

**Murray Mallee Community Consultative Committee
Minutes of Meeting No 28
East Murray Community Centre
10:00 am Wednesday, 12 May 2011**

Attendees:

<u>Mineral Resources Group</u>	
Peter Smithson - Chair	Chief Executive Officer, District Council of Karoonda East Murray
Hans Bailiht	Principal Mining Regulator – Metallics & Uranium, MER, PIRSA
Catherine Middleton	Minute Secretary, PIRSA
<u>Australian Zircon NL (AZC)</u>	
Marty Adams	Chief Executive Officer – Australian Zircon
Robert Winen	Australian Zircon
Eddie Wu	Orient Zirconic Resources (Australia) Pty Ltd
Tina Liu	Orient Zirconic Resources (Australia) Pty Ltd
Richard Saunders	Rural Solutions SA
Brenton Lewis	Regional Development Australia
Trevor Hammond	Personal Assistant – Media, Office of Adrian Pederick
Bob Besley	Director, Kimberley Metals Limited
Steve McEwen	Chief Financial Officer – AZC
Glen Ayres	Shareholder
Anne & Peter Crouch	Landowner
Ann Evans	Landowner
Sharyn Francis	Landowner
Frank Griffiths	Landowner
Andrew Koerber	COOE
Neil McConnell	Landowner
Jeff Pfitzner	Landowner
Gale Pfitzner	Landowner -
Sean Steed	COOE
Rodney Tonkin	Landowner
Visitors	There were a number of visitors that also attended the meeting.

Apologies:

Ted Tyne	Director, Mineral Resources Group
Mayor Burdett	Mayor
Greg Marshall	Chief Inspector of Mines, Mineral Resources Group
Adrian Pederick	Member for Hammond

1.	Welcome & Apologies
	<p>Peter Smithson, Chief Executive Officer, District Council of Karoonda East Murray welcomed everyone to the meeting, and stated he would be chairing the meeting on this occasion due to Dr Ted Tyne and the Mayor being unable to attend.</p> <p>Apologies were duly noted.</p> <p>Each attendee introduced themselves.</p>
2.	MINUTES FROM PREVIOUS MEETING
	<p>Minutes from the meeting held on Tuesday 8 September 2010 were accepted as a true and correct record.</p> <p>Moved: Hans Bailiht Seconded Marty Adams</p>
3.	ACTION ITEMS FROM PREVIOUS MEETING
	<p>No issues were raised from the previous meeting.</p> <p>It was advised that there would be no further representation from DTED at the MMCCC meetings; however Minutes may be sent through to the Regional Development Australia representative Brenton Lewis who was the conduit for this committee.</p>
4.	PIRSA REGULATION REPORT
	<p>Hans Bailiht advised that he has been out on site with the EPA to look at the Tailings Dam, and requesting that the area be cleaned up by burying the remaining tailing still on the surface. This work is still to be carried out.</p> <p>Rehabilitation has ceased on site due to fluffiness of the soil, and the problems of getting harvesting equipment onto the site without sinking into the rehabilitated soils.</p> <p>AZ advised that they have appointed Rural Solutions to undertake testing of the soil stability and have received a draft report which AZ are currently reviewing.</p> <p>COOE have brought in Andrew Koerber to act as Environmental Manager for two days per fortnight on site as a replacement for Sean Steed.</p>
5.	PROJECT UPDATE
5.1	Formation of Joint Venture, Murray Zircon Pty Ltd
	<p>Eddy Wu representative for the new Joint Venture, Murray Zircon Pty Ltd addressed the meeting by introducing himself and gave an overview of his company.</p> <p>He was appreciative that there were so many in attendances at the meeting today.</p> <p>He stated that Orient Zirconic Resources (Australia) Pty Ltd (OZRA), was an Australian company that has formed a Joint Venture with Australian Zircon (65% - 35%) to form the new company, and felt that it was a matter of importance to organise a community meeting to keep the community informed.</p> <p>Orient Zirconic, OZRA's parent company, was set up in 1995 to ensure delivery of zircon products to China and other countries. Company brochures were tabled for the information of the committee and guests.</p>

