

MEMORANDUM

McARTHUR RIVER MINING

SEPTEMBER 2007 – EDITION 6



(L-R) Minister for Regional Development, the Hon Kon Vatskalis, with Mabunji Aboriginal Resource Association Chairperson, Frazer Baker, and MRM General Manager, Brian Hearne, celebrate the formation of the McArthur River Mine Community Benefits Trust in Borroloola

\$32 Million Trust in Borroloola

MRM will provide in the order of \$32 million to deliver economic and social benefits to the Borroloola region via a Trust established through agreements signed on 4 July with the Northern Territory Government.

MRM GM, Brian Hearne and Northern Territory Minister for Regional Development, the Hon Kon Vatskalis, signed an agreement for the establishment of a Trust which will fund local initiatives in the areas of enterprise and job creation, environment, arts, culture, health, education, social and community development.

Mr Hearne said the documents formalised the mine's commitment to the delivery of long-term community benefits. This includes MRM's commitment to achieve 20 percent indigenous workforce participation at the mine and increased local purchasing.

"The extended mine life, made possible by the open pit development, provides the opportunity for MRM to expand its support for the regional community," Mr Hearne said.

Minister for Regional Development, Kon Vatskalis said the agreement acknowledges the shared regional objectives of the community, the Northern Territory Government and MRM in developing the Gulf region.

"This is the first ever agreement of its kind that's been signed in the Territory, and I tell you, it's not going to be the last," Mr Vatskalis said.

"The significance of this type of agreement is hugely important. It is a benchmark for what might be possible with other significant economic projects that emerge across the Territory."

Mr Hearne said community involvement was important to the success of the Trust and engagement with community on the structure, focus and priorities was a critical first step in its implementation.

Mr Billy Coolibah, a Traditional Owner of the Gurdanji people on whose land the mine is located, said: "It's a very good thing for jobs and the people of Borroloola. The mine does a great deal for our community. We look forward to the good things this money will provide."

Fellow Gurdanji Traditional Owner, Mr Ronny Ragget said: "The Community Benefits Trust is a good thing. We support the mine. They help our families and provide more opportunity for our young fellas and the community."

These comments were endorsed by Ms Judy Cotton, Principal of the Borroloola Community Education Centre who said: "The money provided by MRM will be money well spent in building the educational capacity of the community and will enhance the quality of life of people in Borroloola."

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A Message from the GM

This edition of MemoRandUM provides evidence of how MRM is contributing to the community.

The finalisation of agreements for the MRM Community Benefits Trust, our sponsorship of the Darwin Symphony Orchestra's first regional tour to Borroloola, our annual sponsorship of the Borroloola Show and Rodeo that just get better every year and significantly, our support for new Airnorth jet services to McArthur River, are all indicative of the benefits that can come from the mining operation.

The Trust is a particularly important development for us as it puts on paper, our commitment to the future of our region.

We have always accepted our responsibility to support the community surrounding our operations and this is shown through our history of sponsorships, donations and in-kind support provided.

The open pit development has been a catalyst for increasing our levels of support.

Importantly, it has also contributed significantly, as we had anticipated, to the commencement of royalty payments from MRM to the NT Government.

There are many ways that MRM contributes to the region and the Territory. Some, like royalties, are obligations. Some like the improved air services, are positive by-products of our operation.

However, all come from a recognition that we have both a responsibility and an opportunity, to ensure the community benefits both socially and economically from the mine's presence. These benefits are something we are determined to deliver.

Brian Hearne
General Manager

How does the Community Benefits Trust work?

The MRM Community Benefits Trust relies heavily on community involvement which will drive the Trust and is essential to its success.

The community will be involved through submitting program ideas and advising on priorities to an Allocations and Investments Advisory Committee.

These ideas and priorities can also be submitted via recognised Community Members (organisations), Indigenous Members and Advisory Committees (such as the MAWA Committee).

Community organisations will be invited by the Directors of the Board to become Community Members of the Trust and participate as representatives of their community. This is one of the ways for local residents to become involved in the Trust.

