



28 September 2011

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Australian Securities Exchange

**PULP MILL PROJECT PERMIT STATUS AFFIRMED**

Details of the Tasmanian EPA Director's view regarding the pulp mill project permit, the company's submission to the Director and company media release are attached for release to the market.

Yours sincerely

A handwritten signature in black ink, appearing to read "Wayne Chapman".

Wayne Chapman  
**Company Secretary**



## MEDIA RELEASE

29 September 2011

### PULP MILL PROJECT PERMIT STATUS AFFIRMED

Gunns Limited Managing Director Greg L'Estrange today welcomed the view of Tasmania's Environmental Protection Agency Director in relation to substantial commencement for the Bell Bay pulp mill project.

Under the Pulp Mill Assessment Act 2007 Gunns had a requirement to demonstrate substantial commencement of the project by 30 August 2011 and provided the EPA with a detailed submission earlier this month outlining the nature and scope of activity on the project to date.

The EPA Director Alex Schaap today outlined his view that the project has "substantially commenced" and that the permits remain valid.

Mr L'Estrange said, "We are pleased that the EPA accepted the case we put to it, and has laid to rest any concerns that the permit was not valid."

"More than \$239 million has been spent by Gunns across four major work streams - regulatory approvals, the commercial and financial framework, social-political interactions, and physical site works - in what is a complex and major infrastructure project for the nation," he said.

"Over \$195 million has been spent since the Pulp Mill Permit was issued on 30 August 2007."

"This outcome adds welcome clarity to the whole project, but also to the ongoing discussions we're having with potential project investors."

Mr L'Estrange said negotiations were continuing with two possible equity partners for the mill project, but that there was no immediate timeframe for an outcome of those discussions.

For a full copy of the EPA Directors view regarding substantial commencement please see <http://www.epa.tas.gov.au>.

Given the level of interest in the project, Gunns has also advised the EPA that its submission in relation to substantial commencement be made available to the public, and this has also been placed on the EPA and Gunns websites.

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## **Media Release**

**Wednesday 28 September 2011**

### **Director EPA's view regarding substantial commencement of Pulp Mill project**

Director EPA Alex Schaap has today concluded his consideration of whether substantial commencement of the pulp mill project had occurred on 30 August as required by the Pulp Mill Assessment Act.

In August, Mr Schaap received a proposal from Gunns to make a minor variation to the storm water management plan for the Bell Bay pulp mill site.

As a result, Mr Schaap requested Gunns provide him with a submission setting out the reasons why the company believes substantial commencement has occurred.

"I have considered the evidence presented to me by the company and have obtained additional documentary substantiation of that evidence. I have also taken advice from the office of the Solicitor General," Mr Schaap said.

"I have reached the view that substantial commencement has occurred.

"I do not therefore feel obliged to seek an order or declaration from a court on the question. I will continue to regulate the site on the basis that a valid permit exists unless a court determines otherwise."

The view of the Director EPA is available on the EPA website at:

<http://www.epa.tas.gov.au/index.aspx?base=23371>

## **DIRECTOR'S VIEW REGARDING SUBSTANTIAL COMMENCEMENT OF PULP MILL PROJECT**

### **Context**

This matter is being considered by the Director EPA because Gunns Ltd requested my approval for the variation of a condition under the Pulp Mill Permit. The condition in question is a condition for which I hold regulatory responsibility.

It was evident to me that there was doubt about whether substantial commencement had occurred and so whether the permit had lapsed. I asserted therefore that I should not purport to consider a variation of a permit unless I was satisfied that a permit was in force.

I have now concluded that until such time as it is determined that the permit is invalid, I am obliged to take it to be valid and so deal with the application for variation before me. I am now considering that variation.

Nevertheless, I have concluded that it is appropriate for me to address my doubts about the validity of the permit by reaching an informed view about whether substantial commencement has occurred.

It is important to note that in electing to consider the question of substantial commencement, I am not purporting to exercise any statutory power and so any conclusion I come to has no legal effect and nor is it binding upon any person. The purpose of my making a determination on the matter is simply to inform me in the manner which I will subsequently regulate the project. If I were to conclude that there are reasonable doubts about substantial commencement and hence the validity of the permit then I would seek to clarify that issue by seeking a declaration or order by a court or tribunal. If I were to conclude that my doubts about substantial commencement are unfounded (that is, I conclude that substantial commencement has occurred) then I would simply continue to treat the permit as a valid permit.

### **The question at issue**

Section 8(4) of the *Pulp Mill Assessment Act 2007* (PMAA) provides that the permit lapses if the "project is not substantially commenced" by 30 August 2011. It is important to appreciate that this is a different test to that which is typically applied in planning legislation where substantial commencement may relate to „building work' or „use and development' as in the case of the *Land Use Planning and Approvals Act 1993*. It is also worth noting that the test is not about „substantial completion' as it is in relation to the permits under the *Water Management Act 1999*.

A determination on the issue requires a judgement based on matters of fact and law as they pertain to this specific case.

### **Methodology**

I have sought to inform myself on matters of fact by seeking a submission from Gunns Ltd as to the reasons why the company believes substantial

commencement has occurred. An abridged version of that submission is attached to this statement. The full submission provided information about actual expenses on individual services, works or materials which the company asserted as project activities and expenses (which the company regards as „commercial in confidence’ material). I subsequently obtained extracts from company records, invoices, payment notes, inventory reports and evidence from the company’s independent auditors to satisfy myself of the veracity of the information provided. I have also sought information regarding the assets, valuation and capacity of the company. This additional material is also regarded as „commercial in confidence’ material by the company.

I then sought legal advice from the office of the Solicitor General. That advice is subject to client legal privilege and I am not able to waive that privilege and release the advice.

### **Considerations**

I am satisfied that most (and perhaps all, if one simply applies contemporary accounting practices as the measure over the whole period of development) of the \$239 Million expenditure put forward by Gunns as evidence of substantial commencement is reasonably accounted for as project expenditure for the purposes of this deliberation. As it transpired, it was not necessary for me to establish precisely which activities and expenditures did and did not fall within the project.

I have concluded that the nature and monetary value of the services, works, goods and other resources allocated to the project are reasonable measures of the significance or substance of those items in terms of their contribution to the project and its substantial commencement or otherwise.

The expression „substantial commencement’ is not defined but I take it to mean evidence of commitment of resources sufficient to demonstrate that project has really commenced.

While the activities undertaken should be in keeping with the scale of the project, I do not believe that there is any threshold proportion of completion or any relevant threshold achievement which is an essential prerequisite for substantial commencement.

Even on my most restrictive interpretation of the progress already made in the project I conclude that an amount in excess of \$120 Million has been invested in the project. This relates to activities, works, services and purchases undertaken after project approval which I am satisfied are all directly necessary for the „development and operation of a bleached kraft pulp mill’.

I recognise that an amount in the region of one or two hundred million dollars represents a relatively small fraction of the total investment required to complete the project. It is my view however that works, services and purchases amounting to such an amount are substantial whether they are part of a project budget of millions or billions. I note also that this investment represents a substantial portion of the company’s total assets, that is, it

represents a substantial commitment of the resources available to the company.

I also believe that the works, services and purchases comprising that investment represent substantial elements of the project. For example, core plant and equipment elements have been purchased (turbine and boiler equipment referred to as long lead time items amounting to over \$55 Million) and extensive environmental monitoring and hydrodynamic modelling has been undertaken since permit approval (to the value of over \$8 Million).

### **Conclusion**

In my view the evidence is consistent with substantial commencement having occurred. I therefore do not hold sufficient doubts about whether substantial commencement has occurred to warrant seeking an order of a court to make a binding determination.

I intend to continue to regulate the activity associated with this permit on the basis that it remains a valid permit until or unless a court determines otherwise (perhaps as a consequence of an order or declaration sought by another party).

