



Queensland
Government

Department of
Natural Resources and Mines

Our Ref: PJ80023 – ML's 5580, 5581, 5590, 5605, 80157, 80169
Contact: Debra Evans
Telephone: 07 49360362
Email: mines.rockhampton@dnrm.qld.gov.au

25 November 2013

Baralaba Coal Pty Ltd
Level 4
10 Eagle Street
BRISBANE QLD 4000

C/C Environment & Heritage Protection
PO Box 3028
Emerald QLD 4720

Dear Sir/Madam,

Financial Assurance for – PJ80023 – ML's 5580, 5581, 5590, 5605, 80157, 80169
Environmental Authority No EPML00223213

The Department of Environment and Heritage Protection refers to the Plan of Operations (PoO) Baralaba Coal Mine, *Plan of Operations*, 1 November 2013 – 31 August 2014. The Financial Assurance has been assessed at \$18,848,724.00.

The Department currently holds a Financial Assurance of \$13,017,422.00. You are requested to lodge a new Financial Assurance for this project; in the amount of \$18,848,724.00 or alternatively provide additional funds in the amount of \$5,831,302.00.

The security currently held will be returned upon acceptance of the new security in full.

You are required to lodge the requested Financial Assurance for the above amount within 20 business days. (The new Financial Assurance must refer to the mining lease number and the Environmental Authority number).

If you have any queries with this matter, you may wish to contact the office on the above mentioned number.

Yours Sincerely,

9-Sch4 - Personal Information

Debra Evans
Assessment Officer
(on behalf of Mining Register)
Coal Resource Management Centre

Department of Natural Resources & Mines

PO Box 3679

RED HILL QLD 4701

Telephone + 61 7 49360362

Website www.deedi.qld.gov.au

ABN 98 628 485 885

File Ref: GLT1834

20 November 2013



Department of
**Environment and
Heritage Protection**

Mr Tony Green
General Manager Operations
Baralaba Coal Pty Ltd
Level 2, 66 Hunter Street
Sydney NSW 2000

cc Ms Debbie-Jo MacDonald
Principal Mining Registrar
Coal Resource Management Centre
Department of Natural Resources and
Mines
PO Box 3679, Red Hill
Rockhampton Qld 4701

Attention: Mr Green

Re: Replacement Plan of Operations for Baralaba Coal Mine

The Department of Environment and Heritage Protection (the department) confirms the Plan of Operations (PoO) submitted for Baralaba Coal Mine for environmental authority (EA) **EPML00223213** relating to mining tenements ML5580, ML5581, ML5590, ML5605, ML80157 and ML80169 for the period approximately between **1 November 2013 – 31 August 2014** was received by the department on 7 November 2013 via email.

The department is satisfied that the financial assurance (FA) has been calculated in accordance with the requirements of the departmental guideline. The FA required to be held is **\$23,559,656** with performance discount Category 2 (20%) applicable therefore requesting **\$18,848,724** to be paid.

In accordance with Condition A15 of EPML00223213 please ensure this is paid no later than 15 December 2013.

A copy of this letter has been sent to the Mining Registrar of the Department of Natural Resources and Mines. The Registrar will calculate any FA under the *Mineral Resources Act 1989* and advise you of the total required amount of FA and the process for lodging it. The amount of FA stated above will be reviewed in any future amendment to, or replacement of, the PoO.

I take this opportunity to advise you that your PoO is a statutory document, and the department may carry out a compliance audit of the site at any time. Also please note that if the holder of the EA becomes aware of an inconsistency between the PoO and the EA, the PoO must be amended.

I would also like to note that the Act now requires a Compliance Statement with the PoO, in place of an audit statement, as per section 288(3) of the Act. Please ensure the content of the PoO is consistent with the requirements of the legislation at the time of submission.

Should you have any further enquiries with regards to this matter, please do not hesitate to

Dept. Environment and Heritage Protection
99 Hospital Road
PO Box 3028
EMERALD QLD 4720
Telephone + 61 7 49879320
Facsimile + 61 7 49879399
Website www.dnrm.qld.gov.au
ABN 46 640 294 485

contact Sophie Connors, Environmental Officer of the department on telephone (07) 4987 9344.