In addition, community organisations will have the opportunity to nominate and elect one of their representatives to the Trustee Board.

The Board will then appoint Community Members and indigenous members to the Allocations and Investment Advisory Committee.

This Committee makes recommendations to a Trustee Board which comprises nine Directors whose roles are to manage the Trustee company's business and affairs, authorise payments and appoint supporting officers.

The Trustee Board will comprise nine Directors:

- 2 appointed by NT Government (one independent) Richard Galton and Shirley McPherson
- 2 appointed by the mine (one independent) Sue Sara and Col Fuller
- 1 elected by Community Members
- 4 representing Indigenous Members (1 from each language group in the Borroloola region), Ronny Raggett (Gurdanji), Samuel Evans (Mara), Adrienne Friday (Yanyuwa) and Tony Jack (Garrawa).

The Directors will develop and approve the Annual Plan for the Trust. The Annual Plan will map out the Trust's activities for the year including initiatives to increase the number of Indigenous and local people employed at the mine.

For more information on the Trust, download a copy of the fact sheet on the MRM website www.mcarthurriver.com.au or contact the MRM Community Relations Officer, Jeremy Hastings at the mine's Borroloola office on 08 8975 8281 for a copy of a storybook explaining the Trust (see example below).



Borroloola's bumper weekend

The Borroloola community enjoyed a huge weekend on 17-19 August, with three major events sponsored by MRM. As in past years, the Borroloola Gulf Show and the Borroloola Rodeo, Campdraft and Rodeo were held. This year, MRM invested \$70,000 in sponsorship for the weekend's events that also included a free outdoor concert featuring the Darwin Symphony Orchestra (DSO).

Darwin Symphony Orchestra outdoor concert

The DSO extended its regional concert series this year with a free event in Borroloola sponsored by MRM and Airnorth.

The orchestra performed the 'Symphony Under the Stars', a two hour concert at the Borroloola School Oval on Saturday 18 August, which was followed by a spectacular fireworks display.

Mr Hearne said it was hoped the symphonic event would become an annual feature of the Show adding to the appeal for tourism to the area.

"The orchestra's regional concert series has not only succeeded in bringing a new appreciation of music to remote communities but has also generated great economic benefits," Mr Hearne said.

"The Borroloola Symphony Under the Stars gave community members a chance to enjoy the internationally renowned orchestra which otherwise they would have to travel to Darwin to see."

"We are proud we could bring this experience to the Borroloola region."

The Borroloola Gulf Show

This year was the 22nd anniversary of the Borroloola Gulf Show. The event displayed the unique talents of local residents in art and craft, cooking and horticulture.

People of all ages were encouraged to enter a variety of events, which included the inaugural Borroloola Art Acquisition Award designed to showcase artwork produced by local Indigenous artists.

MRM has been a major sponsor of the show for the past 11 years. This year the mine provided \$5,000 to support the coordination and promotion of the show as well as sponsorship for the Borroloola Art Acquisition Award.

The Borroloola Rodeo, Campdraft and Gymkhana

There were many thrills and spills at the 2007 Borroloola Rodeo, Campdraft and Gymkhana with more than 53 events on offer this year. Riders from as young as six had ample opportunity to make an impression with their riding and droving skills.

Celebrating 40 years of the Rodeo this year, the event continues to be a drawcard to the region with competitors and spectators travelling from across the country to be involved.

MRM is proud to continue its long-term support of the annual event. This year the mine contributed \$5,000 to sponsor the promotion and prizes for the Rodeo.



MRM concentrator expansion

Work on the concentrator expansion at MRM is underway. Once completed, MRM will be the first mine using ISAMILL grinding technology in a primary grinding application on a continuous basis.

The expansion project will increase the concentrator's throughput rates from 1.8 mtpa to 2.5 mtpa during 2008.

The project consists of a number of major engineering installations which include two M10000 ISAMILLS, a new 36 metre tailings thickener and a new tailings disposal line as well as upgraded pumps.

ISAMILL grinding technology was developed in the 1990s and its application at MRM in 1995 was the first of its kind, representing a new approach to grinding technology in the minerals processing industry.

