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COMPLIANCE AUDIT PROGRAM

EL7805 EXPLORATION DRILLING PROGRAM

Flemington Mining Operations Pty Ltd



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1. Introduction

1.1. Background

Exploration licence 7805 (EL7805) was granted to Jervois Mining Limited on 13 July 2011. The licence was transferred to Flemington Mining Operations Pty Ltd (Flemington Mining Operations) in January 2019. The exploration area is in a pastoral area about nine kilometres north west of Fifield, in the central west of NSW. Flemington Mining Operations is a wholly owned subsidiary of Australian Mines Limited (Australian Mining).

There have been several exploration drilling programs undertaken on EL7805 in the last two years. The most recent programs are summarised in Table 1.

Table 1 Summary of recent exploration drilling programs on EL7805

PROGRAM	ACTIVITIES
May 2019 (EAMSG0002710)	■ 387 air core drill holes to a maximum depth of 30 metres each
September 2019 (EAMSG0004033)	■ 519 air core holes on an 80-metre grid spacing with each hole expected to be 10 to 30 metres in depth
July 2020 (MAAG0007753)	■ Seven RAB or air core holes to a maximum depth of 100 metres

These programs were approved by the NSW Resources Regulator, within the Department of Regional NSW, between May 2019 and July 2020.

As part of the Regulator's compliance audit program, an audit of the exploration activities associated with the Flemington Mining Project within EL7805 was undertaken on 21 April 2021.

1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the Flemington Mining Operations 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 title holder 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 Flemington Mining Operations exploration project, including:
 - exploration activities within EL7805 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 21 April 2019 and ending 21 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 EL7805 (granted 13 July 2011 and last renewed 7 October 2018)
- Exploration activities application (ESF4) dated 5 April 2019 for 387 aircore drill holes and associated approval dated 2 May 2019 (EAMSG0002710)
- Exploration activities application (ESF4) dated 27 August 2019 for 519 aircore holes and associated approval dated 11 September 2019 (EAMSG0004033)
- Exploration activities application (ESF4) dated 9 July 2020 for seven RAB or aircore drill holes and associated approval dated 27 July 2020 (MAAG0007753)
- *Exploration Code of Practice: Environmental Management* (Version 3, September 2017)

- *Exploration Code of Practice: Rehabilitation* (Version 3, September 2017)
- *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)
- *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 the Department of Regional NSW
- *ESG4: Guideline for preparing an environmental and rehabilitation compliance report* (Version 2.3, March 2019) published by the 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

An opening meeting was held onsite on 21 April 2021. The audit team was introduced, and the scope of their responsibilities was conveyed to the auditees. The objectives and scope of the audit were outlined. The methods to be used by the team to conduct the audit were explained, including 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 collected during the audit process were reviewed on site. Several documents were unable to be reviewed on site and 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 sites:

- paddock where approximately 500 air core holes were drilled in 2019, rehabilitation completed
- hole FMA-297, drilled 2019, rehabilitation completed
- hole FMA-305, drilled 2019, rehabilitation completed
- hole FMA-313, drilled 2019, rehabilitation completed

- hole FMA-312, drilled 2019, rehabilitation completed
- hole FMA-320, drilled 2019, rehabilitation completed
- April 2021 IP survey area, rehabilitation completed with paddock ploughed for sowing.

2.3. Closing meeting

A closing meeting was held onsite on 21 April 2021. The objectives of this meeting were to discuss any outstanding matters, present preliminary findings and outline the process for finalising the audit report.

2.4. Compliance assessment definitions

The reporting of results from the compliance audit was determined based on the definitions presented in Table 2.

Table 2 Audit assessment categories

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	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.

ASSESSMENT	CRITERIA
	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.
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> <ul style="list-style-type: none"> ■ insufficient information on the file relating to the period covered by the audit or insufficient evidence collected to reach a conclusion ■ the wording on the criteria (approval condition) meant that no evidence could be gathered, or it was too difficult to gather the evidence. <p>A ‘not determined’ assessment was also made where the condition was outside the scope of the audit.</p>
Not applicable	<p>The circumstances of the authorisation or 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 Flemington Mining Operations 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 EL7805 requires the licence holder to carry out the operations described in the approved work program. Work program WP-EL7805-2017-2023 was approved by the (then) Division of Resources and Geoscience (DRG) on 19 September 2019, as part of the transfer of EL7805.

Flemington Mining Operations was in Year 4 of the work program (2020-2021). Intended activities for the audit scope period (Years 3 and 4 of the approved work program) are summarised in Table 3.

