

KCGM

NEWS & VIEWS

Issue 1 December 2004

OUR NEWS *Your Views*

Welcome

It gives me great pleasure to be able to present to you the first edition of KCGM's "News & Views" public newsletter. We will be aiming to bring you "News and Views" as a quarterly publication, in an effort to share our plans and management processes with you. However we're hoping that the most important content of this publication will not actually be coming from KCGM – but from our local community.

There is no doubt that KCGM is a high profile operation in Kalgoorlie-Boulder, with our location it is pretty hard to miss us. However, our news needs to be relevant, and we'd like to hear from you to ensure that the information you want from KCGM appears in this newsletter. Your views will play a very important part in shaping future editions on "News & Views".

To get the ball rolling, in this issue we'd like to share with you the results of a Social Impact Assessment (SIA) Study that we completed earlier this year. The results are a valuable insight into peoples' perceptions of KCGM as a company, and have given us important feedback for our future planning. In introducing the SIA, I would like to particularly note the response to our SIA Assessors in the Williamstown area. Despite repeated attempts for stakeholder interviews (resulting in 1 response) the lack of engagement indicates that our relationship with residents is still problematic. It is an issue that we are very aware of, and should be taken into consideration when reading the otherwise positive survey results of the SIA.

The entire assessment is available on our website www.superpit.com.au and I would encourage residents to take a look at the detailed feedback that many key stakeholders have given us on our performance within the community.

In addition, we have dedicated a special focus on the current issue of our tailings dams, Fimiston I and II. KCGM put in an application to raise the Fimiston I Facility more than 18 months ago, and at this stage we are still waiting for approval. Our management of this facility has been the subject of an independent expert review, which has subsequently been widely reported in the media. Despite having some concerns about parts of the report, we have nevertheless addressed all of its recommendations and will work with government on proposed improvements to our monitoring and management of the TSF. Accordingly we anticipate government will approve the raise. In this edition of News & Views we'd like to explain to you how our



tailings facilities work, and more importantly, why we are confident we are managing them responsibly.

We would encourage you to bring inquiries and thoughts on any of the issues raised in this edition to KCGM through a phone call to the Public Inquiry Line on 9022 1100, or an email to pil@kalgold.com.au which will ensure a prompt, personal response.

In the next edition of News & Views, we would like to share our vision of what we believe the final Super Pit shape will look like. There are exciting times ahead for KCGM, and we would like to make sure that the residents of Kalgoorlie-Boulder are not only well informed, but encouraged to play an important part in securing a prosperous future for this great city.

In the meantime, please enjoy this inaugural edition of News & Views – and remember we're waiting to hear your views!

Cobb Johnstone, General Manager KCGM

SIA 2004 -What did we do?

Earlier this year (through an independent contractor) we conducted a Social Impact Assessment (SIA) in order to better understand the challenges that our community faces and measure the impacts that our operations have. As part of the assessment, we spoke in-depth to non-Indigenous and Indigenous Kalgoorlie-Boulder residents and selected stakeholders in Perth. During the interviews we received positive feedback, listened to your suggestions and heard a number of concerns. We have now collated all of the information and formed priority areas for change and improvements, which we present to you in this newsletter. The results have been divided into stakeholder categories because we understand that different groups of people have different opinions and needs.

"A community minded company"

We would like to sincerely thank all of the people who participated in the assessment for their willingness to provide honest and constructive feedback. Your advice will be instrumental in improving our already strong relationship with Kalgoorlie-Boulder residents and other stakeholders.



Social Impact Assessment

KALGOORLIE-
BOULDER
RESIDENTS

KALGOORLIE-BOULDER RESIDENTS

What did you say about our social performance?

"I like the fact that they are based here and that employees must be residential. It indicates a commitment to the town"

Overall, local stakeholders rated KCGM's performance across social, environmental, economic and communication areas positively. Contributions made by the company were well recognised and KCGM was seen to be a "responsible, high profile community citizen". With the exception of Williamstown residents, there was very little difference between the opinions of different groups within the local community.

Generally local residents felt that we are doing well in the following social areas:

- Integration of KCGM employees and their families into the local community
- Our commitment to a residential workforce
- Being a good employer with good diversity principles
- Having a "can do" culture
- Encouraging community participation and maintaining stable involvement in the community
- Having visible leadership and local decision makers
- Promoting our operations as a tourist attraction and being a part of cultural fabric of the community

We are pleased to see our strengths appear in areas, which are of significant importance to the community and we will continue to focus on these issues.

