

We write this letter in the absence of any legal advice and without prejudice.

We are directly impacted by noise and dust from the Xstrata Mangoola operation. We will be impacted by visual pollution from the relocation of the ETL and the commencement of mining operations to the south and main western pit areas.

We understand that the consent conditions provide that we can seek intervention from the Director General where there has been no agreement reached for mitigation.

We seek the Director General's intervention to bring this long outstanding dispute to a resolution.

At time of writing this letter there has been verbal only agreement to commence the installation of air conditioning as part of an overall noise mitigation package. This installation is supposed to commence week commencing 14 January 2013. This installation was requested as part of a previously agreed noise mitigation package in letter from Xstrata dated 26 April 2012; the full extent of that mitigation was detailed in a report prepared by Renzo Tonin.

The air conditioning was requested to assist in the mitigation of dust in addition to the noise generated by the mine. Xstrata Mangoola refuse to recognise dust mitigation is required but are happy to install the air conditioning for noise mitigation.

Mangoola Coal has also been requested to commence all the other on house noise treatments as detailed in the Renzo Tonin report and agreed to in letter from Xstrata dated 26 April 2012. These treatments require contracts to be between the landholder (Raymond and Christine Phelps and the appropriately licensed builder)

Dear Sir

RE: Mangoola Mine operations. Unresolved noise, visual and dust mitigation measures at 281 Post Office Rd Wyong.

Raymond and Christine Phelps  
281 Post Office Rd  
Wyong, 2333  
Phone 0400 356 663

30 January 2013

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and Home Owners Warranty Insurance to be taken out by the builder in the names of the landholder. There will need to be a tri-part contract developed with Xstrata Mangoola identified as the entity solely liable for all costs and accounts associated with the works, Raymond and Christine Phelps as the landholders and the builder appropriately licensed and with Home Owners Warranty Insurance. Ben Clibborn from Xstrata Mangoola has offered a only letter confirming Xstrata Mangoola liability for costs. This is not satisfactory.

These matters above, while we have verbal indications that something will commence shortly we still have no contractual arrangements in place.

In addition the other matters outstanding and unresolved are:

1. Xstrata Mangoola have reneged on agreements reached in verbal form and in written form to the supply of external noise barriers to

- Back of House
- Front of House
- BBQ Area

This agreement was reached after many years of negotiations commencing in 2008 and we understood finalising in 2012. These negotiations have been at great expense to us with legal advice being required and an independent noise expert being engaged. We also attempted to negotiate an agreement to provide external noise barriers to other high use areas of the property such as

- Wine Garden
- Camping Area

We have no indication from Xstrata Mangoola of their position on these areas other than there now will be no noise barriers provided anywhere.

2. Xstrata Mangoola initially on deciding to renege on provision of the noise barriers stated that the costs of provision of these walls was one of the factors in the decision to renege on the agreement, the other being the height required was some 6 metres (which is a false statement) but in the meeting held in December 2012 Mr Tony Israel confirmed that the walls would not be supplied even if they were only a \$20,000.00 cost. In other words now there will be no provision of any noise barriers. No quotes or details have been provided to Raymond and/or Christine Phelps as to how a quote of \$385,000.00 was derived but Raymond Phelps has been informed verbally that this quote was based on timber and frameless glass structures, which is not what was agreed to be provided. The agreed structures were to be masonry wall and framed glass panels at house and BBQ areas only. All other barriers at wine garden and camping area were to be of solid masonry material.

3. Xstrata Mangoola agreed to undertake regular testing of our potable water supply as we are totally reliant on water collected from our house and shed roof which is stored in rainwater tanks. Xstrata Mangoola undertook one test to gain background water quality prior to commencement of disturbance on the mine site. Xstrata Mangoola have now refused to undertake any further testing of the water.

4. Xstrata Mangoola refuses to agree to supply potable water if tank water becomes contaminated.

5. Xstrata Mangoola refuses to agree to pay costs of any de-sludging of the water storage tanks. It has been recommended that they be done once per annum. We have had to pay to have it done in 2012.

6. Xstrata Mangoola agreed to provide and change water filters on a 3 monthly basis. They are not doing this. It has been some 7-8 months since the filter was last changed.

7. Xstrata Mangoola refuses to undertake any action for removal of dust build up and pollution on roof surfaces. We have asked that they be regularly washed down.

8. Xstrata Mangoola refuse to undertake any action for removal of dust build up and pollution on external structural surfaces (e.g. brick walls.) We have asked that they be regularly washed down.

9. Xstrata Mangoola refuse to undertake any action for removal of dust build up on Olive fruit in Olive Grove (300 trees). We have asked that they be regularly washed down or Xstrata Mangoola provides an Olive washer and water supply so the fruit can be washed prior to processing. This need to wash the fruit was not necessary prior to commencement of the mine.

10. Xstrata Mangoola has not ever undertaken a visual assessment from our property nor have they undertaken any visual mitigation. It is and has always been our position that we will see directly into the main western and southern pit once the mine move to the south side of the High Voltage Power lines (in their current position). The only rectification for this is for Xstrata Mangoola to provide a bund or other type of visual mitigation along the top of the ridge line running approximately north to south on Xstrata Mangoola land next door to ours. This bund would also serve to provide some noise mitigation (if it were of adequate size)

11. Xstrata Mangoola continually avoids all attempts to finalise a negotiated agreement for compensation for loss of full use and enjoyment of our property by not returning with any counter offer. They have offered \$12,000.00 per annum at last offer in April 2012 which we declined as being inadequate. No further offer has been made despite us seeking Xstrata Mangoola position on this.

12. Xstrata Mangoola agreed by email to pay all our legal costs associated with the development and drawing up of the necessary contracts for the mitigation works. They have now reneged on that agreement also.

13. Xstrata Mangoola has been asked to provide contractual arrangements for the the ongoing maintenance, repairs and/or replacement of the mitigation measures Xstrata Mangoola provide. Xstrata Mangoola refuse to do so and will only offer verbal guarantees they will provide this service as required.

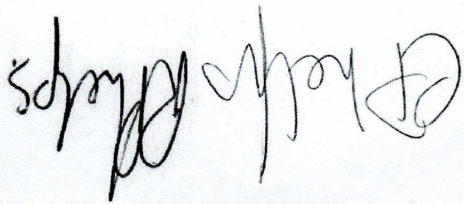
14. Xstrata Mangoola refuses to put any agreements reached into a legally binding contractual arrangement. This is unsatisfactory and unprofessional. They have shown by previous example that anything stated verbally or in writing they are prepared to renege on.

15. Xstrata Mangoola commenced mining of coal on 22 November 2010 without any agreements or mitigation in place between Raymond and Christine Phelps and Xstrata Mangoola. This mining commenced while Xstrata was withholding a noise mitigation report (2<sup>nd</sup> Heggies Report) that was required to finalise the negotiations for the provision of adequate noise mitigations.

16. Xstrata Mangoola repeatedly use the excuse of misunderstandings on their behalf or Xstrata Mangoola personal not having the authority to make undertakings they have made, as being some of the reasons behind their lack of being able to resolve this matter. This is most unprofessional and unacceptable from a large multi national corporation. These are excuses we find unreasonable and unacceptable.

17. It is our understanding that the proposed Modification 6 will exacerbate all of the above impacts.

Yours sincerely



Christine and Raymond Phelps