

22.4.11 PROPOSAL TO MINE SECTION 92 BLOCK VIII BENGER SURVEY DISTRICT BEING THE MILLERS FLAT GREEN WASTE SITE. (PRO: 65-7023-00)

Doc ID: 577799

Public Excluded

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

1. Purpose of Report

To consider a proposal, from Hawkeswood Mining Limited, to mine Section 92 Block VIII Benger Survey District, being the Millers Flat Green Waste Site.

Recommendations

That the Teviot Valley Community Board

- A. Receives the report and accepts the level of significance.
- B. Recommends to Council that they agree to:
 1. Close the Millers Flat Green Waste facility.
 2. The proposal to mine f the roads marked R1 to R4 as shown in figure 6 (the roads).
- C. Agrees to approve the application to mine Section 92 Block VIII Benger Survey District subject to the company:
 - Obtaining all permits and consents associated with the mining of the land and the roads.
 - Paying Council a royalty of 7% of the gross gold recovered from the land and from the roads.
 - Obtaining permission to (temporarily) divert the section of the Clutha Gold Cycle Trails that runs between Section 84 Block VIII Benger Survey District and Teviot Road.
 - Providing alternate access to the river and cycle trails for the duration of any mining of the road identified as 'R3' in figure 8.
 - Reinstating the land, any fencing on the land, and the roads, to the satisfaction of the Chief Executive Officer.
 - Reinstating the section of the Clutha Gold Cycle Trail that runs along Road 3 (to inside the legal inside the bounds of the legal road) to the satisfaction of the Chief Executive Officer and the Clutha Gold Cycle Trust.
 - Paying all costs associated with:
 - obtaining the required permits and consents,

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- the operation of the mine,
 - the disposal of inorganic materials to landfill,
 - reinstatement of the land, any fencing on the land, and the roads, and;
 - paying all costs with advertising any temporary diversion of the Clutha Gold Cycle Trail, or closure of the roads marked R1 to R4 in figure diversion of the figure 6.
 - obtaining the required permits and consents,
 - the disposal of all inorganic materials to landfill,
 - reinstatement of the land, any fencing on the land, and the roads,
 - paying all costs with advertising any temporary diversion of the Clutha Gold Cycle Trail, or closure of the roads marked R1 to R4 in figure diversion of the figure 6.

Subject to Council agreeing to:

- Close the Millers Flat Green Waste facility.
- The mining of the roads marked R1 to R4 as shown in figure 6 (the roads).

D. Authorises the Chief Executive to do all that is necessary to give effect to the resolution.

2. Background

This report discusses a number of matters that interlink. These matters include:

- the operation of the Millers Flat Green Waste, which is a distritised activity on a ward owned parcel of land,



- a proposal to temporarily close, then mine several roads.

Hawkeswood Civil Limited (Hawkeswood Civil) are a waste disposal and property development company based in Auckland. Hawkeswood Civil own Hawkeswood Mining Limited (Hawkeswood Mining).

Hawkeswood Mining have been involved in the mining industry for the past 15 years. They have many mining operations throughout the Central Otago, Southland, and Marlborough regions. These include operations at Olig Station, in the Thompson Gorge, at Waikaia, and in the Waikokohe Valley.

Both Hawkeswood Civil and Hawkeswood Mining pride themselves on having a record of completing projects to a high standard and of exceeding environmental and safety requirements. The two companies believe their success comes from having a strong financial grounding and access to good quality resources.

Hawkeswood Mining (the company) have spent the last few years investigating the viability of a gold mining operation in an area to the north of Millers Flat off Teviot Road. Initial estimates indicate that there could be up to 23,000 ounces of gold in the area which means an operation would be viable. On that basis, the company have purchased several parcels of land and have negotiated access rights to several others.

In 2021 a representative of Hawkeswood Mining contacted Council to discuss the possibility of purchasing or accessing Section 92 Block VIII Benger Survey District (SD) (Section 92) to enable the company to mine the land.

A plan of Section 92 and the surrounding area is shown below in figure 1.



Figure 1 – Section 92 Block VIII Benger Survey District and the surrounding general area.

3. Discussion

Section 92 (Millers Flat Gravel Pit/Green Waste Site)

Section 92 is held by Council in a fee simple (freehold) title. The area of Section 92 is approximately 4.0840 hectares. It is the Millers Flat Green Waste site.

Section 92 sits in the centre of the area which the company propose to mine.

Section 92 was originally a gravel pit. Gravel from the pit was used in the construction of the Central Otago railway line. The gravel is a low-quality river shale which is not suitable for roading purposes as it does not contain clay (which is required for binding purposes).

Historic correspondence indicates that Section 92 became a green waste site after the landfill on Section 118 was closed in 1997. It is believed that Council obtained a permit from the Otago Regional Council to allow the residents of Millers Flat to dump up to 130 cubes of green waste per annum.

A sign on the gate advises that the facility is for the use of Millers Flat residents only, however. Access to the site is both unmanned and unrestricted. This means Council has no control over what or how much matter is dumped at the site. During recent years, the volume of matter being dumped has increased significantly with instances of illegal dumping becoming increasingly common.

