



Mining Rehabilitation Fund

Yearly Report 2015



The Mining Rehabilitation Fund (MRF) was developed and implemented in response to a potential increase in the unfunded rehabilitation liability for abandoned and historical mines in Western Australia (WA).

Under the MRF, mining tenement holders operating on *Mining Act 1978* (Mining Act) tenure contribute to a pooled fund, which is calculated according to the environmental disturbance on tenements. The money in this fund can be used to rehabilitate abandoned mines after all other efforts to recover funds from the tenement holder/operator have been exhausted.

The interest earned on the fund can be used to rehabilitate historical abandoned mine sites in WA. The State has never before had allocated funding for historical abandoned mines. This initiative is a first for the State Government.

The MRF has largely replaced the previous system of applying Unconditional Performance Bonds (UPBs) against tenements. Funds held in UPBs returned more than \$1 billion to the mining industry, allowing companies to invest in progressive rehabilitation and other project development.

In its first year of operation the MRF was a finalist in the 'Developing the Economy' category of the Premier's Awards for Excellence in Public Sector Management. In 2015, the MRF went one better and was a joint category winner. DMP Director General Richard Sellers said: "The Mining Rehabilitation Fund has delivered a world-first mining security policy for WA that has won the support of government, the community and the mining industry."

The *Mining Rehabilitation Fund Act 2012* (MRF Act), which provides the framework for the fund, was enacted in 2012, with the fund commencing on 1 July 2013.

As the MRF is a special purpose account under the *Financial Management Act 2006*, funds must be spent in accordance with the purposes stated in the MRF Act. Under the provision of the *Financial Management Act 2006* the Director General of the Department of Mines and Petroleum (DMP) is accountable for the management of the fund.

DMP reports on the management of the fund annually through the department's Annual Report. In addition, the projected revenue and expenditure for the MRF is considered by the State Government and approved through the State budget each year.

The purpose of this report is to present a summary by bringing together the information from the 2015 State Budget, the 2014-15 DMP Annual Report, and other publicly released information, to present a summary of the activities of the MRF.



Activities of the Mining Rehabilitation Advisory Panel

The Mining Rehabilitation Advisory Panel (MRAP) was established in 2013 under the MRF legislation. The Panel provides advice to the Director General of DMP on MRF matters.

The MRAP meets quarterly to discuss and provide independent expert advice to the Director General on a range of matters related to implementing and managing the MRF and the development of the Abandoned Mines Programme.

The members of the MRAP are Michael Slight (Chairperson), Julie Hill (Deputy Chairperson), Charmian Barton, John Gardner and Phil Scott.

Michael Slight is a mining engineer with over 35 years of operational experience in all phases of mining from feasibility, construction and development, production and expansion through to mine closures.

Julie Hill is currently employed by the Chamber of Minerals and Energy of WA Inc. as Director Corporate Services.

Charmian Barton leads the Environment and Planning team in the Perth office of Norton Rose Fulbright Australia.

John Gardner is an environmental consultant, with experience in mine rehabilitation.

Phil Scott is an environmental professional with experience in corporate, resource and environmental management.

The MRAP has provided leadership on governance arrangements for the inaugural panel and endorsed the Code of Conduct and Conflict of Interests Policy for Government board and committee members.

The MRAP also considered the draft Abandoned Mines Policy, which was prepared by DMP and also underwent stakeholder consultation. The policy has now been finalised and is publically available on DMP's website.

The MRAP reviewed and endorsed the department's recommended timeframes for the commencement of work on the five pilot sites under the Abandoned Mines Programme.

Additional information regarding progress in rehabilitating the pilot sites will be provided in future iterations of this report.

Unconditional Performance Bonds

Unconditional Performance Bonds (UPBs) were introduced into WA in the 1980s for the purpose of ensuring that the State was not exposed to unacceptable costs should operators fail to meet the environmental obligations as per their tenement conditions.

UPBs have limitations. They tie up significant amounts of capital upfront when exploration/mining applications are approved by DMP. In some cases this capital is essential to ensuring the success of a mining/exploration project.

With the introduction of the MRF, tenement holders entering the fund were able to request retirement of their UPBs after providing disturbance data. As hoped, this resulted in the majority of UPBs being retired which freed up significant amounts of capital for tenement holders. In December 2014 DMP announced that \$1 billion had been returned to industry.

Since the commencement of the MRF, UPBs totalling \$1,059,929,275 have passed the MRF eligibility checks for retirement.

