



DRAYTON MINE EXTENSION

BACKGROUND DOCUMENT

for

ANGLO AMERICAN COAL

December 2014

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for Anglo American Coal

1 PROJECT OVERVIEW

The Drayton Mine Extension Project (the Project) is a 15 year mine life extension of the existing Drayton open cut coal mine in the Hunter Valley.

Drayton Mine has been operating in the Muswellbrook community for over 30 years and runs out of coal in 2015. The Drayton Mine Extension Project is adjacent to the Drayton Mine on wholly owned land identified for mine extension since the 1990's.

The Project will provide access to 75 Million tonnes (Mt) of coal resources to produce a standard Newcastle export thermal coal product. The Project will maintain an average extraction rate of 6 Million tonnes per annum (Mtpa) run of mine coal utilising excavator and dragline mining methods. Existing Drayton assets and infrastructure will be used to operate the mine and process the coal for sale. Provided the Project is assessed with clear and measurable timeframes and accountabilities it will allow continuation of employment for the local workforce, continued business to local suppliers, and \$30 million in royalties per year to the state of New South Wales (NSW).

The Project boundary is defined by ridgelines nominated in the 'Drayton South Coal Project Planning Assessment Commission (PAC) Review Report' issued in December 2013. The Project will remain behind the ridgelines nominated by the PAC. Significantly, this at least doubles the buffer setback distance from the Coolmore and Woodlands thoroughbred horse studs and is at least 2 kilometres (km) from the horse stud operational areas.

The Project addresses the stated reasons the PAC refused the Drayton South Project application. It will:

- Provide a sufficient buffer to protect the horse studs from the impacts of mining;
- Address any potential equine health and horse response to mining operations issues; and
- Have no impact on the viability of operations at Coolmore or Woodlands and no reasonable reason for either horse stud to consider leaving the Hunter region.

1.1 PROXIMITY BUFFER AND VISUAL AMENITY

The Project will not be visible from any of the horse stud operational areas. In fact the far corner of the mine, nearest to the horse studs, will be hidden behind two separate ridgelines and will be more than 2 km from Coolmore's and Woodlands nearest operational areas.

The increased buffer distance afforded by the new project mine plan will further reduce potential impacts over a range of other amenity considerations such as air quality, noise, and blasting.

The cost of this additional buffer mitigation is the:

- Loss of 22 Mt of coal resource;
- Loss of at least \$1.5 Billion in revenue; and
- Loss of at least \$120 Million in royalties to the State of NSW.

1.2 AIR QUALITY

The Project will use the latest technology and practices to reduce mine dust including:

- Road surface treatments to significantly reduce road dust;
- Progressive rehabilitation and temporary seeding to minimise exposed area; and
- Minimising disturbance areas ahead of the mining operation.

1.3 NOISE AND BLASTING

The increased buffer distance and the proposed use of state of the art blasting technology will ensure potential blast impacts are effectively managed and significantly reduced.

As demonstrated in the previous project application for the Drayton South project, Anglo American will wholly incorporate the draft environmental conditions for noise as part of the new project application to ensure background noise levels experienced at both horse studs are no higher than the existing background noise levels. Current background noise is predominantly Golden Highway traffic and normal farm activity noise.

1.4 EQUINE HEALTH

The Project will propose that an independent, expert working party be established to monitor and advise Coolmore, Woodlands, and Anglo American on mine operational performance and management in relation to all aspects of equine health. Mining operations will commence at the furthest distance from the horse studs to enable a no risk approach to establishing baseline data for the working party.

Further detailed reviews of equine health aspects will also be conducted as part of the Environmental Impact Statement (EIS) for the Project. These will be in addition to the extensive studies completed to date, which found no scientific evidence of potential impact on horse health.

1.5 ECONOMIC BENEFIT

The Project will secure the continuation of Drayton's economic contribution to the Hunter and to the State of NSW. The Project will:

- Generate \$30 Million a year in State Government royalties;
- Spend \$70 Million a year with local procurement and suppliers; and
- Pay \$90 Million a year in direct wages to employees and contractors.

