



Dartbrook Coal Mine Modification 7

Upper Hunter Shire Council Meeting with Independent Planning Commission

April 8th 2019

- Steve McDonald - General Manager, Upper Hunter Shire Council
- Mathew Pringle - Director Environment and Community Services, Upper Hunter Shire Council
- Cr. Kiwa Fisher - Chair of Development and Environment Committee, Upper Hunter Shire Council

On behalf of the Upper Hunter Shire Council and our community, Commissioners welcome to the region and thank you for the opportunity to speak with you today

Mayor Wayne Bedggood sends his sincere apologies for being unable to attend today's meeting

Today we will outline the Upper Hunter Shire Council's

- General Views on Mining
- Specific concerns
 - With this proposal, irrespective of the Proponents
 - With the Proponent and their proposed Joint Venture Partner
 - With the DPE's Assessment of the proposed Modification
- Ongoing and fundamental opposition to the recommencement of any form of coal mining at Dartbrook
- Answer any questions the Commissioners may wish to ask

- Council remains steadfastly opposed to the recommencement of mining in any form at Dartbrook
- Council rejects the DPE's inference that our objection was "*in principle*" and that the Voluntary Planning Agreement represents an Economic benefit to the area or provides an economic justification for this mine.
- The Mayor has described this as "being verballed"
- Our position remains that we would far prefer no VPA and no mine and that the VPA represents minor compensation for the major disbenefits of this mine.

General Views on Mining - Council's Position Statement on Coal & CSG

- The original Position Statement was adopted by Council unanimously in 2011
- Revised and updated version also adopted by Council unanimously in 2015
- Another revision reflecting legislative changes will be put before Council 2019
- The 'No Mining' policy has been advocated by every Scone Shire President and Upper Hunter Mayor since the election of Barry Rose in 1990
- This position is consistent, considered, long standing and community led
- For example, the 2015 update was revised to include CSG exploration after consultation with effected landowners in the Bunnan / Merriwa region who were concerned that damage was being done at the exploration stage in the PEL
- Concerns regarding mining - including the encroachment of mining into our area - feature regularly in community concerns surveys
- The Position Statement was given to the proponent at the beginning of the very first meeting, as it is to all mining industry representatives
- Council rejects the comments of the DPE's Howard Reed that UHSC objected "*in principle, if you like*"
- The following slide is taken directly from the 2015 Micromex community survey



General Views on Mining - Climate Change and Sustainability

- Council's Recognition of Climate Emergency February 2019 RESOLVED
- *“That Council recognises that we are in a state of climate emergency which requires urgent action by all levels of government including local councils. With the failure of state and federal governments to respond effectively to global warming, councils across Australia (and the world) are now playing a leading role in responding to global warming by setting safe climate goals and targets, by implementing local sustainable programmes, by advocating to state and federal governments and by encouraging other councils to do the same. As local councillors we have a great opportunity to play a key role in building a state and then a national response to global warming”*
- Council is a Founding member and active participant in the Climate Council's Cities Power Partnership, promoting sustainability issues and Local Government led climate change action.
- In 2018 Council adopted its Sustainability Action Plan 2018 - 2021, and is actively working on implementing the plan's recommendations
- Council is in no doubt that the use of thermal coal in power generation is the leading cause of Anthropogenic Global Warming

General Views on Mining: Consistent with our Community Strategic Plan

Vision - A Quality Rural Lifestyle - in a vibrant, caring and sustainable community

Key Focus Area: Built and Natural Environment

- *Goal 3 - Protect the natural environment*
- *G3 CS10: Advocate for, facilitate and support programs that protect and sustain our diverse environment for future generations*
- *Goal 4 Plan for a sustainable future*
- *G4 CS17: Implement policies to ensure the protection of strategic agricultural lands, equine critical industry clusters, natural resources and heritage*

Key Focus Area: Economy and Infrastructure

- *Goal 5 - A sustainable and prosperous economy*
- *G5 CS18: Encourage a diverse economy whilst preserving our agricultural and equine industries*

General Views on Mining: Consistent with Hunter Regional Plan 2036 (and preceding Strategic Regional Land Use Plan)

DPE Regional Priorities - Upper Hunter [Shire]

- *“Protect the Equine Critical Industry Cluster and allow for expansion of the industry.*
- *Protect Biophysical Strategic Agricultural Lands and other important agricultural lands.*
- *Support the tourism economy by investigating ways to leverage agriculture and equine industry strengths to attract food-based and equine-related visitors.*
- *Support the diversification of the energy sector and ongoing extractive industries, noting that the Upper Hunter Local Government Area is part of the Upper Hunter Green Energy Precinct.*
- *Encourage the establishment of employment-generating rural industries, value-adding industries and intensive agriculture in appropriate locations”*

General Views on Mining - Consistent with Upper Hunter Economic Diversification Action Plan (2018)

- This plan sits beneath Hunter Regional Plan, it was produced by the Deputy Premier's Office
- *“establishes a guide for sustainable economic transition incorporating economic diversification priorities into regional land use planning”*
- Strategic Priorities
 - Driving land Use certainty
 - Encouraging new industry investment
 - Developing new market opportunities
 - Planning for water security
 - Establishing appropriate governance
- Immediate priorities include *“Deliver planning support and community information tools to promote certainty for post mining landscapes in the Hunter Valley”* (DPE).
- The DPE's first action? Recommending approval of a tiny, risky and economically unsound coal mine.
- Experience from previous downturns in the mining industry, illustrates how important economic diversity to this region is, and how critical this “transition” is

General Views on Mining: Consistent with Upper Hunter Land Use Strategy 2017

Endorsed by the DPE. The plan sits below, and provides context to, Council's LEP

Direction 4.5: Coal and coal seam gas	
Objectives	<ul style="list-style-type: none">▪ To respond to the potential for development demands in relation to coal and coal seam gas resources occurring in LGA.▪ To maintain agriculture as the dominant land use.▪ To avoid or minimise the impact of coal and coal seam gas extraction on the agricultural and environmental values.▪ To give adequate consideration to rehabilitation requirements of mined land, including filling of any final voids or surface disturbance left following mining.
Policies	<ul style="list-style-type: none">▪ Council will continue to advocate to the NSW Government that:<ul style="list-style-type: none">▪ Planning assessments for coal and gas mining developments must consider the cumulative impacts of development, recognising social, economic and environmental impacts;▪ Environmental impacts of any coal and gas mining developments are fully assessed, and that these consider impacts on aquifers or in areas affecting aquifers;▪ The strategic planning context and regional-scale impacts are considered, especially in relation to infrastructure and transport, rural amenity, water, soils, contamination, air quality and biodiversity;▪ Requirements for mine rehabilitation and ultimate (post-mining) land uses are considered as part of the development assessment; and▪ Exclusionary requirements for coal and coal seam gas activities, including exploration and extraction, (as set out in State-level policy) should be extended to include locally important agricultural lands.▪ Rural areas of mining potential within the LGA will be zoned RU1 Primary Production, and include specific zone objectives for coal mining to minimise potential conflicts with, and impacts on agricultural land uses and the biophysical environment.

General Views on Mining - Voluntary Planning Agreements

- Council is of the view that the DPE places far too much store in VPAs and this one in particular
- We do not agree with DPE's comments that the most affected communities of Kayuga and Aberdeen would be 'adequately compensated' by the VPA
- We do not agree with the DPE's view that the VPA is a primary economic justification for the Dartbrook Mine.
- We do not agree with comments of DPE's Ms Dawson that the VPA is a "*really good outcome*" or that the UHSC were "*really open to renegotiating*"
- Council entered into this VPA reluctantly, in the view that it was prudent, good governance to do so, and indeed poor governance not to
- In total AQC's VPA financial contributions to UHSC are \$110,000 p/a.
- This represents 0.21% of Council's \$51.9M 2018/2019 Budget
- The Resolution accepting the VPA noted that this did not imply in any way support for the proposed recommencement of mining at Dartbrook
- This was made clear to both the DPE and the Proponent

General Views on Mining: Consistent with IPC Rocky Hill decision

- *“Project incompatibly located with respect to the southern fringes of the nearby rural-residential area*
- *“Project incompatibility with the underlying aims and objectives of the Local Environment Plan”*
- *“The preferred land uses are residential, tourism and low intensity agricultural activities”*
- *“Mining operations would be in close proximity to existing residential, tourist and visitor accommodation, hospital, school, and home based commercial activities”.*
- *“The project would create significant impacts on visual amenity and create noise and air quality impacts above what is currently experienced by people within these land uses”*
- *“Whilst both the project and other land uses generate benefits, there is a significant difference in the nature of these land uses and subsequent benefits that make any direct comparison challenging”*
- The Upper Hunter shares striking similarities to the former Gloucester LGA, stunning visual amenity, agricultural focus, thriving integrated rural industries, clean and green, but with mining to its south

General Views on Mining: Cumulative Impacts

- A Cumulative Impact Assessment methodology was first promised by the Department in 1987
- The methodology was promised again in the SRLUP, (action 7.1 delivery by March 2013 - lead agency DPE)
- Many PAC reports have also called for a form of CI Assessment
- Despite the methodology's urgent need it remains in the bureaucratic "too hard basket"
- Council has consistently advocated for this methodology and remains concerned these impacts have NEVER been properly addressed
- Tomorrow will be the 6th PAC / IPC where Cr. Fisher will call for the proper assessment of Cumulative Impacts and the release of the Cumulative Impact methodology
- Council is of the view that we have demonstrably passed the tipping point for the Cumulative Impacts of mining on Air Quality
- Council notes the Cumulative Impact Management Clause in the current consent (11.1), insufficient as it was, has been deleted.

