

Compliance audit program

EL8831 Alectown West Exploration Project

Agricultural Equity Investments Pty Ltd

January 2025

Published by the Department of Primary Industries and Regional Development

Title: EL8831 Alectown West Exploration Project

Subtitle: Agricultural Equity Investments Pty Ltd

First published: January 2025

Department reference number: RDOC24/230849

Amendment schedule		
Date	Version	Amendment
January 2024	1.0	First published

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1. Introduction

1.1. Background

Exploration licence 8831 (1992) was granted to Agricultural Equity Investments Pty Ltd on 12 April 2019. The exploration area was about 18 kilometres south-west of Peak Hill in central NSW.

Agricultural Equity Investments contracted RME Geological Services Pty Ltd (RMEGS) to manage the tenement on its behalf.

As part of the compliance audit program, an audit of the exploration activities associated with the Alectown West exploration project within EL8831 was undertaken on 10 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 Agricultural Equity Investments 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 Alectown West exploration project including:
 - exploration activities within EL8831 including a selected sample of exploration drillholes
 - borehole sealing and rehabilitation activities for selected drilling activities undertaken since September 2022.
- a review of documents and records pertaining to the exploration operations for the period commencing 1 September 2022 and ending 10 September 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 EL8831 (granted 12 April 2019 and renewed 12 June 2024)
- assessable prospecting activities application dated 22 December 2023 for up to 4 DDH/RC holes, and associated approval dated 5 February 2024 (APO0001651)

- 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).

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 [Compliance Publication Policy](#)
- *Government Information (Public Access) Act 2009*.

2. Audit methods

The audit process involved interviewing site personnel, reviewing 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 onsite on 10 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. Where documents were unable to be reviewed on the day, they were provided following the 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 area proposed for the Alectown West drilling program. Although exploration activity approval was granted, drilling had not started.

2.3. Closing meeting

A closing meeting was held on site on 10 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> <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 licence holder have changed and are no longer relevant (e.g. no longer mining, mining equipment and plant has been removed).</p> <p>An invoking element in the criteria was not activated within the scope of the audit.</p>

2.5. Reporting

Following completion of the 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 Agricultural Equity Investments and RMEGS 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 EL8831 required the licence holder to carry out the operations described in the approved work program. Work programs WP-EL8831-2019-2024 and WP-EL8831-2024-2027 were in force during the audit period:

Evidence was available to confirm that exploration activities were progressing, but NSW Resources noted not all the 2019 to 2024 program was completed. Annual reports for the 2022, 2023 and 2024 reporting periods were reviewed for EL8831. Exploration completed included:

- data review and exploration planning
- geological reconnaissance.

RMEGS exploration staff said the annual reporting process was used to review and monitor the approved work program. Exploration data was noted to be maintained by the RMEGS 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.

Evidence was provided to confirm that a written land access agreements were in place for some properties for the exploration activities proposed on EL8831. RMEGS staff said the agreements were based on the standard AMEC template. It was noted no on-ground works were undertaken on EL8831. The status of all land access agreement was to be confirmed before the approved exploration drilling program started.

3.3. Native title and exempted areas

Condition 2 of EL8831 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 an exempted area.

RMEGS staff said exploration activities were proposed in areas of freehold land within EL8831. Any areas of Crown land within the tenement were identified using the SEED portal and included in a layer in a geographic information system (GIS) so that these areas could be avoided during drill hole planning. No further approvals under Section 30 of the *Mining Act 1992* were required.

RMEGS staff said most of the licence area was under freehold title where native title had generally been extinguished. Exploration targets were generally prioritised to avoid native title or exempted areas where possible. Although not a compliance requirement, confirmation of extinguishment had

not been sought from NSW Resources. No further approvals under Condition 2 of the licence were required for EL8831.

3.4. Community consultation

Condition 3 of EL8831 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.

RMEGS assessed the activity impact level as low following the guidance in Appendix 1 of the code of practice. The auditor concurs with this assessment.

RMEGS prepared a community consultation risk assessment for the Alectown West project, which was documented as part of the community consultation strategy. The risk assessment reflected the low activity impact level.

As suggestion for improvement number 1, it was recommended that the community consultation risk assessment be reviewed against the objectives for consultation such that the risk assessment can focus on the risks and opportunities that need to be identified and managed to facilitate an inclusive and effective consultation program.

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.

RMEGS prepared a community consultation strategy and plan for the North Parkes East project which incorporates EL8831. The strategy was noted to follow the guidance material in the code of practice and included:

- objectives for consultation were documented in section 1
- a description and analysis of community stakeholders and impacts was documented in sections 4 and 5
- a description of how consultation would be undertaken was documented in section 7
- a process for review and amendment of the strategy when required was documented in section 3.

