



WAIMEA
IRRIGATORS
LTD



Product Disclosure Statement

for the Offer of Water Shares in Waimea Irrigators Limited

2 FEBRUARY 2018

This document is a replacement Product Disclosure Statement and it replaces the Product Disclosure Statement dated 26 January 2018.

This product disclosure statement, dated 2 February 2018, is for the issue of Water Shares in Waimea Irrigators Limited.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on <http://www.business.govt.nz/disclose>, offer number OFR12297.

Waimea Irrigators Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013 (Act). You can also seek advice from a financial adviser to help you to make an investment decision.



Section 1. Key Information Summary

What is this?

This is an offer of Water Shares in Waimea Irrigators Limited (**WIL**). A Water Share gives you a financial stake in the ownership of WIL. You may receive a return if dividends are paid or if WIL increases in value and you are able to sell your Water Shares at a higher price than you paid for them. If WIL runs into financial difficulties and is wound up, you will only be paid after creditors have been paid. You may lose some or all of your investment.

About WIL

WIL was formed in September 2016 to complete the Waimea Community Dam Project (**Project**) in conjunction with Tasman District Council (**TDC**). The principal activity of WIL is to invest, along with TDC, in the Project through a company to be established by them, Waimea Water Limited (**WWL**), and to enable its Shareholders to enter into Shareholder Water Augmentation Agreements (**SWAA**).

WWL will be funded by equity from WIL and TDC and debt from Crown Irrigation Investments Limited (**CIIL**). WWL wishes to complete the Project and operate a dam in the Lee Valley, Tasman (**Dam**).

A Shareholder, on entering into a SWAA, will be entitled to apply under the Tasman Resource Management Plan (**TRMP**) to Affiliate their Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m³ of water per week, per Water Share. See Section 2 (entitled **WIL and What it Does**).

Purpose of this Offer

WIL is seeking equity funding of a minimum of \$16.5 million, with \$16 million necessary to fund its interest in WWL (initially a 27.9% shareholding) and \$0.5 million to cover other costs associated with the Project. Any funds received in excess of \$16.5 million will be used to reduce debt. The proceeds of the Offer will be used to subscribe for shares in WWL to partially fund the construction of the Dam and pay costs associated with the Project. See Section 3 (entitled **Purpose of this Offer**) for further information.

Key terms of the Offer

Conditional Offer

The Project and this Offer are conditional upon a number of factors being satisfied. The Offer will not proceed if:

1. TDC's public consultation process relating to the formation of WWL as a Council Controlled Organisation (**CCO**) is unsuccessful, or if TDC decides not to proceed with the Project; or
2. there are unacceptable construction cost increases as identified by the Early Contractor Involvement (**ECI**) process; or
3. Water Shares are not sold in sufficient numbers under this Offer; or
4. the purchase of land required for Dam construction and access arrangements is not successfully concluded; or
5. CIIL funding is withdrawn or not available or the Project is not economically viable for WIL (to be decided by the Board in its sole discretion).

In the event the Offer does not become unconditional on or before 29 June 2018 or other such date as may be determined by the Board in its sole discretion (**Condition Date**) and the Project does not proceed due to any of these reasons, the Offer will be withdrawn and the Applicants will be refunded any Water Share Purchase Price paid to WIL.

Brief Description of Water Shares

The shares being offered are Water Shares in WIL. They give the holder the right and obligation to enter into a SWAA. For further details on rights and obligations in respect of Water Shares, see Section 2 (entitled **WIL and What It Does** at Water Allocation for Permit Holders).

The terms of issue and the rights and obligations attaching to the Water Shares are set out in clause 4.2 of the WIL Constitution (**Constitution**) and in Section 6 (entitled **Key Features of Water Shares**).

Application Fee

A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

Price and Payment for Water Shares

Fixed at **\$5,500.00** per Water Share payable in three instalments:

- \$2,750.00 per Water Share payable by direct credit to Crowe Horwath (NZ) Limited (**Crowe Horwath**) within five (5) working days of approval of the Application by WIL;
- \$1,375.00 per Water Share payable by direct credit to Crowe Horwath on the 20th of the month following the Call being made on 1 July 2018 or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (the **Call Dates**); and
- \$1,375.00 per Water Share payable by direct credit to Crowe Horwath on the 20th of the month following the Call being made on 1 July 2019 or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (the **Call Dates**).

See Section 5 (entitled **Terms of the Offer**) for information about key dates of the Offer.

Key Dates

Offer of Water Shares opens (Offer Date*)	8 February 2018
Offer of Water Shares closes (Closing Date*)	22 March 2018
WIL Approval of Applications*	29 March 2018
Payment of first instalment of Water Share Purchase Price by direct credit if Application successful*	10 April 2018
Condition Date of Offer*	29 June 2018
Issue of Water Shares*: (subject to this Offer being confirmed on or before the Condition Date)	2 July to 6 July 2018

Number of Water Shares Offered

Minimum number of Water Shares being offered to each Shareholder:

The minimum number of Water Shares able to be purchased is one (1) Water Share. Applicants cannot apply for part of a Water Share.

Minimum number of Water Shares required for offer to proceed:

This Offer of Water Shares will not proceed if a minimum of 3,000 Water Shares are not subscribed for by Applicants**.

Maximum number of Water Shares being offered to all shareholders:

The maximum number of Water Shares being offered will be 5,425**.

Assuming the maximum number of Water Shares are subscribed for, following the issue of the Water Shares, the percentage that the Water Shares represent of all Shares then on issue in WIL:

5,425 Water Shares subscribed for: 99.90%

*These dates are indicative only and may be changed by WIL. WIL may also withdraw the Offer at any time before the allocation of the Water Shares or accept late Applications (either generally or in individual cases).

**The above numbers are subject always to variation at WIL's sole discretion.

Applications

Each Applicant must fully complete, execute and return the Application Form to Crowe Horwath at any time after the Offer Date and no later than 5pm on the Closing Date. Applicants will need to fill out and return a separate Application Form for each Ground Water Permit and/or Surface Water Permit they wish to apply to Affiliate under the TRMP (if applicable). WIL will only accept Applications for Water Shares if it is satisfied the Applicant:

- holds a Ground Water Permit and/or a Surface Water Permit within the Scheme Area; or
- is outside the Scheme Area and can be supplied water from a Ground Water Permit and/or a Surface Water Permit to take Water within the Scheme Area; or
- is a shareholder or member of an Irrigation Scheme that has entered into an Irrigation Scheme Water Augmentation Agreement (**ISWAA**) with WIL; or
- owns or leases land within the Scheme Area and wishes to apply for a Ground Water Permit and/or a Surface Water Permit once a SWAA with WIL is in place; or
- does not hold a Ground Water Permit or a Surface Water Permit and does not own or lease land within the Scheme Area but wishes to invest in WIL and the Scheme, provided always that the Applicant cannot hold more than 20% of the Water Shares on offer.

WIL may reject any Application at its sole discretion without providing any reason for such rejection. See Section 11 (entitled **How to Apply**) for further information on how to submit an Application.

Shareholder Water Augmentation Agreement (SWAA)

By signing and completing the Application Form, each Applicant is irrevocably agreeing to enter into and sign the SWAA. The SWAA will be forwarded to the Shareholder following the issuance of Water Shares. A summary of the terms of the SWAA is set out at Section 16 (entitled **Summary of Shareholder Water Augmentation Agreement**) and a full copy of the SWAA is available on the Offer Register. If the Applicant is Redwood Valley Water Supply Scheme Joint Venture or Waimea East Irrigation Company Limited, then all references to SWAA shall read ISWAA. For further information see Section 17 (entitled **Summary of Irrigation Scheme Water Augmentation Agreement**).

Water Charges

Under the SWAA, Shareholders are required to pay Water Charges based on the number of Water Shares they hold (whether or not they take their allocation of water under their Affiliated Permit, if applicable). The Water Charges include Operating Charges, Finance Charges and Specific Charges.

Water Charges are determined to recover WIL's operating costs, WIL's share of WWL's operating costs, and WIL's proportion of WWL debt on a cost recovery basis. The initial estimate of the Water Charges is \$600 per Water Share per year.

A construction Operating Charge estimated at \$250 per Water Share will be invoiced to all Shareholders in two tranches following issue of Water Shares with the first tranche estimated at \$125 anticipated for July 2019 and the second tranche anticipated for July 2020.

Further details are set out at Section 6 (entitled **Key Features of Water Shares**) and Section 23 (entitled **Summary of Water Charges**).

How you can get your money out

WIL does not intend to quote the Water Shares on a market licensed in New Zealand and there is no other established market for trading them. This means you may not be able to sell your Water Shares.

The right to transfer or sell Water Shares, whether with the sale of land or separately is set out in the Constitution and is described in more detail at Section 6 (entitled **Key Features of Water Shares**).

Key drivers of returns

It is not WIL's intention to provide Shareholders with a financial return in the form of dividends, or other such payment from WIL. The return that a Shareholder will receive from the Water Shares is the right and obligation to enter into a SWAA. On entering into a SWAA, a Shareholder is entitled to apply under the TRMP to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300 m³ of water per week, per Water Share. The Shareholder may receive a return (if any) from the increased water reliability via an Affiliated Permit which may result in increased productivity of the Shareholder's land/commercial operation.

The following current and future aspects of WIL's business are likely to have the most impact on the level of benefits enjoyed by Shareholders and on Water Charges.

Uptake

There is an optimum uptake of Water Shares that makes the Project economically feasible for WIL. The greater the uptake of Water Shares, the less the amount of the CIL funding required, resulting in a more economically feasible Project.

Shareholder Ground Water Permits and Surface Water Permits

On entering into a SWAA, a Shareholder is entitled to apply under the TRMP to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300 m³ of water per week, per Water Share. The Shareholder's actual take is determined by the Ground Water Permit and/or Surface Water Permit which may restrict the volume of water that can be taken and/or used. If an Applicant is a member of an Irrigation Scheme they should read Section 2 (entitled **WIL and What it Does** at subheading *Information for Members of a Reticulated Irrigation Scheme*).

Project Construction

WIL's intention is to complete the Project, jointly with TDC, as efficiently as possible. TDC and WIL have obtained professional advice to estimate construction costs and timeframes while allowing for the appropriate contingencies. WIL and TDC have undertaken a tender process to ensure that the successful contractor is competitive on price and has the necessary experience. The final contract price will be determined in accordance with the ECI process.

Water Reliability

The Dam allows for the release of a volume of Dam Water into the Upper Lee River in accordance with the Resource Consent. Dam Water will have an anticipated (but not guaranteed) reliability of 100% for Affiliated Permit holders in most years except in cases of extreme drought. Further information can be found in Section 2 (entitled **WIL and What it Does**).

Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about WIL's future performance and returns is suitable for you. The price of these Water Shares should reflect the potential returns and the particular risks of these Water Shares. WIL considers the most significant risk factors that could affect the value of the Water Shares are:

Risk Factor	Significance to WIL or the Scheme
Maintaining Funding for the Project	<p>WIL has conditional term sheets in place for debt funding facilities with CIIL for the Project (CIIL Loan).</p> <p>Every five (5) years from the initial drawdown date of the CIIL Loan, WIL, WWL, and CIIL will jointly appoint a suitably qualified independent consultant to assess whether either WIL or WWL is able to fully refinance outstanding debt amounts.</p> <p>It is possible WIL may only be able to obtain funding that is less favourable to WIL, which could result in increased Water Charges. See Section 2 (entitled WIL and What it Does).</p>
Cost Escalation for the Project	The construction contract for the Project is being tendered by TDC and WIL to selected interested parties. In estimating the costs TDC and WIL have used reasonable endeavours and engaged professional advisors to verify cost estimates including the construction, operating, maintenance and financing costs of the Scheme. Construction costs have been estimated to a P95 confidence level, meaning there is only a 5% probability that the Dam construction costs will exceed estimated construction costs and a 95% probability that the Dam construction costs will be at or less than estimated.
Construction and Infrastructure Risks for the Project	The construction contract for the Project will involve risk for TDC and WIL including a time/delay risk in completing the works in accordance with the proposed work programme, a cost risk in ensuring the Project is completed within budget amounts, and performance/design risks relating to the performance of the works undertaken and the design of the Dam (both during construction and post-construction).
Non-Payment of Water Charges	If a Shareholder fails to comply with the terms of the SWAA and does not make payment to WIL for the Water Charges, this poses a risk to WIL as WIL is funded by the income received through the Water Charges. The payment of Water Charges is WIL's only source of income.

This summary does not cover all of the risks in investing in Water Shares. You should also read Section 8 (entitled **Risks to WIL's Business and Plans**).

Where you can find WIL's Financial Information

The financial position and performance of WIL are essential to the assessment of this offer. You should also read Section 7 (entitled **WIL's Financial Information**).

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Letter from the Chairperson

Dear Investor,

This document is a formal Offer for Water Shares in Waimea Irrigators Limited.

Waimea Irrigators Limited is proposing to form a company with Tasman District Council to provide a long-term water supply solution for the Waimea basin and its surrounding areas, which may include Nelson City. The company driving this solution will be known as Waimea Water Limited.

The Offer is open to landowners and lessees holding Ground Water Permits and/or Surface Water Permits in a defined part of the Waimea Plains, but other interested investors are encouraged to put forward Applications also.

Shareholders in Waimea Irrigators Limited will be able to apply to Tasman District Council to Affiliate their existing Ground Water Permit and/or Surface Water Permit under the Tasman Resource Management Plan, which will greatly improve the reliability of water available from the existing groundwater and surface water sources. The reliability for Affiliated Permits is anticipated to be 100% in most years, except in periods of extreme drought.

Water users who do not hold Water Shares in Waimea Irrigators Limited will be unable to have their existing Ground Water Permit and/or Surface Water Permits Affiliated and will be subject to regular rationing and, in many years, periods of zero take (cease take).

Applicants are being asked to subscribe capital to enable Waimea Irrigators Limited to meet agreed capital contributions for Waimea Water Limited to construct and operate the Dam in the Lee Valley, known as the Waimea Community Dam.

Waimea Irrigators Limited and the Tasman District Council have entered into conditional agreements with each other and collectively with Crown Irrigation Investments Limited as a funder; to provide a capital and operating plan that is expected to allow for the construction and operation of the Dam for several decades. The Dam will be a community asset providing water for irrigators, an expanding urban population and improvement in the river environment.

Some important obstacles have already been overcome on a long journey of community discussion over several years. Resource consent to establish a Dam on a specific site in the Lee Valley has already been approved.

Waimea Irrigators Limited now needs those in the Waimea Plains to commit to purchasing Water Shares to ensure the Project is able to proceed and to ensure the long-term problems of water shortage in the Waimea basin can be resolved.

The board and management of Waimea Irrigators Limited have put in huge effort over many years to get to a position where we have Dam consent, funding and an operating plan for the Dam. It can, however, only be done with your support, which the Board recommends.



We think there is unlikely to be another more favourable funding option than the agreement Waimea Irrigators Limited currently has with Crown Irrigation Investments Limited.

I encourage you to take the time to carefully consider this Offer, including Section 8 (entitled **Risks to WIL's Business**) and Section 16 (entitled **Summary of Shareholder Water Augmentation Agreement**), and seek appropriate advice. This Offer of Water Shares closes on 22 March 2018.

Murray King
Chairman, Waimea Irrigators Limited

Section 2. WIL and What it Does

WIL's Business

WIL is a limited liability company that has been in operation since September 2016. WIL's current activity is to advance the Project in conjunction with TDC to a construction ready point.

WIL's intended primary future activity is to invest \$16 million in equity in WWL (the purpose of this Offer), along with TDC (who will invest \$38.8 million in WWL). The sole activity of WWL will be to construct and operate the Dam for the benefit of its Shareholders WIL and TDC.

WWL will enter into Water Augmentation Agreements with both TDC and WIL, obligating WWL to release water from the Dam in return for the payment of water charges by TDC and WIL amongst other matters; see Section 18 (entitled **Summary of Water Augmentation Agreement (Term Sheet)**). These charges are intended to be levied by WWL on cost recovery basis, with WIL paying 49% and TDC 51% of operating costs and with WIL meeting 100% of the cost of the CIL Loan.

WIL intends to raise capital under this Offer to fund its proposed investment in WWL. Shareholders in WIL will be obligated to enter into a SWAA and pay Water Charges under the SWAA.

In addition to equity funding from WIL and TDC, WIL and TDC intend for WWL to borrow up to \$25 million from CIL. Because WIL is receiving the benefit of more water released from the Dam, and is putting in less equity than TDC initially, WIL and TDC have agreed that WIL will be responsible financially for the servicing and repayment of the CIL Loan and will be a co-obligor with WWL under the CIL Loan. Water Charges set by WIL to its Shareholders will therefore include a Finance Charge to cover the costs of interest and principal for the repayment of the CIL Loan. On repayment of the CIL Loan, WIL's equity investment in WWL will increase from 27.9% to approximately 48.9%.

Current and Future Aspects of WIL's Business

The current focus of WIL is to jointly develop the Dam with TDC and:

- Carry out design and procure a contractor for construction of the Dam;
- Secure the CIL Loan and any other funding required for the Project to proceed;
- Secure sufficient Shareholder equity (the purpose of this Offer) of \$16.5 million that will be used for the construction of the Dam and associated Project costs and WIL's own costs (e.g. WIL's share of resource consent compliance);
- Set up and maintain the mechanism for recovery of Water Charges from its Shareholders.

