

Memorandum of Understanding between Karara Mining Limited and the Department of Parks and Wildlife for the Greater Karara Iron Ore Project

1 Preamble

This Memorandum of Understanding (MoU) is between Karara Mining Limited (KML) and the Department of Parks and Wildlife (DPaW) referred to in this document as "the parties".

2 Background

Six former pastoral lease properties in the Karara area (see *Scope* below) were purchased with State and Federal funding by the former Department of Conservation and Land Management between 1995 and 2007. The properties were purchased for addition to the formal conservation reserve system. The pastoral leases covering the properties were relinquished upon purchase and the properties reverted to unallocated Crown land pending formal reservation. In the interim, the properties are managed by DPaW for the purpose of conservation under a MoU with the Department of Regional Development and Lands. Adjacent to the former pastoral properties are two nature reserves and two timber reserves which are already vested in the Conservation Commission.

KML has Government approval to mine iron ore at its Karara and Mungada deposits which are located on the former Karara pastoral property managed by DPaW. The approval is subject to two separate environmental approvals with Ministerial conditions (Statements 805 and 806) and implementation of an offsets package proposed by KML and accepted by the Minister for Environment and DPaW.

3 Purpose

This MoU defines the respective roles and responsibilities of KML and DPaW in relation to the agreed offsets package for the Karara and Mungada Iron Ore Projects (known collectively as the "Greater Karara Iron Ore Project" or GKIOP). The document also outlines cooperative working arrangements between the parties as neighbouring land managers, operating under Western Australian and Australian legislation, to facilitate the effective discharge of their respective roles and responsibilities under the MoU according to recognised principles of best practice environmental management.

4 Scope

The MoU covers:

- All projects in the offsets package for the GKIOP as detailed in Appendix 1 of KML's letter of 30 July 2009 to the Director General of DPaW's predecessor organisation, the Department of Environment and Conservation (see Attachment 1).
- Collaborative working arrangements between the parties for effective management of land within and adjacent to KML's mining tenements.

The MoU complements but is additional to the regulatory framework applying to mining and associated activities in the GKIOP project area. It guides key aspects of the relationship between the parties but is not legally binding on them.

The activities covered by this MoU are to be implemented on the following DPaW-managed lands known collectively as the "Karara Block":

DPaW-managed former pastoral properties:

- Burnerbinmah.
- Kadji Kadji
- Karara.
- Lochada.
- Thundelarra.

- Warriedar.

Other DPaW-managed public lands:

- Bowgarder Nature Reserve.
- Weelhamby Lake Nature Reserve.
- 2 un-named Timber Reserves.

The map at Attachment 2 shows the area covered by this MoU.

5 General

The parties agree that they shall:

- Maintain regular communication on matters of mutual interest.
- Adapt planning processes, management approaches and operational procedures in the light of new information which becomes available during the life of this MoU.
- Work cooperatively to establish arrangements for safe and efficient access and operational activities by the parties.
- Notify each other of any developments which may affect the implementation of this MoU or other management activities.
- Seek, as far as practicable, to accommodate requests for changes in procedures to meet the requirements of the other party.

5.1 Establishment of a Management Structure

5.1.1 Steering Committee

A Steering Committee comprising representatives of KML and DPaW is to be established to guide implementation of the MoU and provide for the exchange of information and advice at a suitable level of authority in relation to strategic land management and conservation outcomes for the Karara Block. Representatives are to be chosen by the respective parties, however at least one representative from each of the parties is to be of sufficient seniority to be able to make decisions concerning the implementation of this MoU.

The Steering Committee will appoint specialist planning and operations working groups as required in facilitating implementation of this MoU.

The role of the Steering Committee will be to:

- Establish broad objectives for the management and delivery of activities covered by this MoU.
- Act as a forum for discussion and resolution of operational and other issues affecting the functions of either party.
- Approve funding proposals under this MoU.
- Allocate funding for expenditure by each party in implementing the offset package.
- Review and endorse offset package financial statements.
- Determine the membership, function and responsibilities of specialist working groups.
- Develop reporting procedures and timelines for the implementation of offsets.
- Determine arrangements for reporting, publicity and media opportunities arising from implementation of this MoU.

5.2 Operational Consultation between KML and DPaW

5.2.1 Management of Threatening Processes

Within the vicinity of the GKIOF, KML shall ensure that appropriate plans and procedures are developed and implemented for the management of threatening processes, and in particular feral animals and weeds.

