NSW Resources
Resources Regulator

Compliance audit program

EL9264 Kooranjie Exploration Project

Magnet Exploration Pty Ltd

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1. Introduction

1.1. Background

Exploration licence 9264 (1992) was granted to Magnet Exploration Pty Ltd on 27 July 2021. Earth AI Pty Ltd is the ultimate holding company of Magnet Exploration Pty Ltd and is the exploration operator of EL9264. The exploration area was about 263 kilometres north-west of Condobolin in central NSW.

As part of the compliance audit program, an audit of the exploration activities associated with the Kooranjie exploration project within EL9264 was undertaken on 23 September 2025 by the Resources Regulator within the Department of Primary Industries and Regional Development.

1.2. Audit objectives

The objectives of the audit were to:

- undertake a compliance audit of the Magnet Exploration Pty Ltd and Earth AI Pty Ltd 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 Kooranjie exploration project including:
  - exploration activities within EL9264, including a selected sample of exploration drillholes
  - borehole sealing and rehabilitation activities for selected drilling activities undertaken since October 2024.
- a review of documents and records pertaining to the exploration activities
- the assessment of compliance for the period commencing 23 September 2023 and ending 23 September 2025.

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 EL9264 (granted 27 July 2021)

- Assessable prospecting operations application dated 10 October 2024 for 4 diamond drill holes with 3 new access tracks, and associated approval dated 17 October 2024 (APO0001877)
- Assessable prospecting operations application dated 6 April 2025 for 6 diamond drill holes with 2 new access tracks, and associated approval dated 9 May 2025 (APO0002015)
- Assessable prospecting operations application dated 9 May 2025 for 2 diamond drill holes with 2 new access tracks, and associated approval dated 4 June 2025 (APO0002042)
- Assessable prospecting operations minor change application dated 5 May 2025 for relocating one diamond drill hole and associated new access tracks, and associated approval dated 18 June 2025 (MAAG0018008)
- 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).

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, reviewing 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 23 September 2025. 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 interviewing personnel, reviewing documentation, examining 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. Where documents were unable to be reviewed on the day, they 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 was identified in the audit findings as not determined.

2.2.2. Site inspections

A site inspection was undertaken of the following exploration activities on EL9264:

- Diamond drill (DD) hole EKO04D – hole was drilled May 2025 and was rehabilitated. No issues were observed.
- DD hole EKO22D – hole drilled June 2025 and was rehabilitated about one month before the audit. No issues were observed.
- DD hole EKO30D – hole drilled June 2025 and was rehabilitated about 3 months before the audit. No issues were observed.

2.3. Closing meeting

A closing meeting was held on site on 23 September 2025. 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

Reporting the results from the compliance audit was determined based on the definitions presented in Table 1.

Table 1: Compliance assessment definitions

Assessment	Criteria
Compliance	Sufficient and appropriate evidence is available to demonstrate the particular requirement has been complied with.
Non-compliance	Clear evidence has been collected to demonstrate the particular requirement has not been complied with. There are 3 subcategories of non-compliance reflecting the severity and level of risk associated with the non-compliance: NC1 – the absence of planning or implementation of a required operational element which has the potential to result in a significant risk. NC2 – an isolated lapse or absence of control in the implementation of an operational element which is unlikely to result in a significant risk. NC3 – an administrative or reporting non-compliance which does not have a direct environmental or safety significance. Note: The identification of a non-compliance in this audit may or may not constitute a breach of, or offence under, the *Mining Act 1992*. Non-compliances identified in this audit report may be further investigated by the Regulator and regulatory actions may be undertaken.
Observation of concern	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. 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.
Suggestion for improvement	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.
Not determined	The necessary evidence has not been collected to enable an assessment of compliance to be made within the scope of the audit. Reasons why the audit team could not collect the required information include: • insufficient information on the file relating to the period covered by the audit or insufficient evidence collected to reach a conclusion • the wording on the criteria (approval condition) meant that no evidence could be gathered, or it was too difficult to gather the evidence. A 'not determined' assessment was also made where the condition was outside the scope of the audit.
Not applicable	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

Following 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 Earth AI Pty Ltd for comment. Consideration was given to the representations made while finalising the audit report, as discussed in the audit findings.