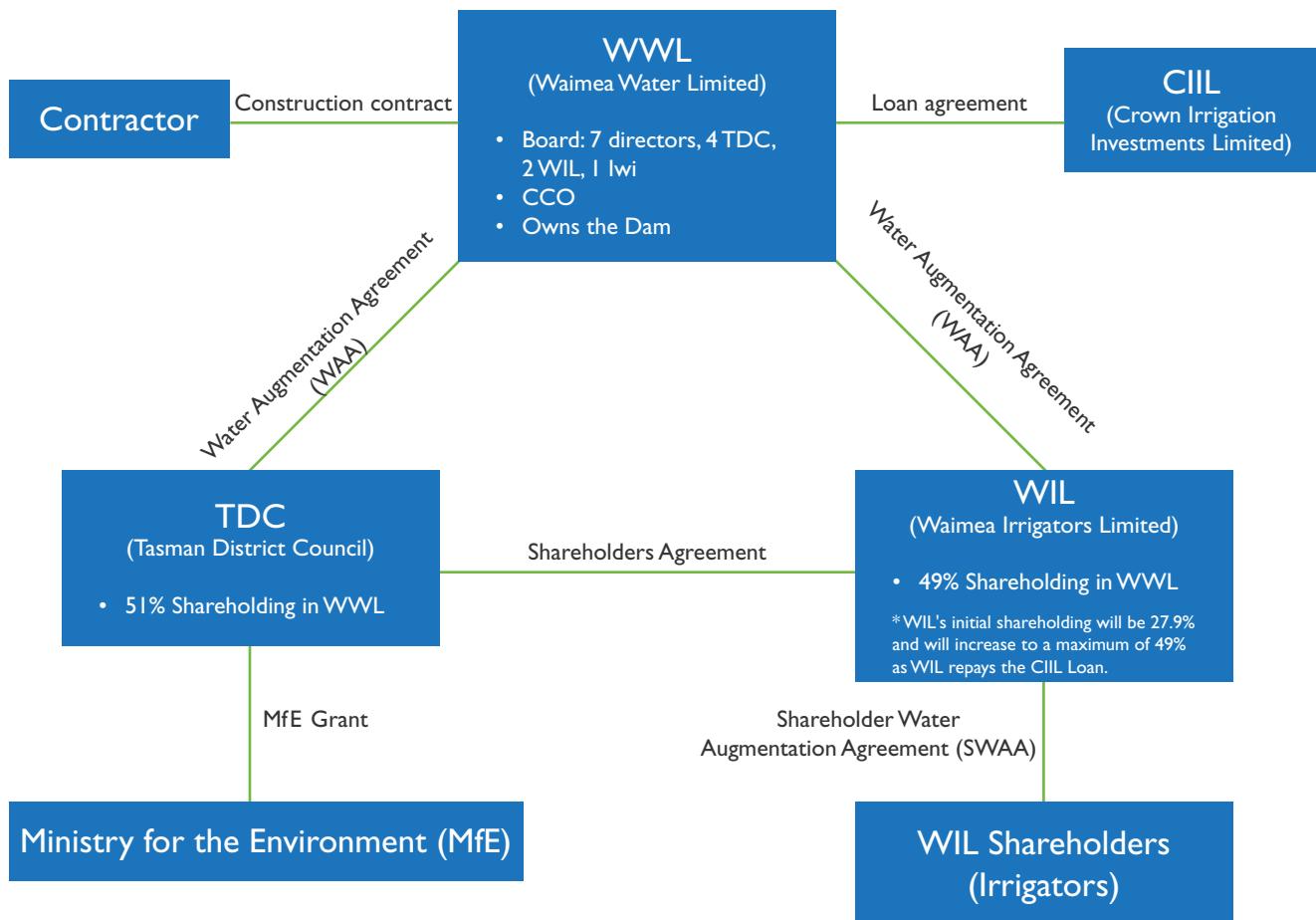
The future focus of WIL will be to:

- Together with TDC, ensure that WWL delivers the Dam on time and within budget;
- Ensure the uptake of the targeted minimum number of new Water Shares each year from the Scheme Area and eventually adjacent areas (e.g. Mount Heslington, and Redwood Valley) (being an additional 80 Water Shares per annum);
- Recover costs and pay back the CIL Loan via WWL;
- Ensure WWL releases Dam Water in accordance with the Water Augmentation Agreement;
- Facilitate TDC's affiliation of Shareholder's Ground Water Permits and/or a Surface Water Permits through the establishment of a SWAA for each Shareholder.

There are also on-going current and future aspects that could affect WIL's financial performance and therefore the Water Charges payable by Shareholders. These include interest rates, regulatory and compliance costs, the financial performance of Shareholders and the recoverability of Water Charges.

WIL's key strategies and plans to manage the aspects of its business noted above are dependent on the associated risks; see Section 8 (entitled **Risks to WIL's Business and Plans**).

Parties Involved in the Project



Waimea Water Limited (WWL)

TDC and WIL will establish WWL as a limited liability company under the Companies Act 1993 (**Companies Act**). WWL will be a council controlled organisation under the Local Government Act 2002 (**CCO**) and will be the delivery vehicle for the Dam. That is, WWL will construct and operate the Dam, with equity funding from WIL and TDC, and debt financed by CIL.

WWL will own or lease the land necessary to construct and operate the Dam and will hold required land access agreements and resource and building consents. WWL will not be able to undertake any other activity (such as hydro generation) without the written consent of both TDC and WIL. See Section 18 (entitled **Summary of Water Augmentation Agreement (Term Sheet)**).

WWL will be managed on a cost recovery basis and will be required to maintain appropriate working capital and reserves. Operating costs associated with the owning and operating the Dam (such as director's fees, rental of premises, staffing and material costs) will be shared between TDC and WIL, 51% and 49% respectively. WWL will send each of WIL and TDC an invoice for its share of the operating costs on a quarterly basis through WWL water charges. Debt costs relating to the CIL Loan will be met in full by WIL.

The board of WWL will comprise two WIL appointees, one iwi appointee and four TDC appointees, one of which may be a joint appointee with Nelson City Council (**NCC**). The chairperson of the board will be elected by the directors and will not have a casting vote. The composition of the board will reflect the best skills and competencies for the Project overall, and may change after the construction phase is completed. By agreement the TDC appointees cannot be councillors and must be persons with appropriate governance experience.

A Shareholder Agreement will regulate the relationship between WIL and TDC as shareholders in WWL. The Shareholder Agreement Term Sheet sets out the key terms of what will be included in the Shareholder Agreement. WIL shall be a minority shareholder in WWL, and shall have the right to appoint two of the seven directors. However, WIL has the benefit of a number shareholder reserved matters that prevent certain key decisions being made without WIL's consent. See Section 19 (entitled **Summary of Shareholder Agreement (Term Sheet)**).

Tasman District Council (TDC)

TDC will also provide equity funding to WWL. Its interest in constructing and operating the Dam is to provide urban and rural reticulated water supplies to the community, and to maintain a minimum flow in the Waimea River for environmental purposes. Subject to the outcomes of consultation, TDC will provide capped credit support to CIIL for its loan to WWL. The credit support enables more favourable lending terms (e.g. lower interest rates) that can be passed to Shareholders with lower Water Charges.

TDC has been responsible for securing the land on which the Dam and reservoir will sit under the Public Works Act 1981.

TDC will also be responsible for converting or reissuing Ground Water Permits and Surface Water Permits to Affiliated Permits for those Shareholders who have a SWAA with WIL (i.e. those who have purchased Water Shares in WIL). A permit holder who does not purchase Water Shares and has no SWAA will have an Unaffiliated Permit under the TRMP. Unaffiliated Permits may be subject to extensive rationing; see *Security of Supply for Unaffiliated Permits* at Section 2 (entitled **WIL and What It Does**).

Crown Irrigation Investments Limited (CIIL)

CIIL has conditionally agreed to provide debt funding to WWL (i.e. the CIIL Loan). WIL will meet all of the CIIL debt service costs of the CIIL Loan, which will form part of the Water Charges payable by Shareholders. As WIL funds the repayment of the CIIL Loan, the CIIL debt repaid will convert to WIL equity in WWL taking WIL's shareholding from approximately 27.9% to 48.9%. WIL's shareholding in WWL will automatically increase up to 48.9% in the event that the CIIL Loan is repaid or refinanced and the TDC credit support is not necessary; see *Shareholding in WWL* at Section 2 (entitled **WIL and What It Does**).

Project Agreements

WIL has entered or will enter into the following agreements in respect of the Project:

Shareholder Water Augmentation Agreements (SWAA)

By signing and completing the Application Form, each Applicant is irrevocably agreeing to enter into and sign the SWAA. One SWAA will be issued for each Ground Water Permit or Surface Water Permit. It is important that the Application Form is filled out and signed by the person or entity which holds the Ground Water Permit or Surface Water Permit (if applicable), in order for the SWAA to be prepared in the correct entity.

A Shareholder has the right and obligation to enter into a SWAA under the Constitution. It is a right because the SWAA has the key benefit of enabling the Shareholder to apply for Affiliation of its Ground Water Permit or Surface Water Permit under the TRMP. It is an obligation as WIL requires the Shareholder to enter into the SWAA and pay Water Charges.

The Shareholder, on entering into the SWAA, is entitled to apply under the TRMP to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300 m³ of water per week, per Water Share.

An Applicant will need to calculate the number of Water Shares required to appropriately Affiliate its Ground Water Permit or Surface Water Permit under the TRMP. See Section 11 (entitled **How to Apply**).

A summary of the terms of the SWAA is set out in Section 16 (entitled **Summary of Shareholder Water Augmentation Agreement**) and a full copy of the SWAA is available on the Offer Register.

Irrigation Scheme Water Augmentation Agreement (ISWAA)

WIL has supplied ISWAA's to both Redwood Valley Water Supply Scheme Joint Venture (**RVI**) and Waimea East Irrigation Company Limited (**WEIC**), which are 'water supply agreements' for the purposes of the TRMP. Both RVI and WEIC will need to enter into the ISWAA in order to apply for partial Affiliation of its Ground Water Permit or Surface Water Permit under the TRMP in respect of their shareholders' or members' Water Shares.

A summary of the terms of the ISWAA's is set out in Section 17 (entitled **Summary of Irrigation Scheme Water Augmentation Agreement**) and more details for members of reticulated Irrigation Schemes can be found at Section 2 (entitled **WIL and What It Does**).

Water Augmentation Agreement (WAA)

The WAA Term Sheet has been agreed between TDC and WIL. It summarises the principal terms of the WAA to be entered into between WWL and each of TDC and WIL (who are both "Head Water Users"). The WAA is separate from the SWAA which is to be entered into between WIL and its Shareholders.

See Section 18 for a summary of the key terms of the WAA Term Sheet (entitled **Summary of Water Augmentation Agreement (Term Sheet)**).

Shareholder Agreement

The Shareholder Agreement Term Sheet has been agreed between WIL and TDC and summarises the principal terms in respect to the establishment, governance and funding of WWL.

See Section 19 for more details including a summary of the key terms of the Shareholder Agreement Term Sheet (entitled **Summary of Shareholder Agreement (Term Sheet)**).

Project Agreement Term Sheet

A Project Agreement Term Sheet has been entered into by WIL, TDC, and CILL that sets out the key terms on which TDC will provide credit and project support for the Project and certain other related matters including placing obligations on TDC to protect Shareholders' rights to Affiliation.

See Section 20 (entitled **Summary of Project Agreement Term Sheet**) for a summary of the key terms of the Project Agreement Term Sheet.

WIL's Water Charges

Financial modeling has been undertaken for WIL to determine a range of Water Charges, which will allow WIL to fund its share of the estimated cost of the Project over and above the minimum equity amount raised by this Offer of Water Shares.

WIL will assess the economic viability of constructing and operating the Dam based on the amount of Water Charges that the Shareholder will be required to pay to WIL. The level of the Water Charges will be dependent on various factors including, without limitation:

- the capital cost of the Dam;
- the level of uptake of this Offer of Water Shares;
- the operating and maintenance costs of the Dam;
- interest rates; and
- the ability to obtain acceptable funding from other sources

Notwithstanding the above, if after the Closing Date, WIL believes that, after assessing the factors as set out above and any

other factors that WIL considers relevant, the level of uptake of Water Shares under this Offer will lead to the Water Charges being substantially higher (determined in WIL's sole discretion) than those currently anticipated, WIL may not proceed with its involvement in the Dam and no Water Shares will be issued and Applicants will be refunded any Water Share Purchase Price paid to WIL. No interest will accrue on any subscriptions that are returned to Applicants.

For more detailed information relating to Water Charges including the basis for Water Charges and Water Charge Scenarios, see Section 23 (entitled **Summary of Water Charges**).

Water Share Price for Late Entrants / Additional Hectares Purchased

Following close of the Offer, WIL intends to increase the purchase price for Water Shares for new Shareholders and existing Shareholders wishing to purchase additional Water Shares. It is anticipated that WIL will offer Water Shares on a continuing basis following the close of this Offer by making further offers in accordance with the Act.

WIL currently anticipates that the purchase price for Water Shares post close of this Offer will be approximately 15% higher than the Water Share Purchase Price under this Offer, increasing at approximately 2% each year thereafter (subject to the absolute discretion of the WIL Directors).

Augmentation and Reliability

Purpose of the Dam

WIL is promoting the Dam as the most efficient and effective way to ensure augmented water is available to its Shareholders in all but the driest of years. The total allocable volumes for each of the Water Management Zones where the natural water supply is augmented by the Dam Water releases are all significantly increased if the Dam is built. The Dam may also allow for future new reticulated irrigation in adjacent zones such as Redwood Valley, Mount Heslington, and the lower Wai-iti Zones.

Under previous management regimes there was no or very low minimum flow requirements applying to the Waimea River. New water management provisions in the TRMP, adopted in 2015, mean without the Dam, a minimum flow of 800l/s at Appleby must be maintained in the Waimea River at all times. The new minimum flow will take effect at the end of 2018 if a decision is made not to proceed with the Dam. This flow is not high enough to protect all the instream ecological, amenity and recreational values fully because of higher water temperature and algal growth. However, a flow of 800l/s ensures effects of climate change and sea level rise can be managed, and provides for minimal recreation and amenity values.

Construction of the Dam will allow for a higher minimum flow in the Waimea River of 1,100l/s at Appleby (compared to a minimum flow of 800l/s if there is no Dam). This flow will better protect instream ecological, amenity and recreational values because of lower water temperature and an improvement in water quality and allow for the augmentation of aquifers, which in turn will allow for the increased reliability of Affiliated Permits (i.e. Affiliated Permits will not be subject to the same strict rationing steps as Unaffiliated Permits).

Water Allocation for Permit Holders

In 2016/2017 TDC conducted initial reviews of Waimea Plains water permit applications against the 'bona fide use' definition in the TRMP. In undertaking the review, TDC took into account consented volume, actual maximum water usage over the period 2003-2013, and soil type and crop type. Holders of Ground Water Permits and Surface Water Permits were notified of the results of the review by letter and for some, the bona fide review has resulted in a significant reduction in allocation. Sixty-one percent (61%) of Ground Water Permit and Surface Water Permit holders will have a reduction of between 50% and 99% of their former allocations if there is no Dam.

Irrigators will need to decide whether or not they Affiliate their Ground Water Permits and/or Surface Water Permits by purchasing Water Shares and entering into a SWAA with WIL. Only one Ground Water Permit or Surface Water Permit can be consented for any one point of take and monitored through one water meter, except where the point of take services more than one landowner through a reticulated water scheme (e.g. WEIS or RVI).

Water allocation for water users who hold Unaffiliated Permits will, when replacement Ground Water Permits and Surface

Water Permits are granted, be the bona fide volume (as defined under the TRMP). It will not be possible to take and use an Affiliated and Unaffiliated volume of water for the same Ground Water Permit or Surface Water Permit, unless the point of take services more than one landowner through a reticulated Irrigation Scheme; in other words, a Ground Water Permit or Surface Water Permit cannot be partially Affiliated.

Having entered into a SWAA, Shareholders will be entitled to apply under the TRMP to Affiliate their Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300 m³ of water per week, per Water Share.

For example, a person who wishes to take up to 1,500m³ of water per week under their Ground Water Permit and/or Surface Water Permit would need to purchase five Water Shares to hold an Affiliated Permit for their total water take under their Ground Water Permit or Surface Water Permit. If only four Water Shares were purchased, on Affiliation the take under the Ground Water Permit or Surface Water Permit would be reduced to 1,200m³ of water per week.

If the authorised use of the Ground Water Permit or Surface Water Permit is for irrigation, the authorised volume shall not exceed the per hectare soil type rate (Figure 31.ID of the TRMP). An irrigator on light soil that needs more than 300m³ of water per hectare per week may choose to apply for more Water Shares to enable them to Affiliate their Shareholder Permit for the full amount of water needed.

The volume of water allocated for Ground Water Permits or Surface Water Permits authorising 'other uses' of water, for example, industrial or commercial uses, will generally be allocated based solely on the number of Water Shares, as detailed above.

During the 'transition' period from 1 November 2018 until the Dam is commissioned, the holder of an Affiliated Permit may only use up to the bona fide use over the period 2003-2013. The rationing imposed on Affiliated Permits during the transition period is the same as is currently imposed on existing Ground Water Permits and Surface Water Permits.

Unaffiliated Permits will be subject to their bona fide volume, and have transition period rationing steps that are much more restrictive than Affiliated Permits (Schedule 31C:Table 1C of the TRMP). In addition, holders of Unaffiliated Permits authorising 2,000m³ of water per week or greater will be required to install telemetered water meters.

Water Management Zones

Applicants will need to state on their Application Form which Water Management Zone they are in because of the zonal allocations and any water transfers will need to be within the same Water Management Zone. The 'with Dam' Water Management Zones are different from the existing zones – Table 2 of Figure 31.IFA of the TRMP details the 'with Dam' Water Management Zones. The majority of Ground Water Permits and Surface Water Permits will likely be in the 'Appleby Gravel Zone' but it will be the responsibility of the Applicant to check with TDC which 'with Dam' Water Management Zone they are in before applying for Water Shares.

If Shareholders want to move from one Water Management Zone to another, including vertical movement, then this will be possible by purchasing new Water Shares within the desired Water Management Zone. To facilitate the transfer, TDC will need to see a SWAA for Water Shares and proof the water can be pumped.

If a Shareholder sells or transfers its Water Shares to a person or entity that holds a Ground Water Permit and/or Surface Water Permit in a different Water Management Zone, it will be the responsibility of the incoming holder of Water Shares to ensure that it is able to obtain Affiliation of its Ground Water Permit and/or Surface Water Permit in the applicable Water Management Zone, which may be restricted due to zonal allocations under the TRMP.

Security of Supply for Unaffiliated Permit holders

The new water management provisions for the Waimea Plains Zone includes rationing triggers that reflect two different security of supply standards, depending on whether a Ground Water Permit and/or Surface Water Permit is Affiliated under the TRMP or not.

If the Dam is constructed, Unaffiliated Permits will be subject to the following rationing steps, in accordance with the TRMP:

- Step 1 (2,750 l/s at Irvines/Wairoa Gorge recorder): 20% rationing
- Step 2 (2,300 l/s at Irvines/Wairoa Gorge recorder): 50% rationing
- Step 3 (2,050 l/s at Irvines/Wairoa Gorge recorder): cease take

Table A shows the implications of the new management regime on a hypothetical Unaffiliated Permit for 3500m³/week in the Delta, Reservoir, Upper Confined Aquifer, Waimea West and Upper Catchment management zones:

Table A: Implications of new management regime on hypothetical Unaffiliated Permit

	Step 1 – Wairoa River < 2,750l/s	Step 2 – Wairoa River < 2,300l/s	Cease Take - Wairoa River < 2,050l/s
Allocation after bona fide permit review (m ³ /week)	Allocation under 20% ra- tioning (Allocation × 0.8)	Allocation under 50% ra- tioning (Allocation × 0.5)	
3,500	2,800	1,500	0

Based on historical flow data, the Wairoa River flow falls to 2,300l/s most years.

