

INTEGRA MINE COMPLEX

Overland Conveyor and Biodiversity Offsets Timeframes (MP 08_0101 MOD 3 & MP 08_0102 MOD 3)

1 BACKGROUND

Integra Coal Operations Pty Ltd (Integra), a subsidiary of Vale Australia, operates the Integra Mine Complex, approximately 10 kilometres northwest of Singleton in the Hunter Valley (see Figure 1).

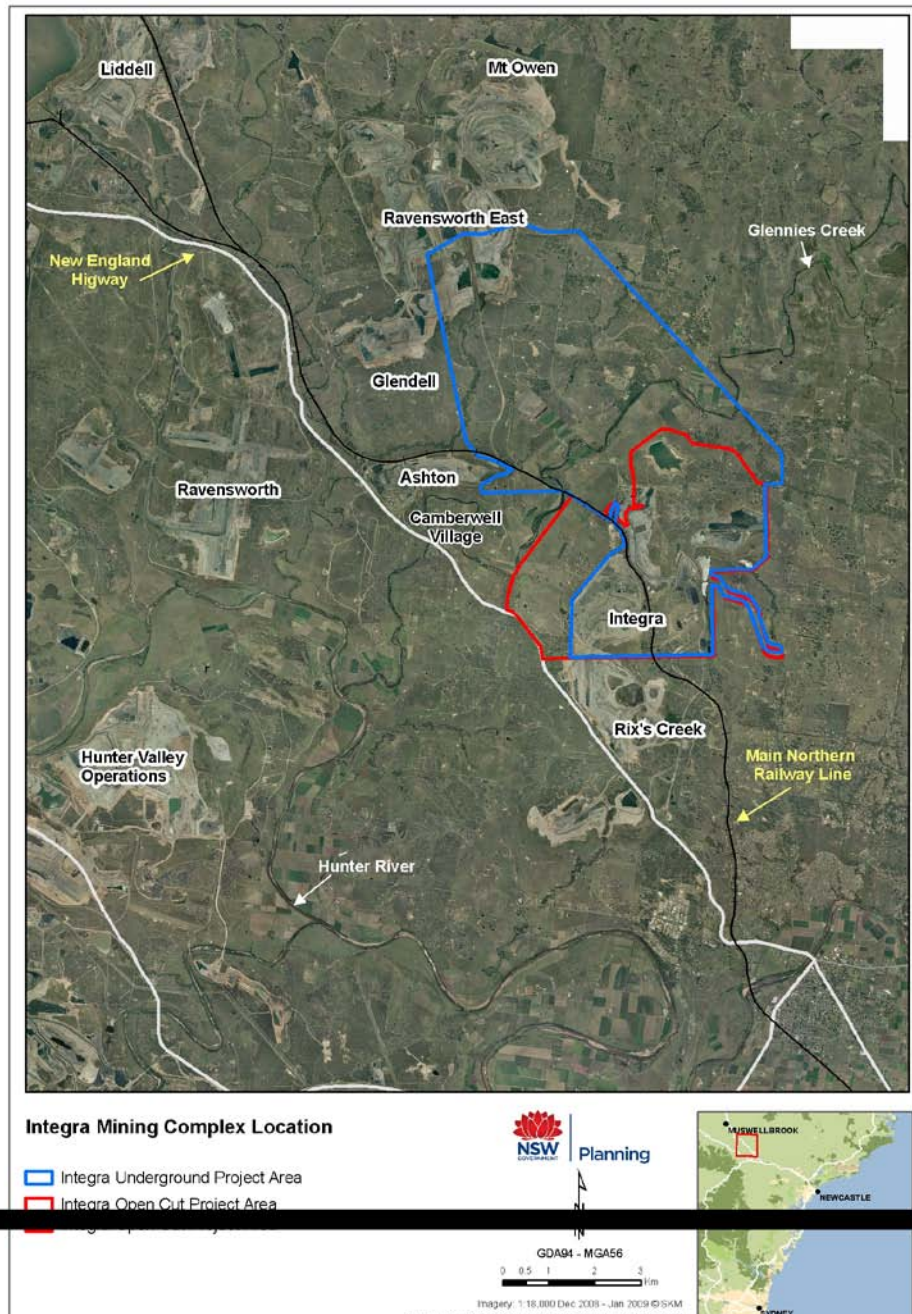


Figure 1: Location of the Integra Mine Complex

The Complex comprises 3 separate mining areas (see Figures 2 and 3), including the former:

- Camberwell open cut mine;
- Glennies Creek open cut mine (now known as the North Open Cut); and
- Glennies Creek underground mine.

The Complex is now regulated by a single consolidated Ministerial project approval granted on 26 November 2010. This project approval instrument governs 2 project applications, namely the:

- Integra Underground Coal Project (MP 08_0101), covering the underground operations; and
- Integra Open Cut Coal Project (MP 08_0102), covering the open cut operations.

The project approval consolidated and replaced numerous development consents and project approvals regulating underground and open cut mining operations since 1990, including previous approvals for the Camberwell mine (DA 86/2889), Glennies Creek underground mine (MP 06_0057) and the Glennies Creek open cut project (MP 06_0073).

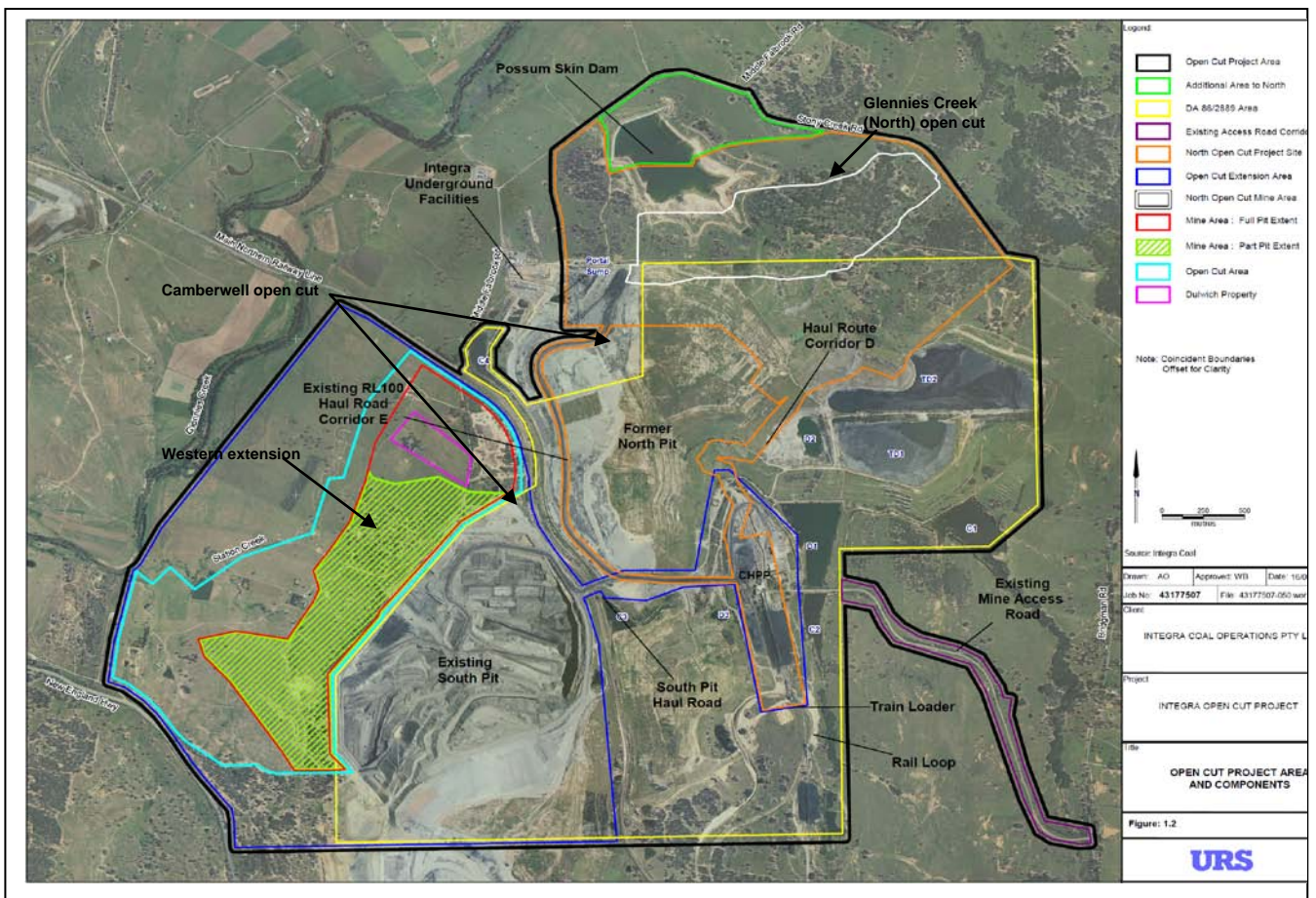


Figure 2: Open Cut Mining Operations

Under the consolidated approval, Integra is allowed to extract up to 10.5 million tonnes per annum (Mtpa) of run-of-mine (ROM) coal from its combined open cut and underground operations. Extracted coal is transported via internal haul roads to the Camberwell Coal Handling and Preparation Plant (CHPP) for processing, and then railed to the Port of Newcastle via the Main Northern Railway.

The project approval has been modified once since the original approval in 2010. This modification (MOD 1) was approved on 18 March 2012, and allowed:

- an extension to an overburden emplacement, and associated infrastructure relocation;
- extension of the timeframe for installation of an overland conveyor, to the end of September 2012; and
- extension of the timeframe for certain biodiversity offsetting measures, to the end of September 2012.

The current modification application relates to, and seeks further extensions to, these two amended timeframes.