Alex Schaap  
Director EPA

28 September 2011



## **Bell Bay Pulp Mill Project**

**Project Status Report as at 30 August 2011**

Document Control		
Drafted by:	Lawson Harding	Gunns Limited
Edited by:	Neville Smith	Gunns Limited
Version History		
Version Number	1.0	
Authorised for release by:	Calton Frame	7 September 2011
Change Log		

## Table of Contents

<b>Summary.....</b>	<b>3</b>
<b>1 Introduction.....</b>	<b>4</b>
<b>2 Relevant Regulatory Instruments .....</b>	<b>5</b>
2.1 State Permit Amendments .....	5
2.2 Activities Relevant to Substantial Commencement .....	7
2.2.1 Project Hold Points .....	7
2.3 Meeting Obligations of the Regulatory Framework .....	9
2.3.1 Pre-Construction Obligations.....	9
2.3.2 Pre-operational Obligations .....	11
2.4 Developing the Commercial Project Framework .....	19
2.4.1 Involvements with third parties subsequent to the issuing of the State Permit.....	19
2.4.2 Land Acquisition .....	20
2.4.3 Conservation Covenants associated with the Pulp Mill .....	21
2.4.4 Procurement of Additional Third Party Services to Develop the Pulp Mill	
Project Subsequent to Issue of the State Permit .....	22
2.4.5 Procurement of Long-Lead-Time Machinery Items .....	22
2.4.6 Establishment of Linear Infrastructure .....	23
2.5 Developing the Social and Political Context of the Project.....	25
2.6 Physical Activities On-Site.....	27
2.6.1 Pulp Mill Land – Physical Statistics .....	27
2.6.2 Pulp Mill Land – Physical Statistics on Site Works.....	27
<b>Appendices.....</b>	<b>31</b>





## Summary

As at 30 August 2011, the Bell Bay Pulp Mill Project has substantially commenced, with significant investment and works undertaken on the Project to date.

Delivery of the Project has required regulatory, commercial, financial, social and physical activities to be progressed in a logical and staged manner. The Project activities as described above have in financial terms involved expenditure in excess of \$239 million AUD to the 31 August 2011 and in particular in excess of \$195 million AUD since the Pulp Mill Permit was issued on 30 August 2007.

The Project is both large and complex and critically, is not restricted to site-based activities. In practical, commercial terms, substantial commencement requires progress of an implementation plan that covers:

- Regulatory compliance (State and Commonwealth)
- Commercial and financial arrangements
- Social/political interactions, and
- Physical works.

Gunns has purchased over \$55 million of machinery specifically for the Project. This equipment has been custom made. In particular the steam turbine generator was manufactured to process the very specific steam pressures and flows associated with the Bell Bay pulp mill.

In order to drive this complex project, the core Project team has ranged in size from a minimum of 10 full time equivalents to in excess of 50 full time equivalents. The application of the core Project team has ensured that at all times since the Project was established one or more of the regulatory, commercial, financial, social and physical activities of the Project were progressing in accordance with the Project's overall implementation strategy.



## **1 Introduction**

Gunns Limited (Gunns) is developing an elemental chlorine free bleached kraft pulp mill, and associated infrastructure, in northern Tasmania (the Project). The Project has been progressing through planning and implementation phase for some years and, at the time of writing, the project team has completed a substantial body of works required under both State and Commonwealth legislation. Significant progress has been made in establishing the raft of commercial arrangements that are necessary for a project of this type. Physical construction works have also commenced.

The mill is to be located in the Bell Bay Industrial Zone on a site between the eastern bank of the River Tamar and the western side of the East Tamar Highway. Associated Project infrastructure includes, but is not limited to, a wharf, a waste disposal facility and water supply dam on the mill site on the eastern side of the East Tamar Highway, a water supply pipeline from Lake Trevallyn and an effluent outfall pipeline and diffuser which will discharge treated effluent offshore from Five Mile Bluff in Bass Strait.

This document has been prepared by Gunns to provide a collation of Project activities completed to date for consideration by the Director of the Environment Protection Authority in making his assessment on the matter of whether the Project has indeed met the 'substantial commencement' requirement. A detailed presentation with evidence of Project activities is provided in the following sections of this document.



## 2 Relevant Regulatory Instruments

On 30 of August 2007, the Tasmanian Parliament granted approval for the construction and operation of a bleached kraft pulp mill, as proposed by Gunns, to be located in the Bell Bay industrial zone of northern Tasmania with associated infrastructure situated within the George Town, Launceston and West Tamar local government areas. The Project as defined in section 3(1) of the *Pulp Mill Assessment Act 2007* (PMAA) was granted approval subject to numerous and wide ranging conditions contained in the Pulp Mill Permit (Permit) as defined under section 6(8) of that same Act.

On 4 October 2007, Mr Malcolm Turnbull, Minister for the Environment and Water Resources for the Commonwealth of Australia, pursuant to section 133 of the *Environment Protection and Biodiversity Conservation Act 1999* granted conditional approval for the action: “to construct and operate a bleached Kraft pulp mill at Bell Bay, Tasmania and associated infrastructure (EPBC 2007/3385).” The Commonwealth’s *Decision to Approve the Taking of an Action* (Commonwealth AD) included 48 conditions that were relevant to the Commonwealths’ jurisdiction.

### 2.1 State Permit Amendments

Under section 53(5)(a) of the *Land Use Planning and Approvals Act 1993* (LUPAA), a land use planning permit lapses if the ‘use and development’ that it approves has not substantially commenced within two years of the granting of the permit. ‘Development’ is defined in LUPAA to be construction activities.

The PMAA as originally approved by Parliament was silent on the matter of ‘substantial commencement’ in relation to the Project and there was conjecture that the section 53(5)(a) provisions of LUPAA might also apply to the Permit, because the Permit is taken to comprise a number of regulatory instruments issued under LUPAA.

The conjecture led to some uncertainty as to whether the Permit might lapse due to section 53(5)(a) of LUPAA if construction of the pulp mill had not substantially commenced within 2 years of the 30 August 2007 permit commencement date.

To clarify this uncertainty, the Tasmanian Parliament passed an amendment as *The Pulp Mill Assessment (Clarification) Act 2009*, which commenced on 30 November 2009.

The clarification Act, made three amendments to section 8 of the PMAA by insertion of the following provisions:

*‘(4) The Pulp Mill Permit lapses if the Project is not substantially commenced before the end of the period of 4 years commencing on the date on which the pulp mill Permit comes into force.*

*(5) A Permit that is to be taken, in accordance with subsection 8(1)(c), to be issued –*

*(a) under the Land Use Planning and Approvals Act 1993 only lapses under section 53(5) of that Act when the Pulp Mill Permit lapses, if at all, under subsection (4);*

*or*

*(b) under the Water Management Act 1999 lapses under section 159(8) of that Act at the end of the period of 4 years commencing on the date on which the Pulp Mill Permit comes into force if the dam works within the meaning of that Act are not substantially completed within that 4-year period.*

*(6) A Permit that –*

*(a) is to be taken, in accordance with section 8(1)(c), to be issued under the Land Use Planning and Approvals Act 1993 or the Water Management Act 1999; and*

*(b) would have, but for this subsection, lapsed under that Act on and from a day (the "relevant day") before this subsection commences – Is to be taken, on and from the relevant day, to have not so lapsed on and from the Relevant day.'*

As a consequence of the Clarification Act, section 8(4) of the Permit requires the Project to have substantially commenced by 30 August 2011 or the Permit will lapse.

