

**Murray Mallee Community Consultative Committee  
Minutes of Meeting No 25  
East Murray Community Centre  
10:00 am Tuesday, 6 October 2009**

**Attendees:**

<b><u>Mineral Resources Group</u></b>	
<b>Hans Bailiht</b>	Principal Mining Regulator – Metallics & Uranium
<b>Henry Andryszczak</b>	Program Leader
<b>Catherine Middleton</b>	Minute Secretary
<b>William Short</b>	SafeworkSA
<b><u>Australian Zircon NL (AZC)</u></b>	
<b>Michael Kiernan</b>	Director
<b>Marty Adams</b>	General Manager – Business Development
<b>Johann Van Zyl</b>	Managing Director
<b>Richard Fagan</b>	GM Operations
<b>Tim Walker</b>	Environment Manager
<b>Kevin Burdett</b>	<b>CHAIR</b> , Mayor, District Council of Karoonda East Murray
<b>Peter Smithson</b>	Chief Executive Officer, District Council of Karoonda East Murray
<b>Damian Berger</b>	Mallee Coorong Natural Resource Management Group
<b>Brenton Lewis</b>	Murraylands Regional Development Board
<b>Trevor Bennetts</b>	Riverland Development Corp
<b>Darren Eatts</b>	Landowner
<b>Elwyn Francis</b>	Landowner
<b>Jim Tonkin</b>	Landowner
<b>Rodney Tonkin</b>	Landowner
<b>Kevin Heidrich</b>	Landowner
<b>Kath deOno</b>	Earthworks Contractor (observer)
<b>Steve O'Brien</b>	Earthworks Contractor (observer)

**Apologies:**

<b>Ted Tyne</b>	Director, Mineral Resources Group
<b>Greg Marshall</b>	Chief Inspector of Mines, Mineral Resources Group
<b>Wayne Jaensch</b>	Genesee Wyoming
<b>Anne Crouch</b>	Land Owner (Overseas)
<b>Gerrard Bosch</b>	Australian Zircon Exploration Manager
<b>Adrian Pederick</b>	Member for Hammond

<b>1.</b>	<b>Welcome by Chair</b>
	Kevin Burdett welcomed everyone to the meeting, and stated he would be chairing the meeting in the absence of Ted Tyne and Greg Marshall who were both unavailable to attend.
<b>2.</b>	<b>MINUTES OF LAST MEETING REVIEW</b>
	Minutes from the meeting held on Tuesday 4 August 09 were accepted as true and correct record.
<b>2.</b>	<b>ACTION ITEMS FROM PREVIOUS MEETING</b>
<b>2.1</b>	<b>AZC will provide link to the report on the CSIRO website on salinity levels in the Murray Mallee</b>  Electronic copy was received from Steve Barnett, (not available on line), has been sent to Gary Wardle, <b>Tim Walker to supply on request.</b>
<b>2.2</b>	<b>AZC to ensure future rehabilitation agreements with affected landholders incorporate soil management techniques. These agreements are to be forwarded to PIRSA.</b> Tim Walker advised that the rehabilitation agreements had been forwarded to PIRSA who received them on the 28 September 09, these now incorporate the rehabilitation techniques for Mindarie C strand.
	No other issues were raised from the previous Minutes
<b>3.</b>	<b>BUSINESS ARISING FROM PREVIOUS MINUTES</b>
	Michael Kiernan, Director of AZC, as the spokesperson for the company gave a project update. He stated that: <ul style="list-style-type: none"> <li>• Advised that Aust Zircon has been experiencing difficulties. Met with staff this morning to advise that the project is being put on CARE AND MAINTENANCE until further resource evaluation has been carried out.</li> <li>• Suggested to employees that they take annual leave until Australian Zircon determines who is needs to be made redundant.</li> <li>• From a landowners point of view, mining has ceased as from Saturday morning 3 October 09.. Full Rehabilitation of both Mindarie C and Mindarie A2 strands has been commenced for all the disturbed areas. It was emphasised that all disturbed areas will be rehabilitated.</li> <li>• PIRSA will be advised in writing by the end of this week. AZC WILL meet all of their commitments under for the mining leases.</li> <li>• AZC is "not going down the tube". The strip ratio has been too high which has increased the costing estimates to an unacceptable level. The ore is of high value, but in certain areas it is too deep to be economically to extracted.</li> <li>• This should have been discovered 4 years ago, however small companies that are under capitalised, don't always do enough preparatory work.</li> <li>• As a major ASX company, AZC could have gone into liquidation early this year, which would have meant that they could have walked away.</li> <li>• DCM, the major shareholder is re-capitalising the business, the money keeping the business alive is better spent changing the way we operate.</li> <li>• Ongoing monitoring as outlined in the MARP will be maintained on the site and for the rehabilitation works.</li> </ul>

