

DIVISION OF RESOURCES & GEOSCIENCE ADVICE RESPONSE

Elle Clementine
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Dear Elle

Project: McPhillamys Gold Project
Stage: Advice on Environmental Impact Statement and provide Resource & Economic Assessment
Development Application: SSD-9505

I refer to your correspondence dated 9 September 2019 inviting the Division of Resources & Geoscience (the Division) to provide comments on the *McPhillamys Gold Project* (McPhillamys Project or the Project) Environmental Impact Statement (EIS). The EIS was submitted by LFB Resources NL, a wholly owned subsidiary of Regis Resources Limited (Regis or the Proponent).

The relevant units internal to the Division have been consulted in generating this advice. Further, 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, mine operator and safety are not assessed by the Division. Reference should be made to the response from the NSW Resources Regulator on these matters.

Advice overview

The Division has determined that the McPhillamys Project will:

- establish a new mine in the Central West with a Life-of-Mine of 15 years, including 10 years of extraction.
- extract up to 1.73 million ounces of gold over the project life.
- ensure an appropriate return to the state of A\$91 million in royalties (current dollars).
- generate total revenue (value of ore produced) of A\$3 billion (current dollars).
- generate ongoing and initial capital investment in the order of A\$500 million.
- provide employment for a workforce of 260 full-time equivalent (FTE) personnel and up to 710 FTE jobs during peak construction.
- operate on a 24-hour basis with a majority local residential workforce.

NSW Department of Planning, Industry and Environment

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Resource and Economic Assessment

The McPhillamys Project is a proposed open cut gold mine south of Blayney, with an expected operating mine life of ten years. The Project is operated by Regis who in September 2017 announced a maiden Ore Reserve estimate of 60.1 million tonnes (Mt) at 1.05 gram/tonne (g/t) gold for 2.0 million ounces (Moz) of gold.

The Project is located within the metallogenic province of the Eastern Lachlan Orogen. The regional geology consists of Ordovician to Devonian aged sequences including the Molong Volcanic Belt, Mumbil Shelf and the Hill End Trough. To the north and east, these are intruded by Carboniferous aged granites of the Bathurst Batholith.

Shearing associated with the Sherlock Fault, part of the regional Godolphin-Copperhania thrust fault zone, is the primary control on gold mineralisation. The shear zone dips steeply towards the east, sub-parallel to stratigraphy and is approximately 200 metres wide. Gold is typically associated with strong quartz-carbonate-sericite-pyrite-pyrrhotite alteration localised within the shear zone. Fine-grained free gold is located on mineral grain boundaries and associated with other sulphide minerals, in particular the coarse-grained pyrite.

A large proportion of the mineral resource estimate has been determined to an indicated level of confidence with a high conversion rate of resources to reserves. All Probable Ore Reserves have been derived from Indicated Resources. The mineral resource and ore reserve estimate have been completed in accordance with the Australasian Joint Ore Reserves Committee (JORC) Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code is an industry standard, best practice professional code that sets minimum standards for public reporting. This ensures the work has been conducted to a high level of quality and confidence.

Due to the sub-vertical nature of the mineral resource, approximately 12% of ore reserves will remain in the ground at the completion of mining. Project economics do not favour its extraction and resource recovery is maximised with the proposed design.

In view of the constraints outlined in the Proponent's EIS and based on the information currently available, the Division considers the McPhillamys 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 minerals resources which will foster significant social and economic benefits.

The proposed mine design and site layout have evolved during the study stages of the Project but should achieve satisfactory resource extraction. The proposed mine site infrastructure is not expected to significantly sterilise any resources. The Division 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 the Division is addressed in Attachment A.

The requirement for a mining authorisation and royalty liability

The Division notes that this project area is located within the existing Exploration Licence 5760 (Act 1992), Exploration Licence 6111 (Act 1992) and Exploration Licence 5922 (Act 1992) held by the Proponent and Exploration Licence 6378 (Act 1992) held by Columbine Resources Pty Ltd (see Attachment B). Regis has advised the Division that a mining lease application for extraction and operational activities will only intersect their own titles.

As gold is a prescribed mineral under the *Mining Act 1992* 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.

For ancillary mining activities carried out in connection with and in the immediate vicinity of a mining lease (in respect of a mineral), a 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). This applies where the activities move beyond the scope of section 73 (Rights under mining lease) and/or section 81 (Surface activities in relation to subsurface leases) of the Act.

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).

Application of section 65 of the *Mining Act 1992* – development consents under the *Environmental Planning and Assessment Act 1979*

A development application under the *Environmental Planning and Assessment Act 1979* must be approved before a mining lease can be granted. A mining lease will only be granted for activities specified in the development consent.

Section 65 states:

The Minister must not grant a mining lease over land if development consent is required for activities to be carried out under the lease unless an appropriate development consent is in force in respect of the carrying out of those activities on the land.

Biodiversity offset 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



Dr David Blackmore
Director Resource Assessments
Division of Resources & Geoscience
11 October 2019

Encl.

Attachment A – McPhillamys Gold Project - Resource & Economic Assessment (DOC19/756564)
Attachment B – McPhillamys Gold Project - Diagram (DOC19/878136)