Yours sincerely, /

49-Sch4 - Personal Information

Christopher Loveday
Manager
Environmental Services – Mining

Published on EHP Disclosure log
RTI Act 2009

Assessment report

Environmental Protection Act 1994

Decisions relating to the amount and form of financial assurance

*This assessment report is for documenting decisions made in relation to financial assurance. It should be used for deciding the amount and form of financial assurance (Sections 294 and 295 of the Environmental Protection Act 1994); amending the amount or form of, or discharging, financial assurance (Section 302); or where the administering authority is requiring a change to financial assurance (section 306). **Note:** This report does not need to be completed to decide the amount of financial assurance for small scale mining activities or other activities for which standard conditions prescribe the required amount of financial assurance. Officers must refer to Guideline – Financial Assurance under the Environmental Protection Act 1994- EM1010 when making decisions relating to financial assurance.*

Project Name: Baralaba North Coal Mine	
Principal Applicant: Baralaba Coal Pty Ltd	
Joint Applicants: NA	
Agent/ Service Address: Level 4, AMP Building, 10 Eagle Street Brisbane QLD 4000	
Resource activity or prescribed ERA description: Site Specific Environmental Authority - Mining Lease activities (ERA 13 Mining Black Coal), ERA 16(2), ERA 33, ERA 63(1)(a)(ii)	
Location Description: Baralaba Coal Mine, north of the Baralaba township, Central Queensland	
Tenure description: ML5580, ML5581, ML5590, ML5605, ML80157, ML80169	
ECOTRACK project no: 172697	Environmental authority no: EPML00223213
File no: GLT1834	
Application received date: 7 November 2013	
Application validation date: 7 November 2013	
Decision due date: 20 November 2013	

1 Application type:

- ☒ Deciding the amount and form of financial assurance (ss. 294–296 EP Act) - Complete sections 2, 3, 4, 5, 7 and 8.
- ☐ Amending the amount of financial assurance (s. 302 EP Act) - Complete sections 2, 3, 4, 5, 7 and 8.
- ☐ Amending the form of financial assurance (s. 302 EP Act) - Complete sections 2, 3, 4, 7 and 8.
- ☐ Discharging financial assurance (s. 302 EP Act) - Complete sections 2, 3, 4, 6, 7 and 8.
- ☐ Changing the financial assurance amount (initiated by administering authority) (s. 306 EP Act) - Complete sections 2, 3, 4, 5 (as applicable), 7 and 8.

2 Reason(s) for application:

- ☐ New Plan of Operations
- ☒ Amended or replacement Plan of Operations
- ☐ New environmental authority with condition requiring financial assurance
- ☐ Change to activity or area of disturbance (where no Plan of Operations is required)
- ☐ Surrender of environmental authority or cessation of small scale mining activity
- ☐ Partial surrender of an environmental authority
- ☐ Transfer of environmental authority or relevant mining tenement to new holder
- ☐ Associated application for certification of progressive rehabilitation
- ☐ Client wishes to change the form of financial assurance
- ☐ Initiated by Administering Authority
- ☐ Other (please specify):

3 Background:

This assessment report relates to the replacement plan of operations for Baralaba Coal Mine for the period 1 November 2013 to 31 August 2014.

4 Details of financial assurance (FA)

Amount of FA: Amount of financial assurance currently held for the project	\$13,017,422.00
Required amount of FA calculated by client, excluding discount	\$23,559,656
Required amount of FA calculated by department (if different to client calculation), excluding discount	\$23,559,656
Applicable discount (%)	20%
Total amount of FA required to be held, after any discount is applied	\$18,848,724
Adjustment required to existing FA (if applicable)	\$NA

Period of FA: NOTE – The time period should match any corresponding rehabilitation plan and should generally not be more than 5 years. The period is approximately from 1 November 2013 to 31 August 2014.

Form of FA: NOTE - The form of FA should be a financial institution's undertaking in the form of an unconditional, irrevocable and on demand guarantee. Cash will only be accepted in limited circumstances.

Current form of FA	Guarantee
Proposed form of FA	Guarantee
Justification for a change to the form of FA (if applicable)	NA

