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INDUSTRY & INVESTMENT
Minerals & Energy – Mineral Resources

Director-General Letter

Jennifer Anderson, Manager Land & Property, Coal & Allied Operations Pty Ltd
Consent to apply for an Exploration Licence

Brief and letter prepared by Melanie Brown, Titles Administrator, Mineral Resources
Division
22 December 2009

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23/12/09

→ Manager, Coal & Petroleum Titles and Systems

- Jedda - note + file
Spines
22/11/10

Ministerial and Executive Support Sydney

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Executive Director, Mineral Resources

Director-General

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INDUSTRY & INVESTMENT
Minerals & Energy – Mineral Resources

Director-General Letter

Jennifer Anderson, Manager Land & Property, Coal & Allied Operations Pty Ltd
Consent to apply for a Mining Lease

Issue:

The Minister consent to a mining lease application being lodged within a Mineral Allocation Area.

Background:

On 2 October 2009, Warkworth Mining Limited requested the Minister's consent to apply for a mining lease for coal over an area of 1098 hectares. The whole of the state of NSW is a mineral allocation area for coal and applications for mining leases require Ministerial consent.

Mt Thorley Warkworth mine is currently seeking development consent under Part 3A of the *Environmental Planning and Assessment Act 1979* to extend operations at the mine. A mining lease is being sought from the surface to 20 metres above its existing Consolidated Coal Lease 753 as required by the application for development consent. It is estimated that the area contains 10.4Mt of in situ coal resource, some of which will be saleable. The surface area will also provide access to mineable coal below 20 metres.

There are no conflicting coal titles affecting the area of the proposed application. The Coal Allocation Committee recommends consent to lodge a mining lease application be given to Warkworth Mining Limited.

A copy of the section of the *Mining Act 1992* referred to in this briefing is described on the Additional Information 1 page.

Comment:

The Director-General has the delegation under the *Mining Act 1992* to consent to the lodgement of a mining lease application within a mineral allocation area.

Recommendations:

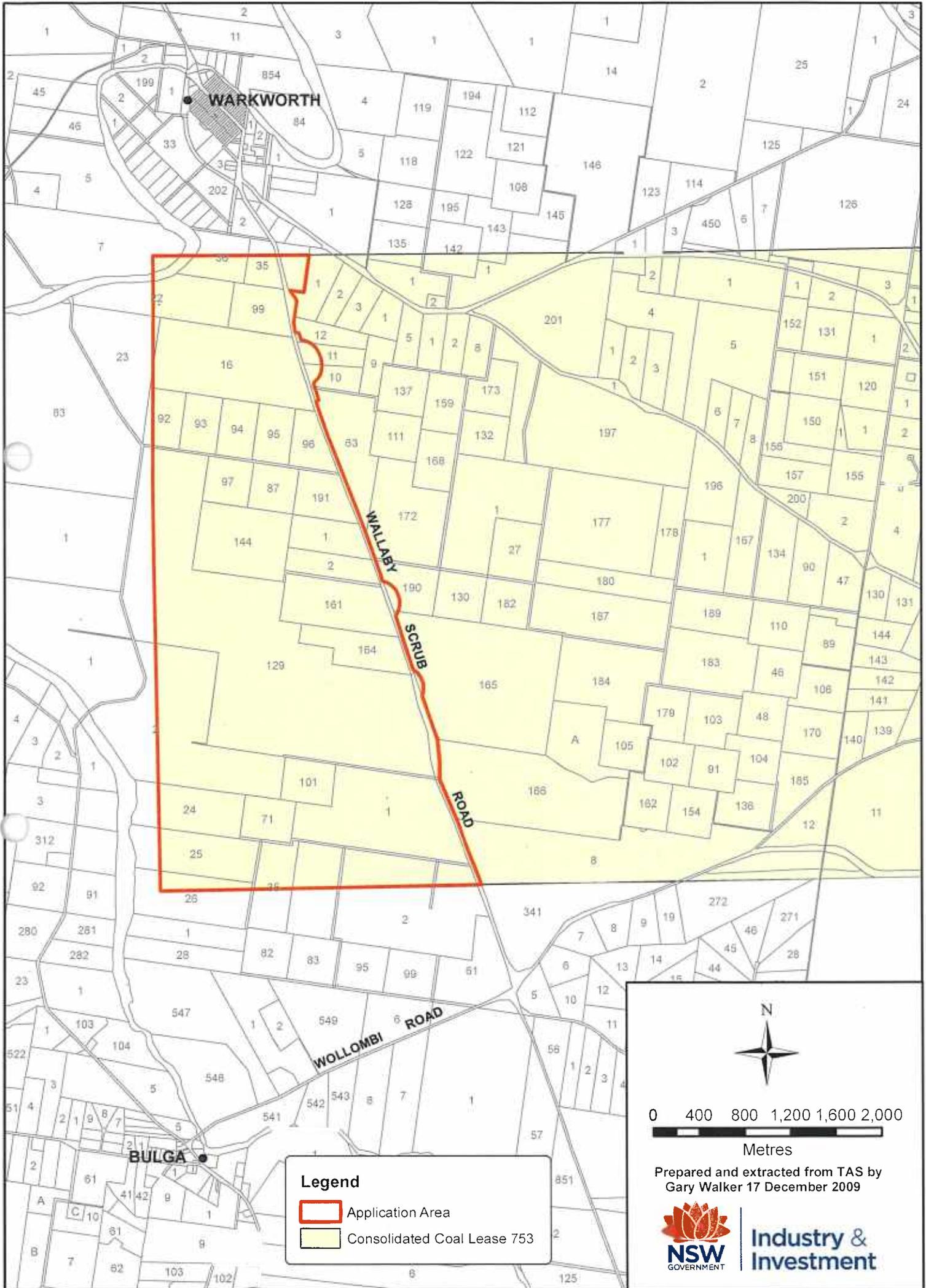
1. The Director-General under delegation from the Minister, in accordance with section 51(4) of the *Mining Act 1992*, consent to Warkworth Mining Limited lodging a mining lease application for coal within a mineral allocation area, for the area as described on Diagram X dated 17 December 2009.
2. That the Director-General signs the attached letter.

Additional Information 1 - Sections of the Mining Act 1992 referred to in this briefing.

Mining Act 1992 No 29

51 Applications

- (1) Any person may apply for a mining lease.
- (2) An application for a mining lease:
 - (a) must specify the mineral or minerals, or the mining purpose or mining purposes, in respect of which it is made, and
 - (b) must be lodged with a mining registrar, and
 - (c) must be accompanied by the required particulars, and
 - (d) must be accompanied by the appropriate lodgment fee.
- (3) The required particulars, in the case of an application that specifies a mineral or minerals, are as follows:
 - (a) a description, prepared in the manner prescribed by the regulations, of the land over which the mining lease is sought,
 - (b) an assessment of the mineral bearing capacity of the land and of the extent of any mineral deposits in that land,
 - (c) particulars of the financial resources available to the applicant,
 - (d) particulars of the technical advice available to the applicant,
 - (e) particulars of the program of work proposed to be carried out by the applicant on the area of land over which the mining lease is sought.
- (4) An application that relates to land within a mineral allocation area may not be made in relation to an allocated mineral except:**
 - (a) by the holder of an exploration licence or assessment lease over that land in respect of that mineral, or**
 - (b) with the consent of the Minister.**
- (5) The required particulars, in the case of an application that specifies a mining purpose or mining purposes, are as follows:
 - (a) a description, prepared in the manner prescribed by the regulations, of the land over which the mining lease is sought,
 - (b) a description of the nature and extent of the mining purpose or mining purposes to be carried out.



Legend

-  Application Area
-  Consolidated Coal Lease 753

N



0 400 800 1,200 1,600 2,000



Metres

Prepared and extracted from TAS by Gary Walker 17 December 2009



Industry & Investment



New South Wales

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DGO09/1005

22 JAN 2010

Ms Jennifer Anderson
Manager Land & Property
Coal & Allied Operations Pty Ltd
PO Box 315
SINGLETON NSW 2330

Dear Ms Anderson

Thank you for your letter of 2 October 2009 concerning the Mount Thorley Warkworth project.