The PMAA defines the Project to be: *'the proposal by Gunns Limited (ACN 009 478 148), as amended, for the development and operation of a bleached kraft pulp mill in northern Tasmania including any use or development which is necessary or convenient for the implementation of the project, including but not limited to the development and operation of any facility or infrastructure for –*

*(a) the supply or distribution of energy to or from the mill; and*

*(b) the collection, treatment or supply of water; and*

*(c) the treatment, disposal or storage of waste or effluent; and*

*(d) access to or from the mill; and*

*(e) transport to or from the mill; and*

*(f) the storage of pulp at, or transport of pulp from, a sea port in the northern region or the north-western region; and*

*(g) the production of materials for use in association with the operation of the mill.'*

This definition is wider than the 'use and development' definition of the *Land Use Planning and Approvals Act 1993* because it relates to Gunns' overall project, not just the physical use and development activities associated with the site. Use and development as defined by LUPAA is only part of the full scope of the Project and the Project is more than just the LUPAA use and development aspects.

A significant portion of the Project activities completed to date have been associated with Permit and Commonwealth AD requirements. Many of these activities had to be completed before physical construction works could lawfully commence.

## **2.2 Activities Relevant to Substantial Commencement**

The Project activities that have been progressed by Gunns since the issue of the Permit, and which demonstrate substantial commencement, include:

- Obligations arising out of the Permit
- Obligations arising out of the Commonwealth AD
- Commercial arrangements that need to be in place to mitigate risk and ensure that the Project can be progressed
- Land purchases and access agreements
- Purchase of long-lead-items of major equipment
- Financial arrangements required to ensure the project is funded to completion
- Social and stakeholder engagement activities
- Site works

Consideration on progress with this Project should take into account all the activities associated with all of the categories above as they are all part of the Project.

The Project activities as described above have in financial terms involved expenditure in excess of \$239 million AUD to the 31 August 2011 and in particular \$195 million since the Pulp Mill Permit was issued on 30 August 2007. A detailed schedule of total expenditure to 31 August 2011 is provided on a commercial in confidence basis as Appendix 1

**Table 1 Document key elements**

<b>Document element</b>	<b>Section Reference</b>
Meeting Obligations of the Regulatory Framework	2.3
Pre-Construction Obligations	2.3.1
Pre-Operational Obligation	2.3.2
Developing the Commercial Project Framework	2.4
Involvements with third parties	2.4.1-5
Developing the Social and Political Context of the Project	2.5
Physical Activities	2.6

### **2.2.1 Project Hold Points**

The document will also demonstrate that the Project's progress has been heavily influenced by critical 'hold points', where progression of the Project is precedent on completion of relevant administrative matters. These hold points are both regulatory and/or commercial in nature. To date, the critical hold points have been:



Status Report as at 30 August 2011

1. Completion of site acquisition from prior owners (A commercial and regulatory hold point)
2. Confirm water supply arrangements (A commercial hold point).
3. Commencement of vegetation clearing where the required precedents were a large number of management plans, reports and studies being completed, submitted or formally approved by regulators. A large project team from both Gunns and State and Commonwealth regulators worked over many months to successfully pass this hold point. (A regulatory hold point)
4. Commencement of bulk earthworks where the required precedents were the completion of a significant number of management plans, reports and studies being undertaken and/or further developed. In addition a substantive suite of environmental monitoring instruments to provide suitable surveillance or information to facilitate management, were to be in place before commencement. (A regulatory hold point)
5. Completion of hydrodynamic modelling studies to facilitate final operational approval. (A commercial and regulatory hold point)
6. Completion of an easement acquisition process (A commercial and regulatory hold point)



## **2.3 Meeting Obligations of the Regulatory Framework**

The Permit is a complex and extensive regulatory instrument. The Permit requires the proponent to satisfy conditions in an orderly manner prior to commencement of defined project phases.

Accordingly, a significant portion of the activities that have been addressed between the Permit's issuance in August 2007 (and as modified or expanded by the Commonwealth's AD in October 2007) to 30 August 2011 have been regulatory matters.

In many cases, the critical Project tasks that are regulatory requirements have also been necessary pre-cursors to actual on-site physical works, while others have been both regulatory requirements that influence key commercial or investment decisions that are necessary to further progress the Project.

### **2.3.1 Pre-Construction Obligations**

The preconstruction obligations required by the State and Commonwealth approvals of the Project constitute preliminary activities that Gunns was required to undertake prior to the site's phased physical development activities commencing.

The major preconstruction obligations required of Gunns that have been implemented as at 30 August 2011 are presented in the following list:

1. Develop and have approved and/or accepted a suite of management plans, surveys, systems and/or reports covering the mill site and/or pipeline route regarding vegetation clearing. The process required substantive engineering, technical and support staff resources from both the developer and regulators. The process commenced with the establishment of State and Commonwealth approval documents and concluded in early 2009 for vegetation clearing and in 2011 for the bulk earthworks phase. These suite of management plans, surveys, systems and/or reports covering the mill site and/or pipeline route regarding vegetation clearing include:
  - a. A Construction Environmental Management Plan (CEMP) comprising:
    - i. CEMP Timetable
    - ii. Construction Stormwater Management Plan
    - iii. Dust Management Plan
    - iv. Fauna Management Plan
    - v. Noise Management Plan - Vegetation Clearing
    - vi. Community Consultation and Communication Strategy
    - vii. Public Complaint Response Protocol & Register
    - viii. Construction Monitoring Plans comprising:
      1. Air (Dust and Meteorology) Monitoring Plan
      2. Web Cam Visual Monitoring System Methodology
      3. Noise Monitoring Survey Methodology and Plan



4. Vibration Monitoring Methodology and Plan
  5. Surface water Monitoring Plan
  6. Groundwater Monitoring Plan
  7. Dinoflagellate Cyst Monitoring Plan
  8. Estuarine Sediment Monitoring Plan
  9. Estuarine Ecological Monitoring Plan
  10. Marine Mammal and Turtle Monitoring Plan
  - ix. Trevallyn Nature Reserve Communication Plan
  - x. Trevallyn Flora Offset Plan
  - xi. Trevallyn Nature Area Visual Management Plan
  - xii. (Main) Site Vegetation Management Plan.
- b. A Safety Management Plan
- c. An Aboriginal Heritage Management Plan
- d. A Forest Practices Plan
- e. A Fire Emergency Plan
- f. A series of Environmental and Heritage Survey Reports covering the following aspects:
- i. Acid Sulphate Soils Assessment Report
  - ii. Conceptual Hydrological Model
  - iii. Activity Status of (Eagle) Nest 130
  - iv. Mammalian fauna
  - v. Avian fauna including:
    1. Peregrine Falcon
    2. Masked Owl
    3. Wedgetail Eagle
    4. Swift Parrot
  - vi. Flora including:
    1. Orchid
    2. Additional Areas Threatened Flora
    3. Phytophthora
    4. Variation to Approved Vegetation Clearance Area
  - vii. Aboriginal Cultural Heritage
  - viii. European Cultural Heritage
  - ix. Environmental Noise including:
    1. (Q1) Summer Rowella
    2. (Q2) Autumn Rowella
    3. (Q3) Winter Rowella
    4. (Q4) Spring Rowella
- g. A Project website as a vehicle for publication requirements
- h. Environmental Impact Management Plan – (Commonwealth) – comprising:
- i. Module A EIMP Overview
  - ii. Module B Vegetation clearing – mill site and wharf access.
  - iii. Module C Bulk earthworks mill site
  - iv. Module C1 Mill construction



- v. Module D Wharf construction
  - vi. Module E Accommodation facility construction
  - vii. Module F Water supply pipeline construction
  - viii. Module G Shore crossing
  - ix. Module H Ocean outfall construction
  - x. Module I Solid waste disposal construction
  - xi. Module J Local reservoir construction
  - xii. Module K Effluent pipeline construction
  - xiii. Module O Habitat offsets and reserves.
2. Develop and have approved and/or accepted a suite of management plans, surveys, systems and/or reports or actions as necessary precursors to bulk earthworks, including:
- a. Update, expand or review the Construction Environmental Management Plan (CEMP) comprising:
    - i. CEMP Timetable (updated and revised)
    - ii. Noise Management Plan – Bulk Earthworks
    - iii. Blast Management Plan
    - iv. Pre-construction Report for Stormwater Detention Ponds
  - b. Wharf Construction Management Plan
  - c. Intensive Noise Monitoring Survey
  - d. Implement Community Consultation Strategies, including:
    - i. Establish a Community Liaison Committee
    - ii. Undertake direct stakeholder meetings and briefings
    - iii. Distribution and publication of newsletter updates.