	<p>He emphasised the importance of securing supply to China and stated that the company plan to expand their production, and are looking for a long term plan to secure their supply.</p> <p>OZRA has a strong ability in regard to finance, which adds value to the company. The Joint Venture was set up on 10th November 2011 - 65% OZRA and 35% Australian Zircon.</p> <p>In regard to the Mindarie deposit Mr Wu stated that he needed to understand more about the resource, and the requirements of the community. The final decision will be based on a number of things for example how the community feel.</p> <p>Q1 Do you usually get involved in a mining venture?</p> <p>A1 In China there is mining, however our company is a manufacturer of zircon products we have not been involved at the mining level of investment.</p>
	<p>Comment from landowner - As a landowner, (Peter) stated he was unhappy with previous situation, and was worried about the situation that may occur now. He has 4 kilometres of mine on his property and felt that there needed to be a lot of change.</p> <p>Response from Eddy Wu - Although historically there have been many things that have happened, the new joint venture is looking forward to the future.</p> <p>Comment from landowner - There are concerns the company will mine and then walk away.</p> <p>Response from Eddy Wu – The company will be hiring local staff and will rely on local expertise and will follow the Australian way of doing business. He said that the rehabilitation bonds have to be greater, and more closely managed.</p> <p>He said that rehabilitation is a key issue before mining actually commences. In regard to the legal aspects for the company – there is some agreement between the two companies to follow through on the original agreements. Need to check full impact of these agreements. In the future the company will follow all regulations for managing the site.</p> <p>PIRSA – Hans Bailiht - From PIRSA's perspective, there would be a transfer of tenements from the old to the new, there is still rehabilitation work to be undertaken, and it would be conditional for the new company to undertake this work.</p> <p>There was some concern that nothing would happen until next summer when eg dams to be closed off, and a lot of work still needs to be completed.</p> <p>Eddy Wu response. - This is all part of the fiscal study undertaken.</p> <p>Brenton Lewis – Regional Development Australia - stated that he is involved in bringing the parties together, as an Advisor. He stated that the important thing that is being brought to the table is someone that needs a long term provider.</p> <p>A supply that they have ownership of, it is far less exposed to the public. Orient Zirconic Resources have cash reserves, and have an ongoing need for supplies of Zircon. They also have a long term requirement to diversify their supply.</p>

From a farming perspective, landowners need to have an understanding of the proposal for long term mining so that they can manage their own land over the longer period of time. There needs to be security for landholders

Compensation payments need to be discussed and resolved to the satisfaction of all landholders. All arrangements must be in writing.

Hans Bailiht advised that PIRSA will allow only allow a certain amount of the strand to be left open, but if the company goes beyond this PIRSA will then stop the mining operation proceeding until this situation has been rectified and the operations is fully compliant with the approved MARP.

Bob Besley - Mining technique may be changed. Now need to look at all mining techniques so that it can be determined which method is the most economical. All this is being considered in the feasibility study, to overcome the current issues.

New mining method - Bucket wheel excavator system will speed up process. Method of moving the overburden and the ore. Quite a lot of the overburden will be now be processed. Keep the processing plant at the mine.

PIRSA, Hans Bailiht - If you are processing more ore , there may be a requirement for more water to be used.

OZRA stated that this is part of the detail being looked at.

- Getting the excavation thickness to work properly, and more efficiency in the use of the water and disposal.
- Previously slurring back into the mined pit, created a 2km long dam. Again will be addressed in the new plan.
- There will be a new MARP which will replace the original
- Landowners were given a new contract to sign last month. This was so that compensation would be paid by Murray Zircon rather than Australian Zircon. Three landowners are having compensation paid to them.
- Landowners will not sign the contracts at the moment due to the ongoing problems with compensation.

Rodney Tonkin – stated that he would not sign a Lease Agreement, but will sign a contract, once changes are made with the new company.

Q2 - Hans Bailiht - If you get approval to move on in the new company, will this generate new contracts for landholders?

A2 - Eddy Wu - haven't gone down this road as yet, but if it is part of the process this will occur.

Q3 - Would there be any benefit of processing Victorian product through SA plant.

A3 - Marty Adams - All processing options will be looked at and will be determined . Timeline for this is approx 18 months. It should be noted that Victoria is a Greenfields site.

Q4 - What is the timeframe on the making a decision on whether mining will go ahead.

