

Compliance audit program
EL9012 – South Cobar Project
Strategic Energy Resources Limited

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Table of Contents

1. Introduction.....	5
1.1. Background.....	5
1.2. Audit objectives.....	5
1.3. Audit scope.....	5
1.4. Audit criteria	5
1.5. Publishing and disclosure of information.....	6
2. Audit methods.....	7
2.1. Opening meeting.....	7
2.2. Site interviews and inspections.....	7
2.2.1. Data collection and verification	7
2.2.2. Site inspections	7
2.3. Closing meeting.....	7
2.4. Compliance assessment definitions	8
2.5. Reporting.....	9
3. Audit findings	10
3.1. Work program	10
3.2. Access arrangements.....	10
3.3 Native title and exempted areas.....	10
3.4 Community consultation	11
3.4.1 Risk assessment	11
3.4.2. Community consultation strategy	11
3.4.3. Implementation and reporting.....	12
3.5. Exploration activity approvals.....	12
3.6. Environmental management	13
3.6.1. Use of chemicals, fuels, and lubricants	13
3.6.2. Water management.....	14
3.6.3. Noise and vibration	14
3.6.4. Air quality	14
3.6.5. Waste management	15
3.6.6. Vegetation clearance and surface disturbance.....	15
3.6.7. Roads and tracks	16

3.6.8. Weeds, pest animals and disease.....	16
3.6.9. Livestock protection	17
3.6.10. Cultural heritage.....	17
3.6.11. Fire prevention.....	17
3.6.12. Risk assessment.....	17
3.7. Security deposit.....	18
3.8. Rehabilitation	18
3.8.1. Risk assessment	18
3.8.2. Rehabilitation objectives and completion criteria.....	18
3.8.3. Rehabilitation program	19
3.9. Annual activity reporting	19
3.10. Core and sample storage.....	19
3.11. Record keeping.....	20
4. Compliance management.....	21
4.1. Identifying compliance obligations.....	21
4.2. Contractor management	21
4.3. Inspections, monitoring and evaluation	22
5. Audit conclusions.....	23

1. Introduction

1.1. Background

Exploration licence 9012 (1992) was granted to Strategic Energy Resources Limited on 6 November 2020 and expires on the 6 November 2029. The exploration area is located about 15 kilometres west, northwest of Lake Cargelligo in central NSW.

As part of the compliance audit program, an audit of the exploration activities associated with the exploration projects within EL9012 was undertaken on 11 September 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 Strategic Energy Resources Limited 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 South Cobar exploration projects including:
 - exploration activities within EL9012 including a selected sample of exploration drillholes
 - borehole sealing and rehabilitation activities for selected drilling activities undertaken since January 2024.
- a review of documents and records pertaining to the exploration operations for the period commencing 20 May 2022 and ending 22 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 EL9012 (granted 6 November 2020).
- Assessable prospecting operation application APPO0001782, (approved 29 July 2024) for up to 35 reverse circulation (RC) holes to a maximum depth of 200 metres as part of the South Cobar project. Another 5 sites approved for diamond drilling in AP0001286, (approved 11 October 2022), but not drilled, may also be utilised in the current program

- 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 2.0, October 2022 and Version 2.1, May 2023)
- Exploration code of practice: Produced water management, storage, and transfer (Version 3, September 2017, 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

1.5. Publishing and disclosure of information

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

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

2. Audit methods

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

2.1. Opening meeting

An opening meeting was held at Lake Cargelligo on 11 September 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.

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 operations in EL9012:

All drill holes inspected were drilled in September 2024.

- Hole A1RC0015
- Hole A1RC0019
- Hole A1RC002
- Hole A1RC0014
- Hole A1RC0024 where drilling was in progress

2.3. Closing meeting

A closing meeting was held at the office of Strategic Energy Resources Limited on 11 September 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

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

The draft audit findings were forwarded to Strategic Energy Resources Limited 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 EL9012 required the licence holder to carry out the operations described in the approved work programs. Work program WP-EL9012-2023-2029 was in force during the audit period.

Evidence was available to confirm that exploration activities were progressing with a drill rig operating on site at the time of the audit site inspection. Exploration that was completed included:

- reconnaissance across the tenement
- collection of high-resolution airborne magnetics and radiometrics
- soil geochemistry
- rock chip sampling
- RC drilling.

Strategic Energy Resources Limited used the annual reporting process to review and monitor the work programs on the tenement.

It was noted that Strategic Energy Resources Limited was unable to undertake previously planned drill programs on EL9012 due to factors beyond their control such as major flooding.

