GLAMORGAN SPRING BAY COUNCIL

Prosser Plains Raw Water Scheme

DRAFT Business Plan

Prepared: July 6, 2016
Updated: 18th January 2017

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Business Plan Summary

The Business

The business will be known as "Prosser Plains Raw Water Scheme". The business will be owned by the Glamorgan Spring Bay Council and will operate on the farming property named "Twamley Farm" owned and operated by the Turvey family located in Buckland on the south eastern side of Tasmania. The business will entail the design, construction, maintenance and storage and delivery of up to 3,000mgl of fresh raw water per annum. It should be noted that members of the Turvey family are current employees of Glamorgan Spring Bay Council. This site was determined by professional qualified independent consultants as the best site servicing the Prosser River Catchment. It is important that there will be absolute transparency with business dealings with the Turvey family and Council.

Whilst the primary purpose of the dam will be to supply raw water to several proposed developments, the dam will also provide an excellent back up resource for TasWater regarding their residential water supply to both Orford and Triabunna and a form of recreational use for the many tourism activities being carried out on the farm. Main users of the raw water will be "Tassal" for farm expansion into Okehampton Bay (up to 500mgl per annum for bathing of salmon), "Solis" golf course (up to 300mgl per annum for watering of the golf course), TasWater raw water for water treatment residential use (up to 200mgl per annum as needed). In an average year there should be approximately 1,000mgl available for farming opportunities. Initial interest has been shown by up to ten farmers up to 20 kilometres north of the scheme's discharge point at Louisville Point with two farmers actually putting in a formal expression of interest. It is considered by engineers that the dam could be expanded at a relatively small cost to increase the dam by up to 30%. Engineers have indicated they consider it is one of the best dam sites they have seen in Tasmania in relation to cost versus quantity and land use. This site has water surety at around 95% and the water license will be for 40 years under the Water Management Act once approved. This will allow Council to offer 40 year water licenses to all users.

Background

Both Tassal and the Glamorgan Spring Bay Council had been working on alternative options to supply fresh water to the salmon farm lease and the Solis golf course development. Early designs had indicated that preferred sites were not capable of large water holdings and only have surety of supply at around 75-80% putting pressure on both organisations to either find alternative sites or other options for raw water supply or take the risk in dry years. This is when it became clear that there was an opportunity to work together and see if there was a benefit for all stakeholders to benefit from this solution. Under this plan Council will be the natural owner of the infrastructure allowing it to deal with all stakeholders on a commercial basis. A single commercial owner does not afford the opportunity for the dam to become an economic driver for the local economy and community. Council has the ability, expertise and workforce to be involved in constructing some of the infrastructure including pipelines.

The Turvey family are long established respected farmers of the area and are very supportive of development, helping wherever they can. The development will complement their existing farming and tourism ventures and allow them to expand. A long term lease acceptable to all parties will be negotiated between the Turvey family and the Council.

Access to the site will be via existing accesses and a new access will be provided across the top of the dam to enable farming operations to continue. Council will ensure that these roads are maintained to an acceptable standard for all users.

The take out point of the dam is still to be decided with one option being to take water just to the south of the existing TasWater pump on the Prosser River. Any water taken from this point will be metered and the equivalent amount of water will be released from the dam to ensure that there is no negative effect on the environment or the drinking water supply. This water release will be calculated by a hydrologist and may be as high as 130% of water taken.

The Market

There is abundant data on the market potential and demand for such a quantity of water with a low capital cost. The capital cost of this project is expected to be around $4.5 million to deliver water to the Louisville Point node and then a further $7.0million to deliver it 20 kilometres north of that node in the future if the demand and market return is there making a total cost of around $11.5 million dollars. This capital cost of $3,833 per mega litre compares to a capital cost of $8,500 per mega litre for other irrigation schemes of comparable size.

Operating costs of the system are expected to be around $205,000 per annum or $68.33 per mega litre which compares favourably to other irrigation systems at $102.00 per mega litre for similar sizes. This operating cost also includes a cost allocation of $35.00 per mega litre for renewal of assets including pump stations and dam walls. At this rate Council could set a water rate at $3,833 per mega litre buy in and an annual usage rate of $68.33 per mega litre. These rates would be cheaper for users closer to the Louisville node, as this is calculated at the furthest delivery point 20 kilometres north of the Louisville node. Alternatives could be a no upfront capital cost for users and Council borrow the funds ensuring the principal plus interest cost is returned to Council via the usage cost to users.

