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**Resources Regulator**

Department of Regional NSW



## **Compliance audit program**

**EL8538 Yeoval Exploration Project**

**Godolphin Tenements Pty Ltd**

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# 1. Introduction

## 1.1. Background

Exploration licence 8538 (EL8547) was granted to Ardea Exploration Pty Ltd on 19 March 2017. The licence was transferred to Godolphin Tenements Pty Ltd (Godolphin) on 27 February 2020. The exploration area centres over Yeoval in central NSW.

As part of the compliance audit program, an audit of the exploration activities associated with the Yeoval exploration project within EL8538 was undertaken on 3 August 2023 by the NSW Resources Regulator within the Department of Regional NSW.

## 1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the Godolphin exploration activities against the requirements of the *Mining Act 1992* and the conditions of the exploration licences and activity approvals issued pursuant to that Act
- assess the operational performance of the exploration activities and the ability of the licence holder and/or its operator to implement management systems and controls to provide for sustainable management of the operations.

## 1.3. Audit scope

The scope of the audit included:

- the exploration activities associated with the Yeoval exploration project including:
  - exploration activities within EL8538 including a selected sample of exploration drillholes
  - borehole sealing and rehabilitation activities for selected drilling activities undertaken since January 2020
- A review of documents and records pertaining to the exploration activities

The assessment of compliance for the period commencing 1 August 2021 and ending 3 August 2023.

## 1.4. Audit criteria

The audit criteria against which compliance was assessed included:

- *Mining Act 1992*, specifically, Sections 5, 30, 140, 163C to 163E, 163G, 378D
- Mining Regulation 2016, specifically clauses 59 to 68
- Conditions attached to EL8538 (granted 19 March 2017 and renewed 29 March 2020)
- Exploration activities application dated 2 March 2022 for 2 diamond drill holes at the Cyclops prospect, and associated approval dated 30 March 2023 (MAAG0013557)

- Exploration activities application dated 15 June 2023 for 2 diamond drill holes at the Goodrich prospect, and associated approval dated 28 June 2023 (MAAG0016226)
- Exploration code of practice: Environmental Management (Version 4, June 2021 and Version 5, March 2022)
- Exploration code of practice: Rehabilitation (Version 4, June 2021 and Version 5, March 2022)
- Exploration code of practice: Community Consultation (Version 2.0, October 2022 and Version 2.1, May 2023)
- Exploration code of practice: Produced Water Management, Storage and Transfer (Version 3, September 2017, Version 4, June 2021 and Version 5, March 2022)
- Exploration Reporting: A guide for reporting on exploration and prospecting in New South Wales (Version 3, October 2021 and Version 4, January 2022)
- Exploration Guideline: Annual activity reporting for prospecting titles (Version 3.0, December 2020 and Version 4, October 2022) published by Department of Regional NSW

## 1.5. Publishing and disclosure of information

This audit report was published on the Regulator's website consistent with:

- Section 365 of the *Mining Act 1992*
- Resources Regulator's [Public comment policy](#)
- *Government Information (Public Access) Act 2009*.

## 2. Audit methods

The audit process involved interviewing site personnel, a review of documentation and samples of records provided by the licence holder and/or operator to determine the level of compliance of the operations and assess the status of the operational performance. The audit process and methodology are described in more detail in the sections below.

### 2.1. Opening meeting

An opening meeting was held onsite on 3 August 2023. The audit team was introduced, and the scope of their responsibilities was conveyed to the auditees. The objectives and scope of the audit were outlined. The methods to be used by the team to conduct the audit were explained, including the interview of personnel, review of documentation, examination of records and a site inspection to assess specific compliance requirements.

### 2.2. Site interviews and inspections

#### 2.2.1. Data collection and verification

Where possible, documents and data provided during the audit process were reviewed electronically on the day. Several documents were unable to be reviewed on the day and were provided after the audit.

All information obtained during the audit process was verified by the audit team where possible. For example, statements made by site personnel were verified by viewing documentation and records, including site photographs, where possible. Where suitable verification could not be provided, this has been identified in the audit findings as not determined.

