

DPI – MINERAL RESOURCES

Director-General Submission

Ridglands Coal Exploration Area – Expression of Interest

Issue: Re-release of the Ridglands coal exploration area Expression of Interest

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Executive Director Mineral Resources

Director-General

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Background:

The Ridgелands coal exploration area is located approximately 20 km west-north-west of the town of Muswellbrook and is expected to contain more than 500 million tonnes of in situ thermal coal resource.

In October 2008 the Minister for Mineral Resources, the Hon Ian Macdonald MLC, called for Expressions of Interest (EOI) for an exploration licence in respect of the Ridgелands coal exploration area.

The EOI for the Ridgелands coal area closed on 15 December 2009. Xstrata Coal (NSW) Pty Limited was the only company to submit an EOI for the area.

Feedback from a number of international companies has indicated that there is significant interest in the Ridgелands coal area. However, some of these companies have indicated that the time frame to submit a competitive EOI was considered too short. The original EOI was open for approximately 2 months.

Attachment A is the Ridgелands Expression of Interest Information booklet dated June 2009 for the proposed re-release of the area. The major points for the proposed re-release are:

- Expressions of Interest would be invited for the awarding of an exploration licence in respect of the Ridgелands coal exploration area.
- Financial Obligations of the successful applicant remain unchanged, that is:
 - (a) an assessment fee of \$100,000 to cover Department of Primary Industries' Expression of Interest administration, advertising and evaluation costs
 - (b) a payment of \$7,000,000 as contribution towards the Department's Coal Development Fund for continued coal exploration. This amount includes all required refund of public expenditure previously incurred by the Department of Primary Industries for exploration and evaluation of the area
 - (c) a one-off, non-refundable payment of \$20,000,000
 - (d) financial contributions in excess of the minimum \$20 million requirement may be included as part of an applicant's Expression of Interest.

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- The Department of Primary Industries will establish an evaluation team from experts on its staff and elsewhere in government. The team will evaluate the Expressions of Interest using a consistent process approved by an independent probity auditor.
- The Minister is not bound to accept any of the proposals.

To allow for the timely dissemination of the information booklet it is proposed that the document be posted on the DPI website on the Mineral Resources home page. This would greatly improve access to the EOI information for international companies. Previously EOI information booklets have been mailed to anyone who requested one. However this process disadvantages international companies as overseas mail can take up to 2 to 3 weeks for delivery.

As has happened with previous EOIs DPI proposes to advertise the release in the Sydney Morning Herald, the Australian and the Australian Financial Review, as well as the Land newspaper and the mailing of over 100 letters to companies on the DPI coal register and mailing list.

Recommendations:

1. The Director-General notes the evaluation criteria in the Ridglands Expression of Interest Information booklet Attachment A.
2. The Director-General approves the re-release of the Ridglands EOI coal area with a closing date of Tuesday 27 October 2009. This closing date would allow the EOI to be open for approximately 4 to 4½ months.
3. The Director-General approves the placement of the Ridglands Expression of Interest Information booklet on the DPI website to facilitate timely access to the EOI information for international companies.