

Compliance audit program

EL5238 Spur Project

Deep Ore Discovery Pty Ltd

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1. Introduction

1.1. Background

Exploration licence No. 5238 was granted to Imperial Mining NL and Golden Cross Resources NL on 20 February 1997. The title was transferred to Deep Ore Discovery Pty Ltd on 2 May 2017. The exploration area is about 33 km southwest of Orange in Central Western NSW.

Exploration operations on EL5238 were managed by Waratah Minerals Ltd who wholly own Deep Ore Discovery Pty Ltd.

As part of the compliance audit program, an audit of the exploration activities associated with the Spur project within EL5238 was undertaken on 1 May 2024 by the Resources Regulator within the Department of Primary Industries and Regional Development.

1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the Deep Ore Discovery Pty Ltd exploration activities against the requirements of the *Mining Act 1992* and the conditions of the exploration licences and activity approvals issued pursuant to that Act.
- assess the operational performance of the exploration activities and the ability of the licence holder and/or its operator to implement management systems and controls to provide for sustainable management of the operations.

1.3. Audit scope

The scope of the audit included:

- the exploration activities associated with the Deep Ore Discovery Pty Ltd, Spur Project exploration project including:
 - exploration activities within EL5238 including a selected sample of exploration drillholes.
 - borehole sealing and rehabilitation activities for selected drilling activities undertaken since May 2022.
- A review of documents and records pertaining to the exploration activities

The assessment of compliance for the period commencing 2 May 2022 ending 1 May 2024.

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 EL5238 (20 February 1997. and renewed 14 August 2019)

- Exploration activities application dated 19 January 2024 for up to 12 Diamond Drill and/or Reverse Circulation holes within project area, and associated approval dated 19 January 2024 (APO0001604)
- Exploration code of practice: Environmental management (Version 4, June 2021 and Version 5, March 2022)
- Exploration code of practice: Rehabilitation (Version 4, June 2021 and Version 5, March 2022)
- Exploration code of practice: Community consultation (Version 1.1 May 2016, Version 2.0, October 2022 and Version 2.1, May 2023)
- Exploration code of practice: Produced water management, storage and transfer (Version 4, June 2021 and Version 5 March 2022)
- Exploration Reporting: A guide for reporting on exploration and prospecting in New South Wales (Version 3, October 2021 and Version 4, January 2022)
- Exploration guideline: Annual activity reporting for prospecting titles (Version 3.0, December 2020 and Version 4, October 2022) published by Department of Regional NSW (now Department of Primary Industries and Regional Development)

1.5. Publishing and disclosure of information

This audit report was published on the Regulator's website consistent with:

- Section 365 of the *Mining Act 1992*
- Resources Regulator's [Public comment policy](#)
- Government Information (Public Access) Act 2009.

2. Audit methods

The audit process involved interviewing of site personnel, a review of documentation and samples of records provided by the licence holder and/or operator to determine the level of compliance of the operations and assess the status of the operational performance. The audit process and methodology are described in more detail in the sections below.

2.1. Opening meeting

An opening meeting was held in the office of Deep Ore Discovery at Orange on 1 May 2024. The audit team was introduced, and the scope of their responsibilities was conveyed to the auditees. The objectives and scope of the audit were outlined. The methods to be used by the team to conduct the audit were explained, including the interview of personnel, review of documentation, examination of records and a site inspection to assess specific compliance requirements.

2.2. Site interviews and inspections

2.2.1. Data collection and verification

Where possible, documents and data provided during the audit process were reviewed electronically on the day. Several documents were unable to be reviewed on the day and were provided after 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

A site inspection was undertaken of the following exploration activities:

- Drill hole SPD001 , drilled 2024, drill collars cut and capped at depth with minimal surface disturbance, partially rehabilitated.
- Drill hole SPD002, drilled 2024, drill collars cut and capped at depth with minimal surface disturbance, partially rehabilitated.
- Drill hole SPD003, drilled 2023, drill collars cut and capped at depth with some minor surface disturbance, partially rehabilitated.
- A geophone (or geode) for ambient noise tomography.