3. Audit findings

3.1. Work program

Condition one of EL9264 required the licence holder to carry out the operations described in the approved work program. Work program WP-EL9264-2021-2027 was in force during the audit period:

Evidence was available to confirm exploration activities were progressing. Annual reports for the 2024 and 2025 reporting periods were reviewed for EL9264. Exploration completed included:

- 692 portable XRF scans
- rock sampling – collection of 401 rock samples
- soil sampling – collection of 891 soil samples
- drilling - 3 diamond drill (DD) holes totalling 1624.7 metres were drilled across 3 target areas.

Earth AI exploration staff said the annual reporting process was used to review and monitor the approved work program. Earth AI advised it was slightly behind in its work program but was reviewing projects on a quarterly basis. Exploration data was noted to be maintained by Earth AI and submitted to NSW Resources with the annual activity reports as required.

3.2. Access arrangements

Section 140 of the *Mining Act 1992* stated, '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 a written land access agreement was in place for the exploration activities undertaken on EL9264. Earth AI said, in addition to a standard land access agreement, additional conditions might include items such as reporting any water found to the landholder, additional payments for items such as track maintenance, and the requirement not to travel on access roads after rain without confirming conditions. Regular verbal communication was conducted throughout the program.

3.3. Native title and exempted areas

Condition 2 of EL9264 required the licence holder to obtain the prior written consent of the Minister before carrying out any activities on land where 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.

Earth AI staff said all areas where native title had not been extinguished were mapped, and no exploration activities were completed or planned within those areas. Mapping confirmed the 3 diamond drill holes were drilled on freehold land. No further approvals under Section 30 of the Mining Act were required.

Earth AI advised a right to negotiate application was submitted to NSW Resources but because planned activities would not encroach on land where native title applied and Ministerial consent was not required. Earth AI was aware of the requirements to obtain Minister consent.

3.4. Community consultation

Condition 3 of EL9264 required the licence holder to carry out community consultation in relation to planning and conducting exploration activities. Community consultation was required to be carried out in accordance with the requirements of the 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 one 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.

Earth AI undertook a community consultation risk assessment for the Kooranjie project, which was documented as part of the project's risk assessment. The risk assessment included risks associated with both the community and business operations and demonstrated that consultation objectives were considered when preparing the document.

3.4.2. Community consultation strategy

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

Magnet Exploration and Earth AI prepared a community consultation strategy for the Kooranjie project. The strategy was created at the beginning of the project and was planned to be updated as required. Earth AI said the strategy was reviewed regularly and all communications were recorded. A website update planned for a hotline to be advertised.

The strategy was noted to follow the guidance material in the code of practice and included:

- objectives for consultation
- a description and analysis of community stakeholders and impacts
- a description of how consultation would be undertaken, including the consultation-with-landowner process
- a process for reviewing and amending the strategy when required.

3.4.3. Implementation and reporting

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

Evidence was available to confirm Earth AI was undertaking community consultation generally in accordance with the methods outlined in the community consultation strategy. Given the location of exploration activities remote from sensitive receptors, liaison with landholders was the key consultation undertaken.

It was noted records of consultation activities were maintained in a phone app (Zoho) used by all staff. Communication strategies included phone calls, but emails and flyers were also used. Earth AI noted in its annual community consultation reports in-person consultation was preferred to ensure robust relationships with landholders. Annual community consultation reports were provided for 2024 and 2025. While these were available on request, there were no requests received for the reports.

