

MEMORANDUM OF AGREEMENT

in respect of

**THE REHABILITATION PLAN FOR A PORTION OF SITE
1D OF THE RICHARDS BAY IDZ TO BE UTILISED BY PULP UNITED**

entered into between

**KWAZULU-NATAL NATURE CONSERVATION BOARD trading as EZEMVELO
KWAZULU NATAL WILDLIFE, a juristic entity established in terms of the KWAZULU-
NATAL NATURE CONSERVATION ACT 9 OF 1997**
(hereinafter referred to as Ezemvelo KZN Wildlife)

and

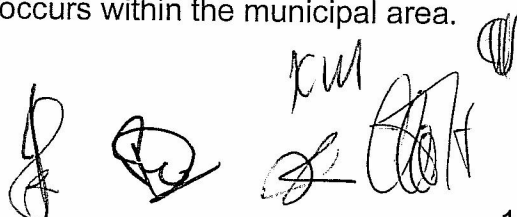
uMHLATHUZE MUNICIPALITY
(hereinafter referred to as The Municipality)

DEFINITION OF TERMS

“**Blue Gum plantation**” means the Eucalyptus sp. Plantation of 16 ha located within portion of the remainder of Reserve 6 N^o 15825.

“**candidate protected areas**” are areas specified in this agreement in terms of 4.1.3, which warrants immediate protection through proclamation and which will be managed as protected areas until proclaimed.

“**Conservation Plan**” means the strategy and plan set in place by The Municipality to set aside representative samples of the biodiversity which occurs within the municipal area.



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“**environ**” means the natural area surrounding a water body identified for formal protection under either the National Environmental Management: Protected Areas Act 57 of 2003 or the KwaZulu-Natal Nature Conservation Management Act 9 of 1997.

“**IDZ**” means the Richards Bay Industrial Development Zone.

“**offset**” means an area, to be agreed upon by The Parties, set aside for nature conservation to offset the negative impacts of the development of Pulp United within the Richards Bay Industrial Development Zone in order to ensure that there is a no net loss of biodiversity.

“**Portion 1 of 1D**” means the portion of site 1D within the Richards Bay IDZ made available for the establishment of Pulp United and consists of a mosaic of Kwambonambi Grassland and coastal wetland systems;

“**Portion 2 of 1D**” means the proportion of site 1D within the Richards Bay IDZ immediately west of portion 1 of site 1D and consists of high quality Kwambonambi Grassland and coastal wetland systems and forms an important component of the proposed Nseleni : Nsezi corridor and protected areas system;

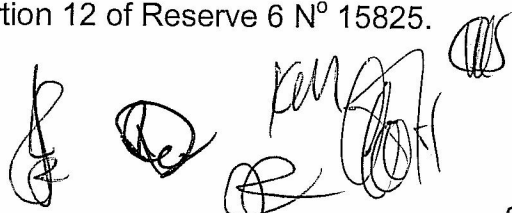
“**Pulp United**” means Pulp United (Pty) Ltd.

“**rehabilitation**” means restoring a degraded habitat or ecosystem to its former natural state or to a successional state which would result in its former natural state and where the endemic and threatened species complement has been established;

“**RoD**” means the Record of Decision applicable to authorisation of listed activities issued in terms of section 21 and 22 of the Environment Conservation Act 73 of 1989 applicable to the application to develop Portion 1 of 1D, submitted to the Department of Agriculture and Environmental Affairs (EIA 5110) by Pulp United.

“**Tim O’ Connor**” means Tim O’ Connor and Associates who were contracted by uMhlatuze Municipality to identify, map and determine the conservation value of the remaining natural areas within the uMhlatuze municipal area.

“**Triangular portion of land**” means the disturbed areas, totalling 12 ha, adjacent to the registered quarry area and located on a portion of Portion 12 of Reserve 6 N^o 15825.

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PREAMBLE

WHEREAS the Municipality and Ezemvelo KZN Wildlife ("**The Parties**") committed themselves to finding a solution to accommodate the conditions contained in the Record of Decision for the establishment of a greenfields pulp project by PULP UNITED on a portion of IDZ Site 1D in the Municipality's area of jurisdiction and to conserve representative samples of the highly threatened Kwambonambi Grassland system.