A more detailed analysis is provided as Annexure "A".

Vision, Values and Objectives

Vision

- To become an affordable raw water supplier to the South East Glamorgan Spring Bay area.
- To support future business expansion including farming and tourism.
- To produce an excellent reliable water supply at the lowest possible cost.
- To create a business that pays for itself but is not commercial in nature.
- To ensure future residential subdivisions are viable by helping TasWater to ensure adequate water supply well into the future and dry years.
- To make the Council sustainable by increasing business activity and creating new opportunities and employment.

Values

- Passion about economic support for businesses on the East Coast.
- Committed to supporting our farmers.
- Integrity, honesty and transparency in our business dealings.
- To value and protect the natural assets.

Objectives

- To build the water source as designed.
- To cover all costs including any finance costs.
- To be returning a small profit per annum of $35.00 per mega litre to cover future infrastructure renewal costs.
- To achieve yearly turnover targets and usage.
- To expand on demand.

The Finances

Costs of Setting up the Venture

The capital cost of this project is expected to be around the $4.5 million to deliver water to the Louisville Point node and then a further $7.0million to deliver it 20 kilometres north of that node making a total cost of around $11.5 million dollars. This capital cost of $3,833 per mega litre compares to a capital cost of $8,500 per mega litre for other similar sized irrigation schemes. At this rate Council could set a water rate at $3,833 per mega litre buy in and an annual usage rate of $58.33 per mega litre. Alternatives could be a no upfront capital cost for users and Council borrow the funds ensuring the principal plus interest cost is returned to Council via the usage cost to users. A more detailed analysis is provided as Annexure "A"

Ongoing Costs of the Venture

Operating costs of the system are expected to be around $205,000 per annum or $68.33 per mega litre which compares to other similar sized schemes at $102.00 per mega litre. This operating cost also includes a cost allocation of $35.00 per mega litre for renewal of assets including pump stations and dam walls. Operating costs are detailed in Annexure "A"

Risk Management

Risk	Likelihood	Impact	Strategy
Sourcing sufficient capital for start up	Low	High	• Business case stacks up. MOU with major users or letters of intent.
Sourcing sufficient capital for other stages of venture	Low	Low	• As in the first instance
Competition	Low	Low	• Demonstrated lack of competition in this venture throughout Tasmania especially with the low capital cost and excellent dam site.
Inadequate management of resources	Moderate	Medium	• Appoint experienced Team to carry out this tasks
Poor take up of allocations	Low	High	• Not likely after selling the low capital costs, ongoing costs and reliability
Quality of construction	Low	High	• Ensure appropriate project management and accountability
Community Acceptance and social license	High	Medium	• Need to sell the benefits to the community
Users going into liquidation	Low	High	• The water should be readily snapped up by other users • Ensure appropriate conditions in contract of sale
Dispute with Landowner	Low	High	• Needs to be managed and a fair outcome for all
Government Acceptance	Medium	High	• Sell the benefits to all. Still semi Government owned
Unreliable water	Low	High	• 95% surety

The Market

The market is proven on the East Coast of Tasmania. The northern section of the Glamorgan Spring Bay area has been largely taken care of by Tas Irrigation with the commissioning of the Swan Valley irrigation scheme. On the East Coast it is all about storing water when it rains.

This project will be one of the largest storage dams on the East Coast of Tasmania. With its added reliability it will provide assurance to the customers of the scheme which will promote serious economic activity. A recent analysis of the river shows that the dam will not adversely impact other Prosser River water users; it only acts to capture and store water during wet periods for later use. Prosser River flows can be quite extreme – experiencing not only long periods of dry, but also very large flows following major rainfall events. As an indication, records show that since 1965 there have been 640 times when Prosser River flows exceeded 1,000ML in a single day, and 237 days when flows exceeded 3,000 ML in a single day. The market for the water is assessed as considerable.