Water users with Unaffiliated Permits will be required to cease taking water as soon as the Waimea River reaches 2,050 l/s at the Irvines/Wairoa Gorge recorder site, and will not be able to resume taking until the 7-day moving mean flow reaches 6000 l/s at the Irvines/Wairoa Gorge recorder. In other words, a substantial fresh (i.e. more than 10,000l/s) would need to occur in the Waimea River before taking could resume.

Security of Supply for Affiliated Permit holders

Dam Water will have anticipated (but not guaranteed) reliability of nearly 100% for Affiliated Permit holders in most years.

The Dam design enables an expected return period of approximately 1:40 years (assuming full allocation) before any rationing is likely for Affiliated Permit holders. If, in extreme circumstances rationing is required, the TRMP allows for rationing of Affiliated Permits¹. This rationing is most likely to occur on the basis of consented allocation.

Information for Members of a Reticulated Irrigation Scheme

Members or shareholders of RVI or WEIC and any future reticulated Irrigation Schemes (**Scheme Members**) may purchase Water Shares directly from WIL and in doing so enter into a SWAA directly with WIL. In turn, WIL will collect and administer the Water Charges due to WIL under the SWAA directly from the Scheme Members.

Scheme Members who become Shareholders in WIL will remain responsible for their respective Irrigation Scheme's associated costs in accordance with their existing arrangements with their Irrigation Scheme, in addition to charges payable to WIL under the SWAA.

Scheme Members who do not hold any Water Shares in WIL (and hence do not have a SWAA with WIL and do not hold an Affiliated Permit) will, subject to their respective Irrigation Scheme's rules, face the same rationing regime as if they were the holders of an Unaffiliated Permit.

Scheme Members with Water Shares and a SWAA with WIL will, providing that their Irrigation Scheme has entered into an ISWAA with WIL and subject to their respective Irrigation Scheme's rules, be able to request that their Irrigation Scheme applies to the TDC to have their Irrigation Scheme's Ground Water Permit and/or Surface Water Permit converted or reissued as an Affiliated Permit to the extent of the number of Water Shares held by that Scheme Member. In other words, the Irrigation Scheme's Ground Water Permit and/or Surface Water Permit may be partially Affiliated for those Scheme Members holding Water Shares.

Irrigation Schemes will be responsible for monitoring individual property usage to ensure Scheme Members are only using

¹ Under 31C Table 1 A, the minimum flow is allowed to drop to 800 l/s in the Waimea River if a drought exceeds a 1:40 year return period. Consultation is required when Dam storage drops to less than 2.7 Mm³ and stage one rationing is implemented (likely 20% reduction) when storage in the reservoir is less than 2Mm³.

the amount they are entitled to under the Irrigation Scheme's Ground Water Permit or Surface Water Permit (including any Affiliation) and any water restrictions in place at the time.

WIL has supplied ISWAAs to both RVI and WEIC, which are 'water supply agreements' for the purposes of the TRMP, allowing the partial Affiliation of its Ground Water Permit and/or Surface Water Permit for the benefit of its shareholders or members who hold Water Shares in WIL. Both RVI and WEIC will need to enter into an ISWAA to apply for partial Affiliation of their Ground Water Permit and/or Surface Water Permit under the TRMP in respect of their members' or shareholders' Water Shares. A summary of the terms of the ISWAA is set out at section 17 (entitled **Summary of Irrigation Scheme Water Augmentation Agreement**).

Hydrology

The Dam will capture Lee River flows, store the Dam Water in the reservoir behind the Dam, and then allow release of the stored Dam Water into the Upper Lee River during periods of high water demand and/or low natural river flows.

Modelling shows a high level of interconnection between the surface waterways and groundwater aquifers under the Waimea Plains. Accordingly, the proposal is to discharge Dam Water into the Upper Lee River below the Dam which will flow into the Wairoa/Waimea River system and result in recharge of the groundwater aquifer. The discharge of water into the Upper Lee River will also enable a higher minimum flow to be maintained in the Waimea River which will benefit a range of instream aquatic ecology, cultural, amenity, aesthetic and recreational needs.

Availability of Water

Shareholders' access to water is dependent on the Shareholders' individual Ground Water Permits and/or Surface Water Permits (or their Irrigation Scheme's Ground Water Permits or Surface Water Permits as the case may be), and the availability of water at any time due to climate, bore conditions or river conditions.

WIL will take all reasonable steps as a shareholder in WWL to:

- challenge any decisions by any party which may have material adverse effect on the release of Dam Water and/or Shareholders under the Resource Consents;
- renew or amend the Resource Consents where appropriate;
- acquire or apply for any additional Resource Consents necessary or desirable for the construction and operation of the Dam;
- monitor and manage infrastructure to minimise shutdowns for maintenance and/or repair;
- minimise emergency or unplanned outages; and
- design the infrastructure of the Dam to mitigate the effects of natural disaster or adverse river conditions.

A sufficient quantity of Dam Water will be released into the Upper Lee River to maintain minimum flows and the reliability of Affiliated Permits.

In addition, WIL may monitor compliance by its Shareholders of the SWAA which includes an obligation to comply with their Ground Water Permits and/or Surface Water Permits.

The Dam specification and volume is designed to provide reliability of nearly 100% most years, up to a 1:40 - year drought, assuming full allocation. TDC has the ability to review the conditions imposed by Ground Water Permits and Surface Water Permits held by Shareholders to increase minimum flows in the future. However, WIL is to enter into the WAA with WWL for more water than is currently needed, which will assist in safeguarding Shareholders against future increases in the minimum flow.

Project Funding

The estimated Project cost at the time the Project Agreement Term Sheet was negotiated was \$75.9 million. It was agreed that the Project will be funded as follows:

Funder	Amount (\$ million)
Waimea Irrigators Limited - Equity from Offer	\$16.0
Crown Irrigation Investments Limited - CIIL Loan (Facility A + B)	\$21.1
Tasman District Council; made up of the following:	\$38.8
<ul style="list-style-type: none"> • Tasman District Council: \$16.8m • CIIL Interest-Free loan to TDC (to fund environmental benefits): \$10.0m • Ministry for the Environment (Freshwater Improvement Fund): \$7.0m • Nelson City Council (subject to consultation): \$5.0m 	
Total Funding	\$75.9

Funding for Cost Overruns

It has been agreed that TDC and WIL will cover the first \$3 million of any Project cost-overruns over \$75.9 million on a 50:50 basis. The first \$3 million of cover will be by way of equity contributions from TDC and drawings by WWL under facility C of the CIIL Loan. Any Project cost overruns over \$3 million will be covered by TDC through to practical completion via further equity contributions (provided that WIL's equity ownership in WWL will not be less than 25% at any time).

Therefore, the maximum capital funding from WIL is \$38.6 million, which includes \$16.0 million equity and cash contribution of \$22.6 million from the CIIL Loan (\$21.1 million (facility A and facility B) plus a \$1.5 million Project cost overrun facility (facility C)).

As the current estimated Project cost overrun (which includes contingencies of \$14 million) exceeds \$3 million, the initial estimate for WIL's Water Charges assumes that the additional \$1.5 million of CIIL Loan (facility C) is drawn down and the full \$38.6 million of capital is contributed to WWL.

For more detailed information about the Project funding including details of the CIIL Loan, see Section 20 (entitled **Summary of Project Funding**).

Rates

TDC recently undertook public consultation on the Project which included the proposed rating model to fund TDC's portion of the Dam and Project costs. The proposed option is to charge all ratepayers in the Tasman District a flat fixed targeted rate of \$29 per property per year. Those in TDC's rating 'Zone of Benefit' as defined in TDC's consultation document (Statement of Proposal), will pay an additional targeted rate on based on their property's capital value.

Also those who receive their water through TDC's reticulated network and belong to the Urban Water Club as defined in TDC's consultation document (Statement of Proposal) will see an approximate increase of 10% in both their fixed and volumetric water charges.

For more detail see TDC's website:

<http://www.tasman.govt.nz/policy/public-consultation/waimea-community-dam-governance-and-funding/>

Target Rates for Landowners

TDC may change its policy on target rating land with Affiliated Permits and target rates in the 'Zone of Benefit' (as defined in the TRMP) may increase for any particular reason.

In the event WIL defaults on the CIIL Loan by failing to make repayments, TDC has the ability to take over the CIIL Loan and may target rate land with Affiliated Permits. WIL will have no control over target rates in such circumstances as it will no longer have voting rights in WWL due to defaulting under the CIIL Loan.

TDC can only target rate land with Affiliated Permits as rates are a land based tax. Changes in TDC's Revenue and Financing policy including rating are subject to a statutory consultation process. Those landowners who are not Shareholders may seek to pass on target rates to their lessees who are Shareholders.

Construction

The proposed Dam will be approximately 53m high, 220m long and 6m wide at the crest and will have a total reservoir storage volume of approximately 13 million m³. The Dam is designed to the highest safety standards for dams in New Zealand. It is expected that it will take 30 months to complete construction of the Dam. The anticipated start date for construction, should all of the relevant criteria be met, is mid-2018.

WIL has collaborated with TDC to manage the Dam design. Tonkin & Taylor Limited were engaged to prepare the Project concept and detailed design for the proposed Dam, which was completed to 80% in 2014. To produce the design, Tonkin & Taylor undertook a comprehensive geotechnical investigation at the Dam site. The remaining components of the design, including the temporary works associated with river diversion, will be completed through an ECI process.

Other experienced professionals who have advised on the design and Dam construction include Bond Construction Management Limited as ECI advisors, Beca Group Limited for the initial construction cost estimate and procurement strategy, and Anderson Lloyd for legal advice.

Timing of Dam Construction

Construction of the Dam is programmed to begin in mid - 2018 (subject to sufficient support by Applicants under this Offer of Water Shares and all necessary permissions, consents, funding and approvals being obtained).

The key proposed dates (which are indicative only and are subject to change) for the design and construction phase of the Scheme are as follows:

Key Milestone	Target Date
Preferred contractor identified	December 2017 (completed)
Detailed Design	March 2018
Award Contract	June 2018
Commence Construction	July 2018
Scheduled Scheme Complete	December 2021
Scheme Operational	April 2022

Resource Consents

Resource Consents authorising the construction, operation and maintenance of the Dam and associated infrastructure on the Lee River in the Tasman District were granted on 22 July 2015. The Resource Consents will lapse if not given effect to within seven years of 22 July 2015.

The Resource Consents are at present held jointly by TDC and Waimea Community Dam Limited and will be transferred to WWL on incorporation. A Building Consent will be applied for through the Dam design phase.

Any permits necessary for the taking and use of water released from the Dam to improve reliability will be the responsibility of individual Shareholders or the respective Irrigation Scheme which they are shareholders or members of.

Consent applications for earthworks associated with replacement of forestry roads will be made following conclusion of land-owner negotiations and further detail of construction methodology being determined by a contractor, if required.

Land Access

TDC has obtained the right under the Public Works Act to enter and use all of the privately-owned land that is necessary for the construction and operation of the Dam. Compensation is still to be settled with one private owner but access and use rights are not affected.

Discussions are well advanced with Ngati Koata about the use of their land for water storage.

Certain Crown land is also required to be transferred to TDC (and in turn WWL) within the reservoir and beneath the Dam footprint. Formal applications for the transfer and vesting have been made. Department officials and the Ministers of Conservation and Lands have statutory roles in decision making.

The Project and this Offer are subject to completion of these arrangements. See Key Terms of the Offer at Section I (entitled **Key Information Summary**).

Directors, Senior Managers and Individual Relevant Parties

The Directors of WIL are:

- Murray Grant King (Chairman)
- Richard (Dick) Bennison
- Mark Randall O'Connor
- Julian Richard Raine
- Matthew Simon Hoddy

The Project Manager for WIL is Natasha Berkett

The Strategic Advisor for WIL is John Palmer.

Substantial Shareholders and relevant interests held by Directors and Senior Managers

Directors	Relevant Interest Held	Number of Water Shares Held	Percentage of Water Shares held prior to the Offer	Percentage of Water Shares held following the Offer (indicative)	Post this offer number of Water Shares held
Murray Grant King	Kingsway Farms Limited	1	20	1.07%	58
Richard (Dick) Bennison	Could access water to private property via the Waimea East Irrigation Scheme	1	20	< 0.10%	1
Mark Randall O'Connor	Appleby Fresh Limited	1	20	2.27 %	123
Julian Richard Raine	Wai-West Horticulture Limited	1	20	3.12%	156
Matthew Simon Hoddy	Vailima Orchard Limited	1	20	3.50%	190

Note: the above table is an assumption based on 5,425 new Water Shares being issued in WIL. *Estimate only based on director's expressions of interest.

The Project Manager Natasha Berkett does not hold any shares or other securities in WIL. The Strategic Advisor John Palmer does not hold any shares or other securities in WIL.

Options to acquire securities of issuer

As at the date of this PDS, WIL has entered into the following options:

Class of Securities	Total Number of Securities to which the Options Relate	Price of Each Security	Consideration Given for Each Option	Expiry of Option
Equity securities (Water Shares)	Options to purchase \$520,000 worth of Water Shares at issue price (96 Water Shares)	\$5,500 (per Water Share)	\$5,500 (per Water Share)	N/A

Water Shares do not carry the entitlement of pre-emptive rights (the right to purchase additional Water Shares before other third parties).

An Option Holder wishing to apply for additional Water Shares over and above those it is entitled to under their respective option agreement may do so as an Applicant under this Offer. Option Holders acquiring Water Shares under their existing options are subject to an exclusion under the Act and the purchase of Water Shares pursuant to the options is not covered by this Offer.

Priority of the Water Shares in the Event of Liquidation

Water Shares shall rank equally in the event of liquidation of WIL. Full details are set out in clause 4.2 of the Constitution.

Interests of Directors and Senior Managers - Remuneration

None of the Directors of WIL received any remuneration or benefit for the financial year of WIL ended 31 March 2017.

No services were provided to WIL by any Director other than in their capacity of acting as a Director of WIL.

The number of employees (or former employees) of WIL, who for the financial year ended 31 March 2017, received remuneration and other benefits in their capacity as employees of WIL that in value was or exceeded \$100,000.00 was one (1).

Other Material Governance and Disclosures

There is no ability under the Constitution nor under any other agreement for one or more persons to exercise a power that would usually be exercised by the Shareholders by resolution.

There is no provision under the Constitution or under any other agreement that provides that the Board of WIL or a Director of WIL may act in a manner that the Board or the Director believes in the best interests of a person other than WIL (even though it may not be in the best interests of WIL).

Neither the Constitution nor any other agreement provides any restriction on the ability of Shareholders in WIL to control the composition of the Board.

Section 3. Purpose of the Offer

The purpose of this Offer is to raise equity funding of a minimum of \$16.5 million, with \$16 million to fund WIL's interest in WWL (initially a 27.9% shareholding) and \$0.5 million to cover costs associated with the Project including without limitation, land access, consultancy, governance, professional and administration costs. Any funds received in excess of \$16.5 million will be used to reduce debt.

The first instalment of the 50% payment of the Water Share Purchase Price proceeds received by WIL will be applied to capital expenditure on all or any of the items listed in the paragraph above before any debt is drawn down by WIL to pay for such items. The proceeds received by WIL from the second and third instalments of 25% each of the Water Share Purchase Price will also be put towards payment of capital expenditure items and any debt drawn to pay such items.

How the intended Use of Money Relates to WIL's Strategies and Plans

The money raised will be used to part fund the construction of the Dam as set out in Section 2 (entitled **WIL and What It Does**).

How the Use of Money May Change

WIL expects that the use of the proceeds of this Offer of Water Shares will remain the same as described above and will not change based on the level of uptake under this Offer.

Minimum Amount

As mentioned above, this Offer of Water Shares will not proceed if the minimum number of Water Shares (3,000 Water Shares) is not subscribed for or such amount as WIL may determine in its absolute discretion.

Underwrite

This Offer is not underwritten by any party.

Section 4. Key Dates and Offer Process

The key dates for this Offer of Water Shares are set out below:²

Opening Date	8 February 2018
Closing Date (Applications)	22 March 2018
WIL Approval of Applications	29 March 2018
Date for first 50% payment of Water Share Purchase Price by direct credit, if Application successful	10 April 2018 (being five (5) Working Days of WIL approving the Application) or such other date as the Board may determine in its sole discretion.
Condition Date of Offer	29 June 2018
Issue Date of Water Shares	2 July - 6 July 2018 (subject to this Offer being confirmed on or before the Condition Date) or such other date as the Board may determine. The conditions of this Offer will be confirmed or otherwise on or prior to the Condition Date.
Call for second instalment of 25% payment of Water Share Purchase Price	1 July 2018 or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (Call Date). The payment of the second instalment of 25% of the Water Share Purchase Price will then be payable by the 20th of the following month.
Call for third instalment of 25% payment of Water Share Purchase Price	1 July 2019 or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (Call Date). The payment of the second instalment of 25% of the Water Share Purchase Price will then be payable by the 20th of the following month.
Construction Timetable	The proposed key dates for construction of the Dam are set out in Section 2 (entitled WIL and What It Does).

²These dates are indicative only and may be changed by WIL. WIL may also withdraw the Offer of Water Shares at any time before the allocation of the Water Shares or accept late Applications (either generally or in individual cases).