Table 3 Summary of approved work program

YEAR 3 (2019-2020)	YEAR 4 (2020-2021)
Additional follow up work as required based on the results of Years 1 and 2 of the work program.	Continue exploration to assist definition of a further JORC compliant scandium and cobalt mineral resource capable of economic extraction in the wider project region.
Follow up large scale infill and expansion drilling to allow an update of the mineral resource estimate for the Flemington project.	

A review of the 2020 annual exploration report provided details of the exploration activities completed during the reporting period. The activities included:

- resource extension and exploration drilling program including:
 - 322 air core drill holes for 4,877 metres
 - 4,902 samples submitted for assay.
- re-assay of the samples for additional elements
- consultant commissioned to carry out review of all available data to confirm that no exploration opportunities within the project area have been missed.

An induced polarisation (IP survey) was completed on an area of EL7805 in April 2021, which will be reported in the 2020-2021 annual report.

Generally, evidence was available to confirm that the work program was progressing as planned. Flemington Mining Operations staff advised that exploration planning is generally done 12 months in advance and is reviewed during the preparation of the annual exploration report.

Exploration data is maintained by Flemington Mining Operations' 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.

Exploration activities are being undertaken on two main properties within EL7805. Flemington Mining Operations negotiates a separate land access agreement with each landowner for each exploration activity. A land access agreement for one landowner dated 22 February 2021 was sighted by the audit team. It was noted that the land access agreement includes a detailed prospecting plan, which sets out the access points, access tracks to be used, drill hole locations and hours of work for the specific exploration activity being undertaken. This prospecting plan is signed off by the land holder as part of the land access agreement.

It was noted that the recent IP survey was stopped at least 200 metres away from a dwelling on the property, but approval for the location of the IP survey lines in proximity to the dwelling was included in the prospecting plan signed off by the landowner.

3.3. Native title and exempt areas

Condition 3 of EL7805 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.

The exploration activity applications submitted by Flemington Mining Operations have identified the crown land parcels and road reserves within the exploration licence area. Drilling programs completed to date have not included holes within Crown lands. None of the holes inspected were observed to be within Crown lands. Further approvals under Section 30 of the Act have been required.

Generally, drilling has been undertaken on land that comprises freehold land over which native title would generally be extinguished. As such, further approvals under condition 2 of EL7805 were not required.

3.4. Community consultation

Condition 3 of EL7805 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.

Flemington Mining Operations has prepared a comprehensive community consultation risk assessment for its exploration activities on EL7805. For the exempt activities, such as the IP survey, the activity impact level was assessed as low. The auditor concurs with this assessment. For the drilling programs, the activity impact level was also assessed as low, which the auditor also concurs with.

Potential threats associated with community consultation and engagement identified in the risk assessment included:

- The landholder will be unwilling to authorise access.
- Landholder will raise concerns regarding the creation of access tracks.
- Landholder will be dissatisfied as to rehabilitation completed.
- Community groups will raise concerns regarding exploration operations in the area.
- Community Consultation Strategy becomes inappropriate due to change in social/community circumstances.
- Failure to gain the 'social licence to operate'.

Controls were specified for each threat identified, including:

- Commitment to establishing and maintaining good relationships with the community and providing information as to proposed activities and benefits to the community.
- The Community Consultation Strategy will be updated annually in accordance with the Annual Activity Report and will also be updated each time a new activity is proposed.

- As the project develops, additional land access arrangements will be negotiated if/when required. Compensation will be paid prior to conducting exploration activities.
- Site access will not involve deviation from existing tracks without the landholder's permission. In all instances, existing access paths will be selected to minimise disturbance.
- The land holder will be fully informed of the proposed rehabilitation strategy and will be asked to provide feedback on the proposed strategy and any request (i.e. requests relating to revegetation, leaving tracks open).

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.

Flemington Mining Operations has prepared a community consultation strategy for the exploration activities on EL7805 which generally meets the requirements of mandatory requirement 3 of the code of practice. For example:

- Section 1 sets out the scope and objectives of the consultation strategy
- Section 2 describes the mechanisms for revising the community consultation strategy, including an annual review during preparation of the annual activity reports and an additional review during preparation of exploration activity approval applications
- Section 3 identifies the relevant landowners and other stakeholders
- Section 4 provides an assessment of the likely impacts, areas of concern, likely attitudes and expectations of the different stakeholder types
- Section 5 outlines the activity impact level assessments
- Section 6 describes the proposed community consultation activities
- Appendix 1 provides the community consultation risk assessment.

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 Flemington Mining Operations has generally implemented the community consultation strategy. For example:

- stakeholder engagement records
- land access agreements.

Although the activity impact level was assessed as low, Flemington Mining Operations maintained a community liaison officer in Parkes until the end of 2019 when most on ground activities were completed. Daily contact with land holders was maintained during the drilling programs and IP survey. The company regularly communicates with an environmental lawyer, engaged by the land holders to represent them.