The Minister, in accordance with section 51 (4) of the *Mining Act 1992*, has given consent for Warkworth Mining Limited to lodge a mining lease application for coal over the area as shown by red outline on the attached diagram.

The consent will lapse if a mining lease application has not been lodged within six months from the date of this letter.

This consent has been made under the Government's Guidelines for Allocation of Future Coal Exploration Areas (copy attached). Any future mining developments that occur from the grant of any mining lease made under this consent will be subject to a financial contribution as per the table in the Guidelines.

The New South Wales Government recognises the importance of the mining industry to our State, both in generating employment and in being the single largest export income contributor.

Yours sincerely

RICHARD SHELDRAKE
DIRECTOR-GENERAL

Encl



Legend

-  Application Area
-  Consolidated Coal Lease 753

N



0 400 800 1,200 1,600 2,000



Metres

Prepared and extracted from TAS by
Gary Walker 17 December 2009



Industry & Investment

Guidelines for Allocation of Future Coal Exploration Areas
Introduced March 2006
Updated January 2008

1. Introduction

Following a recent order from the Governor of New South Wales, all of the coal deposits in NSW now lie within a Minerals Allocation Area (MAA) under the Mining Act 1992.

Within the MAA, the Minister's consent is required before an application can be made for a coal exploration licence. The MAA allows for the controlled and rational release of potential coal development areas and the setting of special conditions for each allocation.

Normally allocations are made on a competitive basis, however, there may be circumstances where coal allocations are made subject to certain conditions and including a financial contribution.

These guidelines apply to future coal exploration areas and not to existing titles.

2. Categories of Coal Allocation Areas

For the purpose of these guidelines potential coal allocation areas are categorised into four groups:

(i) Major Stand-Alone Areas

These areas contain sufficient coal to develop a large new mine.

(ii) Substantial Additions to Existing Mines

These areas are located adjacent to existing mines and could be mined from a continuation of the existing operations. Such areas may also have the potential to be 'major stand-alone' areas.

(iii) Minor Additions to Existing Mines

These areas are small areas adjacent to existing mines and could be mined by a continuation of the existing mine. These areas are not large enough to develop 'major stand-alone' mines.

(iv) Small Areas Unrelated to Existing Mines

These areas are small but may have the potential to be developed as stand-alone mines if located close to infrastructure or markets.

3. Process for Allocation

(i) Major Stand-Alone Areas

A major stand-alone area is defined as an area containing sufficient coal to justify the establishment of a substantial new mine and infrastructure.

Stand-alone areas will be allocated by:

- (a) Tender or expressions of interest with open-ended financial contribution.
- (b) Tender or expressions of interest with minimum financial contribution but open-ended maximum contribution.
- (c) Tender or expressions of interests with a fixed financial contribution and a requirement to develop specific infrastructure or utilisation technologies or value adding processes.

- (d) Tender or expressions of interest to supply a specific end use such as a domestic power station with a financial contribution negotiated in advance of the tender or expression of interest.

(ii) Substantial Additions to Existing Mines

Substantial additions range in size from 20 Mt open cut or 50 Mt underground saleable reserves to major stand alone areas that are adjacent to existing mining projects.

(a) Potential Stand-Alone Areas

Unless the area is required to ensure the ongoing short to medium term future of the mine, competitive tendering or expression of interest would be used as per the process outlined in (i).

(b) Other Areas (>20Mt open cut or >50 Mt underground)

To add significant additional reserves (but not of stand-alone size) to existing mines, an assessment based on one or more of the following criteria will be employed:

- Current mine reserves are nearly depleted and grant of an adjoining area would ensure continuity of mining.
- The viability of the mine could be substantially improved.
- Significant capital expenditure would be incurred and the production levels increased/maintained.
- Sterilisation of the resource would be avoided or resource recovery from the area would be substantially enhanced.
- Allocation of the area would avoid duplication of infrastructure in environmentally sensitive areas or assist to ameliorate potential conflicts with other surface development.

