

Murray Mallee Community Consultative Committee
Summary of Meeting No 23
Held at East Murray Community Centre
10:00 am Tuesday, 02 June 2009

Attendees:

Ted Tyne (Director – Mineral Resources Group (MRG)), Garry Wardle (Senior Mining Engineer, MRG), Hans Bailiht (Senior Assessments Officer, MRG), Kevin Burdett (Mayor - DCKEM), Peter Smithson (CEO – DCKEM), Ann Crouch (landowner), Jim Tonkin (landowner), Gale Pfitzner (landowner), John Berger (Murray Mallee Strategic Task Force), Johann Van Zyl (Managing Director, Australian Zircon NL (AZC)), Richard Fagan (GM Operations, AZC), Sean Steed (Environmental Consultant, AZC), Gerard Bosch (Exploration Manager, AZC), Wayne Jaensch (Genesee Wyoming).

1 Apologies:

Brenton Lewis (Murraylands Regional Development Board), Trevor Bennett (Riverland Development Corp), Kevin Heidrich (landowner), E. F. Francis (landowner), Darren Eatts (landowner), Adrian Pederick (Member for Hammond), Damian Berger (Mallee Coorong Natural Resource Management Group), David Barr (landowner).

2 Introduction to new AZC management

Ted Tyne (Director – Mineral Resources Group) chaired the meeting and welcomed the new AZC management team of Johann Van Zyl, Managing Director and Richard Fagan, General Manager of Operations.

Johann holds qualifications in Mining Engineering and Metallurgical Engineering with 30 years experience in the resources industry in South Africa and Australia. He has worked with major resources companies including Queensland Alumina, BHP Billiton and Samancor across a range of materials including coal, aluminium and base metals. Johann's most recent post was Managing Director of Queensland Alumina where he was declared Professional Manager of the Year in Queensland in 2006.

Richard has 32 years experience in the mineral processing industry, with more than 20 years in mineral sands. Richard is a metallurgist with extensive experience in the development, design and optimisation of mineral sands processing systems and has worked with leading mineral sands equipment suppliers and consultants Downer MT and Roche Mining MT in Australia, Africa, Europe and Asia.

3 Minutes and Action Items

The distributed minutes of the previous meeting (No 22) held 7th April 2009 were accepted without amendment.

Action Items:

- AZC to give presentation of compensation package for landowners denied access to cropping land for periods longer than one year. To be discussed in AZC project Summary.
- 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. To be inserted in the next Newsletter, due out at the end of July.

4 Business arising

None.

5 Project update.

Gerard Bosch - Manager Exploration spoke about the structure of compensation to landowners unable to access land for periods longer than one year.

- The current arrangement is for 25% of compensation to be paid at the commencement of mining with the balance (75%) paid at the cessation of mining activities.
- The proposal for periods greater than one year is for 25% of annual compensation to be paid at commencement of mining, then on the first anniversary, 50% of the remaining first years compensation is paid plus 25% of the annual compensation due for year two. For each subsequent year the payments remain as so with remaining 25% per year accumulating and paid on cessation of mining.
- "Cessation of mining" is defined as when the land is able to be returned to the landowner.

Action: AZC to discuss with currently affected landowners the details of the compensation arrangements and schedule of payments for land unavailable over more than one year.

Johann Van Zyl – Managing Director spoke about corporate matters within AZC.

- He invited any landowners with queries on rehabilitation matters to contact the new Environmental Officer, Tim Walker, who will take up duties on 22nd June 2009. The landowner liaison officer duties will be incorporated into this position.

- Johann noted the passing of John Fry who managed the role of landowner liaison officer and has been the human face of Australian Zircon since the 1990's. His funeral was held yesterday in Elmore and was attended by AZC staff.
- The recently appointed Non-Executive Director Mr Max McGarvie has resigned and taken up the position of Managing Director of Bemax. His place has been taken by experienced finance executive Giga Bedineishvili from AZC's major shareholder DCM Decometal where he is Director of Business Development. Johann stated that Giga has a strong investment banking background and understanding of global commodity markets and will play a valuable role in AZC's continuing development.
- Johann believes the Zircon market will remain very strong, global stocks are down and prices should remain competitive as market demand increases. AZC continue to receive strong support from DCM Decometals, their major shareholder and takeoff partner.
- The AZC Board recently approved a new Exploration Drilling Program, which will be the first exploration carried out in six years.

Richard Fagan – General Manager of Operations discussed operational matters

- There were no Lost Time Injuries since the last meeting.
- The new dry mining unit was commissioned.
- The spirals in the Primary Concentrate Plant were upgraded to provide a higher production rate and a better recovery.
- \$600,000 will be spent to improve the capacity of the Mineral Separation Plant. The plant is targeted to produce 3,000 tonnes of Zircon per month by the end of September.
- 73 hectares of disturbed land will be completely rehabilitated by the end of June. This is the section of Mindarie A2 strandline between the Highway and Knights Well Road.

At this point there was a suggestion made that the MMCCC formally acknowledge the contribution made by John Fry who became the interface between AZC and the community.