And WHEREAS agreement reached between **The Parties** included that the Municipality would relocate Kwambonambi Grasslands from a portion of IDZ Site 1D and rehabilitate viable degraded areas within the areas identified for conservation prior to the development by Pulp United, in an effort to mitigate or offset the loss of the critically endangered and endemic grasslands within Portion 1 of Site 1D.

And WHEREAS the municipality will establish the off-set at a proportion of 1 hectare of habitat lost to a consolidated 10 hectares of new area to be rehabilitated, or at a proportion that will result in a viable KwaMbonambi grassland system, so as to achieve a no net loss in quality and quantity of these critically endangered grasslands within the uMhlatuze Municipality's region.

And WHEREAS **The Parties** agreed that, since all the viable degraded areas identified by Tim O' Connor cannot be rehabilitated in the short term, the triangular portion of degraded land in the vicinity of the existing quarry, and the Blue Gum Plantations directly west of IDZ Site 1D and a portion of land that is owned by Mondi Forest must be used for rehabilitation purposes, subject to an appropriate area being secured by the Municipality for the establishment of an offset in lieu of the development of Portion 1 of Site 1D.

And WHEREAS, subsequent to the aforementioned, a Mondi plantation has been identified to achieve the purpose of the offset. Mondi Ltd. as the landowner of the proposed area to the east of the Nseleni River and immediately south of the Nseleni Nature Reserve, has not agreed to the proposed offset without compensation for the future loss of timber.

And WHEREAS it was further agreed to by **The Parties** that the Municipality will proceed with an application for the proclamation of the following nature reserves for areas in the Municipality's ownership:

- (i) The Lake Nsezi area and environs;



- (ii) the Lake Mzingazi area and environs;
- (iii) the land bordering the Southern Sanctuary Area (herein referred to as the 'Southern Sanctuary Area'); as well as
- (iv) the link between Lake Nsezi and the estuary west of Bayside Aluminium;

And WHEREAS **The Parties** and the National Ports Authority, during a meeting held on 31 March 2006, agreed that the link between Lake Nsezi and the estuary should not be proclaimed as a nature reserve as a result of the planned expansion of the Port of Richards Bay, but however agreed that:

- the area will be managed by the Municipality as a candidate protected area and thus be protected against future environmental deterioration; and
- that a suitable offset be identified by **The Parties**; and the proposed offset area be rehabilitated by The Municipality and Ports Authority prior to expansion of the Port.

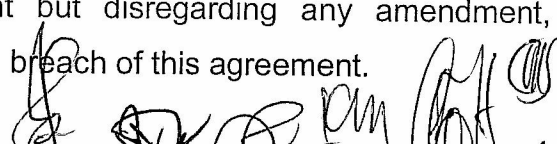
And WHEREAS Pulp United were granted conditional environmental authorisation to develop Portion 1 of 1D (EIA 5110) and that the RoD contained Condition 9.27 which reads as follows:

"Construction may not commence prior to finalisation of an agreement between Ezemvelo KZN Wildlife and uMhlatuze Municipality on the rehabilitation plan for that portion of IDZ site ID to be utilised by Pulp United".

NOW THEREFORE THE PARTIES AGREE THAT:

1. INTERPRETATION

- 1.1 headings are for convenience only and do not affect the interpretation of this agreement.
- 1.2 words importing the singular include the plural and vice versa,
- 1.3 a reference to a document includes any amendment or supplement to, or replacement or novation of that document but disregarding any amendment, supplement, replacement or novation made in breach of this agreement.



2. OBJECTIVES OF THE AGREEMENT

The objectives of the agreement are:

- 2.1 To fulfil the provision of the environmental RoD issued to Pulp United in terms of their application to the Department of Agriculture and Environmental Affairs.
- 2.2 The establishment of an offset for the loss of Kwambonambi Grassland within portion 1 of site 1D of the Richards Bay IDZ.
- 2.3 To ensure that there is a no net loss in the quantity or quality of Kwambonambi Grassland within the Municipality's area of jurisdiction.
- 2.4 To form a foundation for The Municipality to conserve representative samples of its biodiversity and ecosystem services.
- 2.5 To clarify the roles played by **The Parties**.
- 2.6 To facilitate productive co-operation between **The Parties**.