A4 - Mindarie project would expect to go ahead in a month or two once the feasibility study is complete and the existing infrastructure and legal aspects are in place. There are some issues in that the original project had a number of problems, so it is important to ensure the mining operation is run correctly and cost effectively.

5.2	Feasibility study into resuming mining at Mindarie Mine
	<p>Bob Besley consultant to Murray Zircon</p> <ul style="list-style-type: none"> • Discussed the timeframe and the process the company is going through; • From a processing perspective, the plant that is there now is operating well, however this will now be a moveable plant, and process current heavy mineral concentrate rather than final product. • Instead of having to pump from the plant, first 12 months of the operation and may well be the long term plan. • The processing will go with the mine and be more integrated cycle around the mining operation. It will either be trucked or taken out by train to Pt Adelaide. • In terms of mining we are looking at the bucket wheel excavator and can feed directly onto a conveyor belt. • Mining of the overburden will go directly into the mining void. <p>Q5 How many jobs will this create?</p> <p>A5 170 of people on site (jobs) at times, however if mining resumes, not as many jobs will be created due to the change in mining technique and processing method.</p> <p>Q6 Economic Development are very interested in the number of jobs to be created, therefore anything Murray Zircon can do to assist with keeping the infrastructure growing will assist in building the community.</p> <p>A6 May not be able to hire as many people as before, due to the costs, however there is a common interest in seeing this go ahead.</p>
5.3	Rehabilitation Progress
	<p>Earthworks progress and schedules</p> <p>Marty Adams from Australian Zircon spoke to a presentation on screen. Details:</p> <ul style="list-style-type: none"> • Lucas Earthmovers mobilised to site in October last year. • Focussed on mineral strand Mindarie A2 East over Francis and Crouch's property; • Also some rehabilitation done on Mindarie C had commenced mining at that time just west of the main road. June 2009, prior to the commencement of the rehabilitation program. Cropping undertaken in this area. • Rehabilitation was conducted in 5 areas; • Mindarie C was rehabilitated with some excess tailings buried on that strand line. • Far west – topographic photo as a representation of the area showing location of the overburden. Dams for water process purposes. Sub soil stockpiles on the side. Transformed that area. A lot of the overburden has been pushed into the mining area, though not completed. • 2nd area – small dam, entrance to Tonkin's property – used as an interim storage area. Dam was transformed and pushed in though not fully completed. • Mindarie C – Void left for the deposition of the material - sub soil and stock pile – worked done by Lucas. Completely transformed the area, except for a small area on the SE.

	<ul style="list-style-type: none"> • High Sand dune - top of the dune on Francis property. Lucas spent a lot of time on that area reducing the size of the void. • Preparing for top soil and cropping. • Far eastern side of Mindarie east – Mr and Mrs Crouch's property, where tailings were deposited . Lucas commenced work in Oct transferring overburden to the mine voids on the east side.
	<p>It should be noted that the wettest rainfall event in the area EVER had been experienced, which meant that rehabilitation work was virtually impossible. Decision was made in mid January to cease rehab due to the difficulties with the big dozers.</p> <p>There were crops sown and Richard Saunders will attest to the fact that Rural Solutions came to site to meet with the landowners. It resulted that the cropping yield was satisfactory. Hans Bailiht stated that PIRSA does not have any evidence to confirm this statement as no evidence has yet being provided confirming this.</p> <p>\$1.5 million was paid to local contractors, with significant amount of work carried out. The plan is to engage contractors again to complete the pushing in of the sidecast overburden to completely fill the void in those areas.</p> <p>Reason no subsoil or topsoil was replaced on the overburden was due to the headers in certain areas getting bogged. The Company needed to make sure that it understood the reason for this before it resumed soil replacement.</p>
	<p>Rehabilitation Sub Committee Progress Report</p>
	<p>In March this year, following the difficulties experienced by farmers reaping crops, the Rehabilitation Sub-Committee, met with government representatives and Rural Solutions, who have the responsibility of giving rehabilitation advice to Australian Zircon.</p> <p>Due to the landowners getting bogged with their headers, Rural Solutions were commissioned by Australian Zircon to find out why this was happening. A draft report came out yesterday 11/5/11.</p> <p>Initial thoughts of the sub-committee is that moisture was coming up through the soil, however it was probably more due to the incredible rainfall over that period. A decision was made not to replace subsoil and topsoil and plant crops in new areas this year due to that issue.</p> <p>The Committee will meet again on 7th June to consider the Rural Solutions report and find a way forward.</p> <p>Issues raised:</p> <ul style="list-style-type: none"> • Severe financial difficulty October 2009 went into voluntary administration. • All landowners have to date been recompensed under the contracts that are currently in place. It has taken some time to work through the issues.

