

20th July 2010

Mr Bill Waterhouse
Chairman, Majors Creek Community Liaison Committee
Majors Creek
NSW

Dear Bill

We are in the process of finalizing the Environmental Assessment (EA), which will be lodged with the Department of Planning (DoP) before the end of July. DoP will then circulate the EA to the vested Departments, Agencies and Council for adequacy. If any amendments are required it will come back to us to make the necessary changes before re-lodging. At that stage we would anticipate the EA being ready for Public Display. We are advised that the process from initial lodgement to Public Display will take from 6 to 10 weeks depending on the number and extent of the modifications required. As we have previously pointed out, the EA will contain detailed findings of many of the aspects that your latest questions relate to.

In the meantime I provide you with Cortona's responses to your Committee's questions, providing as much detail as I can at this stage.

We are planning to present the final project description and findings of the environmental studies at a Community Information session prior to the document going on display. We think the best way to do this is via a static poster display in the village hall over a Friday afternoon and Saturday morning. We will be accompanied by a range of expert consultants to explain the findings and answer any questions.

Finally, once the EA goes on display we will make copies available to the Community to enable people to provide submissions within the required timeframe.

Kind regards

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DISCLAIMER: This information is preliminary in nature, but in the interest of keeping an open dialogue with the MCCLC we are, as you requested in your letter, providing you with our 'angle' in response. The information we include below is subject to change once further test work/results become available and the engineers provide detailed designs.

Application to the NSW Government under Section 3A of the Planning Act

- Can the community through the MCCLC participate in any future Planning Meetings?

Attendance at Department of Planning meetings is determined by the Department. We do not anticipate any further Department meetings. Cortona will invite the community's feedback on the Environmental Assessment – through consultation and information sessions.

- Can the points raised by the community be dealt with prior to the formal submission process? Is there any point to doing this?

Definitely. It is the intention of Cortona to address each of the issues raised in the Environmental Assessment. Where appropriate, specific questions or issues raised by the MCCLC will be included in the Environmental Assessment, however, the questions will be answered more generally in the relevant section of the document. Cortona will prepare a Statement of Commitments as part of the Environmental Assessment. The Statement of commitments will include all proposed mitigation measures, environmental safeguards, and operational controls and offset strategies identified throughout the EA to be implemented in our assessment of impacts. These commitments will be designed with the community in mind and will form part of the project approval if granted.

- Can the points raised by the community be considered by the Director General prior to the notice being issued from the Department of Planning outlining the Director General's Requirements for the proposed development?

Typically not. The Director General's Requirement's are issued by the relevant government agencies and reflect their statutory powers and jurisdiction, not the wishes of the community, as important as they are. The Department of Planning however, expects Cortona to consult widely and respond to the issues raised during that consultation.

- To the extent that the points raised by the community are not met by the Part 3A Planning process, is Cortona prepared to enter into an agreement with the MCCLC about these matters?

Cortona will enter agreements with the Department of Planning which will cover all operational and rehabilitation aspects that we will have to conform to. There will be no need to enter any additional agreements with the MCCLC.

PART 1: PROPOSED DARGUES REEF GOLD MINE, OPERATIONS OVERVIEW

MINING

“The Majors Creek Community, through its open meetings has made it clear that the MCCLC advise Cortona that it (the community) considers 24 hour operations of the Major's Creek mine to be totally unacceptable. The foremost concern of the community is that the noise, dust and light pollution effects of a 24 hour operations would adversely impact the community and that Cortona should review their planned operation with a view to reducing the hours to 12 or 14 per day.”

- What will Cortona do about acknowledging these very real concerns and restrict the hours of its

operation to a more acceptable and reasonable period particularly in relation to surface operations?

Cortona will implement all appropriate management measures, including placing as much equipment underground (e.g. ventilation fans) or enclosing noisy equipment in buildings designed to reduce noise emissions to the greatest extent practicable. Cortona will be required to meet stringent environmental standards for noise, air quality and visual amenity as set by the relevant NSW government authority. Failure to adhere to these environmental conditions could result in sanctions on operations by the Minister for planning which could entail operating hour restrictions or stop work orders. Cortona acknowledges the community's concerns. , however, the proposed processing facility requires continuous operation. The time, operating efficiency, and financial-cost of stopping and starting the plant on a daily basis would have a negative impact on the operation. It is therefore not possible to restrict the surface operation to daytime only.