2.3. Closing meeting

A closing meeting was held on site on 1 May 2024 The objectives of this meeting were to discuss any outstanding matters, present preliminary findings and outline the process for finalising the audit report.

2.4. Compliance assessment definitions

The reporting of results from the compliance audit was determined based on the definitions presented below in Table 1. Table 1 Compliance assessment definitions

| Assessment | Criteria |
|-----------------------------------|--|
| Compliance | Sufficient and appropriate evidence is available to demonstrate the particular requirement has been complied with. |
| Non-compliance | <p>Clear evidence has been collected to demonstrate the particular requirement has not been complied with. There are three subcategories of non-compliance reflecting the severity and level of risk associated with the non-compliance:</p> <p>NC1 – the absence of planning or implementation of a required operational element which has the potential to result in a significant risk.</p> <p>NC2 – an isolated lapse or absence of control in the implementation of an operational element which is unlikely to result in a significant risk.</p> <p>NC3 – an administrative or reporting non-compliance which does not have a direct environmental or safety significance.</p> <p>Note: The identification of a non-compliance in this audit may or may not constitute a breach of, or offence under, the <i>Mining Act 1992</i>. Non-compliances identified in this audit report may be further investigated by the Regulator and regulatory actions may be undertaken.</p> |
| Observation of concern | <p>Where an auditee may be compliant at the time of the audit but there are issues that exist that could result in the potential for future non-compliance if not addressed.</p> <p>Observation of concern was also used where an issue may not have particular compliance requirements, but which was not conducive to good management or best practice.</p> |
| Suggestion for improvement | Where changes in processes or activities inspected or evaluated at the time of the audit could deliver improvement in relation to risk minimisation, sustainable outcomes and management practices. |
| Not determined | <p>The necessary evidence has not been collected to enable an assessment of compliance to be made within the scope of the audit.</p> <p>Reasons why the audit team could not collect the required information include:</p> <p>insufficient information on the file relating to the period covered by the audit or insufficient evidence collected to reach a conclusion</p> <p>the wording on the criteria (approval condition) meant that no evidence could be gathered, or it was too difficult to gather the evidence.</p> <p>A ‘not determined’ assessment was also made where the condition was outside the scope of the audit.</p> |
| Not applicable | The circumstances of the authorisation or licence holder have changed and are no longer relevant (e.g. no longer mining, mining equipment and plant has been removed). |

| Assessment | Criteria |
|------------|--|
| | An invoking element in the criteria was not activated within the scope of the audit. |

2.5. Reporting

After completion of the audit, the audit checklists were completed, and audit notes were reviewed to compile a list of outstanding matters to be noted in the audit report. This report was prepared to provide an overview of the operational performance of the site in relation to the exploration activities and identify any non-compliances or observations of concern noted by the auditors during the documentation review and interviews.

The draft audit findings were forwarded to Deep Ore Discovery Pty Ltd 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 EL5238 required the licence holder to carry out the operations described in the approved work programs. Work program, WP-EL5238-2019-2025 was in force during the audit period.

Annual report for the 2022, 2023 reporting periods was reviewed for EL5238. Evidence was available to confirm that exploration activities were progressing. Exploration completed included:

- reprocessing Induced Polarisation geophysics, relogging existing drill core and HyLogger spectral analysis and exploration planning of priority holes
- three diamond drill holes at the Spur Project within EL5238 (as part of a broader project) SPD001, SPD002 and SPD003.

Deep Ore Discovery Pty Ltd used a tenement manager to assist with tracking regulatory requirements including annual reports. A quarterly report is produced to track requirements. Records are maintained through a database system. Exploration data was submitted to NSW Resources with the annual activity reports.

3.2. Access arrangements

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 was required to be agreed in writing between the holder of the prospecting title and each landholder of that area of land.