### **2.3.2 Pre-operational Obligations**

In addition to the pre-construction obligations, significant pre-operational obligations were also required. While these were not explicitly required to be completed before construction, the requirements were so significant that they acted in such a way to prevent the Gunns Board from authorising even more substantial site works than have been undertaken to date while Government approvals to operate remained outstanding.

Following are three examples of key activities that are classed as pre-operational obligations.

#### **2.3.2.1 Hydrodynamic Modelling**

An example of major pre-operational obligations is the requirement under State and Commonwealth permits to undertake a hydrodynamic modelling study. The resultant Hydrodynamic Modelling Project (HMP) was then a critical subsidiary activity for the overall Project's implementation. In essence, completion of the HMP was required before final operational approval would be provided; firstly by the Commonwealth

Status Report as at 30 August 2011

through approval of the remaining Modules L, M and N of the EIMP; and secondly by the State before formal acceptance of an HMP Review Report by the Director (Schedule EM1, MZ4.2).

The HMP progressed to its implementation phase in early 2009 and was finalised from the Commonwealth's perspective in March 2011 and from the State's perspective in July 2011. A timetable of key project stages is provided in Table 2 below.

**Table 2 Hydrodynamic modelling project major activities and milestones.**

<b>Hydrodynamic Modelling Project Activity</b>	<b>Period</b>	
	(from; to)	
Develop a joint <i>Scope of Works</i> for common State and Commonwealth elements of the HMP	December 2007	December 2008
Develop <i>Sampling and Analysis Plan</i> for overseas effluent components (Commonwealth only)	July 2008	June 2009
Formal approval obtained for <i>Scope of Works</i> and Sampling and Analysis Plan and candidate organisations	January 2009	February 2009
Develop and confirm commercial and technical arrangements for HMP's delivery (tendering process).	March 2009	April 2009
Provide regulators with implementation plans developed by participating organisations to confirm planned activities are compliant to the <i>Scope of Works</i> and obtain formal approval of organisations that Gunns will contract to undertake the works (Commonwealth only)	May 2009	July 2009
Award contracts to two participating organisations (RPS MetOcean and WorleyParsons) calling up approved implementation plans.	July 2009	July 2009
Formal approval obtained for Sampling and Analysis Plan for overseas studies (Commonwealth only)	August 2009	September 2009
Award contract for Sampling and Analysis Plans for overseas studies	August 2009	August 2009
Field measurement activities to support model development and implementation	August 2009	September 2010
Obtain all necessary transport and quarantine approvals for overseas effluent studies and establish logistical requirements.	August 2009	March 2010
Undertake overseas effluent studies	October 2009	March 2010
Implement milestone project reporting process for Commonwealth	September 2009	October 2011
Submit final draft report to Commonwealth	October 2010	October 2010
Draft report accepted by Commonwealth	December 2011	December 2011
Submit final report to Commonwealth	January 2011	January 2011
Commonwealth approval of pre-operational studies (Module L)	January 2011	March 2011
Submission of State <i>Hydrodynamic Modelling Review Report</i>	March 2011	April 2011
Technical evaluation and approval of <i>Hydrodynamic Modelling Review Report</i> by the Director EPA	April 2011	July 2011

The final HMP works contracts, due to their extensive design, were awarded to several organisations and coordinated by Gunns. The HMP involved a team of approximately 20 engineers and scientists and included significant works in the field, at several University campuses and commercial sites in Australia and importantly; a similar pulp mill facility in the State of Bahia, Brazil where some effluent samples were collected and couriered to Australia for detailed analysis; and where Australian scientists with their laboratory instruments were relocated to Brazil for a number of



Status Report as at 30 August 2011

weeks in order to conduct specific tests on large volumes of effluent that could not be practically transported to Australia.

The HMP involved expenditure in excess of \$4.5 million, with \$3.8 million of the overall amount being paid to the three main contractors.

#### 2.3.2.2 Monitoring Programs

Further examples of the substantive obligations of the Permit that were required before site works could commence are the various requirements to undertake rigorous environmental monitoring studies. In the majority of cases, these interlinked studies are not described in sufficient detail within the Permit such that they could be commenced at any time of Gunns' choosing. Instead, they had to be developed by Gunns, in consultation with the Director (and in practice, the Commonwealth), then fully described by Gunns as a (Construction and/or various Baseline and Operational) Monitoring Plan(s) and subsequently submitted to and formally approved by the Director.

The detailed monitoring protocols, once established, must be implemented to the satisfaction of the Director so that at least 2.5 years of 'baseline' data (where appropriate) are obtained before the mill facility is commissioned.

The scope of the monitoring programs is extensive, as is demonstrated by Table 3 below, which is drawn from the index of the current draft version of the State Baseline and Operational Monitoring Plan (S-BOMP).

**Table 3 S-BOMP V3.1 Table of Contents - showing elements of the baseline and operational monitoring plan.****S-BOMP V3.1 Table of Contents**

<b>1</b>	<b>Atmospheric Monitoring Section</b>	
1.1	Air & Meteorology Sub-section .....	
1.1.1	Meteorology Program .....	
1.1.2	Chemical, Particulate Matter and Odour Monitoring Program.....	
1.1.2.1	Continuous Air Quality Monitoring Station Sub-program .....	
1.1.2.2	Real Time Dispersion Modelling Sub-program.....	
1.1.2.3	Odorous Compounds Sub-program .....	
1.1.2.3.1	Sensory Surveys (Odour Diary & Odour Survey).....	
1.1.2.3.2	Portable Odour Related Samplers .....	
1.1.2.4	Discrete Air Quality Monitoring Sub-program .....	
1.1.2.4.1	Particulate Matter – compositional makeup. ....	
1.1.2.4.2	Inorganic Chlorinated Compounds.....	
1.1.2.4.3	Dioxins in Air .....	
1.1.2.4.4	Dioxins in Dairy Produce .....	
1.1.3	Noise Program.....	
1.1.3.1	Noise Survey Sub-programs. ....	
1.1.3.2	Continuous Noise Level Monitors Sub-program.....	
1.1.3.3	Site Wide Noise Surveys Sub-program .....	
1.1.3.4	Intensive Survey – Rowella Area Sub-program.....	
1.2	Mill Source Monitoring Sub-section .....	
1.2.1	Continuous Emission Monitoring Systems Program (CEMS).....	
1.2.1.1	Pulp mill .....	
1.2.1.2	Chemical plant.....	
1.2.2	Non - Continuous Air Emission Monitoring Program (Periodic Stack & Area Source Testing)	
1.2.2.1	Pulp mill .....	
1.2.2.2	Chemical plant.....	
<b>2</b>	<b>Terrestrial Monitoring Section</b>	
2.1	Hydrogeology Sub-section .....	
2.1.1	Groundwater Program .....	
2.2	Surface Hydrology Sub-section .....	
2.2.1	Surface Water Quality Program.....	
2.3	Soils and Land Management Sub-section.....	
2.3.1	Soil Quality Program.....	
<b>3</b>	<b>Effluent (Waste Water) &amp; Marine Monitoring Section</b>	
3.1	Effluent (Waste Water) Quality & Quantity Sub-section.....	
3.1.1	Effluent Quantity Program .....	
3.1.2	Effluent Qualitative Program.....	
3.1.2.1	<i>Pollutants and Physico-chemical properties of effluent sub-Program .....</i>	
3.1.2.2	Whole Effluent Toxicology sub-Program .....	
3.2	Marine Receiving Environment Sub-section .....	
3.2.1	Marine Ecological Monitoring Program.....	
3.2.1.1	<i>Near-field Ecology Sub-programs .....</i>	
3.2.1.2	<i>Sediment Quality Sub-program .....</i>	
3.2.2	Marine (Bass Strait) Water Quality Program .....	
3.2.3	Marine (Bass Strait) Sediment Chemistry Program.....	
3.2.4	Sentinel Biota Including Chemical Residues Program .....	
3.2.4.1	<i>Taste Tainting of Seafood Sub-program .....</i>	
3.2.4.2	<i>Mussel Watch Sub-programs .....</i>	
3.2.4.3	<i>Flathead (Recreational Fishing &amp; Mid –Trophic Level Organism) Sub-program .....</i>	
3.2.4.4	Higher Trophic Level Predators Sub-program.....	
3.2.4.4.1	Little Penguins ( <i>Eudyptula minor</i> ) .....	
3.2.4.4.2	Leather jacket Sub-program (Penguin & Seal Prey).....	
3.3	Estuary (Wharf) Sub-section .....	
3.3.1	Wharf Monitoring Sub-program .....	