Issues with Proposal: Economics

- At 1 - 1.5 mtpa Dartbrook is a very small mine with an economic case that doesn't stack up
- We believe the economic report is flawed, and like most coal mining proposals, Dartbrook overstates the benefits and understates the disbenefits, substantially
- Gillespie Economics also produced Drayton South's economics report and the Drayton South PAC "*questioned*" "*the extent and quantum of the benefits*"
- The Report contains some claims that didn't even last until the RtS. For example it suggested a recommissioning Capex of \$15.7M which is upped to \$45M in RtS
- The economic case for the mine has been assessed, uniquely, against the mine in Care and Maintenance mode.
- The economic report makes no mention of the additional "royalties" AQC will have to pay, which will materially impact AQC's profitability and the likelihood of the company ever paying the company tax the report refers to (which the DPE accepts verbatim). These extra costs could even effect AQC's financial viability
 - Under purchase agreement AQC will pay \$3 a tonne to former owners (to a max of A\$30M - which would include the entire Modification extension period).
 - Under financing agreements AQC will pay \$2 a tonne to "cornerstone Investors" and "Financiers" Trepan Services in perpetuity

Issues with Proposal: Economics continued

- The assumed price for Dartbrook's coal is **US\$73** a tonne. This is described as a "*conservative*" assumption
- The RtS confirms that Dartbrook will be selling 5500 NAR coal
- Platts lists the current price for 5500 NAR at **US\$59.50** a tonne
- The price for 5500 NAR coal has not been at or above the "*conservative*" assumption since the 3rd Quarter 2018
- The price range of 5500 NAR coal in 2019 is a low of \$56.00 (March) to a high of US\$65.15 (January)
- Platts note that 5500 NAR Coal is "*typically shipped to China*".
- Exports to China are predicted to decline, with demand for Australian thermal coal "*weak*" and "*softening*" with some experts predicting a 40 to 50 mtpa drop
- There have also been numerous reports in 2019 of Chinese 'coal bans'.
- Reports last month of over 1mt of 5500 NAR Hunter Valley coal floating off China and denied entry
- Whilst demand is cyclical, this is an emerging concern
- The proponent has not demonstrated that there is a market or demand for its ROM / 5500 NAR coal either now or over the project's extended lifetime.
- By adding supply into falling demand the project will only add to this problem?

Issues with Proposal: Economics continued - It's not just us saying it

- Federal Government's Chief Economist 'Resources and Energy Quarterly' March 2019 (REQ)
- *"The Newcastle benchmark spot price is forecast to decline from an average of US\$108 a tonne in 2018 to US\$76 a tonne in 2021, in real terms, as supply growth outpaces demand"*.
- *"Ongoing policy uncertainty in China remains the key risk to the outlook for thermal coal prices"*.
- *"The benchmark spot price has steadily declined . . . The decline primarily reflects weaker demand from China"*
- *"The price difference between higher and lower quality thermal coal has remained relatively high"*.
- *"The divergence in prices has been driven by a tighter market for higher energy coal, as demand increases in east Asia due to air quality concerns"*.
- *"Developments in China's thermal coal market remain the key risk to the outlook for thermal coal prices"*
- *"Lower Chinese imports could potentially push prices even lower"*
- *"China's imports of thermal coal are projected to decline at an average rate of 5.2 per cent, reaching 157 million tonnes in 2024"*
- *"There remains substantial uncertainty around restrictions of coal imports at Chinese ports. The impacts on Australian coal producers depend on how the measures are implemented, and whether Australian coal is disproportionately affected"*.
- *"With authorities expected to continue adjusting policy levers to achieve various goals, ongoing policy uncertainty is expected to remain a key risk to the outlook for China's coal imports in the coming years, and consequently coal prices and Australian coal exports"*

Issues with Proposal - Safety

- Dartbrook is a dangerous mine with a demonstrated history of multiple spontaneous combustion events whilst mining highly gaseous coal seams
- There have been three fatalities to date during mining operations at Dartbrook:
 - Raydon Rich Jan 1997.
 - Jamie Sullivan Nov 2003.
 - James Adams June 2004.
- Dartbrook was shuttered at the commencement of the mining boom by Anglo American; a well resourced, highly experienced, highly skilled multi-national mining giant
- Dartbrook is described by the Australasian Mine Safety Journal as “*Safety troubled*” and having a “*chequered history of mining safety issues including on-going spontaneous combustion events*”
- DPE and proponent refer frequently to “*ongoing geological issues*” as the reason for mine closure when in fact numerous academic papers and other reports note the mine closed after a “*significant spontaneous combustion event*”. (Grubb 2008 et al)
- The ONLY reference to Spontaneous Combustion in the proponent’s “Main Report” was that the Community Consultation Committee had raised the issue
- Council is astonished by the comments of the DPE’s Director of Resource Assessments “*I don’t know what the company’s proposals are for gas management below ground*” and “*... though I do believe that gas was an issue here, but I’m afraid I’m not in a position to say whether that gas was primarily carbon dioxide or methane because that varies along a spectrum as well*”
- The Kayuga seam has greater variability in gas composition, CO₂/CH₄ ratios ranging from 90:10 to 50:50, these ratios occur with little relationship to depth or geology (Moreby 2005)

Issues with Proposal - Safety continued

- No Gas Management Plan. No Outburst Management Plan. No Spontaneous Combustion Management (surface or underground) Plan etc. None of these plans have even been produced let alone reviewed.
- With a mine like Dartbrook, we view this as ‘back to front’ and negligent
- Deeply concerned by the comment that the events which were a demonstrated part of the mine’s history are simply “*not expected to occur*”.
- Council is also concerned by the comment made by the Commission to AQC, “*There’s mine safety, which is, I guess, your issue*”
- Respectfully, safety is an issue for all of us, and in particular the Commissioners who are the Consent Authority - reference EPA Act Objects 1.3 (a) (c) (h)
- This matters to Council too, members of our community will potentially work in the mine and our VPA provides for the employment of 2 local apprentices
- DPE’s ‘approve now, work out the details later’ approach means this is the only opportunity for Council, and others - including the IPC - to comment
- We note with astonishment and considerable concern that the Resources Regulator “*raised no specific concerns over the proposal*”
- Dartbrook’s documented history is being wilfully ignored

Issue with the Proposal: Safety continued

Nitrogen Injection Plant

- The Nitrogen Injection Plant was part of Mod 6, even though it had been used at Dartbrook prior to that application
- The Capex for MOD 6 was estimated at A\$10M
- The plant ran continuously for 5 months in 2002 during which time it used 10,500 tonnes of Liquid Nitrogen
- The plant was also instrumental in the inertisation of the “*significant spontaneous combustion event*” which closed the mine in 2006
- In the RtS AQC notes that “*the Plant can be recommissioned if required*”. Previous Mine Operation Plans have stated specifically in regards to surface infrastructure including the Nitrogen Injection Plant “*Infrastructure not required by ACDM or the landholders is decommissioned and the sites rehabilitated*”.
- As such is this plant still on site?
- Have the costs of recommissioning and / or replacing the plant been included in the capex costs for mine recommencement?