3. CO-OPERATION AND CO-ORDINATION

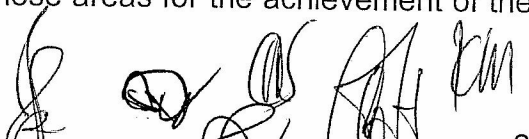
- 3.1 **The Parties** hereby undertake to co-operate and co-ordinate their efforts in order to achieve the goals set out in this agreement.
- 3.2 **The Parties** hereby acknowledge that each one of them acts in its own independent capacity and neither party has the right to act on behalf of the other or take action that may bind the other without its written consent.
- 3.3 The development of a network of protected areas to secure representative samples of the biodiversity existing within the Municipal area is to be undertaken by the Municipality with assistance from Ezemvelo KZN Wildlife.



4. THE ROLE AND RESPONSIBILITIES OF THE PARTIES

4.1 uMHLATHUZE MUNICIPALITY

- 4.1.1 The Municipality will continuously liaise with Ezemvelo KZN Wildlife in respect of compliance with Council Resolution 3491, attached herewith as **Annexure "A"**, which sets out the agreement reached between **The Parties** during a meeting held on 2 November 2005.
- 4.1.2 The Municipality, over the long term and as negotiated by **The Parties**, will establish the offset for the Portion 1 of site 1D at a proportion of one hectare of habitat lost to a consolidated ten hectares of new area to be rehabilitated and managed or at a proportion that will result in a viable Kwambonambi grassland system so to achieve a no net loss in quality and quantity of these critically endangered Grasslands within the uMhlathuze Municipality's region.
- 4.1.3 The Municipality shall reassure Ezemvelo KZN Wildlife of its commitment to put in place the offset for development of Portion 1 of 1D by Pulp United, by proceeding with an application for the proclamation of the following nature reserves for areas in the Council's ownership, as per Council Resolution 3491 of 15 November 2005, attached as **Annexures "A"**:
- (i) the Lake Nsezi area;
 - (ii) the Lake Mzingazi area; and
 - (iii) the Southern Sanctuary Area.
- 4.1.4 The Municipality will submit an application to the MEC, via Ezemvelo KZN Wildlife, for the proclamation of Lake Nsezi and Southern Sanctuary areas as nature reserves and ensure that the proclamation of the Lake Mzingazi nature reserve area be included as part of tender specifications to appoint a preferred developer of this area, as set out in a letter to Ezemvelo KZN Wildlife dated 6 April 2006 and attached as **Annexure "B"**.
- 4.1.5 The Municipality shall treat and manage the areas identified in 4.1.3 as candidate protected areas and The Municipality shall co-ordinate the involvement of all stakeholders, including Mhlathuze Water, in these areas for the achievement of the



protected area status. The Municipality will manage these areas in accordance with the National Environmental Management: Protected Areas Act 57 of 2003.

- 4.1.6 As part of the offset agreed to between **The Parties**, Pulp United or The Municipality, as the case may be, shall relocate the Kwambonambi grasslands to the blue gum plantations and a triangular portion of land directly west of IDZ Site 1D, as set out in a letter to Ezemvelo KZN Wildlife dated 6 April 2006 and attached as **Annexure "C"**, and shall appoint a suitable specialist, in consultation with Ezemvelo KZN Wildlife, to set in place a nursery and undertake the relocation and rehabilitation.
- The objective of the nursery will be to propagate rare and threatened species and species characteristic of Kwambonambi Grassland for rehabilitation of the offset.
- 4.1.7 The Municipality shall include the measures identified in 4.1.6 above into the protected area network of the Municipality as per 4.1.3.
- 4.1.8 Given the threatened status of the Kwambonambi Grassland, the Municipality will identify those remaining viable areas of Kwambonambi Grassland available within the jurisdiction of uMhlathuze, and these areas are to be included into the uMhlathuze Conservation Plan and are to be conserved in perpetuity.
- 4.1.9 The Municipality will not make Portion 2 of IDZ 1D available for development until such time as the biodiversity issues have been negotiated and agreed upon between **The Parties**, and will manage the area so that the biodiversity will not be degraded until such time as agreement has been reached.
- 4.1.10 The Municipality will rehabilitate the offset areas subject to the approval of Ezemvelo KZN Wildlife.
- 4.1.11 The Municipality will submit bi-annual progress reports on the achievement of the offset referred to in 4.1.2 and 4.1.6 and the establishment and management of the protected area referred to in 4.1.3 to Ezemvelo KZN Wildlife.
- 4.1.12 The Municipality undertakes to co-operate with Ezemvelo KZN Wildlife in order to achieve the goals set out in this agreement and to conserve representative samples of the biodiversity existing within the Municipal Area.