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:

- assessable prospecting operations application dated 10 October 2024 for 4 diamond drill holes with 3 new access tracks, and associated approval dated 17 October 2024 (APO0001877)
- assessable prospecting operations application dated 5 May 2025 for relocation of one diamond drill hole and associated new access tracks, and associated approval dated 18 June 2025 (MAAG0018008)
- assessable prospecting operations application dated 6 April 2025 for 6 diamond drill holes with 2 new access tracks, and associated approval dated 9 May 2025 (APO0002015)
- assessable prospecting operations application dated 9 May 2025 for 2 diamond drill holes with 2 new access tracks, and associated approval dated 4 June 2025 (APO0002042).

Generally, evidence was provided to indicate the exploration activities were carried out in accordance with the description in the applications and in accordance with the approvals given.

3.6. Environmental management

Condition 4 of EL9264 required the licence holder to prevent or minimise so far as was 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 inspection. The diamond drilling program was completed at the time of the audit, and all plant and equipment was removed from site. The 3 holes drilled were rehabilitated. An assessment against the Exploration code of practice: Environmental management was not completed but the following observations were made:

- The rehabilitated holes were backfilled and grouted to about 50 cm below the surface.

- No waste was observed at the 3 sites inspected. Earth AI said all waste was taken off site with records maintained to confirm disposal.
- Full site induction was completed by all participants, which included details on drill hole locations, weeds known in the area, potential endangered/critically endangered species and key pieces of information required.
- Generally, existing farm tracks were used wherever possible. Where access was required off existing tracks, Earth AI exploration staff advised they travelled across a pre-determined pathway marked out on maps for on-ground staff. These tracks were agreed with the landowner before drilling activities began.
- Drilling activities were stopped during heavy rain, and site access was restricted to minimise the risk of damage to farm roads and tracks.

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 changed, revised environmental management controls were implemented.

Earth AI undertook an assessment of the impacts of its exploration operations as part of its application for assessable prospecting operations. Risk controls were included in the assessment, which was comprehensive and part of a bigger risk assessment on safety, environmental management and rehabilitation. Performance review of risk controls was documented, and was conducted after activities were completed. The performance review was used as an analysis tool to assess the effectiveness of the risk controls. The risk assessment was reviewed annually, or when new risks were identified.

3.7. Security deposit

Condition 5 of EL9264 required the licence holder to provide a security deposit to secure funding to fulfil obligations under the licence.

The security amount required for EL9264 was $10,000, which department records confirmed was held. It was noted the drilling programs conducted in 2025 on EL9264 did not trigger an increase in security.

Observations made on site during the site inspection confirmed the security held was adequate for the drilling programs completed.

3.8. Rehabilitation

Condition 6 of EL9264 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 one 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.

Earth AI undertook an assessment of the impacts of its exploration operations as part of its application for assessable prospecting operations, which included rehabilitation of the exploration activities. This was conducted along with risks to safety and environmental management. Risk controls were included in the assessment, along with a performance review of the risk controls. It was noted the completed risk assessment was comprehensive. It was reviewed on an annual basis, or when new risks were identified.

3.8.2. Rehabilitation objectives and completion criteria

Mandatory requirement 2 required the licence holder, no later than 14 days before the commencement of surface-disturbing activities, to provide to the Secretary 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 Earth AI indicated the total surface disturbance area was less than 5 hectares. The drilling programs did not fall within the definition of a higher risk prospecting activity under the code of practice, and a rehabilitation management plan was not required.

Department records confirmed ROCCs were submitted for the drilling program as part of the application for assessable prospecting operations. It was noted the 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 rehabilitation program (which included 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 after the completion of activities on that site.

Earth AI exploration staff said rehabilitation of drill sites generally included the:

- site was cleaned of all rubbish and drill samples
- site was left safe and stable
- remediation and earthworks were conducted if any sub-surface ground was disturbed – usually light earthworks to level the surface
- drill collars were removed, and topsoil was returned to the drill collar after grouting to about 50 cm below the surface
- photos were taken before the site was disturbed, and after the site was rehabilitated.

Earth AI exploration staff said rehabilitation monitoring involved a site inspection and collection of photographs at 3, 6, and 12-monthly intervals. Site inspections were recorded in the Zoho app used by all staff.