However, our discussions also raised some issues of concern to local residents. For example, residents felt that the change of leadership at the mine had created some uncertainty and instability; 12 hour shifts were viewed negatively in terms of their impact on family life and community contribution; the company was seen to have taken a late start on dealing with Indigenous relations and was not seen to have dealt with recent "near neighbour issues" effectively. There was also some desire expressed by local stakeholders for KCGM to tackle the more difficult social issues in the community (such as alcohol and drug dependency and activities for 14-18 year olds).

What about our performance in the environment?

*"They do it as responsibly as they can";
"They have improved a lot"*

Community expectations of environmental performance and management are constantly

increasing, and awareness of environmental matters is quite high. Overall, we received positive feedback for improvements in our environmental management (especially noise, dust and SO₂); improvements in blasting notification and timing; progress in rehabilitation and revegetation; Indigenous involvement in seeding and rehabilitation; and having a good safety culture.

Environment and safety areas that were seen to be having a negative effect on the community included vibrations; water issues; a perceived lack of transparency around environmental impacts; and not enough discussion of closure issues.

The economy?

"Managers live in the community so they want to do things for local people and businesses and this gives a positive impact"

KCGM is viewed as an industry leader and strong contributor to the State and national economies. Positive aspects of our operations include our commitment to local employment and contractors; the flow on effect of our financial contribution to the airport, hospital and other infrastructure; our contribution to industry diversity (e.g. tourism and heritage); and support for the School of Mines.

The main areas suggested for improvement were to increase our follow through on decision making and encourage discussions around the economic sustainability of the region up to and beyond 2017.

Communication?

"They do provide a lot of information, but is it in the right areas? I don't know anything about their environmental performance"

Communication was seen as an area for improvement by a number of local stakeholders. Suggestions included increasing our direct communication with the broader community, having greater transparency and expressing clearer company values.

Having said that, most stakeholders felt that communications had improved dramatically over the last few years. Regular and consistent media relations were well received and employees listed a positive focus on internal communication. The Community Reference Group and Public Inquiry Line were both highlighted as positive examples of how we can continue to communicate with the community.

A low level of internal and external awareness of company values highlighted a need for further effort in this area.



"KCGM are a significant player in all 3 areas, a major player locally through employment and local contributions then to the State and national economy"



INDIGENOUS RESIDENTS

What did Indigenous People say about KCGM?

“Occasionally they throw a dart but it doesn’t always hit the bullseye”

The Indigenous stakeholders involved in this study were from a variety of cultural backgrounds, agencies, community services, contractors and broader community members. Across the board it was felt that we have only just started to make inroads into improving Indigenous relations.

Great importance was placed on improving Indigenous relations through increased and more personal contact with Indigenous people. The significance of environmental issues and management was also considerably higher among the Indigenous stakeholders than the broader community.

How can we improve our Indigenous Relations?

“They need a driving force to make it happen”

KCGM drafted an Indigenous Relations Policy earlier this year to help improve our relations with Indigenous people and our understanding of Aboriginal culture. The draft policy was shown to Indigenous stakeholders as part of the assessment process and all comments were taken into account in formalising the final version which appears in this newsletter.

Overall, it was of most importance to Indigenous stakeholders that we form strong face-to-face relationships between Aboriginal people and the company; that contribution to community development be maintained; that Ninga Mia be considered in future planning and that cultural barriers to rosters and gaining employment with the mine be factored into training and employment initiatives.

The land and environment were also of great importance to Aboriginal people, with more attention placed on the types of flora used for rehabilitation, disruption to land and shifts in the natural environment cycles than for other stakeholder groups. In addition, the proximity of the operations and Gidji Roster to Ninga Mia raised some issues for that particular community. They expressed concerns regarding health and safety issues, which we hope can be addressed through regular communication and increased understanding.

In terms of economic impacts, people on site and are working with the local CDEP to develop training programs so we can reach this target. We currently employ approximately 10 Indigenous people. Although awareness of this program and our targets was generally low, people viewed our goals very positively.

For the Indigenous people we spoke to, the most positive aspect of our economic contribution to Kalgoorlie-Boulder was through Indigenous employment strategies and the success of the local seeding and rehabilitation contracts. Employment and education strategies were viewed as opportunities for Indigenous people to improve respect in their community and the prospects for future generations. However, general economic benefits were currently felt to “pass Indigenous people by”.

How do we increase awareness and understanding?

“Being honest and saying things openly is really important”

Cross-cultural training was introduced at the Super Pit and more than 500 KCGM employees have now completed the goldfields specific course. Awareness of this initiative was quite high and was seen by Indigenous people to be of value to the company and the community in general. In addition to increased understanding between the cultures, Aboriginal people felt that cross-cultural training could increase trust and honesty in relationships, two critical elements for improving community relations.