Payment of Water Charges	<p>Under the SWAA, Shareholders are required to pay Water Charges based on the number of Water Shares they hold (whether or not they take water).</p> <p>A construction Operating Charge estimated at \$250 per Water Share will be invoiced to all Shareholders in two tranches following issue of Water Shares with the first tranche estimated at \$125 anticipated for July 2019 and the second tranche anticipated for July 2020.</p> <p>Annual Water Charges estimated at \$600 per Water Share per annum will be invoiced to all Shareholders following scheduled completion of the Dam (anticipated for December 2021). Please note that Water Charges may be invoiced prior to the Dam being completed if completion of the Dam is delayed beyond the scheduled completion date.</p> <p>Further details in respect of the Water Charges are set out at Section 6 (entitled Key Features of Water Shares).</p>
Consequence of failing to make payment for the Call for the second or third instalment of the 25% of Water Share Purchase Price or Water Charges	<p>In the event of non-payment of the second or third instalment of the 25% of Water Share Purchase Price or Water Charges, WIL may exercise its remedies under the Constitution and SWAA.</p> <p>WIL may serve a notice on the Shareholder requiring payment (together with any interest accrued and expenses incurred because of the non-payment) and if the requirements of the notice are not met, WIL may resolve to forfeit those Water Shares held by the Shareholder.</p> <p>WIL also has the first and paramount lien over all Water Shares registered in the name of Shareholder and the proceeds of the sale of those Water Shares and any other amount payable by the Shareholder to WIL (i.e. unpaid Water Charges).</p> <p>WIL can also enforce or action non-payment of Water Charges by notifying the TDC of the breach of the SWAA by the Shareholder which may result in the TDC suspending that Shareholder's Affiliated Permit, or WIL may cancel the SWAA outright in which case the Shareholder's Affiliated Permit would become an Unaffiliated Permit.</p>

Section 5. Terms of the Offer

A summary of the key terms of this Offer of Water Shares is set out in the Key Information Summary at Section 1 (entitled **Key Information Summary**). The key features of the Water Shares are set out in Section 6 (entitled **Key Features of Water Shares**).

The Constitution and SWAA also contain certain provisions which are relevant to the Water Shares. Copies of these documents are available on the Offer Register. See Section 10 (entitled **Where You Can Find More Information**) and also Section 16 (entitled **Summary of the Shareholder Water Augmentation Agreement**).

Brief description of the Water Shares

The shares being offered are Water Shares in WIL. Water Shares give the Shareholder the right and the obligation to enter into a SWAA.

A Shareholder with a SWAA, shall be entitled to apply under the TRMP to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m³ of water per week, per Water Share.

The terms of issue and the rights and obligations attaching to the Water Shares are more specifically set out in clause 4.2 of the Constitution and in Section 6 (entitled **Key Features of Water Shares**).

Price of the Water Shares and Payment for the Water Shares

Fixed at \$5,500.00 per Water Share payable in three instalments. See Section 4 (entitled **Key Dates and Offer Process**).

The price for the Water Shares has been set by WIL after receiving financial advice on the basis of the number of hectares or hectare equivalents available and WIL's required equity contribution to WWL for construction and associated Project costs.

Purpose of this Offer

The purpose of this Offer is described in Section 3 (entitled **Purpose of the Offer**).

Applications

Each Applicant must fully complete, execute and return the Application Form to Crowe Horwath no later than 5pm on the Closing Date. A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

WIL will only accept Applications for Water Shares if it is satisfied that the Applicant:

- holds a Ground Water Permit and/or Surface Water Permit within the Scheme Area; or
- is outside the Scheme Area but holds a Ground Water Permit and/or Surface Water Permit for a bore within the Scheme Area and can be supplied Water from that bore; or
- is a shareholder or member of an Irrigation Scheme that has entered into an ISWAA with WIL; or
- does not hold a Ground Water Permit or a Surface Water Permit but owns or leases land within the Scheme Area and wishes to apply for a Ground Water Permit and/or a Surface Water Permit once a SWAA with WIL is in place; or
- does not hold a Ground Water Permit or a Surface Water Permit and does not own or lease land within the Scheme Area but wishes to invest in WIL and the Scheme, provided always that the Applicant cannot hold more than 20% of the Water Shares on offer.

WIL may reject any Application at its sole discretion without providing any reason for such rejection.

Access

The SWAA provides that the Shareholder grants WIL access to their land for, amongst other things, the purpose of inspecting groundwater bores and inspecting and reading water meters.

Conditions of Offer

The Project and this Offer is conditional upon the following factors being satisfied on or before the Condition Date:

- (a) TDC's successful public consultation process relating to the formation of WWL as a CCO and TDC unconditionally confirming participation in the Project;
- (b) the construction cost following the ECI process in respect of construction of the Dam being satisfactory to WIL and TDC;
- (c) Water Shares being sold in sufficient numbers under this Offer;
- (d) the successful conclusion of the purchase of land required for Dam construction and access arrangements; and
- (e) CIIL funding being available and not withdrawn and the Board determining that the Project is economically viable (in its sole discretion).

If the above conditions are not confirmed on or before the Condition Date the Offer will be withdrawn and the Applicants will be refunded all Water Share Purchase Price monies paid to WIL.

Section 10 (entitled **Where You Can Find More Information**) sets out the various ways you can obtain a copy of the Constitution and SWAA (for instance via the Offer Register online at www.business.govt.nz/disclose). The SWAA is also summarised at Section 16 (entitled **Summary of Shareholder Water Augmentation Agreement**).

Returns/dividends potentially payable on the Water Shares are discussed in Section 6 (entitled **Key Features of Water Shares**).

Section 6. Key Features of Water Shares

Applicants should read this Section as well as Section 5 (entitled **Terms of the Offer**) and Section 6 (entitled **Key Features of Water Shares**) carefully to understand the key terms of the Offer and the rights and obligations attaching to Water Shares.

Rights and Entitlements

Water Shares carry the following rights, entitlements, and restrictions:

- one vote per Water Share, subject always to a voting restriction that no one Shareholder (or group of Shareholders that are Associated Persons) shall be entitled to exercise a number of votes that exceeds 20% of the voting capital of WIL.
- a holder of Water Shares shall pay Water Charges to WIL on a per Water Share basis at WIL's discretion, including Finance Charges and Operating Charges as set out below and in the Water Charge provisions of the SWAA. It is anticipated that WIL will invoice for Water Charges on a quarterly basis.
- the right to an equal share in dividends as authorised by the Board (although it is not intended that dividends be paid on any Water Shares issued by WIL).
- the right to an equal share in the distribution of the surplus assets of WIL on winding up.
- Water Shares may only be issued or transferred in accordance with the transfer provisions set out in the Constitution.
- Shareholders in WIL have a right and an obligation to enter into WIL's then current SWAA.

Under the TRMP, a Shareholder with a SWAA is entitled to apply to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m³ of water per week, per Water Share.

The terms of issue of the Water Shares and their rights and entitlements are set out in clause 4.2 of the Constitution. Section 10 (entitled **Where You Can Find More Information**) sets out the various ways you can obtain a copy of the Constitution.

Transferability of Water Shares

Water Shares are only transferable in accordance with the terms of the Constitution.

The Board may refuse or delay the registration of the transfer if:

- the transferee of the Water Share has not entered into WIL's then current SWAA; or
- the holder of the Water Shares has failed to pay an amount due to WIL in respect of those Water Shares (including any Water Charges); or
- the Board considers that to effect the transfer would result in a breach of the law; or
- the Board considers that it is not in the best interests of WIL to register the transfer; or
- the Board does not approve of the transferee, in respect of which matter the Board shall have absolute discretion in its decision; or
- the form of transfer has not been properly executed or does not comply with First Schedule to the Securities Transfer Act 1991; or
- the transferee of the Water Shares (being an entity that does not own or lease land or hold a Ground Water Permit and/or Surface Water Permit) would hold in excess of 20% of the Water Shares on offer or issue at that time, if the transfer were to proceed.

In the case of the death of a Shareholder, the survivor (where the deceased was a joint holder) or the legal personal representative of the deceased (where the deceased was a sole holder) will be the only person recognised by WIL as having any title to the deceased's interest in the Water Shares.

The assignee of the property of a bankrupt Shareholder is entitled to be registered as the holder of the Water Shares held by the bankrupt.

If a Shareholder shall lease or sublease their land then the Shareholder remains fully liable under the SWAA for all obligations under the SWAA including the payment of Water Charges.

Water Charges

The Constitution and SWAA provide that the Shareholder shall pay Water Charges on a per Water Share basis at an amount to be determined in WIL's sole discretion to recover all Finance Charges, Operating Charges and Specific Charges. Initially all Shareholders shall pay the same Water Charge. WIL reserves the right to determine a different rate between Shareholders, taking into account such factors as it deems appropriate; however, WIL has no current plans to differentiate between Shareholders. The Water Charges shall be payable at such time and in such manner as WIL may from time to time determine.

Finance Charges incurred by WIL include, without limitation, principal and interest on the CILL Loan, or any other loan taken out by WIL to fund its participation in the Scheme.

Operating Charges incurred by WIL include, without limitation, WIL's share of costs in relation to maintenance and repairs of the Dam and WIL's own administration costs including, monitoring and compliance costs, costs incurred by Directors and Directors' fees, employee expenses and remuneration, costs payable to professionals and service providers to WIL and any rental premise costs (including utilities), if applicable.

Payment of Water Charges

The Water Charges shall be payable by the Shareholder to WIL whether or not the Shareholder takes water or has an Affiliated Permit and notwithstanding that the release of Dam Water may be cut off or suspended for any reason whatsoever.

In the event of non-payment of any Water Charges due under the SWAA, then without prejudice to WIL's other rights and remedies WIL may exercise one or more of the following remedies:

- suspend the Shareholders right to the release of Dam Water from the Dam in accordance with the SWAA to the property where the water is being used
- notify TDC of the breach whereupon the Shareholder's Affiliated Permit status may be suspended until such time as all breaches have been remedied
- charge penalty interest at a rate of 5% above the commercial overdraft from WIL's bank from the date of non-payment to the date the payment is actually made
- after the breach has continued for 30 Working Days, cancel the SWAA by giving 10 Working Days written notice to the Shareholder; and forfeit the Water Shares held by that Water User in accordance with the terms of the Constitution

See Section 2 (entitled **WIL and What It Does**) for more information on Water Charges including projected costs.

Dividend

While WIL's Constitution allows for WIL to pay a dividend on the Water Shares - the payment of such dividends would never be guaranteed and would be at the discretion of the Directors and only after meeting appropriate solvency requirements. It is not WIL's intention to provide Shareholders with a financial return in the form of a dividend on the Water Shares or other such payment from WIL. Water Charges will be charged on a cost recovery basis. In accordance with the terms of the CILL Loan, WIL will be prohibited from making any distributions whilst the CILL Loan remains outstanding. WIL can give no assurances as to the level or frequency of any dividend payable or other distributions, if any.

Section 7. WIL's Financial Information

Financial Information

These tables provide key financial information about WIL. Full financial statements are available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/disclose/>.

If you do not understand this financial information, you can seek advice from a financial adviser or accountant.

The 31 March 2017 annual financial statement has been subject to external audit. A copy of the audit report is available on the Offer Register, offer number OFR12297. The 31 December 2017 and 31 December 2016 interim financial statements have not been subject to external audit.

Selected Financial Information

	31/03/2017 (7 months - audited)	31/12/2017 (9 months interim - unaudited)	31/12/2016 (4 months interim - unaudited)
Revenues	77,524	2,230	74,627
EBITDA	(97,411)	(401,417)	21,448
NPAT	(99,165)	(417,154)	16,227
Dividends (totals for each class plus overall total)	-	-	-
Total Assets	269,503	178,550	172,536
Cash and Cash Equivalents	201,968	62,622	113,249
Total Liabilities	368,668	694,869	157,280
Total Debt (interest bearing liabilities)	203,664	518,025	126,561
Net Cash flows from Operating Activities	(7,019)	(449,346)	(16,751)

The financial information contained in this Section 7 does not include 'prospective financial information' in terms of clause 39, Schedule 3 of Financial Market Conduct Regulations 2014. This is because it is difficult to prepare meaningful prospective information for the next two years being December 2018 and 2019. WIL's only outgoings during that time will be operating costs of approximately \$300,000 per annum and its only receipts will be the construction Operating Charge. Full Water Charges will not be invoiced until after scheduled practical completion of the Dam, which will post date December 2019. Significant capital payments to WWL for WIL's share of the Project cost are unlikely to commence until after December 2018. The result is that any prospective financial information is likely to be misleading or deceptive in relation to WIL's future financial performance.

The audited accounts contain an "Emphasis on Matter" drawing attention to note 23 of the accounts which "describes the expectation of the company (WIL) to continue into the future based on reliance on financial support from interested parties to fund its operational cash flows."

A summary of anticipated Project funding and costs have been included in Section 21 (entitled **Summary of Project Funding**) and Section 22 (entitled **Summary of Project Costs**) for information purposes.

Section 8. Risks to WIL's Business and Plans

Impacts

Detailed below are a number of risks WIL is aware of that exist or may arise that significantly increase the risk to WIL's financial performance and plans and ability to meet its obligations to Shareholders.

WIL considers the following key impacts may occur as a result of stated risks.

Increased Water Charges

If, as a result of a risk occurring and WIL's financial performance or plans are affected, Water Charges payable by Shareholders may increase. The SWAA provides that the amount of Water Charges is to be determined at WIL's sole discretion and WIL may increase Water Charges to recover additional costs. Water Charges are payable whether or not the Shareholder takes water.

Delay in Increased Reliability

A further consequence of some of the risks below is a delay in the construction of the Dam, which could also lead to delay in the release of Dam Water to Affiliated Permit holders.

Decreased Reliability of Water

A further consequence of some of the risks below is that the volume release of Dam Water may have to be reduced or suspended or more water may need to be released to the river to maintain minimum flows

Risks

Maintaining Funding

Risk

The CIIL Loan has a 15-year term but contains an obligation to use "reasonable commercial endeavours" to refinance every five years. Difficulties could arise accessing loan facilities either at the end of the term or every five years on terms and conditions that are satisfactory to WIL. In addition, WIL may be detrimentally affected by any significant increases in interest rates and bank charges. Adverse market conditions will increase this risk and if any of these situations arise it could result in less favourable loan terms and therefore an increase in Water Charges payable by the Shareholders.

In addition, the CIIL Loan places an obligation on WIL to issue an additional 80 Water Shares per annum and there is a risk that the uptake for Water Shares going forward may not meet this requirement or will not be as significant as anticipated.

Mitigation

Once the Dam is built and operational, WIL expects to be in a good position to obtain funding with a commercial bank either after five years or the end of the term (being 15 years). WIL's obligation to use reasonable commercial endeavours to refinance at five-year intervals from the initial draw down date will be assessed by an independent consultant jointly appointed by WIL and CIIL. The refinance would need to be without the benefit of the TDC credit support. WIL intends to continue to offer and market Water Shares following Close of this Offer. Once the Dam is completed and the benefits realised, it is anticipated that Water Shares will become more commercially desirable.

Construction Cost Escalation

Risk

There is a risk that cost escalation could occur as a result of the estimated construction costs for the Project increasing.

Mitigation

The estimated total construction cost of \$69.6 million includes insurances of nearly \$1 million and a contingency of \$13.5 million. TDC and WIL have used reasonable endeavours to prepare the Project budget and have engaged professional advisors to assist in verifying the estimated construction costs and necessary contingencies based on industry standard techniques, including independent peer review by quantity surveyors and engineers. The construction costs have been estimated to a P95 level. In the event of a Project cost overrun, WIL will share the cost of the first \$3 million of construction overrun with TDC equally. Overruns beyond \$3 million, should they occur, will be solely funded by TDC. WIL's \$1.5 million share of these costs will come from the CILL Loan (facility C).

Project Office Cost Escalation

Risk

WWL Project office costs such as legal, accounting and administration costs could increase during the ECI phase and the construction phase.

Mitigation

TDC and WIL have used reasonable endeavours to budget for the costs associated with the Project office. The Project office budget contains contingencies. Procurement of goods and services for the Project office will be strictly monitored by the Project Director.

Operating and Maintenance

Risk

There is a risk that WWL costs associated with operating and maintaining the Dam could increase beyond budget after construction of the Dam.

Mitigation

TDC and WIL have used reasonable endeavours to budget for the costs associated with operating and maintenance of the Dam and reservoir and where appropriate have engaged professional advisors to estimate costs.

The operating models developed by WIL contain a sensitivity range that has been considered and only a major escalation in costs would lead to significant issues.

Non-payment of Calls or Water Charges

Risk

WIL is dependent on its Shareholders paying the second and third Call of the Water Share Purchase Price and paying Water Charges on the due dates for payment.

The non-payment or late payment of Calls or Water Charges by Shareholders may affect the ability of WIL to meet its outgoings on a timely basis and may create penalties for late payment on loan facilities or in the worst-case default under the CILL Loan and security which WIL is party to.

In the event of the insolvency of any Shareholder, Water Charges may need to be increased to remaining Shareholders to cover any shortfall.

Mitigation

WIL has significant remedies available to it in accordance with the Constitution and SWAA. WIL may provide Shareholders with notice requiring payment together with interest and recovery costs. In addition, WIL has various other remedies available to it.

In respect of the Calls for the payment of the second and third installment of the Water Share Purchase Price, WIL may serve a notice on the Shareholder requiring payment (together with any interest accrued and expenses incurred because of the non-payment) and if the requirements of the notice are not met, WIL may resolve to forfeit those Water Shares held by the Shareholder.

WIL also has the first and paramount lien over all Water Shares registered in the name of the Shareholder and the proceeds of the sale of those Water Shares can be used to repay any amount payable by the Shareholder to WIL (i.e. unpaid Calls and Water Charges).

WIL can also enforce or take action for non-payment of Water Charges by suspending the Shareholders right to Dam Water under the SWAA, or cancelling the SWAA altogether. In addition, the Shareholder's Affiliated Permit can be suspended which will cause it to become an Unaffiliated Permit and subject to rationing under the TRMP.

Water Charges will be payable by Direct Debit in advance, to ensure there is no late or non-payment of any Water Charges.

WIL considers the augmentation of Dam Water is an essential service. Therefore, any receiver, liquidator or other administrator of a Shareholder is likely to continue to pay Water Charges to maintain the value of their security pending sale of the Shareholder's assets (e.g. land interest, Water Shares, and any Ground Water Permit or Surface Water Permit).

The widespread failure of payment of Water Charges from Shareholders is considered unlikely.

Reliability / Construction and Infrastructure Risks

Risk

Construction contracts: The construction contracts will involve risk for WIL including time or delay risks in not completing the contract works in accordance with the proposed work programme, and cost risks in ensuring the Project is completed on budget. Risks include:

- delays occurring at the start of construction
- the ground conditions and dewatering solutions presenting challenges
- poor contractor or sub-contractor execution
- unforeseen contractor claims
- contractors or sub-contractors experiencing financial distress
- third party damage/interference affecting the Project infrastructure
- delays/difficulties in obtaining the necessary building consents and other applicable licenses, such as for streambed crossings, road and earthworks

Performance: There is a further risk that the Dam, once constructed, will not perform in accordance with the specifications approved by WIL and TDC. It is also possible that parts of the Dam may not perform as expected due to a material defect in the Dam. If the Dam does not meet expected performance criteria or there is an issue with the performance or quality of the Dam construction this would be detrimental to WIL.