As the volumes being dumped having increased, so have the costs associated with keeping the site tidy. Historically, a neighbouring property owner maintained the site in return for grazing rights. That agreement ceased in 2016 with Fulton Hogan being contracted to maintain the site since 2018. Between 2018 and 2021 the costs associated with that contract have amounted to \$4,433 (excluding GST).

There is no charge or fee payable for dumping green waste at the site. This, in addition to the site being unmanned and access being unrestricted, is undoubtedly why instances of illegal dumping have become increasing common.

The increase in the volume of waste being disposed of at the site is believed to be a result of people from outside of Millers Flat travelling to the facility to take advantage of it being unmanned, and to avoid paying fees at the Roxburgh Transfer Station. This also means there is a significant risk that the disposal limit of 130 cubes per annum is being exceeded.

The historic correspondence also raises concerns about people from outside of Millers Flat were using the facility. The correspondence further notes options for the site as being to have access managed and fees imposed, or to close the facility.

Level of Service

Closing the facility would bring the level of service in Millers Flat into line with other small settlements throughout the district. Millers Flat residents can take their green waste to the Roxburgh Transfer Station which is about a 15 minute drive. This is comparable to Pisa Moorings, Naseby, and Clyde residents, who are required to take their green waste to the manned transfer stations in Cromwell, Ranfurly and Alexandra.

The benefits associated with limiting the disposal of waste to manned sites include being able to:

- Offset processing costs by charging for larger and/or commercial disposals.
- Reject contaminated loads.
- Gather data associated with the number and quantity of disposals.
- Using the acquired data to determine future budgetary requirements.

Surrounding Land

The company have negotiated access agreements with several of the surrounding land owners. These include agreements with the owners of:

- Sections 40, 93, 97, 115, 116, 117 and Part Section 89, Block VIII Benger Survey District which is labelled 1 below in figure 2.
- Section 106 Block VIII Benger Survey District, which is labelled 2 below in figure 2.
- Section 110 and 118 Block VIII Benger Survey District and Section 3 Survey Office Plan (SO) 24438, which are labelled 3 below in figure 2.
- Part Section 96 Block VIII Benger Survey District, which is labelled 4 below in figure 2.

The company are continuing to negotiate access agreements with the owners of:

- Lots 2 – 4 Deposited Plan (DP) 375668, which are labelled 5 below in figure 2.
- Section 49, 50, and Part Section 51 Block VIII Benger Survey District, Sections 1 and 2 SO 24435, and Section 2 SO 24419, which are labelled 6 below in figure 2.



Figure 2 – Parcels of land which the company propose to mine.

In addition to the access agreements, the company have purchased Sections 82, 90 and 91, and 102 Block VIII Benger Survey District. These four parcels are labelled 7 above in figure 3.

Section 118

Section 118 Block VIII Benger Survey District (Section 118) sits between Section 92 and Teviot Road. The land, which has an area of approximately 8.0273 hectares, is owned by Alan Thomas Parker (Mr Parker).

Section 118 contains the Millers Flat closed landfill. The exact area of the landfill on Section 118 is unknown. Council’s records indicate that the landfill was located in the area thatched blue below in figure 3. (The green waste site on Section 92 is thatched green in the same).



Figure 3 – Millers Flat Closed Landfill Site on Section 118 Block III Bengier Survey District.

The Otago Regional Council identify the closed landfill area on their HAIL (Hazardous Activities and Industries List) register. The register identifies the closed landfill as site number 338.01.

A plan of the site as extracted from the ORC's HAIL register, (which differs from Council's plan as shown in figure 3) is shown in grey below in figure 4. Section 92 is not a HAIL site.

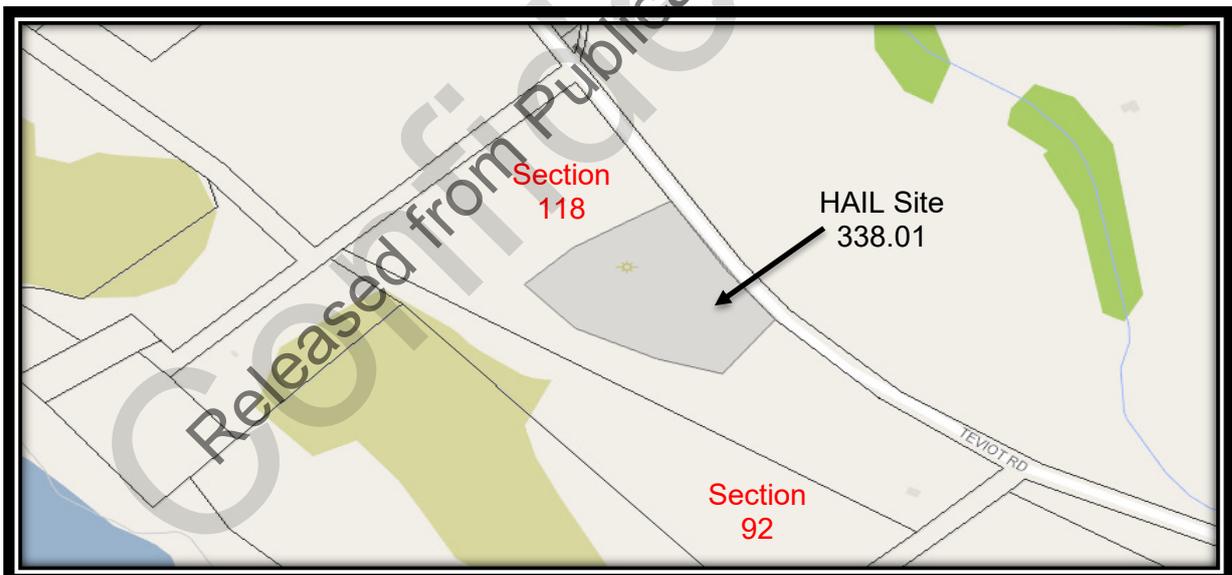


Figure 4 – HAIL Site 338.01 (on Section 118) as extracted from the Otago Regional Council's website.

