

1st April 2019

Mr Anthony Basford
Chief Executive Officer
East Gippsland Shire Council
273 Main Street
BAIRNSDALE VIC 3875

Dear Anthony

Proposed Memorandum of Understanding

Further to my letter, of 11th February, I thought it would be useful to outline Kalbar's thoughts on a potential Memorandum of Understanding the East Gippsland Shire Council.

Background

Kalbar Resources is the proponent of the Fingerboards Mineral Sands project at Glenaladale and is undertaking an Environment Effects Statement (EES) for the project, due for completion and lodgment with the Victorian Government in Q2, 2019.

Over the past three years, Kalbar has engaged with State government agencies and elected representatives, local government stakeholders, community groups, landowners, local communities and the broader East Gippsland community during the preparation of the EES to ensure that all stakeholders have had input into the process.

Kalbar has prepared a Stakeholder Engagement Plan for the 20-year life of the project, which will be subject to on-going review.

If the project proceeds, it will be a major development project in East Gippsland and will require substantial on-going liaison and co-operation with East Gippsland Shire to maximise economic benefits and manage potential impacts.

Impacts and Benefits

The potential impacts (positive and negative) of the project are dealt with in detail in the EES process. Matters of direct interest to East Gippsland Shire Council will relate to the upgrading and maintenance of road infrastructure, social impacts on local communities (including non-related

services), amenity, land use changes, employment opportunities, local business opportunities, indigenous and youth training opportunities, and community engagement.

Potential economic and community benefits of the project include:

- Employment of 200 people during construction and 200 people during the 15-20 year life of the mine;
- Flow-on employment in East Gippsland of between 200-400 jobs;
- Investment in local services as part of the \$200 million capital cost of the project;
- Operating expenditure of approximately \$60 million per annum, much of it occurring directly in East Gippsland;
- Upgraded infrastructure, including roads, power and rail freight facilities.

Community Reference Group and Community Fund

Kalbar resources intends to establish a Community reference group to provide a channel for community liaison and feedback during operation of the project. Kalbar will be required to report on mine operations and environmental monitoring and manage a community complaints process to ensure transparency and responsiveness to community issues.

Kalbar also intends to establish a community fund to support community development and local projects that build community capacity, resilience, enhance local infrastructure and support community groups.

The fund is likely to be based on a “royalty” dividend for the community as a percentage of profits and is expected to commence at \$50,000 per annum and increase several fold as the project progresses.

The Rationale for an MoU

It would be best for East Gippsland if Kalbar Resources Ltd and East Gippsland Shire Council have an established and effective working relationship over a 15-20 year period to work together on matters of corporate and statutory responsibility and mutual interest, including statutory matters, local infrastructure, community development and engagement, employment, training and environmental management.

Both parties will have an interest in ensuring the best possible outcomes of the project for the East Gippsland community. It would be the opposite of good governance and management to not plan for the Fingerboards Project to either go ahead or not go ahead.

In 2012, East Gippsland Shire signed an MoU with the Independence Group, proponents of the Stockman Mine at Benambra, some years in advance of approval of the EES. Following approval of the EES and a change in ownership, a revised MoU was signed with Round Oak Pty Ltd in 2018.

The MoU includes:

Shared Vision and Aspirations

“The parties share a common vision for the Stockman project to maximise potential benefits to both the East Gippsland region and the IGOROM shareholders. This vision is underpinned by a commitment to:

- Use and adherence to good processes;*
- Timely approvals and transparent processes (both statutory and non-statutory);*
- Regular and open communication between the parties on all relevant matters relating to the project;*
- Joint advocacy processes to pursue commitments to the project and the region that will generate lasting benefits for both the project and the region;*
- Creating a lasting community legacy from the project;*
- Considering community outcomes in all aspects of the planning and delivery of the project; and*
- Acknowledgement that the best outcomes for the company and the community will flow from an efficient and financially robust project.*

Whilst the content of the MOU focuses on maximising local social and economic opportunities associated with the project, both parties also acknowledge the equal importance of ensuring that the impacts on physical the natural environment of the project is minimised as far as practical and managed to a high standard. This area aspect is not addressed in detail within the MOU as other processes exist to consider and protect the physical natural environment.

Both parties recognise the value of the partnership and cooperation to maximise the potential benefits the project can bring both the region and shareholders. As such the parties agree that they will work together in good faith in the spirit of:

- Maintaining long-term cooperative working relations;*
- Identifying synergies and the ways to of increasing the overall effectiveness and positive impacts of the Stockman project on East Gippsland;*
- Sharing information that will facilitate positive outcomes for the Stockman project; and*
- Acknowledging that cooperation will generate the most significant outcomes for both the region and the project.*

Key Areas of Focus

The four key areas have been identified as the core areas for collaboration between the two parties are:

- 1. Provision, Maintenance and Enhancement of Physical Infrastructure;*
- 2. Optimising Social Outcomes;*
- 3. Optimising Economic Outcomes; and*
- 4. Building Relationships to support the Project.”*

Kalbar Resources proposes the preparation of a Memorandum of Understanding operating along similar principles as the MoU between Council and Round Oak Pty Ltd. Kalbar believes that it could

surpass the ambitions of Round Oak in relation to cooperation and engagement with the Council and community to ensure the best outcomes of the project.

Recommendation

I recommend that East Gippsland Shire Council and Kalbar Resources enter into a process, in good faith, of developing a Memorandum of Understanding to ensure an effective, efficient and mutually beneficial relationship between the parties and that the East Gippsland community achieves the best possible economic, social and environmental outcomes from the operation of the Fingerboards Mineral Sands Project.

Yours sincerely,



Victor Hugo
Chief Executive Officer