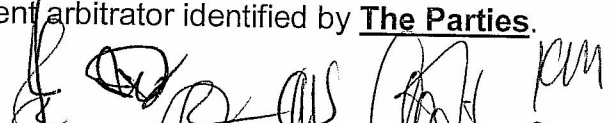


4.2 EZEMVELO KZN WILDLIFE

- 4.2.1 Ezemvelo KZN Wildlife supports the Pulp United development on Portion 1 of site 1D of the IDZ, as indicated on the plan attached as **Annexure "D"** in terms of the letter of comfort issued by Ezemvelo KZN Wildlife to Pulp United attached as "**Annexure E**" dated 8 April 2005, subject to the relocation of Kwambonambi grasslands as set out in 4.1.2 and 4.1.6 above.
- 4.2.2 Ezemvelo KZN Wildlife will support the Municipality and their consultants in drawing up a final Environmental Management Plan and the physical relocation of Kwambonambi grasslands to selected areas as soon as possible after signature of this agreement, as indicated in this agreement.
- 4.2.3 Ezemvelo KZN Wildlife shall undertake a rehabilitation assessment to determine whether the offset areas can be considered rehabilitated in terms of this agreement as per 4.1.10.
- 4.2.4 Whilst the measures to establish the offset referred to in 4.1.6 should not be included as part of the offset, Ezemvelo KZN Wildlife will agree as a special concession to include these measures as part of the offset.
- 4.2.5 Ezemvelo KZN Wildlife undertakes to co-operate with the Municipality in order to achieve the goals set out in this agreement.

5. DISPUTE

- 5.1 In the interest of development and the conservation of sensitive environments, **The Parties** undertake to use their best endeavours to resolve whatever dispute may arise between them.
- 5.2 Should any dispute, disagreement or claim arise between **The Parties** (hereinafter referred to as the dispute) concerning this agreement, **The Parties** shall attempt to resolve the dispute by negotiation. Such negotiations shall entail one party inviting the other party in writing to meet and to attempt to resolve the dispute within ten (10) working days from the date of the written invitation.
- 5.3 The dispute shall be arbitrated by an independent arbitrator identified by **The Parties**.



5.4 The costs of arbitration shall be decided upon by the arbitrator.

6. DOMICILIUM

6.1 Unless otherwise specified any notice or communication in terms of this agreement:

6.1.1 must be in writing to be effective;

6.1.2 must be sent by hand, telefax or prepaid registered post to the addresses/telefax numbers below, which physical addresses The Parties select as their respective domicilium citandi et executandi.

uMhlathuze Municipality : 5 Mark Strasse
Central Business District
RICHARDS BAY
3900
Telefax no: 035 9075444

Ezemvelo KZN Wildlife : Queen Elizabeth Park
Peter Brown Drive
Pietermaritzburg
Telefax no: 033 845-1693

6.2 Either party may change its address/telefax number to any other address/telefax number within South Africa. Such change will only take effect upon receipt or deemed receipt of such notice by the other party.

6.3 Any notice or communication shall:

6.3.1 if delivered by hand during business hours to the person apparently in charge of the premises selected by the addressee for the delivery of notices, be deemed to have been received on the date of delivery;

6.3.2 if sent by prepaid registered post to the selected address, be deemed to have been received 6 days after posting; and



6.3.3 if telefaxed to the selected telefax number, be deemed to have been received on the first business day following the date of transmission.

6.4 Any written notice or communication which has actually been received by a party shall be regarded as sufficient notice even if it has not been sent in the manner or to the address/telefax number provided for above.

7. MISCELLANEOUS LEGAL PROVISIONS

7.1 This is the whole agreement between The Parties containing all of the express provisions agreed to by The Parties with regard to the subject matter hereof.

7.2 No party may rely on any representation, which allegedly induced that party to enter into this agreement, unless the representation is recorded herein.

7.3 No agreement varying, adding to, deleting from or cancelling this agreement and no waiver of any right under this agreement shall be effective unless in writing and signed by or on behalf of The Parties.

7.4 No relaxation by a party of any of its rights in terms of this agreement at any time shall prejudice or be a waiver of its rights (unless it is a signed written waiver) and it shall be entitled to exercise its rights thereafter as if such relaxation had not taken place.

