



## DMP Bond Policy

The Western Australian Government is in the process of reforming the current environmental bonds system.

While a new policy for mining securities is expected to be finalised by mid 2011, a staged increase in bond rates will occur. The purpose of environmental performance bonds is to ensure that the State is not exposed to unacceptable cost should mine operators fail to meet the rehabilitation requirements on their tenements. It is essential for all stakeholders that the calculation of bonds is applied consistently across the State. This policy sets out a series of standard rates that are to be used in calculating bonds on mining and mining related activities in the State.

Bond rate increases, to be applied from 1 January 2011, will not compromise the adoption of any alternative model arising from the Department's review. The timeframe and schedule for bond rate increases beyond those listed below will be confirmed at the same time as a decision on the new policy for mining securities is made.

This policy sets out a series of minimum bond rates that will be used in calculating bonds on mining and mining related activities in the State. The schedule of bond rate increases will occur firstly with the increase in area-based bond rates, followed by the transition to the bonds being determined based upon an actual estimation of closure costs. This will result in bonds more accurately reflecting closure liabilities for sites.

By 1 January 2014, the minimum bond rates will be equivalent to 50% of the actual closure costs for a third party.

The new bond rates will be applied to mining proposals received after the date of change of the rates. For existing projects, the new bond rates will be applied as part of the Department's ongoing bond review process.

Tenement holders will be notified and given at least 12 months notice of the intention to apply the new bond rates to their operations.

Requests for bonds will remain valid for a period of three months from the date of issue. If the bond is not lodged within this timeframe, or permission sought from the Minerals Environment Branch to extend this date, the Mining Proposal or Programme of Work will be withdrawn without further notification.

### RATES FOR CALCULATING BONDS

The rates listed in Table 1 are the current and future standard rates that will be used by the Department of Mines and Petroleum to calculate environmental bonds. They represent a minimum rate that will be varied according to risk at a particular site.

Any variations to these rates will be made in consultation with, and authorised by, the Director Environment Division.



**Table 1: Minimum bond rates<sup>^</sup>**

Rates				
Rate	Description	Current rate/ha (minimum)	Rate/ha (minimum) from 1 Jan 2011	Rate/ha (minimum) from 1 Jan 2012
1	Tailings storage facilities, including in-pit disposal, heap/vat leach, evaporation dams, turkey nest dams, higher risk waste dumps (e.g. sulphides present, highly erodible or >25m high).	\$12,000*	\$15,000*	\$18,000*
2	Lower risk waste dumps, ROM pads, low grade oxide stockpiles, plant sites, workshops and process water dams.	\$10,000*	\$12,500*	\$15,000*
3	Camp sites, strip mining (backfilled mining voids), hyper saline pipelines (>15,000 TDS), causeways, haul roads, sewage ponds and landfill.	\$5,000	\$6,250	\$7,500
4	Roads and access tracks, “fresh” water pipelines, laydown areas, borrow pits and airstrips.	\$3,000	\$3,750	\$4,500

\*Some high risk facilities and landforms (e.g. sulphides present, highly erodible or >25m high) may attract a higher than minimum rate which will be determined on a case-by-case basis.

<sup>^</sup>Minimum bond rate for higher risk exploration programs is \$2,000/ha, e.g. exploration programs in environmentally sensitive areas or high levels of disturbance.

From 1 January 2013, the minimum bond amount will be set at 40 percent of the total estimated mine rehabilitation and closure costs for a third party, and this will increase to 50 percent from 1 January 2014. Prior to the end of 2011, the Department of Mines and Petroleum will develop the methodology for the estimation of actual rehabilitation and closure costs to apply after 1 January 2013.

### VARIATIONS TO BOND RATES

Bonds will need to be reviewed when an operation is approaching the end of mine life, or about to go under “Care and Maintenance”, administration or receivership to better reflect the true cost of closure (including site management, planning and mobilisation costs). These cost estimates are to be provided by the proponent and assessed by the Department of Mines and Petroleum. *Bonds will be changed accordingly as part of the closure planning process.*

Where an active mining operation is not carrying out progressive rehabilitation when it is practical to do so, then the bonds may be reviewed and amended to reflect the true cost of closure.



## BOND REDUCTIONS AND RETIREMENT

Where rehabilitation has been carried out and has clearly demonstrated stability under at least average seasonal conditions, bonds may be reduced in accordance with Table 2. Tenement holder(s) considering bond reduction should contact DMP's Minerals Environment Branch to arrange a site inspection.

**Table 2: Bond reduction rates and criteria**

Stage	Action	Completion Criteria Met	Reduction Rates*
1	<b>Primary Earthworks</b> - reshaping - drainage	<b>Structure stable.</b> <b>Erosion controlled.</b> <b>Water run-off managed effectively.</b>	<b>50% total</b>
2	<b>Finishing Earthworks</b> - topsoil spread - deep ripping	<b>Appropriate topsoil cover.</b> <b>Adequate, contour ripping.</b> <b>Demonstrated stability and erosion control.</b>	<b>30% total</b>
3	<b>Revegetation</b> - seeding - planting	<b>Vegetation established but not demonstrated to be self-sustaining.</b> <b>Weed control program commenced.</b> <b>Grazing control commenced.</b>	<b>20% total</b>
4	<b>Relinquishment – all actions complete.</b>	<b>All criteria met. Bond retired.</b>	<b>Bond retired</b>

**\*Note:** the reduction percentages are against the bond rates used at the time bond rates were originally set.

Time scales to meet these requirements will vary according to seasonal characteristics. It is essential that before any reductions in bonds take place that the work has been exposed to at least average seasonal conditions and sufficient monitoring data has been collected to demonstrate performance against closure criteria. If this has not occurred then bonds will not be reduced.

Bonds will only be retired when the rehabilitation has met all completion criteria and standards set out in approval documents, annual environmental reports and decommissioning plans.

Bonds will not be retired until the Environmental Officer is satisfied that the rehabilitated area is safe, stable, erosion is comparable to the surrounding areas and that the biological system is sustainable under a range of seasonal conditions representative of that climate.

In some circumstances it may take up to ten years or more to fully retire a bond. The Director Environment Division must formally approve all significant bond reductions and/or retirements.