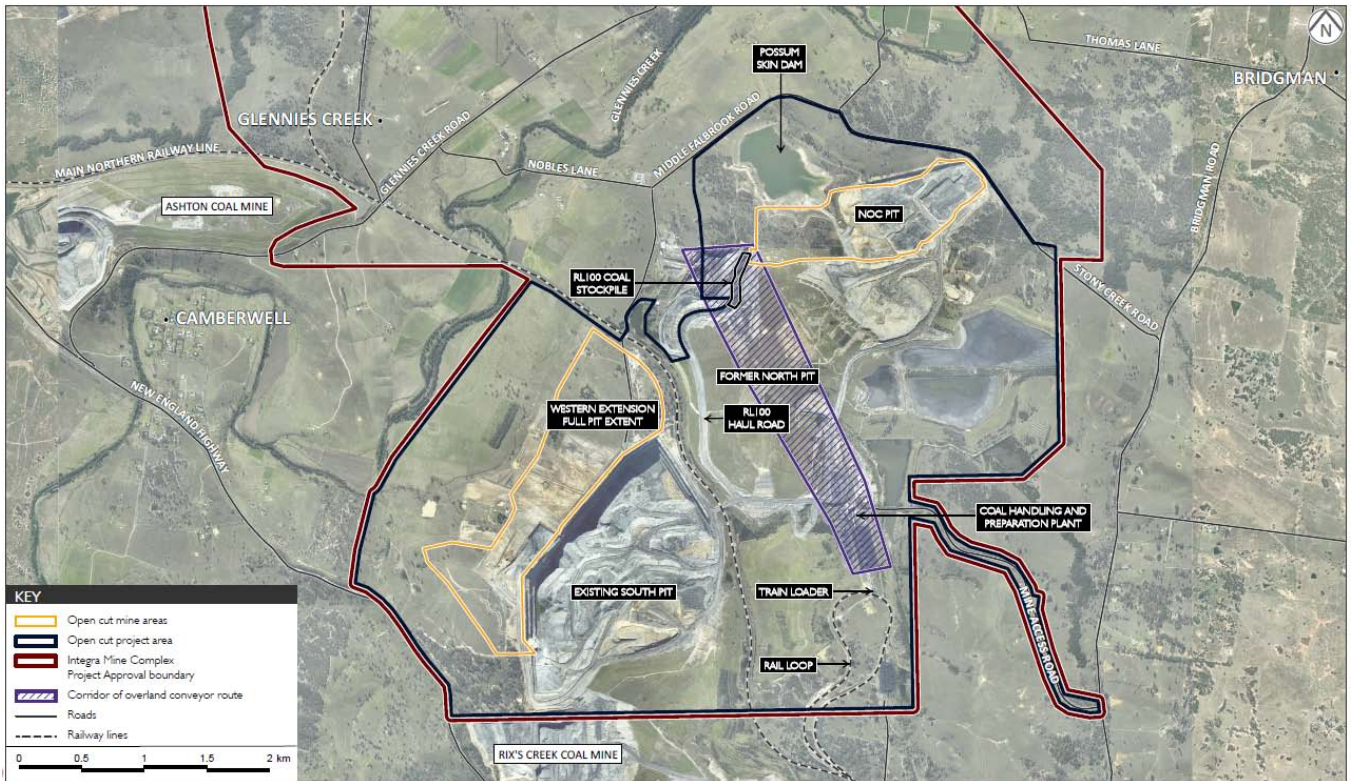


Figure 4: Overland Conveyor Route

Notwithstanding, the company committed to examining all options to build the conveyor and initiated investigations of possible lower cost options, which it proposed to undertake by the end of December 2011. As part of these investigations Integra also sought to identify its preferred option for long-term delivery of coal from Glennies Creek underground to the Camberwell CHPP.

In December 2011, Integra reported that these feasibility investigations had been completed which had confirmed that the overland conveyor was not an economically feasible alternative, and that its preferred option was to continue to transport coal by internal haul road to the Camberwell CHPP. Integra subsequently sought and gained approval (MOD 1 to MP 08_0101 and MP 08_0102) for a 9 month extension in the timeframe for conveyor installation (to the end of September 2012), to allow it to complete the required environmental assessment to support a subsequent modification application to remove the requirement for the conveyor.

In late September 2012, Integra lodged its modification application (ie MOD 2) and Environmental Assessment to support the removal of the conveyor condition (Condition 48). The Department is publicly exhibiting the modification application and EA from 3 October 2012 to 22 October 2012.

However, given the late submission of the MOD 2 application and that the end of September 2012 deadline has now passed, Integra has lodged a separate modification (ie MOD 3, the subject application) seeking to extend the conveyor timeframe by a further 6 months whilst MOD 2 is being assessed.

Long Term Security of Biodiversity Offsets

The current condition 43 of schedule 3 of the consolidated project approval requires:

- 43. *By the end of September 2012, the Proponent shall make suitable arrangements to provide appropriate long term security for all the areas in the revised offset strategy to the satisfaction of the Director-General.*

The biodiversity offsetting requirements for the Integra mine complex were first set out in the 2008 approval for the Glennies Creek open cut project (MP 06_0073). These requirements were subsumed and expanded in the 2010 consolidated project approval. The offset areas are shown on Figure 5, and include the:

- Northern Offset Area;
- Southern Offset Area;

- Western Offset Area;
- Supplementary Offset Area;
- Bridgman Offset Area; and
- Martins Creek Offset Area, which was added to the offset strategy in June 2012 in accordance with the revised offset strategy requirements in condition 42 of schedule 3 of the consolidated approval.