Community consultation reports for the 2019 and 2020 reporting years were submitted as part of the annual activity reporting required by condition 8 of EL7805. Departmental records showed that the 2019 report was reviewed by MEG and the content was found to be adequate. The 2020 report was reviewed by the auditor and found to be generally consistent with the reporting guidance provided in Appendix 2 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.

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

- Exploration activities application (ESF4) dated 5 April 2019 for 387 aircore drill holes and associated approval dated 2 May 2019 (EAMSG0002710)
- Exploration activities application (ESF4) dated 27 August 2019 for 519 aircore holes and associated approval dated 11 September 2019 (EAMSG0004033)
- Exploration activities application (ESF4) dated 9 July 2020 for seven RAB or aircore drill holes and associated approval dated 27 July 2020 (MAAG0007753).

The IP survey completed in April 2021 was classified as “geophysical (but not seismic) surveys” pursuant to clause 10(2)(b)(iii) of State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (the Mining SEPP). Such activities are classified as exempt development and, as such, an activity approval was not required for the survey.

Generally, evidence was available to confirm that activities have been carried out in accordance with the exploration activity approvals and the codes of practice, as documented in the following sections.

3.6. Environmental management

Condition 4 of EL7805 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 three exploration drilling programs and the IP survey had been completed at the time of the audit and all plant and equipment had been removed from site. All holes and the IP survey lines had been rehabilitated. An assessment against the *Exploration Code of Practice: Environmental Management* could not be completed, but the following observations were made:

- No evidence of hydrocarbon spillage or chemical contamination was observed at any of the sites inspected.
- Flemington Mining Operations staff advised that no water was encountered during drilling, with a maximum hole depth of approximately 30 metres.
- All holes were reported to be backfilled with drill cuttings. Any excess cuttings were stored in sample bags and transferred to a storage yard in Orange as a contingency for future bulk testing.
- No wastes were observed at any of the sites inspected.
- A 6-wheel drive LandCruiser mounted drill rig was used for the air core program negating the need for vegetation clearance.
- Most holes were observed to have been drilled in cleared paddock areas, with some paddocks having been recently ploughed for cropping.
- Generally, existing farm tracks are used wherever possible. All access points and tracks are signed off by the landowner as part of the detailed prospecting plan included with the land access agreement.
- During wet weather, access was restricted to all exploration sites. The recent IP survey was delayed a month due to wet weather.

- Drill rigs were reported to be washed down prior to arrival on site and when moving between paddocks or land owned by different landowners.
- Drilling activities were co-ordinated with the landowners, who generally moved livestock away from paddocks where drilling was to take place.

3.7. Security deposit

Condition 5 of EL7805 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. Departmental records confirm that amount is being held. The exploration activity approvals in 2019 and 2020 for the AC/RC drilling programs did not trigger an increase in security.

3.8. Rehabilitation

Condition 6 of EL7805 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*.

An assessment against the mandatory requirements of the code of practice was undertaken for the drilling programs inspected during the audit, 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.

Flemington Mining Operations has prepared a comprehensive rehabilitation risk assessment for each drilling program. Examples of risk assessments for the July 2020 and September 2019 drilling programs were reviewed by the auditor.

The range of risks identified in the risk assessment was noted to include:

- weed infestation and plant disease – associated with both introduction and control (or lack thereof)
- adoption of inappropriate or inadequate rehabilitation and monitoring techniques and timeframes

- damage from fauna (i.e. kangaroos, pest animals, livestock)
- weather and climatic influences (i.e. drought, intense rainfall events).

All the identified risks were ranked low, which is commensurate with the nature and scale of the drilling programs. Controls were documented for each risk. For example:

- For weed infestation and plant disease:
 - no organisms will be introduced to the area of the activity as part of the drilling program
 - weed and disease control will be undertaken as required
 - all vehicles are cleaned prior to entering the work site.
- For weather and climatic influences (i.e. drought, intense rainfall events):
 - the landholder will be consulted about management of property during drought conditions
 - rehabilitation will be undertaken with a view to reduce any impacts from the program which may be exacerbated by drought conditions.

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 is required to be prepared and submitted with the rehabilitation objectives and completion criteria.

The exploration activity approval applications lodged by Flemington Mining Operations indicated that the total surface disturbance area was less than five hectares (0.84 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.

Evidence was available to confirm that rehabilitation objectives and completion criteria were developed and submitted for each exploration activity approval. The rehabilitation objectives and completion criteria were noted to be based on the template in Appendix 2 of the *Exploration Code of Practice: Rehabilitation*. These were reviewed by the auditor during the audit and found to be appropriate for the drilling programs conducted.