INDIGENOUS RESIDENTS

“They need more on land management. After they have finished mining what are they going to do with it?”



KCGM INDIGENOUS PEOPLES POLICY

Modern archaeology dates Aboriginal occupation of the Goldfields Esperance region back to the Ice Age, over 20 000 years ago.

Three different Aboriginal cultures traditionally occupied the lands now known as the Goldfields Esperance region. These cultural groups were divided into many tribes and clan groups who each spoke a variety of languages and dialects and observed distinct traditions, laws and customs. These cultural groups included;

- Western Desert peoples from lands north and east of Kalgoorlie, like Leonora and Warburton in the northeast and Coonana to Tjuntjuntjarra in the East. The desert peoples include the Wongutha People and a number of other tribes.
- Mirning, Ngadju and Gubrun peoples whose traditional lands extended from the Great Australian Bight to Norseman up to Kambalda, Kalgoorlie and west to Southern Cross; and
- South West Noongar peoples at Esperance and Ravensthorpe;

Kalgoorlie Boulder has always been an important cultural area, but since the discovery of gold, the creation of missions, and the development of Kalgoorlie Boulder as a regional centre, many of these peoples have made Kalgoorlie Boulder their home.

KCGM recognises the diversity of Indigenous social, cultural and community interests in the Kalgoorlie Boulder region. We also believe that the physical, social and economic well being of Aboriginal people is in the interests of the entire community.

STATE BASED STAKEHOLDERS

What did State based stakeholders say about us?

"They are a visible and local reminder of what drives the community"

"Certainly would appear some issues with residents over time have not been dealt with appropriately"

State based stakeholders included principle regulatory agencies, union and industry representatives, Ministerial offices, Members of the Opposition and conservationists. The issues they raised highlighted a need for more direct and active engagement of both Government ministers and agencies.

The main issues raised by State stakeholders were in relation to progress made in Indigenous relations; relationships with near neighbours such as Williamstown residents and the Keans; and pro-active communication with Government Agencies.

From an environmental perspective, rehabilitation (now and beyond mine closure), water consumption and usage, and cyanide management were of most importance. Consistent with the results of the local interviews, State based stakeholders stated that KCGM has come a long way in managing environmental impacts in a short time.

At a State level, the Super Pit was seen to provide a positive and stable contribution to the town, the region and State.

STATE BASED STAKEHOLDERS

"They are a visible and local reminder of what drives the community"



Stakeholders were asked to describe KCGM as a person in the community. We were seen to be an active local player described as "warm friendly considerate"; "male 50ish, clean cut/shaven"; "personable, but serious if he needs to be"; "sort of friendly and approachable but a bit hard to read".

OUR GOALS

1. To open the "Super Pit Shop" to provide a 'Public Face' to KCGM operations
2. To launch the "KCGM Concept Plan" outlining our future vision for the Super Pit
3. To increase direct communication on issues through the "News & Views" Newsletter
4. To develop a major partnership project with an aboriginal organisation in 2005

To enhance its relationships with the local Indigenous community KCGM will:

- Recognise and observe all local, state and federal laws relevant to indigenous and cultural heritage and title matters
- Strengthen existing, and establish new, long-term relationships with local Aboriginal communities so that we can better understand Indigenous issues, priorities and goals;
- Ensure meaningful involvement of Indigenous communities organisations and stakeholders in matters that impact upon them;
- Create and implement a local Kalgoorlie-Boulder Indigenous cross-cultural awareness program to assist KCGM employees in understanding the local Indigenous community;
- Actively work to increase the number of Indigenous people employed directly by KCGM or our contractors;
- Wherever reasonable, provide local Indigenous businesses with the opportunity to participate directly or indirectly in supply opportunities; and
- Monitor and assess our Indigenous relations performance, and strive for continuous improvement.



Fimiston Tailings Storage Facilities

Introduction

Our management of these facilities has been the subject of an independent expert review (the Thompson Brett Report), which has subsequently been widely reported in the media. In this edition of News & Views we'd like to explain to you how our tailings facilities work, and more importantly, why we are confident we are managing them responsibly. The disposal of tailings is a very important part of our operations, and our ability to get timely approvals for these facilities is of critical importance to the ongoing future of our operations. KCGM put in an application to raise the Fimiston I Facility July 2003, and at this stage we are still waiting for approval.

