

Compliance audit program

EL8527 Apsley exploration project

Alkane Resources Ltd

August 2024

Published by the Department of Primary Industries and Regional Development

Title: EL8527 Apsley exploration project
Subtitle: Alkane Resources Ltd
First published: August 2024
Department reference number: ASMT0035564

Amendment schedule		
Date	Version	Amendment
August 2024	1.0	First published

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1. Introduction

1.1. Background

Exploration licence 8527 (EL8527) was granted to Alkane Resources Ltd on 7 March 2017. The exploration area is about 17 km to the south-west of Bathurst in central NSW. The Apsley exploration project form part of the broader Rockley Project that includes EL8527, EL8194 and EL9107.

As part of the compliance audit program, an audit of the exploration activities associated with the Apsley exploration project within EL8527 was undertaken on 2 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 Apsley 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 Apsley exploration project including:
 - exploration activities within EL8527 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 and ending 1 May 2024.

1.4. Audit criteria

The audit criteria against which compliance was assessed included the:

- *Mining Act 1992*, specifically, Sections 5, 30, 140, 163C to 163E, 163G, 378D
- Mining Regulation 2016, specifically clauses 59 to 68
- conditions attached to EL8527 (granted 7 March 2017 and renewed 27 April 2023)
- exploration activities application dated 27 February 2024 for up to 7 Reverse Circulation drill holes, and associated approval dated 11 March 2024 (APO0001716)

- 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 onsite on 2 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 APRC002, drilled April 2024, partially rehabilitated
- Drill hole APRC003, drilled April 2024, partially rehabilitated
- Drill hole APRC004, drilled April 2024, partially rehabilitated
- Drill hole APRC005, drilled April 2024, partially rehabilitated
- Core yard.

2.3. Closing meeting

A closing meeting was held on site on 2 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	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: NC1 – the absence of planning or implementation of a required operational element which has the potential to result in a significant risk. NC2 – an isolated lapse or absence of control in the implementation of an operational element which is unlikely to result in a significant risk. NC3 – an administrative or reporting non-compliance which does not have a direct environmental or safety significance. 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.
Observation of concern	Where an auditee may be compliant at the time of the audit but there are issues that exist that could result in the potential for future non-compliance if not addressed. Observation of concern was also used where an issue may not have particular compliance requirements, but which was not conducive to good management or best practice.
Suggestion for improvement	Where changes in processes or activities inspected or evaluated at the time of the audit could deliver improvement in relation to risk minimisation, sustainable outcomes and management practices.
Not determined	The necessary evidence has not been collected to enable an assessment of compliance to be made within the scope of the audit. Reasons why the audit team could not collect the required information include: 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. A ‘not determined’ assessment was also made where the condition was outside the scope of the audit.
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 Alkane Resources for comment. Consideration was given to the representations made during the finalisation of the audit report as discussed in the audit findings.

3. Audit findings

3.1. Work program

Condition 1 of EL8527 required the licence holder to carry out the operations described in the approved work programs. Work program, WP-EL8527-2017-2023 and WP-EL8527-2023-2029, were in force during the audit period.

Annual reports for the 2022 2023 and 2024 reports were reviewed for EL8527. It was noted that Alkane Resources did not complete all components of the 2017 to 2023 approved work program. Extenuating circumstances including native title procedural requirements and land access arrangements were reported.

Evidence was available to confirm that exploration activities progressed since native title requirements were achieved in late 2021. Exploration completed included:

- soil geochemistry surveys
- rock chip sampling
- ground electromagnetic surveys.

Alkane Resources advised an annual review of work program commitments is undertaken as part of the annual report preparation and submission. Records are maintained through a corporate shared server with external back-up. Exploration data is 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 EL8527. The land access agreements include clauses that address any special requirements requested by the landowner.

3.3. Native title and exempted areas

Condition 2 of EL8527 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.

A registered native title claim lies over areas to which EL 8537 applies. Following the conclusion of a right to negotiated process a section 31 deed was executed on the 22 May 2020. An endorsement schedule providing Ministers consent in accordance with Condition 2 of EL8527 was determined on the 22 May 2020.

Alkane advised that all exploration activities within EL8527 have been undertaken on Crown Land with access arrangements in accordance with section 140 of the *Mining Act 1992*. No further approval under section 30 of the *Mining Act 1992* is required.

3.4. Community consultation

Condition 3 of EL8527 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.

Alkane Resources provided evidence to demonstrate that a site wide community consultation risk assessment had been completed. The concise risk assessment included a range of considerations including failing to gain a social licence to operate and failing to adequately respond to genuine community concerns.

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.

Alkane Resources provided a copy of the Community Consultation Strategy which was last reviewed on 28 March 2024. The Strategy is for the Rockley Project that includes EL8527, EL8194 and EL 9107.

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 potential community stakeholders
- describe the methods of consultation
- sets out mechanisms for reviewing and monitoring 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 Alkane Resource had maintained records of community consultation, by maintaining a community contact log, which logs phone calls, emails and correspondence. Consultation was primarily focused on liaison with landholders.

Alkane Resources advised that the annual community consultation report is made available on request. A copy of the Annual Community Consultation Report for EL8527 for the reporting period 8 March 2023 to 7 March 2024 was provided as part of the audit review, as was determined to be prepared generally in accordance with the reporting guidance in Appendix 2 of 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 approvals granted included:

- exploration activities application dated 27 February 2024 for up to 7 Reverse Circulation drill holes, and associated approval dated 11 March 2024 (APO0001716).