Issues with the proposal: Air Quality

- We note Greenhouse Gas emissions are not included in the Air Quality Report
- There have been 15 Air Quality alerts issued by the OEH for Aberdeen since Mount Pleasant was approved in June 2018.
- Ten alerts already in 2019 - 31/3, 6/3/, 20/2/, 19/2/, 14/2/, 13/2/, 12/2/, 11/2/, 10/2/, 17/1/, 16/1/ four in 2018 3/12/, 24/11/, 23/11/ 4/8/
- OEH Air Quality data shows the 50 microgram per cubic metre PM10 maximum concentration threshold was breached on 50 days Q1 in 2019
- That equates to exceedences, at some point, on 56% of days
- Air Quality in Aberdeen is already beyond the “tipping point”.
- NB. There is no ‘safe’ level of either PM10 or PM2.5
- PM2.5 is not measured at Aberdeen, it should be.
- Any further additions or unplanned exceedences to the already overloaded air-shed cannot be justified
- The following graph illustrates the dramatic increase in PM10 emissions since construction began at Mount Pleasant, November 2016 (striped vertical line)

01/04/2011

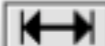
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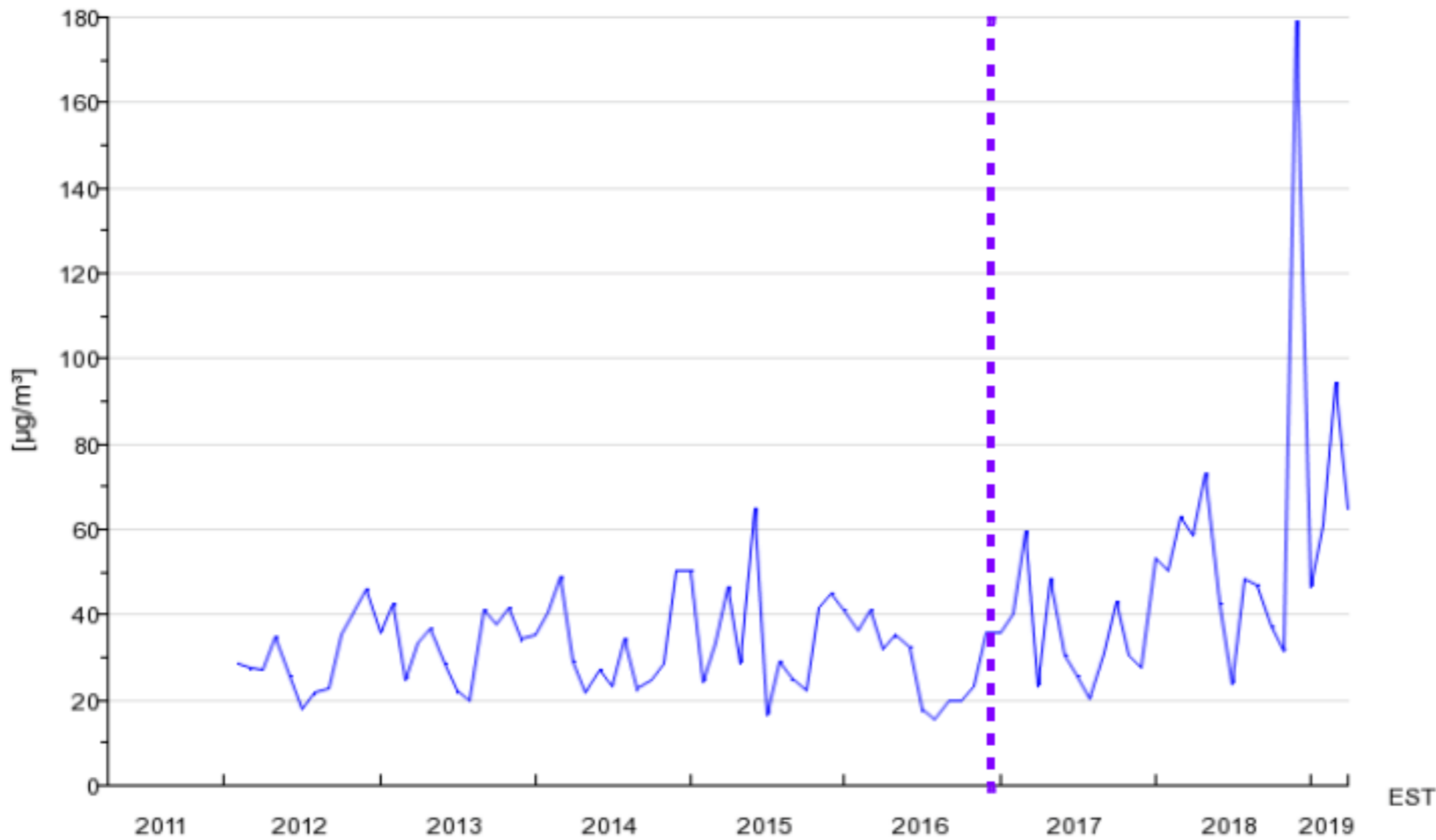


Day



Monthly Maximums - PM10

— ABERDEEN / PM10



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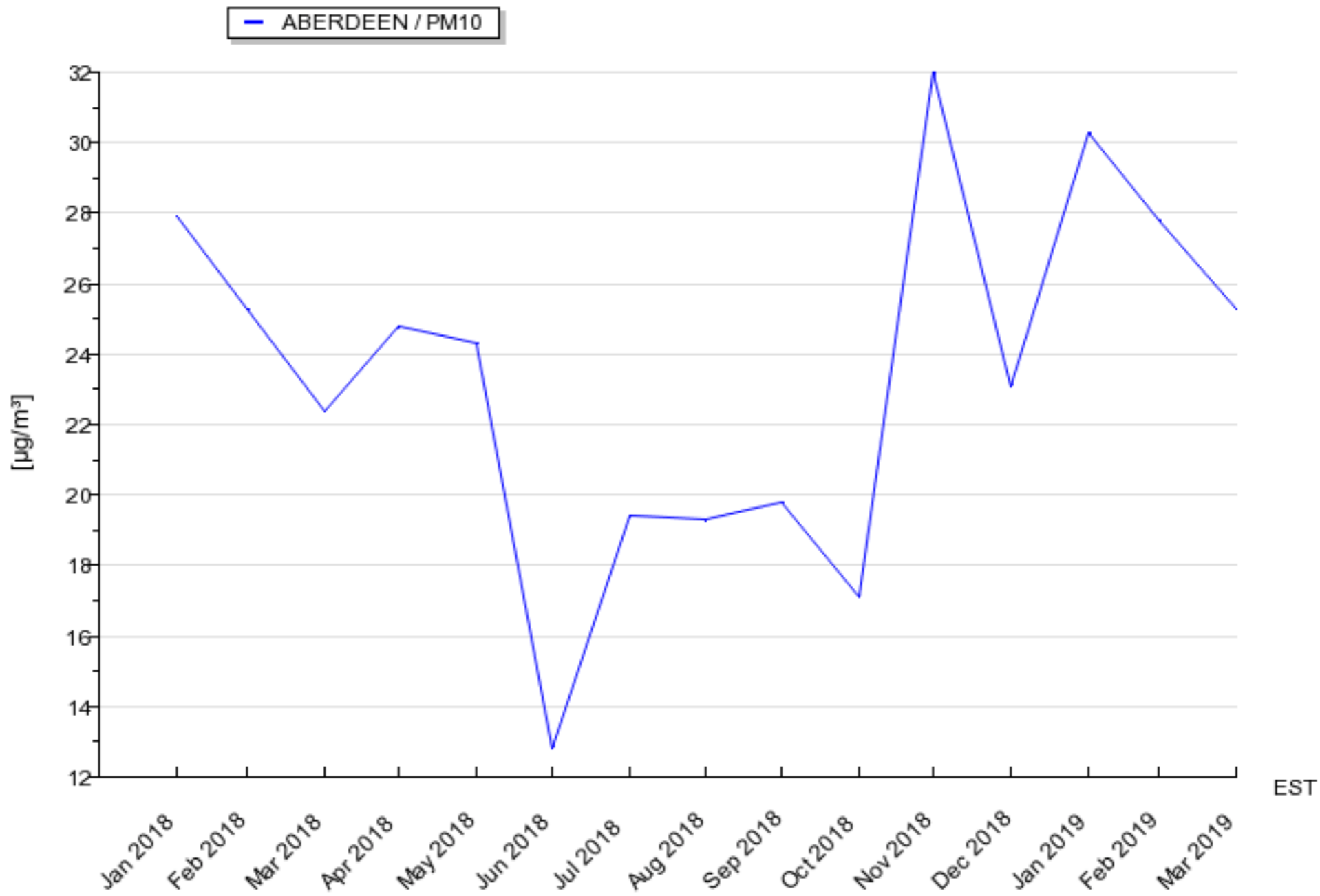
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Issues with the proposal: Air Quality

- That graph from the OEH's own website tells a story
- It reflects what is happening on the ground, unobscured by 'rolling averages'
- However - we know from the NPI Register that mining operations account for 77.3% of reported PM10 emissions
- We do not share the DPE's opinion that "*the Mount Pleasant conditions are recent and are accurate, as far as we can be confident*"
- Nor do we share any confidence in the Air Quality modelling done by Mount Pleasant
- Nor do we share any confidence in the Air Quality conditions imposed in the Mount Pleasant consolidated consent
- Mount Pleasant has had a dramatic and detrimental effect on Air Quality.
- Those exceedences are simply not being policed
- There is no room for any additional impacts
- The Mining SEPP's non discretionary development standards for PM10 state developments should not result in cumulative annual averages greater than 25 micrograms per cubic metre "*for residences that are private dwellings*"
- The following graphs illustrates we're well over that in Q1 2019 in Aberdeen
- That in 2018 we're over that at Muswellbrook (27.2), at that at Muswellbrook North West (25.0) and closing in at Aberdeen (22.3)
- The whole TOWN of Muswellbrook is either at or over the non discretionary standard