3.8.3. Rehabilitation program

Mandatory requirement 3 requires the title holder to 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.

The drilling programs and geophysical surveys had been completed at the time of the audit site inspection and rehabilitation had been undertaken. An inspection was undertaken of selected examples of the rehabilitation completed for each of the drilling programs. The recent geophysical IP survey area was also inspected. Observations made included:

- The paddocks where the 500-hole AC drilling program was undertaken in late 2019 have been cropped since the drilling program and were observed to be ready to be cropped again. No evidence of the drilling program was visible across the areas of paddocks observed (see Figure 1 and Figure 2).
- Aircore holes drilled under a 2018 activity approval were difficult to find without GPS. In most paddock areas where drilling had been undertaken, vegetation and ground surface was consistent across the paddock, with no obvious signs of drilling. (see Figure 3 and Figure 4).
- The IP survey was conducted in April 2021 and finished on the Friday before the audit site inspection. During the site inspection, it was observed that the landowner had ploughed the paddock ready for sowing. No evidence of the IP survey was observed and the final land use had clearly been achieved as the land was able to be ploughed and cropped (see Figure 5 and Figure 6).

Figure 1 Paddock where 500 aircore holes were drilled in 2019



Figure 3 Rehabilitation of hole FMA-035



Figure 2 Paddock where 500 aircore holes were drilled in 2019



Figure 4 Rehabilitation of hole FMA-320



Figure 5 Paddock where IP survey was conducted in April 2021



Figure 6 Paddock where IP survey was conducted in April 2021



3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation and condition 8 of EL7805 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, Flemington Mining Operations 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 and 2020 reporting years were reviewed during the audit:

- Flemington Mining Operations Pty Ltd – Exploration Licence No. 7805, Annual Exploration Report, 13 July 2018 to 12 July 2019
- Flemington Mining Operations Pty Ltd – Exploration Licence No.7805, Annual Exploration Report, 13 July 2019 to 12 July 2020
- EL7805 Prospecting Title Work Program, year 2 submission 2019

- EL7805 Prospecting Title Work Program, year 3 submission 2020
- Flemington Mining Operations Pty Ltd, Annual Community Consultation Report – Exploration Licence No. 7805, 8 August 2019
- Flemington Mining Operations Pty Ltd, Annual Community Consultation Report – Exploration Licence No. 7805, July 2020
- Annual Environmental and Rehabilitation Compliance Report for Exploration Licence No. 7805, Flemington Mining Operations Pty Ltd, 8 August 2019
- Annual Environmental and Rehabilitation Compliance Report for Exploration Licence No. 7805, Flemington Mining Operations Pty Ltd July 2020.

Generally, reports were found to be in accordance with the MEG and/or Regulator templates and guidance material.

3.10. Core and sample storage

Clause 65 of the Mining Regulation 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.

All drilling had been completed at the time of the audit site inspection. Samples had been removed from site for storage at a core yard in the city of Orange in NSW. An inspection of the core yard was not completed as part of the audit.

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 Flemington Mining Operations has generally maintained records as required by the licence conditions and the exploration codes of practice.

Examples of records reviewed included:

- environmental and rehabilitation risk assessment
- rehabilitation objectives and completion criteria
- rehabilitation report
- photographic records of drill sites
- annual activity reports for 2019 and 2020 reporting years
- land access agreements
- prospecting plans
- community consultation risk assessment
- community consultation strategy
- community consultation log
- drill collar 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 (e.g. changes in legislation).

Discussions with Flemington Mining Operations staff showed that they had a reasonable understanding of the requirements under the *Mining Act 1992*, the conditions of title, the exploration activity approvals and the exploration codes of practice. It was noted that systems and processes have generally been developed to address the compliance requirements.

4.2. Subcontractor management

Contractors are often used to undertake specialist tasks (i.e. 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.

Flemington Mining Operations uses contract drillers for the exploration drilling programs. There were no exploration drilling programs in progress at the time of the audit. Subcontractor management was discussed in general terms during the audit but arrangements for contractor management were unable to be confirmed 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.

Flemington Mining Operations has established an inspection program relevant to the exploration works. Flemington Mining Operations staff supervise the day to day activities of the drilling or geophysical contractors. Inspections are undertaken at the completion of rehabilitation of each hole and a further inspection is undertaken with the landholder prior to negotiating a new access agreement for further exploration works.

4.4. Title holder response to draft audit findings

Flemington Mining Operations was provided with a copy of the draft audit report and invited to submit a response to the draft audit findings.

The response from Flemington Mining Operations indicated it did not have any comments or proposed amendments to the draft report.

5. Audit conclusions

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

Flemington Mining Operations' managing director 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.

No non-compliances were identified during the audit. Rehabilitation has progressed well with no issues of concern identified.