The Interim Operations Plan (refer Section 6.1 below) will detail management measures and targets for managing threatening processes on the Karara Block and will be implemented by both KML and DPaW.

5.2.2 Trapping and Baiting Proposals

Within the vicinity of KML operations, DPaW and KML shall consult and identify an annual proposal for baiting and trapping of feral animals for consideration and approval by the Steering Committee. Baiting and trapping shall be undertaken in accordance with DPaW policies and procedures.

The aim of the consultation is to identify synergies between the parties such that any opportunities for efficiencies and cost savings can be identified and implemented.

5.2.3 Fire Management

Within the vicinity of KML Operations, KML shall ensure that appropriate plans and procedures are developed and implemented for fire management.

Within areas of the Karara Block outside KML Operations, DPaW shall develop a fire management plan. Upon review and agreement of the plan, KML shall be a signatory to the document and agree to implement any obligations and management measures as required.

5.2.4 Waste Management

KML operates a recycling yard as part of its waste management for the minesite. Funds raised from the sale of scrap material directly benefit the Karara Community Health Fund (KCHF).

KML shall allow DPaW to utilise its existing recycling yard for minor projects. For any major projects, DPaW shall request from KML approval for access to materials.

DPaW shall agree that any waste materials generated by projects covered by this MoU and unsuitable for use in any other projects, in particular steel or building materials, shall be transported to the KML recycling yard for reuse.

5.2.5 Approvals and Compliance

KML shall undertake consultation with DPaW on a regular basis in regards to alterations or additions to KML Operations, exploration activities and future projects.

KML shall provide a twice yearly briefing to staff of the DPaW regional office on KML activities. Briefings shall include, as a minimum:

- Approval applications proposed for the next 6 months.
- Anticipated exploration works for the next 6 months.
- Current compliance and on-ground projects.

Note that "approval applications" and "compliance" relate to those works involving ground disturbing activities where DPaW is a Decision Making Authority (DMA) or provides advice to other DMAs and/or triggering legislative provisions (under the *Wildlife Conservation Act 1950* and *Conservation and Land Management Act 1984*).

DPaW shall:

- Provide relevant staff at the briefings to provide advice on the progression of KML activities.
- If additional advice pertaining to the implementation of this MoU is required from Midwest Regional staff as follow-up to the briefing, undertake to provide this advice within a target of 10 working days.

- If DPaW Midwest Regional staff require additional information pertaining to the implementation of this MoU from KML, KML shall be advised within a target of 10 working days of what these requirements may be.

KML shall:

- Provide any additional information pertaining to the implementation of this MoU required by DPaW within a target of 10 working days.

5.2.6 Land Access

Safety management of KML Operations comes under the *Mines Safety and Inspection Act 1994*. Therefore, specific measures are in place to ensure safety of staff, contractors and the community.

- KML shall provide site inductions to DPaW staff onsite or at other agreed locations twice-weekly.
- Once inducted, DPaW staff will have access to agreed areas within the vicinity of the GKIOP for a period of 12 months.
- For all active mining related areas all people must have an active pit permit or be escorted.
- KML shall ensure site bulletins are provided to the appropriate DPaW staff.
- KML and DPaW shall develop a Site Access Notification work instruction. This document shall identify the notification process for DPaW staff in regards to site works, safety requirements and access routes and specific locations.

5.2.7 Operations

KML shall take all reasonable measures to minimise the impact of its operations on the surrounding environment, DPaW staff, property managers and visitors to the DPaW homestead.

Operational activities by DPaW within the Karara Block have the potential to impact on KML's operations. On a twice yearly basis, DPaW shall provide KML a briefing detailing proposed operational activities over the next 6 – 12 months.

The Steering Committee will develop an agreed approach to notifications immediately prior to the commencement of operations which may have an impact on the other party. DPaW and KML shall maintain a complaints register to track the number of complaints in regards to their operations.

The Steering Committee shall review the impact of operations on each party on an annual basis.

5.2.8 Data Sharing

KML and DPaW shall develop a Data Sharing Agreement and a single location accessible to both parties for data storage and management in regards to shared data, documents and technical information relating to the development of the offsets package and the associated projects.

6 Implementation of Offset Components

This section details the methodology for planning and implementation of offset components. The planning process comprises the steps shown in Table 1. Any offset resources required for carrying out of these aspects are detailed in the text below.

Each offset component listed in Table 1 shall be developed collaboratively between the parties but is to be written by DPaW and presented to the Steering Committee for consideration and approval. Plans will detail the relative priority, resourcing and responsible project manager(s) for each strategy or action.