- Is Cortona aware of a company called "Gekko" (or Gecko) that deals in underground mining design and equipment that is designed to reduce environmental impact?

Yes. Cortona has had discussions with Gekko

- What is the amount of bond that Cortona will be required to pay to rectify any environmental damage? Is a fund established at the start of the project to "close" the mine when the project is complete?

The security that will be required by The Department of Industry and Investment NSW (I&I NSW) is calculated using the Department's standard calculation tool. These calculations will be made and the bond amount will be determined once the Project is approved. Establishment of the bond will be required prior to the commencing of mining-operations.

PROCESSING

- How much noise will be made by the grinding mill and the processes associated with it?

Cortona is committed to working within the stringent environmental guidelines for noise. The grinding mill and grinding circuit will be rubber lined to reduce noise. Noise modelling results to date are below the limits set by the Department. Full results will be presented in the Environmental Assessment.

- Will it be above ground? Will it be housed? Will it operate 24/7?

The entire processing facility will be above ground. Significant components, namely the crushing circuit, will be housed in a building designed to reduce noise, dust and light emissions to the greatest extent practicable. The processing plant will operate 24 hours per day.

TAILINGS MANAGEMENT

- What is the chemical and physical composition of tailings resulting from the proposed milling process at Major's Creek?

Test work is still underway. Based on completed test work to date, the tailings are expected to be non-acid generating and chemically inert.

- From the chemical constituents within tailings, which are compounds of concern? Who decides this and what environmental legislation and environmental guidelines are used to determine thresholds of environmental concern?

The Department of Environment, Climate Change and Water (Environment Protection and Regulation Group) (DECCW (EPRG)) will issue an Environment Protection License (EPL), assuming project approval is granted. The EPL will include monitoring requirements and limits on discharges from site.

- What is the soil leach factor of the TSF over a long period of time? (i.e. once mine is closed)

The Tailings Storage Facility will be required to have a permeability of 1×10^{-9} m/day, which means it is effectively impermeable. Test work is under way to assess the soils and weathered rock at the TSF site. In addition, Cortona will construct monitoring bores and collection trenches down stream of the facility. Cortona will only be permitted to relinquish the site (and recover the security bond) once it is established that the Tailings Storage Facility does not pose an environmental risk.

- Will the TSF contain any substances which, if leached into the soil, could cause environmental damage? If so, who would be responsible for rectifying this damage once the mine is closed?

The absence of cyanide will mean that the composition will be much more benign than most industry standard gold plants. The nature and levels of constituents will be governed by the EPL. Anything not covered by the EPL will be covered by Section 120 of the Protection of the Environment Operation Act, 1997. Test work is still ongoing and full disclosure about the physical and chemical characteristics of the TSF will be included in the Environmental Assessment. Cortona will also undertake regular monitoring to confirm no compounds of environmental concern are present within the tailings. In the unlikely event that a contaminant is identified, monitoring will be undertaken to confirm this does not leach from the facility.

- Can Cortona please indicate what they see as the life expectancy of the disused tailing dam and how the environmental chemistry relating to this dam will be monitored throughout the life of the mine as well as after it closes?

Groundwater and surface water downstream of the Tailings Storage Facility will be monitored during and following the life of the facility. Those results will be reported annually in accordance with the Project Approval, EPL and Mining Lease to the DoP, DECCW (EPRG) and I&I NSW. Cortona can make these results available to the public. Once mining operations are complete the surface of the Tailings Storage Facility will be covered, reshaped and re-vegetated to allow water to flow off and limit water infiltration. The impermeable lining of the TSF will remain in the final landform.

CONCENTRATE SHIPMENT

- When will the details about the concentrate shipment be known? (numbers of movements, size of vehicles, hours of transport, destination, noise of loading mechanism etc)

This information will be provided in the Environmental Assessment.

PART 2: RESPONSES TO COMMUNITY QUESTIONS

Q: Water Supply/Usage/Water Table:

- How much total water is required?

Metallurgical consultants are investigating various options to minimize the amount of water required. The complete water study including water requirements and surface and groundwater modelling, will be included as part of the Environmental Assessment.

- How much “new water” per annum will the mine need?

The “new water” requirements forms part of the surface and groundwater modelling that will be included as part of the environmental assessment.

- Given the current climate change conditions how relevant is the modelling of the past 100 years of rainfall?