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Monthly Averages - PM10



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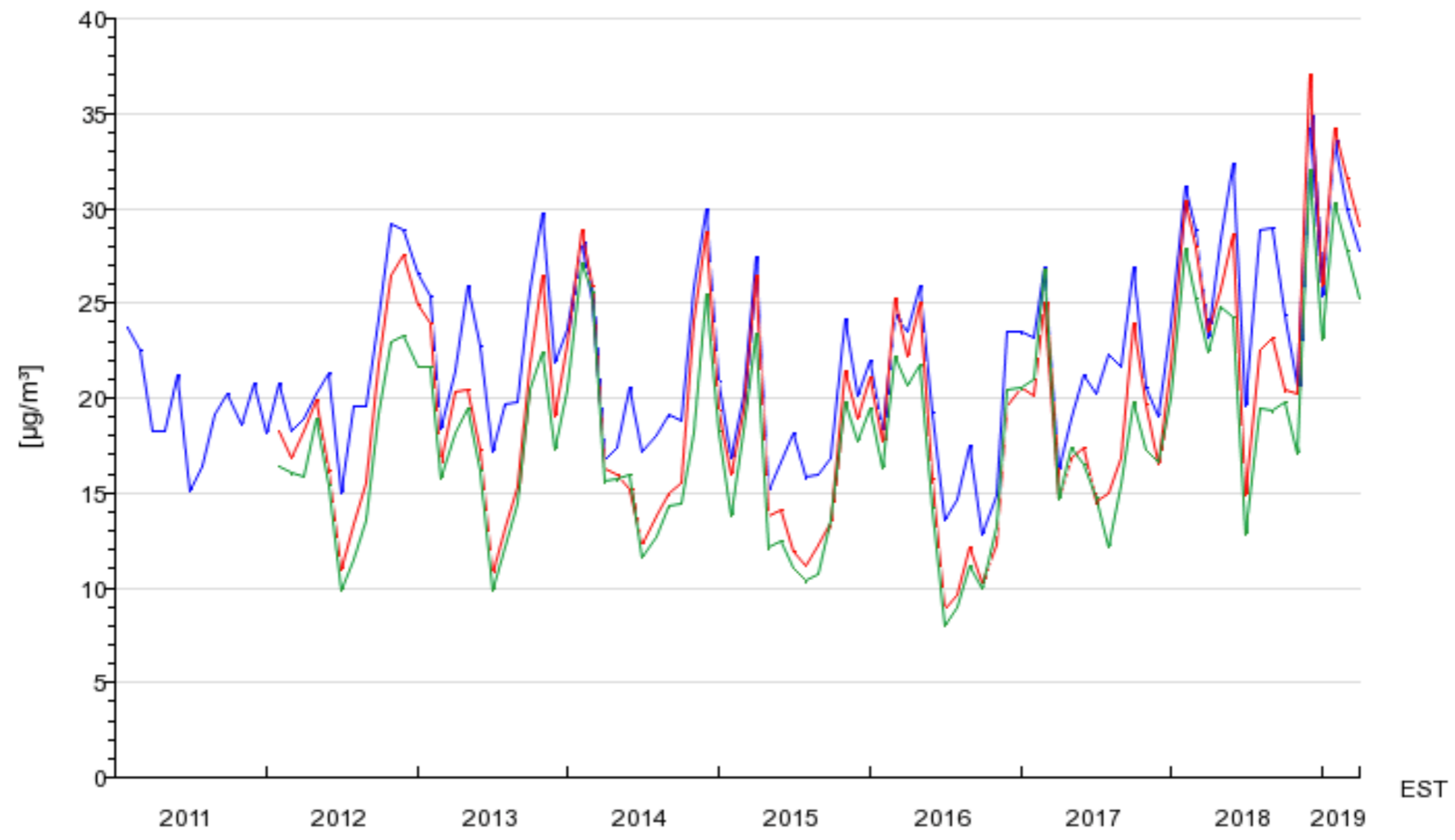
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Monthly Averages - PM10

- MUSWELLBROOK / PM10
- MUSWELLBROOK NW / PM10
- ABERDEEN / PM10



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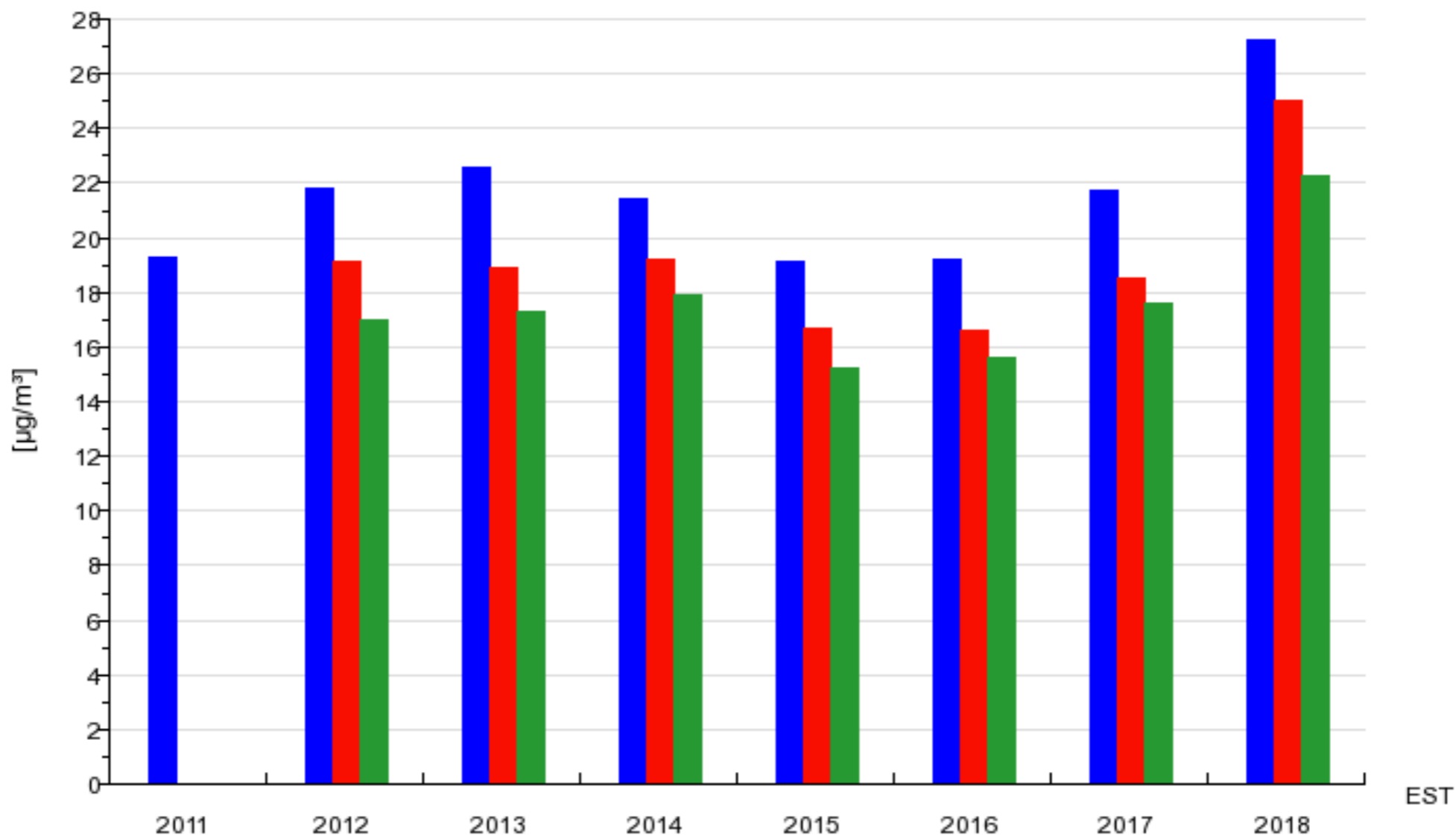
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Annual Averages - PM10

- MUSWELLBROOK / PM10
- MUSWELLBROOK NW / PM10
- ABERDEEN / PM10



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Issues with the proposal: Emissions

- Scope 3 emissions, those from burning Dartbrook's coal have not been considered. The Mining SEPP Clause 14(2) states "*the consent authority must consider an assessment of the greenhouse gas emissions (including downstream emissions) of the development ...*" Without the requisite assessment being provided the Modification cannot be assessed and must therefore be refused
- Scope 2 emissions generated by moving Dartbrook's coal from the Train Load Out to Port are not included in the Economic Report as a cost to NSW
- We note the DPE has benchmarked Greenhouse Gas Emissions against 'approved', rather than Care and Maintenance
- "*It [Dartbrook] has been approved to emit a level of greenhouse gas associated with a much higher level of production*" Mr Reed
 - What is that 'allowable' level of Greenhouse Gas Emissions?
 - Where is that mentioned in the original approval?
 - Conditions haven't been 'contemporised' for the simple reason they don't actually exist
- The original approval was granted in 1991, in a different era. Before the UN Framework Convention on Climate Change (1992), before the Kyoto Protocol (1997) and well before the Paris Agreement (2015)