	<p><b>FUTURE OF THE OPERATIONS ARE:</b></p> <ul style="list-style-type: none"> <li>• There needs to be better geological understanding of the ore bodies. This will be done by infill pattern drilling. Instead of mining the whole strandline, it is proposed to mine the sweet spots (high grade) resource only. This will take a considerable amount of time and geological interpretation.</li> <li>• We have made a commitment to rehabilitate the disturbed land back to its original cropping condition.</li> <li>• The field definition of geological drilling will take some time, and in the meantime it is proposed to process the stockpile of 20 – 30,000 tonnes of ilmenite, which will be dried and treated this is intended that this will be exported. Not premium grade, but China are desperate for this commodity.</li> <li>• Mineral separation plant – two sections of the process – dry plant and the separation section. Proposed to start talking to other mineral sands producers to utilise processing the current processing facilities.</li> <li>• The mine is economically important for the local community, although the mining operation has ceased, AZC plan to continue to utilisation of the separate plant which will keep those employees employed.</li> </ul>
	<p><b>PIRSA response (Henry A.)</b></p> <ul style="list-style-type: none"> <li>• It is early days, and PIRSA would expect that there will be discussions to progress a scheduled rehabilitation program.</li> <li>• Major concern would be that rehabilitation is undertaken in a timely fashion.</li> </ul> <p>AZC stated that they need to keep the company alive so it can carry out its obligations. There was a meeting with the Bank last Friday where the strategy was discussed, where it was indicated that they have no objections to let the business run itself.</p> <ul style="list-style-type: none"> <li>• Rumours rife, AZC is in default, this is not true. The next principal repayment will be one and a half million dollars in December, with further payments made 3 months thereafter. It should be noted that it is only with the major shareholder support that this can happen.</li> <li>• If any stakeholder becomes too difficult and fetters the plans that have been put in place, then the Bank will bring in a receiver. Owed \$43 million which is fully secured.</li> <li>• The company is keeping itself alive with the support of the community, employees, CBA Bank and all stakeholders. AZC is willing to work through the issues with PIRSA, TO ENSURE AZC MEET THEIR OBLIGATIONS on rehabilitation.</li> </ul> <p>Bond \$2-3 million held by PIRSA.</p> <p>If unrealistic demands are put on the company, the bank will take action. The project should never have got going without adequate drilling. AZC is lucky that the major shareholders (DCM) have stood behind the company, as they have put in \$60 million .</p> <p>PIRSA stated that they were very mindful of that and these types of discussions should be held with PIRSA, and that this is not the forum for those discussions.</p>

