

WATER for our FUTURE

Issue 26
July 2017

PHOTO CREDIT: DAVID ALEXANDER

Chairman's Comment

I am pleased to introduce myself as Chairman of Hurunui Water Project, having recently taken over from Lindsay Lloyd, who served as chairman since the start of 2014. Lindsay led the Company through a very challenging period and I would like to acknowledge his tireless work and commitment.



Peter Harris

In April 2017, we also saw the retirement of Alex Adams as Chief Executive. Alex lived and breathed HWP during the past three years; his passion, hard work and expertise took us a significant step towards the project feasibility and construction phases.

Since our last newsletter a significant amount of project work has been completed: in partnership with Rooney Group, preliminary design options have been generated and discussed with the Farmer Liaison Committee (FLC); 'On Plains Storage' has been selected as the preferred option and is being developed. Headway has been made on other critical workstreams including funding-related liaison with Crown Irrigation, resource consent matters, capital raising strategies, project programming and time-lines.

Expect to see an increase in communications with shareholders, primarily through the FLC, as the project ramps up towards construction over the next 12 months.

Work is underway drafting the General Terms of Water Use, which will form the basis of water delivery. We look forward to the support of our farmer shareholders as we seek to confirm the key principles within the General Terms.

The HWP Board has entered a new phase and are adopting new governance practices to enhance and strengthen our role, including a Board Charter and sub-committee structure. We are focused on the continual review, assessment and mitigation of risks to success. Going forward will demand a close, cooperative working relationship between the Board, shareholders and all those with an interest in the project. I strongly encourage farmers to continue thinking about your plans for on-farm irrigation.

Our work as a board is to represent your interests and I am confident, as your new chairman, that the seeds for success have been sown and that we have a platform to deliver the irrigation that North Canterbury has been seeking for quite some time.

Peter Harris, Board Chairman



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If you know anyone who has questions or concerns about the Hurunui Water Project, please ask them to contact us at info@hurunuiwater.co.nz or call 03 378 3524.

**SHAREHOLDER INFORMATION EVENING – 2 AUGUST 2017
7.30pm – 9.00pm, Hawarden Rugby Club**

Scheme configuration and progress update.

An opportunity to hear first-hand from HWP and Rooney Earthmoving about recent project developments, and meet your new Chairman and CEO.

CEO's Report

Design Development

Since the March newsletter a huge amount of effort has gone into developing the scheme configuration. Following the Boards' decision to focus on an on-plains storage solution, work has focused on investigating and firming up locations and dimensions of ponds, upstream canals and intake infrastructure. As part of this process, the design team has been looking at options for locating the ponds, to ensure we settle on the best solution for shareholders. At this point in time we are fortunate to have options which allow us to optimize the scheme.

We're still on target for being 'construction ready' by early May 2018. Our focus for the next four months will be:

- Preparing for CIL mid-point review (September 2017)
- Firming up pond locations, intake headworks design, updating cost model accordingly
- Building our financial model – required to demonstrate economic viability to banks, funders and shareholders
- Commencing shareholder engagement (in preparation for Water Rights Share issue, early 2018).

The project schedule below shows progress to date and future timeline expectations.

Finance Strategy

Since early June, Merv Honeybone has been working with us to drive forward our finance strategy. Merv comes from a distinguished career in the banking sector and his expertise in debt funding has already proven beneficial to the company.

Following meetings to gauge interest and capacity for debt funding with the four main trading banks (ANZ, BNZ, ASB

and Westpac), I'm happy to report a high degree of interest and support. During the next few months we'll be keeping in touch with them prior to tendering requests for proposals later in the year.