Despite the mine life being reduced, the Project will provide continued employment for a workforce in the order of 500, and ongoing work for the 140 businesses who depend on the continuation of Drayton Mine while providing an acceptable return on investment.

The EIS will incorporate a detailed economic study. An independent peer review of the economic modelling will be conducted by a third party to confirm the appropriateness of the methodology and assumptions used and ensure the assessment is rigorous and in line with Government guidelines.

1.6 PUBLIC INTEREST

The Drayton Mine Extension Project has been modified to fall entirely within the extent of mining recommended by the PAC, with all mining activities to remain behind the PAC-prescribed second ridgeline.

This approach will enable an economically viable method for the extraction of this valuable state significant coal resource. The Project will further minimise potential impacts on the surrounding environment and establishes a sufficient buffer to protect the horse studs and thus provide reassurance of their continued presence in the Hunter Valley.

The Project is an extension of the existing Drayton Mine, and will ensure continuing social and economic benefits are generated for the wider community and a project is delivered that is in the public interest.

1.7 REHABILITATION

The PAC also made disturbing comments relating to Drayton's rehabilitation in the October 2014 Drayton South Project determination report. There was no basis provided for these comments other than unsubstantiated claims made by the Muswellbrook Shire Council that are completely unfounded.

Anglo American is committed to progressive rehabilitation and can confirm all inactive areas on the existing Drayton Mine have been rehabilitated in accordance with Government-approved plans. Anglo American is committed to implementing an innovative rehabilitation and landscape design process for the Project, called Geofluv. This approach incorporates the key landscape characteristics of a site to design a surface that functions in the same way as the stable natural landforms that surround it. The implementation of this approach at Drayton in 2013 was a first in the Hunter Valley. All of Anglo American's rehabilitation plans and obligations will be met as part of the Drayton Mine closure plan. The cost of rehabilitation is provisioned in our accounts. The Drayton Mine Extension Project, as was the case with the Drayton South Project, provides significant opportunity to improve the Drayton Mine landform above and beyond the current approved Drayton mine rehabilitation plan.

2 INTRODUCTION

Drayton Mine is located approximately 13 km south of the township of Muswellbrook in the Upper Hunter Valley of NSW. Anglo American has successfully operated Drayton Mine under Project Approval 06_0202 for over 30 years, to provide thermal coal to export and domestic markets at a maximum of 8 Mtpa of Run of Mine (ROM) coal. Project Approval 06_0202 expires in 2017. The Antiene Rail Spur (approved under Development Consent 106-04-00) is utilised to transport export coal to the Port of Newcastle via the Main Northern Railway Line.

Anglo American obtained Exploration Licence (EL) 5460 over the Drayton South area in 1998. All of the required land in EL 5460 is owned by Anglo American.

During its period of operation, Drayton Mine has been a major employer in the local community with over 500 full time equivalent workers at its peak. The mine has also been an active member and supporter of the local communities by hosting regular Community Consultative Committee meetings with key stakeholders and contributing around \$750,000 to community organisations and local charities in the past 10 years alone.

The Project will allow for the continuation of the existing Drayton Mine for up to 15 years, by developing an open cut mining area within EL 5460. The Project will extract on average 6 Mtpa, and up to 7 Mtpa in any one year, of export quality thermal coal by utilising existing Drayton Mine assets and infrastructure. The Project boundary has been established consistent with the recent Drayton South PAC determination recommendations.

In 2011, Anglo American applied to the NSW Department of Planning and Environment (DP&E) for the Drayton South Coal Project (Drayton South) under Part 3A of the *Environmental Planning and Assessment Act 1979*. The Drayton South application (PA 11_0062) sought to extend Drayton Mine operations within EL 5460 and extract coal via open cut mining methods at a rate of up to 7 Mtpa ROM over a period of 27 years. In December 2013 the PAC recommended that the project should not proceed with Drayton South being required to demonstrate its impacts would not affect the viability of the Coolmore and Woodlands horse studs. Accordingly, Anglo American revised the project application to address the concerns raised in the PAC review report and subsequently submitted a 'Retracted Mine Plan' as part of the assessment process. The final PAC report dated October 2014 determined that the Drayton South Project should be refused despite noting the mine plan would meet regulatory criteria.

