

Part A

Information for the Public

Guidelines for Preparation of an Environmental Impact Statement

Area 55 Oxide Project

HNC (Australia) Resources Pty Ltd

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1 Purpose

HNC (Australia) Resources Pty Ltd, (referred hereafter as HAR), proposes to develop the Area 55 Oxide Project ('the Project'), located approximately 65 km south from Darwin, 3.5 km southwest of the Browns Oxide Project, and approximately 8 km NW of Batchelor, in the Northern Territory.

The Proposal was referred from the Northern Territory (NT) Department of Resources (DoR) on 23 December 2009 to the Department of Natural Resources, Environment the Arts and Sport (NRETAS) for assessment under the NT Environmental Assessment Act (1982) (EA Act).

The NT Minister for Natural Resources, Environment and Heritage (NT Minister) has determined that this proposal requires formal assessment under the EA Act at the level of an Environmental Impact Statement (EIS). Issues of concern contributing to this decision included:

- The Project area, in particular the proposed Tailings Storage Facility (TSF South) potentially overlies a shared potable groundwater aquifer. Potential may exist for the facility to create long term, post-closure contamination of the shared aquifer;
- The proposed Area 55 pit is within a few hundred metres of neighbouring residences;
- Impacts on groundwater levels: pit dewatering by the Area 55 and Browns Oxide projects will lower groundwater levels in the area, potentially leaving bores for nearby properties dry.
- Some of the material being mined has significant potential to produce acidic and/or metalliferous drainage (AMD);
- Key aspects of the Project with environmental significance are yet to be detailed; and
- A footprint of 173 ha of native vegetation is proposed to be cleared for the Project.

The Area 55 Oxide Project was referred to the Australian Government on 19 January 2010 under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act). On 30 March 2010 the proposal was determined to be a *controlled action*, and therefore it requires assessment and approval under the EPBC Act before it can proceed. The controlling provisions for the Project are: listed threatened species and communities (sections 18 and 18A). The Project is being assessed under the bilateral agreement by the Northern Territory Government on behalf of the Australian Government. Preparation of an EIS under the EA Act will satisfy assessment requirements under the EPBC Act.

EIS Guidelines were released in June 2010 to assist HAR in preparing an EIS for the Area 55 Oxide Project, in accordance with Clause 8 of the NT *Environmental Assessment Administrative Procedures*. The Guidelines were prepared by the Environment and Heritage Division of the Department of Natural Resources, Environment, the Arts and Sport (NRETAS), as delegate of the NT Minister for Natural Resources, Environment and Heritage.

HAR subsequently expressed concerns regarding the EIS Guidelines and, in response, NRETAS engaged an officer from the Western Australian Government Office of the Environmental Protection Authority to independently review the EIS Guidelines and the comments received from HAR. Taking into consideration the findings of this independent review, revised Draft EIS Guidelines have been prepared.

These Draft Guidelines consist of two sections:

- Part A – *Information for the Public* (this section) containing an introduction and brief description of the Project and the EIS process; and
- Part B – Draft Guidelines for the preparation of an Environmental Impact Statement for the Area 55 Oxide Project, by HNC (Australia) Resources Pty Ltd details risk analysis and information requirements with respect to specific risks and environmental issues identified for the Project by the Northern Territory Government.

The object of these Guidelines is to identify those matters that should be addressed in the EIS. The Guidelines are based on the initial outline of the Project in the proponent's *Notice of Intent*. The Guidelines, however, are not necessarily exhaustive. They should not be interpreted as excluding from consideration any matters which are currently unforeseen that emerge as important or significant from scientific studies or otherwise during the preparation of the EIS, the public consultation process and the Supplement to the EIS (response to submissions).

This section of the Guidelines (Part A) has been developed to assist members of the public and other interested parties in preparing comments on the draft EIS Guidelines for the Project (i.e. Part B).

2 The Proponent

The proponent is HNC (Australia) Resources Pty Ltd, (referred to as HAR). HAR is a wholly owned Australian subsidiary of Hunan Nonferrous Metals Corporation (HNC). HNC is a large corporation under the administration of Hunan Province in China, majoring in the production and sale of nonferrous metals. HNC is partially state owned, with approximately 48% of its shares publicly listed on the Hong Kong Stock Exchange. Control of HNC has recently shifted due to a takeover by China Minmetals H.K. (Holdings) Limited.