7.5 This agreement shall be governed by and construed according to the law of South Africa.

7.6 This agreement may be signed by The Parties in any number of counterparts, each of which shall be deemed to be an original, but all of which shall together constitute one and the same agreement.

7.7 If any provision of this agreement is, or becomes, invalid or unenforceable, it shall be severable from the rest of the agreement, which shall continue to be binding on The Parties.

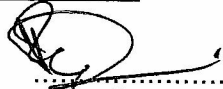

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8. COMMENCEMENT DATE

This Agreement shall commence on the date of signature by the party signing last and shall continue until terminated by The Parties.

THUS DONE AND SIGNED AT RICHARDS BAY THIS 4th DAY OF AUGUST 2006.



AS WITNESSES :

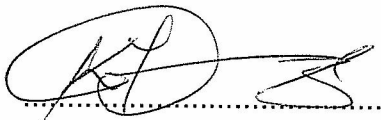
1. 
.....
2. 
.....



.....
For and on behalf of
the uMhlatuze Municipality

THUS DONE AND SIGNED AT PIETMARITZBURG THIS 8 DAY OF AUGUST 2006.

AS WITNESSES :

1. 
.....
2. 
.....


.....
For and on behalf of
EZemvelo KZN Wildlife



APPENDIX A



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MINUTES OF THE ONE HUNDRED AND TWENTY EIGHTH MEETING OF THE EXECUTIVE COMMITTEE OF THE uMHLATHUZE MUNICIPALITY, HELD ON TUESDAY, 15 NOVEMBER 2005 AT 14:00 IN THE COUNCIL CHAMBERS (B111), CIVIC CENTRE

PRESENT : MEMBERS

| | |
|--------------------------------|------------------------------|
| Ald D J B Moffatt (Mayor) | Clr E F Mbatha |
| Clr N D Ngobese (Deputy Mayor) | Clr A Z Mnyayi |
| Ald M A Kunene | Ald J J P van der Westhuizen |
| Clr M Lourens | Clr B A E Wood |
| Clr N C Mbanjwa | |

ON INVITATION

| | |
|-------------------|------------------|
| Clr S Gwala | Clr G B Ndwandwe |
| Clr B Hlophe | Clr A T Nkosi |
| Clr M Mbokazi | Clr P M Ntanzu |
| Clr R P Mkhwanazi | |

OFFICIALS

| | | |
|--------|----------------|-------------------------------------------------|
| Dr | A W Heyneke | - Chief Executive Officer |
| Messrs | J Pillay | - Chief Financial Officer |
| | E L Khoza | - Director Integrated Development Planning |
| | P E Odendaal | - Director Community Facilitation and Marketing |
| | E H van Biljon | - Director Parks, Sport and Recreation |
| | F Phillips | - Director Community Services and Health |
| | T S Mashabane | - Director Management Services |
| | D J van Wyk | - City Electrical Engineer |
| | F G Bosman | - City Engineer |
| | M J Nel | - Acting Director Corporate Services |
| Mrs | S A Pienaar | - Manager: Secretariat Services |
| | R Ramlall | - Senior Administrative Officer |



CHIEF EXECUTIVE OFFICER

K01M138218RPT

E C : 15.11.2005

U M C : 29.11.2005

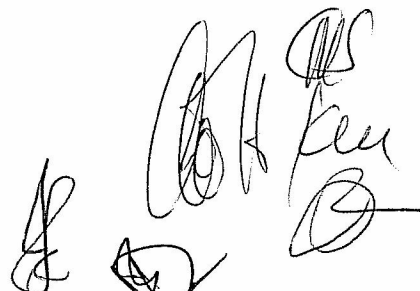
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BIODIVERSITY ISSUES ON SITE 1D OF THE IDZ : TATA STEEL AND PULP UNITED DEVELOPMENTS

RESOLVED THAT:

1. The agreement reached between the officials of the uMhlathuze Municipality and representatives of Ezemvelo KZN Wildlife regarding the release of that portion of site 1D of the IDZ earmarked for the Pulp United development be confirmed and approved on the following terms :
 - 1.1 a letter of intention provided by the municipality to KZN Wildlife indicating its commitment to have the following nature reserves for areas in the Council's ownership be nominated for proclamation in the government gazette: the Lake Nsese area, the Lake Mzingazi area, the Southern Sanctuary area and the link between lake Nsese and the Estuary, west of Bayside Aluminium;
 - 1.2 before the actual development of site 1D by Pulp United the biodiversity features consisting mainly of KwaMbonambi grasslands be removed to preferably a portion of the land belonging to Mondi North West of site 1D and alternatively to the Blue Gum plantations directly West of those sites;
 - 1.3 the Council confirms its commitment to reach an agreement with KZN Wildlife on the development of the remainder of IDZ 1D before it will require the approval of an ROD on that specific section; and
2. the letter (**DMS 383817**), included in the Addendum on pages 122 to 123, as forwarded by the Chief Executive Officer to Ezemvelo KZN Wildlife be condoned and approved.



APPENDIX B



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City of UMHLATHUZE

STAD • DOLOBHA

SERVING : Empangeni • Esikhawini • Ngwelezane •
Nseleni • Richards Bay • Vulindlela

5 Mark Strasse, Central Business District, Private Bag X1004, Richards Bay, 3900
 ☎ +27 35 9075000 📠 +27 35 9075444/5/6/7 📞 +27 82 233 9015
 Website: <http://www.richemp.org.za> E-Mail: reg@richemp.org.za

Your ref:

Our ref:

03 November 2005

Mr Blackmore
 Ezemvelo KZN Wildlife
 PO Box 13053
CASCADES
 3202

FAX NUMBER: 033 845 1699

DEVELOPMENT OF THE PULP UNITED ON IDZ SITE 1D

I wish to thank you again for your commitment to finding a solution with reference to the issuing of an ROD in the above matter. I refer specifically to your visit with Mr Roy Jones at our offices on Wednesday, 2 November.

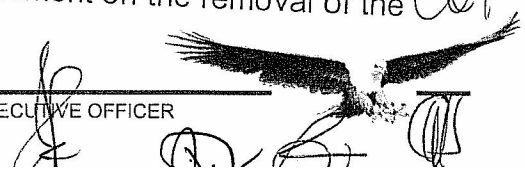
I am authorised by the Council of my municipality to inform you that a formal resolution has been taken to proceed with an application for the proclamation of the following nature reserves for areas in the Council's ownership:

- a. The Lake Nsese Area
- b. The Lake Mzingazi Area; and
- c. The Southern Sanctuary Area as well as
- d. The link between lake Nsese and the estuary west of Bayside Aluminium on land belonging to the port authorities

This intention of formal application will be converted into a Council resolution and the formal route will be followed to finalise this matter as soon as possible.

In addition it was agreed that the KwaMbonambi grasslands on the Pulp United site will be transferred to another area. It was agreed that a sincere and genuine attempt will be made to transfer these grasslands to land belonging to Mondi and identified as an area where rehabilitation can take place. In this regard you pointed to a specific area of the Mondi land. In the event that our negotiations with Mondi in this regard fails it was agreed that the area directly west and southwest of site 1D where mostly Bluegum plantations exist would be the preferred and agreed alternative.

It was further agreed that no development on the remainder of site 1D can take place unless agreement is reached with you on how this area should be treated. This includes either the full or partial incorporation of the remainder of the stand into the nature reserves to be proclaimed or alternatively on agreement on the removal of the



biodiversity features on this land to land identified in our plan as suitable for rehabilitation. The mentioned option will deal in full with the grasslands transferred from the Pulp United site in terms of this agreement taking into account your indication that 10 times the size of land will be required for such rehabilitation. This means that although we acknowledge your indication of the land required for the rehabilitation and although we do not necessary agree about this, the agreement is that these matters will be sorted out and fully negotiated and agreed before we proceed with development on that portion of the site.

I trust that the above is a true reflection of the agreement that we were able to reach. In the light of this letter I presume that the Minister of Agriculture and Environmental Affairs will be informed that the ROD for the Pulp United site can now proceed.

