

AD

Letter of Offer
Regarding VPA



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26 June 2015

Mr B Cam
General Manager
Mid-Western Regional Council
PO Box 156
Mudgee NSW 2850

Dear Sir

Re Voluntary Planning Agreement - Bylong Coal Project

I refer to KEPCO's letter of 12 May 2015 where KEPCO provided an offer to Mid-Western Regional Council in regard to a Voluntary Planning Agreement (VPA) relating to the proposed Bylong Coal Project.

KEPCO would like to confirm the terms of this offer. The terms of KEPCO's remain as below:

Total value of \$AUD 7.25M over the life of the project expressed in 2015 terms:

- i. \$1.5M upon granting of Development Consent and KEPCO's approval to proceed
- ii. \$1.25M on commencement of open cut operations
- iii. \$0.05cents/railed tonne thereafter

KEPCO have reconsidered the ongoing mechanism and funding preferences outline in our earlier 18 June 2016 letter and provide a revised mechanism. We understand that MWRC seeks to fund capital projects with funds made available under the lump sum commitments of items (i) and (ii) above.

For the remainder of the funding under item (iii) above KEPCO understand that Council has a number of new and ongoing programs within the LGA that it seeks to utilise the funding for. Council has indicated that any Bylong Coal Project funds allocated to these programs would recognise KEPCO's contribution. KEPCO would though seek to participate in discussions with Council as to the allocation of the funding and to receive regular updates on the progress of projects to which funding has been applied.

KEPCO looks forward to our continued good relationship with MWRC and its constituents. If there are matters of clarification required in relation to this letter please do not hesitate to contact the writer on 0409 365 369.

Yours faithfully

Bill Vatovec
Chief Operating Officer
KEPCO Australia Pty Ltd