China Minmetals is a large-scale State-owned enterprise dealing worldwide in development, production, trading and operation for metals and minerals. In recent years, China Minmetals has implemented a new development strategy to intensify operations in ferrous metals, non-ferrous metals, finance, real estate and logistics. China Minmetals is currently the leading conglomerate of ferrous metals, non-ferrous metals, and minerals industries in the Peoples Republic of China.

3 Project Area and Land Tenure

The Project will be primarily located on Northern Territory and Aboriginal freehold land in the Hundred of Goyder, within mining lease areas Mineral Lease Northern (MLN) 1157, MLN 1161 and Mineral Lease Northern

Application (MLNA) 1162 (this is in the process of being granted); one of the waste rock stockpile layouts being considered involves a stockpile on another mining lease area, MLN 1158 (Figure 2). Tailings Storage Facility (TSF) South will be located on MLN 1157, immediately south (and abutting) the existing TSF for the Browns Oxide Project. The haul road used to transport ore to the Browns Oxide Project processing plant and, potentially, waste rock to the stockpile on MLN 1158 will be located along the western section of Bevan Road (currently a gazetted road reserve, but with no road constructed) and Lithgow Road.

The Browns Oxide Project processing plant is located within the mining lease areas MLN 139 to MLN 147 and MLN 150 to MLN 152. This area is referred to in this NOI as the 'Browns site'. Compass Resources Limited holds the tenements in which the Project will be located.

4 The Proposal

The Project has a nominal resource of 4.7 mega tonnes (Mt) of polymetallic oxide ore and a mine life of approximately 4 years; ore will be mined at a rate of 1.3 mega tonnes per annum (Mt/a). Over the life of the Project approximately 9.7 Mt of waste material will be produced. The Project will process the ore from the Area 55 open pit at the Joint Venture's existing Browns Oxide Project processing plant and will extract copper, cobalt and nickel metals. A new tailings storage facility (known as 'TSF South') will be constructed to store the tails from processing.

The Project comprises:

- Open pit mine.
- Waste rock stockpile(s).
- Tailing storage facility.
- Haul road and light vehicle road.
- Temporary ore stockpile.
- Ancillary infrastructure (workshop, administration office).

The Browns Oxide Project is currently under care and maintenance. Location and layout of the Area 55 and Browns Oxide Projects in relation to Darwin, Batchelor, and Litchfield National Park are illustrated in Figure 1. The Area 55 Oxide Project and Browns Oxide Project layout and land tenure are illustrated in Figure 2.

A detailed description of the Area 55 Oxide Project can be found within the Notice of Intent on the NRETAS website at:

http://www.nt.gov.au/nreta/environment/assessment/register/hnc_resources/index.html

5 History of the Project and Proponent

The Browns Oxide Project, by Compass Resources NL, was assessed under the NT *Environment Assessment Act* at the level of a Public Environment Report. Assessment Report 52 for the proposal was issued in May 2006. Approval under the Commonwealth *EPBC Act* occurred in June 2006. A Mining Management Plan for the Project was approved in July 2006.

