

MINING, EXPLORATION & GEOSCIENCE ADVICE RESPONSE

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Dear Clay

Project: Mandalong Southern Extension (Modification 10) – Additional Longwall
Stage: Advice on Modification Report
Development Application: SSD-5144-Mod-10

I refer to Department of Planning, Industry & Environment correspondence dated 18 October 2021 inviting the Department of Regional NSW – Mining, Exploration & Geoscience (MEG) to provide comments on the Mandalong Southern Extension (Modification 10) – Additional Longwall (the Modification) submitted by Centennial Mandalong Pty Ltd (the Proponent).

Advice Overview

MEG considers the Modification will provide an appropriate return to the NSW Government including around \$8.3 million in total royalties (current dollars).

Parameter	\$m (2021 dollars)
Total Royalties received	8.3
Net Present Value (NPV) royalties (7% discount rate real)	Not calculated – as mined in 2022
Annual estimated royalties (average)	8.3

In addition, the Modification will provide:

- approximately 660 full time equivalent (FTE) continuing jobs during operations
- approximately \$120 million in current dollars (total value of the coal to be produced from Long Wall 34)
- an additional \$45 million in export income to contribute to the around A\$18 billion (2019-2020 financial year total) of coal exports annually from NSW.

Over the remaining life of the Mandalong mine, excluding Modification 10, based on current production rates and prices, the total revenue from the mine would be approximately A\$5 billion and the total royalty of the order of \$350 million (2021 dollars).

If the Modification does not proceed the economic benefits outlined will not be realised.

Without this Modification, coal production could be curtailed for a large portion of the 2022 calendar year, in turn contributing to financial challenges which could impact the viability of the Mandalong mine.

Without the Modification, it is anticipated that about 80 of the up to 660 full time equivalent staff (longwall crew) could be stood down.

The Modification is considered to be an efficient use of resources given the constraints encountered.

Resource and Economic Assessment

The Mandalong mine is situated in the Hunter Coalfield of the Sydney Basin, approximately 35 kilometres southwest of Newcastle in the Lake Macquarie local government area.

The Mandalong mine produces thermal coal using underground mining methods and has an approved operational capacity of up to 6.5 million tonnes per annum (Mtpa) of coal until 31 December 2040.

The main elements proposed for the Modification include the following:

- supporting continuity of production and employment in the short term
- an additional 1.2 Mt of product coal mined from LW34 in the 2022 calendar year
- reduction in total coal recovery by 1.64 Mt between the approved Modification 9 and the proposed Modification 10 due to geological constraints
- changed layout of the western longwalls in the Southern Extension Project area as well as a change to the orientation of the mains to allow for an extra panel (LW34) on the western side.
- The removal of LW33 to ensure an aboriginal heritage site (cave) is not impacted by longwall subsidence
- Extraction to be achieved using existing infrastructure.

The Proponent has completed resource and reserve estimations for the Modification 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 assists in independently assessing the commercial viability of the Modification and the proposed mining method.

In view of the constraints outlined in the Proponent's EIS and based on the information currently available, MEG considers that the Modification is consistent with the objects of the *Mining Act 1992*. Furthermore, in relation to clause 15 of the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007, the Proposal represents an efficient development and utilisation of mineral resources which will foster significant social and economic benefits.

MEG is satisfied that, should the operational outcomes be achieved, the proposed mine design and mining method submissions adequately recover resources and will provide an appropriate return to the state.

The resource utilisation, recovery and economic benefits assessment undertaken by MEG 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

Coal is a prescribed mineral under the Act and the Proponent is required to hold appropriate mining titles from MEG 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 MEG advises that the Proponent holds the appropriate titles as required for planning applications for coal as relating to the Modification and satisfies the requirements of section 380AA.

The requirement for a mining authority and royalty liability

The requirement for a mining lease

As coal is a prescribed mineral under the *Mining Act 1992*, the proponent is required to hold an appropriate mining title(s) from MEG to mine the mineral.

For ancillary mining activities as, in so far as the ancillary activities are to be carried out in connection with and in the immediate vicinity of a mining lease in respect of a mineral, the proponent is required to hold a Mining Lease for ancillary mining activities or an 'off title' designated ancillary mining activity as defined by clause 7 of the Mining Regulation 2016 (the Regulation).

Where a proposal includes Crown Land the proponent is required to comply with the Commonwealth *Native Title Act 1993* and undertake the right to negotiate process for the Crown Lands within the current exploration licence area(s) if proof of extinguishment cannot be determined.

MEG notes that this Modification is located within the existing Mining Lease 1722 (Act 1992) (ML 1722) and Mining Lease 1744 (Act 1992) (ML 1744). At the time of assessment, the Proponent holds the appropriate mining authorities to undertake extraction within the Modification.

Royalty Liability

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

Biodiversity offset assessment

MEG requests that the Proponent consider potential resource sterilisation should any future biodiversity offset areas be considered. The Proponent must consult with MEG 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

MEG considers that should the Modification be approved; efficient and optimised resource outcomes can be achieved.

MEG requests that it be provided with an opportunity to review the draft conditions of approval before finalisation and any granting of development consent.

For enquiries on this matter, please contact Adam Banister, Senior Advisor Industry Advisory & Mining Concierge – Industry Development on 02 4063 6972 or mining.concierge@regional.nsw.gov.au.

Yours sincerely



Chris Celovic
Director Industry Development
Department of Regional NSW – Mining, Exploration & Geoscience
19 November 2021

Encl. – Attachment A - Resource & Economic Assessment (DOC21/932067)