5 Assessment of the amount of FA

Topic	Details	Assessment
Required information		
For financial assurance calculations submitted as part of a Plan of Operations: Does the rehabilitation plan provide all of the information required by the applicable departmental guideline for preparing a Plan of Operations?	Yes	Yes
For all other financial assurance calculations: Has the application form been fully completed and submitted with all of the required information?	Yes	Yes
Has a compliance statement been submitted? <i>NOTE: A compliance statement is required to be submitted with a Plan of Operations, and may be required for applications to amend financial assurance.</i>	Yes	Yes
Does the compliance statement and/or declaration on the application form indicate that FA has been calculated in accordance with the Guideline – <i>Financial assurance under the Environmental Protection Act 1994</i> ? <i>NOTE – s. 288 of the EP Act only requires the EA holder to provide a compliance statement, stating whether or not they have calculated FA in accordance with the guideline (i.e. it doesn't actually compel a FA calculation to comply with the information requirements).</i>	This has been included in the Plan of Operations but has been referenced as an audit statement. Note that the audit statement made reference to the previous (and now outdated) financial assurance guideline but it has been checked and has been calculated correctly.	Yes
If this assessment relates to a requirement by the administering authority to change FA, has written notice about this requirement been provided to the holder of the environmental authority or small scale mining tenure, and has the stated period	NA	NA

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Assessment report
Form and amount of financial assurance

for submissions ended?		
Review of rehabilitation liability		
Has FA been calculated on a project basis? (Briefly describe)	The FA has been calculated in accordance with the type and area of disturbance on site, specific to the Baralaba project.	Yes
Does the application include supporting information to show how FA has been calculated, including, if applicable, the Schedule of Disturbance (available on the department's website)?	Yes	Yes
Has the applicant provided details of any change in the areas or types of disturbance?	Yes	Yes
Do the total rehabilitation costs account for <u>all</u> land that has been, or is proposed to be, significantly disturbed?	Yes	Yes
Has the applicant described what rehabilitation work (including specific activities and tasks) is to be carried out, including any infrastructure or services that are to be terminated, decommissioned or removed?	Yes	Yes
Is the proposed rehabilitation work consistent with any relevant standards or rehabilitation requirements, such as requirements of the environmental authority (e.g. rehabilitation objectives, performance indicators or acceptance criteria specified)? <i>NOTE: If unconventional rehabilitation methods are proposed, the department may require that financial assurance be calculated based on more conservative rehabilitation techniques until the success of alternative rehabilitation techniques is demonstrated (e.g. by site specific trials).</i>	Yes	Yes
Are the unit rehabilitation costs that have been applied to each type of disturbance reasonable? <i>NOTE - The assessing officer may refer to the department's financial assurance calculator or equivalent (e.g. NSW</i>	Yes – as certified in the audit statement.	Yes

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Assessment report
Form and amount of financial assurance

<i>financial assurance calculator) to assist determine whether unit rehabilitation costs are reasonable. If there is a significant discrepancy in costings, the operator should be asked to provide further verification or explanation of estimates.</i>		
Is the FA based on the rehabilitation costs for the year in which the maximum liability is incurred within the nominated disturbance period?	Yes	Yes
Have site-specific, independently certified, third party quotes been provided for the rehabilitation work? <i>NOTE: The Department's Financial Assurance Guideline requests that third party quotes be provided for rehabilitation work.</i>	NA – the use of third party quotes has been certified by the auditor of the audit statement lodged with the Plan of Operations.	Yes
Is the application dependent on approval of a progressive certification application? Provide details.	No	Yes
Are there any enforcement actions or notices about rehabilitation or past environmental performance which may affect the amount of FA required?	No	Yes
Do the FA calculations include a project management cost (10% recommended)? <i>NOTE: The EA holder may nominate an alternative amount for this component. If a non-recommended value is used, quotes must be attached with the application/information supplied to the department.</i>	Yes	Yes
Has the cost of rehabilitation maintenance and monitoring been factored into calculations? <i>NOTE - An amount equivalent to 5% of the total rehabilitation cost is recommended.</i>	Yes	Yes
If the project produces hazardous contaminants or includes notifiable activities (in relation to contaminated land), the cost of completing a site investigation report to verify that the	No	Yes

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Assessment report
Form and amount of financial assurance

conditions of the environmental authority have been met must be included in the FA calculations.		
Do the FA calculations include a 3% adjustment for inflation compounded to the year of maximum disturbance (if FA applies for more than 1 year)?	Yes	Yes
Has 10% goods and services tax (GST) been included in the calculations for all taxable supplies?	Yes	Yes
Assessment of discount category (if applicable):		
Has a discount in accordance with Appendix C of the guideline (EM1010) been applied for? If yes, briefly describe.	Yes at category 2 (20%)	Yes
Has the applicant demonstrated that all prerequisites for a discount as required by Appendix C of the Guideline – Financial Assurance under the <i>Environmental Protection Act 1994</i> , can be met?	Yes this has been checked	Yes