Historic rainfall data remains relevant because it reflects the natural variation in rainfall over a long period. There is no better data available. Cortona has made significant investments in developing a best practice approach to minimizing water use.

- Can Cortona please outline what they define as 1st and 2nd order streams in the recently completed Review of Environmental Factors?

These are standard geomorphologic terms. A first order stream is one that commences at the head of a drainage system and has no tributaries. A second-order stream is one formed when two first order streams merge. A third-order stream is one formed when two second-order streams merge.

Wikipedia’s explanation of a Strahler Stream Order system is accurate (http://en.wikipedia.org/wiki/Strahler_number), a more detailed explanation can be found in Strahler’s 1964 study ‘Quantitative geomorphology of drainage basins and channel networks’. Full citation: After Strahler, A.N. (1964) ‘Quantitative geomorphology of drainage basins and channel networks’, in Chow, V.T. (ed.), Handbook of Applied Hydrology, New York, McGraw-Hill, section 4-11.

- Does Cortona’s harvestable water right include an obligation to assess how the catchment of that water will affect the local environment? (i.e. what will be the affect on community properties both upstream and downstream, our waterways, flora and fauna?)

The harvestable right allows any landholder to have storage on their property for 9-10% of the total land area as megalitres (e.g. 100Ha property, 9-10 megalitres of storage). The harvestable water right is attached to the property and applies to all landowners. As a landowner, Cortona is under the same obligations to assess the effect of this catchment and storage as any other landowners when they install dams under the same rights.

- How often will the water be tested? i.e. Will Cortona on a weekly or monthly basis monitor all water use, its origin and tests the quality?

Water testing frequencies will vary depending on sampling location and monitoring purpose. Environmental monitoring will be identified in the Environmental Assessment.

- Will Cortona make available to the MCCLC, and through them the Major’s Creek Community, results from any and all water testing already undertaken and in the future at, and near, the Major’s Creek proposed mine site and the full analytical methods (including the limits of detection and quantification) for each set of test results?

A likely condition of project approval will be to publish monitoring results on the Company’s website within a nominated time period. Cortona will – as one of its project-related commitments – publish monitoring data on its website and can also arrange for other methods to distribute the information if the community wishes.

- Will Cortona involve the local Land care / environmental groups in the water testing/ monitoring

process?

At this stage monitoring is likely to be undertaken by Cortona personnel (as is currently the case).

- Is Cortona prepared to indemnify the community in case of water or air pollution over and above an agreed limit? Is Cortona obliged to do this under legislation?

Cortona is obliged to ensure that any discharges to air, land and water are in compliance with the project approval and EPL. Failure to do so can result in prosecution by the DECCW (EPRG). Cortona intends to implement procedures to ensure that such discharges do not occur.

- Will Cortona make public the results of its assessment of the impact of using water from existing mine voids?

Yes. Detailed groundwater modelling will be made public in the Environmental Assessment.

Q: Noise Management

Each of these issues will be addressed in the Environmental Assessment. Suffice to say that noise criteria, the acceptable noise level, will be set in accordance with the NSW Industrial Noise Policy and other relevant noise guideline documents.

- How are noise levels measured?

The Department will provide Cortona with the criteria for measuring noise levels. We would be happy to provide these to you when they're available.

- What ongoing measuring will take place?

It is a requirement of operations that noise levels measured and monitored throughout the Project.

- What is defined as an "acceptable" noise level?

The acceptable noise level of any development in NSW is set in accordance with the NSW Industrial Noise policy and other relevant noise guideline documents.

- Which agency is responsible for setting these limits and measuring/enforcing them?

Noise criteria will be set by the Minister for Planning, in consultation with DECCW (ERG) as conditions of the project approval.

- As mentioned above, will Cortona reconsider a 24 hours per day operation or at the very least consider restricting the hours of operation of equipment above ground?

Cortona will implement all appropriate management measures, including placing as much equipment underground (e.g. ventilation fans) or enclosing noisy equipment in buildings designed to reduce noise emissions to the greatest extent practicable. Cortona will be required to meet stringent environmental standards for noise, air quality and visual amenity as set by the relevant NSW government authority. Failure to adhere to these environmental conditions could result in sanctions on operations by the Minister for planning which could entail operating hour restrictions or stop work orders. Cortona acknowledges the community's concerns. , however, the proposed processing facility requires continuous operation. It is therefore not possible to restrict the surface operation to daytime only.