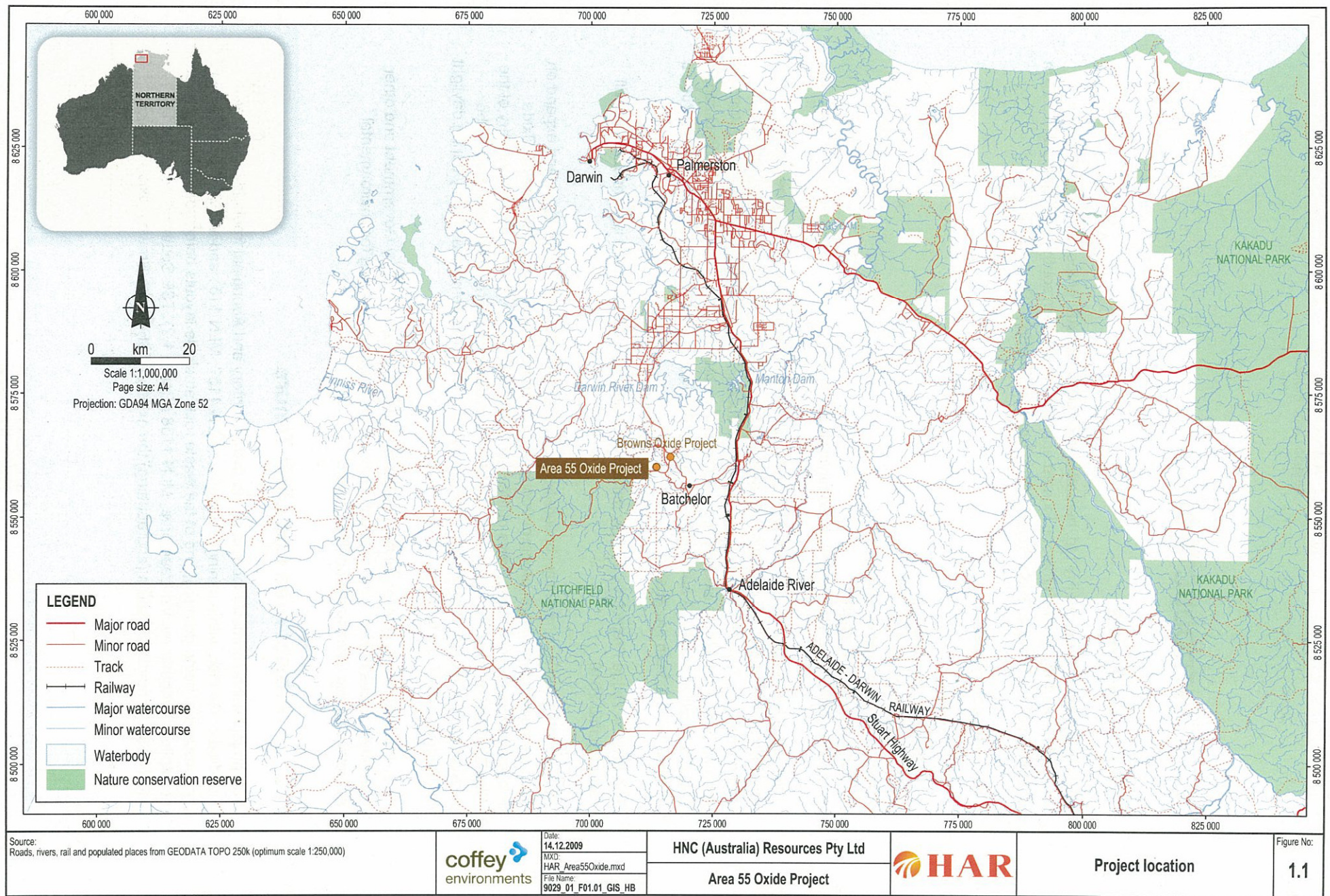


Figure 1 - Location of HAR's Area 55 and Browns Oxide Projects leases in relation to Darwin, Batchelor, and Litchfield National Park