Target Markets

Tassal will require up to 500 mega litres of fresh raw water per annum for the bathing of their fish and Solis will require up to 300 mega litres of fresh raw water for the golf course. Of course usage on the golf course will be dependent on weather conditions and usage in the wetter years may be a lot less. Taswater will have a security of 200 mega litres per annum. Assuming the storage is kept at two years supply for these projects there should be up to 1,000 mega litres available for farmers and other users.

Marketing Strategy

Once the final dam is sized and costed a marketing strategy will be developed, although it is not likely that this will be needed considering the level of interest already generated by the project.

SWOT Analysis

Strengths	Weaknesses
High volume raw water of good quality	Community support
Relatively easy construction of dam	Council support and negativity
Low cost of capital in comparison to quantity of water	Possible resistance from State and Commonwealth Governments with the preference to fund or approve through Tas Irrigation
Everybody wins	

Opportunities	Threats
Provide Irrigation for new crops for up to 10 farmers	No take up of excess mega litres
The 2,000mgl Swan Valley Irrigation is expected to provide 32FTE jobs and $16.6 million dollars at the farm gate. Based upon 3,000mgl can we determine 48FTE and $24.9 million dollars at the farm gate	No social license
Provide water to the new salmon lease for Tassal. Up to a further 25 jobs initially with the possibility of up to a further 12 at the rendering plant	Lack of support from Council and Governments
Provide water to the Solis golf course coupled with the Eastcoaster	Poor marketing, poor experience and poor project management
Resort a further 25 jobs	Unreliable water – however 95% surety
Provide a unique visitor experience on the farm	

Our Competitors

Competitor details – Tasmania/Mainland

Competitor	Value to customers	Strengths	Weaknesses
Tas Irrigation	Raw water sales	Being a GBE are possibly more trusted than Council	High priced red tape organisation. Not known to owners of land. Owners of land will be caught up in red tape
Farm Dams	Raw water for farming	On site raw water	Low volume. Low reliability.

The Future

Vision statement:

The Prosser Plains Raw Water Scheme is seen as a major project for the south east portion of the Glamorgan Spring Bay Municipality. The Prosser Plains Raw Water Scheme will deliver fresh raw water to a number of commercial activities at the lowest possible cost to boost economic development and jobs for the area.

Strategic objectives:

The Prosser Plains Raw Water Scheme will deliver water to the south east region of the Glamorgan Spring Bay Municipality at the lowest possible cost to achieve commercial, primary and other industrial economic development and jobs. It will also provide surety around the town water supplies for Orford and Triabunna. The dam is easily expanded should the demand exceed supply.

Growth opportunities:

- Primary Production
- Surety of town water supplies enabling residential growth
- Commercial activities
- Jobs

Summary

Overall we believe that the business plan is sound with unlimited market potential. The project will provide a sustainable water supply that will not be easily duplicated within Tasmania and will stand against anything globally or nationally with regards to cost versus supply and land usage. The key to the development is to gain farming support and as a lead on, community support for the venture.

Forecast Start-up Costs

- Capital Cost of dam construction $2,255,372
- Capital Cost of raw water delivery (Louisville Node) $2,144,628
- Capital Cost of raw water delivery (20klms North of Louisville Node $7,000,000
- Approvals and engineering $100,000
- **TOTAL ESTIMATED START UP COST $11,500,000 *****

***** Costs compiled by**
JOHNSTONE, McGEE & GANDY PTY LTD
Incorporating Dale P. Luck & Associates

Annexure A: Analysis of Figures

Draft Dam cost structures	***MGL***	***Cost to Node Lousiville Road***	***Source***	***Cost per MGL***	***Cost from Node 20kims North***	***Source***	***Cost per MGL***
Capacity of Dam	3000	$4,500,000	JMG	$1,500	$ 7,000,000	JMG	$ 3,833
Maintenance Cost (Includes, Labour, Vehicles and Materials, Power, Renewal of Assets and estimated lease fee)	3000	$175,000	JMG	$58.33	$30,000	JMG	$68.33
Cost of Capital:							
Capital	3000	$86,008.00	Tascorp	$28.67	$133,790.00	Tascorp	$73.27
Interest	3000	$158,993.00	Tascorp	$53.00	$247,323.00	Tascorp	$135.44
INVESTORS:				**Initial** **Ongoing**			**Initial** **Ongoing**
Capital plus Maintenance	3000			$1,558.33 $58.33			$ 3,901.67 $68.33
No Capital plus Maintenance	3000			$140.00 $140.00			$277.04 $277.04