#### 2.2.2. Site inspections

A site inspection was undertaken of the following exploration activities:

- Drill hole GGDD001, drilled July 2023, not rehabilitated
- Drill hole GGDD002/GGDD02A, drilled July 2023, not rehabilitated
- Drill hole GYDD001, drilled April 2022, rehabilitated
- Drill hole GYDD002, drilled April 2022, partly rehabilitated

### 2.3. Closing meeting

A closing meeting was held on site on 3 August 2023. The objectives of this meeting were to discuss any outstanding matters, present preliminary findings and outline the process for finalising the audit report.

## 2.4. Compliance assessment definitions

The reporting of results from the compliance audit was determined based on the definitions presented below in Table 1. Table 1 Compliance assessment definitions

Assessment	Criteria
<b>Compliance</b>	Sufficient and appropriate evidence is available to demonstrate the particular requirement has been complied with.
<b>Non-compliance</b>	<p>Clear evidence has been collected to demonstrate the particular requirement has not been complied with. There are three subcategories of non-compliance reflecting the severity and level of risk associated with the non-compliance:</p> <p>NC1 – the absence of planning or implementation of a required operational element which has the potential to result in a significant risk.</p> <p>NC2 – an isolated lapse or absence of control in the implementation of an operational element which is unlikely to result in a significant risk.</p> <p>NC3 – an administrative or reporting non-compliance which does not have a direct environmental or safety significance.</p> <p>Note: The identification of a non-compliance in this audit may or may not constitute a breach of, or offence under, the <i>Mining Act 1992</i>. Non-compliances identified in this audit report may be further investigated by the Regulator and regulatory actions may be undertaken.</p>
<b>Observation of concern</b>	<p>Where an auditee may be compliant at the time of the audit but there are issues that exist that could result in the potential for future non-compliance if not addressed.</p> <p>Observation of concern was also used where an issue may not have particular compliance requirements, but which was not conducive to good management or best practice.</p>
<b>Suggestion for improvement</b>	Where changes in processes or activities inspected or evaluated at the time of the audit could deliver improvement in relation to risk minimisation, sustainable outcomes and management practices.
<b>Not determined</b>	<p>The necessary evidence has not been collected to enable an assessment of compliance to be made within the scope of the audit.</p> <p>Reasons why the audit team could not collect the required information include:</p> <p>insufficient information on the file relating to the period covered by the audit or insufficient evidence collected to reach a conclusion</p> <p>the wording on the criteria (approval condition) meant that no evidence could be gathered, or it was too difficult to gather the evidence.</p> <p>A ‘not determined’ assessment was also made where the condition was outside the scope of the audit.</p>
<b>Not applicable</b>	The circumstances of the authorisation or licence holder have changed and are no longer relevant ( e.g. no longer mining, mining equipment and plant has been removed).



Assessment	Criteria
	An invoking element in the criteria was not activated within the scope of the audit.

## 2.5. Reporting

After completion of the audit, the audit checklists were completed, and audit notes were reviewed to compile a list of outstanding matters to be noted in the audit report. This report was prepared to provide an overview of the operational performance of the site in relation to the exploration activities and identify any non-compliances or observations of concern noted by the auditors during the documentation review and interviews.

The draft audit findings were forwarded to Godolphin for comment. Consideration was given to the representations made during the finalisation of the audit report as discussed in the audit findings.

## 3. Audit findings

### 3.1. Work program

Condition 1 of EL8538 required the licence holder to carry out the operations described in the approved work program. Work program, WP-EL8538-2020-2026, was in force during the audit period.

Evidence was available to confirm that exploration activities were progressing. Annual reports for the 2021, 2022 and 2023 reporting periods were reviewed for EL8538. Exploration completed included:

- diamond drilling at the Cyclops Prospect and Yeoval South Prospect
- rock chip sampling at cyclops, Goodrich and Yeoval East Prospects,
- geological mapping at Yeoval East
- grid based sampling and Bolderogery, Yeoval East and Goodrich Prospects
- ground magnetic surveys at Cyclops Yeoval East and Goodrich
- drill hole rehabilitation and community consultation.

Godolphin holds a technical session annually that include a review of the commitments in the work program. A spreadsheet was used to track progress with a traffic light system to monitor status.

Exploration data is maintained by Godolphin Tenements Pty Ltd on an on-line server and submitted to Mining, Exploration and Geoscience (MEG) with the annual activity reports.