This Drayton Mine Extension Project application addresses the reasons provided by the PAC for the refusal of the Drayton South Project. The Project boundary and mining areas fall entirely within the extent of mining nominated by the Drayton South PAC. This approach enables an economically viable method for the extraction of a subset of this valuable state resource, further minimise impacts on the surrounding environment, increases the buffer to improve the protection of Coolmore and Woodlands, provides for the continuation of social and economic benefits currently generated by Drayton Mine to the wider community, and delivers a project that is in the public interest.

The Secretary's Environment Assessment Requirements (SEAR's) will guide the detailed assessment of any potential impacts from the Project (described in **Section 4**), so that a State Significant Development Application and accompanying EIS may be lodged with DP&E for determination under Division 4.1 of Part 4 of the *Environmental Planning and Assessment Act (1979)* (EP&A Act).

3 THE APPLICANT

The applicant of this development is Anglo American, who manages the existing operations of Drayton Mine and is the controlling partner of the Drayton Joint Venture and the Drayton South Joint Venture. The Joint Venture Partners include:

- Mitsui Coal Development (Australia) Pty Limited;
- Mitsui Mining Australia Pty Limited;
- Hyundai Australia Pty Limited; and
- Daesung Australia Limited.

4 PROJECT DESCRIPTION

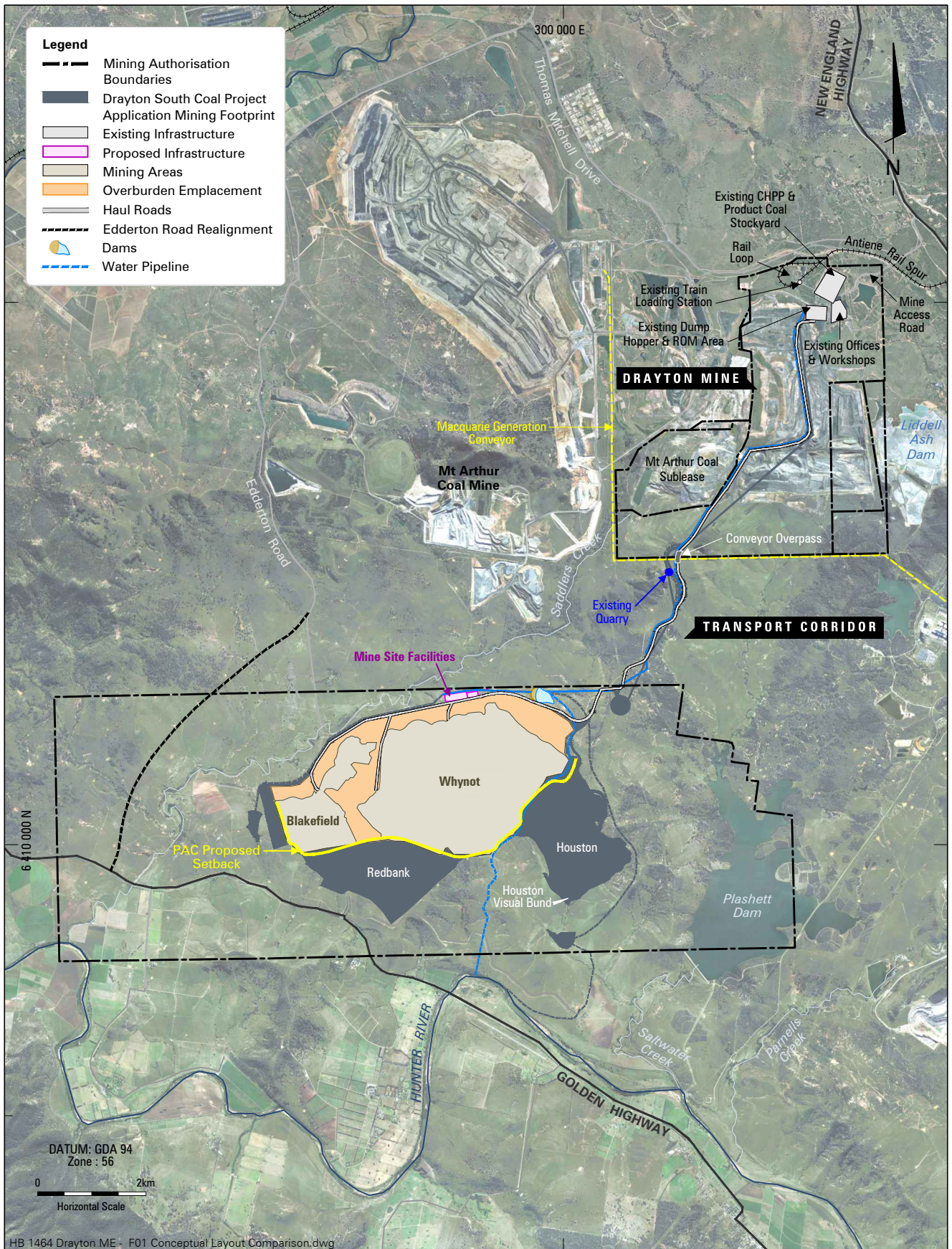
The Project activities will be limited to two active open cut mining areas, which will be developed utilising excavator and dragline mining methods. The mine plan is designed such that the Whynot and Blakefield Mining Areas fall within and to the north of the Drayton South PAC nominated ridgeline limits.