- Will the results of the independent noise expert be made public?

Yes. The report and a summary of it will be included in the *Environmental Assessment*.

- Will Cortona use the brands and types of equipment that produces the least amount of noise when compared to other brands of the same types of equipment?

Yes. Wherever possible, Cortona will use quieter equipment over noisier equipment. Indeed, equipment lists have been adjusted already on the advice of the noise consultant.

Q: Road Infrastructure and Traffic

- Will Cortona agree to support the involvement of an MCCLC representative in any discussions with the Palerang Council about the changes to the road infrastructure?

MCCLC involvement is a matter for Council, however, Cortona would have no objection to MCCLC participation in non-commercially sensitive discussions.

- What is the time frame for the road upgrade?

That is a matter that is still under discussion between Cortona and Council. However, Cortona anticipates that it will provide funds for Council to undertake some repairs and alterations to make the road safe for the increased traffic flow prior to commencing mining operations. Further upgrades and maintenance would be funded from ongoing contributions. The timing and nature of those works are still under discussion.

- How will the upgrade impact our travel times during the upgrade?

It is too soon to provide a specific answer to this question; the Council should be able to provide this information to you in due course.

- When is the expected completion date of the road upgrade?

It is too soon to provide a specific answer to this question; the Council should be able to provide this information to you in due course.

- Who will do the actual work for the road upgrade? (ie Council workers?, private contractors?)

This is a decision to be made by the Council.

- Will Cortona negotiate with the MCCLC to not have any heavy vehicle movement during certain agreed hours of the day?

Yes. Typically a Traffic Management Plan would be prepared specifying hours of transportation. It should be possible to avoid specific times of day such as school starting and finishing times.

- Will Cortona agree to fund now, as an interim measure, the full "White lining" of Majors Creek Road?

This has been a Cortona initiative and we are nearing completion of discussions with the Council to fund the white lining on the road.

- Will local residents be charged higher rates as a result of the road upgrade, either now or in the future?

Cortona does not control the rates charged by Council. However, we note that Cortona will be contributing significant funds to Council, including funds for road maintenance and rates. There should be no impact on the rates Council charges as a result of the Project.

Q: Dust Control

- Will the condition of approval include a requirement to weekly monitor dust and to monthly test it for heavy metals? Will these results be made public?

Cortona will be required to provide results of regular monitoring to the Department. We will discuss with the government to make these results available to the public. Monitoring of heavy metals is not expected, gold will be extracted as an ore and other heavy metals will not be produced on site.

- If individual residents are medically affected by increased dust levels what would be done to assist them?

The preliminary dust modelling results indicate that dust-related impacts are expected to be negligible.

Q: Ground Contamination by Chemicals

- No further questions at this time but we would like to reserve the option to gain responses in the future.

Q: Tailings Dam

- As above

Q: Effective Rehabilitation of Site

- How is the amount of the rehabilitation bond determined?

The security that will be required by Industry and Investment NSW (I&I NSW) is calculated using the Department's standard calculation tool. These calculations will be made and the bond amount will be determined once the Project is approved. Establishment of the bond will be required prior to the commencing of mining-operations.

Q: Impact on Wildlife

- On what basis is it claimed that there has been little impact on local wildlife during the current drilling stage of operation?

All discussions related to impacts on local ecology will be included in the Ecological Assessment, currently being finalised and to be included in the Environmental Assessment.

Q: Impact of High Use of Electricity

- Will Cortona make public the outcomes of any discussions with Country Energy? Will these outcomes cause any increase in charges to local residents, either now or in the future?

Discussions with Country Energy are commercially sensitive and will not be made public. However, there would be no reason why those discussions would impact on retail electricity prices.

Q: Positioning of Infrastructure

- Exactly what infrastructure- plant, stockpiles, roads lighting towers and the like will be visible from the village?

Where possible, infrastructure will be built behind existing foliage or masked behind the natural landscape of the site. A complete visual amenity assessment will be included in the Environmental Assessment.

Q: Mine Portal Entrance

- Where will it be placed? Will it be seen from the village?

A detailed site layout will be included in the Environmental Assessment. The portal should not be visible from the village.

Q: Trust Fund

- Will Cortona provide some examples of independently managed trust funds which it considers to be reasonable to the MCCLC for us to consider?
- Would Cortona support a community based art event to officially open the mine?
- How does Cortona propose to administer its “corporate” support of community developments and support?
- Will Cortona become engaged in rehabilitation works beyond the lands it already owns?

