October 2019 and associated approval dated 6 November 2019 (MAAG0004812)
- exploration activities application (ESF4) and supplementary information dated 19 December 2019 and associated approval dated 15 January 2020 (MAAG0005431)
- *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)
- *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 and a site inspection of the operations 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 onsite on 5 November 2020. 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, 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 collected during the audit process were reviewed on site. Where documents were unable to be reviewed on site, they were provided following the site visit.

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/or site inspections 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

A site inspection was undertaken of the following drill sites:

- holes JN001 and JN001W01 – rehabilitated
- hole JN0011 - RC/diamond hole, rehabilitated
- hole JN002 – RC/diamond hole, rehabilitated
- hole JAC0280 – air core hole, rehabilitated



- hole JAC0279 – air core hole, rehabilitated
- hole JAC0254 – air core hole, rehabilitated
- hole JAC0265 – air core hole, rehabilitated
- hole JN0018 – RC hole, rehabilitated
- hole JN0022 – RC hole, rehabilitated and cropped
- hole JN0005 – RC hole, rehabilitated, paddock ploughed
- upgraded access road for RC drilling program
- core tray storage.

### 2.3. Closing meeting

The closing meeting was held in Junee on 5 November 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 2.

*Table 2 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>

ASSESSMENT	CRITERIA
	<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>
<p><b>Observation of concern</b></p>	<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>
<p><b>Suggestion for improvement</b></p>	<p>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.</p>
<p><b>Not determined</b></p>	<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>
<p><b>Not applicable</b></p>	<p>The circumstances of the authorisation or titleholder 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 site inspections and interviews.

The draft audit findings were forwarded to Freeport-McMoRan and New South Resources for comment. Consideration was given to the representations made during the finalisation of the audit report as discussed in the audit findings.

## 3. Audit findings

### 3.1. Work program

Condition 1 of EL8867 requires the licence holder to carry out the operations described in the approved work program.

Work program WP-EL8867-2019-2025 was approved by Mining, Exploration and Geoscience (MEG) within the Department of Regional NSW on 26 June 2019 as part of the grant of EL8867. Freeport-McMoRan was in year two of the work program (June 2020 to June 2021). The exploration activities are being undertaken by New South Resources as the operator of the title.

Key activities for years one and two of the approved work program are summarised in Table 3.

*Table 3 Summary of work program*

YEAR ONE (2019-2020)	YEAR TWO (2020-2021)
Liaise and discuss proposed activities with the local community. Determine access points and areas of sensitivity (visit and/or call landowners for discussion)	Delineate identified characteristics at surface (RAB and/or AC and/or soil and/or rock geochemical and/or SWIR gridded analysis surveys)
Deploy geophysical techniques to delineate subsurface alteration characteristics and define drill targets (electrical surveys)	Deploy low impact geophysical techniques delineate subsurface alteration characteristics to define drill targets (ground magnetics and/or airborne magnetics)
Delineate identified characteristics at surface (soil and/or rock geochemical and/or SWIR gridded analysis surveys)	Deploy geophysical techniques to delineate subsurface alteration characteristics and define drill targets (electrical surveys)
Drill test targets for potential economic mineralisation (RC and/or diamond drilling to test delineated subsurface targets)	Drill test targets for potential economic mineralisation (RC and/or diamond drilling to test delineated subsurface targets)

Four drilling programs were completed in the first year of the tenement, in excess of that planned for year one in the approved work program. Evidence was available to confirm that land access agreements have been negotiated with landholders. The 2020 annual exploration report describes the induced

polarisation (IP) surveys that were completed at the Burringa prospect, and the rock mineral chemistry and petrographic analyses that were undertaken. From the evidence reviewed, it was noted that the work program is generally progressing as planned.

Exploration data is maintained by the New South Resources geologists and submitted to 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. The agreements were noted to be generally standard access agreements.

It was observed during the audit site inspection that there were several holes that were drilled within 200 metres of dwellings or other significant infrastructure (Figure 1). Evidence was sighted to confirm that owner’s consent under Section 31 of the *Mining Act 1992* was obtained from each land holder prior to drilling. It was noted that the consent agreements were separate to the land access agreements with conditions including:

- drilling to be conducted during negotiated hours
- noise to be kept to a minimum
- dust to be suppressed if necessary
- ongoing monitoring and communication to be paramount.

The audit team spoke with two land holders during the audit site inspection and both confirmed access agreements and consents to drill in close proximity to residences were in place and no issues had arisen as a result of the drilling programs.

Figure 1 Site JN002 showing proximity to dwelling



### 3.3. Native title and exempt areas

Condition 3 of EL8867 requires the licence holder to obtain the prior written consent of the Minister before carrying out any activities on land on which native title has 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.