Exploration data was noted to be maintained by the Strategic Energy Resources Limited geologists and submitted to NSW Resources with the annual activity reports as required.

3.2. Access arrangements

Section 140 of the *Mining Act 1992* stated, 'the holder of a prospecting title must not carry out prospecting operations on any particular area of land except in accordance with an access arrangement or arrangements applying to that area of land'. The access arrangement was required to be agreed in writing between the holder of the prospecting title and each landholder of that area of land.

A written land access agreement was in place for the exploration activities undertaken on EL9012. The land access agreement reviewed during the audit was generally noted to be prepared using the standard 'Association of Mining and Exploration Companies' template. It was noted that existing farm roads and tracks were mostly used during exploration activities.

3.3 Native title and exempted areas

Condition 2 of EL9012 required the licence holder to obtain the prior written consent of the Minister before carrying out any activities on land on which native title had not been extinguished. Similarly, Section 30 of the *Mining Act 1992* required the consent of the Minister before a licence holder undertook any activities within a State Conservation Area.

Strategic Energy Resources Limited said the drilling program on EL9012 was on freehold land held by a single landholder where native title was extinguished. No approvals under condition 2 of the licence were required.

Areas of Crown land and state forest exist within the broader exploration licence area, but Strategic Energy Resources Limited was not carrying out any activities in those area. There were no state conservation areas within the licence area. No approvals under section 30 of the *Mining Act 1992* were required.

3.4 Community consultation

Condition 3 of EL9012 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.

Strategic Energy Resources Limited prepared a risk assessment for its exploration operations that included risks associated with consultation and engagement. Risks and controls identified included:

- pre-determined community expectations due to poor community engagement by previous explorers
- ineffective or unproductive consultation with stakeholders – undertake consultation in accordance with the Strategic Energy Resources Limited community consultation strategy
- poor engagement with landholders – clear communication of when work will start and stop, consult with landholders on appropriate roads and drill sites to use
- planning of exploration programs without regard to seasonal farming practices – flexible exploration programs to accommodate farming practices.

The risk assessment generally addressed risks associated with community consultation and engagement. As suggestion for improvement number 1, it was recommended Strategic Energy Resources Limited reviews the consultation risk assessment with reference to the objectives for consultation (i.e. the risk assessment needs to focus on what risks need to be managed for effective and inclusive consultation to take place to achieve the objectives for consultation).

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.

Strategic Energy Resources Limited prepared a community consultation strategy for EL9012. A review of the strategy confirmed it addressed the mandatory requirements of the code of practice. For example:

- Objectives for the strategy were documented in the executive summary. The key objective of the strategy was to introduce the company to landholders within the title and develop rapport to facilitate communication to keep stakeholders informed of pending exploration activities.
- Table 1 contained stakeholder's details, as well as individual objectives of engagement, when and how engagement took place as well as details of any engagement, e.g. letter, phone call, email, topic raised.
- Mechanisms for review and amendment of the strategy were included in 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.

Records were available to confirm implementation of the consultation strategy. Typically, Strategic Energy Resources Limited reviewed the consultation strategy annually to determine if any amendments to the strategy were required but also reviewed the strategy when exploration activities were planned to commence. Records of consultation activities were observed to be maintained in an electronic form.

Up until the change to the code of practice in October 2022, annual community consultation reports were prepared and submitted by Strategic Energy Resources Limited, generally in accordance with the reporting guidance in Appendix 2 of the code of practice. In 2023, a community consultation report was prepared but Strategic Energy Resources Limited received no requests for the report from members of the community.

As suggestion for improvement number 2, Strategic Energy Resources Limited should consider undertaking an analysis of any community consultation outcomes and complaints to identify any common issues, emerging trends or key outcomes, and document this in the annual reports.

3.5. Exploration activity approvals

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

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

- assessable prospecting operations application dated 29 July 2024 for up to 35 RC holes to a maximum depth of 200 metres, as part of the South Cobar project (APPO0001782)
- assessable prospecting operations application dated 11 October 2022 for up to 5 diamond drill holes with a total meterage of 1600 metres as part of the South Cobarproject, and associated approval dated 21 July 2022 (APO00011286).

Exploration activities were being carried out in accordance with the description provided in the applications and in accordance with the approvals given. Drilling area polygons were included in a

GIS mapping layer that could be used in the field to determine boundaries of the polygon should drill sites need to be moved. Potential to move RC drill sites was addressed in APO0001782.

3.6. Environmental management

Condition 4 of EL9012 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.

An assessment against the Exploration code of practice: Environmental management was completed for the exploration activities in progress on EL9012 as documented in the following sections. An RC drill rig was on site at hole A1RC0024 (Figure 1).