Observations made on site during the audit confirmed no environmental harm, and one drill hole with evidence of the possible beginnings of erosion, which was being monitored. Note that Earth AI advised it was not ready to seek rehabilitation complete sign-off from the Resources Regulator at the time of writing.

Figure 1, Figure 2 and Figure 3 show the rehabilitation of the 3 drill holes. The area surrounding the holes was used as open grazing lands and there was no impact to the landholder activities.

Figure 1: DD hole EKO04D – drilled and rehabilitated

Figure 2: DD hole EKO22D - drilled and rehabilitated

Figure 3: DD hole EKO30D – drilled and rehabilitated

3.9. Annual activity reporting

Section 163C of the *Mining Act 1992*, clause 59 of the Mining Regulation 2016 and condition 8 of EL9264 required the licence holder to submit an activity report annually within one calendar month after the 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, Earth AI submitted annual activity reports comprising:

- annual exploration reports
- environmental rehabilitation and compliance reports.

Earth AI self-reported the late submission of annual activity reports to the Regulator in 2024. The reports were submitted in the timeframe required by the warning letters sent and no further action was taken by the Regulator. Earth AI said this led to a new process being implemented to ensure there would be no further late submissions of the reports.

Generally, reports were found to be in accordance with the NSW Resources 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 was reasonably practicable, to 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.

The drilling program conducted by Earth AI on EL9264 was diamond drilling that resulted in the generation of cores. Core storage was off-site in Adelaide and was not inspected during the audit. Earth AI staff provided photos of the core storage showing it appeared to be well organised and labelled in accordance with NSW Resources guidance.

No core was disposed of, according to Earth AI exploration staff.

3.11. Record keeping

Sections 163D and 163E of the *Mining Act 1992* related to creating and maintaining 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 4 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 Earth AI had generally maintained records as required by the licence conditions and the exploration codes of practice.

Examples of records reviewed included:

- Zoho app records
- land access agreements

- photos of core storage
- project risk assessment
- grouting records for drill hole rehabilitation
- worksite induction
- rehabilitation objectives and completion criteria
- community consultation strategy
- community consultation records
- 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).

The Earth AI exploration staff generally had a good understanding of the compliance requirements for exploration. Systems and processes for managing compliance requirements were developed and implemented. Systems and processes were updated by Earth AI upon discovering, self-reporting and resolving, a non-compliance under Condition 8 of EL9264 conditions.

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

4.2. Contractor management

Contractors are often used to undertake specialist tasks, for example, exploration drilling. While the responsibility for compliance or the implementation of environmental controls is often passed to the contractor, the licence holder retains 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.

Earth AI used contract core cutters for testing purposes. It was noted drilling contractors were not required for the diamond drilling program. Earth AI had a subcontractor policy to be followed. Drilling was completed at the time of the audit, and a review of contractor management activities was not undertaken.

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.

Earth AI exploration staff established an inspection and monitoring process suitable for the low impact nature of the exploration activities being conducted. These processes were noted to include inspecting drill sites and rehabilitation to ensure works were completed in accordance with the identified risk controls, review of policies regularly, and internal audits.

The impact assessment prepared by Earth AI for the exploration drilling program was noted to include risks related to environmental management, rehabilitation and safety. Controls were identified and implemented to manage the risks, with a review of effectiveness completed after activities concluded.

Exploration staff advised the process for checking the implementation and effectiveness of controls was documented. Documentation was via the project risk assessment, and logged entries in a phone app that all staff used (Zoho).

5. Audit conclusions

From the evidence reviewed during the audit, it was concluded that the exploration operations undertaken by Earth AI were well managed. Evidence was available to demonstrate basic systems and processes were developed to identify and manage compliance requirements. Ongoing review and monitoring of these systems would be beneficial to ensure comprehensive and robust management systems remain in place. It was observed records were maintained as required to demonstrate compliance.

Earth AI 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.