Geotechnical: Following the Christchurch Earthquake in February 2011 there has been significant seismic activity in New Zealand and in the South Island in particular. There is a risk that a significant seismic event in the Nelson area could damage the Dam.

Hydrological: The Scheme is based on the release of Dam Water recharging the groundwater aquifers within the Scheme Area. Hydrology is not an exact science and there is a risk that the released Dam Water is diverted and does not reach the aquifers in the anticipated volumes.

Mitigation

Construction contracts: WIL and TDC have run a competitive tender process to ensure that the contractor awarded the contract has the appropriate level of expertise and capacity to perform the works. In addition, WIL, TDC and their professional advisors will ensure the construction contract with the successful contractor will as best as reasonably possible balance the risk and include the appropriate levels of warranties and security. WWL will have in place appropriate levels of insurance for the Project. In addition, WIL and TDC have engaged in an ECI process to refine the Dam design.

Performance: WIL and TDC have endeavoured to mitigate performance risks where possible by using competent engineers, peer reviews and engaging experts who have successfully designed other dams. The construction contract will contain the appropriate warranties and contractor performance bonds. The Dam has been designed to the highest/ available specifications available for dam construction in New Zealand.

Geotechnical: WIL and TDC have commissioned peer reviewed geotechnical assessments and modelling of the impact of earthquakes on the Dam. The construction method has been chosen to mitigate any potential damage caused by seismic activity.

Hydrological: WIL and TDC have received detailed hydrological advice on the connectivity of the groundwater system.

Reliability / Consent and Regulatory Risk (TRMP)

Risk

A primary purpose of the Project and WIL's business is to improve reliability through augmentation of groundwater and Affiliation of Ground Water Permits and/or Surface Water Permits.

There is a risk that a review of the TRMP will increase minimum flow requirements in the Waimea River; which could reduce the reliability of water.

There is also a general regulatory risk that TDC may review and alter the Shareholder's Ground Water Permits and/or Surface Water Permits reducing the benefit of having Water Shares, a SWAA and an Affiliated Permit.

Mitigation

A Project Agreement Term Sheet has been entered into by WIL, TDC, and CILL which places obligations on TDC protecting Shareholder's rights to Affiliation and provides for WIL to be compensated by TDC in the event that any TDC act including any change to the TRMP has the effect of:

- removing the right to Affiliation for WIL's Shareholders who hold a SWAA and an Affiliated Permit
- allowing any person that does not hold a SWAA to become Affiliated or to have rights to take and use water equivalent to Affiliation.
- materially changing the relativity of the rights or obligations of Affiliated WIL Shareholders and persons who are not Affiliated WIL Shareholders to take and use water.

Compensation may also be payable if:

- TDC does not use all reasonable endeavours to oppose or resist any process that would have the effect of causing a TDC Trigger Event.
- TDC does not manage the relevant provisions in the TRMP in relation to the taking of water by persons who are not Affiliated Permit holders.

For more information, including on TDC Trigger Events, see Section 20 (entitled **Summary of Project Agreement (Term Sheet)**).

Any review of the TRMP is conducted with a public consultation process which WIL, and its Shareholders may submit on.

Minority Shareholder in WWL

Risk

As WIL will be a minority shareholder in the Dam owning company (WWL), there is a risk that political change in the TDC or a deadlock in decision making with TDC may negatively impact on WIL's ability to effectively influence WWL.

Mitigation

A Shareholder's Agreement Term Sheet has been entered into by WIL and TDC, which contains a number of reserved matters that require the consent of WIL to proceed. All directors are bound to act in the interests of WWL.

Section 9. Tax

Tax

Tax law is complex and changes frequently. Taxation could have significant consequences for an investment in Water Shares.

WIL will be carrying on a taxable activity for GST purposes of providing a service to Shareholders to administer and pass on costs which would otherwise be directly charged to Shareholders by WWL. GST will apply to the full amount of the supplies made by WIL irrespective of the GST treatment of costs incurred.

Shareholders will be levied with ongoing Water Charges. WIL has sought independent advice and understand these Water Charges will be plus GST as above. The Water Charge is an ongoing charge for the supply of services under the SWAA. This amount will be calculated taking into account costs incurred by WIL, including Operating Charges and Finance Charges. However, it will be the responsibility of the Applicant to obtain their own independent advice.

WIL strongly recommends Applicants seek professional tax advice regarding their individual financial and taxation circumstances prior to investing in these Water Shares.

Section 10. Where You Can Find More Information

Further information relating to WIL and the Water Shares, including a copy of the Constitution, SWAA and financial statements, is available on the Offer Register at www.business.govt.nz/disclose.

WIL's public company file including a copy of the Constitution may also be viewed on the Companies Office website free of charge, www.business.govt.nz/companies.

Copies of these documents can be obtained by contacting the Companies Office of the Ministry of Business, Innovation and Employment at info@companies.govt.nz or **0508 266 726**. A fee may be payable.

Information is also available on the WIL website: www.waimeairrigators.co.nz.

Any document not available on the Companies Office website will need to be requested through WIL.

Further copies of the PDS may be obtained by writing to:

Waimea Irrigators Limited
PO Box 3171 Richmond 7050

Or by email to: natasha@waterforlife.nz

WIL is registered on the Financial Service Providers Register. An investor can search the Financial Service Providers Register to find out details about WIL on www.business.govt.nz/fsp/.

An annual report complying with the Companies Act will be available annually to all Shareholders of WIL.

Section 11. How to Apply

An Applicant must complete the Application Form. The Application Form is to be delivered by hand to **Crowe Horwath, 72 Trafalgar Street, Nelson** or post to **PO Box 10, Nelson 7040, New Zealand** or by email to: kimberley.nel@crowehorwath.co.nz

Applicants will need to meet the eligibility criteria as set out in Section 5 (entitled **Terms of the Offer** under the sub-heading **Applications**).

Please contact WIL if you require an additional or replacement Application Form. We recommend taking a copy of your completed Application Form prior to sending to Crowe Horwath.

All Application Forms must be received by Crowe Horwath no later than 5pm on the Closing Date. WIL reserves the right to extend the period for the return of Application Forms.

A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

The Applicant will be advised of the outcome of their Application, whether successful or unsuccessful, by WIL in writing by 29 March 2018 or such other date as WIL shall determine in its sole discretion (**Notice**).

If an Application for Water Shares is successful, in whole or in part, the Notice shall specify an amount due and payable by the Applicant, being 50% of the Water Share Purchase Price (\$2,750 per Water Share) (**First Call**) which shall be payable by direct credit on or around 10 April 2018.

The First Call will be held in Crowe Horwath's trust account and will only be paid out to WIL once the conditions of this Offer have been satisfied. The direct credit of the First Call does not constitute an issue of Water Shares.

If WIL determines the Offer of Water Shares is not to proceed because the conditions of this Offer have not been satisfied by the Condition Date, the First Call will be refunded to the Applicant with no interest.

The Call for the second and third instalments of 25% of the Water Share Purchase Price will be made on 1st July 2018 and 1st July 2019 respectively or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (**Call Date**). The payment of the second and third instalment of 25% of the Water Shares Purchase Price will then be payable by the 20th of the following month.

The Applicant consents to payment of the second and third Calls, Water Charges, and liabilities attributed to the Water Shares in accordance with section 50 of the Companies Act.

The Board of WIL have sole and absolute discretion on the allocation of Water Shares, and whether the Applicant qualifies for Water Shares.

On receiving all Applications WIL will determine for each Application:

- the number of Water Shares to be issued;
- whether the Applicant holds or intends to hold their own Ground Water Permit and/or Surface Water Permit or is a shareholder in an Irrigation Scheme that holds an appropriate Ground Water Permit and/or Surface Water Permit and has entered into an ISWAA;
- the availability of water; and
- such other considerations as the determined by the Board in its sole discretion.

The Board may accept or reject any Application Form in its sole discretion without assigning any reason.

Application Forms must conform with the Application instructions as provided for below.

Terms defined in this PDS have the same meaning in the Application Form.

The Application Form, this Offer and any contract arising out of its acceptance are each governed by New Zealand law. Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, Applicants will be required to produce evidence of their identity.

Personal Information Rights – Personal information provided by you will be held by WIL. This information has been collected and will be used for the purpose of managing your investment with WIL. The information collected will be used by WIL, its associated companies, its staff, professional advisers and agents and any other parties relevant to the management of your investment, for the purpose stated. You have the right to access and correct any personal information about you under the Privacy Act 1993.

Terms and Conditions of Application – By signing the Application Form or authorising an attorney or agent to sign it, you:

- acknowledge that the Application Form was distributed with the PDS;
- acknowledge that you have read and understood all statements made in the PDS; and
- irrevocably offer to be bound by and enter into the SWAA.

Application Instructions

Applications to subscribe for Water Shares must be made on the Application Form accompanying this PDS. Please fill out a separate Application Form for each Ground Water Permit and/or Surface Water Permit you wish to Affiliate (if applicable).

Part A – Applicant Details

Water Shares must be held in the same legal name as the Applicant, who must also be the holder of the Ground Water Permit or Surface Water Permit (if applicable).

Part B – Irrigated Property Details (if applicable, applies to properties that also might be irrigated in the future)

Add details of the irrigated property or the property that may be irrigated in the future in respect of your Ground Water Permit or Surface Water Permit (if applicable). Please check with TDC if you are unsure of your applicable 2018 Water Management Zone.

Part C – Applicant Water Shares and Price

A SWAA entitles the holder to apply to Affiliate their Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of up to 300m³ of water per week, per Water Share. You will need to calculate the number of Water Shares you require for each Ground Water Permit or Surface Water Permit that you wish to Affiliate (if applicable).

For example, an Applicant who wishes to take up to 1,500m³ of water per week under their Ground Water Permit and/or Surface Water Permit would need to purchase five Water Shares to apply for an Affiliated Permit for their total water take under their Ground Water Permit or Surface Water Permit. If only four (4) Water Shares were purchased, on Affiliation the take under the Ground Water Permit or Surface Water Permit would be reduced to 1,200m³ of water per week (being 300m³ x four Water Shares).

Part D – Shareholder Water Augmentation Agreement (SWAA) – Acknowledgement and Acceptance

In order to apply for Water Shares you agree to enter into and sign the SWAA. A SWAA will give the holder of Water Shares the right to apply for Affiliation of one Ground Water Permit or Surface Water Permit only. A separate SWAA will be issued for each Ground Water Permit and/or Surface Water Permit.

WIL recommends Applicants who have any questions on the SWAA contact WIL; see Section 12 (entitled **Contact Information**) or seek independent legal advice.

Part E – Acknowledgement and Signature of Applicant(s)

Please read the PDS and Application Form carefully and sign and date the Application Form under Part E.

The Application Form must be signed by the Applicant(s) personally, by an authorised director if it is a company, by a duly authorised trustee if a trust or by a duly authorised attorney or agent.

If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

Before signing the Application Form, the directors, trustees and partners must ensure that he/she/they has/have the power to do so under the governing constitution, trust deed, partnership deed, and power of attorney respectively and at law.

Part F – Send Application Form by 5PM on 22 March 2018

Application Forms may be posted, emailed, or hand delivered on or before 22 March 2018 to Crowe Horwath, Nelson.

Part G – Payment for Application Fees

Payment of the total Application Fee will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

Part H – Payment of Water Shares

The Water Share Purchase Price of \$5,500 per Water Share is payable in three instalments:

- 50% of the Water Share Purchase Price (\$2,750 per Water Share) is payable by direct credit to Crowe Horwath's trust account five (5) Working Days following receipt of Notice from WIL that the Application has been successful either in full or in part; and
- a Call for the second instalment of the 25% of the Water Share Purchase Price (\$1,375 per Water Share) will be made by 1 July 2018 or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (Call Date). The payment of the second instalment of 25% of the Water Shares Purchase Price will then be payable by direct credit to Crowe Horwath's trust account by the 20th of the following month; and
- a Call for the third instalment of the 25% of the Water Share Purchase Price (\$1,375 per Water Share) will be made by 1 July 2019 or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (Call Date). The payment of the third instalment of 25% of the Water Shares Purchase Price will then be payable by direct credit to Crowe Horwath's trust account by the 20th of the following month.

The amount payable on receipt of Notice confirming that the Application has been accepted either in whole or in part may be paid to Crowe Horwath's trust account by direct credit only.

Part I – Water Charges (including construction Operating Charges)

Water Charges will be payable by direct debit and the Applicant agrees to provide WIL with a direct debit authority in respect of the payment of Water Charges (including construction Operating Charges) if the Application is successful.

Part J – Certificate of Non-Revocation of Power of Attorney

Please fill out this section if you have signed on behalf of the named Applicant as their Attorney.

Section 12. Contact Information

Enquiries about investment

Natasha Berkett (Project Manager)

0276 511 411

natasha@waterforlife.nz

John Palmer (Strategic Advisor)

021 331 432

john@willisbrook.co.nz

Inquiries about Water Shares may be made to:

Waimea Irrigators Limited

PO Box 3171

Richmond

Nelson 7050

Telephone: +64 3 547 4800 ext 5

Section 13. Directory

Directors

Murray King (Chairman)

Julian Raine

Mark O'Connor

Dick Bennison

Matthew Hoddy

Solicitors

Anderson Lloyd

Anderson Lloyd House, Level 3, 70 Gloucester Street, Christchurch

Accountants and Registered Office

Crowe Horwath (NZ) Limited

72 Trafalgar Street, Nelson

Auditors

BDO Christchurch Limited

4th Floor, Awly Building, 287-293 Durham Street, Christchurch

Section 14. Glossary

The following definitions are used in this PDS:

Act means the Financial Markets Conduct Act 2013.

Affiliated Permit means a Ground Water Permit or Surface Water Permit to take water in the Waimea Plains Zones that has been granted by the TDC under the TRMP where the holder of the permit has entered into a SWAA in the form required by WIL (or in the event that the holder of the permit is an irrigation scheme, where a shareholder or member of the scheme has entered into a SWAA), with the Company and where such SWAA has not been suspended or terminated and “**Affiliated**” will be interpreted accordingly.

Affiliation means the process that allows a Shareholder holding a SWAA to apply to TDC to have their Ground Water Permit or Surface Water Permit converted and/or reissued as an Affiliated Permit under the TRMP.

Applicant means a person who submits a validly completed Application Form.

Application means an application made on the Application Form.

Application Fee means the non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

Associated Person means any person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or under common control of a Shareholder. A person shall be deemed to control another person for the purpose of this definition, if the first such person possesses, directly or indirectly, the power to appoint a majority of directors to the second person, or otherwise cause the direction or management of the policies of the second person, whether through the ownership of voting securities, control of the appointment of trustees to a trust, by contract or otherwise.

Application Form means the Application Form attached to this PDS.

Bank means a registered bank under the Reserve Bank Act 1989.

Board means the board of directors of WIL.

Call means a call made by the Board requiring Shareholders to pay all or part of the unpaid amount of the issue price of any Shares and, where the context requires, means the obligation of a Shareholder to meet the amount due pursuant to such a resolution.

Call Dates means 1 July 2018 and/or 1 July 2019 or such other later date as the Board may determine and notify the shareholder having regard to the Scheme progress.

CCO means a council-controlled organisation formed pursuant to the Local Government Act 2002.

CIIL means Crown Irrigation Investments Limited.

Closing Date means 22 March 2018. However, WIL reserves the right to extend the period for the return of Application Forms at its sole discretion.

Companies Act means the Companies Act 1993.

Condition Date means 29 June 2018 or such other date as may be determined by the Board in its sole discretion.

Constitution means the constitution of WIL, as may be amended from time to time.

Crowe Horwath means Crowe Horwath (NZ) Limited.

Dam means the Dam owned by WWL to be constructed and situated in the Upper Lee River and referred to as the "Waimea Community Dam" in the TRMP.

Dam Water means the water stored in the reservoir behind the Dam and/or released into the Upper Lee River under the WAA.

Directors means the directors of WIL.

ECI means Early Contractor Involvement.

Finance Charges means those charges that relate to the WIL's proportionate share of principal and interest charges passed on to WIL by WWL, which shall form part of the Water Charges.

Financial Close means the point in time when the CIL Loan and security documents and funding with CIL is unconditional and can be drawn down.

Ground Water Permit(s) means a permit(s) to take water from a groundwater source in the Scheme Area issued by the TDC.

Infrastructure means the Dam, reservoir, slipway, access roads and other infrastructure and fixtures associated with the Dam.

Irrigation Scheme means Waimea East Irrigation Company Limited or Redwood Valley Water Supply Scheme Joint Venture or such other reticulated irrigation scheme as may be established from time to time that has entered into an Irrigation Scheme Water Augmentation Agreement.

Irrigation Scheme Water Augmentation Agreement (or ISWAA) means an agreement entered into between an Irrigation Scheme and WIL which is a 'water supply agreement' for the purposes of the TRMP in connection with the Dam.

Hae means a hectare equivalent and represents an actual volume of water which is 300m³ per hectare.

NCC means Nelson City Council.

Offer means the offer of Water Shares, described in this PDS, as the context may require.

Operating Charges means operating charges of running and operating the Dam as defined in the WAA and WIL's operating costs which shall form part of the Water Charges.

Option Holder means an entity that has advanced funds to WIL secured by way of an offer of convertible securities with WIL for the conversion of its debt into Water Shares.

PDS means this Product Disclosure Statement.

Project means the Waimea Community Dam Project.

Project Agreement Term Sheet means the term sheet entered into by TDC, WIL, WWL and CIL in respect of the Project. A summary of the Project Agreement Term Sheet can be found at Section 20 (entitled **Summary of Project Agreement (Term Sheet)**).

Project Documents means the Project Agreement Term Sheet, Shareholder Agreement, Water Augmentation Agreement and CIL Loan documentation.

Resource Consent(s) means the resource consents, including all Dam Water, take, use, damming, diversion, discharge and any other permits held jointly by TDC and Waimea Community Dam Limited, together with all the renewals, variations or amendments to those consents and permits and includes all conditions relating to those consents.

RVI means the Redwood Valley Water Supply Scheme Joint Venture.

Scheme means the scheme to finance, acquire, construct, maintain and operate the infrastructure to enable the storage of water behind the Dam and the release of Dam Water into the Upper Lee River.

Scheme Area means the land serviced by Scheme and as shown outlined in blue at Section 15 (entitled – **Map of Scheme Area**) or as otherwise determined by the Board from time to time.

Shareholder means a holder of Water Shares.

Shareholder Agreement means the Shareholder Agreement to be entered into between TDC and WIL in respect of WWL.