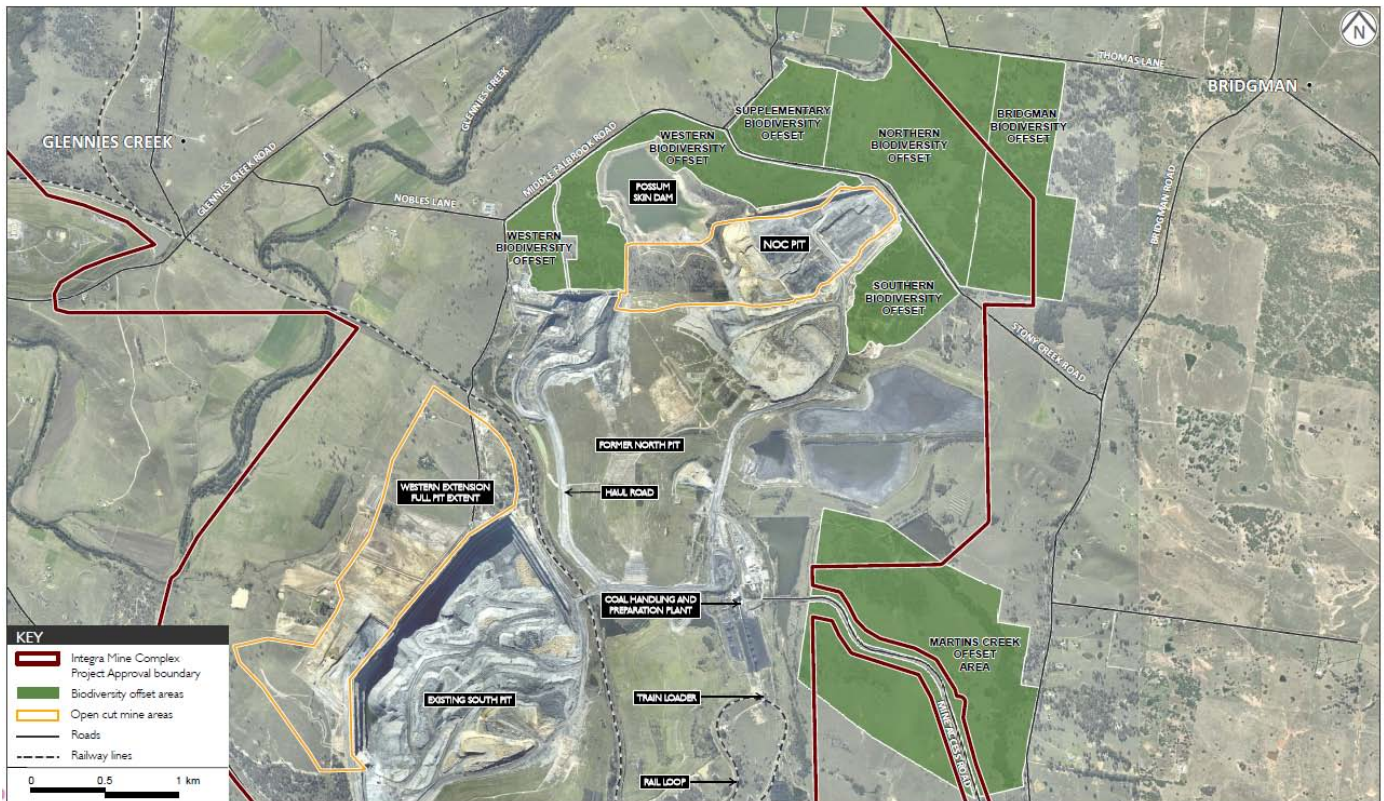


Figure 5: Existing Biodiversity Offset Areas

Subsequent investigations into the biodiversity offset areas by Integra have shown that some of the areas are underlain by substantial coal reserves. To address this land use conflict, Integra has sought to postpone the provision of long term security for the existing offsets to allow it to carry out further investigations to determine whether the areas remain appropriate as a biodiversity offset, or whether an alternate strategy is more appropriate.