A total of \$1,048,948,276 as depicted in Table 1 has been returned to industry. The remaining \$10,980,999 has not yet been returned to industry as it is subject to compliance action. Retention of these UPBs is consistent with DMP's Administration of Mining Securities Policy.

The 2014-15 period saw a significant reduction in the number and value of UPBs held following the commencement of the compulsory MRF period (Figure 1).

UPBs held by DMP

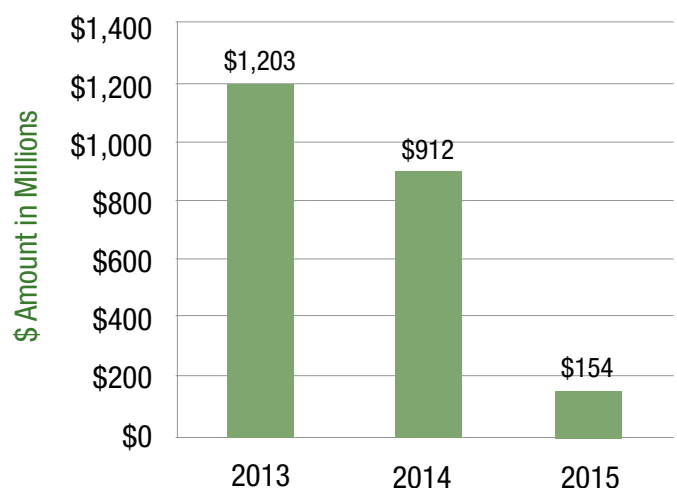


Figure 1: Value of Unconditional Performance Bonds held by DMP

Since the commencement of the MRF, all UPBs have been reviewed against the criteria published in the Administration of Mining Securities Policy.

On 1 July 2015, DMP held a remaining \$154 million in UPBs for tenements under the *Mining Act 1978*.

Table 2 lists the UPBs exercised (when a financial institution terminates its liability associated with the UPB and it is returned to DMP) and retained (called-in by DMP) up to 1 July 2015, which was \$4,248,500.

Application of Unconditional Performance Bonds

The MRF is now the principal form of mining securities applied to activities authorised under the Mining Act.

Some UPBs applied under the former bond system have been retained for tenement holders where there is considered to be a high risk of the rehabilitation liability reverting to the State.

DMP may also still apply UPBs on new applications where there is a risk of the rehabilitation liability reverting to the State. For tenements where UPBs are retained/applied, the tenement holder is still required to pay any applicable MRF levy.

More information on UPBs following the introduction of the MRF can be found in the Administration of Mining Securities Policy, which can be accessed via the MRF section of DMP's website.

MRF lodgement and reporting

All tenement holders must submit disturbance and rehabilitation data each levy period. The levy periods are in line with financial periods.

For the 2014-15 levy period, 98 per cent of eligible tenements had submitted disturbance data by 30 June 2015 (19,278 of a possible 19,517).

As at 1 July 2015 there were 239 tenements for which data had not been reported. This is a greater compliance rate than the previous year, where data was not submitted by 30 June for 1,184 tenements (Figure 2).

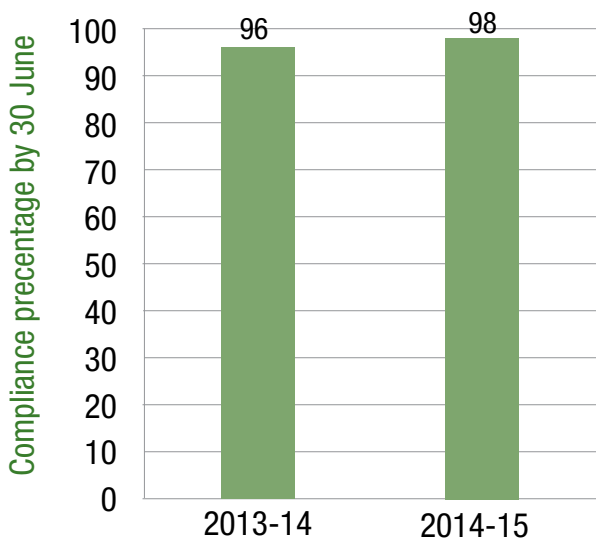


Figure 2: Percentage of tenements compliant with reporting obligations by 30 June.

Projected levy for the 2014-15 levy period

In the 2012-13 voluntary MRF period, a total of \$6,719,000 in levy payments was received.