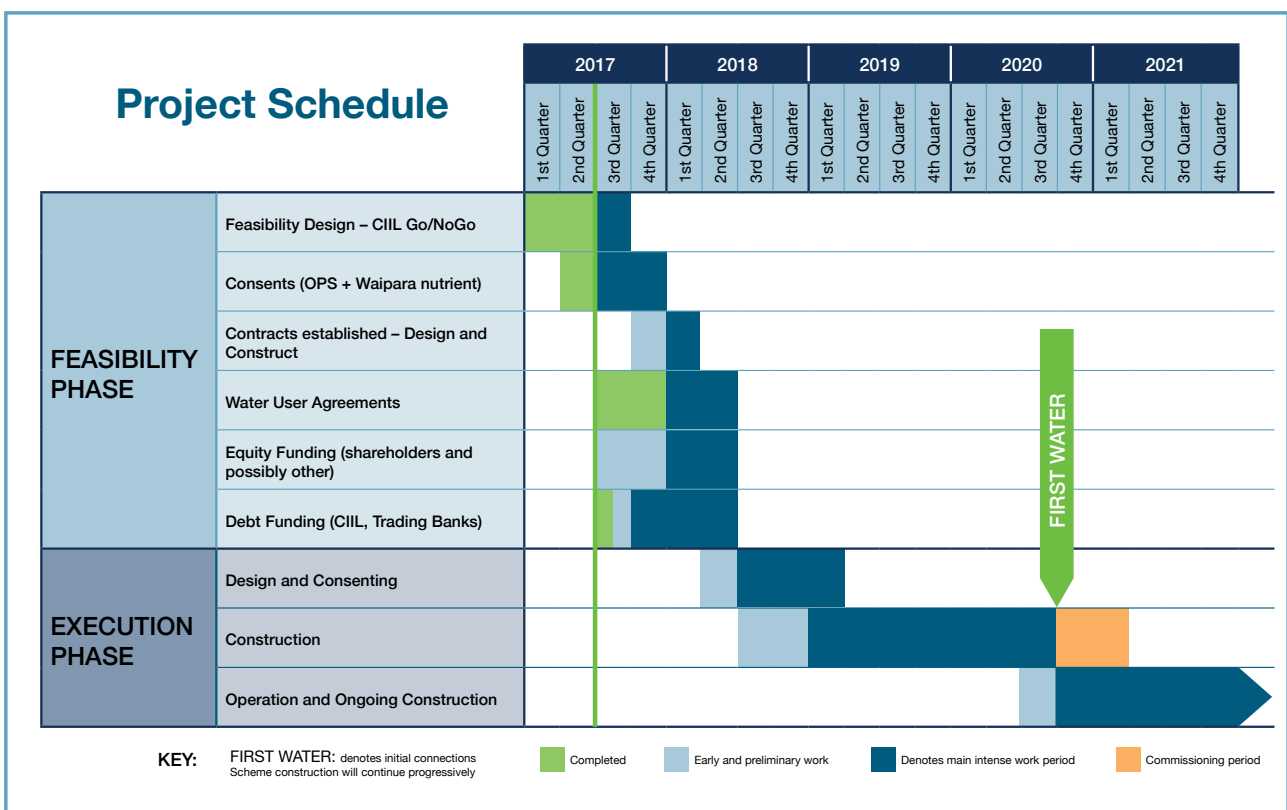
We're continuing to engage with Crown Irrigation Investments Ltd (CIIL) in their capacity as managers of our grant funding, and to ensure they are informed in preparation for the next phase. CIIL has two primary functions, first to support the feasibility development of community irrigation schemes and, second, as a source of funding for scheme build-out.

The next phase of capital raising is scheduled for early 2018 – this is when shareholders will have the opportunity to purchase water right shares. Future irrigators are encouraged to prepare for the next product disclosure statement (or prospectus) to ensure you're ready to buy the right number of water right shares!

General Terms of Water Use

During May and June HWP engaged David Goodman, Partner with Anderson Lloyd, to commence drafting the Water Use Terms and Conditions. The document details the rights, obligations and conditions relating to the supply of water, once the scheme is built. It is currently in its second draft, after being presented to the Board for consultation in June.

Once we have a few more elements buttoned down, we plan to engage with a selection of farmers (via the FLC) to obtain feedback and get the document into a near-final form by the end of September.



Hurunui District Council – Share Purchase Proposal

As previously advised, the Hurunui District Council (HDC) was offered a bundle of shares in HWP (those taken into treasury stock following the Ngāi Tahu share reduction).

As many of you will have seen in local newspapers recently, HDC councillors voted to include funding in their 2017/18 Annual Plan for the purchase of these shares.

The next steps in this process involve:

- HDC conducting due diligence (scheduled to occur during the next two to three months)
- Subject to passing due diligence, another round of consultation with ratepayers in October
- Council vote in November.

A big thank-you to those shareholders and scheme supporters who made submissions in support of the HDC share investment. However, we only had 30 shareholders send in submissions. Next time around we will be looking for a much stronger voice of support from our HWP community!

