

# Security Calculation Procedure

## Introduction

This Advisory Note is designed to assist in the establishment of the level of security required to ensure performance in relation to liabilities incurred by mining activities. Securities are to be regularly reviewed such that the amount required reflects the current site liability. A security calculation can be triggered by:

- The Application for an Authorisation process;
- A request from operator based on changes in potential lease liability;
- Findings of periodic audits and inspections, which highlight deviations from an approved Mining Management Plan (MMP);
- Amendments to an approved MMP; and
- At the time of sale, transfer or mine closure.

## Legislation

Pursuant to section 40(2)(g) of the *Mining Management Act* (MMA), a costing of closure activities must be included in a MMP submitted to the department in support of an application for Authorisation of a site, or submitted in response to changes to operational activities.

A security is required under section 43 of the Northern Territory (NT) MMA to enable the Minister to prevent, minimise or rectify environmental harm resulting from mining activities.

## Purpose and Background

- Security will be applied to all Authorisations granted under the MMA.
- The Minister shall determine the level of security commensurate with protecting the community from closure liabilities and optimising the benefits to the community from the proposed project.
- The default expectation for operators of mining interests under the MMA is to submit 100% of the security calculated for rehabilitation.
- Calculation of securities will be based on the actual cost of rehabilitation commensurate with the size, environmental risk and expected project life in accordance with advisories approved by the Minister.
- Securities will be regularly reviewed and adjusted taking into consideration progress in rehabilitation as well as new or expanded activities.
- The operator of mining interests is responsible for rectifying any environmental harm arising from mining activities and for final rehabilitation of the affected area.
- If there is a transfer of operators, liability for outstanding rehabilitation will become the responsibility of the new operator and as part of the transfer the new operator will be required to replace the existing security held for the project.
- A security will be released once criteria specified in the approved closure plan have been met. These criteria include commitments and responsibilities pertaining to post closure monitoring and management of potential liabilities at the site.

- Security will be sought in the form of Cash or Bank Guarantee.

## Security Self-Assessment

- The operator should assess all mining interests (tenements, titles) pertaining to an Authorisation for current risks and disturbances in addition to potential liabilities planned during the period covered by the MMP.
- Unless there is a formal end land use agreement approved by the Minister, the close out options chosen for site activities should as far as reasonably practicable return the disturbances to their pre-mining state.
- A security calculation tool is used for self-assessment. This broadly classifies disturbances into standard categories and provides suggestions on potential close out techniques:
  - Infrastructure
  - Extractive Workings
  - Hard Rock Pits and Quarries
  - Underground Workings
  - Tailings Storage Facilities and Dams
  - Stockpiles and Waste Rock Dumps
  - Exploration
  - Roads and Tracks

Only those sections of the tool applicable to site activities need to be completed and techniques used may be adjusted to suit individual sites. Justification should be provided where the cost per unit of measure differs from the department's recommended costs per unit of measure.

- All disturbances that will require rehabilitation need to be identified, including those activities documented in the current approved MMP.
- For relevant sections of the security calculation tool identify the activities (i.e. ripping, revegetation) that will need to be included in estimating the cost of rehabilitating identified disturbances. You may elect to combine common disturbances in your assessment.
- Identify the appropriate costs per unit (i.e. \$/Ha, \$/m<sup>3</sup>) and the total number of units requiring rehabilitation.
- Material quantities and other activity requirements should be best estimates based on operator experience and current market price.
- This cost assessment should include man-hours and equipment costs to accurately reflect the scenario of a third party having to undertake the work.
- Total costs from each section of the tool are automatically updated on the front page of the security calculation tool.

- An additional security amount to fund contingencies arising from failure of rehabilitation and to cover post closure costs including monitoring, maintenance, site visits and any necessary remediation works is automatically calculated and added to the total cost.
- Post closure costs should also be included. Some of the costs (i.e. pest and weed management, revegetation maintenance and earthwork maintenance) are automatically calculated by entering disturbance sizes in the 'Key Information' section. Provisions also need to be made regarding the mobilisation/demobilisation, closure management and project management. A separate section is included in the tool to calculate post closure water quality monitoring.
- The completed security calculation tool must be submitted to the department as supporting documentation to the MMP.

## Security Self-Assessment

- Completed security calculations are reviewed against the current approved MMP to ensure appropriate close out techniques have been included for all site disturbances. Additional information may be obtained through audits, site inspections and close out reviews.
- Additional information or cost breakdown/justification may be required should any of the following issues be present:
  - a) Significant deviation in close out of estimated costs compared with similar operations in the Northern Territory and throughout Australia.
  - b) The self-assessment does not address all current and proposed activities in the most recently approved MMP.
  - c) Close out options chosen do not adequately control all environmental risks associated with the Authorisation or are not viable.
- Once the established value of security has been endorsed based on the self- assessment and review by departmental officers, a request for security payment is issued to the operator.
- Payment of 100% of the security is required before the MMP is approved or an Authorisation is issued.

## Security Self-Assessment

Bank guarantees and cheques may be posted to:

Department of Industry, Tourism and Trade  
GPO Box 4550  
DARWIN NT 0801

Direct debits can be paid using the details listed below:

Account name: Department of Industry, Tourism and Trade  
Financial Institution: National Australia Bank  
Branch No. (BSB): 085 933  
Account Number: 187 960 924  
Use the Authorisation reference number as the transaction reference.

Other types of payment can be made in person, from 8am to 4pm, Monday to Friday, to:

The Mineral Titles front counter  
5th Floor Paspalis Centrepoin Building  
48-50 Smith Street  
Darwin NT 0800

Bank guarantees must be:

- provided by an Australian bank
- in favour of the Minister for Mining (Northern Territory of Australia)
- unconditional (i.e. no expiry date)
- for the Authorisation as advised in the security request letter from the department.

Do not include titles or project names on the guarantee.

Bank guarantees should also be supported by:

- Evidence of appointment as an Attorney (or other authorised officer) for the Financial Institution issuing the security instrument for the person(s) signing the security instrument;
- Evidence the relevant person issuing the security instrument on behalf of the financial institution is authorised to issue the type, form and amount of security;
- Evidence the financial institution will ratify and be bound by the acts of the person issuing the security instrument on behalf of the financial institution, for verification purposes.

The Authorisation reference number **must** be quoted when submitting payment to ensure correct receipting.

While the MMA details the requirement to provide security deposits, it does not provide for interest payable on such deposits. The money held by the department is in trust and remains in stasis.

## Security Variation

At any time the operator may request a reassessment of the security held by the department based on either successful close out of disturbances or a change in project activities. This request must be accompanied by a new or amended MMP detailing rehabilitation and closure status.

## Release of Security

A partial security (excluding the amount calculated as the contingency fund) may be released back to the operator on provision of evidence that demonstrates adequate rehabilitation has been undertaken. This may require a site visit by Mining Officers to verify that planned rehabilitation has been completed.

The contingency fund portion of the security will be retained by the department for an agreed period, or until Mining Officers have confirmed that the rehabilitation has been deemed successful and the project area is considered safe, stable, self-sustainable and non-polluting and no further rehabilitation or remediation works, site visits or monitoring will be required.

Generally, a project area can be 'closed out' following at least one wet season in the Top End or a significant rainfall event in Central Australia, if there is significant vegetation regrowth present and the rehabilitated area is stable.