In the 2013-14 compulsory MRF period, a total of \$26,667,000 in levy payments was received.

For the 2014-15 MRF period the projected levy payments are expected to total \$27,000,000.

The figures above and depicted in Table 4 have been sourced from the DMP Annual Report 2015.

Enforcement and compliance

In July 2014, as a result of failure to comply with reporting obligations under the MRF Act, DMP issued 1184 infringement notices.

After these infringement notices were issued, the majority of the tenement holders completed their reporting obligations. As a result, DMP withdrew 1155 of the infringement notices, with the remainder being transferred to the State Government's Fines Enforcement Register (See Figure 3).

The revenue from infringement notices is not retained by the MRF, and is transferred to the Government's Consolidated Revenue Fund.

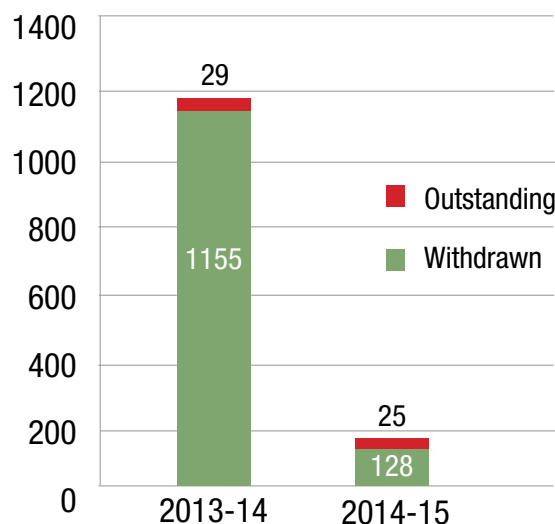


Figure 3: Number of infringement notices issued and withdrawn.

Annual MRF auditing

Desktop auditing of MRF reports are conducted annually to ensure that data reported is both accurate and reliable. This ensures the State is being adequately compensated for rehabilitation liabilities on tenements.

MRF reports may either be selected for auditing or are randomly selected from the pool of reports.

There were 164 MRF reports audited in the 2013-14 reporting period with 41 per cent of audits selected and 59 per cent randomly selected.

Annual MRF data

The MRF data is the most comprehensive publicly available dataset of mine site activities in Australia.

Each year, disturbance and rehabilitation data across 32 disturbance types are required to be submitted for each Mining Act tenement.

In September 2014, DMP published the first compulsory year of reported disturbance and rehabilitation data. The data has been and will continue to be released on DMP's website annually.

A breakdown of disturbance types and amounts as at 22 October 2015 is provided in Table 3 of this report.

Financial summary

Each year DMP reports the performance of the MRF and exercised UPBs through its Annual Report. In addition, the State Budget sets out the projected future revenue and expenditure.

The summary, which is reported in the Annual Report and State Budget, is included in Table 4 of this report.

Abandoned Mines Programme

During 2014-15, DMP commenced planning for rehabilitation on five abandoned mine sites across WA. These sites were selected based on their history, environmental and safety risks.

The interest generated from the MRF can be used to rehabilitate historically abandoned mine sites (those abandoned before the commencement of the MRF).

Preliminary engagement and planning has commenced with key stakeholders.

Updates on expenditure for each project site will be provided in future iterations of this report.

Five pilot sites have been identified as high priority for rehabilitation utilising funds from the MRF. A summary of the pilot sites is provided below.

Ellendale Diamond Mine

The Ellendale diamond mine (Ellendale) is located approximately 100 kilometres (kms) northwest of Fitzroy Crossing and 120km east of Derby in the West Kimberley

region of WA. Kimberley Diamond Company (KDC) went into administration in July 2015, with mining activities ceasing at Ellendale. The company then went into liquidation in late July. In October KDC issued a 'Notice of Disclaimer of Onerous Property' under the *Corporations Act 2001*, which disclaimed the 'Onerous Property' related to the Mining Act.

DMP has subsequently commenced a process of determining the legal options available to minimise risk to the State Government. Whilst these investigations are ongoing it has been necessary for DMP to ensure that the mine is kept safe stable and non-polluting, making Ellendale DMP's first pilot for the Abandoned Mines Programme.

DMP intends to ensure that Ellendale remains a sustainable development option for WA, however identified a number of high risk elements associated with the site that needed to be addressed promptly to prevent environmental contamination. On ground works commenced in late December 2015 and will be completed by the end of January 2016. It is noted that the site will not be fully rehabilitated or closed through the MRF as it remains a viable resource project.