In 2017, Mr Parker contacted Council to advise that he had been trying to sell Section 118. Mr Parker advised that the presence of the closed landfill was hindering all sale negotiations. On that basis, Mr Parker informed Council that he believed they had an obligation to purchase Section 118.

With that a report was prepared and put to the Council's meeting of 13 December 2017. A copy of the (confidential) report is attached as appendix 1.

As noted in the report, Section 118 originally belonged to Mr Parker's father Stanley Nimrod Parker (Mr Parker senior). The land originally contained a large gravel pit. Gravel from the pit was used during the construction of the now decommissioned Central Otago Railway line.

After that it is understood that the Tuapeka County Council established a domestic landfill on Section 118 with Mr Parker senior's permission. There is no official record of this agreement.

It not known exactly how long the landfill operated on Section 118, but it is believed to have been for a period greater than 10 years. The landfill was closed in June 1997 after being capped with 600 millimetres of topsoil then recontoured. Section 118 is now used for light cropping and grazing purposes.

On consideration of the evidence, Council resolved (Resolution 17.10.22) as follows:

- A. RESOLVED that the report be received and the level of significance accepted.
- B. AGREED to enter into negotiations pursuant to Section 17 of the Public Works Act 1981 to purchase the Millers Flat closed landfill site, being Section 118 Block VIII Bengier Survey District, at a purchase price determined by a registered valuer. To be funded from the Waste Minimisation Account.
- C. AGREED the Chief Executive is delegated the authority to negotiate the terms and conditions of a grazing lease with the adjoining owner.
- D. AGREED this report and minutes relating to this item be released as publicly available information when an unconditional sale and purchase agreement is available.

Section 118 is one of two parcels of land that are contained in Record of Title. In accordance with Resolution 17.10.22B, Quotable Value (QV) were engaged to value Section 118 in accordance with the provisions of the Public Works Act 1981.

In June 2018, Subject to Council approval, an offer was made to purchase Section 118 at the valuation of at \$107,000 plus GST, if any. The additional terms of sale included a proposal to lease the land back to Mr Parker on the following terms:

Rent:	\$4,500 per annum plus GST plus outgoings
Permitted Use:	Stock grazing
Term:	35 years
Rent Reviews:	3 yearly, to be determined by valuation.

The proposal also included a number of special conditions, which were as follow:

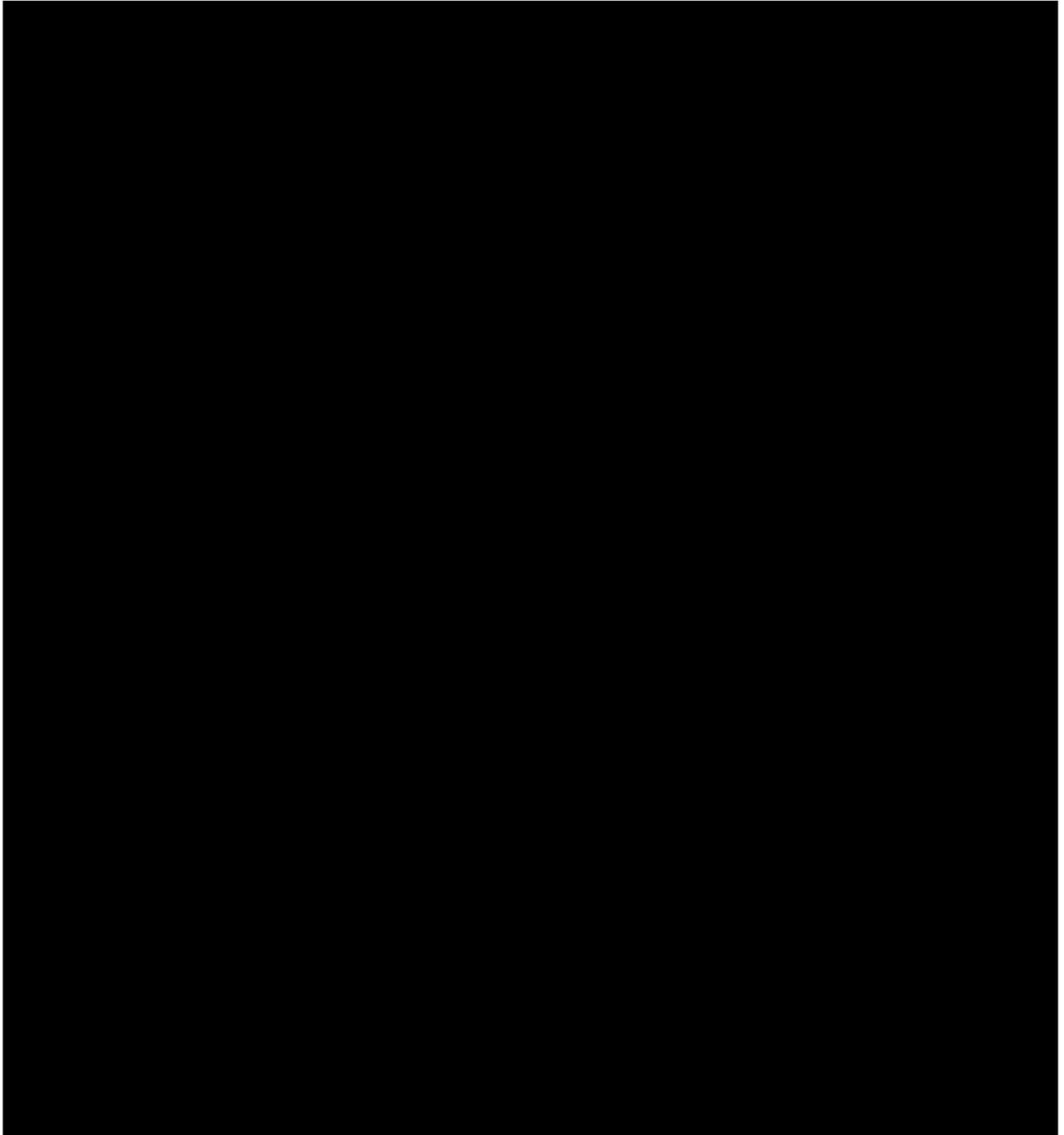
- All improvements on the land remain in the ownership of the lessee.
- The lessor will not provide any stock or supply water to the lease area.
- The lessee has the right to assign the lease.
- Council has unrestricted access to the land to carryout testing and maintenance of the closed landfill.
- Should use of the land under the lease compromise the Council's ability to manage the landfill, Council has the right to cancel the lease.
- Should the lease be cancelled (or not renewed) the lessor shall pay fair value for the improvements on the land, as assessed by a valuer.