At the heart of the issue is whether KCGM is affecting the 'Beneficial Use' (see explanation) of the groundwater in the area. The groundwater surrounding KCGM, and Kalgoorlie, is hyper saline (about the same salinity as sea water) and as such is not able to be used for any other purpose other than mining. This is why water for domestic use is piped in from Perth. KCGM acknowledges that in the past there have been some groundwater issues in the form of a rising water table, however there has been progressive management of this issue since 1993, and we can confidently say that in at least the last five years there has been no significant impact either to the environment or to other users of adjacent mining leases.

What are TSFs?

KCGM operates two tailings storage facilities (TSFs) called Fimiston I (~110 ha) and Fimiston II (~350 ha) for its Fimiston operations. All the material that is treated in our milling circuit is crushed and ground to a very small size prior to having the gold extracted. Once the gold has been extracted this material is known as tailings. The TSFs store all the tailings generated from the crushing, grinding and leaching of about 14 million tonnes of ore per year to recover some 850,000 ounces of gold. Fimiston I takes about 20% of the tailings with the majority going to Fimiston II.

What are tailings?

The mud-like tailings contains very fine particles of waste rock and the very (or hyper) saline water, sourced from local groundwater. The tailings also carries very small amounts of cyanide. However the main compound in the tailings (which is referred to in the Thompson Brett Report) is salt.

How do TSFs work?

Tailings are discharged on to the storage facilities from smaller pipe outlets "spigots" which are evenly spaced on the main pipe, which encircles the upper perimeter of the TSF. The tailings flow toward the centre of the storage facility and are then progressively dried out.

On the surface of the tailings, the cyanide rapidly breaks down in sunlight. A great proportion of the water carried in the tailings to the TSFs drains off the surface once the tailings settles and is reused in our processing plant. After much of the cyanide has been oxidised by sunlight, some of the water does seep down into the TSF. Some water remains held in the TSF structure, about 20% continues to drain down and is recovered through pumps and bores, while approximately 10% eventually makes its way into the hyper saline groundwater beneath.

Several things help to manage this process:

- sunlight breaks down most of the cyanide on the top of the TSFs
- tailings water is also lost by evaporation from the top of the TSF
- clear water is pumped back to the mill for reuse
- some water is trapped in the tailings itself
- the remainder seeps into the ground below

Why don't you line the TSFs?

The fact that the TSFs are not on a plastic lined base is a good thing in the Goldfields environment. When finally closing an unlined TSF such as ours, water will both evaporate, stay stored to some extent in the tailings or slowly seep out of it while being controlled by pumping bores and monitoring water table levels. After a few years when the TSF is dry, this can be stopped and no further management of the water is needed. Many of these decommissioned TSFs exist around Kalgoorlie.

In a lined system, any seepage from rainfall after closure will seep down and hit the liner. From there it will have to be pumped away or treated. It also requires ongoing maintenance to ensure that the moisture content of the tailings does not increase to a point that weakens its structure if the water is not continually pumped away. This is not the case with an unlined TSF.

'SOME TERMS'

What's a Water Table?

The water table is the depth below ground surface at which all of the microscopic spaces between the soil and rock particles are filled with water not air. The groundwater levels or water table beneath can be imagined as a line connecting up all the depths measured from the bore holes monitored in the area. This water table generally follows the fall of the ground surface and the drainage path. The height to which the groundwater rises up into the bore tells us how deep the water table is. Seepage down to the water table will cause it to rise and the pumping bores are used to hold this rise in check.

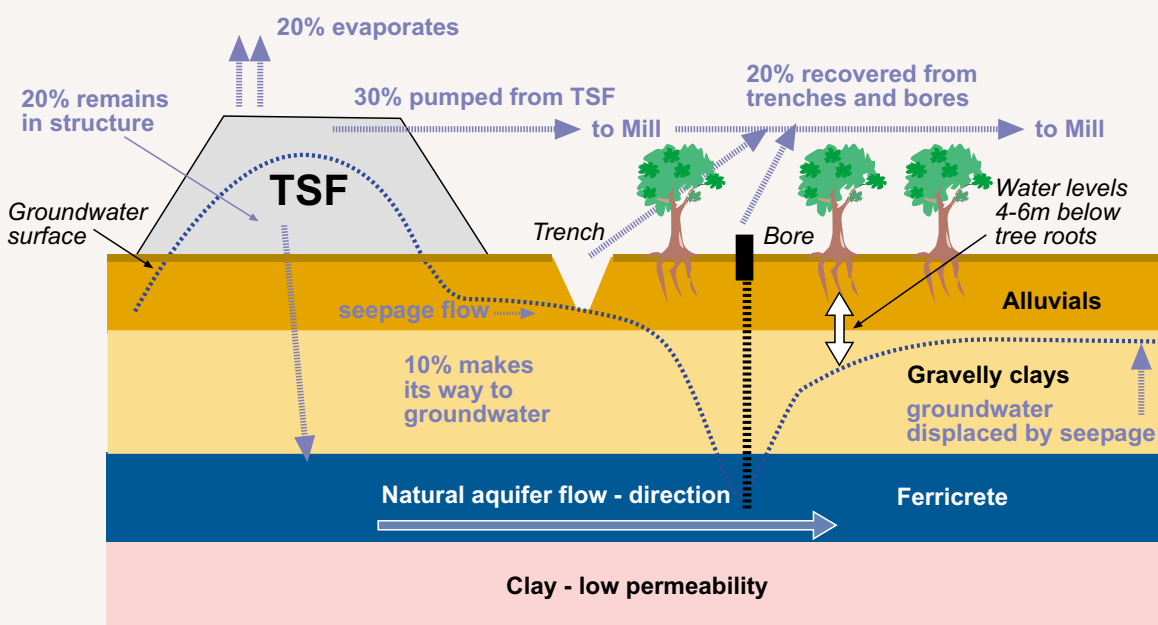
What is Beneficial Use?