Shareholders Agreement Term Sheet means the term sheet entered into between TDC and WIL containing the key clauses to be included in the Shareholders Agreement. A summary of the Shareholders Agreement term sheet can be found at Section 19 (entitled **Summary of Shareholder Agreement (Term Sheet)**).

Shareholder Water Augmentation Agreement (or SWAA) means the Shareholder Water Augmentation Agreement between WIL and a/each Shareholder allowing the Shareholder to apply to Affiliate its Shareholder Permit under the TRMP, as revised or updated from time to time in accordance with its terms. A summary of the Water Augmentation Agreement can be found at Section 16 (entitled **Summary of Shareholder Water Augmentation Agreement**).

Specific Charges means specific expenses incurred by WIL that are particular to the Shareholder in respect of the release of water (which are not appropriate for WIL to charge to other Shareholders) including, without limitation, costs incurred as a result of the Shareholder breaching the SWAA and/or the conditions imposed by its Ground Water Permit and/or Surface Water Permit in relation to its water take and use, including enforcement costs and administration costs.

Surface Water Permit(s) means a permit(s) to take Water from a river in the Scheme Area issued by TDC.

Surplus Water means water available to be taken under an Affiliated Permit and the corresponding SWAA which is surplus to the Shareholder's requirements.

TDC means Tasman District Council.

Trigger Event bears the same meaning as defined in Section 20 entitled **Summary of Project Agreement (Term Sheet)**.

TRMP means the Tasman Resource Management Plan.

Unaffiliated Permit means a Ground Water Permit or Surface Water Permit to take and use water in the Scheme Area granted by TDC where the holder of the permit is not a Shareholder and/or has not entered into a SWAA with WIL, or an Affiliated Permit where a SWAA is suspended or has been terminated.

WAA means the Water Augmentation Agreement to be entered into between WWL and WIL in relation to, among other things, the release of Dam Water and the rights and obligations of WIL in relation to the Scheme (as amended, supplemented or varied from time to time).

WAA Term Sheet means the Water Augmentation Agreement Term Sheet agreed between WWL, WIL and TDC containing the key clauses to be included in the WAA. A summary of the Water Augmentation Agreement Term Sheet can be found at Section 18 (entitled **Summary of Water Augmentation Agreement (Term Sheet)**).

Waimea Plains Zone means the Water Management Zones on the Waimea Plain including the Appleby Gravels, Reservoir, Waimea West, Golden Hills, Delta, Hope and Eastern Hills, Redwood Upper Catchments and Upper and Lower Confined Aquifer Zones or as otherwise as defined in the TRMP and includes any amendments or variations.

Water Charges means all charges payable by a Shareholder under the SWAA from time to time, including Finance Charges, Operating Charges and Specific Charges.

Water Management Zone means a defined part of water resource displayed on the planning maps in the TRMP and subject to all applicable rules.

Water Share means a share giving the holder the right and obligation to enter into a SWAA and such further rights and obligations set out in clause 4.2 of the Constitution.

Water Share Purchase Price means \$5,500.00.

WEIC means Waimea East Irrigation Company Limited.

WIL means Waimea Irrigators Limited.

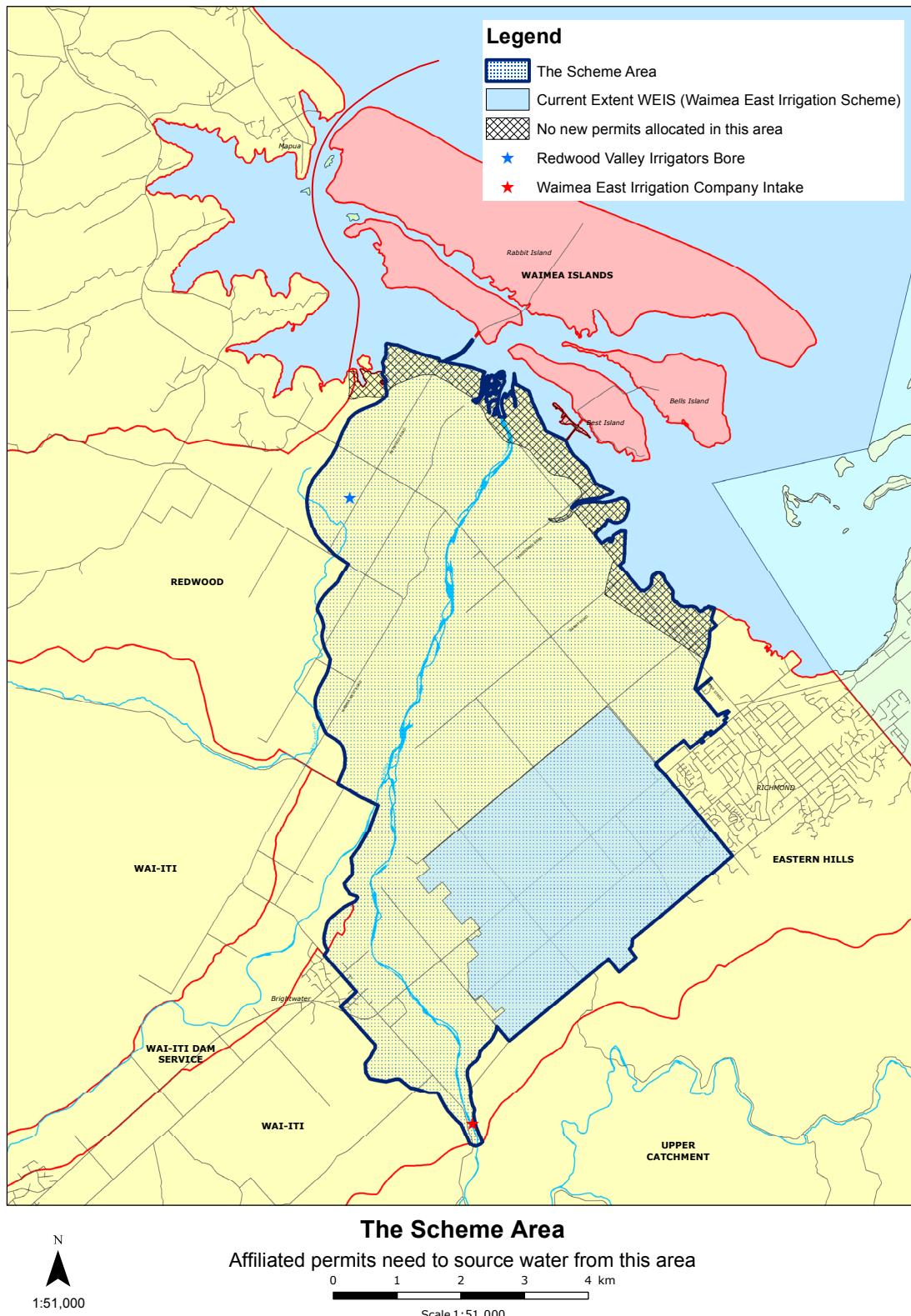
Working Day means any day of the week other than Saturday, Sunday or statutory holidays on which banks are open for business in the Nelson-Tasman region.

WWL means Waimea Water Limited.

\$ means New Zealand dollars unless otherwise stated. All figures in this PDS are stated exclusive of GST (if any) unless otherwise stated.

Section 15. Map of Scheme Area

The areas noted in the maps below are indicative only and subject to change at WIL's sole discretion.



Section 16. Summary of Shareholder Water Augmentation Agreement

The SWAA provides the terms and conditions upon which Shareholders are entitled to Dam Water.

The following is a summary of some of the key provisions:

- **Term** (clause 3): the term of the SWAA is open ended and continues until such time as it is terminated in accordance with the provisions of the SWAA (i.e. by agreement or for breach).
- **Water Augmentation and Affiliation** (clause 4): WWL releases Dam Water into the Upper Lee River in accordance with the provisions of the WAA and the Shareholder Agreement.

The Shareholder, under the SWAA, is entitled to apply to TDC under the TRMP to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m³ of water per week, per Water Share.

The release of Dam Water is always subject to the availability of Dam Water; the terms of the Resource Consent, the Ground Water Permit(s) and/or Surface Water Permits, the terms of the WAA (as the case may be) and any statutory or regulatory requirements including but not limited to, the TRMP. The Company will use reasonable endeavours to procure WWL to release the required volume of Dam Water, but does not guarantee to the Shareholder the availability or release of Dam Water.

- **Water Charges** (clause 5): the Shareholder shall pay Water Charges on a per Water Share basis. The Water Charges are determined by the Board in their sole discretion. Water Charges include capital costs such as interest and capital payments on Bank loans to finance capital projects (Finance Charges) and Operating Charges including maintenance and repairs, administration of WIL and WIL's share of WWL's operation costs for the operation and maintenance of the Dam. In the event of non-payment, a penalty interest rate of 5% above the commercial overdraft of WIL's Bank will accrue from the date of non-payment to the date payment is actually made.
- **Licensing** (clause 6): the Shareholder may licence any Surplus Water in accordance with the provisions and restrictions contained in clause 6.
- **Metering** (clause 7): this clause provides WIL with the ability to access water use records and to also access Shareholder's Land to request testing to ensure compliance with the Shareholder Water Augmentation Agreement.
- **Company's obligations** (clause 8): this clause contains standard obligations on the part of WIL including obligations to ensure that WWL undertakes all reasonable maintenance of the Scheme, promptly pay and discharge any amounts or obligations in relation to the taking of Dam Water or the operation of the Scheme including its obligations to WWL. The Company may also implement Scheme policies relating to the release of Dam Water.
- **Shareholders obligations** (clause 9): this clause contains relatively standard obligations requiring the Shareholder to install and maintain their own irrigation infrastructure required to take and distribute Dam Water on their land. The Shareholder must at all times hold the number of Water Shares as provided for in their respective SWAA unless agreed in writing by WIL, they must comply with the Constitution and their Ground Water Permit and/or Surface Water Permit.
- **Transfer of Shares** (clause 10): the Shareholder may transfer its Water Shares in accordance with the provisions and restrictions contained in the Constitution.
- **Breach of Agreement** (clause 11): this clause enables WIL to suspend the Shareholder's right to take and receive Dam Water from the Dam and notify the TDC of the suspension with the result that the Shareholder Affiliation of the Shareholder's Ground Water Permit and/or Surface Water Permit will be suspended by the TDC. WIL may also cancel the SWAA and forfeit the breaching Shareholder's Water Shares.
- **Termination** (clause 12): this clause sets out the requirement for the Shareholder to be a Shareholder in WIL, and the ability to terminate in the event that the Shareholder ceases to be a Shareholder or if certain events occur, for example if

- the Shareholder is put into receivership.
- **Dispute Resolution** (clause 13): These provisions provide a process through which the parties will be able to resolve any disputes which arise between them.
- **Force Majeure** (clause 14): this clause is a standard provision included in most commercial arrangements. The force majeure provision is necessary in this instance to the extent that WIL may need to rely upon this clause should something happen to the Dam which obstructs its ability to discharge its obligations under the SWAA. The Shareholder's obligation to pay Water Charges continues notwithstanding any force majeure event.
- **Contract review** (clause 15): WIL may from time to time review and update the terms of the WSA to take into account changes in (not limited to) legislation, farming and practice.
- **Limitation and liability** (clause 16): WIL has no liability for any claim for compensation arising for failure to release Dam Water.
- **Delegation** (clause 17): this clause enables WIL to delegate its powers and rights under the WSA to any third party.
- **Assignment** (clause 20): the Shareholder shall not be entitled to assign, transfer, mortgage or charge their interest in the SWAA without the prior written consent of WIL. WIL will have the ability to assign its interests under the WSA without the prior consent of the Shareholder and the Shareholder must do all things to give effect to any such assignment.
- **Financiers** (clause 32): this clause has been included to anticipate a likely Bank requirement to take an assignment of the SWAA as security for their loans. This is because a principal asset of WIL is the SWAA's that allow WIL to charge the Shareholder Water Charges that are in turn used to pay Water Charges up to WWL.
- **Independent advice** (clause 33): WIL's solicitors act for WIL and the Shareholder acknowledges that the Shareholder has either obtained independent advice or has declined to do having been advised to obtain independent advice.

Section 17. Summary of Irrigation Scheme Water Augmentation Agreement

The proposed ISWAA sets out the agreement as between WIL and the Irrigation Scheme as to the Irrigation Scheme's rights and responsibilities in respect of the supply of water to its members or shareholders who are Shareholders in WIL and who have entered into a SWAA (defined as Affiliated Water User under the ISWAA).

The following is a summary of some of the key provisions:

- **Term** (clause 3): the term of the ISWAA is open ended and continues until such time as it is terminated in accordance with the provisions of the ISWAA (i.e. by agreement or for breach).
- **Water Augmentation and Affiliation** (clause 4): WWL releases Dam Water into the Upper Lee River in accordance with the provisions of the WAA and the Shareholder Agreement. The Affiliated Water User is entitled to request that its Irrigation Scheme applies to the TDC under the TRMP to Affiliate the Irrigation Scheme's Permit for a volume of water represented by the number of Water Shares held by that Shareholder at a rate of 300m³ of water per week, per Water Share.

The release of Dam Water is always subject to the availability of Dam Water; the terms of the Resource Consent, the Ground Water Permit(s) and/or Surface Water Permits, the terms of the WAA (as the case may be) and any statutory or regulatory requirements including but not limited to, the TRMP. The Company will use reasonable endeavours to procure WWL to release the required volume of Dam Water, but does not guarantee to the Shareholder the availability or release of Dam Water.

- **Obligations in respect of Affiliated Water Users** (clause 5): The Irrigation Scheme must ensure that its Affiliated Water Users comply with the terms of their respective SWAA's and that they receive the full benefit of Affiliation. Any shareholders or members of the Irrigation Scheme that are not Affiliated Water Users will receive no more water than the unaffiliated entitlement, as provided for under the TRMP.

The Irrigation Scheme shall make amendments as necessary to its separate water supply agreements with its Affiliated Water Users to make it an obligation on the Affiliated Water User to comply with the SWAA and to provide that in the event the Affiliated Water User breaches their respective SWAA, the rights to Affiliation will be suspended or terminated as the case requires.

- **Water Charges** (clause 6): the Affiliated Water User will be responsible for paying Water Charges under their respective SWAA as well as any water charges payable under any water supply agreement in place with the Irrigation Scheme. In the event that the Irrigation Scheme is a Shareholder, it shall pay Water Charges on a per Water Share basis. The Water Charges are determined by the Board in their sole discretion. Water Charges include capital costs such as interest and capital payments on Bank loans to finance capital projects (Finance Charges) and Operating Charges including maintenance and repairs, administration of WIL and WIL's share of WWL's operation costs for the operation and maintenance of the Dam. In the event of non-payment a penalty interest rate of 5% above the commercial overdraft of WIL's Bank accrues.
- **Licensing** (clause 7): the Irrigation Scheme may licence any Surplus Water in accordance with the provisions and restrictions contained in clause 6.
- **Metering** (clause 8): this clause provides WIL with the ability to access water use records and to also access the Irrigation Scheme's Land to request testing to ensure compliance with the ISWAA.
- **Company's obligations** (clause 9): this clause contains standard obligations on the part of WIL including obligations to ensure that WWL undertakes all reasonable maintenance of the Scheme, promptly pay and discharge any amounts or obligations in relation to the taking of Dam Water or the operation of the Scheme including its obligations to WWL. The Company may also implement Scheme policies relating to the release of Dam Water.
- **Irrigation Scheme's Works and Obligations** (clause 10): this clause contains relatively standard obligations requiring the Irrigation Scheme to install and maintain their own irrigation infrastructure required to take and distribute Dam Water on their land and to their respective water users. To the extent that the Irrigation Scheme is itself a Shareholder, it must at all times hold the number of Water Shares as provided for in their respective ISWAA unless agreed in writing by WIL, they must comply with the Constitution and their Ground Water Permit and/or Surface Water Permit.

- **Transfer of Shares** (clause 11): the Irrigation Scheme may transfer its Water Shares in accordance with the provisions and restrictions contained in the Constitution
- **Breach of Agreement** (clause 12): this clause enables WIL to suspend the Irrigation Scheme's right to take and receive Dam Water from the Dam and to notify the TDC of the suspension with the result that the Affiliation of the Irrigation Scheme's Ground Water Permit and/or Surface Water Permit will be suspended by TDC. WIL may also cancel the ISWAA and forfeit the breaching Shareholder's Water Shares.
- **Termination** (clause 13): this clause provides WIL with the ability to terminate the ISWAA in the event that certain events occur; for example if the Irrigation Scheme is put into receivership.
- **Dispute Resolution** (clause 14): These provisions provide a process through which the parties will be able to resolve any disputes which arise between them.
- **Force Majeure** (clause 15): this clause is a standard provision included in most commercial arrangements. The force majeure provision is necessary in this instance to the extent that WIL may need to rely upon this clause should something happen to the Dam which obstructs its ability to discharge its obligations under the ISWAA. The Irrigation Scheme's obligation to pay Water Charges (if applicable) continues notwithstanding any force majeure event.
- **Contract review** (clause 16): WIL may from time to time review and update the terms of the ISWAA to take into account changes in but not limited to legislation, farming and practice.
- **Limitation and liability** (clause 17): WIL has no liability for any claim for compensation arising for failure to release Dam Water.
- **Delegation** (clause 18): this clause enables WIL to delegate its powers and rights under the ISWAA to any third party.
- **Assignment** (clause 21): the Irrigation Scheme shall not be entitled to assign, transfer, mortgage or charge their interest in the ISWAA without the prior written consent of WIL. WIL will have the ability to assign its interests under the ISWAA without the prior consent of the Irrigation Scheme and the Irrigation Scheme must do all things to give effect to any such assignment.
- **Financiers** (clause 32): this clause has been included to anticipate a likely Bank requirement to take an assignment of the ISWAA as security for their loans. This is because a principal asset of WIL are the ISWAA's that allow WIL to charge the Irrigation Scheme Water Charges that are used to pay Water Charges to WWL.
- **Independent advice** (clause 33): WIL's solicitors act for WIL and the Irrigation Scheme acknowledges that the Irrigation Scheme has either obtained independent advice or has declined to do having been advised to obtain independent advice.

Section 18. Summary of Water Augmentation Agreement (Term Sheet)

The WAA Term Sheet summarises the principal terms of the proposed WAA between WWL and each of WIL and TDC.

Under the WAA, WWL agrees to operate the Dam to maintain the minimum flow levels required under the Resource Consent. Subject to compliance with the TRMP, all applicable resource consents and other laws applicable to it, WWL will release Dam Water to maintain the minimum flow, which includes the environmental and augmentation volumes.

WWL is also responsible for operating, repairs and maintenance of the Dam, complying with all health and safety legislation, paying invoices and holding adequate insurance.