Cortona has enjoyed working with the Majors Creek Progress Association (MCPA) in support of community projects such as the village play park and the tennis courts, as well as donating to other MCPA fundraising initiatives. Cortona understands that projects such as these typically require considerable and concerted local effort, and looks forward to being an enthusiastic participant in further proposals from the MCPA. Cortona has also supported the Braidwood Historical Society in securing highly significant historical artefacts for public display at the Braidwood Museum, and is a proud major sponsor of the Braidwood Redbacks Rugby team. Please note that a limited budget will be available for community projects and the community will be required to prioritize the project proposals.

The mechanism for Cortona’s corporate support has not yet been defined. A range of options includes, but is not limited to, an independently managed Trust, working with the Shire Council, or working directly with the MCPA. Cortona will almost certainly create a Community Liaison role within the Company should mining proceed.

With regards the land, Cortona has already indicated that weed control, creek stabilization and tree planting programs on our farmland will be high on the list of projects that will be initiated by the Company going forward. We are keen to discuss with the community how it feels this might best be achieved in a way that benefits the environment, the landscape, and preserves the natural and cultural heritage. We recognize that the challenges presented by erosion and weed infestation don’t end at our property boundary, and will be looking to work with neighbouring properties and the broader community to achieve a long term beneficial outcome. Cortona anticipates that there will be a need for a role within the Company for somebody to lead this initiative.

We are still researching Trust Funds, and hope to have some examples for you shortly.

Q: Further Expansion to Involve Detailed and Timely Consultation with Community

- Will Cortona proactively support MCCLC involvement in all decision making processes between stakeholders?

It is envisaged that a Community Consultative Committee will have a role to play throughout the life of

the Project if it is approved.

Q: Preference Given to Local Employment, Including Provision for Training

- When will Cortona be able to advise the community what local jobs/training opportunities will be available and how will this be done?

Details of specific employment opportunities will be available, pending approval of the project.

- What opportunities will be available for young people within the Cortona facility?

Cortona would provide preferential employment for locally based persons, including young people, over other similarly qualified and experienced persons based in other areas. No decisions on local jobs/training opportunities can be made until the detailed staffing requirements have been made.

Q: Decrease in Property Values to be Met by Company

- No further questions at this time

Q: Damage to Property from Mining Activities to be Fully Repaired by Company

- Is Cortona assessing the implications of the Majors Creek fault line for their mining operation? If so, will this assessment be made public?

Yes. A detailed blasting assessment, including a proposed monitoring program, will be included in the Environmental Assessment.

- Is Cortona aware that there have been two local earth movements in the past 30 years? What will be done to ensure that the mining operation does not cause additional earth movements?

All available geological data is considered as part of the Environmental Assessment process. Engineering for mining operations is required to minimize these risks.

- Has Cortona determined if their insurance covers any damage to property as a result of mining and/or blasting?

Cortona has confirmed that it can insure for property damage resulting from its activities, and will do so once mining commences. Cortona considers the chance of damage resulting from shock waves during mining to be negligible.

Q: Independent Environmental Impact Assessment for Community to be paid for by Company

- Will Cortona fund the MCCLC to hire an independent qualified person/company to assess the mine proposals and any draft EIA so that the community can make an informed submission to the NSW Dept of Planning?

Cortona has commissioned R.W. Corkery & Co. Pty Limited, an independent environmental consulting company with over 25 years experience assessing mining-related projects, to manage the environmental assessment of the Project.

Furthermore, the Department of Planning, DECCW, I&I and NSW Office of Water will all be undertaking a detailed assessment on the submissions.

The community will have access to all of this material in order to provide submissions. The community is also welcome to put its questions to Cortona in relation to any material they do not understand.

Q: Full Disclosure of any Arrangements Entered into Between Cortona and Palarang Council

- Will Cortona agree to involve an MCCLC representative in any discussions with the Palarang Council about the changes to the road infrastructure?

MCCLC involvement in road infrastructure changes is a matter for Council to decide. Cortona would have no objection to MCCLC participation in non-commercially sensitive discussions.

- Can the community through the MCCLC participate in any future “Stakeholder” Meetings?

Yes. Cortona anticipates convening regular community meetings during the application, construction, operation and rehabilitation stages of the Project.