6 Application to discharge FA

Topic	Assessment details	Assessment conclusion
Is the application complete and has it been made on the correct form (<i>EM875 - Application to vary or discharge financial assurance for an environmental authority</i>)?	NA	NA
Should a compliance statement be required from the applicant before deciding the application? <i>NOTE: If a compliance statement is required, written notice must be provided to the applicant under section 304 of the EP Act.</i>	NA	NA
If required, does the submitted compliance statement meet the requirements of Section 304 of the EP Act? <i>NOTE: If the compliance statement does not meet these requirements, the</i>	NA	NA

Assessment report
Form and amount of financial assurance

<i>application should not be accepted.</i>		
Has the application been made by the holder of a small scale mining tenure?	NA	NA
Has an application been made to surrender (all or in part) the environmental authority that the financial assurance is held for?	NA	NA
If the application relates to the surrender of an environmental authority, has a final rehabilitation report been submitted?	NA	NA
Has the applicant applied to transfer the environmental authority that the financial assurance is held for?	NA	NA
If an associated transfer application has been made, has it been decided? <i>NOTE: The decision on discharging FA may be withheld until the transfer is approved, new FA is given by the transferee and the transfer is effective.</i>	NA	NA
Has sufficient information been provided to satisfy the administering authority that no claim is likely to be made on the financial assurance?	NA	NA

7 Recommendation

It is recommended that the amount and/or form of financial assurance be:

- ☒ **Approved as proposed by the applicant – provide a statement of reasons below**
- ☐ **Approved as proposed by the administering authority – provide a statement of reasons below**
- ☐ **Amended as proposed by the applicant – provide a statement of reasons below**
- ☐ **Amended as proposed by the administering authority – provide a statement of reasons below**
- ☐ **Discharged – provide a statement of reasons below**

OR

It is recommended that the application be:

- ☐ **Refused – provide statement of reasons below**

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Assessment report
Form and amount of financial assurance

Statement of reasons

The financial assurance and access to the applied discount category of 2 (20%) should be accepted based on the signed audit statement accompanied with the plan of operations.

8 Review and endorsement

Assessing officer	Reviewing officer
Sign: 9-Sch4 - Personal Information	Sign: 49-Sch4 - Personal Information
Date: <u>18/11/2013.</u>	Date: <u>18-11-2013</u>
Name: Sophie Connors	Name: Sue Burt
Position: Environmental Officer	Position: Principal Environmental Officer
Delegate	
Recommendation/s: <u>1</u> APPROVED NOT APPROVED	
Sign: 49-Sch4 - Personal Information	Date: <u>20/11/13</u>
Name: Christopher Loveday	
Position: Manager Environmental Services Mining	

IMPORTANT NOTE: Where applicable, the relevant mining registrar must be copied in the notice of decision on financial assurance.

PLAN OF OPERATIONS FOR ENVIRONMENTAL AUTHORITY (SITE SPECIFIC)
SECTION 288 OF THE ENVIRONMENTAL PROTECTION ACT 1994

CLIENT: Cockatoo Coal Limited on behalf of
 Baralaba Coal Pty Ltd

REGISTERED OFFICE ADDRESS: Level 4 AMP Building, 10 Eagle Street, Brisbane City QLD 4000

TENEMENT: ML5580, ML5581, ML5590, ML5605, ML80157, ML80169.

ENV AUTHORITY NO.: EPML00223213 – Baralaba Coal Mine

FILE NO.: GLT1834

DECISION DUE DATE: 20 November 2013

TIME SPENT: 10 hours (office)

1.0 SUMMARY

The Department of Environment and Heritage Protection (the department) received a replacement Plan of Operations (PoO) from Cockatoo Coal Limited (CCL) on behalf of Baralaba Coal Mine on 7 November 2013. The PoO is for the period 10 days after submission (approximately 21 November 2013) until 31 August 2014 (approximately 12 months). The EP Act requires PoOs to be submitted 20 business days prior to commencement of the associated activities, however, EHP has advised CCL that in the interests of expediting the commencement of activities, the PoO may be assessed in the shorter timeframe of 10 business days. The PoO has been lodged to reflect the granted amended Environmental Authority (EA) EPML00223213 dated 24 August 2013.