The following is a summary of some of the key provisions of the WAA (Term Sheet):

- **Term:** The WAAs will commence on the date of signing, however, there will be no allocation of water to WIL or TDC under the WAAs until the Dam commences operation.
- **WWL obligations – water:**
 - WWL agrees to operate the Dam to maintain the minimum flow levels required under the Resource Consent, and acknowledges this is material to TDC / WIL or in the case of WIL its irrigators in respect of their rights to take water under the 'affiliated permit regime' in the TRMP.
 - WWL agrees to release water over and above the minimum flow up to a maximum of 5,425 hae when requested by WIL.
 - WWL agrees to release water over and above the minimum flow up to a maximum of 2,340 hae when requested by TDC.
 - WWL will release water to meet the obligations to TDC and WIL subject to the conditions of the relevant resource consents, the Tasman Resource Management Plan rules or any section 329 Notice under the Resource Management Act.
 - A hectare equivalent represents a volume of actual water released (300m³ per ha).
- **WWL obligations – operational:** WWL will Operate the Dam in a professional manner, and to the appropriate industry standards and will attend to such reasonable maintenance and repairs as required to maintain the Dam in a condition able to be operated to meet the obligations to WIL and TDC.
- **Water Priority Regime between WIL and TDC:** As set out in the TRMP.
- **Water Charges:**
 - Operating Charges: Operating Charges will be set based on a cost-recovery forecast and will be shared between TDC and WIL 51%:49% respectively, from day one. Operating Charges can accrue and be invoiced (post practical completion), in which case shall be payable, even if the Dam is not operational and/or WWL is unable to release any or the required amount of water.
 - Finance Charges: WWL will invoice WIL a finance charge on a quarterly basis or at such frequency as required to meet all of the costs and other amounts payable by WWL to CIL in connection with the CIL Loan. Recovery of Finance Charges shall commence only after scheduled practical completion of the Dam.
 - Budget: WWL to prepare a 3-5 year budget of expected costs.
 - Cash reserves: any cash reserves will be used as a reduction of the following year's Operating Charges or to meet upcoming capital requirements.
 - Unbudgeted costs: may be met by TDC and WIL, 51%:49% respectively.

- **Resupply of Water:**
 - WIL and TDC have the right to resupply water provided that WIL shall not agree to resupply/affiliate any volume of water greater than 5,425 hae and TDC shall not resupply or apply for any water-take consents for any volume of water greater than 2,340 hae.
 - SWAA: The terms of WIL's SWAA must include provision for Shareholders permits to become temporarily unaffiliated if the SWAA is in breach and not remedied within 30 working days. Any breach incapable of remedy will immediately see the termination of the SWAA and that Shareholder's Affiliated Permit becoming Unaffiliated.
- **Suspension:** water rights may be suspended for non-payment, material breach, or where the release of water by WWL would result in the breach of any laws or damage to the Dam Infrastructure.
- **Termination:** the WAA is only terminable on non-payment within 30 working days, material breach, direct or indirect change in control of WIL (not approved by WWL).
- **End of Life:** the WAA may be suspended or terminated if the Dam is no longer able to be operated or cannot be operated safely and the parties do not want to, or cannot contribute additional funds to keep it operating.
- **Consequence:** if WIL's WAA is suspended, it will immediately lose the benefit of being affiliated and must take all steps as necessary to un-Affiliate its Shareholders' Affiliated Permits during the suspension period. If WIL's WAA is terminated, it will immediately terminate all SWAAs so that Shareholders with Affiliated Permits will not be considered to be "Affiliated Permit holders" under the TRMP.

Section 19. Summary of Shareholder Agreement (Term Sheet)

The Shareholder Agreement Term Sheet summarises the principal terms of the proposed Shareholder Agreement between WIL and TDC (being the two shareholders in WWL).

Capital contributions

WIL will be responsible for direct and indirect capital contributions of up to \$38.6 million towards the construction of the Dam. The issue of Water Shares in this Offer will contribute \$16 million which will be invested by WIL in equity in WWL and the remaining \$22.6 million will come from the CIL Loan. Repayment of the CIL Loan will be funded by WIL by the payment of quarterly finance charges to WWL (40-year amortisation).

Further calls for additional capital in WWL are not anticipated at this time but are not precluded from the agreements with TDC, and could be necessary for the following reasons:

- To fund Project cost overruns for the Dam, if they arise. If this happens, a further \$3 million will be available, being \$1.5 million from each of TDC and WIL, with WIL's share being the \$1.5 million of the CIL Loan. Beyond that, TDC is responsible for meeting Project cost overruns over \$3 million;
- To fund any unanticipated and unbudgeted maintenance or repair costs to the Dam, should they arise and be uninsured;
- To refinance part or all of any principal remaining on repayment of the CIL Loan at the end of the 15-year term or on default and acceleration;
- To refinance part or all of the CIL Loan after 5 years using reasonable commercial endeavours.

Shareholding in WWL

At the Closing Date, WIL's shareholding in WWL will be 27.9%. It is intended that WIL's interest in WWL will increase over time as the CIL Loan is repaid, to a maximum shareholding permissible of 48.9%. TDC and WIL will obtain specialist advice and agree to a mutually acceptable mechanism for this to occur. The shareholding cannot be any higher than this because TDC needs to control WWL at board level in order for it to remain a CCO.

Timing of capital contributions

The proposed timing of capital contributions is: TDC and WIL will both contribute 50% of their equity contributions at Financial Close being the point in time when the loan and security documents and funding with CIL is unconditional and can be drawn down (Financial Close). For WIL, this will be \$7.5 million. Financial Close is anticipated to be around the end of May 2018. WIL will contribute the remainder of its share of capital as it is received under the schedule set out in this Offer (see Section 4 entitled **Key Dates and Offer Process**).

Shareholder Reserved matters

The Shareholder Agreement Term Sheet between TDC and WIL sets out reserved matters that require written consent from both TDC and WIL. All other governance decisions will be made by simple majority. There are 13 reserved matters.

The following is a summary of some of the key provisions of the Shareholder Agreement Term Sheet; note the defaulting Shareholder's right to vote on Shareholder reserved matters marked with an * are suspended if the default is un-remediated.

- **Purpose:** the purpose of WWL will be primarily to build, own and operate the Dam and hold required land access and resource and building consents.
- **Capital contributions and shareholding:** WIL to initially hold 27.9% equity in WWL at day one to increase to 48.9% (TDC 72.1% at day one). Up to \$25 million of WIL's proposed investment in WWL is intended to be made by way of the CIL Loan repayment of which will be funded by WIL over the term of the CIL Loan by WIL paying to WWL a quarterly finance charge. Annually, WWL will issue to WIL additional shares in WWL corresponding with the amount of the CIL Loan repaid by WWL and funded in cleared funds by WIL, at such conversion rate to fairly represent the equity provided by WIL, provided that at no time will WIL be issued more than 48.9% of the shares in WWL (with TDC holding

- the remaining 51.1%).
- **Board appointment rights/compensation:** The board of WWL will comprise of 2 WIL appointees, 1 iwi appointee and 4 TDC appointees (one of whom may be a joint TDC/NCC appointee).
 - **Shareholder reserved matters:**
 - Any variation to the construction contract(s) to build the Dam and associated Infrastructure, where such variation could result in WWL being liable for pay any additional amounts under those contract(s), or that materially and adversely from a functional perspective changes the design or performance testing or functional specifications;
 - “Major transactions” under the Companies Act 1993;
 - *Adoption of annual WWL operating budget and cashflow forecast, including approval of pricing decisions in relation to Water Charges (as opposed to CIIl Loan Finance Charges) under Water Augmentation Agreements;
 - *Capital calls by WWL, provided that each of WIL and TDC must act reasonably so that WWL is sufficiently funded to enable it to meet its obligations and to operate its business.
 - Payment of any distribution / dividend;
 - Any decision to put WWL into receivership or liquidation;
 - *The incurring of indebtedness by WWL (other than trade creditors in the ordinary course of business), or entry into any contract or obligation, over a dollar amount that exceeds 20% of WIL’s operating budget for that year; if such indebtedness, contract or obligation was not expressly provided for in an agreed budget;
 - The granting of a security interest in WWL;
 - Issuing additional equity other than where permitted / contemplated in any Project Documents, such as additional equity issued to TDC to reflect any cost overrun over \$3 million that TDC funds;
 - Any proposed variation to any Project document to which WWL is a party;
 - The undertaking of any other project or business venture other than constructing and operating the Dam;
 - Any variation of the Water Augmentation Agreement for WIL or TDC; and
 - Any alteration to the Dam, including without limitation the undertaking of Hydro Operation.

** Voting rights in respect of these specified Shareholder reserved matters shall be suspended in the event of a breach by any party.*

- **Conflict of interest:** appropriate conflicts of interest regime to exclude any directors from discussions, meetings etc. on matter that involve claims, enforcement and similar matters affecting that party.

- **Timing of capital contributions:**

Proposed regime is as follows:

- TDC and WIL contribute 50% of the equity contribution up front (excluding \$7 million of the TDC contribution that is intended to be funded by way of the MFE);
- Subsequent TDC contributions pro-rated with CIIl Loan debt drawdowns;
- WIL contributes the residual capital as it is received under the Offer (to be agreed by the parties), less an allowance for internal WIL costs.
- Any future equity contributions or shareholders loans will be made severally based on TDC 51% and WIL 49%, subject to cost overruns provisions in the Project Agreement.
- **Transfers:** no transfer of shares in WWL without written consent of either party except that CIIl will be entitled to exercise its security over WIL’s shares in WWL and TDC will be entitled to transfer its shares to another CCO, NCC (limited as to 10%) and/or any successor of TDC or NCC.
- **Conditions precedent:**
 - For TDC’s benefit:
 - Obtaining all regulatory government and other consents and/or authorisations to proceed with the Project;

- NCC formal endorsement of \$5 million, agreement to enter into the equity documents and completion of public consultation;
- Committed MFE grant;
- Comfort with the equity, finance and project documents;
- Public consultation; and
- Transfer consent into WWL's name.

For WIL's benefit:

- WIL shareholder major transaction approval
- A capital raising for subscription of at least 3,000 shares (\$16.5 million)
- Comfort with the equity, finance and project documents
- Satisfaction that TDC cannot direct WWL to do anything unilaterally – i.e. both shareholders' approval will be required to put into effect anything requested by TDC under the letter of expectations.

For TDC's and WIL's joint benefit:

- CII committed funding of the CII Loan subject to finance conditions precedent;
- Approval of construction contract and price at entry into that contract / process.
- Confirmation that WIL is not an "overseas person" for the purposes of the Overseas Investment Act 2005 (so that OIO consent would not be required for the Project) – this will also be an undertaking from WIL to TDC, CII and WWL on an ongoing basis.

- **Credit support from TDC:** TDC to provide credit support in relation to the CII Loan such that CII may call on TDC to satisfy WWL's obligations to CII in relation to the CII Loan. If TDC make payment to WWL or CII in connection with the TDC Credit Support, then a debt shall be owing by WWL and WIL jointly and severally to TDC.
- **Events of default:**
 - Non-payment of amounts due under the Shareholder Agreement with a 20-working day remedy period; and
 - Breach of the transfer provisions.

Section 20. Summary of Project Agreement (Term Sheet)

The Project Agreement Term Sheet summarises the principal terms of the proposed Project Agreement between TDC, WIL, WWL and CIIL and sets out the key terms on which TDC will provide credit and project support for the Project and certain other related matters.

The following is a summary of some of the key provisions:

TDC Credit Support:

CIIL will benefit from credit support capped at \$29 million from TDC on standard guarantee terms. The TDC credit support will be secured by the issuance of debenture stock by TDC in favour of CIIL. The TDC credit support will be exercisable by CIIL if:

- CIIL is entitled to exercise any right under the CIIL Loan following an event of default under the CIIL Loan
- WWL fails to pay an amount due and payable
- The amount outstanding to CIIL is not repaid in full on the maturity date under the CIIL Loan
- The difference between the outstanding balance under the CIIL Loan and the TDC Credit Support cap is \$200,000 or less
- Practical completion of the Dam has not occurred within 6-12 months of completion scheduled.

TDC Call Option: TDC will be able to exercise a call option to acquire all of CIIL's rights and obligations under the CIIL Loan for an amount equal to all outstanding amounts under the CIIL Loan if CIIL makes demand under the TDC credit support.

TDC Cost Overrun: To fund construction cost overruns for the Dam, if they arise. If this happens, calls for additional capital will be made severally to maintain TDC's and WIL's shareholding proportions, up to a cap of \$3 million, shared equally (with the first draw for WIL being the \$1.5 million of the CIIL Loan. Beyond that, TDC is responsible for meeting project cost overruns over \$3 million.

TDC Trigger Events:

It will be a TDC Trigger Event if any TDC act including any change to the TRMP has the effect of:

- removing the right to Affiliation for WIL's Shareholders who hold a SWAA and an Affiliated Permit
- allowing any person that does not hold a SWAA to become Affiliated or to have rights to take and use water equivalent to Affiliation.
- Materially changing the relativity of the rights or obligations of Affiliated WIL Shareholders and persons who are not Affiliated WIL Shareholders to take and use water.

It will also be a TDC Trigger Event if:

- TDC does not use all reasonable endeavours to oppose or resist any process that would have the effect of causing a TDC Trigger Event
- TDC does not manage the relevant provisions in the TRMP in relation to the taking of water by persons who are not Affiliated Permit holders.

(TDC Trigger Event)

Consequences of Trigger Event: If WWL or CIIL or WIL considers that a Trigger Event has occurred, the parties will go through an agreed set of steps to determine compensation payable by TDC to WWL, WIL or WIL's Shareholders.

Agreed Principles:

TDC, WWL, WIL and CIL have entered into the various term sheets for the Project on the basis that:

- TDC, WIL and CIL will jointly fund the cost of the construction and operation of the Dam, through WWL and, with WIL funding the repayment obligations to CIL via WWL and backed by TDC credit support, and, as a consequence,
- only TDC and water users supplied by TDC in accordance with the WAA, and WIL and Affiliated WIL Shareholders will be entitled to directly benefit from the water to be released from the Dam for the purposes of taking water under the TRMP:
 - as between themselves, in the proportions set out in the WAA;
 - on the basis that Affiliated WIL Shareholders will be able to enjoy the relatively superior rights associated with Affiliation as compared to any person who is not an Affiliated WIL Shareholder;
 - on the basis that no person is entitled to extract water as a consequence of the release of water from the Dam other than as permitted under the Wholesale Water Augmentation Agreements; and
 - on the basis that the Dam will be operated and water will be released from the Dam in accordance with the Dam resource consents and TRMP as at the date of Financial Close.

Section 21. Summary of Project Funding

Project Finance - CIIL Loan

Summary

CIIL is a lender to the Project. The borrower will be WWL, and WIL will be both guarantor and a co-obligor. The CIIL Loan is for WIL's benefit to fund its share of the Project costs, but will be made directly to WWL as the owner of the Dam, which is a requirement of CIIL.

The CIIL Loan is for a sum of up to \$25 million, made up of facility A and B (\$21.1 million) and facility C (\$1.5 million being the Project cost overrun facility), with a maturity date, with a maturity date of 15 years from Financial Close but with a repayment schedule based on 40 years (**Amortisation Period**). The facility limit across the three facilities cannot exceed \$25 million.

The interest and principal payable by WWL to CIIL in connection with the CIIL Loan will be invoiced quarterly to WIL. WIL will pay these costs and charges by invoicing its Shareholders Finance Charges as part of the Water Charges.

Recovery of the Finance Charges will commence only after the scheduled practical completion of the Dam (estimated to be by December 2021). In the event practical completion of the Dam is delayed, Finance Charges will still commence from the scheduled practical completion date.

Security

CIIL will take first ranking general security over all of WWL and WIL's assets and undertakings (including specific security over all bank accounts). This means that the account into which subscription proceeds for Water Shares, and any other amounts payable under the Project documents to which WIL is a party, will be subject to security.

TDC will take a subordinated, second ranking security interest behind CIIL's first ranking security as security for, among other things, the performance by WIL of its obligations to TDC under the relevant Project Documents (including credit support) and to ensure that TDC can control and complete the Project if any WIL-related breaches arise under the Project Documents (including any insolvency event). TDC has guaranteed CIIL's Loan to WWL pursuant to a credit support arrangement referred to below.

TDC's security will be released on discharge of the TDC credit support and payment to TDC of any amounts owed to TDC under agreed Project Documents.

Credit support and implications for irrigators

Whilst WIL as guarantor and co-obligor is responsible for the repayment of the CIIL Loan, TDC has agreed to provide capped credit support, subject to the outcome of its consultation. The provision of credit support will enable lower interest rates to be retained for Shareholders, resulting in lower Water Charges. The credit support will be exercisable by CIIL on demand if there is an event of default arising from failure of WWL to pay any amount due and payable under the CIIL Loan. This is most likely to occur in the event WIL defaults on a payment to WWL and the default is not rectified within the cure period. In the unlikely event the credit support is exercised by CIIL, TDC has the ability to take over the CIIL Loan. See Section 19 (entitled **Summary of Shareholder Agreement (Term Sheet)**).

In the event of default by WIL under the Project Documents and the calling on TDC's credit support by CIIL, any shortfall in payments by WIL to WWL, or by WWL to CIIL, may be recovered by TDC through target rating owners of the relevant land (most of which will be Shareholders) under the Local Government (Rating) Act 2002 to recover amounts paid by TDC. Those owners of relevant land who are not Shareholders may pass on these costs to the relevant Shareholder through their leasing arrangement.

Refinancing

Every 5 years from the initial drawdown date, WWL, WIL and CIL will jointly appoint a suitably qualified independent consultant to assess whether WIL or WWL is in a position to fully refinance outstanding debt amounts without the TDC credit support. WWL and WIL will undertake to use reasonable commercial endeavours to effect such refinancing so long as it is achievable at current market pricing and on reasonable terms, and will not result in the water price payable by WIL's Shareholders increasing materially.

Any refinancing drawdown and subsequent repayment of all amounts owing to CIL and to TDC, and full release of TDC credit support, will trigger a commensurate increase in shares held in WWL by WIL, up to maximum of 48.9% shareholding.

Should early repayment of the CIL Loan not occur by maturity date (15 years from Financial Close), WIL will be responsible for refinancing outstanding principal to repay the CIL Loan.

