

KANMANTOO-CALLINGTON COMMUNITY CONSULTATIVE COMMITTEE (KCCCC)

Secretariat:

Kanmantoo-Callington CCC Secretariat
c/- Susan Wilson, Hillgrove Resources, Ph 8538 6800
Email: susan.wilson@hillgroveresources.com.au

Chairperson:

Bob Goreing, Mob 0418 816 788

DRAFT NOTES TO THE MEETING 21st April 2016

Attendance and Apologies

Committee Members Present:

Garry Duncan
Fiona Challen
Kathy Schneider Roberts
Harry Seager
Carol Bailey
Lachlan Wallace
Bev Robertson
Ed Thomas
Alistair Walsh
Bob Goreing (Chair)

Apologies:

Jamie Briggs MP

A public gallery of 18 persons was present.

1. Welcome and introductions

The Chair welcomed the KCCCC members and members of the community to the meeting. He acknowledged the attendance of Mark Goldsworthy MP (State Member for Kavel) and an apology from Jamie Briggs MP (Commonwealth Member for Mayo).

The Chair particularly welcomed the new members of the KCCCC, Ed Thomas and Bev Robertson, and expressed thanks on behalf of the committee to retiring members Bill Filmer and Alana Vorstenbosch.

The Chair said that the priority for this meeting was to provide the local community an opportunity to gain a clear understanding of the status of the mine given recent media reports about issues the mine is facing in relation to cash flow and operational performance. The Chair invited all present to ask questions or to comment during the meeting.

2. Confirmation of the notes of the previous meeting of 25th February 2016

The draft notes of the previous meeting were accepted without alteration.

Actions arising

1. Additional water reserves
The KCCCC noted the improved dust suppression outcomes at the mine as a result of additional low grade water available following the commissioning of the new pipeline.
2. Country SA Primary Health Network (PHN)
The Chair reported that he had spoken with Inara Beecher, Regional Manager- Central Regional Country SA PHN, who had agreed to attend the next meeting of the KCCCC. The Chair explained that the PHN was a Commonwealth Government body that recently replaced Medicare Local. He said that the PHN had a close relationship with local GPs which may be useful in the committee's consideration of the dust and health priority for the community. It was noted that contacting the PHN was a recommendation of Dr Simon from the last meeting. **ACTION:** Chair to invite Inara Beecher, Regional Manager- Central Regional Country SA PHN to attend the next meeting.
3. Health report
The Chair said that he had received a copy of a health report for the Mt Barker District provided by committee member Carol Bailey. The Chair explained that this report was part of a Regional Health Plan which included a background report that containing a lot of data. He said that the data, whilst useful, did not drill down to the local community (ie Kanmantoo Callington) level and that this was something that the committee would raise with the PHN
4. SA Mining Group's workshop – This matter was covered in item 4 of this agenda.

3. Report on the status of the mine and recent media reports

Steve (CEO Hillgrove Resources and KCCCC member) provided a report on the status of the mining operations at Kanmantoo Copper Mine with a particular focus on recent media reports related to cash flow issues and mining performance.

Steve explained that the mine had been following the approved Mine Plan (PEPR) and that this had included mining a cut back in the main pit to access the main ore body that had been the core of successful mining at Kanmantoo twice before. He said that as the cut back progressed, the ratio of ore to waste improved but that the upper areas had not generated as much copper from processing (and therefore revenue) as had been anticipated. As a result, the mine's cash flow had been below forecast.

Steve said that he expected the cash flow issue to be temporary and that it should be resolved once the cut back was completed and the operation reached the main ore body.

Steve said that he was currently consulting with financiers, government, suppliers and employees to work together in response to this situation with a view to getting through it without reverting to measures like restructuring (e.g. job losses). Steve said that by

working together at this stage the mine could keep its valuable workforce and strong relationships with local suppliers which he felt was in everyone's best interest.

Steve said that the sort of actions that had been put in place already included significant cuts to Board fees and executive salaries and discussions with employees to have some of their salaries deferred (i.e. payed back once cash flows improved).

The KCCCC asked Steve about the status of the mine's closure and completion bond that it believed was in place to ensure that the area would be rehabilitated even if the mine closed prematurely.

Steve explained that a bond of over \$16.75 million was included as part of the obligation of the mine at the time of the original PEPR approval. This was made up of approximately \$10 million of pit backfilling and \$6 million of rehabilitation. As part of the mine life extension approval in 2015, the liability to fill the two pits (the first of which is nearly full) was removed but the rehabilitation component increased to \$10.18 million. With significant monies spent on progressive rehabilitation to date, there was likely to be annual reductions to the \$10.18 m currently in the bond which was held by government in a form that could be converted to cash on demand.

Alistair the mining regulator and committee member, confirmed that this bond was in place and that the rehabilitation commitments in the mine plan had been reviewed by the mining regulator (along with costings) late last year and was current. This meant that the community could be confident that the bond held by government was sufficient to complete rehabilitation works.

The committee asked Steve about the requirement for the mine to complete the significant environmental benefits (SEB) program in the event that the mine closed prematurely and whether this was covered by the bond.