Since then Xstrata Process Technologies has continued to develop the ISAMILL units and now produces the M10000 ISAMILL which are three times the size of the earlier units.

The primary advantage of ISAMILLS over conventional grinding technologies is their power efficiency and the ultrafine grinding they can achieve.

MRM currently grinds concentrate to below 7 micron to allow the removal of impurities from the ore.

This was critical to the development of the McArthur River ore deposit and ensured the concentrate was suitable for sale to the Imperial Smelting Process operations.

Laboratory and pilot plant testwork was conducted by MRM in partnership with Xstrata Process Technologies and has advanced the expansion project to a high level of confidence.

Full scale test work has been underway over the last two months using the M3000 ISAMILLS and has involved the input of all concentrator employees.

This work has been accomplished while still producing record throughput rates and maintaining the plant to an excellent standard.

Open pit development update

The open pit development at McArthur River is proceeding on schedule. Highlights include the Barney Creek rechannelling which will be completed in the third quarter of 2007, the McArthur River rechannelling which will be 90% complete by December 2007 and finished in the second quarter of 2008, as well as the Bund Wall which will be completed after the wet season in 2008.

The civil works team continues to make good progress on the various projects associated with the open pit development and have achieved significant milestones since May.

Barney Creek rechannelling

Bulk excavation for the Barney Creek rechannelling is 90% complete with approximately 80,000 cubic metres of drilling and blasting remaining.

Rock rehabilitation works are 80% complete and re-planting along the banks of Barney Creek will commence in September.

Overburden Emplacement Facility

Construction on the Barney Creek bridge started in June with the precast concrete decking units transported to the site. The bridge piles are now 90% complete.

Preparation work for Bridge 2 has commenced and is ready for construction.

McArthur River rechannelling

Stage 1 clearing of the McArthur River rechannelling is now complete with approximately 1.7 million cubic metres of material moved so far.

To date, 1.2km of the 5.5km McArthur River rechannelling work is complete and on schedule to be finished by June 2008.

Chute construction, channelling water from the tributaries, commenced in July to ensure water discharged from these tributaries follows a controlled route and does not erode new channels.

Main Levee Wall

Work on the northern and eastern stages of the main levee wall continues with 4km of the 7km wall completed.

Rock armouring is underway to provide erosion protection of the clay levee core.

Southern Ana-Branch temporary flood levee

The southern Ana-Branch temporary flood levee is an interim levee for Stage D of the open pit. Clearing for the levee footprint, haul roads and borrow pits is now complete with approximately 180,000 cubic metres moved to date.

Airport runway upgrade

Stage 1 of the runway upgrade opened in mid July.

Work on Stage 2 of the upgrade is scheduled for completion in the first week in September.



The fleet and team in the McArthur River Channel

Supplier update: CDE Capital

Who is CDE Capital?

CDE Capital is a respected civil and mining contractor with more than 30 years experience in delivering major construction and infrastructure projects throughout the Northern Territory.

Around 85% of the CDE Capital workforce is Aboriginal. The company prides itself in its ability to provide meaningful employment and training opportunities for those in the local community wherever possible – some projects recruit almost 50% of the workforce from the local community.

What does the company do at MRM?

CDE Capital has a three year contract with MRM to provide hire equipment including a D10 Bulldozer, 325 Excavator, 740 Dump Truck and 16H Grader for the civil work on site. The work will transfer over to mining after the completion of the civil work project. In addition, CDE Capital coordinates the required operators and supervisors to operate the machinery over double shifts.

What else does the company do?

The company also provides equipment for infrastructure projects including road and airstrip upgrades as well as for other NT mining operations.

CDE achieved National Accreditation in Workforce Assessing (Building and Construction) for its employment and training programs and over the past 20 years the company has established the careers of more than 50 trainees.

Contact details:

CDE Capital
Phone: 08 8988 0777



Sid Rusca, CDE Capital Company Mentor



Traditional Owners from the local Gudanji people Ronny Raggett, Bruce Joy and Billy Coolibah watching the new jet arrive.