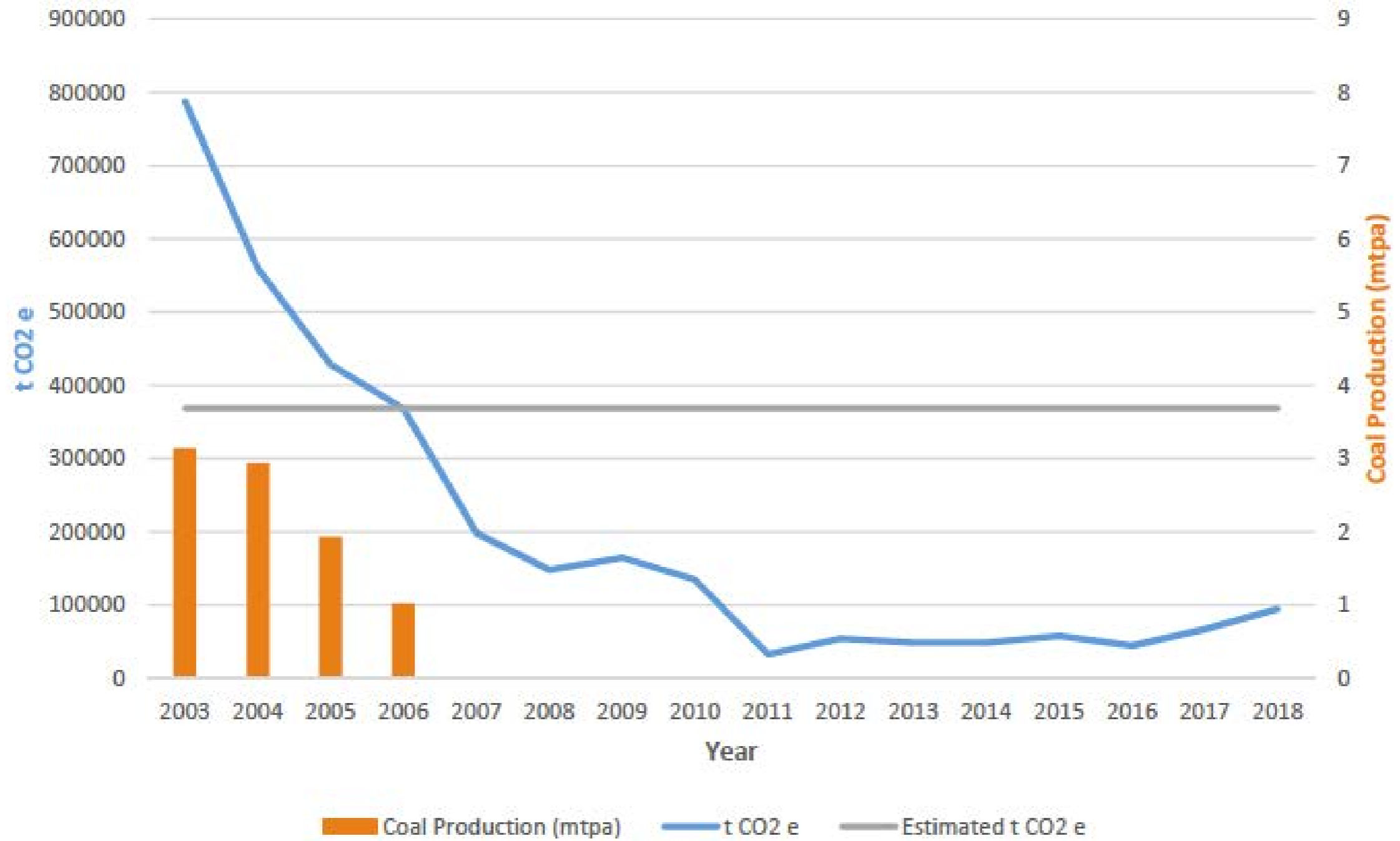
- Community expectations regarding emissions have changed significantly, even since the later 2001 consent
- The five year extension sought in MOD 7 means all Scope 1, 2 & 3 emissions in that period 2022 to 2027 are effectively ‘new’ emissions.
- Mr Reed is wrong to say “*In that sense it [emissions] is not a new impact*” particularly when measured against the mine in Care and Maintenance mode and especially against the mine closed and rehabilitated in 2022
- The DPE’s assessment is predicated on the assumption that the approved longwall mining will not take place. However, longwall consent has not only not been relinquished, it has been extended. Quite possibly an additional 30mt of coal
- UHSC has legal advice confirming the relevance of the CJ Preston Judgement (and questioning appropriateness of DPE’s inconsistent assessment)
- Not only does the EA not include any assessment of GHG it does not include any proposals to minimise, mitigate or offset those emissions
- That is another area where Justice Preston criticised the Rocky Hill proposal
- When questioned by the IPC, the DPE launched into an extended obfuscation and the proponent said they would investigate flaring
- Flaring is a furphy. Dartbrook tried to trial flaring in 2005. That trial failed “*due to the quality of the gas emitted from underground operations*”
- A table and graph of ‘Scope 1 & 2 emissions from Dartbrook 2003 - 2017’, collated from Anglo American / AQC’s own figures is attached

			Dartbrook Coal Mine Scope 1 & 2 Emissions & Production 2003 - 2017				
Year	Scope 1 Methane CH4 (t CO2 e) Emissions	Scope 1 CO2 Emissions	Total Scope 1 Emissions (t CO2 e)	Total Scope 2 Emissions (t CO2 e)	Total Scope 1 & 2 Emissions (t CO2 e)	Saleable Coal Production (mtpa)	
2018	77822	11630	89452	4891	94343	0	
2017	52400	9811	62211	4732	66943	0	
2016	31505	8189	39693	4757	44450	0	
2015	45112	7774	52928	4941	57869	0	
2014	35688	7297	42984	5615	48591	0	
2013	35688	7297	42984	5615	48591	0	
2012	35401	12541	47942	6264	54206	0	
2011	22447	2681	25128	7542	32701	0	
2010	102931	24077	127007	7401	134479	0	
2009	127838	29684	157521	7015	164537	0	
2008	100863	38742	139605	8069	147695	0	
2007	144858	45061	189919	8090	198012	0	
2006	262500	n/a	n/a	n/a	367529	1.02	
2005	261513	n/a	n/a	n/a	428000	1.93	
2004	326325	n/a	n/a	n/a	559000	2.93	
2003	425838	n/a	n/a	n/a	788000	3.14	

Notes

- Sources: 2017 / 2018 AQC Dartbrook AEMR, 2016 to 2008 Anglo Coal Dartbrook AEMRs, Anglo Coal Dartbrook 2006, 2005 & 2003 Dartbrook Mine Reports.
- The 2014 AEMR's figures appear to have been cut and pasted from the 2013 AEMR (but have been included).
- In 2011 the Clean Energy Act (Carbon Tax) was introduced. That year's recorded figures are anomalously low.
- Where necessary CH4 tonnage has been converted to CO2 equivalent tonnage using the standard formula of 1 tonne CH4 equivalent to 21 tonnes of CO2.

