

**Murray Mallee Community Consultative Committee
Summary of Meeting No 22
Held at East Murray Community Centre
10:00 am Tuesday, 7th April 2009**

Attendees:

Ted Tyne (Director – Mineral Resources Group), Garry Wardle (Senior Mining Engineer, MRG), Hans Bailiht (Senior Assessments Officer, MRG), Chris McDonough (Field Crop Consultant - Rural Solutions SA), Kevin Burdett (Mayor - DCKEM), Peter Smithson (CEO – DCKEM), Brenton Lewis (Murraylands Regional Development Board), Trevor Bennett (Riverland Development Corp), Kevin Heidrich (landowner), E. F. Francis (landowner), Darren Eatts (landowner), Ann Crouch (landowner), Jim Tonkin (landowner), Gale Pfitzner (landowner), Ken Donaldson (GM Operations, Australian Zircon NL (AZC)), Anna Waller (Environmental Consultant, AZC), Marty Adams (Acting CEO, AZC), Wayne Jaensch (Gennese Wyoming), Peter Reilly (EPA), Dan Radulovich (EPA).

1 Apologies:

Adrian Pederick (Member for Hammond), John Berger (Murray Mallee Strategic Task Force).

Damian Berger (Mallee Coorong Natural Resource Management Group), David Barr (landowner).

Ted Tyne (Director – Mineral Resources Group) chaired the meeting and welcomed new attendees, Jim, Marty and Anna and regulators from the EPA.

2 Minutes and Action Items

The distributed minutes of the previous meeting (No 21) held 7th October 2008 were accepted without amendment.

Action Items:

- Mineral Resources Group to talk on Rehabilitation Bonds and the Wardens Court Bond at the next meeting. (This will be done today.)
- Notice to be inserted in AZC's Community Newsletter advertising for a landowner to fill the vacancy on the Committee. (A notice was placed in October's edition of "Mined over Matter" inviting potential committee members to contact PIRSA but there were none forthcoming. Ted has asked AZC to reinsert the notice in their next edition.)

3 **Business arising**

None.

4 **Project update.**

Marty Adams (Acting CEO, AZC) spoke on the corporate activities within the company:

- Marty has been appointed Acting CEO until a Managing Director is selected, an announcement will be made within the next few weeks.
- Anna Waller from Cooee Environmental is filling in as Environment Officer following the resignation of Paul Mannix. Paul's old position is now being advertised.
- On 29th January 2009, AZC shareholders approved a \$40m recapitalisation arrangement with DCM Decometal that included a debt-for-equity swap and an injection of new capital through a share placement. DCM is now the company's major shareholder with a 72% holding.
- Two new Directors have been appointed to the company, they are Messrs Michael Kiernan and Max McGarvie who bring a wealth of experience and expertise in mineral resource development and production to the company.
- On site expert assistance is also being provided by TZ Minerals International (TZMI) an independent consulting company specialising in the titanium and zircon industry.
- Gerard Bosch (AZC Manager Exploration) is currently putting together an Exploration Program for Board approval. This will be the first exploration carried out by the company for approximately six years.
- Marty extended an invitation to any landowners to wish to see how rehabilitation is progressing to contact the minesite who will arrange a visit the site to witness proceedings.

Ken Donaldson the General Manager – Operations for the Mindarie mine, gave a brief update on production status including:

- The successful move of operations over to the eastern side of the Karoonda-Loxton highway.
- The Mobile Slurry Unit (MSU) was floated on low loaders across the highway in December 2008 along with the ancillary pipes, tanks and pumps.
- A new mining unit, the Sandgroper 5, has been hired from contractor Piacentini and Sons and was commissioned on 03 April 2009. The new unit is rated at 3000tph and is more robust and able to be towed around by dozers.
- December 2008 saw a record production of Zircon with stockpiling of Ilmenite for later treatment. Pit optimisation has seen head grades around 5.4% heavy minerals achieved.
- The rehabilitation of the eastern end of Mindarie A(2) West strandline has commenced with overburden returned and the surface contoured

ready for the return of subsoil and topsoil. This area will be sown with a cover crop when the weather permits. The landowners in attendance agreed that it would be better to start to cover this area with subsoil (and topsoil) now as this is a calm period so that the area is ready for sowing following the first rains. It was agreed that the landowner should contribute to the rehabilitation program for their parcel of land.