Mr Parker rejected the above offer proposing instead to sell Council the (non-verified) 2 hectare landfill site only, for \$100,000 plus GST if any. Mr Parker's additional terms of sale included Council paying all costs associated with the survey and subdivision, and his leasing the land back on the following terms:

Rent:	Peppercorn
Permitted Use:	Stock grazing

Term: Maximum as provided under the RMA 1992.
Rent Reviews: N/A

As the exact area of the closed landfill is unknown, Mr Parker's counter offer was declined with negotiations stalling shortly thereafter.



Unformed Legal Roads

There are four unnamed unformed roads running through the area which the company plan to mine. The four roads, which have a combined length of about 1940 metres, are labelled 1 – 4 and are highlighted red shown below in figure 6.

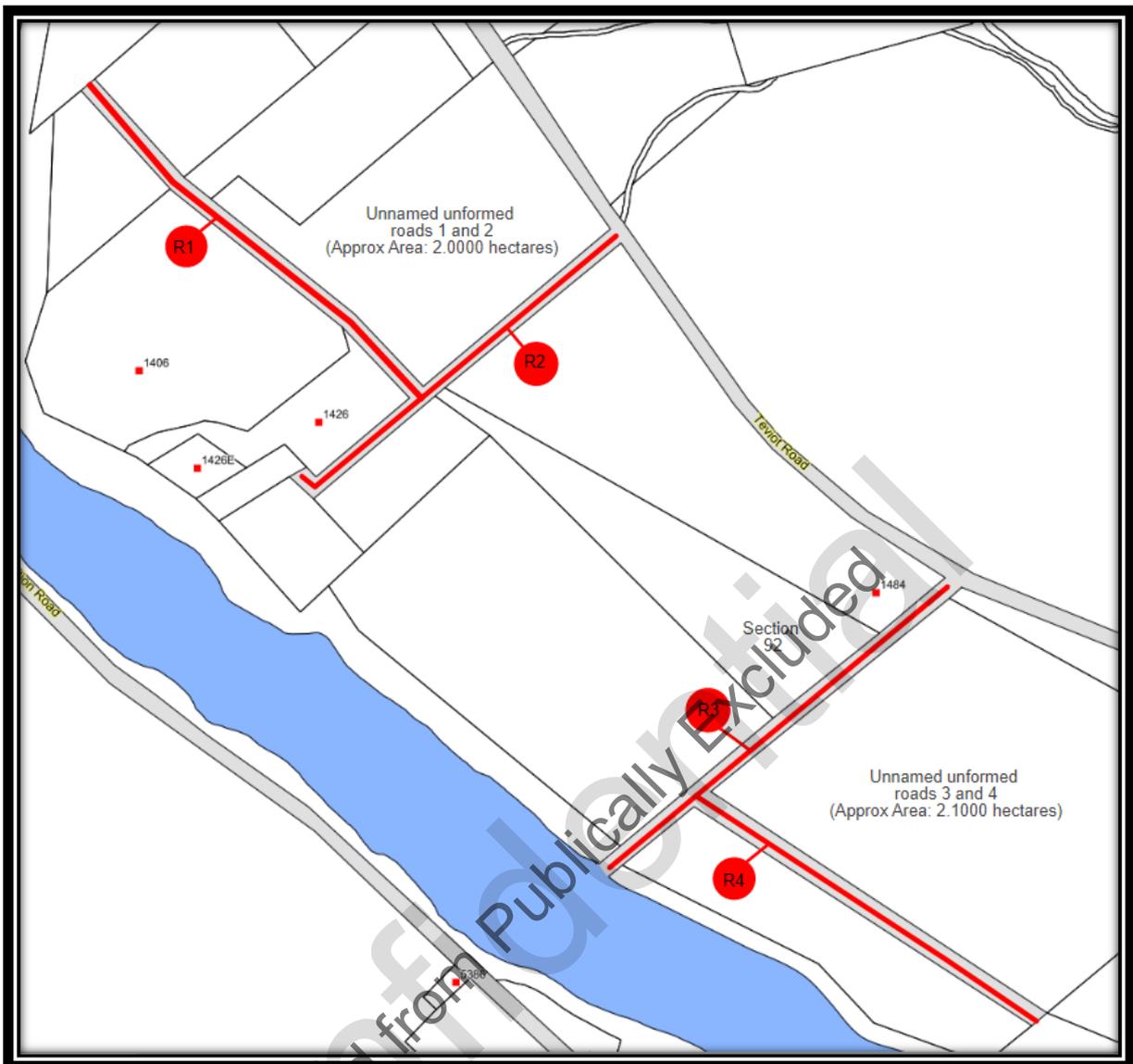


Figure 6 - Plan of the roads through the parcels of land which the company plan to mine.

The company have also asked for permission to mine the land under the four unnamed unformed roads.

The combined area of the four unnamed unformed roads is approximately 4.1000 hectares which comparable to the area of Section 92. On that basis, the return from mining the four unnamed unformed roads would be expected to be similar to that of Section 92.

Infrastructure in the Unnamed Unformed Legal Roads

Aurora have infrastructure through much of the area, including in two of the unnamed unformed legal roads. A plan of Aurora's infrastructure is shown below in figure 7.

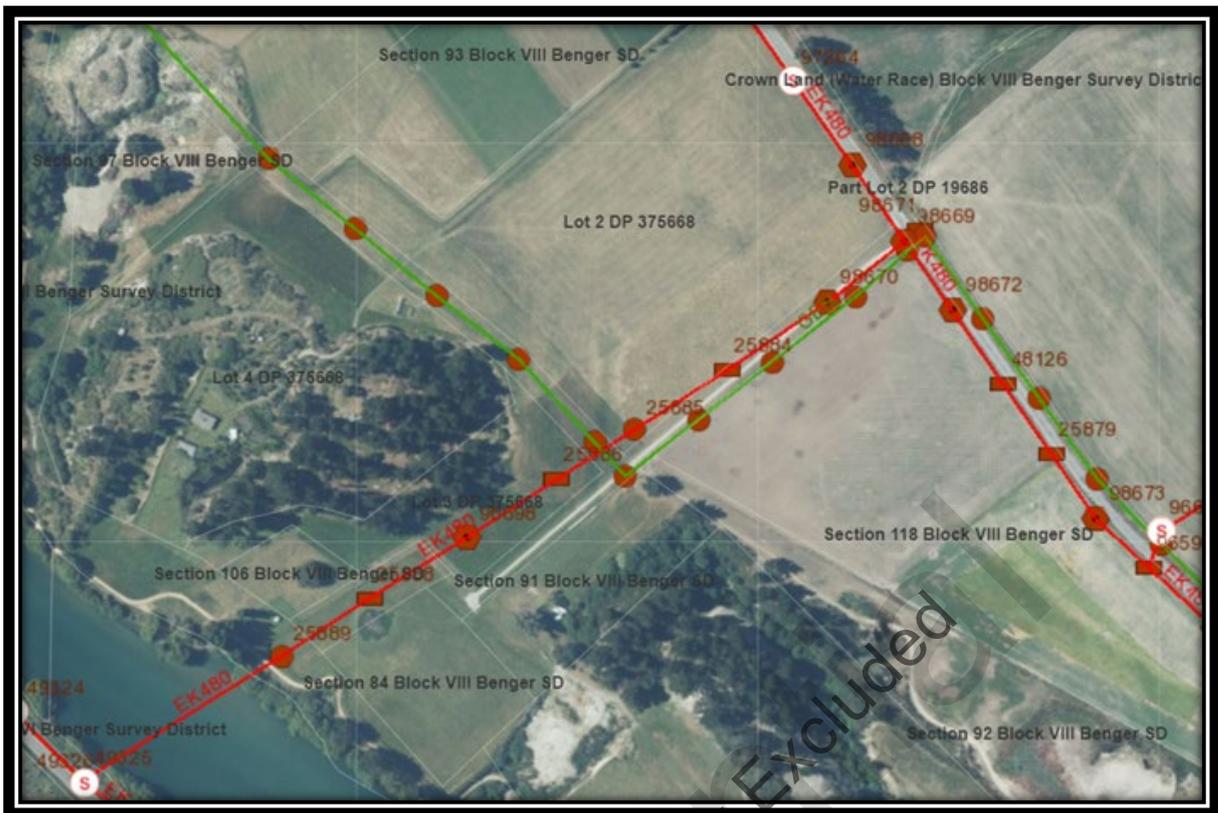


Figure 7 – Plan of Aurora's infrastructure.