New Airnorth Jet

Airnorth unveiled its new \$34 million jet at an event in Darwin on Friday 27 July. The aircraft was purchased in part to meet the increase in demand for the Darwin to McArthur River Mining route.

The purchase of the Embraer E170 is the biggest single investment in the Territory's aviation history and was made possible following the approval of the mine's \$110 million open pit development.

Airnorth co-owner and Chief Executive, Mr Michael Bridge said the MRM charter was crucial to the company's decision to purchase the plane.

"It was clear that the Embraer E170 was the ideal aircraft for the MRM operation, but also fitted well with our plans to upgrade a number of existing services across the Top End as well as enabling us to expand into new markets," he said.

Mr Hearne said MRM wouldn't have an operation without the tremendous support of Airnorth.

"Our workforce has been totally dependent on Airnorth's regular services after awarding the fly-in, fly-out contract in July 2005," he said.

There were no regular air services to Borroloola before the mine was developed. MRM has supported the improved Airnorth services by extending the airstrip by 1.4km and upgrading airport facilities at a cost of \$7 million.

Mr Hearne said the new jet has given MRM another way to improve services in the Borroloola region by keeping families connected, supporting the tourism sector and helping business and economies grow.

The inaugural flight to Borroloola took place on 18 August to fly the Darwin Symphony Orchestra to perform in an outdoor concert at the Borroloola Show.

The first public flight is scheduled for early September.

MRM ore production increasing

Ore production has increased by 16% from 706,600 tonnes to 817,420 tonnes at MRM during the first half of 2007. The increase is a result of the open pit mining approval in October 2006.

Stage D mining commenced in June and development is progressing well with approximately 500,000bcm of waste removed so far. The first transitional ore was mined from this area at the end of July and delivered to the crusher.

Stage E which is the next stage of development along the Western pit wall is due to commence in October 2007.

Previous work on the open pit was undertaken by JMS mining contractors and the transition from JMS contractors to an MRM owner-operated project was completed in late June.

Introducing Gary Taylor



Gary Taylor, MRM's new Safety, Health and Environment Manager

On 11 June 2007 MRM welcomed Gary Taylor who took up the position of Safety, Health and Environment Manager.

Gary's appointment has enabled MRM to continue moving forward with the mine development while addressing the new challenges it represents in terms of striving to continually achieve the highest standards of environmental, occupational health and safety management programs.

Gary has a Bachelor of Science degree, a Graduate Diploma in Tropical Environmental Management, and additional qualifications in Parks and Wildlife Management, Training and Assessment, Applied Science and Government Investigations.

He is also a certified Lead Environmental Auditor, an Accredited Lead OHS Auditor and has qualifications in risk management training and landscape function analysis.

He has been involved in the exploration and mining industry for more than 10 years, primarily in environmental and occupational health and safety roles. He joins MRM from his most recent role as a Mining Team Leader within the Compliance Division of the Northern Territory (NT) Department of Primary Industry, Fisheries and Mines. He has gained his experience in both private industry and government, including Dampier Salt in Western Australia, Capricorn Exploration and Mining Title Services and the NT Government.

His extensive knowledge of our industry means he is ideally suited as we move forward with the open pit mining development.

Environment update

Water

The dry season is well on the way and water levels have been progressively dropping. Routine sampling on groundwater and Bing Bong marine sites continues along with water monitoring upstream and downstream along the McArthur River.

The impact assessment of metal levels at Bing Bong loading facility on listed migratory birds, managed by Charles Darwin University continues at sample sites east and west of the facility. The report highlighted that all levels were below ANZECC guidelines.

Stage two of this monitoring program was carried out in June and involved identifying the abundance of migratory birds within the region of the Bing Bong loading facility.

This monitoring program meets the conditions requested by the Federal Minister for Environment and Heritage as part of the Minister's consent granted in October 2006

Fish monitoring

In June, Dr Dean Thornburn from Indo Pacific Environmental Pty Ltd conducted the third fish survey of the McArthur River as part of the early dry season monitoring program. This program covers a number of sites including Eight Mile Waterhole, Borroloola Crossing, Bessie Springs and upstream of King Ash Bay.