### 3.2. Access arrangements

Section 140 of the *Mining Act 1992* states, 'the holder of a prospecting title must not carry out prospecting operations on any particular area of land except in accordance with an access arrangement or arrangements applying to that area of land'. The access arrangement was required to be agreed in writing between the holder of the prospecting title and each landholder of that area of land.

Evidence was provided to confirm that written land access agreements were in place for the exploration activities undertaken on EL8538. The land access agreements reviewed during the audit were based on the AMEC land access agreement template. The land access agreement included clauses associated with rehabilitation, ground disturbance for drilling and included a map with annotated exclusion zones.

### 3.3. Native title and exempted areas

Condition 2 of EL8547 required the licence holder to obtain the prior written consent of the Minister before carrying out any activities on land on which native title had not been extinguished. Similarly, Section 30 of the *Mining Act 1992* required the consent of the Minister before a licence holder undertook any activities within an exempted area.

Godolphin indicated that all exploration activities within EL 8538 were located on freehold titles where native title had been extinguished.

Godolphin use a tenement manager to provide advice on Native Title matters. No further approval under Condition 2 were required for EL 8538.

### 3.4. Community consultation

Condition 3 of EL8547 required the licence holder to carry out community consultation in relation to the planning and conduct of exploration activities. Community consultation was required to be carried out in accordance with the requirements of Exploration code of practice: Community Consultation.

An assessment against the mandatory requirements of the code of practice was undertaken as documented in the following sections.

#### 3.4.1. Risk assessment

Mandatory requirement 1 of the code of practice required the licence holder to conduct a risk assessment to identify and consider the range of opportunities and potential threats associated with community consultation and engagement.

Godolphin provided an environmental and community risk assessment for the Yeoval and Goodrich Project. The risk assessment focused on the potential social impacts associated with the proposed prospecting activities. It is considered that the next review of the risk assessment could give further consideration of the potential risks to achieving effective community consultation. This is recorded as suggestion for improvement No.1.

Elements of the risk assessment provided demonstrated good practice, such as the inclusion of fields for performance and recommendations. This indicated that review and evaluation of the risk assessment was undertaken. It was understood that recommendations may include either matters that need to be addressed for the specific project or recommendations for future projects.

#### 3.4.2. Community consultation strategy

Mandatory requirement 2 required the preparation of a community consultation strategy to manage the risks identified in the risk assessment. Mandatory requirement 3 set out the requirements for preparation of the community consultation strategy.

Godolphin provided a copy of the Community Consultation Strategy for Exploration Activities, EL 8538 & EL 9243 Yeoval Project, Goodrich Prospect Diamond Drilling, July 2023 for review as part of the audit. For this project the activity impact level was assessed as low.

The strategy was noted to address the mandatory requirements of the code of practice. including:

- establishing the objectives of the strategy
- a detailed description and analysis of community stakeholders
- the methods of consultation
- mechanisms for review of the strategy.

### 3.4.3. Implementation and reporting

Mandatory requirement 4 required the licence holder to implement, monitor and report annually on the community consultation strategy.

A copy of the Godolphin Resources Annual Community Consultation Report for EL 8538 for the reporting period 19 March 2022 to 18 March 2023 was provided as part of the audit review. In addition, records outlining landholder and community communication were sighted as part of the audit.

This information supported a finding that the community consultation strategy was implemented, monitored and reported on annually.

It was noted that records of consultation activities were maintained electronically in a consultation register. The register included:

- a log of interactions with landholders
- a log of interactions with other stakeholders
- details of the issues and outcomes from consultation.

Before the change to the code of practice in October 2022, annual community consultation reports were prepared and submitted by Godolphin, generally in accordance with the reporting guidance in Appendix 2 of the code of practice.

## 3.5. Exploration activity approvals

Section 23A of the *Mining Act 1992* required the holder of an exploration licence to obtain an activity approval before carrying out assessable prospecting operations.

Evidence was available to confirm that exploration activity approvals were sought and granted for exploration activities. Exploration activity approvals granted included:

- exploration activities application dated 2 March 2022 for 2 diamond drill holes at the Cyclops prospect, and associated approval dated 30 March 2023 (MAAG0013557)
- exploration activities application dated 15 June 2023 for 2 diamond drill holes at the Goodrich prospect, and associated approval dated 28 June 2023 (MAAG0016226).

