



25 March 2019

Independent Expert Panel
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Attention: Dr Jaclyn Aldenhoven

RE: SOUTH32 RESPONSE TO INDEPENDENT EXPERT PANEL FOR MINING IN THE CATCHMENT – INITIAL REPORT

On 12 November 2018 the Independent Expert Panel for Mining in the Catchment (IEP) released its *Initial Report on Specific Mining Activities at the Metropolitan and Dendrobium Coal Mines* (the Initial Report).

The Initial Report focuses on the mining activities at the Dendrobium Mine and Metropolitan Mine and provides recommendations the IEP considers would inform longwall mine design and approvals, monitoring and performance.

Illawarra Coal Holdings Pty Ltd, a wholly owned subsidiary of South32 Limited (South32), is the owner and operator of the Dendrobium Mine.

The Initial Report states “*The Report is intended to prompt submissions ...*”. To this end, please see below South32’s response to the Initial Report.

Overview

South32 respects and understands the importance of the Sydney Water Catchment and has demonstrated over the past several decades the company’s commitment to responsible mining in catchment areas.

South32 is pleased to note the following statements from the Initial Report that identify that there has been no observed material impacts to Sydney’s drinking water supplies due to mining in the catchment:

“Reservoir leakage rates – there is no measured evidence of significant long-term leakage from reservoirs due to mining in the Special Areas.”

...

“Watercourse bed leakage (at catchment scale) – from material presented to the Panel, there remains no strong evidence that cracking of watercourse beds leads to significant losses of water at catchment scales relevant for water supplies.”

This indicates that the Dendrobium Mine has, and can continue to, coexist in the catchment areas without compromising the protection of Sydney's drinking water supplies. It also confirms the success of South32's mine planning processes, which set back longwall panels from the reservoirs and major watercourses.

It is noted that, given the access restrictions to the catchment areas, underground mining is the only major development that can coexist in the catchment areas given its limited surface impacts. The socio-economic benefits to New South Wales and the region from underground mining in the catchment areas are significant.

South32's Illawarra operations alone:

- Employ 1,800 people, with 92% of wages paid to workers residing in the Illawarra region.
- Result in expenditure of \$400 million a year in the Illawarra region, of which 40% (\$161 million) is spent with locally based suppliers.
- Purchase from more than 400 local businesses.
- Contribute approximately \$95 million in royalties each year (with approximately \$45 million from the Dendrobium Mine).

In addition, South32 is the most significant metallurgical coal producer in the region, providing local access to a product essential to the BlueScope steel works. South32's Illawarra operations are interdependent as both Dendrobium and Appin mines supply coking coal products critical to the supply of the region's premier Illawarra Blend coal. The combination of the high-quality coal resource, local steel manufacturing and port operations has enabled the Illawarra region to establish itself as a hub for high quality coal production. Furthermore, it is supported and supplied by hundreds of local businesses, which rely heavily on the continuation of coal mining in the region.

South32 has invested considerably into environmental research and monitoring within the Sydney water catchment. This research has led to a much richer understanding of the area's environmental attributes and biodiversity, creating positive outcomes which will last well after mining is complete.

While South32 appreciates the IEP's terms of reference do not capture this economic context, it is an inescapable consideration in the context of underground mining's potential to continue operating into the future.

South32 considers the Initial Report provides a broad and in-depth assessment of the key technical matters. However, some of the conclusions and recommendations within the Initial Report are of concern, such as where the likelihood or quantum of effects may be overstated by the IEP, or where its recommendations pose a business risk to South32. These key issues are described in **Attachment 1**, below. Additional responses to technical matters raised by the Initial Report are provided in **Attachment 2** and an independent review of the Initial Report prepared by Professor Bruce Hebblewhite is provided in **Attachment 3**.

In summary, given the lack of observed material impacts to water storage yields (as noted in the Initial Report) after a century of mining in the catchment, and the significant resources that remain in the current mining leases, South32 considers the benefits that mining brings to the local area and state can continue for some time. We look forward to working with the IEP and other stakeholders to ensure the sustainability of underground mining within the Sydney water catchment.

Yours sincerely



Gary Brassington

Superintendent Approvals

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