5 August 2011

Ms. Yuki Simmonds  
The Executive Officer  
Economic Development and Infrastructure Committee  
Parliament House  
Spring Street  
EAST MELBOURNE VIC 3002

Dear Ms Yuki,

Inquiry into greenfields mineral exploration and project development in Victoria

The City of Greater Bendigo appreciates the opportunity to make a submission to this inquiry on two issues:

- The barrier the current legislation can present to the clean-up and potential redevelopment of former mine affected Crown Land within the Bendigo urban area, and
- Land use conflicts - the implications for communities when licence holders mothball or delay development and yet the subject land cannot be developed or put to another purpose during the life of the licence.

Background

Bendigo was founded on the discovery of gold in the 1850s. Between 1851 and 1954 the Bendigo goldfield yielded more than 22 million ounces of gold and remains the second largest in Australia and the seventh largest in the world.

Exploration and mining continues to be a valued part of the Greater Bendigo economy:-

- The Fosterville Gold Mine (Northgate Minerals Corporation), located just 20kms east of Bendigo, employing up to 450 people, is Victoria’s biggest gold producer, accounting for approximately 100,000 ounces per year;
- The Costerfield Mine (Mandalay Resources), near Heathcote, employing some 99 people, produced 7,661 ounces of gold and 1,106 tonnes of antimony last year, and
- The Kangaroo Flat Mine (Unity Mining), Bendigo, produced almost 37,000 ounces of gold in 2009-2010 and employed up to 140 people, before production halted and the company farmed out its regional exploration activities to Drummond Gold

Unlocking mine affected Crown Land
Creating new opportunities for smaller ‘players’

Bendigo’s residential areas grew amidst the largest concentration of deep shafts anywhere in the world. The effects of this history are still felt in the settlement patterns of the city. The urban structure is based on spines leading away from the central city along the gold bearing creeks, streams and reefs.
Today residential expansion faces natural and man-made constraints including the tailings dumps which accompanied the mine shafts.

With the City's population forecast to grow by 40,000 people by 2031 there is a need to find and develop suitable residential land to accommodate the additional 16,000 dwellings required to accommodate this increase.

Former mine affected land is an important potential resource, if the tailings, which contain arsenic, lead and mercury residue, can be removed and stored in an appropriately constructed tailings storage dam.

During the 1980s and early 1990s various tailings dumps in and around the urban area were cleaned up at no cost to the state or local governments. The tailings were re-processed by miners on a commercial basis, to extract remnant gold, and then relocated to purpose-built dams which met modern environmental standards.

However not all tailings dumps were cleaned up; progress stalled in the 1990s. In 2007 the City, in consultation with EPA Victoria, identified future land use options for 10 former mine sites, some of which still contain mine tailings. All 10 Crown land sites are within the Bendigo urban boundary. Some offer potential for residential development. However the cost of the 'clean up' is beyond the resources of the city or the Crown land manager.

There are differing opinions on why progress in removing the remaining tailings stalled in the 1990s. Some in the industry argue that the 'richer' tailings dumps have been worked and only the less prospective remain. However, there is still commercial interest in the gold bearing potential of these tailings dumps, perhaps due to the high gold price. The City has met with at least three companies in the past two years with an interest in working some remaining tailings dumps.

Discussion has faltered due to perceived barriers in the Mineral Resources (Sustainable Development) Act. This Act, adopted in the 1990s, abolished licences specifically dealing with the removal and treatment of tailings. Such licences allowed an independent operator to remove and treat tailings regardless of whether another company held an exploration or mining licence over the same land.
In the absence of the tailings licences, a tailings retreatment proposal can only go forward if the mining licence holder:

- Is willing to undertake the project themselves, or
- Agrees to a joint venture, which means assuming liability for the works from a financial, environmental and safety perspective, or
- Surrenders that part of their mining licence to a third party interested in tailings retreatment.

