



BUSINESS PLAN

For

**Major Land Transaction and
Major Trading Undertaking**

**Proposed Lease of Kambalda Airport
to Mineral Resources Ltd.**

June 2024

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1.0 PURPOSE

The purpose of this Business Plan is to:

- Inform the community of the Shire of Coolgardie a proposal to the Kambalda Airport to Mineral Resources Limited for a period of 21 years.
- Advise the community and any other affected parties of the proposed terms of the lease.
- Provide opportunity for the community to consider and make informed submissions on the Business Plan; and
- Satisfy the requirements of Section 3.59 of the Local Government Act 1995.

2.0 BACKGROUND

2.1 Shire of Coolgardie

The Shire of Coolgardie (Shire) is a regional local government within the Goldfields region of Western Australia. The Shire is home to an estimated 3,348 people (as at 2020). Over the 2015-20 period, the permanent population was estimated to have declined by an average of 3.02% per annum, though this does not accurately capture transient population levels.

The Vision of the Shire Council (as expressed in the Strategic Community Plan is:

To create an inclusive, safe, and vibrant community and thriving local community.

The community's goals are to:

- build a sense of place and belonging;
- build a safe and healthy community; and
- celebrate our culturally diverse community.

The Shire operates a suite of 'traditional' local government services and facilities across the townships within its District. The cost of operating these services and facilities is progressively increasing and, as assets age, maintenance and asset renewal costs will increase.

Primary sources of revenue for most Local Governments are rate income that is derived annually from property owners within the District. The number of households, the value of housing stock, land values and the level of commercial or industrial activity all influence the level of revenue local government can extract from its rate base.

Rate revenue alone will not cover the costs of providing the services/facilities that the Shire of Coolgardie community needs and wants. Income from alternate sources is required to deliver the revenue required to achieve the community's goals and the Council's Vision.

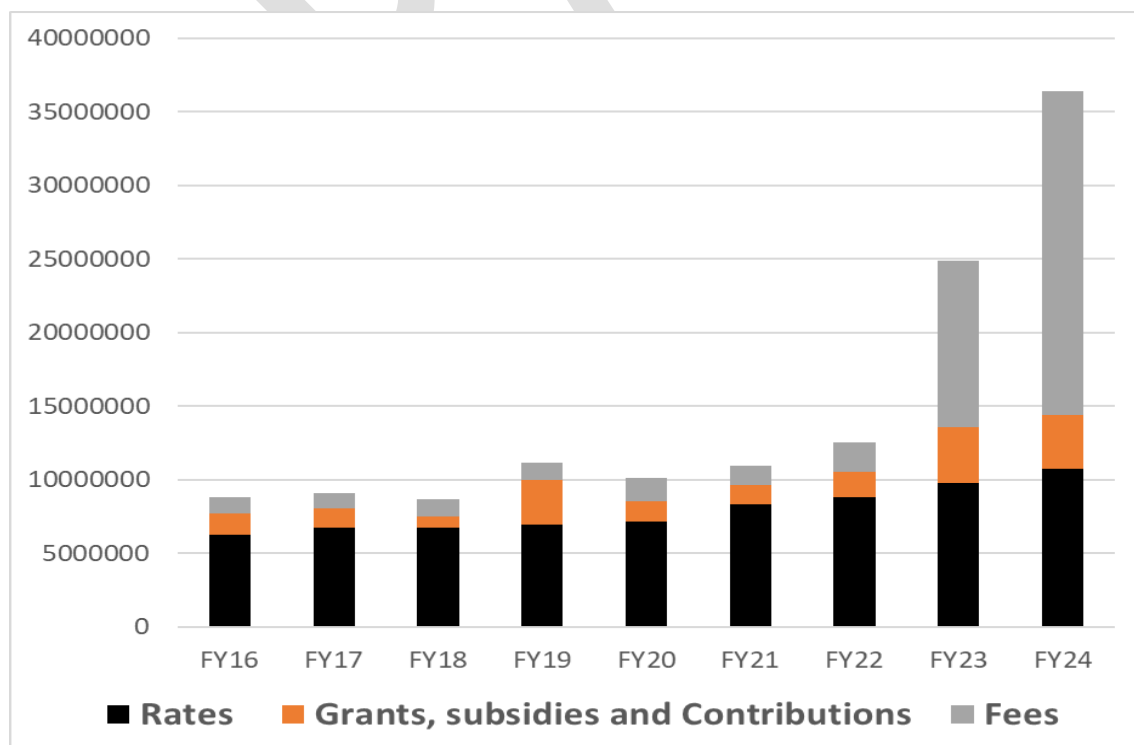
Over the past 3-5 years the Shire of Coolgardie has been aggressively pursuing growth in revenue from sources other than rates. This has been through a combination of:

- Seeking State and Federal Governments grants and contributions;
- Developing and growing partnership relationships with major resource sector partners within the region; and
- Actively pursuing the development of business opportunities within the Shire that grow income base, support local businesses and jobs, assist development of local mining industry and align with the Shire’s vision.

By developing business opportunities, significant activity has been undertaken in:

- Transient Workforce Accommodation Leases: Through the provision of land leases to facilitate the construction of Camp Accommodation
- Transient Workforce Accommodation Development: through the development and operation of the Bluebush Accommodation Village in Kambalda
- Waste Facility Development: Investment in the development of a Class 3 Waste Facility that is now receiving a variety of new classification of waste from industry partners with commercial rates for disposition being charged.
- Airport Development and Promotion: Though the development/upgrade of facilities and the Kambalda airport and the active promotion of the airstrip as safe, reliable alternate for charter flight operations.

The graph below highlights the rapid growth in revenues



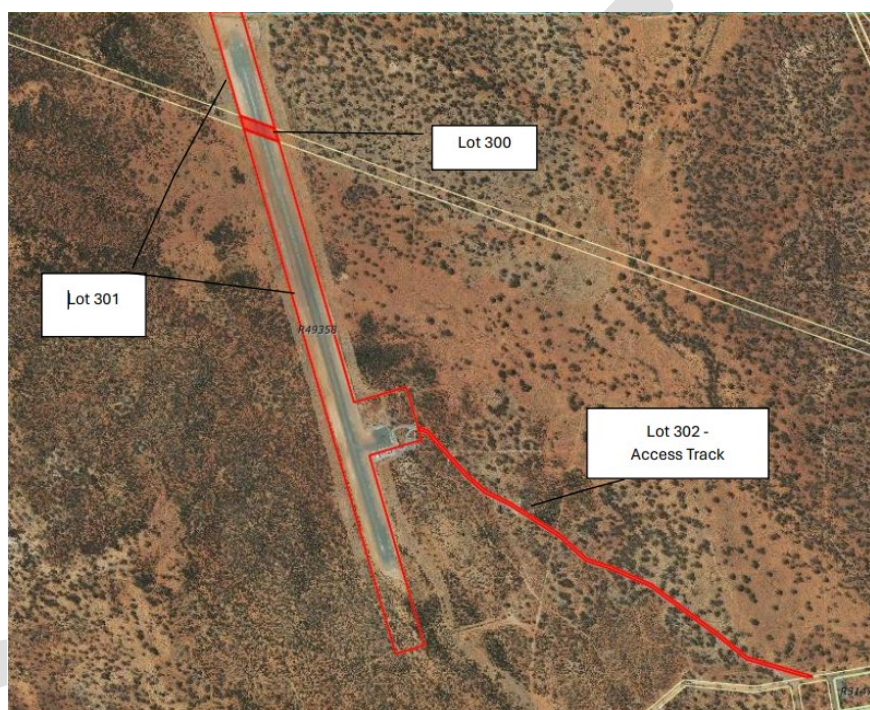
Source: Shire of Coolgardie Annual Budgets

2.2 Kambalda Airport

2.2.1 Current Tenure and Management

The land on which the Kambalda Airport sits is on a 32.2852 Ha Crown Reserve owned by the State of WA. The Land is technically referred to as Reserve 49358 and encompassed three (3) separate Lots:

- Lot 301 on Deposited Plan 43054, Volume 3150, Folio 445
- Lot 302 of Deposited Plan 43052 Volume 3150, Folio 446
- Lot 300 on Deposited Plan 58303 Volume 3162, Folio 19.