Table 1. Timeframe for implementation of offset aspects

Offset aspect	Scheduled date of completion¹
First meeting of Steering Committee	31 December 2013
Interim Operations Plan	31 January 2014
Initial Project Plans	30 April 2014
Area Management Plan	31 July 2015
5 year / 10 year Strategic Priority Assessment	31 August 2015
1 – 5 year Operational plan	30 September 2015
Project Plans completed	31 December 2015

¹ Scheduled completion dates assume full project commencement on 1 November 2013 and will be need to be adjusted if the project start date is changed.

6.1 Interim Operations Plan

Objective: The Interim Operations Plan shall provide guidance on management, planning and key projects to be developed in the interim period prior to the 1 – 5 Year Operational Plan being available.

Deliverable: The following are key deliverables for the plan:

- Identification of the priority management issues and areas within the Karara Block.
- Management measures associated with threatening processes and fire.
- Key infrastructure development and maintenance, such as visitor accommodation, access and homesteads.
- A summary of the key projects.
- Key research and monitoring programs.

Offset aspect resourcing: Funding for this aspect shall be derived from the “Karara Block strategic management plan” offset funding.

6.2 Initial Project Plans

Objective: based on the key projects and research areas identified in the Interim Operations Plan, project plans shall be developed to provide the business case, scope of works and technical detail associated with each proposal. The aim of this work is to provide sufficient detail, both from a financial, engineering and scientific basis, to ascertain the merits of the work proposed.

After review by the Steering Committee, successful plans will be implemented.

Deliverable: Each project plan shall be developed using an agreed standardised template. Key aspects that shall be included are:

- Scope.
- Proposed activities.
- Capital and operating budgets.
- Timeframe and key milestones.
- Resourcing.
- Benefit (environmental, financial, technical, etc).
- Outputs and/or outcomes to be achieved.

Offset aspect resourcing: Funding for the preparation of Initial Project Plans shall be derived from the “Karara Block strategic management plan” offset funding. Each project plan shall reference the relevant section of the offsets package proposed as the funding source (e.g. applied research, managing threatening processes, etc).

6.3 Area Management Plan

Objective: the Area Management Plan shall detail the overall vision, objectives and management requirements for the Karara Block. The plan will be developed in consultation with key stakeholders and will direct management of the Karara Block for a period of 10 years.

Deliverable: the Plan shall detail the overall management for the Karara Block including, but not limited to, the following:

- Management context and zones.
- Managing the natural environment.
- Managing cultural heritage.
- Managing visitor use.
- Managing resource use.
- Land tenure and surrounding land uses.
- Involving the community.
- Research and monitoring.
- Infrastructure and access.
- Staff and management resources.
- Performance evaluation and review.

Offset aspect resourcing: Funding for this aspect shall be derived from the "Karara Block strategic management plan" offset funding.

6.4 5 year / 10 year Strategic Priority Assessment

Objective: To assign priorities to the key deliverables from the management plan for the Karara Block. This document should align the Area Management Plan with project plans developed through this offset program.

Deliverable: The Strategic Priority Assessment shall detail:

- Priorities for the implementation of strategies from the Karara Block management plan.
- A program for measurement of Key Performance Indicators associated with the management of the Karara Block (e.g. number of kilometers of fencing, number of goats trapped, total tourists visiting areas).

Offset aspect resourcing: Funding for this aspect shall be derived from the "Karara Block strategic management plan" offset funding.

6.5 1 – 5 Year Operational Plan

Objective: The operational plan shall detail planned activities in years 1-5 of the management plan for the Karara Block and will be reviewed annually by the Steering Committee.

Deliverable: The plan shall include detail of:

- Measures associated with managing the natural environment, cultural heritage and visitor use.
- Key infrastructure development and management, including homestead complexes, visitor accommodation and access.
- Stakeholder engagement programs.
- Key research and monitoring programs.
- Staffing and resourcing requirements.

Offset aspect resourcing: Funding for this aspect shall be derived from the "Karara Block strategic management plan" offset funding.

6.6 Project Plans

Objective: Project plans shall provide the business case, scope of works and technical detail associated with implementing key projects identified through the 1 – 5 year Operations Plan, as well as the 5 year / 10 year Strategic Priority Assessment.