Total Scope 1 & 2 Emissions Dartbrook 2003 - 2018

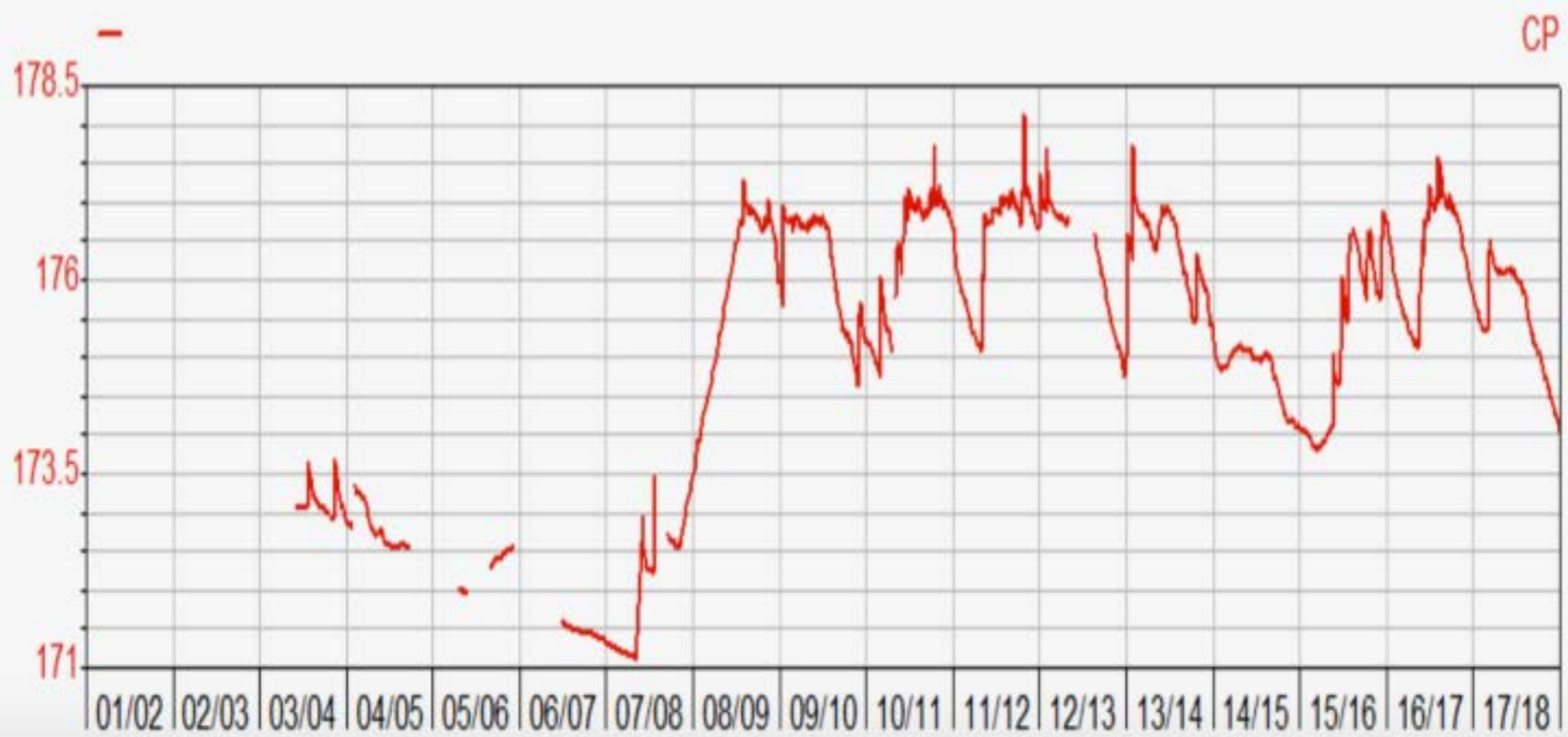


- **Issues with the Proposal: Water**

- Water is a significant issue to the community in terms of quality and quantity
- We are experiencing a severe drought, despite some recent and decent rain, no one will dare declare the drought is over, especially in El Nino conditions
- Drought and this proposal, is of greater significance to the community than 'normal' conditions and this proposal
- UHSC is the water utility and service provider for the shire
- Scone takes its water from Lake Glenbawn. UHSC is currently building a water pipeline from Scone to Murrurundi to give that town and the villages along the route (Parkville, Wingen and Blandford) greater water security
- We have heard many stories from farmers close to the mine that their bores dropped when the mine started and recovered - to an extent - when the mine closed.
- That is mostly 'anecdotal evidence' and hard to either quantify or qualify
- One landowner sent UHSC the following graph from a property 8kms from Dartbrook and is adamant that "*the Dartbrook mine had a deleterious effect on this bore when it [the mine] was operational*"

Site GW080433.1.1 Rockview Station Scone

Variable 115.00 GW Level - m AHD



- **Issues with the Proposal: Water**
- In broad terms we have residual concerns with AQC's basic approach - 'we're self sufficient for our water needs and hold all the appropriate licenses'
- We do not have a clear understanding what the impacts on neighbouring properties' water the recommencement of mining will have, particularly in times of drought
- We have ongoing concerns that any uptake of hitherto unused high security water could place the wider region under greater stress in times of drought
- UHSC notes that Dartbrook was not modelled (nor was the neighbouring West Muswellbrook project) in the Federal Government's 2018 Bioregional Assessment of the Hunter which modelled the impacts of coal resource developments on water resources in the Hunter Region. That assessment found:
 - *"Groundwater: An area of 1879km² potentially experiences cumulative groundwater impacts due to baseline and additional coal resource developments"*
 - *"Additional coal resource developments could lead to 19% of the assessment extent experiencing hydrological changes that exceed the designed threshold"*
 - *"Changes in water availability in the Hunter Regulated River at Greta are very likely to exceed 5GL per year, but very unlikely to exceed 12GL per year over the period 2013 to 2042"*
- The Greater Hunter Regional Water Strategy (2018) backs up our view that drought conditions are perhaps more important than 'normal' conditions:
 - Drought security was found to be the primary economic risk facing the Upper Hunter
 - Analysis showed droughts had been underestimated in the Upper Hunter Region
 - A repeat of the 1940's drought (the worst currently recorded) would reduce general security water allocations to zero for 12 consecutive years. *"Mining and agriculture relying on the Hunter Regulated River would be severely affected during a sustained drought like this"*
 - Reductions in base flows had occurred

Issues with the proposal: Coal Conveyancy System

- The Hunter Tunnel was integral to the original consent for Dartbrook
- It was illustrative of a proponent proactively minimising their impacts on the community, a proponent who turned an Open Cut project into an underground one because of the community's concerns
- Aberdeen is built upon a western facing slope with stunning views across the valley to the Rossgole escarpment.
- Why should the community and residents of Aberdeen suffer the sights and sounds, the industrialisation of their rural amenity because the proponent cannot afford to recommission the Hunter Tunnel?
- That recommissioning figure is listed at A\$10M in the RtS
- The proponent is saving, the community are paying
- UHSC thanks the proponent for agreeing to 1). Covering these loads
2). Sealing the haul road
- Council remains unsure of where water / coal dust will drain or be dealt with at the 'delivery shaft'?

Issues with the proposal: Coal Handling and Processing Plant

- On numerous occasions AQC has informed the ASX that surface infrastructure including the CHPP was “*well maintained*”, “*in good condition*” and required “*minimal capital outlay*” to be recommissioned
- At application time however “*a more capital-light approach*” has been favoured - again - despite the significant material effects this decision will have on the price they can achieve for their coal
- We know from the DPE’s assessment of Mod 6 that Kayuga Seam coal “*tends to have a higher proportion of fines*”
- Neither AQC nor the DPE have assessed the health impacts of moving unwashed ROM coal with “*a higher proportion of fines*” on the Hunter coal chain rail network
- As with the Hunter Tunnel, is it the community (“down-rail” and admittedly not UHS residents) who will ultimately be paying for AQC’s saving?
- We note too that train lengths on the Hunter Coal chain have increased since Dartbrook closed, is the existing rail loop large enough to accept them?
- If not, have any necessary rail loop extension works been included in the projects Capex costs?

Issues with the Proponent(s)

- AQC is a company with no technical mining experience
- With a market cap of around \$30 million
- They have not mined anything anywhere.
- Neither has Stella Natural Resources, the mooted Joint Venture Partner
- The transcript of AQC's meeting with the IPC is extraordinary.
- It is not only extraordinary but also illustrative of an underprepared and inexperienced proponent
- To paraphrase AQC "Who are you? Do you have any conflicts of interest? We didn't bother with a presentation for you, we haven't actually made an investment decision yet, we haven't completed our Joint Venture partnership yet either, the whole project is as "*capital-light*" as possible, but safety is important to us, gas isn't expected to be an issue, we haven't done a Hazard Preparation Plan or a Greenhouse Gas Management Plan or even finished our geo-technical work. Our own economic case? Whether we could actually make money out of the mine? Well we haven't really done that yet either beyond "*concept-level costings*"

Issues with the Proponent(s): Section 75w application

- This is another illustration of their inexperienced approach
- The section 75 w application was made on February 27th 2018, just two days before the repeal of Section 75w on March 1st 2018
- In our view the application bears the hallmarks of being rushed, underprepared and ‘half baked’
- The application had never been discussed or flagged with the Community Consultative Committee or Council by AQC prior to its lodgement
- The application had never been flagged with the wider community by AQC through their Dartbrook Newsletters
- Indeed the “properties” file of the ‘February’ 2018 Dartbrook newsletter PDF shows it was created on March 8th 2018.
- AQC effectively blindsided the community with this opportunistic application which effectively avoided the preparation of a full EIS and associated scrutiny
- Barely a month later on April 3rd 2018 AQC put out a Corporate Presentation with an indicative open cut timeline
- Is it any wonder the community is both confused and concerned?

