

**Guidelines for Allocation of Future Coal Exploration Areas**  
**Introduced March 2006**  
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## **1. Introduction**

Following a recent order from the Governor of New South Wales, all of the coal deposits in NSW now lie within a Minerals Allocation Area (MAA) under the Mining Act 1992.

Within the MAA, the Minister's consent is required before an application can be made for a coal exploration licence. The MAA allows for the controlled and rational release of potential coal development areas and the setting of special conditions for each allocation.

Normally allocations are made on a competitive basis, however, there may be circumstances where coal allocations are made subject to certain conditions and including a financial contribution.

These guidelines apply to future coal exploration areas and not to existing titles.

## **2. Categories of Coal Allocation Areas**

For the purpose of these guidelines potential coal allocation areas are categorised into four groups:

**(i) Major Stand-Alone Areas**

These areas contain sufficient coal to develop a large new mine.

**(ii) Substantial Additions to Existing Mines**

These areas are located adjacent to existing mines and could be mined from a continuation of the existing operations. Such areas may also have the potential to be 'major stand-alone' areas.

**(iii) Minor Additions to Existing Mines**

These areas are small areas adjacent to existing mines and could be mined by a continuation of the existing mine. These areas are not large enough to develop 'major stand-alone' mines.

**(iv) Small Areas Unrelated to Existing Mines**

These areas are small but may have the potential to be developed as stand-alone mines if located close to infrastructure or markets.

## **3. Process for Allocation**

**(i) Major Stand-Alone Areas**

A major stand-alone area is defined as an area containing sufficient coal to justify the establishment of a substantial new mine and infrastructure.

Stand-alone areas will be allocated by:

- (a) Tender or expressions of interest with open-ended financial contribution.
- (b) Tender or expressions of interest with minimum financial contribution but open-ended maximum contribution.
- (c) Tender or expressions of interests with a fixed financial contribution and a requirement to develop specific infrastructure or utilisation technologies or value adding processes.

- (d) Tender or expressions of interest to supply a specific end use such as a domestic power station with a financial contribution negotiated in advance of the tender or expression of interest.

**(ii) Substantial Additions to Existing Mines**

Substantial additions range in size from 20 Mt open cut or 50 Mt underground saleable reserves to major stand alone areas that are adjacent to existing mining projects.

**(a) Potential Stand-Alone Areas**

Unless the area is required to ensure the ongoing short to medium term future of the mine, competitive tendering or expression of interest would be used as per the process outlined in (i).

**(b) Other Areas (>20Mt open cut or >50 Mt underground)**

To add significant additional reserves (but not of stand-alone size) to existing mines, an assessment based on one or more of the following criteria will be employed:

- Current mine reserves are nearly depleted and grant of an adjoining area would ensure continuity of mining.
- The viability of the mine could be substantially improved.
- Significant capital expenditure would be incurred and the production levels increased/maintained.
- Sterilisation of the resource would be avoided or resource recovery from the area would be substantially enhanced.
- Allocation of the area would avoid duplication of infrastructure in environmentally sensitive areas or assist to ameliorate potential conflicts with other surface development.

If such a substantial allocation is made without competitive tendering, then a financial contribution will be negotiated. Minimum contributions are specified in the attached Appendix.

**General**

- For requests for substantial additions to mines which adjoin other mines or projects, consideration will be given to the current and possible future needs of those adjoining operations in regard to access to additional coal reserves.
- Geological structures which may form mining barriers will be taken into consideration.
- In some instances, the grant of additional reserves may be balanced by the relinquishment of areas effectively non-mineable from existing operations due to geological barriers.
- Substantial additions will not be granted to applicants who have not already carried out extensive exploration in existing holdings.

**(iii) Minor Additions to Existing Mines**

A minor addition is defined as a small area adjoining an existing mine or project. It may contain up to 20 million tonnes of open cut or 50 million tonnes of underground saleable coal reserves. Small areas may be allocated on the basis of one of more of the following criteria:

- Life of the existing mine will be extended (but there isn't necessarily any significant increase in employment, capital expenditure or production).
- Grant of the area will rationalise existing colliery boundaries in relation to surface features or geological constants.
- The area is threatened with sterilisation from competing land uses.
- The area would not be amendable to the development of a separate small stand-alone mine.
- Resource recovery will be maximised.

Where a proposed minor addition forms part of a larger unallocated area, consideration will be given to the possible deleterious effect on the future development potential of the larger area.

In the situation where a minor addition is adjacent to more than one existing mine or project, then a study needs to be undertaken prior to allocation, to ensure that the proposed allocation represents the most rational and equitable approach.

Prior to allocation to an existing mine or project, appropriate terms and conditions will be negotiated and the financial contribution will be set as per the attached Appendix.

Minor additions may be granted as mining leases rather than exploration licences where the geological data from adjoining areas can be reasonably extrapolated into the proposed addition.

**(iv) Small Areas Unrelated to Existing Mines**

Small areas include:

- Remnant coal resources left from previous mining operations.
- Small deposits with some development potential.

Allocation will be by priority of application or by some limited form of expression of interest.

A financial contribution based on the tonnes of saleable coal will be set as per the Appendix.

**4. Refund of Exploration Expenditure**

All categories require the refund of government exploration expenditure. Exploration adjacent to, but outside the allocation area, may be included as part of the expenditure.

Repayment schedules are negotiable.

**5. Requirement to Develop Resources**

All allocations of coal reserves are made to either allow the development of a new mine or to enhance an existing mine.

Where the conditions of the original allocation are not met by the title holder or the allocated resources are not developed within a reasonable time frame, the coal title may be cancelled by the Minister without compensation.

### Indicative Financial Contribution for Coal Allocation Areas

The Tables below set out indicative financial contributions for coal allocation areas. The contributions are based on the type of deposit (open cut or underground), quality (export or domestic) and size.

#### I. OPEN Cut

| Saleable Tonnes (Mt) | Export Coal                               |                                 | Domestic Coal                             |                                 |
|----------------------|---|---------------------------------|---|---------------------------------|
|                      | Cents/Tonne                               | Minimum Contribution \$ million | Cents/Tonne                               | Minimum Contribution \$ million |
| > 100                | Tender or Negotiation or 20 + negotiation | >20                             | Tender or Negotiation or 10 + negotiation | >10                             |
| 50-100               | 15+ negotiation                           | >7.5                            | 7.5 + negotiation                         | >3.75                           |
| 5-50                 | 10  | >0.5                            | 5   | >0.25                           |
| <5                   | 5   | <0.25                           | 2.5                                       | <0.125                          |

#### II. UNDERGROUND

| Saleable Tonnes (Mt) | Export Coal                              |                                 | Domestic Coal                              |                                 |
|----------------------|--|---------------------------------|--|---------------------------------|
|                      | Cents/Tonne                              | Minimum Contribution \$ million | Cents/Tonne                                | Minimum Contribution \$ million |
| >100                 | Tender or Negotiation or 15+ negotiation | >15                             | Tender or Negotiation or 7.5 + negotiation | >7.5                            |
| 50-100               | 10                                       | >5                              | 5  | >2.5                            |
| <50                  | 5  | <2.5                            | 2.5  | <1.25                           |

### ***Payment of Financial Contributions***

Unless allocated by open tender or negotiation, financial contributions will be payable in instalments:

- 20% at grant of Development Approval.
- balance payable in five equal payments at yearly intervals.

The financial contributions do not include the refund of government exploration and tender assessment costs if applicable.