Deliverable: Each project plan shall be developed using an agreed standardised template. Key aspects that shall be included:

- Scope;

- Proposed activities.
- Capital and operating budgets;
- Timeframe and key Milestones;
- Resourcing;
- Benefit (environmental, financial, technical, etc); and
- Outputs and/or outcomes to be achieved.

Offset aspect resourcing: Funding for the preparation of Project Plans shall be derived from the “Karara Block strategic management plan” offset funding. Each project plan shall reference the relevant section of the offsets package proposed as the funding source (e.g. applied research, managing threatening processes, etc).

6.7 Offset Project Management

Each project shall have a designated project manager; this project manager shall be sourced from within KML and DPaW staff, dependent on the project requirements.

If contractors, consultants or additional staff are required for the undertaking of a specific project, then these resources shall be agreed upon by the Steering Committee prior to any works being undertaken. Funding for contractors, consultants or additional staff shall be derived from the “Karara Block strategic management plan” offset funding.

6.8 Financial Management and Service Provision Arrangements

A set of financial, service provision and accounting arrangements shall be developed by the Steering Committee in relation to the management of the offsets package and implementation of this MoU. The financial, service provision and accounting arrangements shall be based on standard accounting measures and shall provide a clear and auditable approach to determine costs associated with the development of plans and projects.

Prior to 30 April in each financial year, the Steering Committee will agree on projects to be implemented and a budget for the following financial year. KML shall develop a special funds account for the purpose of the implementation of the offsets package. At the approval of the project plan, funds relevant for that plan shall be transferred into the account. DPaW will establish a Specific Purpose Trust Account to receive KML funds for the implementation of agreed actions under this MoU. DPaW will invoice KML each quarter in advance for agreed project costs. Offset package financial statements will be presented by the parties for review at each Steering Group meeting.

The following arrangements will apply for expenditure of project funds:

- The parties will expend project funds only on budgeted items as agreed by the Steering Committee.
- Requests by either party for variations to agreed projects will be presented for consideration by the Steering Committee. This includes:
 - Variations to the project schedule or outcomes
 - Variations to the total budget
 - Adjustments in excess of 10% of the allocation to individual budget components (or \$1,000, whichever is the greater).

6.9 Alterations to the offset package

Before an alteration or addition can be made to an aspect of the offset package, both parties shall review and agree, in writing, the proposed changes.

6.10 Relinquishment of Mining Tenements

The following steps shall be undertaken:

- A strategic outline shall be developed by DPaW, and agreed to by KML, to define the relinquishment process.
- The strategic outline shall detail the steps and timeframe to be undertaken by both KML and DPaW to relinquish tenements.

- A consultation process shall be identified to incorporate third party decision making authorities (such as other relevant WA Government agencies).

6.11 Document Development and Agreement

The parties shall agree on a document review process which shall include:

- Each party shall designate a document manager.
- The document manager shall ensure appropriate review and sign-off in a timely manner.
- The document review process shall designate appropriate timeframes for the review of documents.

7 In-kind contributions

The parties will make in-kind contributions to the project outside of specifically-funded projects. In particular:

- The parties agree that contributions by staff not specifically employed on a project will not be charged to project budgets.
- When required, KML is to provide accommodation and meals for DPaW project and other staff and project consultants at the mine site at no charge.

8 Research opportunities / Internal advancement

The Steering Committee shall identify and progress opportunities for research and development, innovation and technical advancement associated with the offsets package.

Research and monitoring projects will be developed and implemented to maximise opportunities for advancement of the technical skills and abilities of KML and DPaW staff.

9 External Resources

The parties agree that the offsets package and associated project plans shall be utilised as a basis for the development of external funding proposals.

10 Disputes

Any disagreements between the parties will be referred to the Steering Committee for consideration and resolution. Issues unable to be resolved within the Steering Committee will be referred to the respective managers of the senior representative of each of the parties for advice and resolution.

11 Term and review

This MoU will operate for 10 years from the date of its ratification by the parties. The MoU can be amended at any time by the agreement of the parties in writing and a joint review of the MoU will occur at the end of the first and second years following its ratification and every 2 years thereafter. At the end of its 10-year life, the MoU will be fully reviewed by the parties and a joint decision made with respect to its extension, amendment or termination.

Signed for and on behalf of the Department of Parks and Wildlife (Western Australia) by its duly authorised officer.

Signed for and on behalf of Karara Mining Limited by its duly authorised officer.

Signature: 

Name: Jim Sharp

Position: Acting Director General

Date: 30/10/13

Signature: 

Name: Paul Sims

Position: Chief Executive Officer

Date: 12/11/13