Issues with the proponent(s): Joint Venture Partnership

- The JV Partnership with Stella Natural Resources was announced to the ASX in August 2018.
- The ASX announcement detailed the deal aimed to be finalised by the March quarter 2019. As of today the deal has not been finalised
- The deal's terms include -
 - Payment by SNR of A\$20 Million with completion due in “the March 2019 quarter”.
 - The DJV will loan AQC \$10M.
 - AQC will use that money to repay Anglo American's vendor financing for the sale of the mine.
 - SNR is responsible for the procurement of all required funding for the life of the operation.
 - AQC and SNR are to finalise a “*robust bankable development plan to recommence*” underground mining during 2019.
- IPC is being asked to approve a project which the proponent admits they “*haven't yet reached that point*” of “*making an investment decision*” with a Joint Venture Partner who has yet to conclude their part of the deal. The cart is more than before the horse, they don't even have the horse
- This is another indicator of a rushed Section 75 w application lodged before all the proponent's ducks were in a row

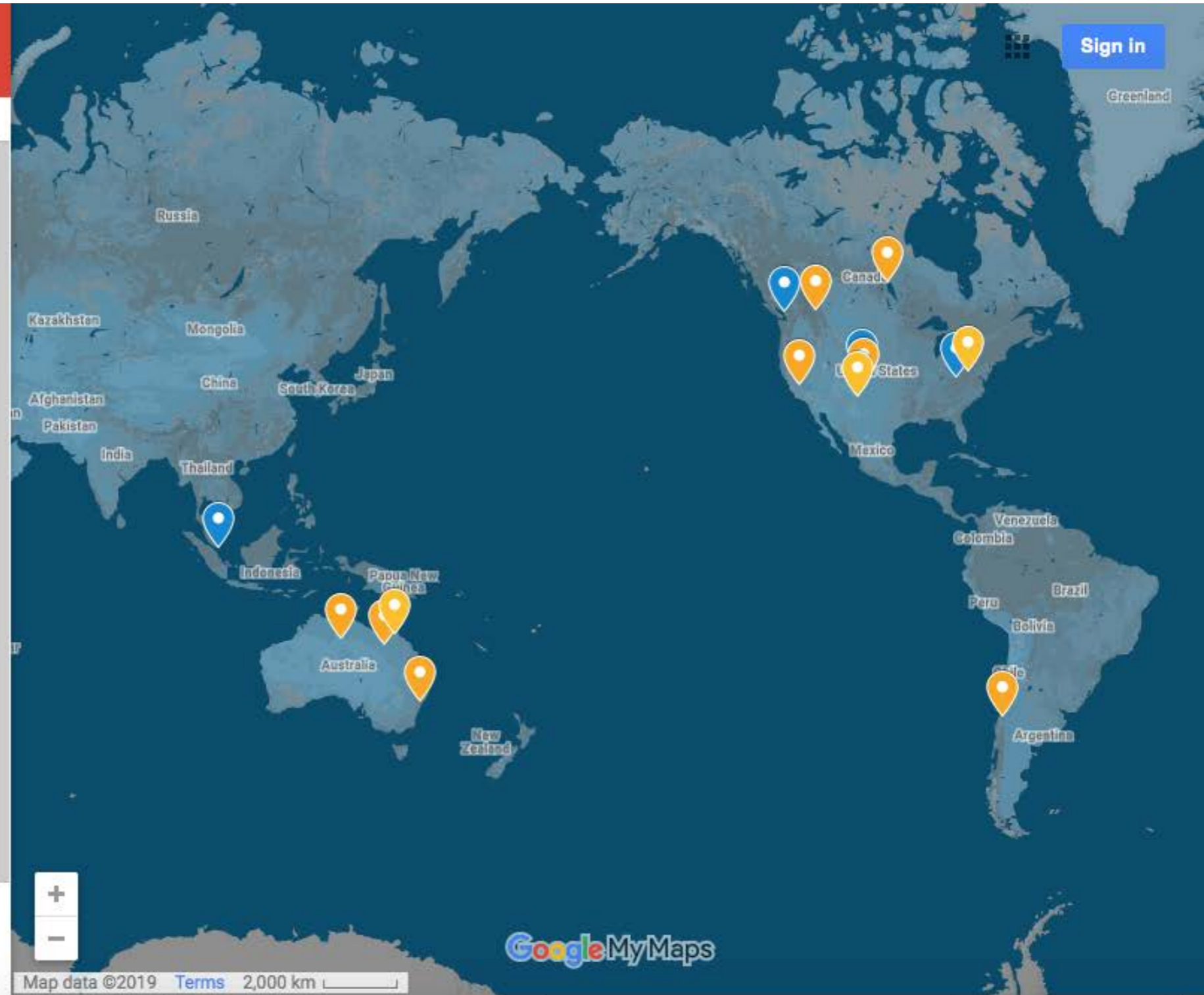
Issues with the proponent(s): Joint Venture Partnership

- According to AQC's own figures, SNR Mineral Assets, the Australian division of Stella Natural Resources, will need to finance at least A\$65M
- A\$20M to buy into the Joint Venture and A\$45M in Capex to recommence mining. That figure doesn't include operational expenditure.
- SNR will necessarily be borrowing heavily, in this economic climate finance for thermal coal projects is difficult to source, that money will not be cheap.
- Who are Stella Natural Resources?
- Described in Australian mining media as a "*high-powered Canadian privateer*"
- SNR describes itself as, "*a diversified mining & trading company across multiple jurisdictions & commodities*" on www.snresources.com
- The company's website does not bear close inspection, most notably the "*SNR World Map*"
- To the best of Council's knowledge no SNR related entity holds a mining licence in Canada, Colorado, California, Chile, New Mexico, West Virginia, Kentucky or anywhere shown on the SNR World Map
- Nor can we verify the existence of SNR Marketing in Singapore which "*trades all SNR products*".

SHARE

☑ SNR Places

- 📍 Appalachia Coal
- 📍 Hunter Valley Coal
- 📍 Marketing
- 📍 Canada Head Office
- 📍 Colorado Head Office
- 📍 Colorado Coal
- 📍 East Coast Natural Gas
- 📍 Agriculture
- 📍 Agriculture
- 📍 Canada Copper
- 📍 Central Canada Gold
- 📍 Chile Copper
- 📍 Qld Magnetite
- 📍 California Gold
- 📍 New Mexico - Silver & Gold



Issues with the proponent(s): Joint Venture Partnership

What we have been able to establish about SNR is indicative of a bottom tier Appalachian minnow

- In May 2017 SNR bought the coal mining operations of Redbud Dock LLC (filed for bankruptcy under chapter 11 in May 2016 after 8 years of operation) namely the Stonecoal mine in Wayne County, West Virginia, the Snap Branch mine in Logan, West Virginia, and the Ivel prep plant in Floyd County, Kentucky for US\$4.2M plus contingencies
- In the US, Stella Natural Resources is made up of eight entities, mostly at a Catlettsburg KY address
 1. SNR Cheyenne LLC (incorporated 22/2/2017)
 2. SNR River Ops LLC (incorporated 22/2/2017)
 3. SNR Rail Ops LLC (incorporated 18/7/2017)
 4. SNR Stonecoal LLC (incorporated 20/7/2017)
 5. SNR Industrial Properties LLC (incorporated 29/9/2017)
 6. SNR Appalachian Trading LLC (incorporated 2/10/2017)
 7. SNR Logan LLC (incorporated 3/5/2018)
 8. American Coal Terminal INC
- Of these 8 companies SNR River Ops LLC has a current short term contract to sell 136,000 short tonnes of coal to the Mitchell Power station in 2019 and had two previous short term contracts of 60,000 and 93,000 short tonnes in 2017 / 2018. Contract price for the coal is priced at \$58 a short tonne delivered (by barge). To put this amount in perspective, the Mitchell plant had 2.95 million short tonnes barge delivered in 2017.
- SNR Rail Ops LLC has been issued 3 permits by the EEC of Kentucky relating to the Ivel Prep Plant
 - Permit No 8368085. Permit Type SU-4. Issued 21/12/2018. A permit for a preparation facility
 - Permit No 8368086. Permit Type SU-4. Issued 21/12/2018. A permit for a preparation plant
 - Permit No 8369035. Permit Type SU-2. Issued 28/01/2019. Allows for disposal of coal refuse

Issues with the Proponent(s): Joint Venture Partner

SNR CEO David Stone has had a long career in mining and is described in the ASX announcement of the JVP as a “*highly successful leader*”. From his CV at lower tier mining companies we can ascertain the following:

- Guildford Coal / Terracom (May 2015 - August 2017)
 - Joined as Vice President Operations and Executive Director.
 - Some 2 years later following a corporate restructure Mr. Stone’s position no longer existed and he departed and subsequently formed Stella Natural Resources
- Wollongong Coal (Jan 2014 - May 2015).
 - During his 15 month period as COO, the Company was described as “*embattled*” and “*troubled*”
 - There were temporary shutdowns and two large scale rounds of job cuts and redundancies as the company struggled to get regulatory approval to continue mining.
 - The Wongawilli underground reportedly suffered a roof collapse burying the longwall mining machinery
 - Mr Stone left Wollongong Coal while it was in a trading halt with its shares valued at 2c.
- Cline Mining (April 2012 - April 2013)
 - Mine Manager New Elk underground mine, Colorado
 - In July 2012, within three months of Mr. Stone’s arrival, the mine was shut down, “*...after failing to find near-term buyers for its product. The listed stock plunged 42%*”
 - The workforce was mostly laid off.
 - Although Mr. Stone remained for another nine months, the mine never reopened and Cline announced his departure on the same day it delisted from the Toronto Stock Exchange in May 2013.
 - Cline Mining no longer exists.