The mine plan footprint and Project boundary is illustrated in **Figure 1** in relation to the previous Drayton South application. This figure demonstrates the significant reduction in the mine plan footprint and the increase in buffer setback to the horse studs afforded by this Project application.

Under this new application, Anglo American proposes to extend the Drayton operations beyond 2015 by:

- Continuation of operations at Drayton Mine as currently approved with minor additional mining within the existing East, North and South Mining Areas for a period of 15 years;
- Development of a new open cut mining area with EL 5460 mining up to 7 Mtpa and on average 6 Mtpa ROM;
- Ongoing employment of a workforce of up to 500 full time equivalent employees;
- Utilisation of the existing Drayton Mine equipment fleet;
- Storage of water, and emplacement of tailings and rejects generated by the Project in existing Drayton Mine voids;
- Utilisation of the existing Drayton Mine infrastructure including the CHPP, rail loop and associated infrastructure, workshops, bath houses and administration offices;
- Construction of a transport corridor to the new mining area;
- Continued utilisation of the Antiene Rail Spur off the Main Northern Railway Line to transport product coal to the Port of Newcastle for export;
- Realigning and upgrading a section of Edderton Road;
- Continuation of mutually beneficial arrangements with neighbours Macquarie Generation and Mt Arthur Coal Mine;
- Installation of further water management and power reticulation infrastructure to support the new mining areas; and
- Progressive rehabilitation of disturbed areas as mining operations are completed.

Figure 2 illustrates the conceptual layout of the Project.