On the Bendigo goldfield the existing licence holder does not see tailings retreatment as a core part of its business; nor does it see a financial incentive in participating in such a venture. Further, it found the prospect of surrendering part of the licence area, posed other unacceptable risks and complications.

The City believes that the legislation is not only a barrier to unlocking this un-used land, but perhaps to the advancement of the mineral resources sector. In the past, tailings treatment generated earnings which financed the exploration programs of small and emerging mining companies. The Fosterville Gold Mine, 20km east of Bendigo is Victoria’s biggest gold producer, accounting for some 100,000 ounces per year. The exploration in the 1980s which led to the development of this field was funded from the revenue generated from tailings treatment in and around Bendigo and Ballarat.

Reinstatement of a tailings-specific licensing regime, accompanied by a rigorous regulatory oversight, will remove one barrier to the redevelopment of un-used Crown Land and may provide a source of funding for small and emerging explorers.

![Historic mine tailings dump, Long Gully, Bendigo](image)

**Land use conflicts**

The City supports environmentally sound and community responsive exploration and mining. It recognises that only one in a 1000 prospects ever develops into a working, viable mine and these projects require patience, time, money and luck.

The City asks the inquiry to recommend on what is a reasonable period for land to be ‘quarantined’ from other uses and development because of its prospectivity or strategic value. The Minerals Resources (Sustainable Development) Act 1990 requires exploration licensees to relinquish 25% of the licence area at year 2, and 35% at year 4.
However, without a similar mechanism for mining licences communities are not necessarily protected from the uncertainty and adverse economic and social effects that can arise when an area of prospectivity lays idle, yet is retained because of its strategic importance to the licence holder.

An example is a 33ha parcel of former mining land at Eaglehawk in the City of Greater Bendigo. This area of Crown Land is located less than 1km west of the Eaglehawk central business district. It is zoned Industrial 1 reflecting its potential for manufacturing, the storage and distribution of goods and associated uses. The land is managed by the Department of Sustainability and Environment.

However the site is also prized by explorers and miners; not only for its prospectivity, but strategically because it is one of the few remaining sites offering convenient access to reefs below the urban area. In 2000 the Environment Conservation Council recommended it be temporarily reserved for mining.

Since exploration of the Bendigo goldfield resumed in the 1980s after a long absence, successive licence holders have invested heavily in this site. Western Mining built a new head frame over the Williams United shaft and undertook exploration and development at considerable cost. Its successor, Bendigo Mining Ltd saw it as a key component in plans to redevelop the Bendigo field into one of Australia’s biggest mining operations. Plans for open cut and underground mining based on this site were approved in 1997 and 2006. Bendigo Mining’s successor, Unity Mining mothballed its Bendigo operations, earlier this year, but persisted in securing Work Plan approvals for the underground mine. It has not developed the site into a mine, there are no immediate plans to do so and yet the City is advised there are no grounds for the company to surrender this area from the licence which does not expire until 2017.

The aerial photograph below shows how the site is wedged between residential and industrial land to the east and south and by residential, industrial and public land to the west.

Former mine site at Eaglehawk, bordered in green - 33 ha of public land, less than 1km west of the CBD

The uncertainty regarding the future use of the land has implications for adjoining land owners and occupiers and the broader community. Residential property values and sales are affected; existing residents are reluctant to invest in their properties.
Land use planning is also difficult. The City is preparing a structure plan for Eaglehawk to guide future development of the wider area. This parcel of land offers opportunity for a range of uses – all of benefit to the local community. However the City is reluctant to invest time, effort and resources or to raise false hopes with the local community when a licence holder could, at any time, act on its approvals and therefore render these plans useless.

In summary, despite nearly 30 years of active investment in exploration and mining and the best intentions of the industry, this site has virtually been annexed from alternative development.

It is reasonable to ask whether the Act should provide more guidance within the mining licence process on what is a reasonable period to wait before land is ‘returned to the community’ in order to end uncertainty and allow for other uses and development.

Yours sincerely,

PRUE MANSFIELD
Director, Planning & Development