Issues with the Proponents: Rehabilitation Bond

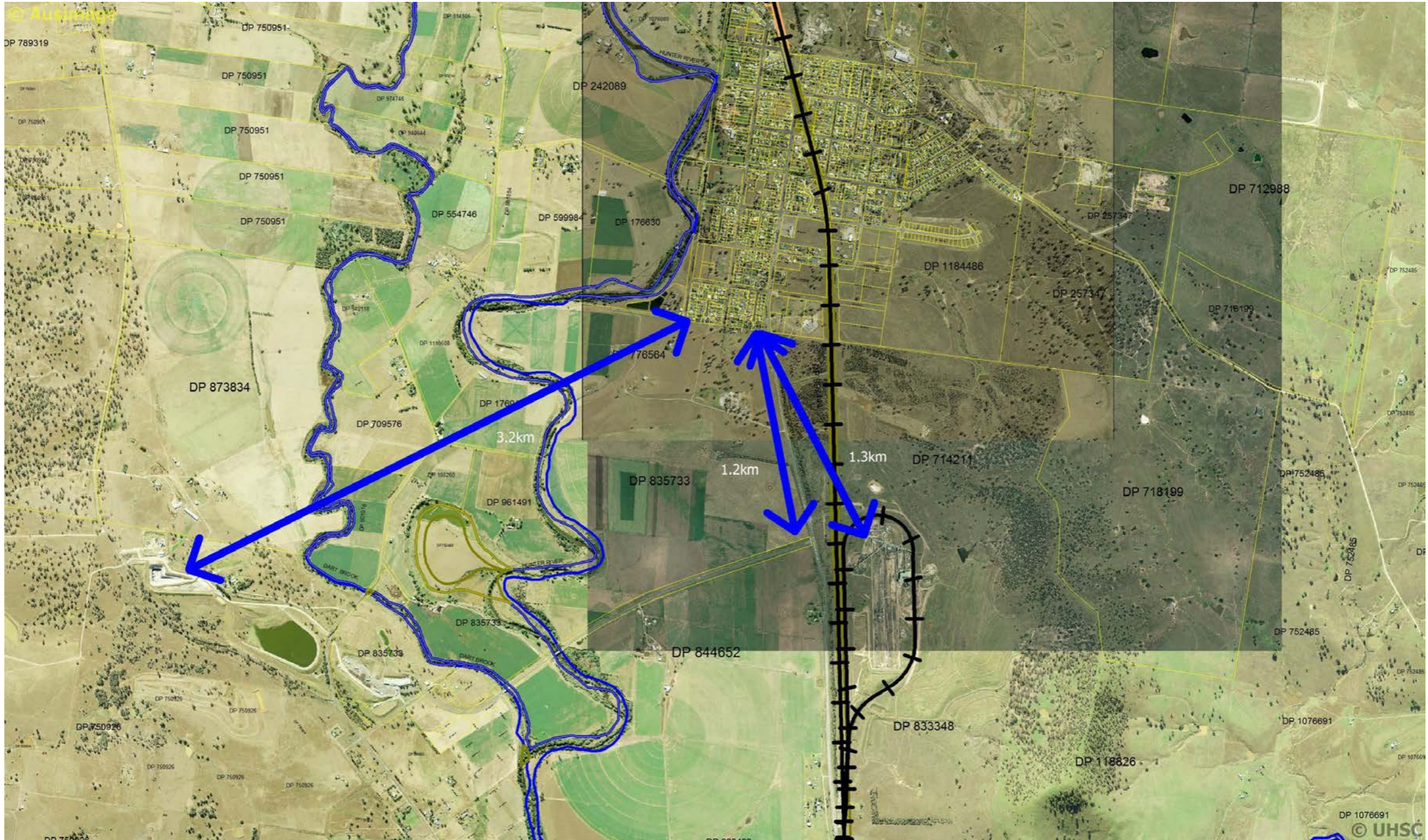
- The Rehabilitation Bond held by the NSW Government against Dartbrook is A\$9.245M
- Anglo American booked their closure and impairments costs for Dartbrook at A\$125M in their 2006 accounts
- Clearly a massive disparity in those two figures, which suggests that the Rehabilitation Bond needs to be urgently reassessed and increased
- A scenario
 - Two debt laden Joint Venture Partners are operating a mine with extremely marginal economics
 - A further “*significant spontaneous combustion event*” closes the mine.
 - The operating JVP becomes insolvent.
 - Who is going to put the fire out? Literally, who is going to put the fire out?
 - The answer is the State of NSW
 - An environmental planning expert said, “You’d burn through \$9M pretty quickly in Liquid Nitrogen costs alone”

Issues with the DPE's Assessment

- The inconsistency against which base case the DPE has assessed the proposal is a fundamental flaw
- In each case this favours the proponent over the community
- Emissions against “*approved*”, Economics - uniquely - against Care and Maintenance
- UHSC's legal advice notes “*We have not located any case law either under Part 4 or Part 3A, to support an approach that a modification application should be assessed only against that part of a consent/approval which is currently being carried out. To do so would be contrary to the principle that a consent/approval is an authorisation permitting the holder to undertake the whole or part of the development, as approved, but it is not a requirement to do so*”.
- Placing so many safety issues into the “*post approval framework*” (Mr Reed's phrasing) means those issues will not receive any scrutiny other than DPE's and the ‘*no specific concerns*’ Resources Regulator
- UHSC contends that with 2 Joint Venture Partner companies with zero operational mining experience trying to recommence mining at arguably the most problematic mine in NSW makes this approach both dangerous and fundamentally unsound.
- Object (h) of the EPA Act which addresses the health and safety of the built environment has been specifically omitted from the DPE's considerations
- Is there one single assumption in the entire EIS that has actually been *tested* by the DPE prior to it being cut and pasted into their recommendation?
- The DPE admits that it has not assessed either the financial viability or profitability of AQC
 - Despite Company Tax paid in NSW being listed as a major economic benefit (larger than Royalties) of the proposal
 - Despite numerous submissions raising the issue
 - Despite the DPE backgrounding the IPC that the proposal “*is a short-term operation . . . with a high value on some cash flow while it's developing it's other proposal*” - Mr Reed.
 - That backgrounding is highly inappropriate. This Modification has to stand on its own merits
 - It is not the Commission's job to award the proponent a cash-flow lifeline to finance its Open Cut planning, it is to assess the merits and weigh the benefits and disbenefits of the proposal before it

Issues with the DPE's Assessment

- The DPE's Recommendation and the transcript of the IPC meeting are filled with errors and omissions
- Spontaneous Combustion is studiously ignored, mentioned only as being raised by submitters and that it would be taken care of by the "*no specific concerns*" Resources Regulator
- The first sentence of the Recommendation states "*Dartbrook is located ... approximately 4.5 kilometres south west of Aberdeen*"
 - Aberdeen is within 1.3 kilometres of the ROM hopper at the CHPP
 - Aberdeen is within 3.2 kilometres of the Kayuga box cut entry
- More than once the Recommendation states "*The Upper Hunter Valley is known for its coal mining developments*"
 - With respect, the Upper Hunter Valley is known for the exact opposite
 - That's why we're here speaking to you
 - It is famous for its thoroughbreds, its beef cattle and its scenic beauty
- The DPE's potted history of the proposal given at the meeting is incorrect.
 - The Kayuga Open Cut was developed by Bellambi Coal in the early 1980s
 - The EIS for the Open Cut was lodged in 1984
 - Bellambi and JVP Shell developed the underground proposal in the late 1980s
 - That mine was approved in 1991, producing coal from 1994
 - Anglo American bought Shell's Australian coal assets in 2000/2001



- **Conclusion**

- The UHSC urges the Commissioners to reject this Modification Application
- We have drawn our own line in the sand, and for sound reasons, we ask that you respect it
- The Economics of the mine do not stack up
- Air Quality is demonstrably beyond acceptable standards in Aberdeen and Muswellbrook
- The Water impacts of the proposal are too risky and not well enough researched or defined to allow consent
- Safety is a major issue that has been ignored and simply not assessed
- Emissions have not been assessed as required by the Mining SEPP, nor against the wider necessity for emissions reduction nor in the context of the Preston Judgement
- The Proponent has not demonstrated either the necessary experience or financial ability to operate this mine
- The community should not have to pay for the proponent's lack of experience and resources

- **Questions?**