Steve said that the SEB program was not covered by the bond but was instead an obligation held with the PEPR, which is the permission to conduct mining. He said that this obligation would be carried forward as a commitment if the mining operation was sold in the future or if the mine for some reason could not continue to operate. This meant that the SEB commitment would be included as a condition of any mining activity.

Steve pointed out that this discussion of a so called 'worst scenario' was premature and that the Boards' valuation of Hillgrove was currently \$145.6m which meant that the underlying value of the mine was not the issue. Instead the issue was cashflow and this was being addressed.

ACTION: Alistair was asked to confirm that the appropriate bond was in place and that the SEB commitments were covered through the obligations under the agreed mine plan and would be delivered irrespective of the mine continuing to operate. It was acknowledged that the committee and the community had no reason to believe that mining would not continue to operate and that their interest was solely in raising confidence that community priorities for environmental rehabilitation and final landform design were not at risk.

4. KCCCC

The Chair reiterated his welcome to the new committee members. Ed and Bev introduced themselves more fully and outlined their particular interests in community matters related to the Kanmantoo Copper Mine.

The Chair noted that Lachlan Wallace General Manager Kanmantoo Copper Mine would replace Steve McClare on the committee as the Hillgrove representative in recognition of Lachlan's day to day role at the mine.

The Chair said that an important initiative of the committee was to identify priorities for the committee that go beyond responding to environmental issues as they arose. The work of the Master Planning Working Party was a good example of this. He said that these priorities could be captured in a KCCCC Work Plan.

The Chair invited committee members to identify what they would like to see covered by such a Work Plan. Ideas raised included:

1. A more inclusive approach that recognised the impact of related matters on the future of the area like Hanson's Quarry and water management issues
2. See the environment as a more holistic resource that impacts on important considerations like mental health and feeling of well-being in the community
3. Identify clearer linkages between the mine closure and completion plan and the KCCCC Master Plan
4. Bring other plans together like the district's Health Plan and Councils' Strategic Plans
5. Focus on post mining social, environmental and environmental opportunities
6. Put in place a long term plan to manage the environment after the mining operation closes (eg a handover to the community)
7. Link (longer term) with other significant businesses like Neutrog and Hanson's Quarry to deliver a consistent and on-going positive environmental outcome for the area

The Chair said that these 'first thoughts' would be used to inform the KCCCC Work Plan

ACTION: Chair to draft KCCCC 2016 Work Plan for consideration at the next meeting.

5. Master Planning Working Party

The Chair said that the final program for the SA Mining History Group's (SAMHG) annual workshop had been provided to the KCCCC. The SAMHG had extended an invitation to local community members to attend if they wished.

The committee agreed to ask Susan (KCCCC secretariat) to circulate the SAMHG workshop program and invitation to the local community.

The Chair pointed out that the Sunday morning session of the workshop that considered 'issues for a future after mining including the potential for a mining geo-park' was relevant to the Master Planning process for Kanmantoo Callington.

ACTION: Susan (KCCCC secretariat) to circulate the SAMHG workshop program and invitation to the local community.

6. Premier's Community Excellence Awards

The Chair said that Hillgrove had put a submission to the 2016 Premier's Community Excellence Award in the category of supporting local communities. He said that three of the committee members had attended a session with the Awards judges earlier in the month to describe how the committee worked and the relationship between the company and the local community.

Steve reported that the submission was successful but that the judges had decided to present two awards: one for the company and one for the committee. The Awards were presented at the Resources Industry Dinner on Wednesday 20th April 2016.

The meeting applauded this achievement.

7. Environmental emissions and the natural environment

Lachlan Wallace, General Manager Kanmantoo Copper Mine, provided a report on dust and blasting.

Lachlan showed the effect of additional low grade water on dust suppression by referring to dust monitoring results before and after the commissioning the new pipeline.

He said that the backfilling of the Nugent Pit was near complete and this meant that there was less chance of 'cyclone' effects lifting dust out of the pit.

He also showed photographs of progress in final landscape engineering and rehabilitation using native vegetation and strategies like stippling and texturing to maximise water retention and promote growth. Lachlan said that this too would reduce the risk of dust lift from these areas.

Recent blasting results were discussed with monitoring data showing a reduction of overpressure emissions (from pre-strip blasts) to levels obtained prior to the test blasts that caused community concern in January – February 2016.

Alistair said that the mining regulator had issued an environmental direction as a response to the earlier community concerns about blasting. Hillgrove had prepared a response that included the installation of a new compliance monitor near Kanmantoo. If accepted, the new compliance monitor would be incorporated into the mine plan (PEPR).

8. Other business

Mark Goldsworthy MP asked for an update on the state of Proctor Road. It was reported that the sealing of a 200m section had been completed and a section of the road had been treated with 'dust aside', a binding agent. It was noted that this work was carried out by the Mt Barker District Council who were responsible for the road.

Others commented that the road showed signs of deterioration. It was suggested that the topic of Proctor Road be revisited in light of the recent purchase of the Kanmantoo Bluestone quarry (Bernie's quarry) by Hanson.

ACTION: The Chair was asked to invite Keith George to the next KCCCC meeting with a view to updating community understanding of plans for the future of Proctor Road.

9. Next meeting and close

The meeting closed at 9.30pm.

Next meeting TBA.