The stated purpose of the Crown Reserve is “Aerial Land Ground and Access”.

The State of WA has issued a Management Order over the Reserve in favour of the Shire of Coolgardie. That Order provides that the Shire is the Management body for the subject land and that the following conditions apply to the Management of the land:

- To be utilised for the designated purpose of Aerial Landing Ground and Access only; and
- Power to lease, sub-lease, or license for the designated purposes the whole or any portion of the land for a period not exceeding 21 years, noting that approval in writing is required from the Minister for Lands prior to the lease being entered into.

2.2.2 Location and Current Use

The Kambalda Airport is located approximately,

- 8km northwest of Kambalda
- 50km southwest of Kalgoorlie,
- 75km southeast of Coolgardie and
- 45km northeast of Widgiemooltha.

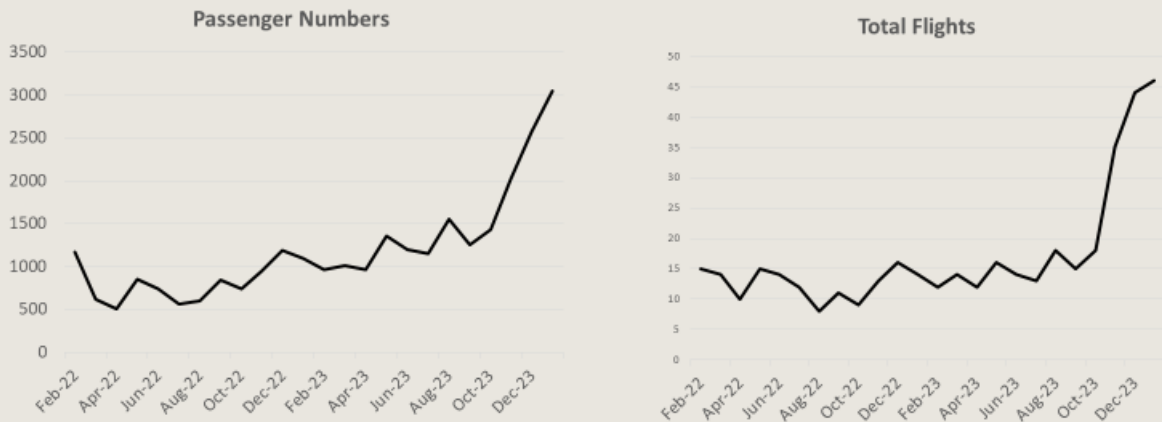


The use of Kambalda airport is predominantly by charter flights for fly-in-fly-out employees servicing mining operations within a 40km radius of Kambalda Townsite. The last two (2) years has seen exponential growth in the number of chartered flights using Kambalda airport. The Airport currently regularly services three separate airline companies (National Jet Express, Aerlink and Skippers Aviation) and periodically caters for other airlines offering charter or private services.

With the onset of improved infrastructure at the airport, the type of planes utilising the facility has changed with larger planes now being more common. The most prevalent types of aircraft that are currently utilising the Airport facilities are ATR 72-500 (68 seat capacity) and Dash 9 – 400 (90 seat capacity).

The graphs below highlight, passenger and flight numbers have grown rapidly over the last two years. The Shire as forecast approximately 33,000 passengers in the 2023/24 Financial Year, with 16.500 inbound and 16.500 outbound.