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 EL8527 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 was completed in mid-April 2024 so at the time of the audit and all plant and equipment had been removed from site. The drill holes were unrehabilitated at the time of audit on 2 May 2024.

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

- No vegetation was required to be removed for drilling activities.
- All drill holes were observed to have been typically placed in cleared paddock areas, with no excavation required for drill pads or sumps.
- At drill hole APRC005 minor amounts of drill cuttings were present on the ground surface adjacent to the drill hole collar. Alkane Resources advised the material would be managed as part of the drill hole rehabilitation to be completed as soon as possible once laboratory results had been received.

- Labelled sample bags were being temporarily stored adjacent to the drill holes. Alkane Resources advised material would be managed as part of rehabilitation activities as soon as possible once laboratory results had been received.
- It was noted that weeds were present at a number of sites, however they appeared to be consistent with weed presence in the surrounding area.

As a suggestion for improvement number 1, additional control measures could be implemented to prevent the spread of drill cuttings on the ground surface or to manage drill cuttings/dust at the time of the activity.

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.

Alkane Resources had completed an environmental risk assessment prior to commencing exploration activities on EL8527. The environmental risk assessments are completed as part of the pre-commencement checks and documented controls to be implemented to mitigate risk

3.7. Security deposit

Condition 5 of EL8527 requires the licence holder to provide a security deposit to secure funding for the fulfilment of obligations under the licence.

The security deposit held for EL8527 was \$10,000 which department records confirmed was held. The application for assessable prospecting operations for EL8527 was noted to include a review of the security deposit. However, the application and subsequent approval did not trigger an increase in security.

3.8. Rehabilitation

Condition 6 of EL8527 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.

Alkane Resources had developed a rehabilitation strategy for exploration which was prepared in 2024 prior to exploration activities within EL8527. The rehabilitation strategy included a rehabilitation risk assessment that identified a range of hazards and management controls.

The detail presented in the rehabilitation risk assessment was proportionate given the low intensity, low impact exploration activities that has been undertaken along with the agricultural land use of the impacted area.

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 Alkane Resources 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.

The assessable prospecting operation application for drilling activities committed to applying the ROCCs 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 (that 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 Alkane Resources advised a rehabilitation monitoring and inspection program was undertaken using checklists that were stored in a mobile application, which is used to manage the on-site exploration activities. The mobile application stores data associated with drill holes including photos.

Alkane Resources developed a checklist for documenting landholder consultation relating to rehabilitation that was completed before the commencement of exploration activities. The checklist recorded areas of potential impacts, rehabilitation requirements, timeframes and consultation regarding use of roads and tracks.

The drilling program was completed approximately 2 weeks before the audit inspection in April/May 2024.

The drill holes were unrehabilitated with a PVC drill collars with metal caps present at the ground surface. Labelled plastic sample bags were stored on-site pending assay results and assessment.

The low impact drilling activity resulted in minimal surface disturbance, which reduced the potential for erosion and sedimentation issues and reduced requirements for re-vegetation.

Rehabilitation monitoring was completed using checklists and captured details of vegetation establishment, presence of weeds and erosion and sediment control issues.

Figure 1, Figure 2, Figure 3, and Figure 4 depict the areas inspected associated with recent exploration activity.

Figure 1 Drill hole APRC002 with labelled plastic drill bags in background



Figure 2 Drill hole APRC003 with labelled plastic drill bags in background



Figure 3 Drill hole APRC004 with labelled plastic drill bags in background



Figure 4 Drill hole APRC005 with labelled plastic drill bags in background



3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016 and condition 8 of EL8527 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, Alkane Resources 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.

Alkane Resources stored cores and samples at the project office and workshop complex. The core yard was inspected and found to be well organised with cores and samples labelled and stored appropriately.

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 Alkane Resources 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:

- rehabilitation requirements agreed to by the landowner
- rehabilitation objectives and completion criteria
- rehabilitation strategy
- 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).

Alkane Resources representatives generally had a good understanding of their compliance obligations under the Mining Act, title conditions and exploration codes of practice.

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

Alkane Resources indicated that they conduct an annual internal audit of processes and maintain a calendar to track reporting dates. In addition, a tenement manager is engaged to assist with understanding, tracking and meeting compliance obligations under the Mining Act, title conditions and exploration codes of practice.

4.2. Subcontractor 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.

Alkane Resources contract drilling companies to complete activities, which are overseen by Alkane Resources representatives. An induction and pre-start inspection was undertaken.

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.

Alkane Resources indicated that a site inspection and monitoring process was undertaken for each drill hole. Alkane Resources have developed a mobile application to record inspections and checklists.

Alkane Resources indicated it has commenced an annual review to review processes and practices, it is understood that this includes assessable prospecting operations applications, environmental management practices and rehabilitation.

5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that the exploration operations undertaken by Alkane Resources 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.

Alkane Resources were 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 or observations of concern were identified during the audit. The audit identified 1 suggestion for improvement as summarised in Table 2.

Table 2 Summary of suggestions for improvement

Suggestion for Improvement No.	Description of issue
1	As a suggestion for improvement number 1, additional control measures could be implemented to prevent the spread of drill cuttings on the ground surface or to manage drill cuttings/dust at the time of the activity.