Freeport-McMoRan engaged the services of Hetherington Exploration and Mining Title Services Pty Ltd in September 2019 to prepare a native title clearance report in respect of several Crown roads within the EL8867 licence area. The report concluded that native title had been extinguished on the parcels of land comprising the Crown roads. Mining, Exploration and Geoscience reviewed the report and the documented evidence and confirmed in November 2020 that native title had been extinguished on those parcels and condition 2 of the EL had been satisfied with regards to the proposed exploration in those areas.

The four exploration activity approval applications lodged for the drilling programs on EL8867 have indicated that drilling was not proposed for any areas that would fall within the definition of an exempted area, including the Crown roads. Further approvals under Section 30 of the *Mining Act 1992* have not yet been required.

## 3.4. Community consultation

Condition 3 of EL8867 requires the licence holder to carry out community consultation in relation to the planning and conduct of exploration activities. Community consultation is 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 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.

New South Resources had undertaken a community consultation risk assessment which was documented in step one of the community consultation strategy. Generally, the exploration activities resulted in an impact assessment level of low to medium. The auditor concurs with this assessment for the current drilling program given the nature, scale, and location of the drilling operations.

### 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.

New South Resources had prepared a community consultation strategy for exploration activities on EL8867 commensurate with the activity impact assessment documented under mandatory requirement 1. The April 2020 version of the strategy was reviewed by the auditors.

The strategy was noted to include an identification of stakeholders including land holders, the general community of the area and relevant community groups. Consultation mechanisms and actions for each stakeholder type were described in step four of the strategy. It was also noted that the strategy included:

- a process for regular review of the strategy
- a complaints process for handling any complaints or enquiries that are received.

### 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 New South Resources had generally implemented the community consultation strategy. For example:

- landholders had been identified and consulted
- the local council had been advised of exploration activities
- stakeholder engagement records were available
- community consultation log was maintained
- land access agreements were available.

The audit team interviewed two landholders during the audit. Both landholders advised that New South Resources had maintained consultation with them during the exploration programs. Any issues were dealt with promptly and, generally, the landholders had no significant issues with the exploration programs.

The 2020 annual community consultation report was not submitted in July 2020 as part of the annual activity report. It was noted that the report was submitted in November 2020 when the issue was identified as part of the audit. This is discussed further in Section 3.9 of this report.

## 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.

Applications for activity approval have been made and granted for each drilling program. The audit focussed on the most recent exploration activity approvals as follows:

- Exploration activities application (ESF4) and supplementary information dated 16 July 2019 and associated approval dated 4 September 2019 (EAMSG0003655)
- Exploration activities application (ESF4) and supplementary information dated 3 October 2019 and associated approval dated 10 October 2019 (MAAG0004601)
- Exploration activities application (ESF4) and supplementary information dated 22 October 2019 and associated approval dated 6 November 2019 (MAAG0004812)



- Exploration activities application (ESF4) and supplementary information dated 19 December 2019 and associated approval dated 15 January 2020 (MAAG0005431).

Generally, evidence was available to confirm that activities are 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 EL8867 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*.

No evidence of environmental harm beyond that approved in the exploration activity approvals was observed at the sites visited during the site inspection. The exploration drilling had been completed at the time of the audit and the drill rig had demobilised from site. All holes had been rehabilitated. An assessment against the *Exploration Code of Practice: Environmental Management* could not be completed but the following observations were made:

- New South Resources had prepared a comprehensive environmental risk assessment for the exploration operations which detailed the mitigation controls for a range of environmental impacts. It was noted that the risk assessment referenced the requirements of the environmental management code of practice.
- The weekly rig inspections included hydrocarbon management including whether bunds were in place and in good condition, and that hydrocarbons were stored in the bunded areas.
- The holes inspected during the audit were all drilled in cleared paddock areas where vegetation removal was not required (Figure 2). There was no evidence of erosion or sedimentation observed at any of the sites inspected.
- Existing farm access roads and tracks were used to access each drilling site with no additional tracks required. The drill rig and support vehicles drove over the grass to each site with no drill pads required to be constructed. New South Resources upgraded one farm access road to facilitate the drilling program (Figure 3). This road was traversed during the audit and found to be maintained in good condition.

Figure 2 Typical cleared paddock - site JAC0280



Figure 3 Upgraded farm access road



### 3.7. Security deposit

Condition 5 of EL8867 requires the licence holder to provide a security deposit to secure funding for the fulfilment of obligations under the licence.