KAMBALDA AIRPORT: PASSENGER AND FLIGHT NUMBERS



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2.3 Mineral Resources Ltd:

Mineral Resources Ltd (MRL) owns and operates a range of mining related activities in and around the Shire. MRL has indicated that they expect growth in their level of mining operations at various locations near Kambalda over the coming years. Increased operational activity will require additional workforce to support.

MRL has indicated that it intends to grow its fly-in-fly-out (FIFO) workforce and early in 2024, MRL representatives approached the Shire to discuss opportunities and options pertaining to the management and operation of the Kambalda Airport.

These discussions have led to the development of a Key Term Sheet and the development of this Business Plan.

3.0 KEY TERMS OF PROPOSED LEASE

Under the terms of the proposed lease, MRL will manage and operate the entirety of the Kambalda Airport on an exclusive lease arrangement. The lease would operate for a period of 21 years and would commence in the second half of 2024 once all legal documentation has been prepared and lease documents have been executed.

MRL's responsibilities/commitments under the proposed lease would include the following:

Capital Upgrades

MRL will pay for (and manage the construction of) upgrades to the current runway and terminal facility to allow for A319/A320 (or similar) jet operations. The anticipated program of works includes upgrading the aerodrome to meet current code 3C Non-Precision physical standards, installing an aerodrome lighting system to enable night operations and commissioning an aviation fuel facility.

Additionally, MRL are proposing to upgrade the terminal facility to seat approximately 180 passengers at any time. These investments have an estimated cost of \$30M and are to be completed within five (5) years of all approvals being received. At the conclusion of the lease the assets would transfer to the Shire

Operations

MRL will assume responsibility for all operational expenditure including but not limited to:

- Ground handling, Aerodrome Reporting Officer functions and customer service including check-in operations; and
- All ongoing maintenance to meet compliance standards of the facility.

3rd Party Access

The lease would include a requirement for MRL to maintain and operate the airport as an open access airport so that other parties can retain the ability to fly in and out of the facility. MRL would have the right to collect commercial fees from 3rd party users.

Reporting

MRL would be required to provide regular and routine reports to the Shire on a range of matters including:

- Status of capital works.
- Status of maintenance activity.
- Status of an aviation compliance related activity and/or any significant risks (safety or otherwise) that may exist at the facility.
- Usage data by MRL passengers and 3rd party users.

Lease Payments

MRL will make payment to the Shire in the form of an Annual Lease fee and a per passenger levy.

The Annual lease fee would be set at \$75,000 (plus GST) for the first year of the lease and would rise by 2,5% each year of the lease.

A \$20 (plus GST) per passenger levy shall be payable for every non-MRL passenger that arrives or departs from the Kambalda Airport during the lease period. A MRL passenger will be defined as any person either directly employed or contracted by MinRes or a subsidiary. In the event that MRL increases the passenger levy charged per passenger to 3rd parties above \$42.60 (being the rate that is currently charged by the Shire of Coolgardie), the Shire shall receive 50% of the total increase.

The Shire of Coolgardie responsibilities under the lease agreement would be to::

Access

Provide access to the Kambalda Airport facilities to enable MRL to undertake the planning, development and operation of their commitments as described in above.

Documentation

Provide all necessary approvals, documentation and permits as required for the planning, development, and ongoing operation of the upgraded Kambalda Aerodrome.

Approvals

Undertake all actions necessary to facilitate the development of a proposed Access Road from the Kambalda Airport to the Marion mine site in a timely and orderly manner. The Shire will also be required to seek timely approvals from external agencies to facilitate the road proposal if/when such approvals are required.

At the end of the lease term, both parties will negotiate in good faith a handover of the asset with a view to limited future liability to the Shire.

4.0 STATUTORY PROVISIONS

Section 3.59 of the Local Government Act 1995 details the process governing Commercial Enterprises by local governments, including Major Land Transactions and Major Trading Undertaking.