- Dams have been installed on the A(2) strandline to trial slimes deposition and drying. If the slimes dams create a larger footprint on the land than originally agreed landowners will receive compensation for the additional area.
- The western end is still receiving tails from the PCP and thus rehabilitation will not be complete this year. Compensation will be paid to landowners for the additional time that they cannot access the land for farming. AZC gave a commitment to ensure that landowners get the agreed compensation where land is unavailable for cropping over and above the 12-month period initially negotiated (25% up front & 75% at end of year). AZC will determine how these payments will be made and present this at the next MMCCC meeting in June (Action Item).
- The minesite has a current workforce of 124 AZC employees and 43 contractors.
- The next project will be to upgrade the PCP spirals to provide a higher production rate and a better recovery. A production rate of 3,000 tonnes of Zircon per month will see the project become cash positive.
- July 2009 will see the scheduled completion of the Mindarie A(2) east strandline and mining will move to Mindarie C.
- A question was posed as to the maximum slurry pumping distance. This was said to be four kilometres, after which a pre-concentration plant will be installed to remove silica sand and pump concentrated slurry to the PCP.
- The meeting was told of John Fry's continuing illness and that a replacement Liaison Officer will soon be appointed. This position was seen by those present to be critical in maintaining communication with landowners and the community. There is also a requirement in the mining lease conditions for the position of a Senior Environmental Officer to handle complaints.

Anna Waller, Environmental Consultant, gave a presentation summarising the environment & safety incidents.

There were two complaints received during the period:

- A complaint on the use of radio channel 24 and the colourful language used. Whilst this channel is not utilised by AZC and AZC have no control over others in the area passing through that may use this channel, following this complaint all employees have been made aware this channel is used by the school bus and also that profane language should not be used on air at any time.
- There was a complaint from a resident adjacent to McCabe Road regarding dust being raised. AZC have committed to a road-watering program and a reduction in permitted speed to 60 kph.

5 Rehabilitation Bonds

Ted Tyne and Hans Bailiht spoke to the meeting about Rehabilitation Bonds pursuant to the *Mining Act 1971* and also the Bond imposed by the Wardens Court in May 2004.

Eight Mineral Leases have been granted to AZC. "Mindarie A2", currently being mined, has a Rehabilitation Bond of \$1.4m, which has been fully paid. The Bond is meant to reflect the outstanding liability to the State should the project fail and the State left to complete the rehabilitation.

When the Mining and Rehabilitation Program (MARP) for the next strandline, "Mindarie C" is approved, a Bond will be calculated and requested for that Lease. As rehabilitation is completed on Mindarie A(2) the amount of that Bond may be reduced. The Bond can be held until the Minister for Mineral Resources Development determines there is no outstanding rehabilitation liability.

The Wardens Court Actions originated from actions taken between AZC and a number of landowners whose land will be affected by mining operations. The issues relate to the signing of Section 9 waivers permitting mining on cropping land and landowners receiving satisfactory compensation.

The Wardens Court sat in February 2004 and consisted of 2 days of site inspections and 12 days of hearing evidence. Warden Cannon found that mining could be carried out on the land and set out comprehensive conditions under which this could take place.

The Wardens Order took three parts, the conditions, compensation and the Bond.

MMCCC Chair Ted Tyne addressed the meeting on these issues.

6 Rehabilitation Trials

Chris McDonough, (Field Crop Consultant - Rural Solutions SA), gave an extensive PowerPoint presentation on the current cropping yields of areas of land where "trials excavations" were dug in previous years. He also described the major rehabilitation issues as: maintaining topsoil (first 10cms), subsoil compaction due to traffic, keeping soils with constraints in the right layers, managing soil variability through the landscape and improving "gutless" sand with clay addition.

7 Action Items

- AZC to give presentation of compensation package for landowners denied access to cropping land for periods longer than one year.

- AZC to re-insert the notice in their Community Newsletter advertising for a landowner to fill the vacancy on the Committee left by Grant Dixon's departure.

8 Next Meeting

The next meeting is scheduled to be held at the East Murray Community Centre @ 10.00am on Tuesday, 02 June 2009.

Signed.....

Chair

Date...../...../.....