Aurora do not oppose the proposal to mine the legal roads containing their infrastructure but would require any works to be in compliance with their Safety Working Guide and the New Zealand Electrical Code of Practice.

As an affected party, Aurora have asked for the opportunity to review any resource consent associated with the proposal to mine the land around its infrastructure.

Chorus New Zealand Limited (Chorus) have a copper network running along Teviot Road. They do not have any infrastructure in the unnamed unformed roads which the company have applied to mine.

Mata-Au Clutha River and Walking/Cycle Trail

The Clutha Gold Cycle Trail runs along marginal strip adjacent to Section 90 Block VIII Benger Survey District (Section 90). At the southern end of the Section 90, the trail leaves the marginal strip and enters Road 3. The trail then runs up Road 3 and out into Teviot Road.

The path of the cycle trail is outlined in red and yellow below in figure 8. The sections of the trail which are coloured yellow are constructed over legal road. The sections coloured red, are constructed on private property.

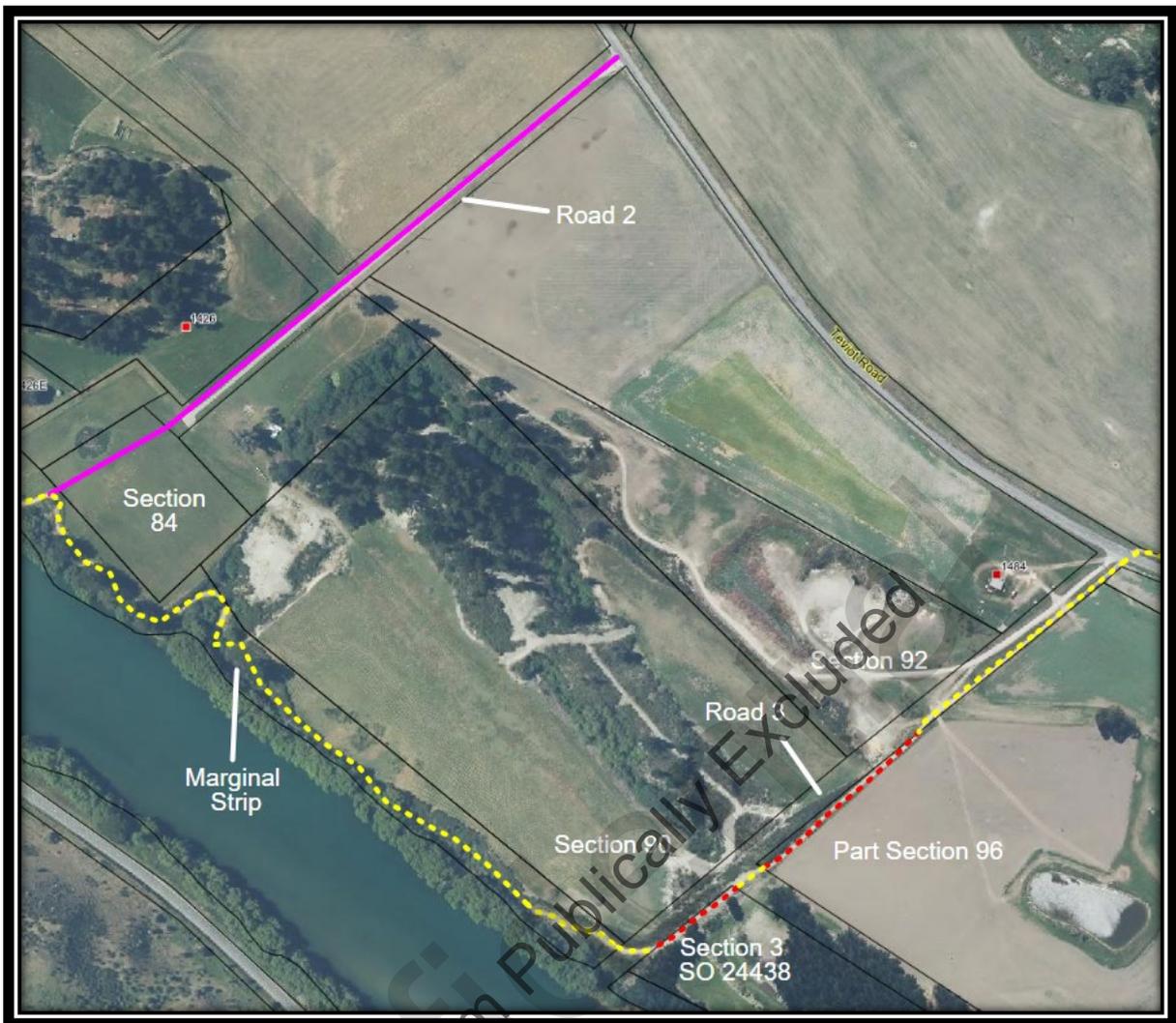


Figure 8 –Path (extract) of the Clutha Gold Cycle Trail.

If the company is granted permission to mine the unnamed unformed roads, access to the river and cycle trail via the road labelled 'R3' will be temporarily unavailable.

The company propose to temporarily divert the cycle trial over Section 84 Block VIII Benger Survey District (Section 84) and Road 2.