**Monitoring Program Development**

A significant proportion of the complex elements of monitoring activities also required a pilot design and deployment phase (before a final design could be adequately described) in order to provide reasonable assurance that the final design will meet its

Status Report as at 30 August 2011

monitoring objective(s). Pilot monitoring activities have been undertaken both pre and post establishment of the Permit and their implementation has extended the time and the resources required for the relevant activity to be completed.

Examples of pilot monitoring include a complete set of inter-seasonal and inter-annual ecological surveys. Each *single* ecological pilot survey involved substantive technical and logistic resources and cost in excess of several hundred thousand dollars and was primarily intended to establish statistical power. Three pre-final design ecological pilot surveys were undertaken by Tasmanian consultants (Aqual Pty Ltd) before the final marine near field ecological monitoring design was established in late 2008 in accordance with State protocols.

Similar pilot studies were required to construct a marine sediment sampler capable of collecting sufficient (surficial only) material (3 months, circa \$20,000 in late 2008) for analysis and a pilot sentinel mussel deployment in late 2009 (7 months and circa \$60,000) is a further example.

#### Monitoring Program Alignment

A significant additional complexity was the need to align the Commonwealth's and State's monitoring requirements as much as could be justified. In many cases the monitoring regimes and protocols described by the State and Commonwealth approval did not allow the *efficient* alignment of all monitoring tasks.

Development of State requirements and integration of the Commonwealth's parallel monitoring requirements commenced in late 2007, via a series of technical review meetings.

The process required the allocation of substantive staff resources by Gunns, the Commonwealth and the State. As part of this process, Gunns engaged an expert consultancy (Hatfield Consulting), which was expert in the development and implementation of *marine* monitoring programs under the Canadian Pulp & Paper Environmental Effects Monitoring (P&P EEM) protocols. The Hatfield engagement in part involved undertaking a joint technical review meeting over two days in Hobart in April 2008. The meeting was attended by Gunns (including all of Gunns' key local marine monitoring consultancies); Commonwealth regulatory officers and the Commonwealth's Independent Expert Group (IEG) and; all relevant State departmental technical and regulatory officers.

While the marine technical review did achieve limited alignment of State and Commonwealth monitoring programs, variation between parallel requirements remained open for an extended period. This issue was (and could only be) satisfactorily resolved with the conclusion of the HMP (discussed above) via technical discussion and review between the Commonwealth (in consultation with the State) and Gunns in late 2010/early 2011.

In accordance with the Commonwealth AD, completion of modelling triggered a review of some of the Commonwealth's effluent limit metrics and this was done. The

Status Report as at 30 August 2011

limit review also facilitated a parallel minor revision of some wording of the Commonwealth's AD<sup>1</sup> which, when confirmed after advice from the Commonwealth's IEG allowed substantially greater alignment and therefore overall monitoring efficiency. The Commonwealth's revisions were then followed by formal approval of Module M of the Commonwealth's EIMP which in effect accepted a series of monitoring activity designs that were based on the State's justifiably preferred protocols that had already been agreed in principle between Gunns and the State regulators.

Parallel to the review of marine aspects of the Monitoring Programs, Gunns and State regulators have addressed all non-marine aspects of the State's monitoring requirements via the iterative review of draft versions of the S-BOMP document. In this regard a good working agreement has been reached between both parties that will deliver a phased final approval and implementation of all required elements of the C-BOMP, also taking into account factors that cannot be expected to be known *a priori*.

#### Monitoring Completed to Date

A substantial body of work contributing to the necessary 2.5 years of baseline monitoring has also been achieved in the period since the Permit was established. Three separate annual *Environmental Performance Review* reports have been submitted to and accepted by the Director. These review reports place a substantive body of work on the public record from a range of monitoring activities. A summary of major elements of baseline data obtained and formally accepted to date is provided in Table 4, following.

**Table 4 Summary of baseline monitoring undertaken and/or reported to date.**

<b>Monitoring activity</b>	<b>Description</b>	<b>Baseline Coverage (including that required)</b>
Ambient Air Quality and Meteorology	Air Quality Monitoring Station data. NOx, SOx, TRS, PM10 & Met parameters	Dec 2004 to Nov 2008 (12 months remaining and so will exceed 30 month requirement when complete)
	Odour Monitoring System and Odorous Compound Surveys	2 of 10 quarterly surveys
	Inorganic Chlorinated Compound Surveys	2 of 10 quarterly surveys
	Dioxins in Ambient Air	18 of 30 monthly samples
	Dioxins in Dairy Produce	4 of 10 quarterly surveys
Ambient Noise	Continuous Noise Loggers	Commencing June 2007 and ongoing
	Seasonal and Progressive Construction phase	6 individual Surveys and ongoing
Groundwater	Monthly (and weekly for 1 year) surveillance of > 20 bores with <i>in situ</i> and/or extractive sampling	Since 2005 and ongoing.

<sup>1</sup> Rewording of Condition 41(g)



Monitoring activity	Description	Baseline Coverage (including that required)
Surfacewater	Monthly (or daily with on-site activity year) stream surveillance with <i>in situ</i> and/or extractive sampling	Since 2005 and ongoing.
Marine Ecology	14 Locations in State Waters using a survey design based on protocols described by Keough & Mapstone, 1995.	3 of 5 6-monthly surveys
Marine Water	Up to 9 Locations, extractive and <i>in situ</i> sampling.	24 months of 24 months (Complete for the majority of parameters)
Estuarine Water	Multi site, multi – parameter baseline surveys to support construction related activities	Complete

In summary, the environmental monitoring program's detailed plan has substantially benefited in terms of design clarity and focus as a result of the intensive development described above. In addition, in light of an agreed systematic review process, the program designs are in most cases sufficiently flexible to adapt to ongoing findings as they become available.

The development of the monitoring program, which was also a complex and a substantive body of work in its own right involving expenditure to 31 August 2011 in excess of \$7.1 million, was also practically linked to satisfactory completion of the HMP. That is to say, the monitoring program could not be finalised until the satisfactory completion of the HMP.

### 2.3.2.3 Pulp Mill Design Report

Condition 3GN2.1 of the Permit required Gunns to submit a *Pulp Mill Design Report* (PMDR) with specific guidance on content and scope of the PMDR. The PMDR is intended to act as a subsidiary regulatory review and confirmation of technical elements of the Project that may have changed or otherwise required further assessment post issuance of the Permit.

The PMDR is a valuable exercise to complete and clarify all of the final technical aspects of the Project to account for changing circumstances; however they came about post issuance of the Permit.

The drafting of such a necessarily detailed technical document is a substantial exercise from the proponent's and the regulator's perspective. More than one full time equivalent person (A senior consulting specialist engineer) has been engaged in this process over the period of mid 2008 to 2011, as evidenced by several iterations of the PMDR that have been drafted and submitted for review. The PMDR has in the main been authored by Poyry, Gunns' main engineering consultancy and Andritz, the suppliers of main items of equipment and technology to the Project.



