Mineral and Energy Resources (Financial Provisioning) Act 2018
Financial Provisioning Scheme

FAQ: Annual Review Allocation Day (ARAD)

Objective

The annual review allocation day (**ARAD**) has been introduced to align the risk assessment of environmental authorities (**EAs**), where the entity chosen to be assessed for financial soundness (**the assessed entity**) has more than one EA. The intent is for risk assessments to:

- occur at the same time to minimise the burden of providing information at different times throughout the year; and
- align risk assessments with the release of the assessed entity's audited financial statements, seeking to negate the need for the assessed entity to provide management accounts (and allowing the Financial Provisioning Scheme (**the Scheme**) to have flexibility to change if needed).

Commencement

From 1 October 2025, each EA will undergo its next annual review on its current annual review date and will move to a new allocated ARAD thereafter (i.e. from 2026 onwards). For assessed entities with more than one EA, all EAs will be allocated the same ARAD to ensure risk assessments are aligned going forward.

After 1 October 2025, the Scheme will inform all EA Holders (with EAs above the Prescribed ERC of $10m or more) of their ARAD, the effective date and confirmation of the first ARAD.

How the ARAD is determined

Two key principles will be applied when determining the ARAD. These principles will be based on the well-established general financial assessment rule of nine (9) months, whereby an entity's audited financial statements are considered current within nine (9) months of the reporting date, after which more current management accounts are required to undertake a risk assessment.

- **First principle** (setting of the yearly ARAD): for companies without a credit rating from an acceptable credit rating agency (refer Guideline 1), the ARAD is initially considered with reference to the release date of a company's audited financial statements whilst ensuring the assessment is undertaken within nine (9) months from the entity's reporting date (e.g. 30 June).

- **Second principle** (effective date of the first ARAD): For companies with a credit rating from an acceptable credit rating agency (refer Guideline 1), EAs are evenly distributed throughout the year.

These principles also apply to an EA when a company creates a new EA or acquires an existing EA that is eligible for a risk assessment. The risk assessment will take place at the time an EA is created or acquired, with the next effective ARAD and pro-rata contribution calculated as below.

Pro-rata contribution

Transitioning to a new ARAD will require pro-rata contributions to cover the months between the current annual review date and the first ARAD.

- Where the first ARAD is less than nine (9) months from the last annual review, the first ARAD will be pushed back a further 12 months and therefore a pro-rata contribution of more than 12 months will be calculated.
- Where the first ARAD is more than nine (9) months from the last annual review, then the first ARAD will not be pushed out and therefore a pro-rata contribution of less than 12 months will be calculated.
- Where the first ARAD is set to be in the same month as the current annual review, then a pro-rata contribution calculation will not be required.

Scenario-based examples

The following scenarios demonstrate how these principles will be applied, when the ARAD is effective from, and the application of the 9-month rule. They also detail how the pro-rata contribution is calculated. Analysis has demonstrated that the shortest pro-rata contribution is 9 months and the longest is 20 months.

<u>Scenario 1 – Basic operation</u>

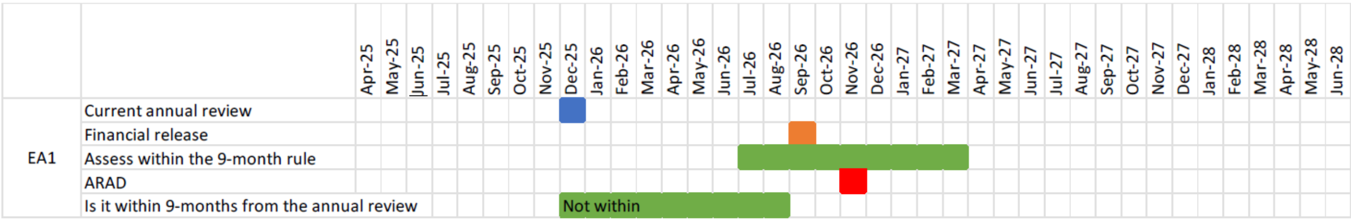
- Entity’s reporting date: 30 June
- Audited financial statements release date: September
- Current annual review: 20 December 2025
- First ARAD: 15 November 2026

First principle: The ARAD is set for 15 November each year, being after the release date of the audited financial statements, and within 9 months of the entity’s reporting date.

Second principle: Given that EAs will continue to be assessed on their current annual review following commencement on 1 October 2025, the first ARAD won’t apply until 2026.

In this case, the first ARAD of 15 November 2026 will be more than 9 months from the current annual review due 20 December 2025. Therefore a 12-month extension to 2027 will not be required.

Pro-rata contribution: As the first ARAD does not have to be extended to 2027, this results in a 11-month pro-rata contribution.



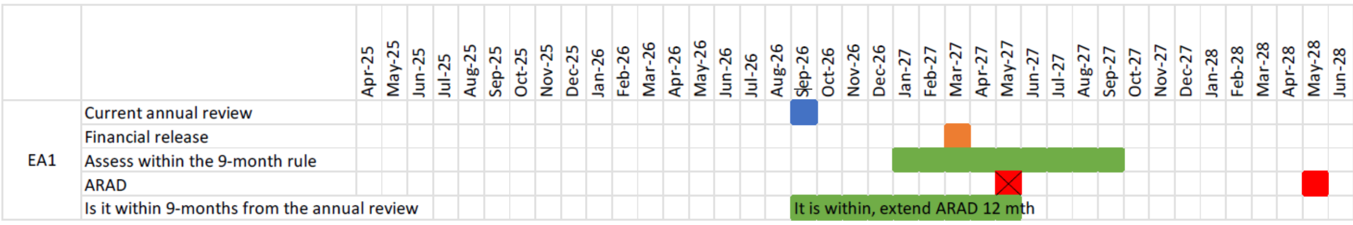
Scenario 2 – Operation of the 9-month rule

- Entity's reporting date: 31 December
- Audited financial statements release date: March
- Current annual review: 20 September 2026
- First ARAD: 15 May 2028

First principle: The ARAD is set for 15 May each year, being after the release date of the audited financial statements, and within 9 months of the entity's reporting date.