Access to the Mata-Au Clutha River will be maintained via the same diversion.

If the company is granted permission to mine Road 3 it is proposed that they be required to;

1. Obtain permission to divert the trial from the Clutha Gold Cycle Trail Trust
2. Reinstall the trail inside the bounds of the legal road (Road 3), to the satisfaction and approval of the Clutha Gold Cycle Trail Trust.

Greater Effect of the Mining Operation on the Landscape

The overall area of the land which the company propose to mine is just over 100 hectares. Section 92 and roads R1 to R4, which have a joint area of just over 8 hectares, sit in the middle of the 100 hectares. This means Council's property accounts just over 8.1% of that overall area.

The company expect the mining operation to have a lifespan of approximately five years. During that time, the company will mine methodically from one end of the land to the other using the process outlined below.

To help reduce the visual impact of the mining operation, the company plan to construct earth bunds along Teviot Road.

The proposed temporary diversion of the cycle trail and river access will reduce the visual impact of the mining operation on the trail and river users.

Should the company not be granted permission to mine Section 92 or roads R1 to R4, they do intend to continue with the mining of the other 92 hectares of privately owned land.

The Mining and Reinstatement Process

The company plan to use a bulk surface stripping system to mine the area. Bulk stripping is the process of removing (and storing) the topsoil to expose the overburden layer.

Overburden is a rock or soil layer that needs to be removed in order to access the resource being mined.

Once an initial pit is created, the company can set up their recovery plant. They will then continue to remove (and store) the topsoil and to stockpile the overburden at the rear of the pit behind the recovery plant.

The purpose of stockpiling the overburden at the rear of the pit is to allow for the ongoing reinstatement of the land as the recovery plant works through the area. This means that the area of the 'open' pit or work area does not exceed more than about 4 hectares at any given time.

Depending upon water levels, the company may change from a land-based recovery plant to a floating plant while working through the southern end of the site.

On completion, the topsoil will be trucked back to the site and spread out over the reinstated land. The final step in the reinstatement process is to re-fence the various boundaries.

During the mining process the company also expect to expose a mix of inorganic and organic matter. The inorganic matter will be disposed of to a landfill. The organic matter will either be composted and used in conjunction with the reinstatement process or sold as a by-product of the mining activity.

An example of land that has been mined then reinstated using the process outlined above is the Island Block flats. The Island Block flats adjoin the eastern side of the Ettrick – Raes Junction Road, about one kilometre south of Millers Flat. This land was mined some 30 to 40 years ago

Economic Benefits (of Mining)

The company estimate that the mining operation will have a lifespan of approximately five years. During that time, the company will employ 10 to 12 local people and/or contractors. This will have a significant positive effect on local economy.

Each parcel of land that is to be mined is surveyed. This enables the company to identify the various parcel boundaries and to record how much gold has been extracted from each site.

The company are required to report this information to New Zealand Petroleum and Minerals (NZPAM). The company will pay NZPAM a royalty of around 1 – 2% of the total of the gross gold recovered during the lifespan of the mining operation.

4. Financial Considerations

Based on the historic records and drill logs from the surrounding area the company believes that there could be 1,100 to 1,900 ounces of gold in Section 92.

The company pay landowners a royalty of 7% of the gross gold recovered from their land. While there may be an opportunity to negotiate the royalty, this is a formulated equation which is generally accepted as the industry standard.

Gold prices in New Zealand currently range from approximately \$700 to \$2,800 per ounce. The actual value of the gold depends on its quality – the better the quality, the better the return.

While the area of the four unnamed unformed roads is similar to the area of Section 92, the return from mining is expected to be somewhat less than that of Section 92. This is because the end of roads 'R2' and 'R3' which adjoin the Teviot Road, are expected to contain less gold.

The royalties received for any gold found in the four unnamed unformed roads would be credited to the Roading Administration Management – Non-Subsidised *Land Under Road* account. It would then be used to address public roading matters.

All costs associated with the mining of the land are payable by the company.

5. Options

Option 1 – (Recommended)

That the Teviot Valley Community Board:

1. Recommends to Council that they agree to:
 - Close the Millers Flat Green Waste facility.
 - The proposal to mine the unnamed unformed roads marked R1 to R4 in figure 6 (the roads).
2. Approves the application to mine Section 92 Block VIII Benger Survey District (the land), subject to the company:
 - Obtaining all permits and consents associated with the mining of the land and the roads.
 - Paying Council a royalty of 7% of the gross gold recovered from the land and from the roads.
 - Obtaining permission to (temporarily) divert the section of the Clutha Gold Cycle Trails that runs between Section 84 Block VIII Benger Survey District and Teviot Road.
 - Providing alternate access to the river and cycle trails for the duration of any mining of the road identified as 'R3' in figure 8.
 - Reinstating the land, any fencing on the land, and the roads, to the satisfaction of the Chief Executive Officer.

- Reinstating the section of the Clutha Gold Cycle Trail that runs along Road 3 (to inside the legal inside the bounds of the legal road) to the satisfaction of the Chief Executive Officer and the Clutha Gold Cycle Trust.
- Paying all costs associated with:
 - obtaining the required permits and consents,
 - the operation of the mine,
 - the disposal of inorganic materials to landfill,
 - reinstatement of the land, any fencing on the land, and the roads, and;
 - paying all costs with advertising any temporary diversion of the Clutha Gold Cycle Trail, or closure of the roads marked R1 to R4 in figure diversion of the figure 6.