Generally, evidence was provided to indicate that the exploration activities were carried out in accordance with the description provided in the applications and in accordance with the approvals given. It was noted that one drill hole GGDD002 was abandoned at 16 m due to near surface geological conditions and re-drilled within the same drill site as GGDD02A.

## 3.6. Environmental management

Condition 4 of EL8538 required the licence holder to prevent or minimise so far as is reasonably practicable, any harm to the environment arising from the activities carried out under the licence. Condition 2 of the exploration activity approval required the licence holder to carry out the activity in compliance with Part B of the Exploration code of practice: Environmental management.

No evidence of environmental harm was observed at the sites visited during the site inspection. The drilling program was completed at the time of the audit and all plant and equipment had been removed from site.

An assessment against the Exploration code of practice: Environmental management was not completed, however the following observations were made:

- No evidence of hydrocarbon spillage or chemical contamination was observed at any of the sites inspected.
- Godolphin advised that above ground sumps were used to manage water associated with drilling. Tanks were pumped out with a vacuum truck and disposed at a licenced facility.
- No waste was observed at any of the sites inspected.
- All holes were observed to have been drilled in cleared paddock areas, with no excavation or surface disturbance required for drill pads.
- Godolphin advised that before exploration activities, drill sites and access tracks were marked out to ensure drilling equipment and light vehicles operated within marked boundaries.
- No vegetation was required to be removed for drilling activities.
- Weed management practices included vehicle hygiene to control the introduction of weeds. Godolphin indicated that landholder consultation prior to the site audit inspection included discussion of which properties were to be inspected and the risk of introducing weeds. It was understood that the known weeds are common across the landholdings.

### 3.6.1. Risk assessment

Mandatory requirement 12.1 required the licence holder to monitor the risks associated with activities and, if the risk associated with an activity changes, implement revised environmental management controls.

Godolphin prepared a risk assessment that covered both environment and community risks for the Goodrich and Yeoval project. The risk assessment was noted to include mitigation and controls to be implemented. In addition, fields to record performance and recommendations were included in the spreadsheet demonstrating a process to monitor the identified risks and implement revised controls if required.

## 3.7. Security deposit

Condition 5 of EL 8538 requires the licence holder to provide a security deposit to secure funding for the fulfilment of obligations under the licence.

EL 8538 forms part of a group security of 18 exploration licences held by Godolphin Tenements Pty Ltd. The security was reduced to \$90,000 on 21 April 2023.

In accordance with s.92A of the Mining Regulation 2016, the assessed deposit for a group security must not be less than 50% of the sum of the minimum deposits of the for the authorisations. The security deposit meets the minimum requirement as prescribed in the Regulation.

The audit scope was limited to EL 8538, and did not included a review of outstanding rehabilitation obligations across the 18 authorisations. However, it was noted that the exploration practices

observed include minimal surface disturbance and vegetation clearance, with progressive rehabilitation as soon as practicable which minimised any liability.

## 3.8. Rehabilitation

Condition 6 of EL8538 required the licence holder to carry out rehabilitation of all disturbance caused by activities carried out under the licence in accordance with the requirements of the Exploration code of practice: Rehabilitation.

An assessment against the mandatory requirements of the code of practice was undertaken for the exploration activities as documented in the following sections.

### 3.8.1. Risk assessment

Mandatory requirement 1 required the licence holder to conduct a risk assessment to evaluate the range of potential threats and opportunities associated with rehabilitating disturbed areas to a condition that could support the intended final land use.

Godolphin risk assessment documentation cited during the audit included a company risk register, the Yeoval project diamond drilling operational risk assessment and the Goodrich and Yeoval environmental & community risk assessment.

Review indicated that the Goodrich and Yeoval environmental and community risk assessment was focused on environmental and community risks associated with the drilling activities, with limited consideration of rehabilitation risks. It was noted that the risk assessment included fields for documenting performance and recommendations.

Godolphin should give consideration to identifying the potential risks to achieving the requirements set out in the rehabilitation objectives and completion criteria during the next review of the risk assessment. This was recorded as suggestion for improvement No.2.