Figure 1. Hole RC A0024



3.6.1. Use of chemicals, fuels, and lubricants

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

It was observed that diesel fuel, oil and greases were stored on a truck with a bunded spill tray. A rig nappy was in place under the drill rig, with leak protection also observed on the hydraulic lines on the drill rig. Safety data sheets were available in hard copy and electronically and drilling staff were familiar with their locations.

A spill kit was on a support truck parked near the drill rig. The driller advised all drilling staff were trained in the use of the spill kits. No spills were observed at the drill site.

3.6.2. Water management

Mandatory requirements 2.1 and 2.2 required the licence holder to implement all measures to prevent, so far as reasonably practicable, causing adverse impacts on water quality and quantity, including groundwater levels and pressure.

Strategic Energy Resources Limited assessed the risks of striking groundwater for the drilling program as a low risk with no ground water being recorded in previous drilling in the area. Controls were identified in the event groundwater was encountered during drilling. From the risk assessment, any groundwater returned to the surface as part of the drilling process would be incidental, not actively extracted and would be diverted away from the drill hole.

Small volumes of groundwater were encountered in several holes (e.g. A1RC0015 and A1RC0019). This was diverted away from the hole as per the risk control identified. No adverse impact was observed from the diversion of these small volumes of incidental groundwater.

3.6.3. Noise and vibration

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

It was observed the drilling was being conducted on farmland, remote from sensitive receivers. Noise was assessed by Strategic Energy Resources Limited as part of the environmental risk assessment and the risk of adverse impacts was assessed as low with controls in place. Controls included:

- drilling was limited to daylight hours
- the drill rig was fitted with a silencer to reduce machinery noise
- drill sites selected to be remote from sensitive receptors.

Implementation of controls was confirmed by the audit team during the site inspection.

3.6.4. Air quality

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

It was noted that the drilling was being conducted mostly on or adjacent to agricultural land. Air quality impacts were assessed by Strategic Energy Resources Limited as part of the environmental risk assessment and the risk of adverse impacts was assessed as medium with controls in place. Controls identified included:

- site traffic management - establish and enforce speed limits
- dust suppression measure on drill rig
- revegetating disturbed areas within 3 months
- chip sample bags secured and removed from site promptly.

It was noted that the distance from the drill hole to the closest to a sensitive receiver was 1.5 kilometres.

3.6.5. Waste management

Mandatory requirement 5.1 required the licence holder to manage all waste in a manner which did not, as far as practicable, cause harm to the environment.

The key waste streams from the Strategic Energy Resources Limited exploration operations included:

- drill cuttings
- general waste from the drilling crew.

Strategic Energy Resources Limited developed a waste management procedure to address the risks associated with wastes from the exploration programs. Drill cuttings were directed into plastic bags at time of drilling and removed from site at the end of the drilling program. General waste was collected at completion of each hole and sent for disposal at the local waste management facility on a regular basis.

No general waste was observed at any of the completed drill sites inspected by the audit team.

Figure 4. Drill cuttings bagged at drill hole A1RC0015



3.6.6. Vegetation clearance and surface disturbance

Mandatory requirements 6.1 to 6.4 required the licence holder to:

- minimise the extent of any vegetation clearing and surface disturbance to as low as practicable
- implement all measures to prevent, so far as practicable:
 - adverse impacts to fauna caused by vegetation clearing or surface disturbance

- causing any land degradation or pollution of land and water
- harm to the environment when disturbing land in areas of potential or actual acid sulphate soils.

The Strategic Energy Resources Limited environmental risk assessment identified that no clearing of vegetation would be required for most of the drill hole locations as they were on cleared pasture. Minimal clearing of vegetation was required for some drill holes located on the more vegetated sloping ground.

The terrain in which drilling was conducted was a combination of reasonably flat grazing land to sloped rocky hillside. The environmental risk assessment concluded that erosion was low risk and specific controls for erosion and sedimentation were not required. Minimal evidence of erosion from incidental water was observed with minor sedimentation from drilling activities on 2 of the 5 holes inspected.

3.6.7. Roads and tracks

Mandatory requirements 7.1 to 7.5 required the licence holder to:

- consult with relevant landholders before establishing any new roads or tracks
- plan, design, construct and use roads and tracks in a manner which minimises the area and duration of disturbance
- construct any crossing of rivers, permanent and intermittent water lands, and wetlands to prevent impacts on fish habitats
- refrain from using any unsealed road or track during wet conditions to prevent damage to that road or track
- repair all damage to existing roads and tracks resulting from exploration activities.