The proposed activities during the PoO are:

- Backfilling of the void at Baralaba Central 1.5M m³
- Construction of the 1:1000 year AEP flood protection levee around the Baralaba North and Wonbindi North void
- Continue open cut coal mining (and auger mining) at Baralaba Central at a maximum rate of 1Mtpa

CCL have applied to access the discount system for evidenced good environmental performance at Category 2 (20%). CCL meet all pre-requisites for entry to the discount system and for meeting the criteria required to access the Category 2 discount. The total financial assurance (FA) required to be held against EPML00223213 before the discount is \$23,599,656. After application of the discount and rounding the FA to the nearest thousand, the FA to be requested is \$18,848,724.

CCL previously expressed concern over the ability to obtain a bank guarantee to cover the proposed financial assurance (FA). For this reason, CCL have been granted an extension of time to lodge the required FA no later than 15 December 2013, which has been conditioned within EPML00223213 via an amendment by agreement on 24 October 2013. CCL have also been granted commencement of activities prior to lodgement of the required FA.

Please note that the financial statements that have been lodged by CCL, to access the performance discount system, highlighted that there is a going concern for CCL as a company to continue given the realisation of their assets and cash flow projections. EHP has accepted access to the discount provided that the company meets the assumptions described, on page 19 of the financial statements, that must be met to ensure the company can continue.

2.0 STATUTORY REQUIREMENTS

The proposed amount of FA for a mining lease project must:	
• Be calculated on a project basis	Yes
• Be based on estimates for the works to be completed by 3 rd party contractors	Yes
• Be estimated using a schedule of disturbance and	Yes

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rehabilitation	
• The total rehab cost must be calculated using a unit rehabilitation cost times the area of disturbance	Yes
• If project includes hazardous contaminants the cost of completing site investigation report to verify that the condition have been made must be included in the FA calculations	NA – the site does not have a tailings dam
• Consumer price index (3%)	Yes
• GST (10%)	Yes
• Maintenance and monitoring 5% of the total rehabilitation costs	Yes
• FA calculated by Client	Yes
• Third party quotes provided and verified	An audit statement signed by the auditor confirms that costs have been used that accurately reflect rehabilitation costs.
• Resultant proposed FA – provide justification for proposed FA	Yes

All relevant checklists attached: Yes
 Letter to Mining Registrar requesting FA attached: Yes
 Total Amount of FA to be requested: \$18,848,724
 FA spreadsheet updated: Will be updated upon delegate approval
 Term of Plan of Operations: 1 November 2013 – 31 August 2014
 Current discount category: 2 (40% discount) – as per previous guideline
 Discount category applied for: 2 (20% discount)
 Guideline eligibility requirements met for disc*: Yes
 Discount category eligibility: Yes
 Evidence supplied*: Yes

Discount category	Performance criteria	Evidence provided
4 (nil)	The criteria for Category 3 are not all met	No application made for entry to discount system.
3 (10%)	The holder(s) is able to demonstrate: <ul style="list-style-type: none"> o 2 years of good environmental performance at the site at the beginning of the Plan of Operations (e.g. during the preceding 2 years, audits have shown compliance with EA conditions; no transitional environmental programs were in place; and no prosecutions for environmental offences occurred). 	N/A
2 (20%)	All requirements in Category 3 are met and: <ul style="list-style-type: none"> o progressive rehabilitation has been undertaken on the site to the extent that is feasible 	This discount has been applied for – and all requirements have been met.

1 (30%)	All requirements in Categories 3 and 2 are met and <ul style="list-style-type: none"> o progressive rehabilitation successfully achieves best practice expectations (e.g. granted certification), and o progressive rehabilitation continues to be undertaken to the maximum extent that is feasible 	N/A
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3.0 RECOMMENDATION

It is recommended that:

- The level of financial assurance required is **\$18,848,724** based on a performance category of 2 (20% discount applicable);
- The attached letter to the client be signed and sent regarding the PoO and a copy forwarded to the Mining Registrar of DNRM requesting the payment of the Financial Assurance.

Assessing Officer

Sophie Connors
Environmental Officer
Central Region

Signed - Sch4 - Personal Informat

Date: 18/11/2013.

Reviewed & Endorsed By:	
Reviewer Sue Burt Principal Environmental Officer Central Region <div style="border: 1px solid black; width: 200px; height: 20px; margin: 10px auto;">49-Sch4 - Personal Information</div> <p>Signed -</p> <p>Date - 18-11-2013</p>	Delegate Christopher Loveday Manager Central Region <div style="border: 1px solid black; width: 200px; height: 20px; margin: 10px auto;">49-Sch4 - Personal Information</div> <p>Signed</p> <p>Date - 20/11/13</p>