Annexure B: Checklist of required approvals –Based upon water take at the Prosser River

Checklist of permits and approvals

REASON	FROM	TYPE	Contact	PROP ID	PROPERTY ADDRESS	OWNERS ADDRESS
REGS	GSBC	Planning permit to build a pipeline- LUPA	David Metcalf			
REGS	GSBC	Building Permit Pump Station	David Metcalf			
POWER	TAS NETWORKS	Pump station power - Prossers River	Mather Taylor	TASNETWORKS - connect to Pole ID 330294 (Taswater)		
POWER	TAS NETWORKS	Pump Station Power - Golf Course				
Private	SOLIS (TASMANIA) PTY LTD	Construction access and easement	Mario	2549195	Lot 1 TASMAN HWY ORFORD TAS 7190	110 FRANKSTON GARDENS DR CARRUM DOWNS VIC 3201
Private	Taswater	Construction access and easement	Prossers Dam			
Private	Taswater	Pump Station and Power	Prossers Dam			
Private	SOLIS (TASMANIA) PTY LTD	Golf Course Dams		2549195		
Private	Turvey	50 + year rights	Main Dam			
REGS	ACDC(DPIPWE)	Turvey site Dam	MAC FRANK			
Private	DOUGLAS BLAIN	Construction access and easement	Prosser River	5970591	'BROCKLEY' - 160 BROCKLEY RD BUCKLAND TAS 7190	STONEHURST STONEHURST RD BUCKLAND TAS 7190
Private	SIMON SHERRIF ALLEN & KAREN ANN WILD-ALLEN	Construction access and easement	Prosser River	2971775	Lot 1 ALMA RD ORFORD TAS 7190	27 MORTYN PL HOWRAH TAS 7018
Private	IAN JAMES HARREX & ANN DOROTHY TOLSON	Construction access and easement	Adjacent Convict Road	2566905	321 ALMA RD ORFORD TAS 7190	32A ALSTON AV COMO WA 6152
Private	MICHAEL KEELING GRANGER & ERICA JEAN CUTHBERT		Adjacent Convict Road	3191711	Lot 6 TASMAN HWY ORFORD TAS 7190	10 MUSGROVE RD GEILSTON BAY TAS 7015
GOVT	PARKS AND WILDLIFE SERVICE	Construction access and Pipeline easement	Sheas Creek	5974792	'RASPINS BEACH CAMPING PARK' - 90 TASMAN HWY ORFORD TAS 7190	GPO BOX 1751 HOBART TAS 7001
GOVT	DPIPWE	Construction access and Pipeline easement	Sheas Creek	Crown Land		
GOVT		Construction permission	Convict Road - crown Lease agreement 81723	3251438		
GOVT		Construction permission	Convict Road - Road reserve			
	THREATENED SPECIES		everywhere			
	EUROPEAN HERITAGE		Convict Road			
	CULTURAL HERITAGE		everywhere			
REGS	DSG	Permission to enter and construct	Tasman Highway			
REGS	GSBC	Road crossing louisville Road	David Metcalf			
REGS	DPIPWE	Crossing of Prossers River & Sheas Creek				
LANDOWNER	Taswater	PROSSERS DAM - power, extraction and pipeline	TASWATER- exisitng 300KW transformer on Pole 330294	5983552	7469 TASMAN HWY ORFORD TAS 7190	169 MAIN RD MOONAH TAS 7009

Annexure C: Water Licence Application

WATER ALLOCATION ASSESSMENT REPORT (WAAR)

Type of Water Licence Application

☒ ***NEW WATER LICENCE*** ☐ ***VARIATION TO AN EXISTING WATER LICENCE***

WATER LICENCE No:

Applicant

Applicant (licensee):	**Tassal Operations Pty Ltd & Glamorgan-Spring Bay Council**				
Property address:	**'Twamley', 156 Twamley Road, Buckland, Tas 7190**				
Contact name:	**Justin O'Connor**				
Postal address:	**GPO Box 1654, Hobart, Tas**				
Business Phone:	**03 6244 9018**		Mobile Phone:	0448 134 421	
Home Phone:		Fax:		Email:	justin.oconnor@tassal.com.au
Is the applicant the landowner or tenant?	Tenant				
If tenant, state name and address of landowner:	Derek Turvey 23 Kent Street, Buckland, Tas 7190				

Agent

Name:	Alistair Brooks		
Title:	Consultant		
Company:	Macquarie Franklin		
Company address	Tech 4, Unit 2 | 30-38 Innovation Drive| Dowsing Point |Tasmania | 7010		
Business Phone:		Mobile Phone:	0438 476 215
Fax:		Email:	abrooks@macfrank.com.au
Signature:			Date: 6/1/2016

Reason for application

- [x] New dam permit
- [ ] Licence existing operation
- [ ] Application to increase storage capacity
- [ ] Reassessment of storage capacity
- [ ] Other:

Type of storage (if applicable)

- [x] Instream
- [ ] Offstream (includes catchment, turkey nest)

Dam ID No: (if known)

(Proposed) Capacity at FSL: 3,000 ML

Location of storage – Water Management Plan (WMP)

Is the proposed storage located in a WMP area? [ ] Yes [x] No

Name of WMP:

Is the application in accordance with the requirements of the WMP? [ ] Yes [ ] N/A

Details of Proposed Water Source

If the application involves more than one water source, please complete a separate report for each water source.

Stream name:	Tea Tree Rivulet		
Proposed total period amount:	1	ML	
Proposed surety levels:	927	ML at surety 5	
	868	ML at surety 6	
Proposed max.daily amount[1]:		ML/day	
Proposed take period:	1st May to 31st Oct		
Coordinates of extraction point [GDA 94]: 5277701		E564715	N
Upstream catchment size	50.62	km^2	
Upstream catchment rainfall	793.39	mm/a	
Access[2]:	Instream	Purpose[3]:	Aquaculture & irrigation

[1]For daily amount insert pump capacity if via pump, proposed amount to be diverted if by diversion or est. take required if instream dam

[2] Access refers to how the water source is to fill the storage (e.g. instream dam, gravity diversion, pump from stream)

[3]Purpose may be irrigation, stock and/ or domestic, aquaculture, hydro, mining, commercial or other

Is the proposed take predominantly for a consumptive use? Yes [x] No [ ]

If No, how much of the proposed annual allocation is consumptive: ML

General Information

This assessment includes Aquaculture, Commercial and Hydropower allocations which may not return water to the extraction locality. These allocations need to be considered in deciding actual water availability.

The proponent is applying for a water allocation from Tea Tree Rivulet for the taking of water into a proposed 3,000ML storage dam. Tassal are currently undertaking an expansion of their salmon fish farming activities into the Triabunna region. Tassal are proposing to construct a 3,000ML storage on Derek Turvey's property on Tea Tree Rivulet near Buckland.

The WAT is currently showing the available allocation at the dam site to be 927ML at surety 5 and 868ML at surety 6.

It is likely that the development proposed for Louisville Point near Triabunna by Solis (Tasmania) Pty Ltd will also take water from this water resource for their requirements. At this stage Tassal are applying for the full water allocation but a percentage of that allocation may be transferred to Solis in the future.

The likely annual usage demand from the dam will be around 1,000ML, however due to the need to have a very high reliability of supply (97%) water will need to be carried over from one year to the next so a modelled dam capacity of 3,000ML is likely to be required.

A dam assessment is currently being undertaken and all the necessary reporting requirements will be submitted in due course. The proposal includes the establishment of a water course authority to release water from the dam site into the Prosser River with the extraction of the released flow near Orford.

Yield Assessment

Yield Reliability Table for proposed take location:

Winter (May to November)

Reliability	Total flow	Winter environmental flow (ML)
50%	6120.02	852.15
60%	4654.98	852.15
70%	2892.82	852.15
80%	1779.82	852.15

Selected FDAT reference catchment number: 1563,Prosser,24,SubcatYield

Justification for selection of reference catchment:
(if other than recommended reference catchment)

Click here to enter text.