Environmental rehabilitation

Recent environmental rehabilitation work has involved the preparation of *Barringtonia* (freshwater mangrove) cuttings and the collection of several native grass species for revegetation purposes.

The dry season provides the Environment Team with the opportunity to work on fire management controls including the maintenance of firebreaks around the mine infrastructure and village facilities. While undertaking this work, the team actively monitors the site for native trees and large woody material suitable for use as new habitat structures in the rechanneling areas.

Site visits

The Department of Primary Industry, Fisheries and Mines, Environmental Monitoring Unit visited the site in May to conduct surface and groundwater monitoring as part of its annual program.

A Worksafe Inspection was undertaken in July by Kee Hah, Senior Mining Engineer with Northern Territory Worksafe, Department of Education Employment and Training, which covered all main areas around the mine site and rechanneling work.

HSE Innovation Award

An incentive of \$200 prize money for workplace Health, Safety and Environment innovations is being implemented at MRM.

Nominations for the award are open and judging will occur every second month.



Vennita Davey (above) is a Borroloola resident and school student who took part in the MRM work experience program from 2 to 13 July. Vennita spent the majority of the two week work experience program with the environment section and is pictured here assisting the MRM Environment Technicians with environmental sampling

Staff movements

As at the end of July 2007, MRM had 173 permanent employees and 717 contractors.

New starters

MRM would like to welcome:

Administration Department

- Peter Spry, Supply Officer
- Aaron Hocking, Inventory Controller
- Peter Patsalou and Darren Bennier, commenced as Purchasing Officers
- William Coolwell, Marilyn Drover, Edward Firkin, Michael Keighran and Robert Keighran who have started their MST Traineeships in the Administration Department.

Environment

- Gary Taylor, Health, Safety and Environment Manager.

Mining

- Joe Clear who joined the Surveyor team in the Mining Department
- Mining Operators: Peter Devery, Robert Hocking, Mark Hohnke, Brad Penna, Steven Price, Gavin Ross, Clint Archer, Neil Ball, Peter Barling, Chris Martin, Nolan Pryce, Andrew Lansen, Ashley Crosser, Allan Laidlow, Adam Roy and Les Williamson
- Graham Howard and Billy Anderson who have joined MRM as Trainee Operators in the Mining Department.

Metallurgy Department

- Eury-Jane Butler who commenced her Electrician Apprenticeship
- Nicholas Selwyn who commenced his First Year Apprentice Fitter.

Promotions

Congratulations to the following staff who have recently been promoted:

- Huw Werrett was promoted to Supply and Contracts Superintendent on 1 June
- Matthew Guinane was promoted to Surveyor in the Mining Department on 1 June
- Patrick Hurst commenced his second year as Apprentice Electrician on 1 May
- Nathan Roach entered his second year as Apprentice Boilermaker on 17 May.

Transfers

- David Barnes has moved to the Training Department in the new role of Mining Training Officer
- Lenny Hilzinger is MRM's new Training Coordinator in the Mining Department.

Farewell

Farewell to Kerri Carpenter, Kristy Reid, Noel Everon, Graham Luxton, Belinda Lake, Kelly Whitehurst and William Miller.

Special announcements

Get well to Brendon Douglas

It's a boy! Congratulations to Ed Carrigan

It's a girl! Congratulations to Joshua Limbert.

Social Club

In May and June the Social Club held two great nights of sight seeing and socialising.

Around 60 people experienced the sights of Darwin at sunset and a variety of night spots.



(From top) Adam Clark, Rob James, Judy Ratajec, Carmel Johnston and Tony Ratajec; Bob Fabian, Adrienne James and Judy Fabian; Daniel and Nadine Roach.

ERT update

Over the last few months the Emergency Response Team (ERT) has been busy with extensive fuel reduction burns around the mine site as part of the weed eradication program and bushfire threat management.

On the weekend of 24 and 25 August the team took part in the Northern Territory Minerals Council Mine Rescue competition. Full coverage of the event will be detailed in the next edition of MemoRanduM.