This term "Beneficial Use" is a measure of water quality which takes into account current and future users or environments. In other parts of Australia the "Beneficial Use" of the groundwater and surface water nearby have a high value to current users (say water for livestock) or dependent streams, lakes, wildlife, or vegetation. Around the Fimiston TSFs the groundwater ranges upward from sea water quality to hyper saline.

It is important to know that there is no usable water resource near these TSFs. Essentially we are gathering hyper saline water from an extensive network of bores, and returning some of that salt water back into the ground.



Where Does Tailings H₂O Go?



CONCEPTUAL MODEL OF HYDROGEOLOGY NOT TO SCALE % APPROXIMATE

Where do we get the water for processing from?

The water comes from a variety of bore fields, including the TSF seepage recovery bores, through a network covering some 200km around Kalgoorlie. Much of that water can be up to 5 times more saline (salty) than sea water which contains about 35 grams of salt per litre.

What effect do the TSFs have on groundwater?

Seepage into the ground below beneath the TSFs does change the salinity and this is detectable to within a few hundred meters of the TSFs (remembering that the water we use from the area is already hyper saline). However this does not change the usefulness (what the Department of Environment calls the 'Beneficial Use') of the groundwater to mining. There are only trace amounts of cyanide in that groundwater and it is not a danger to wildlife or people.

Seepage can create a pressure wave that can push other groundwater around it outwards. This can be detected by water level rises in monitor bores up to a kilometre or so away. Much of this water 'mound' is displaced groundwater, and not actual seepage.

Our experience with other tailings facilities tells us that the groundwater 'mound' will diminish after we close, and the water table will decline to the residual levels that existed before KCGM and all other previous mining companies operated in the area. In essence there is no water resource out in the area.

How do you manage the TSFs?

KCGM undertakes detailed inspections and checks of operational tailings storage facilities and related pipeline infrastructure. These include three hourly checks by operators, daily checks by supervisors, weekly inspections by supervisors and monthly system inspections by engineers. In addition KCGM reports the results of our environmental and geotechnical monitoring to the Department of Environment and the Department of Industry & Resources.

How do you manage the environment around the TSFs?

KCGM has about 200 bores around its TSFs to manage groundwater. The bores are PVC pipes installed in drill holes only down to about 25 metres below ground level. KCGM pumps groundwater from some of these bores to keep the water table level deeper than a range of 4-6 metres below the surface, as agreed with the Department of Environment.

This ensures that the water table is kept deeper than the tree root zone by pumping water from these bores, which in turn ensures the tree root zone is protected and that vegetation in the area is not affected.

There are no streams or lakes anywhere near these facilities, and this groundwater does not contribute to any surface water systems.

MORE INFORMATION

Where can I get more information?

If you would like more information on TSFs, or indeed any other aspect of our operation, then we would encourage you to contact our Public Inquiry Line on 9022 1100 with your query. You can also visit us at our website www.superpit.com.au to download both the independent review, the Thompson Brett Report, and our response to this report.

We Welcome Your Comments

This newsletter will become a regular feature of KCGM's communication with our local community and will include input from the Community Reference Group. We encourage you to feedback your comments on the results of the Social Impact Assessment and related targets to us. Please feel free to phone our Public Inquiry Line on 9022 1100 (manned 7 days a week, 24 hours a day) or email pil@kalgold.com.au for further input, clarification on the results or additional information.

KALGOORLIE CONSOLIDATED GOLD MINES

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