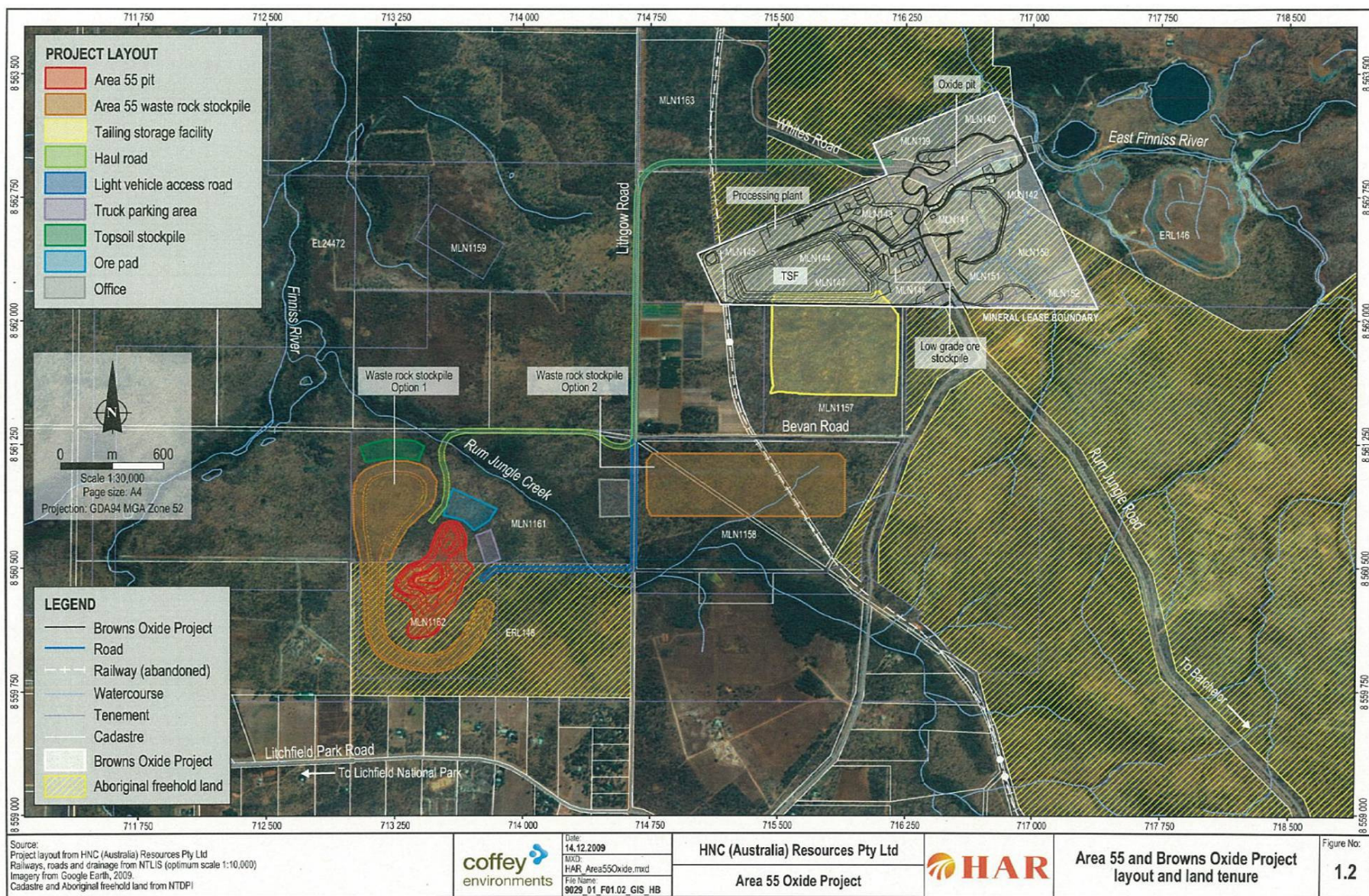


Figure 2 - Area 55 Oxide Project and Browns Oxide Project layout and land tenure

In 2006, Compass Resources Limited (Compass Resources) and HNC formed a joint venture (JV) and signed a Memorandum of Understanding to form three JVs in the Batchelor region, being the:

- Oxide JV to develop and mine polymetallic oxide ore resources at Browns, Area 55 and Mt Fitch.
- Sulphide JV to develop and mine polymetallic sulphide ore resources at Browns and Browns East.
- Regional Exploration JV to explore for additional oxide and/or sulphide resources to be developed and mined by the Oxide JV or Sulphide JV.

The JV agreements do not cover uranium deposits owned by Compass Resources.

In 2007 the three joint ventures were formed, and Compass Mining Pty Ltd (Compass Mining), a wholly owned subsidiary of Compass Resources, was appointed as the operator of the Oxide JV and Sulphide JV and Compass Resources was appointed the operator of the Regional Exploration JV. The first project to be developed was the Browns Oxide Project, which was commissioned in 2008.

In January 2009, Compass Resources went into voluntary administration along with Compass Mining, the previous operator of the Browns Oxide Project and HNC became the sole funder of all the joint ventures. In May 2009, a decision was made to liquidate Compass Mining and place Compass Resources under a Deed of Company Arrangement. In May 2009, the joint venture partners appointed HAR to be the operator of the Oxide JV, the Sulphide JV and the Regional Exploration JV.