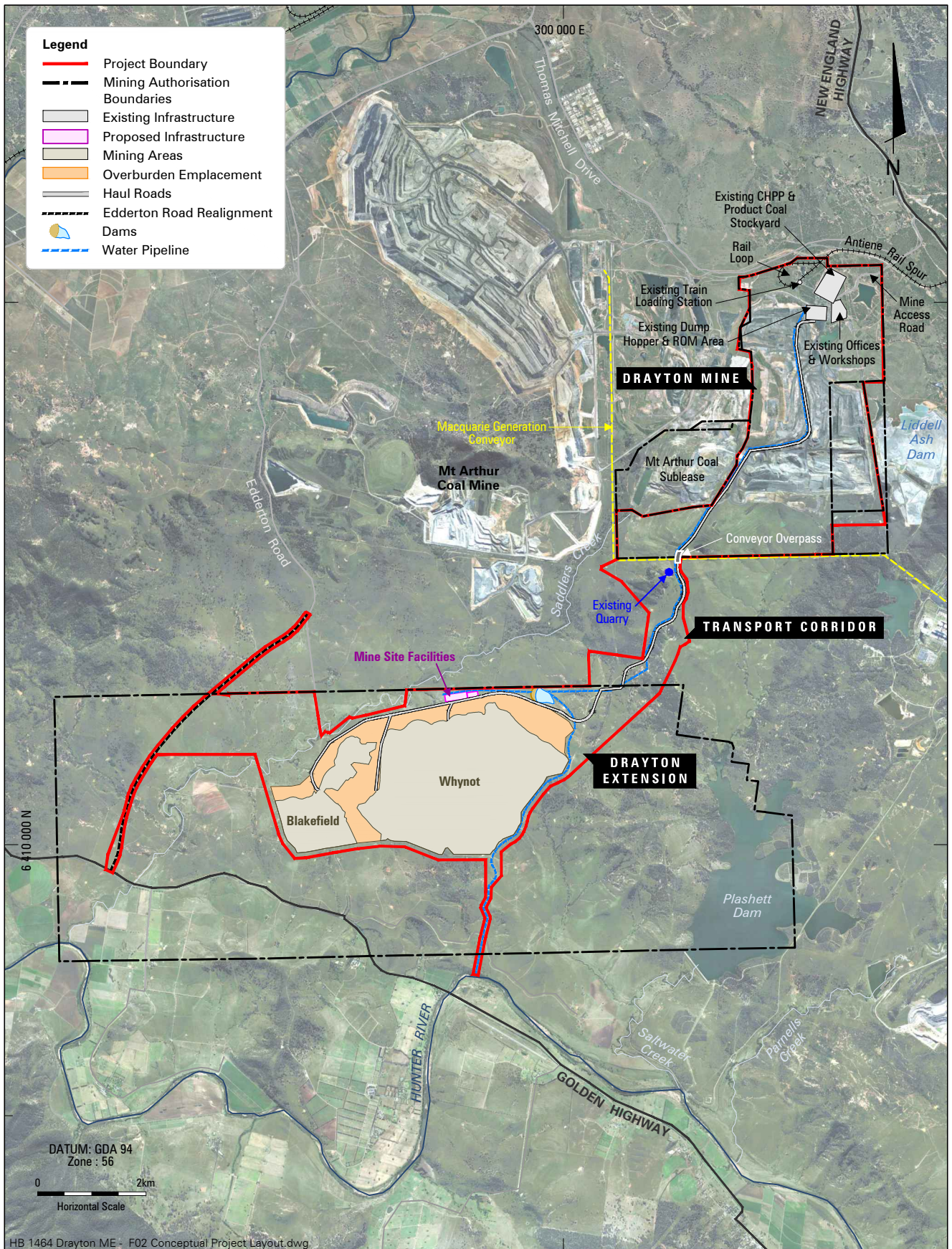


DRAYTON MINE EXTENSION

Conceptual Project Layout Comparison

FIGURE 1





DRAYTON MINE EXTENSION

Conceptual Project Layout

FIGURE 2



5 REGULATORY FRAMEWORK

5.1 ENVIRONMENTAL PLANNING AND ASSESSMENT ACT 1979

The *Environmental Planning and Assessment Amendment (Part 3A Repeal) Act 2011* inserted a new Division 4.1 into Part 4 of the EP&A Act on 1 October 2011. This Division prescribes the current planning assessment and determination regime for State Significant Development (SSD).

Under section 89C of the EP&A Act, development will be SSD if it is declared to be such by *State Environmental Planning Policy (State and Regional Development) 2011* (SRD SEPP). Clause 8(1) of the SRD SEPP provides:

“8 Declaration of State significant development: section 89C

- (1) *Development is declared to be State significant development for the purposes of the Act if:*
- (a) *the development on the land concerned is, by the operation of an environmental planning instrument, not permissible without development consent under Part 4 of the Act, and*
 - (b) *the development is specified in Schedule 1 or 2.”*

The Project should be declared SSD as it satisfies both of the elements in clause 8(1) of the SRD SEPP, including:

- The Project is not permissible without Development Consent on the land on which it will be carried out; and
- The Project is development that is specified in Schedule 1 of the SRD SEPP.