Risks associated with ground disturbance from vehicular movements were included in the environmental risk assessment and were assessed as low risk with suitable controls in place.

Controls included:

- access via existing roads and tracks with track conditions to be monitored monthly
- restricted speed limit on farm roads and tracks
- monitor local weather conditions and cease operations as required.

Tracks used to access the drill sites inspected during the audit were generally existing property roads and tracks. Inspected drill sites were typically adjacent to existing roads and tracks. A tracked excavator was used to put in new tracks for access to the drill sites on the hillside. Strategic Energy Resources Limited exploration staff advised they were in regular contact with the landholder during the drilling program.

3.6.8. Weeds, pest animals and disease

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

Strategic Energy Resources Limited advised the drill rig and associated vehicles were cleaned before going on site at EL9012. This was confirmed with drill rig staff during the audit visit. The drilling program on EL9012 only required the drill rig and associated vehicles to access one landholder's property so ongoing cleaning of the rig and vehicles was not required.

3.6.9. Livestock protection

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

It was observed there were no livestock in the paddock during the site inspection at EL9012 where drilling was in progress. Strategic Energy Resources Limited exploration staff advised the landholders moved livestock from the paddocks required for drilling.

3.6.10. Cultural heritage

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

Searches of the Aboriginal heritage information system (AHIMS) were conducted as part of the preparation of applications for exploration activity approvals. No items of cultural heritage were identified within the areas proposed for drilling. No specific controls were identified by Strategic Energy Resources Limited as being required for the drilling programs.

Observations made during the site inspection confirmed drilling was mostly conducted in open and cleared paddocks, highly modified by agricultural practices.

3.6.11. Fire prevention

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

Strategic Energy Resources Limited exploration staff advised that fire weather was monitored during the bushfire danger period. Fire extinguishers were maintained on the drill rig and in all light vehicles. Fire control measures were noted to be included in the Strategic Energy Resources Limited site induction so that all personnel on site were familiar with the requirements, controls, and what actions needed to be taken.

3.6.12. Risk assessment

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

Strategic Energy Resources Limited prepared an environmental risk assessment, which was part of its rehabilitation management plan for its exploration program. Where required, environmental controls were identified to mitigate any high and medium risks. The environmental risk assessment was noted to address the mandatory requirements of the code of practice.

3.7. Security deposit

Condition 5 of EL9012 required the licence holder to provide a security deposit to secure funding for the fulfilment of obligations under the licence.

The security amount required for EL9012 was \$10,000, which department records confirmed was held. The drilling program approved in 2024 (APPO001782) triggered an increase in security.

A rehabilitation cost estimate (RCE0002055) was approved by the Regulator on 30 July 2024 with a security increase to \$70,000.

Observations made on site during the site inspection confirmed that the security amount appeared adequate for the drilling program in progress.

3.8. Rehabilitation

Condition 6 of EL9012 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.

Strategic Energy Resources Limited prepared a rehabilitation management plan that identified and assessed some risks to the successful rehabilitation such as:

- soil erosion at drill pads prior to rehabilitation
- ground water
- disturbance of flora and fauna.

As observation of concern 1, the risk assessment lacked depth when considering risks to achieving successful rehabilitation. It was noted the risk assessment included impacts to the environment from the exploration activities (such as noise) that were not a relevant consideration for risks associated with meeting the rehabilitation objectives and completion criteria. The rehabilitation risk assessment must focus on the threats and opportunities associated with rehabilitating disturbed areas to a condition that could support the intended final land use.

As suggestion for improvement 3, Strategic Energy Resources Limited should consider identifying and relating rehabilitation risks to the rehabilitation objectives and completion criteria to provide a more robust framework for managing rehabilitation risks.

3.8.2. Rehabilitation objectives and completion criteria

Mandatory requirement 2 required the licence holder, not later than 14 days before 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 2024 application for assessable prospecting operations (APO0001782) lodged by SER indicated the cumulative total of excavations was 420 cubic metres (including the excavations from the previously approved APO0001286). This exceeded the excavation threshold for a higher risk prospecting activity and triggered the requirement for a rehabilitation management plan. SER provided the plan with the application for assessable prospecting operations.

Evidence was available in department records to confirm that ROCCs were submitted for each drill hole 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.

Strategic Energy Resources Limited aimed to complete rehabilitation of drill holes within 3 months of the completion of drilling. The drilling program was in progress and final rehabilitation was not started. Waste and equipment were removed where drilling was completed, ready for further rehabilitation works.

Photographs before, and during drilling were maintained electronically for each site.

3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016 and condition 8 of EL9012 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, SER submitted annual activity reports comprising:

- annual geological report.
- environmental rehabilitation and compliance report.
- community consultation report.