	<p>PIRSA advised that they need a detailed program of rehabilitation to show what is actually being committed to. PIRSA would expect AZC would provide this detail urgently.</p> <p>AZC has had meetings with the bank, employees and now the community committee and will meet with PIRSA later this week.</p>
4.	BOND
	<p>The Chair stated that high level discussions between the company and Government, should be just that, held at the higher level. This meeting should deal with issues directly pertaining to their area of concern for the community.</p> <p><b>Question 1</b> Is there enough money in the Bond to fix the rehabilitation requirements?</p> <p><b>Response:</b> Yes there is enough money.</p> <p><b>Question 2</b> If the land doesn't produce after the rehabilitation, what is the come back for landowners?</p> <p><b>Response:</b> It was felt that this was a hypothetical question, however AZC advised that from previous experience there is no reason to doubt that the rehabilitated land will be restored to productive use. <b>Mr Kiernan reiterated that the land will be returned as arable productive cropping land.</b></p>
	<ul style="list-style-type: none"> <li>• PIRSA will sign off the yield off that the crop is equivalent to the value of the crop in the adjacent land. 3 out of 5 years.</li> <li>• The terms of lease remain the same whilst AZC is an operational company.</li> <li>• If AZC close, then the responsibility will land on PIRSA and the landowners.</li> <li>• PIRSA Regulators will now take a higher profile and visit the mine site once a week to oversee and make sure the rehabilitation works is in line with the MARP requirements and the lease conditions to ensure progress is made. This will reassure the community that the Government are regulating the site.</li> <li>• It was recommended that the 3 landowners talk directly with both AZC together with PIRSA.</li> </ul> <p><b>Question 3</b> Is the company going to maintain an environmental officer?</p> <p><b>Response:</b> YES</p> <p>Michael <b>Kiernan</b> handed out his business card to the stakeholders to ensure that they had full access to him.</p> <p>PIRSA advised that landowners, after speaking with AZC regarding compensation issues remain unresolved, then they are free to discuss this with PIRSA.</p> <p>It was reiterated that all stakeholders need to work together to move forward and that the rehabilitation of the land, needs the best outcome for the landowners.</p>

	<p><b>RENTAL</b></p> <p><b>Question 4</b> Payment of rental to the landowners was discussed.</p> <p><b>Response</b> The company pays the rental to PIRSA, and PIRSA pays the landowners. PIRSA advised that the cheques will be mailed out to them this week.</p>
	<p>Rehabilitate the land, utilise the equipment to process other companies products, so that AZC can remain viable and continue to operate in line with the lease conditions. It is essential that there are no obstacles to prevent AZC from continuing to operate.</p>
	<ul style="list-style-type: none"> <li>• AZC stated that the best case scenario for landowners is that AZC will not be mining any more strands.</li> <li>• Between now and December 09 they will sort out the 'mess', creditors will be paid, and then during that time go back to basics and review geological data, and then go back and drill holes to see if the ore body is suitable for mining. If successful, mining would recommence in the second half of next year.</li> <li>• Everything (both strands) should be rehabilitated by Christmas, and then in the background there will be the revaluing of the geological data.</li> <li>• Further drilling will be required to understand the ore bodies, and then develop plans to move forward.</li> </ul>
	<p><b>Question 5 Leases</b> We hold a land holder agreement, would it become invalid if the company goes into liquidation?</p> <p><b>Response:</b> If an administrator is called in or the bank calls in a receiver, then all agreements would be terminated. Any commercial contract would be terminated by a receiver.</p> <p>Initially the liquidators would endeavour to find a new company to continue the operations.</p> <ul style="list-style-type: none"> <li>• Once a liquidator is appointed, any costs incurred after that time is at their own cost/liability.</li> <li>• The receiver takes it off the company and looks to see who he can sell it to.</li> </ul> <p>You can't assume the project will be terminated. A new company would need to apply to PIRSA for the transfer of the leases to operate the mine. Any arrangement between AZC and their contractors would be null and void, however a new company would need to renegotiate a new agreements with the landowners</p> <p>The land will be rehabilitated, back to agricultural land.</p> <p>When mining starts again it will be on a more focused basis, and will a better benefit for the landowners</p>