Evidence was provided to confirm that written land access agreements were in place for the exploration activities undertaken on EL5238. This included an agreement with Crown Lands and the Commons Trust. The land access agreements included standard clauses that addressed special requirements requested by the landowner.

3.3. Native title and exempted areas

Condition 2 of EL5238 required the licence holder to obtain the prior written consent of the Minister before carrying out any activities on land on which native title had not been extinguished. Similarly, Section 30 of the *Mining Act 1992* required the consent of the Minister before a licence holder undertook any activities in a state conservation area within a State Conservation Area.

Minister's Consent to conduct prospecting activities for the purposes of condition 2 of EL5238 and section 30 of the *Mining Act 1992* for Crown lands within EL5238 was granted on 26 August 2022.

No further approvals under section 30 of the *Mining Act 1992* were required.

3.4. Community consultation

Condition 3 of EL5238 required the licence holder to carry out community consultation in relation to the planning and conduct of exploration activities. Community consultation was required to be carried out in accordance with the requirements of Exploration code of practice: Community consultation.

An assessment against the mandatory requirements of the code of practice was undertaken as documented in the following sections.

3.4.1. Risk assessment

Mandatory requirement 1 of the code of practice required the licence holder to conduct a risk assessment to identify and consider the range of opportunities and potential threats associated with community consultation and engagement.

Deep Ore Discovery Pty Ltd provided evidence to demonstrate that a community consultation risk assessment was completed. The risk assessment included a range of considerations including risks to effective communication such as adverse community interactions and changes to community circumstances.

3.4.2. Community consultation strategy

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

Deep Ore Discovery Pty Ltd provided a copy of the Community Consultation Strategy which was last reviewed on 5 April 2024. The strategy covers Deep Ore Discovery Pty Ltd tenement (EL 5238) located near the village of Cargo.

The strategy was noted to address all the mandatory requirements of the code of practice including:

- establishing the objectives of the strategy
- include a detailed description and analysis of community stakeholders.
- describe the methods of consultation.
- outline mechanisms for review of the strategy.

3.4.3. Implementation and reporting

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

Evidence was available to demonstrate that Deep Ore Discovery Pty Ltd had generally implemented the community consultation strategy. For example:

- a community stakeholder diary, which logs phone calls, emails, and correspondence
- Waratah Minerals maintain a website with ability for community members to contact and request information regarding exploration activities.

Deep Ore Discovery Pty Ltd advised that the annual community consultation report is made available on request.

A copy of the annual community consultation strategy and plan for EL5238 was provided as part of the audit review, and it was determined to be prepared generally in accordance with the reporting guidance in the code of practice.

This information supports a finding that the community consultation strategy is implemented, monitored, and reported on annually.

3.5. Exploration activity approvals

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

Evidence was available to confirm that exploration activity approvals were sought and granted for exploration activities. Exploration activity approval granted was:

- assessable prospecting operations application for up to 12 DDH or RC holes dated 19 January 2024 (APO0001604).

Generally, evidence was provided to indicate that the exploration activities were carried out in accordance with the description provided in the applications and in accordance with the approvals given.

3.6. Environmental management

Condition 4 of EL5238 required the licence holder to prevent or minimise so far as is reasonably practicable, any harm to the environment arising from the activities carried out under the licence. Condition 2 of the exploration activity approval required the licence holder to carry out the activity in compliance with Part B of the Exploration code of practice: Environmental management.

No evidence of environmental harm was observed at the sites visited during the site inspection. The drilling program had been completed at the time of the audit and most plant and equipment had been removed from site.

An assessment against the Exploration code of practice: Environmental management was not completed, however the following observations were made:

- Drill pads associated with drilling conducted were in open paddocks, with no erosion or sediment issues.
- A few portable poly tanks remained on site.
- It was noted that weeds were present at a few sites, however they appeared to be consistent with weed presence in the surrounding area.
- Weed management practices during exploration activities included vehicle hygiene to control the introduction of weeds.
- No evidence of hydrocarbon spillage or chemical contamination was observed at any of the sites inspected.