Yours sincerely

DR A W HEYNEKE
CEO / MUNICIPAL MANAGER

383817pcd

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**CITY OF
UMHLATHUZE**

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*SERVING : Empangeni • Esikhawini • Ngwelezane •
Nseleni • Richards Bay • Vulindlela*

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Website: <http://www.richemp.org.za> E-Mail: reg@richemp.org.za

Your ref:

Our ref:

T Jordan
6/6/Pulp

6 April 2006

MR ROGER PORTER
Ezemvelo KZN Wildlife
PO Box 13053
CASCADES
3202

FAX NUMBER: 033 845 1499

**LETTER OF INTENT TO ESTABLISH NATURE RESERVES IN ACCORDANCE
WITH THE PROTECTED AREAS ACT : CITY OF UMHLATHUZE**

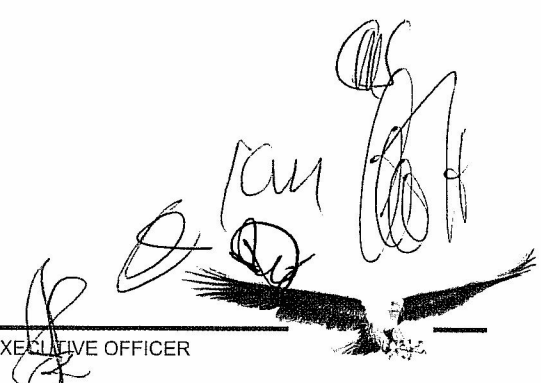
Our letter of intent, dated 3 November 2005, refers in which we undertook to proceed with an application for the proclamation of the following nature reserves for areas in the Council's ownership:

- a. The Lake Nsese Area;
- b. The Southern Lake Mzingazi Area;
- c. The Southern Sanctuary Area; as well as
- d. The link between lake Nsese and the estuary west of Bayside Aluminium.

Herewith feedback in terms of progress thus far:

The Lake Nsese and Southern Sanctuary (including the link between these two areas):

On 12 December 2005, Council appointed Sustainable Development Projects to assist in public participation process and the compilation of an application for the establishment of a nature reserve/s for the abovementioned areas. It was known from the start that the link between Lake Nsese and the Southern Sanctuary area would be problematic, since it is indicated on the Port Framework Plan as the only viable area, as a result of geotechnical constraints, where future port infrastructure could be developed.



On 31 March 2006, a meeting was held between eZemvelo KZN Wildlife, the City of uMhlatuze and the National Ports Authority to discuss the viability of proclaiming the link between Lake Nseese and the estuary as a nature reserve vs. the intention of the Port to develop this area.

It was agreed by all parties during this meeting, that the Council would continue with the proclamation of Lake Nseese and the Southern Sanctuary Area, but that the link between Lake Nseese and the Estuary would not be proclaimed as a nature reserve at this stage. Council would investigate options to safeguard the link from further environmental degradation and to reserve the link for its intended purpose (namely port expansion). Whichever option is chosen, the intention of the reservation of this area would be to:


1. allow for the use and conservation of the link prior to development for Port purposes (once approved);
2. to allow for relevant investigations, studies, management/rehabilitation plans and physical rehabilitation of degraded offset areas, to allow for functioning ecosystems in future;
3. to allow for port development once offset areas have been rehabilitated; and
4. to integrate the offset areas into the Lake Nseese and the Southern Sanctuary nature reserves as soon as possible.

Southern Lake Mzingazi Area:

Lake Mzingazi and its surrounding area have already been zoned as "Conservation Amenity" in terms of the Richards Bay Town Planning Scheme. The intention of this zone is to provide for the conservation of sensitive habitats and to allow for the enjoyment of nature.

During the course of 2004, the Council identified an opportunity to allow for limited development in areas that have already been degraded (within the Southern Lake Mzingazi area), which in turn would fund the management of the proposed Southern Mzingazi Nature Reserve.

Council appointed SRK Consulting to undertake an environmental sensitivity study to identify areas that could be developed without impacting on the sensitive natural environment, and the study formed part of a "Call for Development Proposals" that was recently advertised. Development proposals received for the Southern Mzingazi Lake Area will be submitted to Council for consideration of the most feasible development proposal for the area (also known as the Zumanzi Canal Node).

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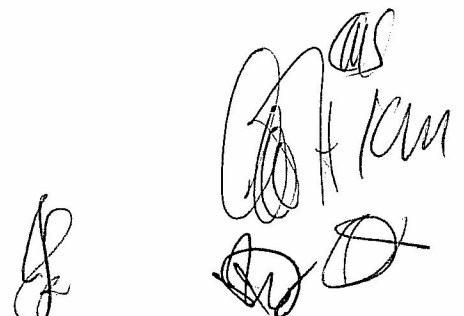
As part of the tender specifications, the preferred developer would be required to draw up a detailed project design and plan (based on the environmental sensitivity study undertaken by SRK Consulting), to undertake an environmental impact assessment and public participation process for the proposed development and to proclaim Lake Mzingazi and its surrounding area as a nature reserve in terms of the Protected Areas Act (including the detailed management plan required in terms of this Act).