### 3.8.2. Rehabilitation objectives and completion criteria

Mandatory requirement 2 required the licence holder, not later than 14 days before the commencement of surface disturbing activities, to provide to the Secretary with a copy of clear, specific, achievable and measurable rehabilitation objectives and completion criteria (ROCC). For higher risk prospecting operations, a rehabilitation management plan was required to be prepared and submitted with the rehabilitation objectives and completion criteria.

The exploration activity approval applications lodged by Godolphin Tenements Pty Ltd indicated limited total surface disturbance (less than 5 hectares). The drilling programs did not fall within the definition of a high risk activity under the code of practice and a rehabilitation management plan was not required to be developed.

Evidence was available in department records to confirm that ROCCs were submitted for each drilling program as part of the application for assessable prospecting operations. It was noted that ROCCs submitted were generally based on the template provided in Appendix 2 of the code of practice.

### 3.8.3. Rehabilitation program

Mandatory requirement 3 required the licence holder to develop, implement and complete a program (which includes a monitoring program) to rehabilitate disturbed areas to a condition that could support the intended final land use. Mandatory requirement 4 required the licence holder to commence rehabilitation of a site as soon as reasonably practicable following the completion of activities on that site.

Representatives of Godolphin Tenements Pty Ltd said a rehabilitation, monitoring and inspection program was undertaken using checklists that were stored in the People Tray System. The monitoring and inspection program was developed to be consistent with the ROCCs that were developed based on the pre-existing environment (agricultural land use). Rehabilitation monitoring typically included inspection following completion or rehabilitation works, at 6 months and 12 months.

Representatives of Godolphin Tenements Pty Ltd said rehabilitation works commenced as soon as possible once the drill rigs moved off-site. This included removal of waste material and equipment. Typically, the drill holes were temporarily capped until logging and analysis was completed. The drill hole collars were cut, and the holes plugged following review of data.

During the audit, drill sites were inspected at the Goodrich Prospect which were completed July 2023 and the Yeoval and Cyclops Prospect completed in April 2022.

The site inspection of the Goodrich Prospect drill sites where work was completed in late July 2023 confirmed progressive rehabilitation practices. The drill sites were partly rehabilitated, with all waste and samples removed from site. The low impact drilling activity with minimal surface disturbance enabled trampled vegetation (within a cropped area) to re-establish. The capped drill collars were located within a star-picket barricade.

The Yeoval and Cyclops drill sites were rehabilitated with drill holes cut and plugged and vegetation naturally re-establishing. It was understood that Godolphin were to complete minor maintenance at the Yeoval Prospect to address a small area of slumped/settled ground. The landowner indicated it was not required at the area will be cropped.

Figure 1, Figure 2, Figure 3, and Figure 4 depict the 4 drill holes inspected.

Figure 1 Drill hole GGDD001, drilled July 2023



Figure 2 Drill hole GYDD01 drilled April 2022



Figure 3 Drill hole GGDD002, drilled July 2023



Figure 4 Drill hole GYDD002, drilled April 2022



### 3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016 and condition 8 of EL8547 required the licence holder to submit an activity report annually within one calendar month following grant anniversary date. Annual activity reports were required to be prepared in accordance with the Exploration guideline: Annual activity reporting for prospecting titles.

During the audit scope period, Godolphin submitted annual activity reports comprising:

- annual geological report
- environmental rehabilitation and compliance report
- community consultation report (up to October 2022).

Generally, reports were found to be in accordance with the MEG and/or Resources Regulator templates and guidance material.

### 3.10. Core and sample storage

Clause 65 of the Mining Regulation 2016 required the holder of an authority to, so far as is reasonably practicable, collect, retain and preserve:

- all drill cores remaining after sampling
- characteristic samples of the rock or strata encountered in any drill holes.

All core and samples collected were required to be labelled, stored and managed in a manner that preserved the integrity of the core or samples.

Godolphin representatives said core and samples from exploration drilling programs were stored at a location in Orange that is an office, workshop and sample storage. The sample storage was not inspected on the date of the audit.

Godolphin provided photos of pallet racking storage system with labelling evident along with a copy of a spreadsheet that tracked inventory.