Subject to Council agreeing to:

- Close the Millers Flat Green Waste facility.
- The proposal to mine the unnamed unformed roads marked R1 to R4 in figure 6 (the roads).

Advantages:

- The land and roads will be mined then reinstated (and re-fenced where appropriate) along with the surrounding parcels of privately owned land.
- The Clutha Gold Cycle Trail will be re-aligned within the bounds of (the legal) Road 3.
- Mining, then reinstating Section 92, will enhance the land and increase its value.
- [REDACTED]
- The income received from mining Section 92 will be used to purchase new property and/or development existing Council owned property, in the Teviot Valley ward.
- The income received from mining the roads will be used to address public roading matters.
- Closing the Millers Flat Green Waste facility would:
 - eliminate the risks associated with operating an unmanned waste disposal facility,
 - eliminate the costs associated with the ongoing management of the facility,
 - eliminate the risk of breaching the terms of the resource consent, and;
 - bring the level of service in Millers Flat into line with the rest of the district.

Disadvantages:

- The reduction in the level of (green waste disposal) service may not be viewed favourably by Millers Flat residents.
- Parts of the landscape immediately adjacent to mining operation will be negatively impacted for a period of at least five years.
- The mining operation may be viewed negatively by some members of the public.
- Temporarily closing roads R1 to R4 may cause inconvenience to some people.
- Temporarily diverting the cycle trail and river access may cause inconvenience some people.

Option 2

That the Teviot Valley Community Board does not:

1. Recommend to Council that they agree to:

- Close the Millers Flat Green Waste facility.
- The proposal to mine the unnamed unformed roads marked R1 to R4 in figure 6 (the roads).

Or:

2. Approve the company’s application to mine Section 92 Block VIII Benger Survey District.

Advantages:

- No reduction in the level of (green waste disposal) service for Millers Flat residents.
- Parts of the landscape immediately adjacent to mining operation will not be negatively impacted for a period of at least five years.
- Does not require temporary closure of roads R1 to R4.
- Does not require temporary diversion the cycle trail or river access.
- Will not inconvenience the public.

Disadvantages:

- Section 92 will not be reinstated as ‘clean’ land or re-fenced along with the surrounding parcels of privately owned land.
- Section 92 will not be enhanced, its value increased, and may in fact detract from the surrounding area if left as is.
- [REDACTED]
- An opportunity to gain income from the land will be lost.
- Costs associated with the management of the green waste site will continue to be incurred.
- An opportunity to gain income for the purpose of resolving public roading matters will be lost.
- Not closing the Millers Flat Green Waste facility will:
 - not eliminate the risks associated with operating an unmanned waste disposal facility,
 - not eliminate the costs associated with the ongoing management of the facility,
 - not eliminate the risk of breaching the terms of the resource consent, or;
 - bring the level of service in Millers Flat into line with the rest of the district.

6. Compliance

<p>Local Government Act 2002 Purpose Provisions</p>	<p>This decision promotes the economic wellbeing of communities, in the present and for the future by generating income from land and unformed legal roads.</p> <p>If the recommended option is approved, and Council then agrees to close the green waste site, the land will be mined then reinstated with clean organic fill. This, along with the possibility of a swapping the reinstated land for the closed landfill site would have significant positive environmental benefits for district.</p>
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<p>Decision consistent with other Council plans and policies? Such as the District Plan, Economic Development Strategy etc.</p>	<p>Council does not have a policy relating to the mining of Council owned land or roads.</p> <p>If the proposal is approved, the company would be required to comply with the provisions of the District Plan when applying for mining consent.</p>
<p>Considerations as to sustainability, the environment and climate change impacts</p>	<p>Operating the unmanned and unrestricted Millers Flat Green Waste Facility is the only unmanned</p>
<p>Risks Analysis</p>	<p>There are no risks to Council associated with permitting the company to mine the land or the roads.</p> <p>The company will be responsible for obtaining and complying with all agreements, permits, and consents associated with the mining operation.</p> <p>They will also be required to provide safe, unrestricted, alternate access to the river and the cycle trail if mining the roads is approved.</p> <p>There are many risks associated with the operation of the Millers Flat Green Waste Site.</p> <p>These include:</p> <ul style="list-style-type: none"> - The site being unmanned and access being unrestricted. - Historic and increasing instances of illegal dumping. - Site management and compliance costs. - Exceeding disposal levels as permitted under the resource consent.
<p>Significance, Consultation and Engagement (internal and external)</p>	<p>The Significance and Engagement Policy has been considered with none of the criteria being met or exceeded.</p> <p>If the proposal to mine the land and unformed roads is approved, public notices will be advertised closer to the commencement of the project.</p> <p>It is proposed that the company pay all costs associated with advertising the matter.</p>

7. Next Steps

- 06 July 2022: Application to the Council for permission to close the Millers Flat Green Waste Facility
- Mid-July 2022: Applicant advised of outcome

8. Attachments

Nil

Report author:

Reviewed and authorised by:



Linda Stronach
Team Leader - Statutory Property
9/06/2022

Quinton Penniall
Infrastructure Manager
10/06/2022

Released from Publically Excluded