Land Sale and Share Transfer

Once scheme feasibility is completed and as we move to construction stage, we will be considering Water Right Share allocations for each shareholder.

Under the HWP constitution, landholding shareholders have the obligation to purchase Water Right Shares allocated to their holding, when these become available. Unless you have transferred your shares, you will be required to pay for these newly issued Water Right Shares.

Therefore, it is important to remember that **if you sell your land or are thinking of selling your land**, you should consider transferring your shares in HWP at the same time, either to the new land owner or, alternatively, to other HWP shareholders or landholders in the command area. This will ensure that the rights and privileges attached to the shares, pass to the new land owner.

A share transfer form is available to download on our website at:

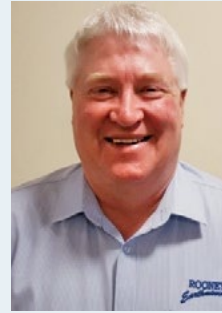
<http://www.hurunuiwater.co.nz/share-transfer.php>.

The seller and proposed buyer must complete this form and return it to HWP. It will then be presented for approval at the next board meeting.

If you have any questions about transferring shares, please call us on 378-3524, or email admin@hurunuiwater.co.nz.

A word from our ECI partner

Gary Rooney – Managing Director, RGL



Gary Rooney

As the various project components begin to come together we remain excited and driven by the economic and social opportunities irrigation can provide shareholders and the local community. While our team continues to work hard on the design front, it's important to recognise that the overall success of HWP will be driven by shareholder uptake. We are encouraged by the fact that HWP shareholders continue to send us the clear message to "get on with it".

HWP will provide the water; how much to irrigate and what to do with it will be an individual farmer's decision. Irrigated farming inevitably requires a degree of change. This could be in terms of stock policies, land use or management, but mostly these changes are for the better. The benefits are the tremendous options and opportunities that, without irrigation, simply do not exist.

Growing two-to-three times more feed is part of the story, but equally; reliable year-on-year production, better feed quality, finishing premiums and the ability to forward contract can all come together to enhance and optimise a farm system.

If you haven't already, we encourage you to start talking to irrigation providers, rural professionals, and current irrigators to inform your plans and decision making. Despite everyone's different circumstances, there will be a great deal of similarity in the content and size of your to-do list.

Andrew Rae – Project Manager, RGL

Since joining the project, the Rooney Group design team has been busy developing, evaluating and refining storage and distribution plans to generate an optimal design package. Our team is focussed on delivering shareholders a well-engineered, well-built irrigation scheme in a timely manner and at a price that farmers can afford.

This has meant on-plains storage has become our preferred solution. For distribution, our design is based on delivering water to farms in a cost-efficient manner, rather than at a target pressure. Coupled with efficient on-farm design, this will avoid the duplication of capital that would otherwise occur and provide farmers with the most economic scenario overall.

Our distribution is currently based on a scheme capacity of 4 mm per day (0.46 L/s/ha). We are confident this is sufficient to achieve near-maximum grass production in most seasons, on all but very light soil and will provide farmers with the resilience and certainty they need.