Water Availability Assessment (May – Oct Take Period)

Catchment Level

Catchment Name Click here to enter text.
Catchment Outlet Point [GDA94] E 572338.95 N 5288441.06

Reliability	Availability limit	Current allocated	Potentially available
Hi (S5)	???	2435.11	???
Mid (S6)	???	310	???

Subcatchment level

Subcatchment Outlet Point [GDA94] E 565351.12 N 5284789.1

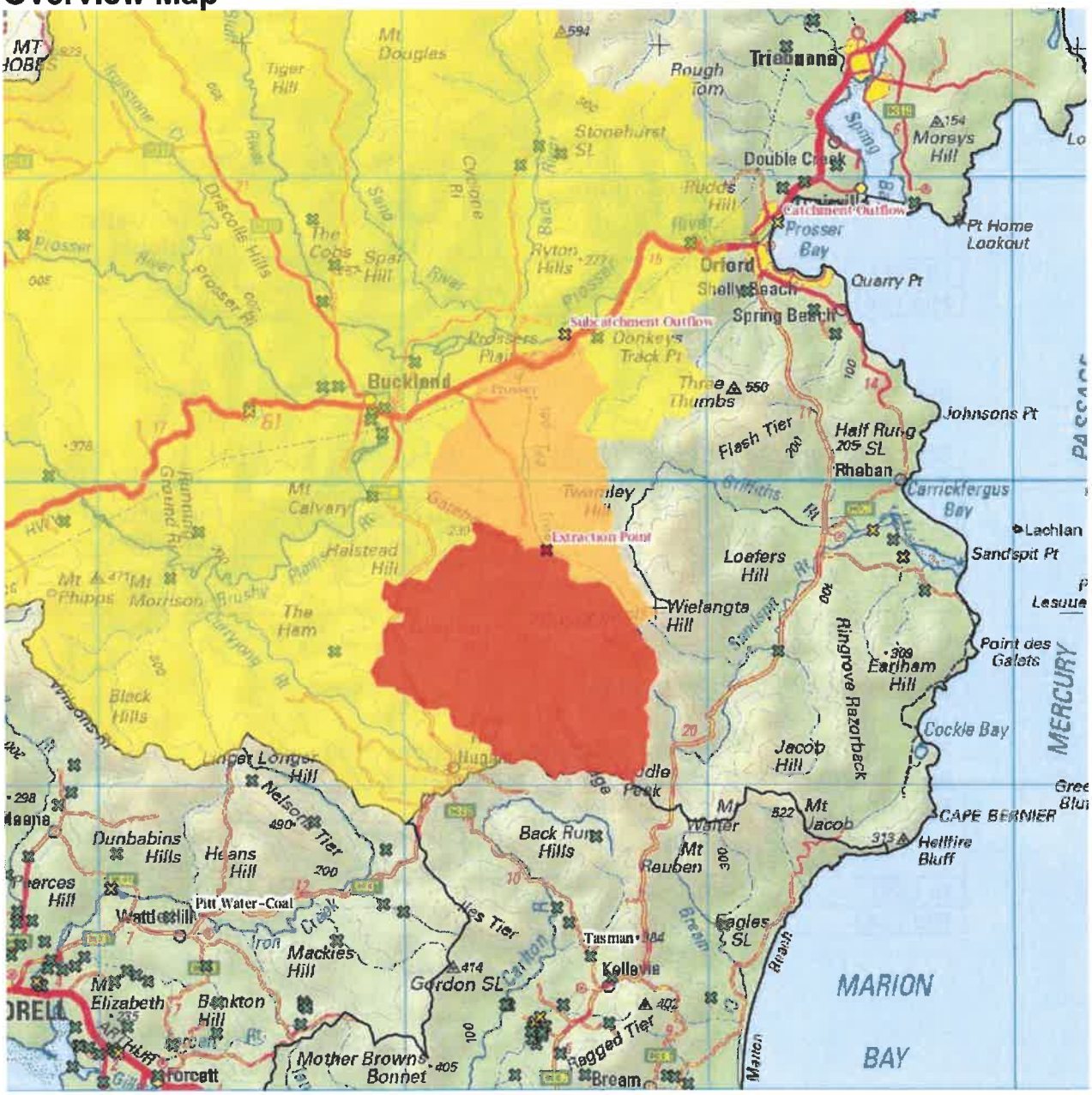
Reliability	Availability limit	Current allocated	Potentially available
Hi (S5)	1040.5	75	965.5
Mid (S6)	1079.36	0	1079.36

Local Level - Water take location

Please ensure any relevant secondary allocations are included in the assessment, add to existing upstream allocations if required.