Status Report as at 30 August 2011

It is noted that this process is not complete at the time of writing, due in part to the almost constant development of the Project from a technical and stakeholder perspective. This development includes the final adoption of %100 plantation feedstock; the final selection of ECF-light bleaching technology; and a significant Permit revision process, undertaken in May-July 2011 that resulted in an increase in allowable production capacity and clarification of other matters. Consequently, this activity will remain 'live' in the short term and be completed to the Director's satisfaction in time to support subsequent Project elements.

#### 2.3.2.4 Human Resourcing

In order to drive the Project, the core Project team has ranged in size from a minimum of 10 full time equivalents to in excess of 50 full time equivalents. The application of the core team has ensured that at all times since the Project was established one or more of the regulatory, commercial, financial, social and physical activities of the Project were progressing in accordance with the Project's overall implementation strategy.

The appointment of Gunns' Pulp Mill Project Director, Mr Timo Piilonen in mid 2010 has materially assisted with satisfactorily progressing pre-operational Project elements. Mr Piilonen has significant experience in the construction and operation of bleached hardwood kraft pulp mills with his last project being the Orion Project at Fray Bentos, Uruguay. The Orion Project is a similar scale and technology to the Bell Bay Project.



## 2.4 Developing the Commercial Project Framework

A major component of the Project is the commercial matrix involving land, access, resource security, equipment supply, chemical supply and other related commercial matters. A significant portion of this commercial matrix has been completed. This section expands on these aspects of the Project.

### 2.4.1 Involvements with third parties subsequent to the issuing of the State Permit

In progressing the Project in a logical manner, it was essential that a significant number of agreements be established during the early period as their completion was necessary to mitigate risk and ensure commercial viability. The pulp mill as a large and complex process requires a number of key inputs such as wood resource, water, natural gas and chemicals. Agreements covering these and other crucial matters needed to be established during the early phase of the Project.

In most cases, the establishment of these agreements has involved complex negotiations conducted over a significant period of time and with the considerations involved amounting to very significant sums of money.

The details of these agreements are commercial in confidence and accordingly, a schedule including that detail is included as Appendix 2.

A summary of agreements and their status is provided below:

**Table 5 Summary table of agreements**

<b>Agreement</b>	<b>Status</b>
Purchase of the major block of land for pulp mill	Oct 2007
Purchase of an adjacent block of land to accommodate the landfill site	Jan 2008
Project alliance agreement with main contractor	May 2008
Equipment Supply Agreements	
Core pulp manufacturing machinery	March 2008
Ancillary pulp manufacturing items	March 08
Steam Turbo/generator	Nov 2007
Cooling Tower	Apr 2008
Water & wastewater treatment technology	Mar 2008
Electrical and automation equipment	Jan 2010
Instrumentation and control valves	Dec 2009
High voltage supply substation and associated works	Dec 2007
Recovery boiler and power boiler electrostatic precipitators	Dec 2010
Installation management agreements	
Pulp manufacturing machinery	Mar 2008
Steam Turbo/generator	Mar 2011
Plantation wood supply agreement	Dec 2007

Status Report as at 30 August 2011

Agreement	Status
Water supply agreement (extended)	Aug 2011
Gas pipeline installation and operation agreement	Jun 2008
Steam Turbo/generator storage and technical support agreement (updated)	Mar 2011
Pulp sales agency agreement	May 2008
Understandings reached with parties on:	
Sodium chlorate chemical plant to be located on the pulp mill site	August 2008
Oxygen and nitrogen Industrial gas chemical plant to be located on the pulp mill site	May 2008
Gas supply	Ongoing to 2009
Electricity sales	Ongoing to 2010
Pulp mill site bulk earthworks agreement	Aug 2011
Electrical connection agreement providing the planning for the pulp mill surplus electricity to be supplied into the Tasmanian electricity grid	Ongoing to 2011 and continuing

## 2.4.2 Land Acquisition

The total pulp mill land (including buffer zones) comprises six adjoining titles with a total land area of approximately 965 hectares. In addition, Gunns purchased a separate site near George Town to be used for a workers' accommodation facility. Further details pertaining to each title are provided in the table below.

**Table 6 Land parcel details**

Land Description	Title	Hectares (Title)
Main land area purchased from RTA	152001-1	590.700
Land purchased from the Crown for solid waste site	152545-1	31.790
North chip mill site	136962-1	30.570
South chip mill site	136962-2	41.780
Additional adjacent Gunns land as buffer zone	152160-1	269.65
<b>Total pulp mill land</b>		<b>964.490</b>

Workers' accommodation site George Town	152504-1	13.850
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Four of the titles in the table above were required to be purchased by Gunns in order to progress the project – these were:

- The main pulp mill land area which was purchased from Rio Tinto Alcan
- Land for the solid waste site which was purchased from the Crown
- The northern woodchip mill site which was purchased from Rio Tinto Alcan
- The site for the workers' accommodation facility which was purchased from a private party

These purchases were complex in nature, required lengthy negotiations and some took over two years to complete.

### **2.4.3 Conservation Covenants associated with the Pulp Mill**

Gunns has established a number of conservation covenants across the freehold estate to provide for reserves and habitat offsets for the loss of vegetation associated with the Project. The reserves also provide ongoing protection for existing potential habitat for threatened species.

#### *Crown Land Eucalyptus ovata* offset

In July 2008 Gunns entered into a conservation covenant for 25 hectares of the State threatened forest community *Eucalyptus ovata* forest adjacent to Pecks Hill Road. The purpose of this covenant was to fulfil a land purchase contractual agreement with Forestry Tasmania, to offset for the loss of *E. ovata* forest within the purchased area.

#### Pulp mill reserve network

In October 2009 Gunns entered into a conservation covenant for approximately 170 hectares of reserves established on the broader mill site property. The purpose of the covenant is to address condition 17 of the Commonwealth AD. The reserve network has been selected due to its good ecological condition and direct proximity to habitat that will be lost due to the pulp mill development.

#### Swift parrot reserve

In October 2009 Gunns entered into conservation covenants for approximately 35 hectares of *Eucalyptus ovata* forest and woodland to maintain foraging habitat for the swift parrot. This reserve is located in three locations, all adjacent to Prossers Forest Road. Inclusive of required buffers the total area covenanted is approximately 94 hectares. The purpose of these covenants is to address condition 18 of the Commonwealth AD.

#### Rehabilitation offset area

In October 2009 Gunns entered into a conservation covenant for an area of 226 hectares of potential habitat for listed threatened fauna species to be rehabilitated from pine plantation and degraded natural forest. This area is located in the Wurra Wurra Hills near Parkham. The purpose of this covenant is to address condition 16 of the Commonwealth AD.

The rehabilitation offset area has been selected due to the recorded or likely presence in the vicinity of the offset of the listed threatened species prescribed in Condition 16, being the Tasmanian devil, spotted-tailed quoll, eastern barred bandicoot, swift parrot and green and gold frog.

#### Forest Practices Plan *Allocasuarina littoralis* offsets

In October 2009 Gunns entered into conservation covenants for approximately 20 hectares of forest containing *A. littoralis* and buffers. This offset is located in two locations, adjacent to Pipers River Road and Smith and Others Road. A further area of this forest community was included in the above mentioned Pulp Mill Reserve Network. The purpose of these covenants is to fulfil the requirements of the Forest Practices Plan for the Project site.

The establishment of these conservation covenants was a lengthy and involved process.

#### **2.4.4 Procurement of Additional Third Party Services to Develop the Pulp Mill Project Subsequent to Issue of the State Permit**

In addition to establishing agreements with a number of organisations as described above, Gunns has also involved a large number of other parties in the development of the pulp mill project. This involvement has been via the procurement of various consultancy or other technical services covering a wide range of matters as diverse as, for example hydrodynamic modelling of the pulp mill effluent flows into Bass Strait and community engagement. This work undertaken by third parties, and its associated costs, was all considered necessary to progress various aspects of the project to a satisfactory status prior to the onset of bulk earthworks. To involve third parties in a range of activities that progress the project prior to major earthworks is not unusual for a complex project of this nature.