It is also noted that prior to UPB's being returned to KDC as part of the MRF, that all compliance checks were undertaken and passed.

DMP will seek recovery of costs related to the rehabilitation of Ellendale and any other site which becomes abandoned in the future, under section 9A of the MRF Act.

Black Diamond coal mine

The historical abandoned mine site (Black Diamond) is located within the Allanson town site boundary in the Shire of Collie, approximately 5 kms west of Collie.

Black Diamond was mined between the late 1940's and early 1950's by Amalgamated Collieries Pty Ltd. Mining at the site consisted of an open cut pit and underground works. Since mining ceased the pits have filled with water.

On 27 December 1987 there was a serious injury to a member of the public as a result of diving into shallow water at the Black Diamond pit lake. Since that time, signage has been erected by the State Government warning of dangers associated with recreating in the pit (shallow water and submerged objects). A cyclone fence was also erected along the edge of Ferguson Road to restrict public access to the lake. Vandals have destroyed the fence and repair works have not been undertaken to reinstate the fence. The fence does not currently prevent public access to the lake.

There are a number of serious safety concerns surrounding the site as well as environmental with rubbish dumping, acid water and human effluent being present in the pit lake.

There are no UPBs, which can be used to undertake rehabilitation at Black Diamond; therefore the site has been identified as a high priority for rehabilitation using MRF funds.

The Abandoned Mines team is currently in the first stage of the project which involves site investigation and assessment.

Pro Force Site

The Pro Force mine site is approximately 2 km southeast of the Coolgardie town-site and is a historical gold mine which has been a safety concern for many years amongst members of the local community.

DMP also believes that there are a number of old ponds on site with possible white residue, the structures may be contaminated and the land is also littered with old dump truck tyres and possibly a cyanide vat.

DMP has called in UPBs totalling \$20,000 for the site. The money can be used to rehabilitate the site, however is unlikely to cover the entire cost of rehabilitating the site.

Accordingly the Pro Force site has also been identified as high risk and thus a high priority for rehabilitation utilising funds from the MRF.

The Abandoned Mines team is currently in the first stage of the project which involves site investigation and assessment.

Bulong Tailing Storage Facility

The Bulong nickel-mining operation (Bulong) is located approximately 40 km east of Kalgoorlie.

Mining commenced in the 1990s and approvals included the construction of a leach residue storage facility on Mining Lease No. 25/97. The operating company submitted a Temporary Closure Plan/Care and Maintenance Plan to the Department in 2004 and, after Bulong Nickel and Bulong Operations were declared insolvent, receivers were appointed in 2005.

DMP subsequently identified significant issues associated with dust and pollution of the surrounding environment by seepage from the tailings storage facility (TSF). A 'Direction to Modify' was issued in 2010, stipulating that the TSF should be remediated and capped and a rehabilitation plan established, however correspondence was returned and the Direction was neither received nor acted on by the company.

At this stage, the TSF remains uncapped and continues to pollute the surrounding environment. UPBs totalling \$1,708,000 have been called in and can be allocated to the rehabilitation prior to accessing any MRF funds

Site investigation and assessment is expected to commence in February 2016 for Bulong.

Elverdton Dumps Copper-Lead-Zinc Project

The Elverdton Dumps Project (Elverdton), containing Copper-Lead-Zinc is approximately 11 km ESE of Ravensthorpe in the Shire of Ravensthorpe.

The mine was worked between 1901 and 1920 and again between 1957 and 1971 before finally being granted to Norseman Gold Mines in 1988. The mining lease (No. 74/34) was forfeited in 1992, leaving a quantity of uncontained tailings on site that have been eroding into the downstream environment since the early 1990s. This has long been a cause of complaint from the local community.

A UPB of \$48,000 was called in to assist in managing the impact and, at this stage, 720,000 tonnes of uncontained tailings remain, covering a 6 ha area. Approximately 8 ha of the Steere River has been clogged and windblown tailings continue to affect the surrounding area.

In 1994, the Department of Mines and Resources (the forerunner to DMP) called, unsuccessfully, for expressions of interest in conducting a feasibility study into rehabilitating the site. A Mining Lease (No. 74/102) was granted to Paxton Enterprises Pty Ltd in 1995, who proposed to rehabilitate the site through a trial removal of a limited quantity of waste for on-sale as a soil conditioner, however this raised concerns as it did not involve remedial work and removal was slow.