HAR placed the Browns Oxide Project under care and maintenance in May 2009 and commissioned a review of the Browns Oxide metallurgy. The review recommends building a new nickel/cobalt recovery circuit to replace the current resin-in-pulp circuit.

HAR is continuing with the Oxide, Sulphide (Browns Project Stage 2) and Exploration joint venture projects. Oxide ore from Area 55 is required to provide feed to the Browns Oxide Project processing plant, at a nominal rate of 1.3 Mtpa.

6 Approvals Required / Applicable legislation

The following pieces of legislation may apply to the Project:

Commonwealth Legislation:

- *Aboriginal Land Rights (Northern Territory) Act;*
- *Environment Protection and Biodiversity Conservation Act 1999 (Cth); and*
- *Native Title Act 1993.*

Northern Territory Legislation:

- *Aboriginal Land Act;*
- *Bushfires Act;*
- *Control of Roads Act;*
- *Dangerous Goods (Road and Rail Transport) Act;*
- *Dangerous Goods Act;*
- *Environmental Assessment Act;*
- *Environmental Assessment Administrative Procedures;*
- *Environmental Offences and Penalties Act;*
- *Heritage Conservation Act;*

- *Mining Act;*
- *Mining Management Act;*
- *Miscellaneous Acts Amendment (Aboriginal Community Living Areas) Act;*
- *Northern Territory Aboriginal Sacred Sites Act;*
- *Planning Act;*
- *Radioactive Ores and Concentrates (Packaging and Transport) Act;*
- *Radiation Protection Act;*
- *Soil Conservation and Land Utilisation Act;*
- *Territory Parks and Wildlife Conservation Act;*
- *Traffic Act;*
- *Waste Management and Pollution Control Act;*
- *Water Act;*
- *Weeds Management Act; and*
- *Workplace Health and Safety Act.*

7 Exhibition Time

These Draft Guidelines will be on Public Exhibition from 13 August 2011 until 27 August 2011, in accordance with Section 8 (4)(c)(i) of the NT *Environmental Assessment Administrative Procedures*. During this period, comment is invited on the EIS Guidelines for the Area 55 Oxide Project (i.e. Part B of these Guidelines).

8 EIS Process

The Draft Guidelines are subject to public review for a 14-day period. At the end of this period, NRETAS will finalise the draft Guidelines for approval by the NT Minister. Under the *EA Act* the Guidelines are required to be finalised and issued within 14 days of the close of the public exhibition period. The approved final Guidelines will be forwarded by the NT Minister to the proponent to facilitate preparation of the draft EIS.

Once the EIS has been prepared by the proponent, it will be exhibited for public review and comment for a period of 6 weeks, during which time advisory bodies will also comment on the document. Upon receipt of the comments received during the public review period, the proponent will be directed to prepare a Supplement to the EIS addressing issues raised (the Supplement will not be publicly reviewed).

The Environment and Heritage Division will prepare an Environmental Assessment Report and Recommendations based on the EIS, Supplement to the EIS, any further information submissions and any comments received. If the Minister endorses the Report and Recommendations, these are forwarded to the Minister(s) responsible for consent or the relevant consent authority, for inclusion in permit, lease or license conditions and in relevant management procedures (e.g. Environmental Management Plans).

The Assessment Report will be forwarded to the Australian Government Department of Sustainability, Environment, Water, Populations and Community to inform assessment under the *Environmental Protection and Biodiversity Conservation Act*.

The Assessment Report and Recommendations will become available on the NRETAS website and hard copies will be provided to respondents to the EIS if requested.

9 Administration Details

The Project Officer is Renee Muller from the Environment and Heritage Division of NRETAS (phone: (08) 8924 4034, e-mail: eia.nretas@nt.gov.au). Comments on the draft EIS Guidelines should be submitted via email to the Project Officer, or can be posted to the Project Officer at Environment and Heritage Division, NRETAS, PO Box 496, Palmerston, 0831.

Copies of the Final Guidelines and draft EIS will be posted on the NRETAS website at: www.nt.gov.au/nreta/environment/assessment/register/hnc_resources.