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 confirm that RMEGS and Agricultural Equity were undertaking community consultation generally in accordance with the methods outlined in the community consultation strategy. Given the location of exploration activities remote from sensitive receptors, liaison with landholders was the key consultation undertaken.

It was noted that records of consultation activities were maintained in electronically in a community consultation register spreadsheet. No on-ground exploration activities were progressed during the audit period, so records of consultation were limited to landholder negotiations and discussions.

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

RMEGS did some basic analysis of consultation data, but this was limited in scope. As suggestion for improvement number 2, Agricultural Equity Investments should consider undertaking further 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 activities application dated 22 December 2023 for up to 4 DDH/RC holes, and associated approval dated 5 February 2024 (APO0001651).

Agricultural Equity Investments had not started the approved drilling program.

3.6. Environmental management

Condition 4 of EL8831 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 not completed because no on-ground exploration activities were undertaken in EL8831.

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 changes, implement revised environmental management controls.

RMEGS exploration staff said the application for assessable prospecting operations (APO) was used as the trigger for the development and/or review of an environmental risk assessment. The audit team sighted an environmental risk assessment dated September 2024 for the planned exploration drilling program on EL8831.

Review of the environmental risk assessment confirmed it addressed the mandatory requirements of the code of practice

3.7. Security deposit

Condition 5 of EL8831 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 EL8831 was \$10,000, which department records confirmed was held. The application for assessable prospecting operations did not trigger an increase in security.

3.8. Rehabilitation

Condition 6 of EL8831 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.

RMEGS exploration staff prepared a rehabilitation risk assessment for the exploration works. A range of rehabilitation risks were identified with controls documented for each risk. It was noted the risks identified generally related to achieving the intended final land use.

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 exploration activity approval applications lodged by Agricultural Equity Investments indicated the total surface disturbance area was less than 5 hectares. No excavations were required. 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. It was noted a drilling rehabilitation management plan was prepared for the February 2024 approved drilling program, even though it was not required.

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.

No surface disturbing exploration activities requiring rehabilitation were undertaken on EL8831. Baseline conditions were documented in a series of photos and RMEGS exploration staff described the rehabilitation methodology proposed to be implemented when the drilling was undertaken.

3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016 and condition 8 of EL8831 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, Agricultural Equity Investments submitted annual activity reports comprising:

- annual geological report
- environmental rehabilitation and compliance report
- community consultation report (up to October 2022).

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.

No drilling was completed on EL8831, so no core or samples were collected. RMEGS exploration staff said core and/or chip samples would be stored at the RMEGS facility in Orange when drilling was completed.

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 that Agricultural Equity Investments and RMEGS had generally maintained records as required by the licence conditions and the exploration codes of practice.

Examples of records reviewed included:

- land access agreements
- rehabilitation objectives and completion criteria and rehabilitation management plan
- pre-drilling photos
- field sheets for recording field information
- community consultation strategy
- community consultation records
- annual activity reporting and report tracking system.

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 RMEGS exploration staff generally had a good understanding of the compliance requirements for exploration. Systems and processes for managing compliance requirements were developed and implemented. However further development of these systems would be beneficial as noted in the suggestions for improvement documented in the audit report.

It was noted that records were generally being 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.

Drilling was not started at the time of the audit and a review of contractor management activities was not undertaken. RMEGS exploration staff said drillers would be given a site-specific induction for the drilling program before it started.

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.

RMEGS exploration staff established an inspection and monitoring process that was suitable for the low impact nature of the exploration activities being conducted. These processes were noted to include inspection of drill sites and rehabilitation to confirm works are completed in accordance with the controls identified in the risk assessments. Given there were no surface disturbing exploration operations on EL8831, the system was not implemented.

5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that the exploration operations undertaken by Agricultural Equity Investments and RMEGS were generally well managed. Evidence was available to demonstrate that basic systems and processes were developed to identify and manage compliance requirements. Further development of these systems would be beneficial to ensure comprehensive and robust management systems were in place. It was observed that records were being maintained as required to demonstrate compliance.

Agricultural Equity Investments was compliant with the requirements of the exploration licence, exploration activity approvals and the environmental management, rehabilitation, and community consultation exploration codes of practice, for the elements reviewed during the audit. No non-compliances were identified during the audit.

Two suggestions for improvement were noted during the audit, as summarised in Table 2.

Table 2 Summary of suggestions for improvement

Suggestion for Improvement No.	Description of Issue
1	Agricultural Equity Investments should consider reviewing the community consultation risk assessment against the objectives for consultation such that the risk assessment can focus on the risks and opportunities that need to be identified and managed to facilitate an inclusive and effective consultation program.
2	Agricultural Equity Investments should consider undertaking further 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.