



Briefing – standard

Topic	Deed of Agreement for a Forest Materials Licence (FML) to establish a quarry in Wallaroo State Forest
Critical date	N/A.
Analysis	Forestry Corporation is proposing to enter a Deed of Agreement for a Forest Materials Licence (FML) with Australian Resource Development Group (ARDG) to develop and operate a quarry in Wallaroo State Forest. Ministerial approval to enter the Deed is sought. Approval to issue the a 20-year Forest Materials Licence (FML) will be sought at a later date.

Recommendations

- 1 That the Minister agrees to note that Forestry Corporation is entering into a Deed of Agreement for a Forest Materials Licence with ARDG.
- 2 That the Minister agrees to note that Forestry Corporation will then seek the Minister's approval to issue a Forest Materials Licence at a later date.

Comments:

Checked by DLO: *my* 26.9.18

Policy: *FS*

Minister:

Date: 10/10/18

Key reasons

Wallaroo State Forest north of Raymond Terrace contains a deposit of hard rock suitable for extraction as hard rock quarry material. Under the *Forestry Act 2012* hard rock or crushed stone is classified as Forest Materials and as such, Forestry Corporation is entitled to issue a licence for its extraction from State Forests and is entitled to the associated royalties. Realising alternative revenue streams is part of Forestry Corporation's business strategy to maximise the return to the NSW Government from the State's forest asset.

Forestry Corporation undertook direct negotiation with ARDG as there was no interest from other quarry industry operators. Direct negotiations were conducted under the prescribed ICAC Guidelines for Direct Negotiation and a probity advisor was consulted.

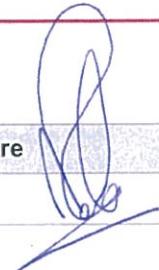
Negotiations were concluded to the satisfaction of both parties. The total Resource Acquisition Fee payable to Forestry Corporation over the 20-year life of the project is about [REDACTED]. This is based on a Resource Acquisition Fee of [REDACTED] of ARDG ex-Bin sale price for years 1-5 and [REDACTED] for years 6-20.

Following successful negotiations, Forestry Corporation intends to enter a Deed of Agreement for a FML. The deed sets out the procedures and conditions that will need to be complied with before the FML is granted. This includes an Environmental Impact Statement and approval from the Department of Planning as the consent authority under the *Environmental Planning and Assessment Act*. This work is likely to take more than 12 months to complete before a FML can be issued.

Under section 42 of the *Forestry Act 2012*, a FML for a term in excess of five years requires the Minister's consent. If ARDG's feasibility studies are successful and relevant conditions are met within the period allowed, Forestry Corporation will seek the Minister's approval to issue a FML.

Departmental approvals

Comments:

Position	Signature	Date
Approving officer: Nick Roberts, CEO 9407 4269		27 - 9 - 2018
Endorsing officer: Richard Rienstra, Senior Land Administrator		

Additional Background

A previous brief outlining the negotiation process was provided to the Minister (MFP17/103).

In June 2017 the Minister also granted consent for Forestry Corporation to grant a FML to CTK Resources for hard rock extraction in Broken Bago State forest. This followed a similar process of direct negotiations and a Deed of Agreement.