If such a substantial allocation is made without competitive tendering, then a financial contribution will be negotiated. Minimum contributions are specified in the attached Appendix.

General

- For requests for substantial additions to mines which adjoin other mines or projects, consideration will be given to the current and possible future needs of those adjoining operations in regard to access to additional coal reserves.
- Geological structures which may form mining barriers will be taken into consideration.
- In some instances, the grant of additional reserves may be balanced by the relinquishment of areas effectively non-mineable from existing operations due to geological barriers.
- Substantial additions will not be granted to applicants who have not already carried out extensive exploration in existing holdings.

(iii) Minor Additions to Existing Mines

A minor addition is defined as a small area adjoining an existing mine or project. It may contain up to 20 million tonnes of open cut or 50 million tonnes of underground saleable coal reserves. Small areas may be allocated on the basis of one of more of the following criteria:

- Life of the existing mine will be extended (but there isn't necessarily any significant increase in employment, capital expenditure or production).
- Grant of the area will rationalise existing colliery boundaries in relation to surface features or geological constants.
- The area is threatened with sterilisation from competing land uses.
- The area would not be amendable to the development of a separate small stand-alone mine.
- Resource recovery will be maximised.

Where a proposed minor addition forms part of a larger unallocated area, consideration will be given to the possible deleterious effect on the future development potential of the larger area.

In the situation where a minor addition is adjacent to more than one existing mine or project, then a study needs to be undertaken prior to allocation, to ensure that the proposed allocation represents the most rational and equitable approach.

Prior to allocation to an existing mine or project, appropriate terms and conditions will be negotiated and the financial contribution will be set as per the attached Appendix.

Minor additions may be granted as mining leases rather than exploration licences where the geological data from adjoining areas can be reasonably extrapolated into the proposed addition.

(iv) Small Areas Unrelated to Existing Mines

Small areas include:

- Remnant coal resources left from previous mining operations.
- Small deposits with some development potential.

Allocation will be by priority of application or by some limited form of expression of interest.

A financial contribution based on the tonnes of saleable coal will be set as per the Appendix.

4. Refund of Exploration Expenditure

All categories require the refund of government exploration expenditure. Exploration adjacent to, but outside the allocation area, may be included as part of the expenditure.

Repayment schedules are negotiable.

5. Requirement to Develop Resources

All allocations of coal reserves are made to either allow the development of a new mine or to enhance an existing mine.

Where the conditions of the original allocation are not met by the title holder or the allocated resources are not developed within a reasonable time frame, the coal title may be cancelled by the Minister without compensation.

Indicative Financial Contribution for Coal Allocation Areas

The Tables below set out indicative financial contributions for coal allocation areas. The contributions are based on the type of deposit (open cut or underground), quality (export or domestic) and size.

I. OPEN Cut

Saleable Tonnes (Mt)	Export Coal		Domestic Coal	
	Cents/Tonne	Minimum Contribution \$ million	Cents/Tonne	Minimum Contribution \$ million
> 100	Tender or Negotiation or 20 + negotiation	>20	Tender or Negotiation or 10 + negotiation	>10
50-100	15+ negotiation	>7.5	7.5 + negotiation	>3.75
5-50	10	>0.5	5	>0.25
<5	5	<0.25	2.5	<0.125

II. UNDERGROUND

Saleable Tonnes (Mt)	Export Coal		Domestic Coal	
	Cents/Tonne	Minimum Contribution \$ million	Cents/Tonne	Minimum Contribution \$ million
>100	Tender or Negotiation or 15+ negotiation	>15	Tender or Negotiation or 7.5 + negotiation	>7.5
50-100	10	>5	5	>2.5
<50	5	<2.5	2.5	<1.25

Payment of Financial Contributions

Unless allocated by open tender or negotiation, financial contributions will be payable in instalments:

- 20% at grant of Development Approval.
- balance payable in five equal payments at yearly intervals.

The financial contributions do not include the refund of government exploration and tender assessment costs if applicable.