	<p><b>Question 6</b> Landowners had concern over the ground disturbance -</p> <p><b>Response:</b> The rehabilitation details as required by ASC are outlined in the MARP.</p> <p>Selling the pre-concentrator and leave the separation plant, then when mining operations recommence AZC will purchase a smaller concentrator plant.</p> <p>8 Kilometres is the limit for pumping on the concentrator plant, anything more will be a trucking for concentrates.</p> <p>Pump 4-5 Kms is the ideal situation. Ideally a modular spiral plant would be better.</p>
	<p>AZC stated that the real concern was managing what they currently had.</p> <p>If the stakeholders (DCM) are willing to invest another \$30 million, then there must be a reasonable chance of the company going ahead in the future providing to give returns.</p> <p>DCM already have \$60 million invested, the company would have a rights issue of \$14 million dollars and DCM will underwrite this.</p> <p>The separator plant is good technology and AZC hope to negotiate to process other concentrates to keep the plant going.</p> <p><b>Question 7</b> How realistic do you think that December is for rehabilitation?</p> <p><b>Response:</b> 4 Dozers working at the moment, the only hold up will be the water that is currently in the pits.</p>
	<p>Rodney Tonkin stated that he was happy to work with AZC.</p> <p><b>Question 8</b> Compensation for the land that has been disturbed, will PIRSA continue to pay for this? 137 hectares of land and another 40 hectares not able to plant.</p> <p>Would PIRSA pay the compensation for the land that cannot be farmed?</p> <p><b>Hans Bailiht advised that he would take this question on notice.</b></p> <p>\$230 PER HECTARE, EQUALS ABOUT \$28,000</p> <p>Withhold 25% for every year it is opened. 75% after the rehab has been signed off.</p> <p>Now going into 3<sup>rd</sup> year. By the time it is arable land</p> <p>Marty Adams responded. Assume all the rehab is done by January 2010, Marty to advise Michael what is the total money owed to the landowners by the time they are able to use the land. Once the total is known the amount can be 'ring fenced' to hold that money aside</p>

	<p><b>It was agreed that the Landowners need a meeting with the AZC to go through these issues. Marty Adams to organise and inform PIRSA.</b></p> <p>AZC advised that the way forward may be to put enough money in with a Solicitor as a deposit security / trust, so that it is fully protected.</p> <p>Rehab will be done before the next crop is due – Jan/Mar 2010.</p> <p>Landowners to do their numbers and talk to AZC to advise what moneys are owing.</p>
	<p>HA – Mindarie C strand is only partially mined – will this be fully rehabilitated.</p>
	<p>Environmental Report</p> <ul style="list-style-type: none"> <li>• 10 minor incidents – spills, nothing that hasn't been contained by the pit.</li> <li>• 1 community stakeholder complaint – has been dealt with</li> <li>• 10 minor ailments</li> <li>• 5 near misses</li> <li>• 1 security breach – personnel on the site with no flag ( landowner).</li> </ul>
<p>5.</p>	<p>GENERAL BUSINESS</p> <p><b>CEO QUESTION 8</b></p> <p>Part of the requirement of the MARP, community consultation ie the Council community newsletter. Would be good to have an overview for the next couple of months on what the situation is with the mine site. It is important that there is an article to inform local community of status of the AZC operations.</p> <p>Loxton News and Murray Valley Standard (Murray Bridge) newspapers – Press Release in three weeks time.</p> <p>Late November next community news.</p> <p><b>NEXT STEP</b></p> <ul style="list-style-type: none"> <li>• Once the bank agrees, as a public company we can make an announcement concerning the life of mine.</li> <li>• There would be a public announcement to the stock exchange in 3 weeks. This announcement will be released to the newspapers.</li> <li>• CEO will probably get a phone call from the ABC this afternoon, he will state that the mine has ceased operations and will continue to rehabilitate.</li> <li>• Creditors and Cash Flows: Tight but not terminal. Major stakeholder has been contributing on a monthly basis.</li> <li>• The business will have a few structural changes, Creditors will be satisfied in full. DCM have committed to continue to support financially.</li> <li>• Any issues to be taken up with either with the company or with PIRSA.</li> </ul>
	<p>The chair thanked the company for attending the meeting and being totally honest and forthcoming with their advice on status of the mine.</p> <p><b>Meeting closed at 11.25 AM</b></p>

<b>6.</b>	<b>NEXT MEETING</b>
	<b>10.00 am Tuesday 7<sup>th</sup> February 2010ast Murray Community Centre.</b>
<p>Signed _____ Date...../...../.....</p> <p style="text-align: center;"><b>CHAIR</b></p>	