

GLENCORE

24 September 2014

Mr Luke Croton
Executive Director, Mineral and Coal Operations
Department of Natural Resources and Mines
PO Box 15216
City East Q 4002

Dear Mr Croton

Wandoan Coal Project – Mining Licence Applications

Following a meeting between you and Glencore personnel Mr Scott Elliott and Ms Helen D'Arcy on 14 August 2014, Glencore would like to provide the Department of Natural Resources and Mines (DNRM) with an update on the status of Glencore's Wandoan Coal Project (the Project) and provide a proposal to progress the Mining Lease Applications for the Project.

Background

- The Project's Mining Lease Applications (MLAs) were submitted to the Department of Mines and Energy (now DNRM) in May 2007.
- On 12 November 2010, the Coordinator-General's Evaluation Report (CGER) was issued by the Coordinator-General for the Project.
- On 27 March 2012, the Land Court delivered its judgment in the Wandoan Coal Mine objections proceedings. The Land Court recommended that the mining leases 50229, 50230 and 50231 be granted over the application, subject to further recommendations, and the draft environmental authority be adopted, with a recommendation to include further conditions.
- On 19-21 November 2012, the Compensation Hearing in the Land Court was heard, with the determination made on 19 June 2013.
- On 6 September 2013, an appeal to the Compensation determination was heard in the Land Appeals Court, with the appeal being dismissed on 7 May 2014.
- In April 2013, the Project Initial Development Plan (IDP) was submitted to the DNRM for approval. First coal was due to be railed in late 2015 under this IDP.
- In September 2013 Glencore announced the Project was to be placed on hold indefinitely. There were a number of contributing factors in making this decision, including continued low coal prices, the high Australian dollar and high input costs associated with the Project.
- In December 2013 the Surat Basin Rail Joint Venture (SBRJV) exclusive mandate to develop the railway ended by mutual agreement between SBRJV and the Queensland State Government, with SBRJV dissolved thereafter.

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Proposal to Progress

The current IDP milestones cannot be met because:

- i. timeframes for determinations associated with the Land Court and Land Appeals Court were greater than first anticipated;
- ii. Glencore have placed the Project on hold in view of the difficult economic conditions described above; and
- iii. The SBRJV has been dissolved.

As the IDP milestones can now no longer be achieved, we understand the Minister is unlikely to approve the IDP in its current form and grant the mining leases without an understanding of the future plan for the Project.

Glencore is of the view that worldwide coal demand will continue to increase and that Glencore will remain a major producer / supplier in the marketplace. Glencore has demonstrated that when the right opportunities exist, the company is prepared to make new acquisitions and commit capital to projects that maintain and/or expand production levels.

Whilst Glencore does not intend to immediately commence the development of the Project, it remains in Glencore's longer term plans to do so when the right economic conditions exist that will result in an appropriate level of return for the shareholders.

Glencore has addressed many of the pre-requisites for mining (e.g. approvals, land arrangements, native title, overlapping tenement arrangements) and to date over A\$400M has been invested in the Project. Glencore is therefore well placed to commence the Project when circumstances allow, primarily:

- i. when economic circumstances allow mining to commence on a profitable basis; and
- ii. when necessary rail infrastructure arrangements are in place.

Glencore has made a substantial investment to get the Project to this point. Grant of the mining leases would enable Glencore to move relatively quickly into production when circumstances allow.

Going forward, we would propose that prior to the grant of the mining leases, a revised IDP be submitted to DNRM for the Minister's approval, based on the following:

- i. milestone dates to be extended to reflect construction of the Project commencing in five years after the grant of the mining leases, and
- ii. when necessary rail infrastructure arrangements are in place.

Within this five year period, Glencore would be required to submit a Later Development Plan (LDP). The Minister and Glencore would have the opportunity to review and agree the LDP in the context of the circumstances that exist at that time.

In relation to rail infrastructure, we note the SBRJV has been dissolved. Glencore will continue to explore opportunities that may arise to provide an economically suitable logistics solution for the Project.

Sch 4(4)(7)(1)(c) - Business Affairs

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We welcome further discussions with you and your office in relation to the grant of the mining leases or any other issue related to the Project and we look forward to your response to our proposal. If you would like to discuss further, please contact Ms Helen D'Arcy on [sch 4 - mobile phone](mailto:helen.darcy@glencore.com.au) or helen.darcy@glencore.com.au.