3.6.1. Risk assessment

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

Deep Ore Discovery Pty Ltd had developed an environment risk assessment for the Spur Project.

The environmental management risk assessment included an environmental management checklist to be completed prior, during and at the completion of exploration activity. The checklist included fields for noting performance and recommendations, demonstrating a process to monitor the identified risks and implement revised controls if required.

3.7. Security deposit

Condition 5 of EL5238 requires the licence holder to provide a security deposit to secure funding for the fulfilment of obligations under the licence.

The security deposit required for EL5238 was \$10,000. Department records confirm that the required security was held.

3.8. Rehabilitation

Condition 6 of EL5238 required the licence holder to carry out rehabilitation of all disturbance caused by activities carried out under the licence in accordance with the requirements of the Exploration code of practice: Rehabilitation.

An assessment against the mandatory requirements of the code of practice was undertaken for the exploration activities as documented in the following sections.

3.8.1. Risk assessment

Mandatory requirement 1 required the licence holder to conduct a risk assessment to evaluate the range of potential threats and opportunities associated with rehabilitating disturbed areas to a condition that could support the intended final land use.

Deep Ore Discovery Pty Ltd developed a rehabilitation risk assessment for the Spur Project.

A range of hazards were identified and assessed including, inadequate rehabilitation techniques, inadequate monitoring timeframes, weather, and climatic influences, and weed infestation. Controls were identified for each potential threat.

3.8.2. Rehabilitation objectives and completion criteria

Mandatory requirement 2 required the licence holder, not later than 14 days prior to the commencement of surface disturbing activities, to provide to the Secretary a copy of clear, specific, achievable and measurable rehabilitation objectives and completion criteria (ROCC). For higher risk prospecting operations, a rehabilitation management plan was required to be prepared and submitted with the rehabilitation objectives and completion criteria.

The exploration activity approval applications lodged by Deep Ore Discovery Pty Ltd (EL5238) indicated limited total surface disturbance (less than 5 hectares). The exploration program did not fall within the definition of a high risk activity under the code of practice and a rehabilitation management plan was not required to be developed.

Evidence was available in department records to confirm that ROCCs were submitted for the drilling program as part of the application for assessable prospecting operations. It was noted that the ROCCs submitted were generally based on the template provided in Appendix 2 of the code of practice.

3.8.3. Rehabilitation program

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

Representatives of Deep Ore Discovery Pty Ltd advised that a rehabilitation monitoring, and inspection program was undertaken using checklists that were used to capture site based data (prior, during, and post works). Data associated with drill hole SPD001, SPD002 and SPD003 was sighted during the audit.

A geode (or geophone) associated with an ambient noise tomography program was inspected. The activity was found to have minimal disturbance, comprising a small geophone placed on the ground with shallow receiver nodes.

In addition, a spreadsheet was maintained for tracking the status of exploration features, including rehabilitation status.

Figure 1 Rehabilitation of SPD001



Figure 2 Rehabilitation of SPD002



Figure 3 Rehabilitation of SPD003



Figure 4 Geode/Geophone



The 2024 drilling associated with the Spur Project was within cleared agricultural land with a moderately sloping landscape. It was noted the surrounding area has historical workings that were evident in the form of undulations at locations throughout the area.

Selected drill sites were inspected and found to be partially rehabilitated. Drill collars were cut and capped at depth with minor ground disturbance evident. Revegetation included weeds that were noted to be present within the immediate area.

Drill hole SPD003 (Figure 3.) was noted to have some ground disturbance that had not regrown. It appeared that this may have been caused by livestock rather than erosion caused from exploration activities.

3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the *Mining Regulation 2016* and condition 8 of EL5238 required the licence holder to submit an activity report annually within one calendar month following grant anniversary date. Annual activity reports were required to be prepared in accordance with the *Exploration guideline: Annual activity reporting for prospecting titles*.

