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30 July 2021

Mathew Spratt
Director - Resource Assessments
Department of Planning, Industry and Environment (DPIE)

Dear Matt,

Glendell Continued Operations Project - Status of VPA negotiations with Singleton Council

Reference is made to your request (Request for Additional Information dated 27/05/2021) for Glencore to further liaise with Singleton Council (SC) in regard to the Voluntary Planning Agreement (VPA) for the Glendell Continued Operations Project (GCOP), the relevant extract is repeated below.

Voluntary Planning Agreement – The Department understands that negotiations on a Planning Agreement have commenced, and on 18 June 2020 Glencore provided Council with a formal offer of \$2.24 million (M). The Department understands that Council has not accepted this offer. The Department requests that Glencore undertake further consultation with Council regarding the Planning Agreement and seek to resolve this matter.

In our previous update on the status of VPA negotiations with SC dated 14 April 2021, we informed you that numerous meetings had been held with Council's General Manager, Jason Linnane, and other senior staff, over the preceding 18 months, and that:

- A written VPA offer by Glendell to SC of \$2.24 million was made on 18 June 2020. The offer was considered by Glendell to be commensurate with the level of impact associated with the GCOP, and was more than 1% of the capital investment value (CIV) excluding the value of works associated with the relocation of Hebden Road. In comparison we noted that the VPA for the United-Wambo Project was \$2.65 million as determined by an independent consultant engaged by DPIE. We considered the impact of the GCOP on Council infrastructure and the local community to be less than the United-Wambo Project, which was reflected in Glendell's VPA offer for the GCOP.
- SC responded in writing on 9 July 2020 rejecting the above offer. In their response Council suggested the VPA amount for the GCOP should instead range between \$2.24 million and \$8.69 million (noting the project CIV is \$229 million and the total project capital is \$869 million).

However, to recap previous correspondence to the DPIE, the calculation of capital expenditure for the purposes of the Economic Impact Assessment is different to the calculation of CIV for the purposes of development application fees under the EP&A Regulations (for example, economic impact assessment calculations include replacement costs for fleet during the life of the Project as a capital expense), and for which SC use as the basis for determining an appropriate VPA amount for mining projects. The CIV of the Project (in accordance with the EP&A Regulations) is approximately \$229 million and includes the

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capital amounts for all infrastructure works associated with the Project.

Our CIV estimate excludes mobile mining equipment as the project is a brownfield continuation of an existing operation and will utilise existing mining equipment from Liddell and the Mount Owen Complex. The Project requires no additional equipment capacity beyond that currently available through existing installed equipment. New equipment will be purchased throughout the Project to replace existing equipment once it reaches the end of its life with these capital requirements included in the life of mine capital estimate.

The capital amount of \$515.3 million (discounted) or \$869.6 million (discounted) documented in the Economic Impact Assessment is the total capital requirement for the life of the Project and includes the infrastructure works captured in the CIV as well as capital associated with the purchase of replacement mobile mining equipment and other sustaining capital spend required to support the mining operation.

Subsequent to the above, Glendell wrote a further letter to SC on 28 April 2021, reaffirming the offer of \$2.24 million, and requesting another opportunity to meet in order to further progress VPA negotiations in good faith.

SC then wrote to Glendell on 13 May 2021 maintaining its previously stated position. SC re-iterated being open to utilizing a process similar to the DPIE approach taken for the United-Wambo project. SC indicated that they were also still open to an active role for DPIE and the Independent Planning Commission (IPC) to resolve the matter.

Further meetings were held with SC on 10 June 2021 and 1 July 2021 in an attempt to progress the VPA negotiations, however as of the time of writing this letter Glendell have been unable to reach an agreed value with SC for the GCOP VPA.

Glendell maintains that Council's expectation of the planning agreement being valued between \$2.24m and \$8.69 million is unrealistic and is not based on the Project CIV but instead on the total capital requirement for the life of the Project. Accordingly, as stated in our previous update to DPIE of 14 April 2021, Glendell is prepared to let DPIE undertake its own assessment of what it considers to be a fair and reasonable VPA amount for the GCOP in a manner similar to the recently IPC approved Vickery and Maxwell projects. SC have indicated that they too are satisfied with this approach.

In support of the above position, context is provided within **Table 1.1**, which summarises agreed VPA amounts for recently approved mining projects within the Singleton Local Government Area (LGA). The projects demonstrate that the VPA amounts agreed with SC have proportionately increased in recent years, and are commensurate with the project's predicted impact on public infrastructure.

Table 1.1: VPAs for Mining Projects within Singleton LGA

Mining Project	VPA Amount	Project Summary	Date of Consent
Mt Owen Continued Operations (MOCO) Project	\$1.024m	12 years, 86 Mt ROM coal, up to 10 Mtpa (max)	Nov 2016
United-Wambo Project	\$2.65m	23 years, 150 Mt ROM coal, 14.7Mtpa (max)	November 2018
MOCO Mod 2	An additional \$226k to the above MOCO \$1.024m for a total of \$1.25m	6 years, 35 Mt ROM coal, up to 10 Mtpa (max)	Sept 2019

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Rix's Creek Continuation of Mining (SSD 6300)	\$432k	21 years, 32 Mt ROM coal, 3.6Mtpa (max)	October 2019
Glendell Continued Operations (GCO) Project	\$2.24m (Glendell offer, not currently accepted by SC)	20 years, 135Mt ROM coal, 10Mtpa (max)	Undergoing assessment

We would avail ourselves to discuss the matter further with the DPIE, if considered appropriate.

Yours sincerely,

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