The competition was a great opportunity for team members to be challenged by the real pressures of a rescue in an excellent learning environment and have their skills reviewed. The team members were selected from all departments on site.

The ERT also looks forward to training at the new fire fighting facility currently under construction at the fire ground which will use gas for simulated fires and present different scenarios for skill development.

The ERT would like to welcome new members Chris Chung, Peter Spry, Kane Hartell, Adam Clarke and Ed Doerr. The team farewells Sally Alcock and Peter Dimmock and would like to thank them for their contributions to the team.



The ERT in action, rehearsing car rescues and performing essential maintenance in the workshop.

Community update

Community Reference Group

On Tuesday 24 July MRM hosted a Community Reference Group (CRG) meeting to discuss current community projects and upcoming events. The CRG also toured the mine to view progress on the open pit development.

Weed clearing

MRM is undertaking additional work around the mine site to manage and remove weeds. The ongoing work associated with weed management presents an opportunity for community members to get involved. MRM will provide the necessary training and the equipment to ensure the work is undertaken safely.

Contact Community Relations Officer, Jeremy Hastings on 08 8975 8281 for more information.

Swimming pool

Work on the swimming pool project continues, assisted by a full-time Project Manager appointed by MRM.

The pool plans were presented at the July pool committee meeting and incorporated a 25m x 12m pool, wading pool, change rooms and kiosk.

Some minor changes will be made before the pool plans are presented again to the Pool Committee for final approval. The pool is expected to be completed by the end of 2007.

MRM Cyclones Soccer Team

As the proud sponsor of the Borroloola Cyclones Soccer Club, MRM recently presented the team with new jerseys.

Four local children have been selected to play in the NT representative team. The children participated in a demonstration match at Darwin Football Stadium prior to the Melbourne Victory vs Perth Glory game in the Hyundai A-League 2007 Pre-Season Cup.

Initiative creates 40 jobs

MRM will surpass a commitment to double its traineeships, through an innovative indigenous employment partnership with Mission Australia and Federal Government funding.

MRM committed in its Public Environment Report for the \$110 million open pit development to increase traineeship numbers from 10 to 20 per annum. Under a new indigenous employment initiative MRM will appoint 40 trainees from the Borroloola region within one year.

The initiative which commenced in August is supported by more than \$400,000 provided by the Department of Employment and Workplace Relations Structured Training and Employment Project (STEP) program and more than \$100,000 from MRM.

Mr Hearne said MRM would work with Mission Australia, the Job Network provider in Borroloola, to identify 40 local jobseekers who will undergo on-the-job training with the offer of ongoing employment following the training period.

"The initiative will be delivered in four groups of 10 participants appointed between August 2007 and May 2008. The rolling starts will ensure dedicated training and mentoring can be achieved," Mr Hearne said.

"Mentoring and personal support will be a key part of the initiative to ensure each participant is reaching their full potential."

Mr Hearne said the initiative demonstrated the mine's long-term commitment to building a strong community.



The Borroloola Cyclones soccer team wearing new MRM sponsored jerseys with coach Glenn Thompson (far left) and MRM Community Relations Officer Jeremy Hastings (far right)

MRM pays first royalties

MRM announced on 16 July, that the mine had made its first royalty payment to the Northern Territory Government. MRM paid \$13.06 million which represents 50% of the total royalty payment for calendar year 2007.

Royalty arrangements for the mining operation are dictated by the McArthur River Project Agreement Ratification Act 1993 as well as the Mineral Royalty Act.

The arrangements are calculated based on a formula which takes into consideration revenue, operating costs, capital deductions,

exploration expenses and other deductions approved by the NT Treasurer.

Mr Hearne said "We are very pleased that, as expected, the development of an open pit mining area is improving the profitability of MRM, allowing us to provide further benefits to the Territory through royalty payments.

"As one of the three largest mines in the Northern Territory, MRM plays a significant role in the region's economic development, through direct job creation, payment of taxes, community investment and through our policy of prioritising local industry and businesses to supply our operation, increasing local procurement by 14% in 2007 to date," he said.