A Major Land Transaction is defined by the Act to be a land transaction that is not exempt under the Act, and where the total value of:

- The consideration under the transaction; and
- Anything done by the local government for achieving the purposes of the transaction; is more, or is worth more, than \$2 million.

A Major Trading Undertaking is defined as a trading undertaking that:

- in the last completed financial year, involved; or
- in the current financial year or the financial year after the current financial year, is likely to involve; expenditure by the local government of more than \$5 million for the purposes of this definition.

The Trading Undertaking means an activity carried on by a local government with a view to producing profit.

The proposed lease arrangement between the Shire and MRL meets the definition of a Major Land Transaction and a Major Trading Undertaking.

Before the Shire enters into a Major Land Transaction or commences a Major Trading Undertaking, it is required to prepare a Business Plan that includes an overall assessment of Major Trading Undertaking and Major Land Transaction including:

- expected effect on the provision of facilities and services by the Shire;
- expected effect on other persons providing facilities and services in the district;
- expected financial effect on the Shire;
- expected effect on the Shire's Plan for the future;
- the ability of the Shire to manage the performance of the transactions; and
- any other matter prescribed for the purposes of the subsection.

The Local Government Act 1995 also requires the Shire to give state-wide public notice that:

- the Shire proposes to enter into a Major Land Transaction and Major Trading Undertaking described in the notice; and
- a copy of the Business Plan may be inspected or obtained at any place specified in the notice.

The Shire is to make a copy of the Business Plan available for public inspection in accordance with the notice. The Shire is to also publish a copy of the Business Plan on its official website.

Submissions about the proposed land transaction or undertaking may be made to the Shire before a day to be specified in the notice, being a day that is not less than six weeks after the notice is given.

After the last day for submissions, the Shire is to consider any submissions made and may decide by absolute majority to proceed with the undertaking and transaction as proposed or so that it is not significantly different from what was proposed.

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5.0 ASSESSMENT OF TRANSACTION

5.1 Expected effect on the provision of facilities and services by the Shire

The proposed transaction will generate a significant investment (approx. \$30M) in assets that are owned by the Shire by a third party (MRL). The transaction will free up existing Shire resources from Airport related activities, allowing those resources to be diverted to other services/facilities.

New/additional revenue streams generated through the lease agreement will enable the development of new facilities and upgrade of existing facilities within the Shire.

5.2 Expected effect on other persons providing facilities and services in the region

While a residential workforce is more desirable from a community perspective than a FIFO workforce, the scale and magnitude of the developments proposed by MRL and other mining/resource companies in the district coupled with the specialist skills that are required to undertake the tasks means that an increase in the FIFO workforce is inevitable.

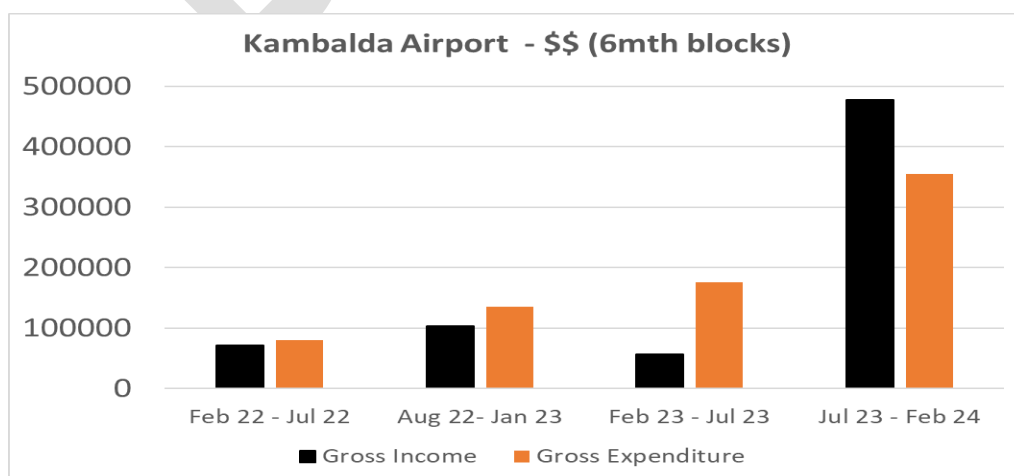
An increase in FIFO activity to/from the Kambalda Airport will deliver economic benefits to individual and businesses within the Shire. These benefits include:

- Increased opportunities for local contractors and business operators to be involved in capital works, maintenance, and operations of a significantly larger Kambalda Airport operation.
- Increased spending on goods and services with local businesses by FIFO workers.
- Increased utilisation of the Shire owned Bluebush Village in Kambalda. Higher utilisation of this facility will increase revenue, creating additional Shire funds to spend on other facilities and services.

5.3 Expected financial effect on the Shire

5.3.1 Current Airport Finances

Until recently, operating expenditure at the Kambalda Airport exceeded operating revenue. The onset of increased flight activity and passenger numbers coupled with an increase in per passenger levy (inbound and outbound) of \$42.60 per passenger has changed with revenues now exceeding operating expenditure.



While Operating income currently exceeds operating expenditure, the Shire secured a loan facility to pay for capital upgrades to the airstrip. This loan is still being repaid and debt servicing costs of that loan are

additional to operating costs.

5.3.2 Proposed Revenues from Lease

The lease proposal provides a component of fixed revenue (the annual lease fee) and a variable revenue source (the per passenger fee.) Given this, the exact revenue per annum is not known and may fluctuate dependent on three factors:

1. The WA CPI rate or any negotiated price increase position;
2. The number of 3rd party passengers using the Airport Facilities;
3. Growth (if any) in the per passenger levy paid by 3rd parties.

Three alternate scenarios have been tabled below – a Declining Passenger Numbers Scenario, a Stable Scenario and a High Growth Scenario. All scenarios have been based on a 2.5% CPI annual increase to best project the impact of varying scenarios.

As the tables indicate, under all scenarios, the Shire receives a considerable income over the life of the lease agreement. That income level is highly dependent on passenger numbers but even with a 'declining passenger number scenario' the Shire receives in excess of \$12.7M over the life of the lease. In a high growth scenario that number reaches \$32.7M.

Revenues from the lease Airport lease will be used to service the Airport loan. Once the loan has been repaid (in approximately 5 years) the additional revenue will be used to maintain and enhance services, community programmes and events and community infrastructure in accordance with the Shire's Strategic Community Plan and the Corporate Business Plan.

Scenario 1: Declining Passenger Numbers

Assumptions

- Lease fee rises by 2.5% per annum
- Passenger number plateau for next five years then progressive drop to 15000pa over remaining life of the lease
- No growth in per passenger levy passenger

Year	Lease Fee	Passenger Numbers	Per Passenger Levy	Passenger Levy	Total Revenue
1	\$75,000	33,000	\$20.00	\$660,000	\$735,000
2	\$76,875	33,000	\$20.00	\$660,000	\$736,875
3	\$78,797	33,000	\$20.00	\$660,000	\$738,797
4	\$80,767	33,000	\$20.00	\$660,000	\$740,767
5	\$82,786	33,000	\$20.00	\$660,000	\$742,786
6	\$84,856	31,800	\$20.00	\$636,000	\$720,856
7	\$86,977	30,600	\$20.00	\$612,000	\$698,977
8	\$89,151	29,400	\$20.00	\$588,000	\$677,151
9	\$91,380	28,200	\$20.00	\$564,000	\$655,380
10	\$93,665	27,000	\$20.00	\$540,000	\$633,665
11	\$96,006	25,800	\$20.00	\$516,000	\$612,006
12	\$98,406	24,600	\$20.00	\$492,000	\$590,406
13	\$100,867	23,400	\$20.00	\$468,000	\$568,867
14	\$103,388	22,200	\$20.00	\$444,000	\$547,388
15	\$105,973	21,000	\$20.00	\$420,000	\$525,973
16	\$108,622	19,800	\$20.00	\$396,000	\$504,622
17	\$111,338	18,600	\$20.00	\$372,000	\$483,338
18	\$114,121	17,400	\$20.00	\$348,000	\$462,121
19	\$116,974	16,200	\$20.00	\$324,000	\$440,974
20	\$119,899	15,000	\$20.00	\$300,000	\$419,899
21	\$122,896	15,000	\$20.00	\$300,000	\$422,896
Total	\$2,038,746	531,000		\$10,620,000	\$12,658,746