A schedule of these procurements is provided as Appendix 3 on a commercial in confidence basis. The appendix provides the name of the party, the sums of money paid from January 2008 to July 2011 (the schedule includes only those that totalled to \$20,000 or more) and a brief description of the nature of the services provided by the third party. The schedule shows a total expenditure of approximately \$36 million.

#### **2.4.5 Procurement of Long-Lead-Time Machinery Items**

In order to ensure the project remained on the schedule that prevailed at the time, Gunns committed to the purchase of certain items of equipment the manufacture of which involved long lead times. This involved committing to Toshiba for the purchase of a steam turbine generator and to Andritz for certain specialised boiler tubes and some other boiler and evaporator parts.

Discussions with steam turbine generator suppliers commenced in August 2005 and following a long period of negotiation a purchase commitment was made with Toshiba in November 2007.

Given the forecasts in respect to material availability and lead times, purchase commitments were made with Andritz in November 2007 and January 2008 for

Status Report as at 30 August 2011

certain specialised boiler tubes and some other boiler and evaporator parts to be fabricated.

A summary of the financial commitments for these long-lead-time items is as follows:

• Toshiba steam turbine generator	35.7 M AUD
• Andritz - boiler tubes and boiler & evaporator parts	<u>19.8 M AUD</u>
• Total long-lead-time items	<u>55.5 M AUD</u>

Given the nature of the long-lead-time items, this equipment is custom made for this particular project and of little value for any other purpose. In particular the steam turbine generator was manufactured to process the very specific steam pressures and flows associated with the Bell Bay pulp mill. The design details of the very project specific steam turbine generator were only established following a series of discussions and other communication over a period of two years.

The specification details of the Toshiba the steam turbine generator are provided on a commercial in confidence basis in Appendix 4a and those for the specialised boiler tubes and other boiler and evaporator parts in Appendix 4b – again on a commercial in confidence basis.

#### **2.4.6 Establishment of Linear Infrastructure**

This subsidiary project involves the procurement of easements rights for very substantial items of linear infrastructure with the water pipeline being 40 kilometres in length and the effluent pipeline 20 kilometres. This linear infrastructure forms a critical component of the Project.

The Permit did not provide Gunns with any compulsory easement rights and these have therefore been negotiated on a commercial basis.

Negotiations to secure easement rights for the water pipeline and effluent pipeline infrastructure have required a significant resource input over a number of years. A detailed description of the Project's Easement Acquisition Process (EAP) is provided as Appendix 5. The EAP commenced with the establishment of the Permit and initially focussed on negotiation with; 29 private landowners, 5 corporate landowners, 3 local councils and 3 State Government Departments. A number of landowners did not allow access, which in some cases resulted in further realignment in adjacent or other properties.

After an iterative realignment and verification process, the final route involved:

- 21 private landowners
- 5 corporate landowners
- 3 local councils, and
- 3 State Government Departments.



Status Report as at 30 August 2011

The total number of land titles to be traversed by the supply and outfall pipelines is 175.

The easement acquisition and associated geo-tech and other survey processes for the pipeline alignment have taken Gunns 5 years and 9 months; and as at the 30 August 2011, are complete.

## ***2.5 Developing the Social and Political Context of the Project***

At \$2.3 billion, the Project, when complete, will be the largest single private investment made in Tasmania, and the largest investment in the forestry sector in Australia.

Along with the regulatory and commercial imperatives required to complete the Project, a commensurate emphasis has been required on the social and political context surrounding the Project in order to facilitate the completion of the funding structure and the strategic objective of obtaining a social licence to operate.

In the context of such a significant project, the critical feedstock for the manufacturing facility, being the fibre supply also plays a significant role in the social context that surround the Project and the communities in which it operates.

To address these aspects of the Project, Gunns has embarked on a considerable business restructure process aimed at ensuring the long-term viability of its operations and the Project.

Commercial preference of pulp customers, linked with the social and reputational risk framework surrounding the Project, has necessitated the decision to supply the project with 100% plantation fibre from the commencement of operations. This decision has required a significant and fundamental restructure of the Company's operations which has taken place over an 18 month period in Tasmania, commencing in early 2010.

Another key factor in the ongoing Project delivery strategy has been the engagement with stakeholders and communities in which we operate. These conversations have provided critical input to Gunns and the Tasmanian forestry sector as to the management of a transition from native forests to plantations. Gunns has placed considerable emphasis on communication and engagement to support the business strategy. Some specific actions to support the project strategy have included;

- The release of a macroeconomic report in 2011 detailing the benefits of the Project to the Tasmanian and local economy.
- The commissioning in late 2010 and release in 2011 of qualitative and quantitative research in relation to stakeholder views surrounding the Project.
- Consultation with key stakeholders in a micro-economic report on how to maximise the local benefits of the Project.
- Engagement with the Gunns workforce, including updates of the Project, its rationale, and the environmental and social strategy surrounding the Project.





Status Report as at 30 August 2011

- Development and launch of a blog site in 2011 to provide rapid dissemination of factual information from Gunns perspective about the mill and to further the community engagement process.
- Ongoing proactive media engagement, including a recent television campaign in July 2011 promoting the open and transparent approach of delivering the Project.
- Ongoing updating of fact sheets and information surrounding the Project on the pulp mill website.
- Active engagement with stakeholders and a national and regional level, particularly surrounding the fibre supply for the Project.
- Progress towards setting up key forums for engagement with the community surrounding the project, including the Community Liaison Committee (CLC) and Project Oversight Committee (POC).
- The progression of Forest Stewardship Council (FSC) certification for Gunns plantation assets, expanding the participation in the social component of forestry beyond the scientific requirements.

Flowing from the context of the social and business restructure process, Gunns has proceeded with considerable resourcing of the project financial structure, which has included significant engagement with potential debt and equity finance partners since the Pulp Mill Permit was issued in 2007. The details of this process are largely commercial in confidence, but it is noted that a total of \$19.2 million has been expended on the financing structure over the past 4 years.

As outlined within this section, in the context of a project of the scale of the pulp mill project, the social, political and community context play a significant role in the overall Project delivery strategy, and these activities have formed an important component of Project activity to date.



## **2.6 Physical Activities On-Site**

The following details are provided to document the extent of site based construction activities that were complete on 30 of August 2011.

### **2.6.1 Pulp Mill Land – Physical Statistics**

The total pulp mill land comprises six titles with a total land area of approximately 965 hectares. In addition Gunns purchased a site near George Town to be used for a workers' accommodation facility, which is approximately 14ha in area.

### **2.6.2 Pulp Mill Land – Physical Statistics on Site Works**

As detailed record of site activities is included as Appendix 6, while the four main mill site activity stages undertaken to 30 August 2011 are summarised below.