Generally, reports were found to be in accordance with the NSW Resources and/or 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.

SER staff advised that core and sample storage was maintained at the SER office in Lake Cargelligo. RC chips were stored in plastic chip trays which were labelled and numbered.

3.11. Record keeping

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

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

Records reviewed during the audit demonstrated Strategic Energy Resources Limited 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:

- land access agreements
- GIS system
- drilling records, including a spreadsheet which related drilled holes to relevant activity approval and rehabilitation signoff
- environmental risk assessment
- drill hole checklists
- rehabilitation objectives and completion criteria
- rehabilitation risk assessment
- community consultation risk assessment
- community consultation strategy
- annual activity reporting.

4. Compliance management

4.1. Identifying compliance obligations

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

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

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

The Strategic Energy Resources Limited exploration staff generally had a good understanding of the compliance requirements for exploration. SER prepared procedures for exploration operations to document the processes and controls to be used to minimise impacts. Procedures included:

- Strategic Energy Resources Limited Form 10C Erosion.
- Strategic Energy Resources Limited Form 16A Work Environment Hazards/PPE.
- Strategic Energy Resources Limited Form 7C Drill Rig Inspection.

It was noted that records were generally maintained to demonstrate compliance.

4.2. Contractor 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.

Strategic Energy Resources Limited was using contract drillers to complete the exploration drilling programs. Strategic Energy Resources Limited exploration staff reviewed the environmental and safety management systems of the drilling contractor before starting the drilling program. Strategic Energy Resources Limited exploration staff were on site during drilling to supervise the program.

It was noted that the driller had a reasonable understanding of the environmental management controls required for drilling operations and had implemented relevant environmental controls associated with the drill rig; for example, bunding and spill control around plant and equipment, water management controls, and waste management measures.

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.

Strategic Energy Resources Limited exploration staff established an inspection and monitoring process that was suitable for the nature of the exploration activities being conducted. These processes were noted to include monitoring of contract drilling works, inspection of drill sites. Rehabilitation was to be reviewed after 6 months to confirm works are completed in accordance with the controls identified in the risk assessments.

The impact assessment prepared by Strategic Energy Resources Limited for the exploration drilling program was noted to include risks related to environmental management and rehabilitation. Controls were identified and implemented to manage the risks.

Exploration staff advised that the process for checking the implementation and effectiveness of controls was informal and not documented. As suggestion for improvement number 4, Strategic Energy Resources Limited should consider the development of a documented process to evaluate the effectiveness of the risk controls implemented, with revised controls identified where those risks changed, or controls were identified as being ineffective.

5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that the exploration operations undertaken by Strategic Energy Resources Limited were in line with their required obligations. Evidence was available to demonstrate that systems and processes had been developed to identify and manage compliance requirements. It was observed that records were being maintained as required to demonstrate compliance.

Strategic Energy Resources Limited was compliant with the requirements of the exploration licence, exploration activity approvals and the environmental management and rehabilitation exploration codes of practice, for the elements reviewed during the audit. No non-compliances were identified during the audit.

One observation of concern and four suggestions for improvement were identified as summarised in Table 2 and Table 3.

Table 2 Summary of observations of concern

Observation of concern number	Description of Issue	Recommendation
1	It was noted the rehabilitation risk assessment lacked depth when considering risks to achieving successful rehabilitation. The risk assessment included impacts to the environment from the exploration activities (such as noise) which were not a relevant consideration for risks associated with meeting the rehabilitation objectives and completion criteria.	The rehabilitation risk assessment must focus on the threats and opportunities associated with rehabilitating disturbed areas to a condition that could support the intended final land use.

Table 3 Summary of suggestions for improvement

Suggestion for Improvement No.	Description of Issue
1	Strategic Energy Resources Limited should consider reviewing the consultation risk assessment with reference to the objectives for consultation (i.e. the risk assessment needs to focus on what risks need to be managed for effective and inclusive consultation to take place to achieve the objectives for consultation).
2	Strategic Energy Resources Limited should consider undertaking an analysis of any community consultation outcomes and complaints to identify any common issues, emerging trends or key outcomes, and document this in the annual reports.
3	Strategic Energy Resources Limited should consider identifying and relating rehabilitation risks to the rehabilitation objectives and completion criteria to provide a more robust framework for managing rehabilitation risks.

Suggestion for Improvement No.	Description of Issue
4	Strategic Energy Resources Limited should consider the development of a documented process to evaluate the effectiveness of the risk controls implemented, with revised controls identified where those risks changed, or controls were identified as being ineffective.