Scenario 2: Stable Operation

Assumptions

- Lease fee rises by 2.5% per annum
- Passenger number plateau at 33,000 for life of the lease
- No growth in per passenger levy passenger

Year	Lease Fee	Passenger Numbers	Per Passenger Levy	Passenger Levy	Total Revenue
1	\$75,000	33,000	\$20.00	\$660,000	\$735,000
2	\$76,875	33,000	\$20.00	\$660,000	\$736,875
3	\$78,797	33,000	\$20.00	\$660,000	\$738,797
4	\$80,767	33,000	\$20.00	\$660,000	\$740,767
5	\$82,786	33,000	\$20.00	\$660,000	\$742,786
6	\$84,856	33,000	\$20.00	\$660,000	\$744,856
7	\$86,977	33,000	\$20.00	\$660,000	\$746,977
8	\$89,151	33,000	\$20.00	\$660,000	\$749,151
9	\$91,380	33,000	\$20.00	\$660,000	\$751,380
10	\$93,665	33,000	\$20.00	\$660,000	\$753,665
11	\$96,006	33,000	\$20.00	\$660,000	\$756,006
12	\$98,406	33,000	\$20.00	\$660,000	\$758,406
13	\$100,867	33,000	\$20.00	\$660,000	\$760,867
14	\$103,388	33,000	\$20.00	\$660,000	\$763,388
15	\$105,973	33,000	\$20.00	\$660,000	\$765,973
16	\$108,622	33,000	\$20.00	\$660,000	\$768,622
17	\$111,338	33,000	\$20.00	\$660,000	\$771,338
18	\$114,121	33,000	\$20.00	\$660,000	\$774,121
19	\$116,974	33,000	\$20.00	\$660,000	\$776,974
20	\$119,899	33,000	\$20.00	\$660,000	\$779,899
21	\$122,896	33,000	\$20.00	\$660,000	\$782,896
Total	\$2,038,746	693,000		\$13,860,000	\$15,898,746

Scenario 3: High Growth Scenario

Assumptions

- Lease fee rises by 2.5% per annum
- Passenger numbers growth a 15% per annum for next five years. Numbers plateau at 66,500 for remaining life of the lease
- No growth in per passenger levy passenger

Year	Lease Fee	Passenger Numbers	Per Passenger Levy (Shire)	Passenger Levy Total	Total Revenue
1	\$75,000	33,000	\$20.00	\$660,000	\$735,000
2	\$76,875	37,950	\$20.00	\$759,000	\$835,875
3	\$78,797	43,643	\$20.00	\$872,850	\$951,647
4	\$80,767	50,189	\$20.00	\$1,003,778	\$1,084,544
5	\$82,786	57,717	\$20.00	\$1,154,344	\$1,237,130
6	\$84,856	66,375	\$20.00	\$1,362,840	\$1,447,696
7	\$86,977	65,000	\$20.00	\$1,300,000	\$1,457,067
8	\$89,151	65,000	\$20.00	\$1,300,000	\$1,495,607
9	\$91,380	65,000	\$20.00	\$1,300,000	\$1,535,109
10	\$93,665	65,000	\$20.00	\$1,300,000	\$1,575,599
11	\$96,006	65,000	\$20.00	\$1,300,000	\$1,617,102
12	\$98,406	65,000	\$20.00	\$1,300,000	\$1,659,642
13	\$100,867	65,000	\$20.00	\$1,300,000	\$1,703,245
14	\$103,388	65,000	\$20.00	\$1,300,000	\$1,747,939
15	\$105,973	65,000	\$20.00	\$1,300,000	\$1,793,750
16	\$108,622	65,000	\$20.00	\$1,300,000	\$1,840,706
17	\$111,338	65,000	\$20.00	\$1,300,000	\$1,888,836
18	\$114,121	65,000	\$20.00	\$1,300,000	\$1,938,170
19	\$116,974	65,000	\$20.00	\$1,300,000	\$1,988,737
20	\$119,899	65,000	\$20.00	\$1,300,000	\$2,040,568
21	\$122,896	65,000	\$20.00	\$1,300,000	\$2,093,694
Total	\$2,038,746	1,263,873		\$25,312,812	\$32,667,664