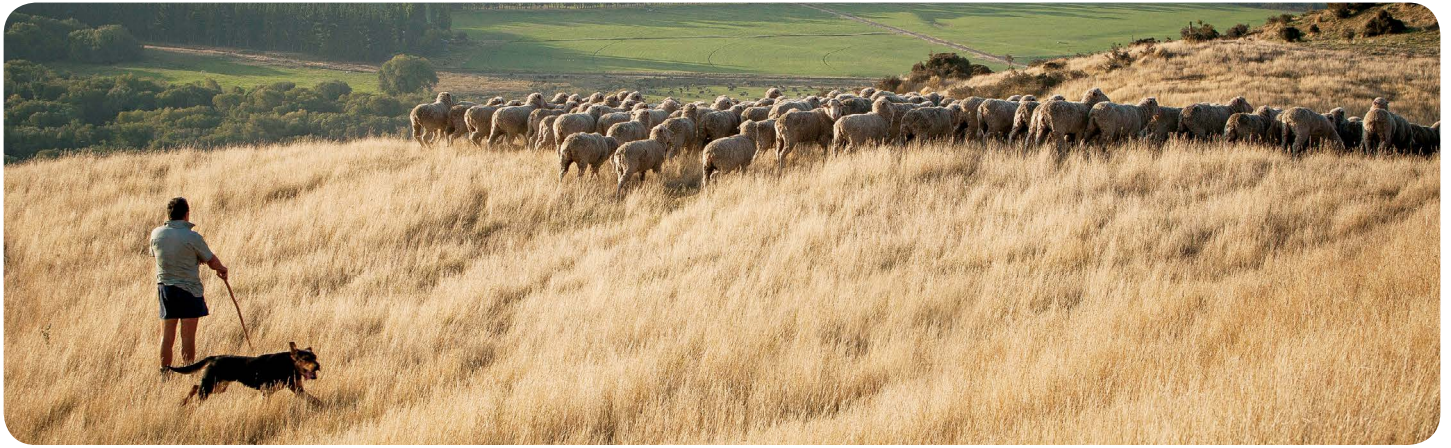


PHOTO CREDIT: LUCY HUNTER-WESTON

Farmer Liaison Committee Update

A warm welcome to Andy Gardner who has joined the Farmer Liaison Committee (FLC) and many thanks to Chris Earl, who has resigned from the committee, for his work and commitment since our beginnings in 2012.

The board and Rooney Group are moving along quickly with the design and on-plains storage options and on getting the information needed to answer the big question we all want to know: "how much is it going to cost per ha?"

Meanwhile, it is important that we all give serious thought to what our on-farm irrigation needs will be. Things to consider are:

- What is your current and intended future land use?
- How much of your land do you intend to irrigate straight away and in the future?
- What type of irrigation method will achieve your desired outcomes?
- What type of on-farm irrigation infrastructure will you need?
- What time-frame will it take to develop your infrastructure?

Agri-business companies can help you answer these questions. I have been approached by Carrfields who are offering a no cost, no obligation concept design,

with cost estimates and water allocation information for anyone interested.

The Irrigation NZ link: <http://irrigationnz.co.nz/knowledge-resources/codes-practice-glossary/irrigation-glossary> is also useful for some of the technical irrigation jargon.

In spring, the FLC (and interested farmer/shareholders) is taking a bus trip to visit three neighbouring farms in the Hororata area. They are all in Stage 1 of Central Plains Water and their second year of going from dryland to irrigated farming and are each doing different things. CPW's scheme is storage-based, with a piped delivery network and similar in configuration to what HWP's scheme is likely to be. So, it will be interesting to have a look and hear what they have to say.

Once again, feel free to contact myself or any FLC member with any questions you might have.

Stu Jensen, Chairman – Farmer Liaison Committee.

The Farmer Liaison Committee provides an important link between farmer shareholders and the HWP Board:

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|--------------------|-----------------------------|-----------------------------|
| Stu Jensen (Chair) | 03 314 4581 (0273654008) | skmjensen@xtra.co.nz |
| Tim Banks | 027 282 0342 | banks.wells@amuri.net |
| Ben Black | 027 699 6660 | lochside8@gmail.com |
| George Black | 027 315 8214 | gbl6065@icloud.com |
| Tom Costello | 03 314 4566 | tacostello@scorch.co.nz |
| David Fincham | 03 314 4127 | david.tikouka@amuri.net |
| Jean Forrester | 03 314 5849 | forrester.family@xtra.co.nz |
| Euan Frost | 03 314 2313 | lfrost@xtra.co.nz |
| Andy Gardner | 027 441 4388 | gardnerfamily@xtra.co.nz |
| Tim Murdoch | 027 868 6009 | twmurdoch@hotmail.com |
| Mark Hassall | 03 314 4495 | hanley@amuri.net |
| Paul Reese | 027 731 4433 | paulr@irricon.co.nz |

Farm Environmental Management Plans

All farming activities are now required to prepare a Farm Environmental Management Plan (FEMP) that describes the actions that will be implemented to achieve Good Management Practice (GMP).

For HWP shareholders, our consent conditions require that scheme-wide individual FEMP's are developed in accordance with the Irrigation NZ FEMP and prepared prior to, and implemented during, the use of water for irrigation on individual properties.

If you do not already have a FEMP, as a currently irrigated farm, the links below direct you to the INZ FEMP template and some useful information for farmers about FEMP auditing and GMP.

<http://irrigationnz.co.nz/knowledge-resources/farm-environment-plans-asm>

<https://www.ecan.govt.nz/your-region/information-for-farmers>