After a Department-funded study by Murdoch University and rejection of a subsequent mining proposal (for failing to address dust-management issues), a Mining Proposal and Mine Closure Plan was approved in 2013, allowing the removal of 30,000 tonnes of tailings material. The operator maintains that the material is non-hazardous and certified as 'organic' for use as a soil-conditioner. A UPB was not required and the current tenement-holder is responsible for rehabilitation only on the area that is mined.

Pollution remains a serious issue. The project has the potential to provide employment opportunities for the local community in the clean-up and management of tailings material outside the mining tenure, as well as resolving a long-standing State liability and preventing further pollution.

Site investigation and assessment is expected to commence in May 2016 for Elverdton.

Table 1: UPBs retired by DMP as at 1 July 2015

	Dead		Live		Total	
	Value of bonds(\$)	Numbers of bonds	Value of bonds(\$)	Numbers of bonds	Value of bonds(\$)	Numbers of bonds
Exploration Licence	\$4,492,000	174	\$28,662,200	688	\$33,154,200	862
General Purpose Leases	\$24,500	3	\$43,188,250	303	\$43,212,750	306
Miscellaneous Licence	\$772,300	19	\$47,181,025	569	\$47,953,325	588
Mining Leases	\$28,914,500	319	\$895,393,501	2483	\$924,323,001	2802
Prospecting Licence	\$148,000	10	\$102,000	12	\$250,000	22
Retention Licence			\$55,000	2	\$55,000	2
Total	\$34,351,300	525	\$1,014,581,976	4,057	\$1,048,948,276	4,582

Source: DMP Mineral Titles –Online as at 26 October 2015

Table 2: UPBs exercised and called-in by DMP as at 1 July 2015

Tenement Type	Value of bonds (\$)	Total number of bonds
Exploration Licence	\$74,000	6
General Purpose Lease	\$368,000	12
Miscellaneous Licence	\$141,000	6
Mining Lease	\$3,653,500	39
Prospecting Licence	\$12,000	2
Total	\$4,248,500	65

Source: DMP- eMitS

Table 3: MRF summary of data reported for the period of 2013-15

Tenement Type	Disturbed Land (ha)		Change (ha)	Land Under Rehabilitated (ha)		Change (ha)
	2013-14	2014-15		2013-14	2014-15	
Exploration Leases	8,394.8	8,276.0	-118.8	124.8	113.6	-11.1
General Purpose Leases	2,929.5	3,059.3	129.8	664.4	707.7	43.2
Miscellaneous Leases	10,481.2	11,267.4	786.2	586.7	732.3	145.6
Mining Leases	83,164.3	82,762.6	-401.7	29,258.5	32,317.7	3,059.1
Prospecting Leases	561.6	662.1	100.5	85.8	80.3	-5.5
Retention Leases	1.9	4.54	2.6	0	0	0
Total	105,533.6	106,032.2	498.6	30,720.4	33,951.8	3,231.5

Source: DMP-MRF data extracted from the Environmental Assessment and Regulatory System 2

*Note-Figures from Table 3 are accurate as at 22 October 2015.

Table 4: MRF Financial Summary 2013-16

	2013-14 Actual	2014-15 Actual	2015-16 Estimated
	\$000	\$000	\$000
Balance at start of period	0	9,855	35,141
Add receipts			
Contribution from industry	6,719	26,667	27,000
Total projected capital in the MRF Fund			60,386
Treasurer's Advance drawn down (1)	1,623	1,944	2,018
Interest received	0	777	1,500
Transfer of called-in Performance Bonds (2)	3,077	-3,031	
Total receipts	11,419	36,213	30,518
Less payments			
Salaries	13	0	
Operational expenditure	1,551	1,020	800
Refund of levies	0	52	
Total payments	1,564	1,072	800
Balance at end of period	9,855	35,141	64,859

Source: DMP Annual Report 2014-15

Note:

(1) Total Treasurer's Advance drawn down as at 30 June 2015, to be repaid back to Treasury, is \$4.5 million

(2) Balance of Transfer of Called in Performance Bonds to be reversed out in 2015-16



Government of **Western Australia**
Department of **Mines and Petroleum**

Mineral House
100 Plain Street
East Perth, Western Australia 6004

Tel: +61 8 9222 3333
Fax: +61 8 9222 3862
Email: dmp@dmp.wa.gov.au
Web: www.dmp.wa.gov.au