In this regard, condition 43 originally required Integra to provide for the long term security of offset areas by the end of December 2011. In December 2011 Integra sought (via MOD 1 to MP 08_0101 and MP 08_0102) and subsequently gained approval for a 9 month extension to provide time to complete these investigations (ie to the end of September 2012).

Integra has now completed this additional work, confirming that the offset areas overlie a significant coal resource with a value of some \$6.2 billion. Consequently, as part of its recently lodged MOD 2 application, Integra is seeking to amend condition 43 to extend the timeframe for provision of long term security for the offset strategy by another 2 years (to the end of September 2014). This would allow time for Integra to identify a revised offset strategy for the project.

As noted above, the Department is currently publicly exhibiting the MOD 2 modification application and its accompanying EA. Given that the end of September 2012 deadline has now passed, Integra has lodged a separate modification (ie MOD 3, the subject application) seeking to extend the long term security timeframe by another 6 months whilst MOD 2 is being assessed.

2 PROPOSED MODIFICATION

On 2 October 2012, Integra submitted an application to the Department, seeking to modify the Minister's approval for the Integra Underground Coal Project (MP 08_0101) and Open Cut Coal Project (MP 08_0102) under Section 75W of the *Environmental Planning and Assessment Act 1979* (EP&A Act). Integra is seeking to:

- extend the timeframe for installation of the overland conveyor by a further 6 months (to the end of March 2013); and
- extend the timeframe for provision of long term security of the offset strategy by a further 6 months (to the end of March 2013).

The proposed modifications are outlined in Integra's supporting Environmental Assessment, attached in **Appendix D**.

3 STATUTORY CONTEXT

Legislative Framework and Approval Authority

The Integra underground and open cut projects were originally approved under Part 3A of the EP&A Act. Although Part 3A was repealed on 1 October 2011, the project remains a 'transitional Part 3A project' under Schedule 6A of the EP&A Act and the proposed modification is required to be assessed under the former Section 75W of the Act.

Under Section 75W, the Minister for Planning and Infrastructure is the approval authority for this modification application. However, the Acting Deputy Director-General, Development Assessment and Systems Performance, may determine the application under the Minister's delegation of 14 September 2011, as:

- no public submissions have been received that are in the nature of an objection;
- Integra has not made any reportable political donations; and
- Singleton Council does not object to the proposal.

Modification

The proposed modification involves changes to the timeframes required under certain conditions of the project approval, and does not involve any significant changes to the broad nature of the approved project (such as project or mining area, broad mining methodology and production rates). Consequently, the Department is satisfied that it can be properly characterised as a modification to the original project approval and can therefore be assessed and determined under section 75W of the EP&A Act.

4 CONSULTATION

Under Section 75W of the EP&A Act the Department is not required to notify or exhibit the modification application. However, after accepting the application the Department referred it to Singleton Council for comment. Council confirmed that it has no objections to the proposed timeframe extensions (see **Appendix C**). The Department also made the application and supporting information publicly available on its website.

5 ASSESSMENT

Overland Conveyor

The Department recognises that the overland conveyor was originally required to be installed by December 2004, and that this timeframe has been extended on 3 separate occasions since this time (firstly to 31 December 2010, secondly to 31 December 2011 and thirdly to 30 September 2012). However, the Department also accepts that Integra has had valid reasons to delay the installation of the conveyor, firstly to avoid interactions with ongoing mining activities in the conveyor corridor, and secondly to properly identify the costs and feasibility of various options regarding the conveyor. Further, the company has been transparent in identifying the feasibility issues associated with the conveyor transport option.

Since 2009 Integra has flagged that the conveyor option may not be a feasible alternative. The Department recognises that Integra has undertaken detailed feasibility analysis of various conveyor options, as well as detailed environmental assessments of continued truck haulage to the Camberwell CHPP, which will be carefully considered under a separate modification application (ie MOD 2).