Second principle: Given that EAs will continue to be assessed on their current annual review following commencement on 1 October 2025, the first ARAD won't apply until 2028. Normally the first ARAD would be on 15 May 2027, but it is within 9 months from the current annual review due 20 September 2026. Therefore a 12-month extension to 2028 is required.

Pro-rata contribution: As the first ARAD has to be extended to 2028, this results in a 20-month pro-rata contribution.



Scenario 3 – Application of Multiple EA's

- Entity's reporting date: 31 December
- Audited financial statements release date: March
- Current annual review EA1: 20 July 2026

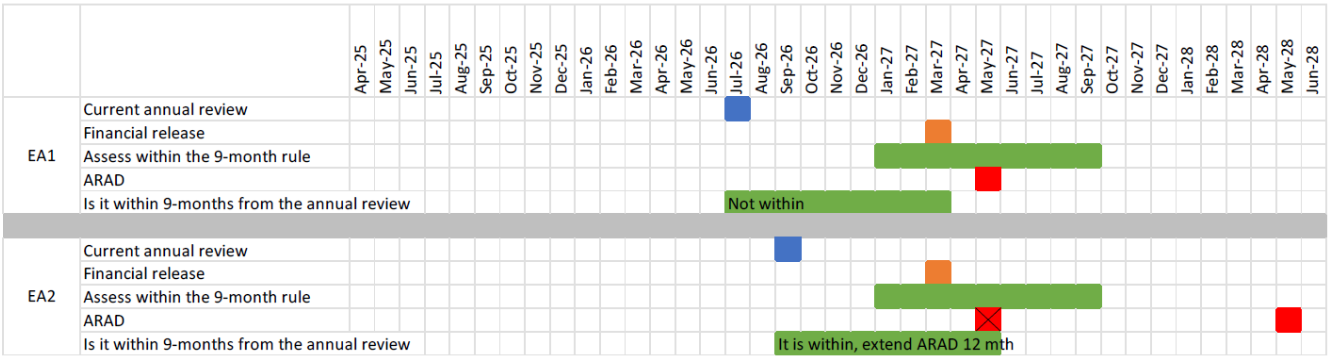
- First ARAD EA1: 15 May 2027
- Current annual review EA2: 14 September 2026
- First ARAD EA2: 15 May 2028

First principle: The ARAD is set for 15 May each year, being after the release date of the audited financial statements, and within 9 months of the entity's reporting date.

Second principle: Given that EAs will continue to be assessed on their current annual review following commencement on 1 October 2025, the first ARAD won't apply until 2027. In this case, the first ARAD of 15 May 2027 will be more than 9 months from the current annual review due 20 July 2025 for EA1, but less than 9 months from the current annual review due 14 September 2026 for EA2. Therefore a 12-month extension to 2028 is required for EA2, but not for EA1.

Pro-rata contribution: The first ARAD does not have to be extended for EA1 resulting in a 10-month pro-rata contribution. However, as the first ARAD for EA2 has to be extended to 2028, this results in a 20-month pro-rata contribution for EA2.

From 15 May 2027 both EA1 and EA2 will be assessed together on an annual basis.



Questions and answers

Q: Why does my annual review have to change when I only hold one EA?
The ARAD will change to be cognisant of the release date of your company's audited financial statements, thereby avoiding the need to provide management accounts. It may also be required to change to allow for efficient administration of the Scheme.

Q: What if I have an EA under the Prescribed ERC (i.e. under $10m)?

ARADs will apply to those eligible EAs under the Prescribed ERC, however the election process will need to occur first and then an ARAD will be determined. The ARAD will be communicated together with the annual review allocation at your next annual review post commencement.

Q: What if my company's annual reporting date changes from June to December and my ARAD is October?
There are provisions within the Act to change the ARAD at the EA Holder's request and/or Scheme Manager's discretion.

Act References

Annual Review Allocation Day
Section 27A(1): New risk category allocation and assigning an annual review allocation day to an authority.

Section 32(9): Changed holder risk category allocation and assigning an annual review allocation day to an authority.

Section 41A – 41D: Changing an annual review allocation day (EA Holder request or Scheme Manager led).

Section 98: Annual review allocation day for particular existing authorities (Scheme Manager must decide annual review allocation day for EAs over the Prescribed ERC within 30 days of commencement).

Section 105: Existing eligible authorities with an ERC equal to or more than $100k but less than the prescribed ERC ($10m).

9-Month Rule
Section 38(4): Does not apply to an annual review allocation day that is within 9 months after the initial allocation day, changed holder allocation takes effect, or the day a change to the annual review allocation day takes effect.

Section 47: Holder must pay contribution to scheme fund (calculation of pro-rata contribution).

Section 49: Holder must pay contribution and give surety if estimated rehabilitation cost more than fund threshold (calculation of pro-rata contribution).