Section 22: Summary of Project Costs

Project Capital Costs Still to be Funded

The current forecast for the Project capital cost still to be funded is \$81.6 million. This figure includes contingencies of \$14 million. The current forecast is conservative, and is based on costs that are now known (e.g. land acquisition) and estimates that have been revised through standard procurement practices (e.g. by tendering to multiple service suppliers).

The capital cost estimates relating to construction have been prepared to a 'P95' level. This means there is a 5% chance that costs will exceed those estimated and a 95% chance costs will be less than those estimated. These costs are based on the design of the Dam (completed to 80% at date of this PDS) and an estimate of all known costs of procurement, Project management and construction. Total project contingency of \$14 million is included, with \$13.5 million contingency for construction.

The total estimated capital cost of the Project still to be funded is \$81.6 million, including inflation and contingency. A breakdown of this cost is as follows:

Description	Capital Cost (\$ million)
Procurement & ECI Phase	\$2.7
Land acquisition	\$2.9
Project Office	\$2.2
Governance & Corporate	\$0.6
Construction (includes contingency of \$13.5 million)	\$69.6
Construction related professional services	\$2.6
Consent compliance	\$1.0
Total Capital Cost	\$81.6

Sunk Costs Not Included within the Current Project Budget

The allocation of sunk costs of approximately \$1.3 million relating to staff time, legal and other professional fees is still to be agreed between TDC and WIL. The liability for these appear as a note to the interim and audited accounts.

WWL Operating Charges

The operating charges for WWL, post construction, have been estimated to be approximately \$1.4 million per annum (2017 dollars).

Description	Annual Cost (\$000)
Administration including accounting, audit and legal	\$125
Insurances	\$497
Governance	\$157
Repairs and Maintenance	\$200
Staff Costs	\$58
Rates	\$215
Resource consent, hydrology and power	\$150
Total estimated annual operating costs	\$1,402

WIL Operating Charges

The Operating Charges for WIL, post-construction, have been estimated to be approximately \$315,000 per annum (2017 dollars).

Description	Annual Cost Post-Construction (\$000)
Administrative costs including accounting, audit and legal	\$138
Insurances	\$15
Director's fees	\$30
Staff Costs	\$132
Total	\$315

Section 23: Summary of Water Charges

Basis for Required Water Charges

Investment During Construction

Based on the current Project budget, WIL is expecting to contribute \$38.6 million to the construction of the Dam, WIL intends to fund this via:

- Equity contribution of \$16 million to WWL;
- Expected CIIL Loan of \$21.1 million (drawn and held in WWL); and
- Expected CIIL Loan of \$1.5 million (for Project overruns).

In addition, WIL requires further funds to:

- Convert unsecured loans into equity and repay current banking overdraft; and
- Fund WIL operating cost during construction.

WIL has entered into a \$600,000 banking overdraft facility with its Bank. In addition, WIL has borrowed \$520,000 from Option Holders. The loans in place between WIL and the Option Holders enable the Option Holders to convert their respective loans into Water Shares at the Water Share Purchase Price.

Table B sets out the estimated Operating Charges over the construction period of the Dam and on-going Water Charges per Water Share once the Dam becomes operational.

Table B: Estimated Required WIL Investment and Annual Charges

Investment prior to Completion of the Dam	Cost per Water Share
Water Share price	\$5,500
Application Fee	\$100
Operating Charge during construction	\$250
Total Investment prior to Completion of Dam (\$ per Water Share)	\$5,850

The Water Charges are based on achieving an initial uptake of 3,000 Water Shares and are represented in 2017 dollars.

A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

A construction Operating Charge estimated at \$250 per Water Share will be invoiced to all Shareholders in two tranches following issue of Water Shares with the first tranche estimated at \$125 anticipated for July 2019 and the second tranche anticipated for July 2020.

Finance Charges incurred in respect of the CIIL Loan will be capitalised during construction and, therefore, will not need to be funded during the construction period, unless construction is delayed beyond scheduled practical completion (estimated to be December 2021).

Water Charges Post Scheduled Dam Completion

Following scheduled Dam completion, Shareholders will be charged on a quarterly basis (or such other basis as may be determined by WIL) for Water Charges. Should the construction of the Dam be delayed, WIL may start charging Shareholders Water Charges before the Dam is completed. Table C sets out Shareholders' estimated Operating Charges and Finance Charges following Dam completion.

Table C: Estimated Annual Water Charges Following Dam Completion (2017 Dollars)

Estimated Annual Water Charges Following Dam Completion (2017 Dollars)	Cost per Water Share
Operating Charge	\$334
Finance Charge	\$266
Annual Water User Charge (\$ per Water Share)	\$600

Table D sets out WWL's estimated operating costs and finance charges. WIL is required to cover:

- 49% of the annual operating expenditure of WWL;
- Interest and scheduled principal repayments of the CIIL Loan; and
- Operating expenditure relating to WIL administration and governance.

Table D: Estimated WWL Operating Costs (2017 Dollars) - \$million

Estimated WWL Operating Costs (2017 Dollars)	TDC	WIL	Total
Share of WWL operating cost	\$0.72	\$0.68	\$1.40
WIL Operating Cost	-	\$0.31	\$0.31
Total operating cost	\$0.72	\$0.99	\$1.71
Finance Charges (principal and interest)	-	\$0.81	\$0.81
Total Annual Costs	\$0.72	\$1.80	\$2.52

In relation to the estimated Water Charges it's important to note:

- Water Charges will be re-set annually to cover WIL's 49% share of WWL's operating costs.
- Finance Charges and Operating Charges are to increase at 2.0% per annum, unless cumulative uptake of 80 Water Shares per annum is achieved.
- WIL currently expects to fix interest rates for the first five years providing Shareholders some certainty on Water Charges.
- the maximum term for the CIIL Loan is 15 years from Financial Close. At that time WIL will refinance the outstanding CIIL Loan with bank debt.
- every 5 years from the initial drawdown date of the CIIL Loan, WIL, WWL, and CIIL will jointly appoint a suitably qualified independent consultant to assess whether either WIL or WWL is able to fully refinance outstanding debt amounts without the TDC credit support.
- WIL may at a later date offer Shareholders the opportunity to participate in an early refinancing, offering Shareholders additional equity in exchange for removal of Financing Charges. WIL is not currently offering this opportunity to Shareholders and will revisit this at a later time (likely when existing funding arrangements need to be rolled over or refinanced).

Example Water Charges Scenarios

WIL has undertaken scenario and sensitivity testing to assess required Water Charges. Figure I illustrates the sensitivity of Water Charges to some key variables (scenario parameters are set out in Table E).

Figure 1: User Charge Scenarios (2017 Dollars)

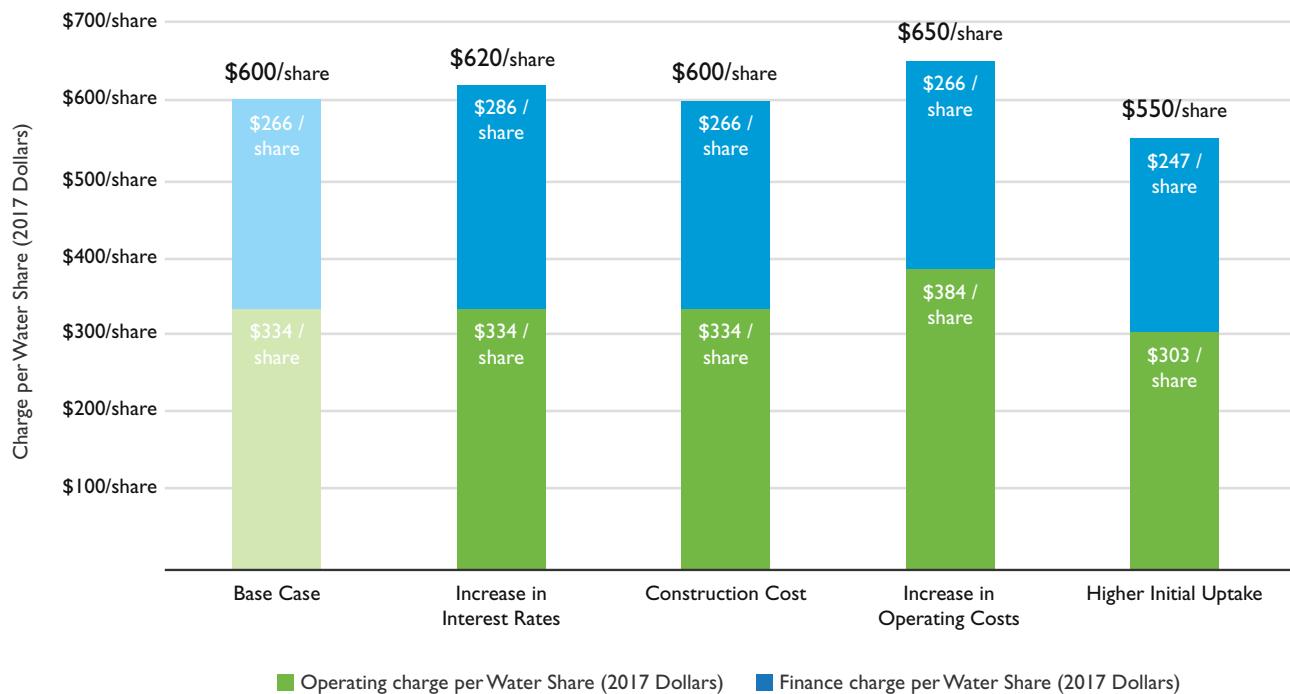


Table E: Scenario Parameters (2017 Dollars)

Scenario		Scenario Parameters
1	Base case	<p>Key base case assumptions are:</p> <ul style="list-style-type: none"> • Base construction cost of approximately \$81.6m. • WWL's operating charges of approximately \$1.4m per annum (2017 dollars). • WIL's Operating Charges of approximately \$0.3m per annum (2017 dollars). • No change in reference interest rates before financial close. • Total of 3,000 Water Shares issued.
2	Higher interest rates	Interest rates for part of the CIIL Loan will not be confirmed until Financial Close. Water Charges will be required to increase should there be a rise in underlying interest rates before Financial Close. This scenario assumes a 0.6% increase in reference interest rates requiring a higher Finance Charge.
3	Higher construction costs	WIL's share of construction cost overruns will be funded via the \$1.5 million CIIL Loan (facility C). As the base case scenario assumes that the maximum \$1.5 million of the CIIL Loan is drawn down there is no expected change to Water Charges.
4	Higher annual operating charges	WIL Shareholders will be required to pay higher Operating Charges should either WWL or WIL operating cost be higher than budgeted. This scenario shows the sensitivity in Water Charges should WIL's operating expenditure increase by \$150,000 per annum (2017 dollars).
5	Higher initial uptake	This scenario assumes initial uptake of 3,300 Water Shares, an additional 300 Water Shares above the base case of 3,000.

Each Applicant should assess whether the estimated Water Charges are achievable and sustainable from their own perspective. Further information on the projected Water Charges is set out in Section 6 (entitled **Key Features of Water Shares**).

Each Applicant should also read Section 8 (entitled **Risks to WIL's Business and Plans**).

The next section is the Application Form.

The pages are perforated so they can be removed from this booklet, filled out, and submitted to Crowe Horwath, Nelson.

Alternatively, you can find an electronic version of the Application in PDF at www.waimeairrigators.co.nz.

Section 24. Application Form

This Application Form is issued with the Product Disclosure Statement (**PDS**) for the Offer of Water Shares in Waimea Irrigators Limited dated 2 February 2018.

Please complete a separate Application Form for each Ground Water Permit or Surface Water Permit that you wish to Affiliate under the TRMP. Photocopy this form if more are needed or request more forms from natasha@waterforlife.nz.

This Application Form represents an Offer to purchase the Water Shares described in the PDS. Any capitalised terms used in this Application Form but not defined have the same meaning as given to those terms in the PDS.

The Board of WIL has sole and absolute discretion on the allocation of Water Shares and whether the Applicant qualifies for them.

A. Applicant Details

Applications must be in the names of natural persons, companies, or other legal entities.

Applications by trusts, fund, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors or office bearers as appropriate.

Title and First Name(s):

Surname:

Name of Company/Trust/ Partnership, if applicable:

If Company/Trust/Partnership – Authorised Representative:

Delegation (e.g. director):

Applicant's Physical Address:

Suburb/ Town:

City:

Postcode:

Applicant's Postal Address (e.g. PO Box):

Email address:	Mobile phone:	Daytime phone:
<input type="text"/>	<input type="text"/>	<input type="text"/>

Do you own land in the Scheme Area?

Yes No

B. Irrigated Property Details (if applicable, applies to properties that also might be irrigated in the future)

Are you applying for Water Shares for a property with an operative Ground Water Permit and/or Surface Water Permit? If so, please add the permit number here:

(This is the resource consent number at the top of the bona fide assessment report.)

Please add the applicable 2018 Water Management Zone the permit above relates to (check with TDC if you are unsure):

Are you the land owner or the lessee of land covered by the operative Ground Water Permit and/or Surface Water Permit above? If you are the lessee please provide the name and contact details of the lessor:

Property Physical Address:

CT/Legal description (if known):

Property Valuation Number:

Is this property in an Irrigation Scheme? If so, please state which Irrigation Scheme and provide the property's Scheme Number:

Current land use on the land to be irrigated?

Proposed irrigated land use on the land to be irrigated?

Property – approximate total area in hectares:

Property- irrigable areas in hectares if relevant:

C. Applicant Water Shares and Price

Calculate the number of Water Shares you require and complete the box below. The Water Share Purchase Price is fixed at \$5,500 per Water Share.

Payment of 50% of the Water Share Purchase Price (\$2,750.00 per Water Share) will be due within five (5) Working Days following receipt of Notice that this Application has been successful (either in full or in part).

A Call for the second instalment of 25% of the Water Share Purchase Price (\$1,375.00 per Water Share) will be made by WIL on 1 July 2018 or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (Call Date)*. The payment of the second instalment of 25% of the Water Shares Purchase Price will then be payable by the 20th of the following month.

A Call for the third instalment of 25% of the Water Share Purchase Price (\$1,375.00 per Water Share) will be made by WIL on 1 July 2019 or such other later date as the Board may determine and notify the Shareholder having regard to the Project progress (Call Date)*. The payment of the third instalment of 25% of the Water Shares Purchase Price will then be payable by the 20th of the following month.

A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

The minimum amount you can apply for is one (1) Water Share/NZ\$5,500.00. Please complete the boxes below, using additional sheets of paper if necessary.

Number of Water Shares Applied for:	
Total Share Purchase Price: \$5,500.00 x Number of Water Shares	
50% of Total Share Purchase Price - Instalment One	
25% of Total Share Purchase Price - Instalment Two	
25% of Total Share Purchase Price - Instalment Three	
Total Application Fee: \$100 x Number of Water Shares	

(Please note that no invoice will be issued and that there is NO GST included in the charge.)

D. Shareholder Water Augmentation Agreement (SWAA) – Acknowledgement and Acceptance

A copy of the SWAA is available on WIL's website, www.waimeairrigators.co.nz.

One SWAA will be issued per Ground Water Permit or Surface Water Permit:

Ground Water Permit or Surface Water Permit number	Irrigable Area (ha)	Legal Description and Certificate of Title	Number of Water Shares

By signing and submitting this Application Form the Applicant:

- irrevocably agrees to purchase the number of Water Shares set out in this Application;
- irrevocably agrees to be bound by and to enter into the SWAA;
- acknowledges that the Application Fee is non-refundable and may be utilised by WIL on receipt;
- acknowledges that the SWAA imposes a permanent obligation to pay Water Charges to WIL;
- acknowledges that WIL may from time to time, amend the terms of the SWAA in accordance with clause 15 of the SWAA, and that the Applicant will be bound by any such amendment on receiving written notice of the change; and
- acknowledge that WIL is under no obligation to release Dam water until such time as the Dam has been practically completed and commissioned.

E. Acknowledgement and Signature(s) of Applicant(s)

- I/We hereby acknowledge that I/we have received the PDS dated 2 February 2018.
- I/we apply for the Water Shares as set out above (or such lesser number as may be allocated to me/us) subject to the terms and conditions set out in the PDS and this Application Form.
- I/we hereby acknowledge that WIL may reject my/our Application in whole or in part at its sole discretion without providing any reason for such rejection and that such decision of WIL shall be final.

As per the acknowledgement and acceptance above by signing and completing this Application Form, you are irrevocably agreeing to be bound by and enter into the SWAA in respect of the Ground Water Permit or Surface Water Permit as stated in Section D of this Application Form.

I/We hereby acknowledge that I/We have received and read the SWAA, and I/We accept and agree to be bound by and enter into the SWAA.

Name(s) of Applicant:

Signature(s) of persons, directors, trustees or attorneys:

Signature

Signature

Signature

Signature

Signature

Date

Date

Date

Date

Date

F. Send Application Form by 5.00pm on 22 March 2018

By mail:

Crowe Horwath Nelson
PO Box 10, Nelson 7040
New Zealand

By delivery:

Crowe Horwath Nelson
72 Trafalgar Street, Nelson 7010
New Zealand

Scan and email:

Kimberly Nel
kimberley.nel@crowehorwath.co.nz
DDI: +64 3 545 6842

G. Payment for Application Fees

Payment of the Application Fee is to be made to WIL's bank account (account number 06-0705-0501534-00) no later than five (5) Working Days of the Application being made. Please ensure that you record the payment date and include your name and Ground Water Permit or Surface Water Permit number as a reference (if applicable).

H. Payment of Water Shares

Payment for Water Shares is to be made by Direct Credit to Crowe Horwath (NZ) Limited's trust account (account number 12-3195-0001663-01) in accordance with the terms set out in Part C. Please use the following details when making the payment:

Particulars: Applicant Name
Code: 191204
Reference: Ground Water Permit and/or Surface Water Permit Number

I. Payment of Water Charges

I/We acknowledge that Water Charges will be payable by direct debit to WIL and I/we agree to provide WIL with a direct debit authority in respect of Water Charges (including construction Operating Charges) upon request by WIL.

J. Certificate of Non-Revocation of Power of Attorney

(Complete this section ONLY IF you are acting on behalf of the applicant on this Application Form for whom you have power of attorney)

I _____ (full name)

of _____ (place and country of residence),

_____ (occupation), CERTIFY:

THAT by deed dated _____ (date of instrument creating the power of Attorney)

of _____ (place and country of residence of person /

body corporate which granted the power of attorney) appointed me _____ ; (his/her/its) attorney

THAT I have executed the Application for the Offer of Water Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

THAT I have not received notice of any event revoking the power of attorney.

Signed at _____ this _____ day of _____ 20 _____

Signature of attorney _____

** if donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.





www.waimeairrigators.co.nz