The exploration activity approvals in November 2019 and January 2020 triggered an increase in the security deposit required to \$115,000. A review of departmental records confirmed that the security increase had been paid and \$115,000 was currently held for the title. Observations made during the site inspection did not identify anything that would create any uncertainty in the security amount currently held. New South Resources requested the retention of the current security during a recent rehabilitation approval (ESF2) against disturbance activities associated with all four approved exploration activities. This is discussed further in section 3.8 of this report.

### 3.8. Rehabilitation

Condition 6 of EL8867 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*.

Rehabilitation of holes drilled under all four drilling programs was completed from January to May 2020 and accepted by the Regulator as satisfactory on 12 October 2020 (partial completion of three programs) and 20 October 2020 (full completion of one program). Three drilling programs still retain approved drill hole sites that have not yet been drilled.

An assessment against the mandatory requirements of the code of practice was undertaken for the 2019 and 2020 drilling programs 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.

The risk assessment undertaken for the 2019 and 2020 RC/diamond drilling programs included a comprehensive assessment of risks relevant to the management of the rehabilitation program. The final land use proposed was to return to its pre-existing land use, land suitable for grazing and cropping fields. No significant risks were identified that would prevent achievement of the final land use.

The rehabilitation risks assessed included:

- insufficient skills and experience of rehabilitation personnel resulting in ineffective rehabilitation and environmental control
- lack of clearly defined rehabilitation responsibilities
- adoption of inappropriate or inadequate rehabilitation techniques and timeframes.

New South Resources have recently updated their risk assessment following a recommendation to modify the existing control requiring full grouting of all RC holes, that was risk ranked as low and that was not consistently implemented.

Generally, evidence was available to confirm that the identified controls were implemented.

### 3.8.2. Rehabilitation objectives and completion criteria

Mandatory requirement 2 requires the title holder, not 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 is required to be prepared and submitted with the rehabilitation objectives and completion criteria.

The exploration activity approval applications lodged by New South Resources indicated that the cumulative total surface disturbance area was less than five hectares (being 2.9 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. A rehabilitation management plan

was developed for the two most recent programs and supplied as part of the rehabilitation signoff application for RC/diamond drill holes.

Rehabilitation objectives and completion criteria were documented for each of the drilling programs:

- January 2020 – as part of the rehabilitation management plan submitted with the exploration activity approval application
- November 2019 – as part of the rehabilitation management plan submitted with the exploration activity approval application
- October 2019 – rehabilitation objectives and completion criteria submitted prior to commencement of drilling
- September 2019 - rehabilitation objectives and completion criteria submitted prior to commencement of drilling.

The rehabilitation objectives and completion criteria for each drilling program were accepted by the Regulator as satisfactory. It was noted that 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 must 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 must commence rehabilitation of a site as soon as reasonably practicable following the completion of activities on that site.

Rehabilitation of all holes drilled under the four exploration programs has been completed and this was confirmed at the time of the audit inspection.

Section 7 of the rehabilitation management plan describes the rehabilitation program including triggers for rehabilitation, monitoring activities and a completed rehabilitation and monitoring program schedule. The completed checklist includes different stages of rehabilitation and is similar to the template provided in the *Exploration Code of Practice: Rehabilitation*.

An example of completed drill site environmental monitoring sheets for the aircore program was reviewed by the audit team. The sheet described the completed program, and included: -

- tenure, statutory approvals and landholder agreement checks

- initial site preparation and water management
- photographic log – before and after drilling photos
- drill hole backfilling information, waste management and site monitoring.

Generally, evidence available demonstrated high quality rehabilitation records for the low level of risk for the programs.

In October 2020, rehabilitation sign off by the Regulator occurred for the disturbed areas under the four programs to date. The drill sites demonstrated successful rehabilitation that utilises and supports final land use which for most sites is open grazing paddocks or paddocks under cropping.

Examples of rehabilitated drill holes are shown in Figure 4, Figure 5, Figure 6 and Figure 7.

*Figure 4 Site of JAC0280 - air core drilling*



*Figure 6 Pasture regrowth at site JN0018*



*Figure 5 Harvested canola crop on the site of JN0022*



*Figure 7 Rehabilitation at site JN0011*



### 3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the *Mining Regulation 2016* and condition 8 of EL8867 require the licence holder to submit an activity report annually within one calendar month following grant anniversary date. Annual activity reports are required to be prepared in accordance with the *Exploration guideline: Annual activity reporting for prospecting titles*.

Part A Section 3 of the *Exploration Guideline: Annual activity reporting for prospecting titles* states:

“Annual activity reporting requires the submission of four distinct components:

1. Annual activity summary and expenditure table
2. Annual exploration report
3. Annual environmental management and rehabilitation compliance report
4. Annual community consultation report.