#### **Boundary Fence**

- 12.9 kilometres in length
- Constructed as a multi-strand wire fence with treated pine and metal strainers with metal droppers and treated pine/metal intermediate posts
- 129,000 square metres cleared (12.9 hectares) as a corridor for the fence
- 15 personnel involved
- Equipment included 1 x 12 tonne excavator, 1 x 4WD tractor and hydraulic hammer and 3 x 4WD vehicles
- Site fence installed intermittently commencing in March 2008 and ending in September 2008

#### **Site Clearing**

Approximately 90 hectares cleared – this represents the total cleared footprint for the mill site (Figure 1 )

- Approximately 1,500 tonnes of pulpwood/firewood removed
- Equipment employed included (for Over-story removal 2 x 20 tonne excavators); ("Slash busting" 1 x 20 tonne excavators)
- Personnel involved (for Over-story removal - 5); ("Slash busting" - 2)
- Site cleared over a 5 month period from August to December 2009

#### **Construction of the Site Access and Wharf Access Roads (Figure 1)**

- Site Access Road constructed to Department of Infrastructure, Energy and Resources (DIER) AustRoads Rural Road Design Standard
- Wharf access road constructed to Class 4 Forestry Standard

Status Report as at 30 August 2011

- Equipment included 45 tonne excavator, D6 dozer, 35T Excavator, 25T Excavator, Water Cart, Compactor, Smooth Drum Roller, and 6 x 45 tonne articulated dump trucks.
- Site access road 1.2 kilometres in length
- Wharf access road 1.8 kilometres in length
- Site works and road access work completed over an 8 month period ending in June 2010



Figure 1 Aerial image of mill site showing the cleared area and access road

#### Bulk Earthworks

- Major items of mobile equipment mobilised to site
- Construction offices deployed to site
- Construction of temporary sedimentation ponds commenced

A series of aerial photographs showing pre permit status of the mill site, compared to two subsequent construction phases follows.



**Figure 2 Aerial photograph of pulp mill site before issuance of the Permit.**





**Figure 3 Aerial photograph of the pulp mill site after vegetation clearing and during access road construction.**



**Figure 4 Aerial photograph after access road construction.**



## Appendices

Appendices 1- 4  
removed  
Commercial in Confidence

## **Appendix 5**

### **Pulp Mill Project Easement Acquisition Process**

Process stages comprising development items as performed are as follows:

#### For Private Landowners

##### **Stage 1**

- Initial theoretical (desk-top) pipeline route selection
- Hydrodynamic design feasibility assessment
- Research & consideration of existing utilities, services – (Dial Before You Dig) applications
- Drive-by site assessment & practical applications

Outcome of stage 1: The provisional pipeline route proposal & basic easement design including:

- Initial land owner consultations & related practical considerations identified
- Construction considerations with assessment of options underway
- Some repeats of the above, subject to various land owner preferences & desired adjustment of the proposed pipeline route

##### **Stage 2**

- On-site geotechnical surveys, including drilling, sample acquisition, preparation of bore-logs
- Assessment, collation and reporting of geotechnical information (also including off-shore geotechnical drilling for outfall pipeline using a chartered drill ship)
- On-site Special Values, Cultural Heritage and Environmental surveys process
- Reporting and collation of Special Values surveys

Outcome of Stage 2: Physical knowledge of the proposed pipeline route; and confirmation of compliance with statutory environmental requirements. Clear to proceed to provisional agreements with landholders

##### **Stage 3**

- Development of formal Easement Agreement document, establish negotiation guidelines
- Independent compensation valuation of proposed easements for all properties
- Provision of offers & negotiations with land owners on purchase of property easement rights
- Agreement on pipeline route & Special Conditions, including signatures to final Easement Agreement
- Payment by Gunns of agreed easement deposits to each land owner

Outcomes of Stage 3: Land owner agreements and payment of deposits (consideration) underway

##### **Stage 4**

- Separate or re-negotiations with some land owners necessitated by adverse action of local opposition groups
- Repeat above for some cases to accommodate a change of mind or cancellation of prior agreements due to pressure from opposition groups



Status Report as at 30 August 2011

Outcomes of Stage 4: Finalisation of pipeline route from refocussing of effort and other activities required to overcome changes to the route

#### Stage 5

- Drafting & GIS documentation of finally agreed easements
- On-site land surveys of easements by registered surveyors for lodgement with the Tasmanian Land Titles Office
- Preparation of easement transfer documentation for each land owner
- Final agreement process, mortgagee approvals, clearances to proceeds with financial settlements
- Preparation of balance amounts of easement payments due, inc indexation of same for time taken
- Separate financial settlements with each land owner
- Continuation of easement registration process, including payment of registration & stamp duty fees

Outcomes for Stage 5: Successful completion of documentation and financial settlements for easements on private land owner property titles. All transfer and registration documentation is complete and easement registration lodgements are with the Tasmanian Land Titles Office or in progress via Gunns' solicitors.

#### For Pipeline routes on Crown lands, State road and local Council reservations

- Concept design, physical investigation, route selection processes and comprehensive communications with the various Authorities have been performed for pipeline routes required to run within Crown lands and on State road and local council road reservations.
- Project requirements for Special Values surveys, documentation and management have also been completed for these sections of the pipeline routes.
- Geotechnical investigations, sampling and bore-log assessments as necessary are also complete.

All of the above are substantially complete & project-ready as of 30 August 2011

#### **Pipeline Easement statistics**

Water Supply Pipeline:      Length = approx 40km  
Effluent Pipeline:          Length = approx 20km

Draft IIS provisional pipeline route:

Land owners – 29

Corporate owners – 5

Local Councils – 3

Govt Departments – 3

Current (final) pipeline route:

Land owners – 21

Corporate owners – 5

Local Councils – 3

Govt Departments – 3

Total no. of land titles to be traversed – 175

Appendices

Pulp Mill Project

Status Report as at 30 August 2011



## **Appendix 6**

A Construction Activities Timetable





## Construction Activities Timetable

Schedule	Condition	Activity	Commenced	Completed
LU1	2CN 1.1	Perimeter fence clearing & construction – stage 1	17/03/08	24/04/08
LU1	2CN 1.1	Site geotechnical investigations	18/08/08	19/08/08
LU1	2CN1.1	Site access track creek crossing upgrades	25/08/08	27/08/08
LU1	2CN 1.1	Perimeter fence clearing & construction – stage 2	04/09/08	16/09/08
LU4	TR7.1	Water pipeline corridor weed control program (Trevallyn Reserve)	29/07/09	29/07/09
LU1	2CN1.1	Upgrade site access track in preparation for vegetation clearing	31/07/09	01/09/09
LU1	2CN1.1	Mill site vegetation clearing – slash busting/understorey chipping	03/08/09	03/12/09 <sup>1</sup>
LU4	CN1.1	Trevallyn pipeline vegetation clearing & balance tank pad construction	18/08/09	21/08/09 <sup>3</sup>
LU3	CN1.1	Water supply pipeline corridor vegetation clearing – Likeman's Hill	18/08/09	10/09/09
LU2	2GN10.1	Workers accommodation vegetation clearing	21/08/09	07/09/09
LU1	2CN1.1	Mill site vegetation clearing – overstorey removal & stacking	16/09/09	24/11/09 <sup>1</sup>
LU2	2GN10.1	Workers accommodation chemical weed control	09/12/09	14/12/09
LU1	2CN 1.1	Pulp mill access road – chip mill water supply pipeline relocation	09/12/09	14/12/09
LU1	2CN 1.1	Pulp mill access road – chip mill Telstra fibre optic cable relocation	14/12/09	18/12/09
LU1	2CN 1.1	Pulp mill access road – chip mill Aurora power supply pole relocation	21/12/09	22/12/09
LU1	2CN 1.1	Pulp mill access road – stage 1 construction	26/01/10	21/05/10 <sup>2</sup>
LU1	2CN 1.1	Pulp mill wharf access road – construction	21/05/10	22/06/10
LU1	2CN 1.1	Preparatory earthworks – pulp mill site security fence	23/06/10	16/07/10
LU3	CN1.1	Water supply pipeline corridor vegetation clearing – Egg Island Creek	14/06/11	27/06/11 <sup>4</sup>
LU1	2CN1.1	Pulp mill site bulk earthworks	29/08/11	Est 31/05/12

**Footnotes:**

1. Some clearing for adjoining infrastructure still to be completed. eg Local water supply corridor from the reservoir.
2. Stage 1 of the road construction from the chip mill access road to the pulp mill has been completed. An access road to the wharf has also been completed
3. Vegetation clearing has been completed for the balance tank site and Reatta Rd section of pipeline. Balance tank pad construction was suspended due to then wet ground conditions
4. 600m section completed in the vicinity of Egg Island Creek