5.4 Expected effect on the Shire’s Plan for the future

The Shire’s Vision is for ”A connected, progressive & welcoming community”.

One of the aspirations listed in the Shires Strategic Community Plan is to establish a **thriving local economy**. The relevant goals listed in the plan are tabled below

GOAL 1	GOAL 2	GOAL 3
Build Economic Capacity	Facilitate local business development and retention	Provide support for traineeship development

This proposed transaction will significantly assist in achieving the Shire’s Plan for the Future as it directly aligns with the following strategies listed within that Plan:

- Encouraging and attracting new investment and advocating for local employment
- Supporting local businesses in the Shire
- Supporting and encouraging mining and processing industries

The additional revenues obtained through this proposed lease agreement will provide resources to assist in the achievement of goals and deliver of strategies listed in Council endorsed plans.

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5.5 The ability of the Shire to manage the performance of the transactions

Significant shire staff resources are currently utilised in the management and operation of the Airport. This includes numerous Shire departments including the CEO's office, finance and administration and the maintenance teams. Under the proposed leasing arrangement with MRL the Shire staff resources required to manage/operate the Kambalda Airport will be significantly reduced allowing these resources to be redeployed to alternate tasks that assist in achieving the Strategic Community Plan.

The Shire currently operates and maintains the Kambalda Airport and is responsible for 100% of the operational, capital and maintenance risk of the facility. Under the lease proposal the Shire risk profile from operational, financial, and commercial perspective are all significantly reduced.

5.6 Other matters

In accordance with section 3.58(4)(c) of the Local Government Act 1995, the Shire will have obtained the market value of the disposition and provided to the public as part of the disposition process.

The Shire's lease of land for the workers accommodation village will add to its portfolio of economic-generating assets, which will be used to directly benefit the community.

6.0 TIMESFRAMES

The Business Plan for the Major Land Transaction and Major Trading Undertaking for worker accommodation village will be publicly advertised, as required under the Local Government Act 1995.

Following the public advertising period, the Shire will consider all submissions and may decide (by absolute majority) to proceed with the Major Land Transaction and Major Trading Undertaking as described in this Business Plan in accordance with section 3.59 of the Local Government Act 1995.

The current proposed timeframes for this transaction (should it proceed) are tabled below:

Date	Action/Outcome
June	Shire Council considers Business Plan
June/July	Six (6) week public advertising period
Aug	Shire Council considers public submissions on Business Plan and determines whether to proceed with the transaction or not.
Sept- Nov	Finalisation of all legal documents/due diligence and signing of documentation

7.0 LODGEMENT OF SUBMISSIONS

Submissions on the intended disposition are to be made in writing and to be received no later than 4.00pm, Friday, 26 July 2024.

Submissions to be addressed to the:

Chief Executive Officer
Shire Coolgardie
Irish Mulga Drive
KAMBALDA, WA, 6442

Submissions may be submitted electronically to mail@coolgardie.wa.gov.au

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