

NSW Coalition to target key coalmine licences

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Two controversial coalmines will be targeted by the NSW Coalition as part of a review into all exploration licences across the state, if the opposition wins the election next month.

The Australian Financial Review has been told the proposed audit will focus on the Doyles Creek mine, owned by the listed NuCoal, and the Mount Penny mine, which is being acquired by the listed White Energy.

The opposition spokesman for primary industries and energy, Duncan Gay, would not disclose which mines would be targeted but said the audit was likely to be headed by a retired judge or senior barrister.

"If we find any inappropriateness, it will be pursued diligently," he said

Mr Gay said the process would look at "how licences have been granted and whether licence holders are adhering to the exploration licence conditions".

He stressed it would be a "general" review.

Any move to revoke licences would be highly contentious and create greater uncertainty for the mining industry. Both Doyles Creek and Cascade Coal's Mount Penny licences were issued by former mineral resources minister Ian Macdonald, who resigned in disgrace last year over unrelated matters.

The Doyles Creek licence was announced on Christmas Eve 2008, without a tender. A company part-owned by ex-union official John Maitland was the winning bidder.

Mount Penny was the subject of a protracted tender process and has been equally controversial, as the family of Labor powerbroker Eddie Obeid, who is under pressure to resign from Parliament before the election, owns land covered by the licence.

While Mr Obeid has granted an option over the land to Cascade Coal, he has previously said he would oppose any move to mine coal in the area.

The Coalition's planned review is part of changes to its land use policy. The opposition, which is almost certain to win the election on March 26, has pledged to impose tougher conditions on miners as part of a policy that favours farmers.

Miners will have to submit an "agricultural impact assessment" and abide by new rules protecting underground aquifers.

Also included in the policy but largely overlooked was the review of all exploration licences.

The decision by Mr Macdonald to grant an exploration licence to Doyles Creek Mining, floated as NuCoal, was heavily criticised by the Coalition in Parliament. It became the subject of a probity review, which said Mr Macdonald "acted within the powers afforded to him under the legislation". But it did recommend changes to the process of granting exploration licences that ultimately prompted an overhaul of the system to improve transparency.

The licence covered a 27 square kilometre area in the Upper Hunter Valley near the town of Jerrys Plains. A probity review revealed Mr Macdonald had been advised to reject the proposal, seek competitive expressions of interest or refer it to the Mine Safety Advisory Council.

Applications for an exploration licence had been rejected in the past because of the mine's proximity to Jerrys Plains and the Wollemi National Park

The Coalition also questioned Mr Macdonald about his links with Mr Maitland, a former national secretary of the Construction, Forestry, Mining and Energy Union and member of the Coal Competence Board, which advises the minister.

Mr Macdonald denied having any financial or business dealings with Mr Maitland and defended his decision to grant the licence, insisting it had community support as it provided the area with a training mine.

Mr Macdonald quit Parliament in June after being found to have misused his ministerial travel entitlements on a trip to Italy and Dubai, a matter being investigated by the corruption regulator.

From an initial investment which reportedly ran to less than \$200,000, Mr Maitland has sold shares worth almost \$5 million and still owns a stake of just over 5 per cent in the company worth \$18 million at Friday's closing price of 54.5c a share.

NuCoal's managing director, Glen Lewis, said he supported the Coalition review and its land use policy more generally.

"I don't, however, think it's appropriate to pinpoint certain ELs [exploration licences] in the review," he said.

NuCoal had been independently assessing its compliance to "comprehensive EL conditions" every three months since August last year, he said.

Mr Lewis also said the mine had been through probity and other reviews and was one of 24 ELs directly issued by the minister in the past 20 years. "This project is two years old," he said. "A public company has been founded on it, a lot of money has been spent and a lot of value created for shareholders and the state of NSW," he said

The Mount Penny project, owned by Cascade Coal, has been equally lucrative for those involved. A group of Sydney businessmen paid \$1 million for the Mount Penny licence in October 2009 and just 14 months later sold the area for \$500 million in a cash and share deal with White Energy.

Since the deal was announced shares in White have fallen nearly 15 per cent.

The circumstances in which Cascade received its exploration licence have also been the subject of questions in the NSW Parliament.

Then comes the matter of land ownership. The family company of NSW upper house member Eddie Obeid owns a property covered by the exploration licence.

The Obeids paid \$3.65 million for Cherrydale Park in November 2007, less than two years before the Mount Penny licence was issued to Cascade.

White Energy chief executive Brian Flannery expects the Coalition will support the Mount Penny mine as it is not on prime agricultural land.

"I tried to get clarification from a couple of the opposition members what it meant, but they haven't gotten back yet," he said.