Yours sincerely

sch 4 - signature

Ian Cribb
Chief Operating Officer
Coal Assets Australia
Glencore

RTI DL RELEASE - DNRM



Queensland
Government

Department of
Natural Resources and Mines

Ref CTS [CTS Number]

17 October 2014

Mr Ian Cribb
Chief Operating Officer
Coal Assets Australia
Glencore
Private Mail Bag 8
SINGLETON NSW 2330

Dear Mr Cribb

Thank you for your letter dated 24 September 2014 concerning the progression of the Mining Lease Applications (MLAs) for the Wandoan Coal Project. The letter provides an update on the situation with the Wandoan Project since the meeting on 14 August 2014 between Mr Scott Elliot and Ms Helen D'Arcy and myself regarding the project.

The Department of Natural Resources and Mines acknowledges that the Wandoan project has had to adjust to numerous changes in conditions throughout the life of the approval process and that the most recent changes in the global market for coal have imposed significant constraints on the project timelines. This has meant that certain commitments made in the current version of Initial Development Plan (IDP) regarding commencement of mining and first shipments of coal are now outdated.

The meeting referenced above addressed the Department's concerns about the difficulties in progressing the Wandoan MLAs to grant in light of the discrepancies between existing documentation and the company's revised planning horizon. Your letter proposes an alternative set of arrangements to enable the MLAs to continue to grant whilst maintaining compliance with the requirements of legislative and policy settings relative to this documentation.

To summarise, your proposal is to submit a revised version of the IDP which would establish a development commencement date five years hence (from the date of grant of the MLAs).

Sch 4(4)(7)(1)(c) - Business Affairs

During the ensuing five years, Glencore would commit to cementing the project's fundamentals (mining commencement date, rail infrastructure arrangements, etc) via submission of a Later Development Plan (LDP) specifying those details.

Sch 4(4)(7)(1)(c) - Business Affairs

Sch 4(4)(7)(1)(c) - Business Affairs

The term of that LDP would be five years and therefore commencement of the Wandoan project within that overall 10 year period would be assumed.

It would be ideal if the revised IDP be submitted to the Department by mid November 2014 so the Minister can give consideration to the grant of the leases by the close of 2014.

I am also aware that the Department wrote to Glencore on 14 May 2014 regarding the special conditions proposed to attach to the leases. Although these have been agreed verbally, the Department still awaits a signed confirmation of Glencore's acceptance of the conditions to advance the leases for possible grant.

Should you have any further enquiries, please contact Mr Michael O'Flynn of the Department on telephone 07 3199 8080.

Yours sincerely

sch 4 - signature

Luke Croton
Executive Director
Minerals and Coal Operations

21/10/2014

RTI DL RELEASE - DNPRM

Meeting with Gencore re Glendon

14-8-14

Dyke

Ken

Ned

John D'Arcy

Scott Elliott

Tim Hammore

Dyke - Dept's position re alignment of dates
IDP vs. media statements re CA.

Scott → filters abt IDP timing.

→ stand appeal court business

→ Co decision to put on hold

→ market filters negative J.C.

- but Gencore wants to grow coal business
in longer term

→ depleting operational assets so will
develop when time is right

→ will continue to review profitability

Dyke - Hard for them to sign off when IDP

says coal production 2014

- mindful of strong relationship w CA/gov
parties

Scott - why W.D.C. to update IDP -
meeting this pm

- acknowledge that forecast not going
first

→ will come up w new mine plan &
put in new IDP → move
back say 5 years.

Recontacted land owner → discussing how
this may be resolved or making any
necessary changes to Main Plan!

Scott - plan to amend footprints + attempt
better suit QEC Ops / planning.

Luke → amendments re QLT may have
some elements ~~to~~ → must
elaborate.

Luke + DP says just coal started "later 2015"
→ need record to match reality.
- Media statements → need some
compromising words to put in perspective.

Timing - letter of comfort - sooner
Full review of IDP - later
QC → review IDP - minor modifications
before it's approved
→ can lodge new maps that
will be consented in
revised IDP/CA. → The
latter will take some time.

Mark / Luke - letter of comfort that can
be done to ~~offset~~ satisfy Main →
to end 2-3 weeks.

Plan

→ letter to Luke.
→ work at QEC → ~~not~~ with new IDP/CA
→ Min will approve CA (Dpt IDP)
→ front of ML