

DIVISION OF RESOURCES & GEOSCIENCE ADVICE RESPONSE

Andrew Rode
Energy & Resource Assessments - Planning & Assessment Division
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Dear Andrew

Project: Airly Mine Modification 3 – Production, Workforce and Train Movement Increases
Stage: Advice on Modification Report
Development Application: SSD-5581-Mod-3

I refer to your correspondence dated 31 October 2019 inviting the Division of Resources & Geoscience to provide comments on the Airly Mine Modification 3 – Production, Workforce and Train Movement Increases Project (the Project) submitted by Centennial Coal Company Limited on behalf of Centennial Airly Pty Limited (the Proponent).

The relevant units internal to the Division have been consulted where required in generating this advice. The Department of Planning, Industry and Environment - Planning & Assessment Division and the Proponent should be aware that matters pertaining to rehabilitation, environmental impacts of final landform design, subsidence, subsidence management, mine operator and safety are not assessed by the Division and advice should be sought from the NSW Resources Regulator.

Advice overview

The Division has determined that the Project will:

- increase the run-of-mine (ROM) coal production rate from the approved 1.8 million tonnes per annum (Mtpa) to 3.0 Mtpa.
- allow for underground blasting (or shot-firing) activities for the removal of geological structures in the event they are encountered within the mining areas.
- ensure an appropriate return to the state of A\$39 million in royalties (current dollars).
- generate total revenue (value of coal produced) of A\$540 million (current dollars).
- provide an additional 45 jobs at the existing Airly mine.

Resource and Economic Assessment

Airly Mine Underground Mine (Airly Mine) is located about five kilometres northeast of Capertee in the Western Coalfield. Airly Mine commenced operations in 1998 and produces thermal coal that supplies the domestic and export markets.

The Division verified that the Project will allow an increase in the ROM coal production rate from the approved 1.8 Million tonnes per annum (Mtpa) to 3.0 Mtpa. This will be achieved through a combination of the proposed increase in workforce, the installation and operation of additional underground mining equipment and an improved strategy for underground mining equipment utilisation and availability.

NSW Department of Planning, Industry and Environment

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The Project's proposed increase in coal production limit will allow operational flexibility to Airly Mine and will also improve the mine's economic viability. A consequence of this operational flexibility is that the mine can respond to market opportunities that may present themselves. This flexibility has positive implications for the State, as the ability to increase production in favourable markets would result in increased royalty returns to NSW.

The Proponent has completed coal resource and reserve estimations for the Project in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code). The JORC Code is an industry-standard professional code of practice that sets minimum standards for public reporting of mineral exploration results, mineral resources and ore reserves. Reserves are the economically mineable portion of a resource. A JORC compliant reserves report for the Project assists in independently assessing the commercial viability of the Project and the proposed mining method.

In view of the constraints outlined in the Proponent's Modification Report and based on the information currently available, the Division considers the Project satisfies section 3A objects of the *Mining Act 1992* and the requirements of clause 15 of the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007. The Project represents an efficient development and utilisation of coal resources which will foster significant social and economic benefits.

The Division is satisfied that, should the operational outcomes be achievable, the proposed mine design and mining method submissions adequately recover coal resources, maximise mining efficiency and will provide an appropriate return to the state.

The resource utilisation, recovery and economic benefits assessment undertaken by the Division is addressed in Attachment A.

Application of section 380AA of the *Mining Act 1992* – restrictions on planning applications for coal mining and titles required to undertake mining

Section 380AA states:

(1) An application for development consent, or for the modification of a development consent, to mine for coal cannot be made or determined unless (at the time it is made or determined) the applicant is the holder of an authority that is in force in respect of coal and the land where mining for coal is proposed to be carried out, or the applicant has the written consent of the holder of such an authority to make the application.

(2) For that purpose, an authority in respect of coal need not be in force in respect of the whole of the land to which the application for development consent relates but must be in force for the land where mining for coal is proposed.

Based on current title information the Division advises that the Proponent holds the appropriate titles as required for planning applications for coal as relating to the Project and satisfies the requirements of section 380AA.

The requirement for a mining authorisation and royalty liability

Requirement for a mining lease

Coal is a prescribed mineral under the Act. The Proponent is required to apply for appropriate mining title(s) allowing for mineral extraction, such as a mining lease, from the Division to undertake mining. Based on current title information the Division advises that the Proponent holds the appropriate titles as required for mineral extraction (coal) satisfying the requirements of sections 5 and 73 of the Act.

Royalty liability

The holder of a mining lease is also liable to pay royalty for both publicly and privately-owned minerals (refer to section 282-285 of the Act).

Biodiversity offset assessment

The Division has no resource sterilisation issues with the current Modification, or the proposed biodiversity offset area as they currently stand at the time of this assessment.

The Division requests that the Proponent consider potential resource sterilisation should any future biodiversity offset areas be considered. The Proponent must consult with the Division and any holders of existing mining or exploration authorities that could be potentially affected by the proposed creation of any such biodiversity offsets, prior to creation occurring. This will ensure there is no consequent reduction in access to prospective land for mineral exploration or potential for the sterilisation of mineral and extractive resources.

Summary of review

The Division has determined that should the project be approved; efficient and optimised resource outcomes can be achieved, and any identified risks or opportunities can be effectively regulated through the conditions of mining authorities issued under the *Mining Act 1992*.

The Division requests to review the draft conditions of approval before finalisation and any granting of development consent.

For further enquiries and advice in relation to this matter, please contact Adam W. Banister, Senior Advisor Assessment Coordination – Resource Assessments on 02 4063 6534 or assessment.coordination@planning.nsw.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Blackmore', followed by a horizontal line.

Dr David P. T. Blackmore
Director Resource Assessments
Division of Resources & Geoscience
25 November 2019