	<ul style="list-style-type: none"> • There are still some areas that need to be addressed, however is finalising these issues now. • It should be noted that the landowners were recompensed 100% where other creditors were not. • When commencing in Oct last year it was fully anticipated that all rehabilitation would have been undertaken, however due to weather this was not possible. • Feedback states that landowners were happy with their yields. Post mining rehabilitation had been successful. <p>Hans Bailiht advised that PIRSA were not comfortable with the yield results stated at the moment.</p>
	<p>Landowners - Yes we had the rainfall, and we had a good crop, just by pushing the soil back, it is still soft, it may need a long time to settle. SP headers problems, they have to be on reasonable ground. It has turned good farming land into 'sand'. The soil is too soft. The big headers are not able to be operated due to the 'soft' soil.</p> <p>It was advised that Australian Zircon initially advised landowners that the land would be returned as good as if not better than it was initially. It is a 5 year process.</p> <p>Australian Zircon reiterated that rehabilitation is a long term process, and if adversity of the land is experienced then landowners will be compensated.</p> <p>PIRSA stated that it is the Government's duty to ensure rehabilitation has been undertaken and completed in accordance with the guidelines, before there is a sign off of the project.</p> <p>Chris McDonough has been employed as a Rural Solutions Consultant to design the rehabilitation process from a cropping point of view. (Putting things back to optimise the soil to be able to be cropped successfully).</p> <p>Rural Solutions went into a contract with Australian Zircon, looking at production on the land. They are currently looking at going into another contract to review what is happening.</p> <p>Richard Saunders spoke to a draft report that had been compiled by Rural Solutions. The report was looking at a number of issues, in regard to the 'bogging of harvesting equipment'. He advised that once the report had been finalised, it would be distributed through Australian Zircon.</p>
	<p>Q7 The clay holds the water closer to the surface. Why is it those areas were more water logged than other areas?</p> <p>A7 - This will be taken up through the Rehabilitation Sub Committee progress report.</p> <p>Generally landowners agree with this, however everything has come to a standstill at the moment. Not ready to sow the new crop as sub soils and topsoils have not been replaced.</p>

	<p>Timing of rehabilitation</p> <ul style="list-style-type: none"> • One is pushing the over burden into the void commencing in the next 2 months • Replacing of topsoil usually by April • Actual seeding work, will not undertake this work at this time, AZ will undertake to seed and harvest that block plus pay Mr and Mrs Crouch the appropriate compensation. • It was noted that both the Tonkin and Crouch properties are in the same situation. <p>PIRSA advised that they are also represented on the Sub-Committee.</p>
5.4	<p>Complaints Register</p> <p>Nothing had been received since last meeting.</p> <p>AZ was taken to court by Mr and Mrs Crouch regarding compensation, however this was resolved on the day, with the 2nd court appearance being cancelled due to the issue being resolved.</p>
6.	<p>GENERAL BUSINESS</p> <p>PIRSA - The Minutes of these public meeting are currently not on the AZ or PIRSA website, is this an issue?</p> <p>AZ advised that they have no problem in placing these on the website</p> <p>Chair recommended that the Company give an overview statement for the local newsletter, which means that the community hear directly from the company rather than by hearsay. He advised that there would be no charge to run this article.</p> <p>OZRA advised that they would put out a report to keep the community informed.</p> <p>It was advised that shareholders had heard nothing in the last 12 months.</p> <p>The Chair advised that this was an issue between the company and the shareholders.</p> <p>Contact for community newsletter will go out in the next 2 weeks is the Chair's email address which will be provided to the company.</p> <p>Any joint statements would be publicised through their networks.</p>
7.	<p>NEXT MEETING</p> <ul style="list-style-type: none"> • MMCCC will advise. • Updates at the next meeting will be the draft MARP. • Tentative date will be September.
8.	<p>Meeting closed at 11.40</p>

Signed _____
CHAIR

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