Variations to work programs are NOT proposed through annual activity reporting, but rather through the work program document, which is resubmitted annually in conjunction with annual activity reports.”

July 2019 to July 2020 was the first reporting period for EL8867. It was noted that only the annual exploration report was submitted in July 2020. The remaining components remained outstanding in January 2021. Failure to report is a breach of condition 8 of EL8867 and section 163C of the *Mining Act 1992*. Failure to report is raised as non-compliance no. 1. An official caution was issued on 27 January 2021 to Freeport-McMoRan for the breach of Condition 8. Freeport-McMoRan should ensure that all components of the annual activity report are submitted 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 are required to be labelled, stored and managed in a manner that preserves the integrity of the core or samples.

Core from the drilling programs was observed to be stored in modular plastic core trays stacked by hole on pallets (Figure 8). The trays were stored outdoors but had lids on the top tray to prevent the core

from being exposed to the weather. Each tray was labelled with hole number, tray number, start and finish depths (Figure 9). Chip sample storage was not inspected during the audit.

Figure 8 Core tray storage



Figure 9 Example of core tray labelling



### 3.11. Record keeping

Sections 163D and 163E of the *Mining Act 1992* relates 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 New South Resources had generally maintained records as required by the licence conditions and the exploration codes of practice. Examples of records reviewed included:

- operational risk assessment
- drill site environmental monitoring sheets

- daily drill reports
- monthly tenement reports
- rehabilitation management plan
- photographic records – before and after drilling
- weed and seed checklists
- drill site clean-up and rehabilitation checklists
- site induction forms
- weekly rig inspections
- rural access and compensation agreements
- community consultation strategy
- community consultation log
- consultation records.



## 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).

New South Resources uses the services of a tenement manager to assist with management and reporting under the tenement. The tenement manager provides a monthly tenement report which includes compliance aspects related to reporting obligations, a review of the progress of the work program elements and keeps track of when renewals are due.

Although there were no formal compliance management systems in place, the New South Resources staff interviewed during the audit demonstrated a good understanding of the compliance obligations under the exploration licence, the activity approvals and the exploration codes of practice.

### 4.2. Subcontractor management

Contractors are often used to undertake specialist tasks, for example, exploration drilling. While 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.

New South Resources were using a contract driller to complete the drilling program, but drilling had been completed at the time of the audit. Although an assessment of the management of the contract

driller was not undertaken, the following observations were made after reviewing documents and records retained by the company:

- New South Resources undertook inductions with the drilling crew prior to commencement of the drilling program.
- Weekly site meetings were held with the driller to discuss the drilling program and any issues identified.
- New South Resources identified a designated site manager who was responsible for liaison with the driller and monitoring 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.

Evidence was available to demonstrate that New South Resources had established a comprehensive and robust inspection, monitoring and evaluation program for the drilling programs. The program was noted to include:

- daily pre-start meetings each morning which included discussion of any environmental issues and an outline of rehabilitation completed
- drill site environmental monitoring sheet with three components:
  - sheet 1 site environmental monitoring sheet
  - sheet 2 site and water management
  - sheet 3 rehabilitation and site monitoring.
- drill site cleanup and rehabilitation checklist – this was signed off by both the driller and New South Resources
- weekly rig inspections.

Where issues are identified, a 'fail' is marked on the checklist to be re-inspected the following week. Generally, issues on drill sites are immediately communicated to the driller for action. Corrective actions for any rehabilitation issues identified are actioned by New South Resources staff.

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

Freeport-McMoRan and New South Resources were provided with a copy of the draft audit report and invited to submit a response to the draft audit findings.

Freeport McMoRan acknowledged the non-compliance related to the failure to provide all components of the annual activity report but did not provide any further comment on the draft audit report.

## 5. Audit conclusions

From the evidence reviewed during the audit, and observations made on site during the audit site inspections, it was concluded that New South Resources has achieved a high level of compliance with the requirements of the exploration licence, exploration activity approval and the exploration codes of practice.

New South Resources 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 inspection checklists.

One non-compliance was identified during the audit as summarised in Table 4.

*Table 4 Summary of non-compliances*

NON-COMPLIANCE NO.	DESCRIPTION OF ISSUE	RECOMMENDATION
1 NC3	July 2019 to July 2020 was the first reporting period for EL8867. It was noted that only the annual geological exploration report was submitted in July 2020. The remaining components remained outstanding in January 2021. Failure to report is a breach of condition 8 of EL8867 and section 163C of the Mining Act 1992.	Freeport-McMoRan and/or New South Resources should ensure that all components of the annual activity report are submitted within the timeframes required.