Action: The MMCCC Chair to write to John's family acknowledging his contribution and high regard in which he was held.

The Chair asked AZC to consider establishing some kind of remembrance for John, possibly in the form of the award of a sporting cup or the like.

Gerard Bosch – Exploration Manager mentioned the upcoming exploration program.

- A new exploration program has been approved by the AZC Board for 2009 and is planned to extend into coming years. New exploration will commence shortly in the Karoonda area and progress in a north-easterly direction towards Loxton.
- Mr Andrew Cook, an experienced mineral sands geologist with a strong background in Murray Basin geology has been appointed to oversee this program.
- AZC are keen to employ a local person to assist this program with sampling and logistics. If committee members know of any suitable person please make them aware of this position.
- Answering the question of “how do AZC know where to drill?”, Gerard stated this is based on studies of previous exploration in the area and conceptual models of how the beach strandlines are formed. It was asked if AZC could pass on some of this understanding to landowners when discussing where & why they will be drilling on their property.

Sean Steed – Environmental Consultant gave a brief report on the Environment and Safety incidents.

- There were six environmental incidents, mainly minor hydraulic oil/diesel spills which were cleaned up and disposed of in an approved manner.
- There were six minor injuries, including eye, head, shoulder & neck injuries, and one incident of a fall to the ground.
- An inspection was carried out by Safework SA inspectors with a consequence of a change to stairwell configuration.
- There was an incident of a trailer rollover and one complaint regarding a tank that was snagged by a landplane. Corrective actions were put in place.
- The Community Newsletter is due out this month.
- There will be 73 hectares of rehabilitation completed by the end of June and a crop sown this month. This is about one kilometre of Mindarie A2 between the highway and Knight’s Well Road. A further 55 hectares is currently having topsoil replaced.
- The western end of A2 has been dewatered and overburden pushed back in. The starter pit in A2 east has been pushed back in.

- The new Environmental Officer, Tim Walker, will commence duties on 22 June 2009. Sean and Anna will have a two week changeover and also be available as consults post handover. Tim is an ex local from Loxton who has recently been working on mining rehabilitation projects in Queensland for the last few years.
- 300 tubestocks have been ordered as replacement for failed native trees planted around the rehabilitated Knight's Well Road.

Concern was raised about the amount of disturbed area on Crouch's land on A2 east. The area currently contains evaporation dams and the landowners are worried about drying rates during winter and how long it will be before rehabilitation is complete. After Mindarie C starts up there will be two disturbed strandlines on their property. The questions was asked if this is covered by rehabilitations bonds and who assumes the liability if the company fails?

Ted Tyne – Director Mineral Resources replied that there is currently a bond of \$1.4m held for A2 strand and before any work takes place on Mindarie C a Mining and Rehabilitation Program (MARF) must be approved and a bond must be assessed to cover the liability and lodged in full with PIRSA. At this stage no approval has been given for mining on the Mindarie C strandline. PIRSA's comprehensive compliance audits and inspections on the company's environmental performance and rehabilitation program are continuing. PIRSA will be meeting with the company's new Environmental Officer when he takes up duties.

The Minister for Mineral Resources Development and PIRSA as the regulatory agency guarantees rehabilitation by the State in case of default by the company. PIRSA met with AZC last week to discuss the value of the bond.

There was lengthy discussion on the number of stockpiles utilised for topsoil, subsoil and zone 3 material, more stockpiles means more area disturbed. AZC is to discuss this issue with Crouch and other affected landowners.

Action: AZC to give a presentation on the soil management program on the current site.

PIRSA view: PIRSA considers the success of the mine includes returning the land to useable cropping land and this Committee will continue to provide an opportunity for landowners and the community to provide local knowledge on soils management and to voice any comments or concerns on the developing rehabilitation program. PIRSA and the Minister for Mineral Resources Development are well aware of the importance of ensuring this takes place.

6 General Business

Ted raised the timeliness of MMCCC meetings and everyone agreed to continue the present format of meeting every two months except during reaping.

John Berger told the meeting that the Murray Mallee Strategic Task Force has now ceased to exist therefore his representation was no longer required. Ted stated that John's contribution was extremely valued by all, especially by Ted in his capacity as Chair, and expressed his thanks to John on behalf of the Committee. Gerard Bosch endorsed Ted's comments on behalf of AZC.

John will remain an interested party from afar and continue to receive the minutes of meetings and other relevant missives.

Action: Ted will formally write to John on behalf of the Committee expressing our thanks for his contributions over the years.

7 Action Items

AZC to discuss with currently affected landowners the details of the compensation arrangements and schedule of payments for land unavailable over more than one year.

The MMCCC Chair to formally write to John Fry's family acknowledging his contribution and the high regard in which he was held.

AZC to give a presentation on the soil management program on the current site

Ted will formally write to John Berger on behalf of the Committee expressing our thanks for his contributions over the years.

8 Next Meeting

The next meeting is scheduled to be held at the East Murray Community Centre @ 10.00am on Tuesday, 04 August 2009.

Signed.....
Chair

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