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Gunns LIMITED
ABN 29 009 478 148

ASX and Media Release Monday, 5 January 2009

Gunns welcomes Federal Bell Bay Mill environmental module approvals

Integrated forest products company Gunns Limited today welcomed the decision by Federal Environment Minister Peter Garrett to give approval for the Environmental Impact Management Plan modules for the Bell Bay Pulp Mill.

Mr Garrett today announced he has now approved 13 of the environmental modules which Gunns submitted to meet the Government's stringent environmental standards for the plantation timber-based mill. Three remaining modules have provisional approval, pending completion of modelling which the company proposed in the environmental plan.

Gunns Chairman John Gay said the approvals were needed for the mill to begin construction.

"We are now clear to begin construction on the mill, pending financial close," Mr Gay said.

"We are pleased that the Minister for the Environment recognises that this mill will be the most environmentally friendly mill in the world, conforming to the strict standards set down by the previous Government.

"This approval confirms the comprehensive scientific reports available to the then Environment Minister Malcolm Turnbull in October 2007.

"We proposed to the Government that several of the modules were contingent upon the company completing modelling of waste water discharge into Bass Strait and the provisional approvals of three modules reflect that.

"Mr Garrett has told the company that he 'is satisfied with the scope of the hydrodynamic modelling' and will not require further advice on the modules to give final approval once the studies are completed.

"Any waste water discharge from the mill will be cleaner than the Tamar River, and have 10 times less dioxins than the US drinking water standard.

"We are confident the modelling will show that the mill will meet the standard of other pulp mills which currently discharge into Bass Strait. The Government has set precedents for effluent quality into Bass Strait and we will expect them to uphold these."

Mr. Gay said the time taken to approve the modules was necessary to ensure that the conditions of the permit were diligently satisfied.

"Preparation and approval of the modules has been a comprehensive and thorough process over the past 12 months.

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"We commend the work done by Mr Garrett's Department and the Independent Expert Group in evaluating the modules and providing advice to Gunns to ensure that the mill meets its stringent permit requirements and delivers the best possible environmental outcomes.

The detailed modules will be available for the public to view in early January on Gunns' project website www.gunnspulpmill.com.au.

Mr Gay said the permits ensured the Bell Bay Mill would be the most environmentally friendly pulp mill in the world, adding value to woodchips in Tasmania, rather than shipping them offshore to mills which do not meet such high standards.

"The mill will be climate positive, reducing ship traffic and contributing enough co-generated green electricity back into the state grid to power Launceston," he said.

"It will also be of benefit to the State economy, creating more than 2,000 jobs during construction and 1,600 new jobs during operation."

Mr Gay said Gunns could confirm its previous advice to the market that it was continuing to negotiate with a banking syndicate to reach financial close, as well as continuing talks with potential joint venture partners.

"This decision will bring added certainty to the mill project for our banking syndicate and potential partners," he said.

Mr Gay said Gunns has continued to increase its focus on its growing plantation timber resource which will supply the mill.

"In the past five years we have increased our plantation resource from 90,000 hectares to 200,000 hectares," he said. "Within five years we anticipate the mill using 100 per cent plantation timber, which the mill has been specifically designed for.

"Today's decision is a significant achievement and a major milestone for Gunns and the Bell Bay Mill.

"We now call on Federal and State Governments to get behind this project and create jobs for Tasmania in this difficult financial climate."

Further information

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The Hon Peter Garrett AM MP

Minister for the Environment, Heritage and the Arts

Mr John Gay
Executive Chairman
Gunns Limited
PO Box 572
LAUNCESTON TAS 7250

Dear Mr Gay

I refer to EPBC Act approval 2007/3385 to construct and operate a bleached Kraft pulp mill at Bell Bay, Tasmania, and associated infrastructure, and to the draft modules of the Environment Impact Management Plan (EIMP) prepared by Gunns under that approval.

I have approved modules C1, D, F, G, H, I,J, K and O of the EIMP and have varied the maps at Schedule 1 of the original approval as you have requested.

However I have not approved modules L, M and N in their current form. The IEG has advised me that there is a degree of uncertainty about the outcomes of the hydrodynamic modelling described in module L. Given this and the implications of that uncertainty for modules M and N, I am not satisfied that modules L, M and N in their current state provide the level of protection necessary for the relevant matters of national environmental significance as required by the *Environment Protection and Biodiversity Conservation Act 1999*. I have concluded that the hydrodynamic modelling required under condition 38 of the approval conditions must be completed and the results incorporated into the EIMP before I can approve it as a complete EIMP. I have reached this view on the basis of legal advice.

Although I have not approved these modules, I can indicate that, having regard to the advice of the Independent Expert Group, I am satisfied with the scope of hydrodynamic modelling set out in module L and the other content of modules L, M and N, so far as this material does not relate to or rely on the results of the hydrodynamic modelling.When modules L,M and N are resubmitted after the hydrodynamic modelling is completed, I will not require further advice on material in the modules that is not related to or affected by the outcomes of that modelling.

In addition, I have approved the proposed variation of the approval conditions as recommended by the IEG and outlined in your letter of 16 December 2008. However, I note that this variation will only operate if the relevant modules to which it relates are ultimately approved by me.

Gunns must undertake the hydrodynamic modelling and incorporate the findings into the relevant parts of the EIMP. For the purposes of condition 7 of the approval, the indicative time frame is 26 months in the draft of module L, the EIMP must therefore be completed and approved by 3 March 2011.

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I understand that my department will be writing to you shortly with formal approval of the scope of works for the hydrodynamic modelling, as provided for in condition 38 of the approval, so that you should be in a position to commence this work in the near future.

Yours sincerely

Peter Garrett

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