Yours faithfully

E.L. KHOZA TRP(SA)
DIRECTOR : INTEGRATED DEVELOPMENT PLANNING

JT/dms#402420/3April2006

c.c. Andy Blackmore
Simon Bundy

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APPENDIX C



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City of
uMHLATHUZE

STAD • DOLOBHA

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Nseleni • Richards Bay • Vulindlela

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Your ref:

Our ref:

T Jordan
6/6/Pulp

6 April 2006

MR ROGER PORTER
Ezemvelo KZN Wildlife
PO Box 13053
CASCADES
3202

FAX NUMBER: 033 845 1499

**UPDATE: AGREEMENT REGARDING THE RELOCATION OF KWAMBONAMBI
GRASSLANDS FROM PORTION 1 OF IDZ 1D TO IDENTIFIED OFFSET AREAS**

Our meeting on 2 November 2005 refers, during which representatives from eZemvelo KZN Wildlife and the Municipality agreed on certain offset areas in order to relocate Kwambonambi Grasslands and to facilitate the development of Pulp United on Portion 1 of IDZ 1D.

On 15 November 2005, Report 3491 served before Council's Executive Committee for approval, during which it was decided that:

- "1. *The agreement reached between the officials of the uMhlathuze Municipality and representatives of Ezemvelo KZN Wildlife regarding the release of that portion of site 1D of the IDZ earmarked for the Pulp United development be confirmed and approved on the following terms :*
 - 1.1 *a letter of intention provided by the municipality to KZN Wildlife indicating its commitment to have the following nature reserves for areas in the Council's ownership be nominated for proclamation in the government gazette: the Lake Nseese area, the Lake Mzingazi area, the Southern Sanctuary area and the link between lake Nseese and the Estuary, west of Bayside Aluminium;*
 - 1.2 *before the actual development of site 1D by Pulp United the biodiversity features consisting mainly of Kwambonambi grasslands be removed to preferably a portion of the land belonging to Mondi North West of site 1D and alternatively to the Blue Gum plantations directly West of those sites;*

- 1.3 *the Council confirms its commitment to reach an agreement with KZN Wildlife on the development of the remainder of IDZ 1D before it will require the approval of an ROD on that specific section; and*
2. *the letter (dms#383817 - **attached as "A"**), as forwarded by the Chief Executive Officer to Ezemvelo KZN Wildlife be condoned and approved."*

We would like to give you an update of the actions taken thus far, as agreed during the meeting and in accordance with the abovementioned Council Resolution:

Feedback regarding the establishment of Nature Reserves as agreed upon in 1.1. above:

Since our meeting in November 2005, consultants have been appointed to establish the Nature Reserves as agreed upon, and our letter dated 6 April 2006 (dms#402420 – **attached as "B"**) gives feedback on various issues in this regard.

Feedback regarding the appointment of consultants/contractors to remove and relocate Kwambonambi Grasslands to offset areas as agreed upon in terms of 1.2 above:

A tender was advertised and cost proposals adjudicated in March 2006. However, as a result of the possible amendment of the site boundaries for Pulp United, in order to accommodate the wetland situated on Portion 1 of IDZ 1D, the tender for the removal and relocation of Kwambonambi Grasslands to the agreed offset areas could not be awarded yet. It is expected, however, that the tender will be awarded within the next week (as soon as the amended site boundaries have been communicated to the Municipality) and that the consultant will continue to draft an Environmental Management Plan / Rehabilitation Plan in consultation with your office, based on the amended site boundaries. It is our intention to finalise the physical removal of Kwambonambi Grasslands from the Pulp united site by September 2006.

Feedback regarding the offset areas as agreed upon in 1.2 above:

The CEO, Dr. Heyneke, liaised with Mr. Bob Hunt from Mondi regarding the possible rehabilitation of the horseshoe portion of land adjacent to the Nseleni River (**attached as "C"**). Mr. Hunt advised that Mondi is not willing to alienate the portion of land for rehabilitation.

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