### 3.11. Record keeping

Sections 163D and 163E of the *Mining Act 1992* related to the creation and maintenance of records required under the Act, the Regulations, or a condition of title. Records must be kept in a legible form for production to any inspector and must be maintained for a period of four years after the expiry or cancellation of the title. Specific requirements for the types of records to be maintained for exploration activities were detailed in the mandatory requirements of the exploration codes of practice as follows:

- mandatory requirement 6 of the rehabilitation code of practice
- mandatory requirement 13.1 of the environmental management code of practice
- mandatory requirement 5 of the community consultation code of practice.

Records reviewed during the audit demonstrated that Godolphin had generally maintained records as required by the licence conditions and the exploration codes of practice. It was noted that relevant documents and records were readily retrievable upon request.

Examples of records reviewed included:

- rehabilitation requirements agreed to by the landowner
- rehabilitation objectives and completion criteria
- rehabilitation checklists
- incident report checklists
- photographs of pre, during and post exploration activities.
- land access agreements
- mapping records
- community consultation strategy
- community consultation register
- annual activity reporting.

## 4. Compliance management

### 4.1. Identifying compliance obligations

Identifying compliance obligations is a critical step in the development of an effective compliance management system. Compliance obligations for an exploration project can include:

- regulatory requirements (for example, the *Mining Act 1992*)
- conditions imposed on the grant, renewal, or transfer of exploration licences
- exploration activity approvals
- exploration codes of practice
- specific commitments made by the organisation (for example, commitments made in the approved exploration activity application).

Once identified, compliance obligations should be reviewed periodically to identify any changes in those obligations (for example, changes in legislation).

Godolphin representatives generally had a good understanding of their compliance obligations under the Mining Act, title conditions and exploration codes of practice.

Godolphin representatives indicated they maintain a spreadsheet that tracked obligations. It was understood the spreadsheet was tabled at monthly review meetings. Godolphin indicated the spreadsheet was recently updated to include roles and responsibilities, to ensure tasks were clearly allocated.

It was noted that records were generally being maintained to demonstrate compliance.

Godolphin indicated that they were an active member of AMEC as a mechanism to keep apprised of compliance requirements.

### 4.2. Subcontractor management

Contractors are often used to undertake specialist tasks, for example, exploration drilling. Whilst the responsibility for compliance or the implementation of environmental controls is often passed to the contractor, the licence holder will retain accountability for compliance with its licence conditions and other compliance obligations. It is important that the licence holder exercises management control of its contractors by specifying contract requirements, providing oversight of contracted works, and evaluating the performance of the contractor during the contracted works.

Godolphin Tenements Pty Ltd is a small company and used contract drillers, geologists and field staff to complete exploration drilling programs. A detailed review of the contractor management arrangements was not undertaken as part of the audit.

Godolphin Tenements Pty Ltd said a detailed review was conducted during the procurement phase as well as an 'audit' prior to the commencement of works. This included reviewing training matrix, processes and procedures. It was further understood that contractors are inducted and supervised.

### 4.3. Inspections, monitoring and evaluation

An effective inspection, monitoring and evaluation process is required to:

- monitor the implementation of the risk controls
- evaluate the effectiveness of those controls based on an assessment of inspection and monitoring data
- implement an adaptive management approach if monitoring shows that controls may be ineffective.

Godolphin Tenements Pty Ltd said a site inspection and monitoring process was undertaken for each drill hole. Godolphin Tenements Pty were using the People Tray software to record inspections and checklists. All incidents were recorded in People Tray and escalated for review and action.

## 5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that the exploration operations undertaken by Godolphin were well managed. Evidence was available to demonstrate that systems and processes were developed to identify and manage compliance requirements. It was observed that records were being maintained as required to demonstrate compliance.

Godolphin was compliant with the requirements of the exploration licence, exploration activity approvals and the environmental management, rehabilitation, and community consultation exploration codes of practice, for the elements reviewed during the audit.

No non-compliances were identified during the audit. The audit identified 2 suggestions for improvement as summarised in Table 2.

Table 2 Summary of suggestions for improvement

Suggestion for Improvement No.	Description of issue
1	The next review of the community consultation risk assessment could give further consideration of the potential risks to achieving effective community consultation.
2	The next review of the rehabilitation risk assessment could give further consideration of the potential risks to achieving the requirements set out in the rehabilitation objectives and completion criteria.