In the interim, the Department is satisfied that the proposed additional 6 month extension (ie to the end of March 2013) would not result in any change to the existing environmental impacts of the mine complex, and that Integra is able to continue to operate in accordance with the applicable noise and dust criteria in the consolidated project approval during this interim period, as it has done since the approval was issued.

Nonetheless, the Department notes with concern Integra's late submission of the MOD 2 application, which has necessitated the even later submission of this "interim" MOD 3 application.

However, the Department is also cognisant of the need to provide for the continuation of coal transport from the underground operations to the Camberwell CHPP. If coal transport were required to cease, underground (and potentially open cut) operations would also likely be required to cease which would have significant implications for the 350 people employed at the mine complex. Cessation of underground mining would also result in significant mine safety risks, including risks associated with water ingress into the mine and methane gas build-up.

Long Term Security of Biodiversity Offsets

Similarly, the Department is satisfied that Integra is adequately addressing the long term security of the biodiversity offset areas as part of the recently submitted MOD 2 application, and that the proposed 6 month timeframe extension would not result in any material change to the boundaries or the current management of the currently approved biodiversity offset areas.

In this regard, the Department notes that the subject application does not seek any change to the existing offset areas, and that Integra is required to continue to manage the existing offset areas for biodiversity conservation purposes in accordance with the consolidated project approval.

6 RECOMMENDED CONDITIONS

The Department has drafted recommended conditions for the modification, by extending the timeframes in conditions 43 and 48 by an additional 6 months (ie to the end of March 2013). The recommended instrument of modification is attached as **Appendix A**, and an updated consolidated project approval is attached as **Appendix B**.

The Department notes that these recommended conditions are essentially an interim measure, and will potentially be further modified with the Department's determination of the separate MOD 2 application.

7 CONCLUSION

The Department has assessed the modification application and supporting information on the proposal in accordance with the relevant requirements of the EP&A Act, including the objects of the Act and the principles of ecologically sustainable development.

The Department recognises and accepts that the proposed modification is essentially an interim measure to allow Integra to continue to operate in compliance with its conditions of approval whilst the Department assesses the separate detailed modification (MOD 2) to address these matters on a more permanent basis. The proposed modification will allow Integra to continue to transport coal from the underground operations to the Camberwell CHPP, thereby avoiding the potential cessation of underground operations which would have considerable economic and socio-economic impacts, as well as significant mine safety risks.

The Department is satisfied that the extended timeframes for the overland conveyor and security of the offset areas would not result in any significant change to the environmental impacts associated with the existing mine complex.

Whilst the Department is critical of Integra's delayed submission of the MOD 2 application (which has led to the requirement for this interim MOD 3 application), it accepts that the application is in the public interest and should be approved.

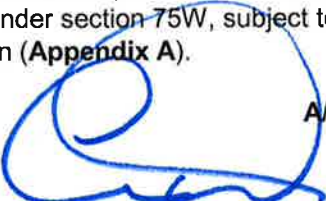
8 RECOMMENDATION

It is recommended that the A/Deputy Director-General, Development Assessment and Systems Performance, as delegate of the Minister:

- **considers** the findings and recommendations of this report;
- **determines** that the modification is within the scope of section 75W of the EP&A Act;
- **approves** the modification application under section 75W, subject to conditions; and
- **signs** the attached notice of modification (**Appendix A**).

DKitto 5/10/12

David Kitto
A/Executive Director
Major Projects Assessment


Chris Wilson
A/Deputy Director-General
Development Assessment and
Systems Performance

Howard Reed
Howard Reed
A/Director Mining Projects
5.10.12

APPENDIX A: NOTICE OF MODIFICATION

APPENDIX B: CONSOLIDATED PROJECT APPROVAL

APPENDIX C: SINGLETON COUNCIL SUBMISSION

APPENDIX D: SUPPORTING INFORMATION (ENVIRONMENTAL ASSESSMENT)