During the audit scope period, Deep Ore Discovery Pty Ltd submitted annual activity reports comprising:

- annual geological report
- environmental rehabilitation and compliance report.

Generally, reports were found to be in accordance with the Resources NSW and Resources Regulator templates and guidance material.

3.10. Core and sample storage

Clause 65 of the Mining Regulation 2016 required the holder of an authority to, so far as is reasonably practicable, collect, retain, and preserve:

- all drill cores remaining after sampling.
- characteristic samples of the rock or strata encountered in any drill holes.

All core and samples collected were required to be labelled, stored, and managed in a manner that preserved the integrity of the core or samples.

Deep Ore Discovery Pty Ltd stores core and samples at the office and workshop complex of Rangott Mineral Exploration Pty Ltd in Orange. The store of samples was not inspected on this occasion.

Deep Ore Discovery Pty Ltd provided evidence of the core and sample register, chip sample trays with unique identification and labelling, and sample storage racks.

3.11. Record keeping

Sections 163D and 163E of the *Mining Act 1992* related to the creation and maintenance of records required under the Act, the regulations, or a condition of title. Records must be kept in a legible form for production to any inspector and must be maintained for a period of 4 years after the expiry or cancellation of the title. Specific requirements for the types of records to be maintained for exploration activities were detailed in the mandatory requirements of the exploration codes of practice as follows:

- mandatory requirement 6 of the rehabilitation code of practice
- mandatory requirement 13.1 of the environmental management code of practice
- mandatory requirement 5 of the community consultation code of practice.

Records reviewed during the audit demonstrated that Deep Ore Discovery Pty Ltd had generally maintained records as required by the licence conditions and the exploration codes of practice. It was noted that relevant documents and records were readily retrievable upon request.

Examples of records reviewed included:

- Drill site environmental monitoring sheets
- rehabilitation requirements agreed to by the landowner
- rehabilitation objectives and completion criteria

- rehabilitation checklists
- photographs of pre, during and post exploration activities
- land access agreements
- Mapping records
- community consultation strategy
- annual activity reporting.

4. Compliance management

4.1. Identifying compliance obligations

Identifying compliance obligations is a critical step in the development of an effective compliance management system. Compliance obligations for an exploration project can include:

- regulatory requirements (for example, the *Mining Act 1992*)
- conditions imposed on the grant, renewal, or transfer of exploration licences.
- exploration activity approvals
- exploration codes of practice
- specific commitments made by the organisation (for example, commitments made in the approved exploration activity application).

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

Discussions with Deep Ore Discovery Pty Ltd staff showed that staff generally had a good understanding of their compliance obligations under the Mining Act, title conditions and exploration codes of practice.

Deep Ore Discovery Pty Ltd demonstrated an understanding of the additional conditions on EL5238. For example, condition 14 of EL5238 requires Deep Ore Discovery to rehabilitate areas disturbed by operations carried out under specified historic exploration licences. Deep Ore Discovery Pty Ltd demonstrated a program is in place to inspect, assess and rehabilitate these outstanding rehabilitation obligations.

Generally, evidence was available to confirm that compliance obligations have been identified and understood.

4.2. Contractor 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.

Deep Ore Discovery Pty Ltd engaged the services of Rangott Mineral Exploration Pty Ltd who provided tenement management along with exploration services. A contractor management plan was used which included review of management plans and qualifications (as required). An induction process was undertaken, along with weekly inspections, observations, and audit.

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.

Deep Ore Discovery Pty Ltd indicated and provided examples that demonstrated that a site inspection and monitoring process was undertaken for each drilling program that was documented.

5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that the exploration operations undertaken by Deep Ore Discovery were well managed. Evidence was available to demonstrate that systems and processes were developed to identify and manage compliance requirements. It was observed that records were being maintained as required to demonstrate compliance.

Deep Ore Discovery Pty Ltd were generally compliant with all the requirements of the exploration licence, exploration activity approvals and the environmental management, rehabilitation, and community consultation exploration codes of practice.

No non compliances were identified during the audit.