5.2 ENVIRONMENT PROTECTION AND BIODIVERSITY CONSERVATION ACT 1999

The *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) prescribes the Commonwealth’s role in environmental assessment, biodiversity conservation and the management of protected areas.

The EPBC Act is administered by the Department of the Environment (DoE) and provides protection for listed Matters of National Environmental Significance (MNES). There are currently nine MNES, including:

- World heritage properties;
- National heritage places;
- Wetlands of international importance;
- Listed threatened species and ecological communities;
- Listed migratory species;
- Protection of the environment from nuclear actions;

- Commonwealth marine areas;
- The Great Barrier Reef Marine Park; and
- Water resources.

The Project is not within a World heritage property or place, does not have wetlands of international importance, does not relate to nuclear actions, and is not within either Commonwealth marine areas or the Great Barrier Reef.

The MNES of potential relevance to the Project include listed threatened species, ecological communities, migratory species and water resources. Species and communities listed under the EPBC Act that are present or likely to be present in the vicinity of the Project must be identified. Additionally, the potential impacts upon water resources within the vicinity of the Project must be assessed.

A Referral including a supporting assessment of significance for each threatened species and community must be made to DoE to obtain confirmation of whether or not a Project constitutes a Controlled Action. Similarly, the Referral is likely to require the inclusion of information on the potential impacts that the Project may have upon water resources to confirm whether or not the Project constitutes a “*Controlled Action*”.

The EPBC Act establishes an environmental assessment and approval process for “*controlled actions*”. A controlled action is a proposed development or activity that will have, or is likely to have, a significant impact on MNES. The Commonwealth Minister for the Environment has the power to accredit the Environmental Impact Assessment process under the NSW EP&A Act to meet the assessment requirements of the EPBC Act.

However, the ultimate approval authority remains with the Commonwealth Minister for the Environment. The Controlled Action cannot be carried out until the Minister for the Environment has granted approval under Section 133 of the EPBC Act.

6 PRIORITY ENVIRONMENTAL ASSESSMENTS FOR EIS

A preliminary assessment was undertaken to identify the key environmental and social issues, as well as inform potential technical study scopes that will underpin the EIS for the Project. The assessment was completed based on a review of the detailed information directly applicable to the Project area, from consultation with technical specialists, existing Drayton operations and Drayton South Project data. A summary of this prioritisation assessment for each environment aspect is provided in **Table 1**.

Table 1
Summary of Environmental and Social Issue Prioritisation

Priority	Issues
1	Air Quality, Noise, Blasting, Equine Health, Visual Amenity, Economics
2	Ecology, Aboriginal Archaeology and Cultural Heritage, Agriculture, Social, Greenhouse Gas, Surface Water, Groundwater, Rehabilitation
3	Soils and Land Capability, Hazards and Dangerous Goods, Traffic and Transport, Historic Heritage, Geochemistry, Stygofauna, Bushfire, Waste

Accordingly it is proposed that appropriate technical assessments will be undertaken for each of the issues identified in **Table 1**. The scopes of these assessments will be amended upon receipt of the SEAR's should they comprise any additional requests.

7 CONCLUSION

Anglo American is seeking SEARs for the preparation of an EIS for the Drayton Mine Extension Project which will extend life of the existing Drayton Open Cut Coal Mine for a further 15 years from 2015. The Project footprint has been designed specifically to meet the recommendations of both the Drayton South Merit Review and Determination PACs.

The project will ensure continuity of employment for the majority of the Drayton Mine existing employees whilst at the same time ensuring no impact on the operations of Coolmore and Woodlands horse studs.

Upon the receipt of the SEARs an EIS will be prepared to accompany a development application, with relevant technical studies included to confirm the environmental and socio-economic impacts of the Project.

Yours faithfully

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