Reliability	Availability limit	Current allocated	Potentially available
Hi (S5)	927.66	0	927.66
Mid (S6)	868.04	0	868.04

Overview Map



Proposed Surety 6 Takes (allocation within theoretical yield range between 50% Tay and 80% TAY):

Where a s6 allocation is proposed, please give details why a low risk scenario with regards to impacts on other persons taking water from this water resource, aquatic or riparian ecosystems is claimed.

- *Risk based rule with regards to allocation size/yield yet to be determined*

- If required, show extent of downstream zone of influence of a proposed s6 allocation[1] (please add supporting information, including a yield table for the endpoint of the zone of influence)

- Include a CFEV report covering the downstream zone of influence of the water allocation. Any statements discounting the relevance of listed values for must be supported by suitable evidence.

- Any other relevant information (for example, information in relation to ground-truthing of CFEV information, Natural Values Atlas extracts where relevant, ephemeral nature of stream etc)

Supplementary Information for Environmental Water Requirements

If a reduction of the default seasonal preserved volume (SPV) for environmental water requirements is requested for this proposed water allocation, please attach the relevant study determining seasonal preserved volumes, environmental flow requirements and proposed flow release regime. A reduction in the SPV for water allocation purposes will not be accepted without relevant supporting information.

Title and date of environmental flow study:

TBA

Additional Information for Low Reliability Water Take Applications

-TBA

[1] The downstream influence of an s6 water allocation extends to the point where existing and proposed water allocations are contained within the 80% TAY at that point. Please provide a yield allocation table for the downstream point zone of influence of the proposed water allocation.

Annexure D: RAW WATER ANALYSIS - Louisville point draft version 2

JOHNSTONE, McGEE & GANDY PTY LTD
Incorporating Dale P. Luck & Associates

Memorandum of Understanding

FRESH BATHING WATER SUPPLY TO PROPOSED TASSAL FISH FARM IN SPRING BAY

1. **Preamble**

Tassal is planning to develop a fish farming operation in Okehampton Bay, within the existing fin-fish lease used by Spring Bay Seafoods. This development will provide the Spring Bay, and East Coast, region of Tasmania with significant economic and community benefits. The farm will be developed and operated in accordance with Tassal's high sustainability, social and environmental standards – please refer Tassal's recent sustainability report located in the Tassal website. Tassal propose that the Okehampton Bay farm will be ready to receive its first fish in July 2018.

This farm will require a supply of up to 500 ML/pa of clean fresh water, supplied at a maximum rate of up to 5ML/day, to enable fish bathing operations. Salmon in the south east of Tasmania are bathed regularly to treat for AGD (amoebic gill disease). The fresh water effectively removes amoeba from the gills of salmon, without which the health of the fish would suffer.

The Glamorgan Spring Bay Council (GSBC) is keen to foster the economic and social growth of the Spring Bay area. As such GSBC are prepared to actively support both the Solis development (including world class golf course) and the Tassal Okehampton Bay development including the possibility of supplying water to local farms. For the Solis project to proceed a minimum of 300ML/pa of fresh clean water is required to support the development.

GSBC is proposing to establish and operate water storage and supply infrastructure which will provide the fresh water for both the Tassal, the Solis development, and local farmers, on a user pays basis in the long term and in the short term on a cost recovery basis to users. The scheme would also look to increase town water supply security for the area, through provision of supplementary storage capacity for Tawater's potential use, when and if they confirm interest.

This MOU describes the respective roles and responsibilities of Tassal and GSBC in establishing this water storage and supply scheme.

2. **Scope**

The scope of the water supply scheme is as described in "Fresh Water Supply Scheme for Spring Bay" document in Appendix A.

Generally the water scheme shall consist of:-

a. A 3,000ML water storage dam located on Tee Tree Creek on the property owned by the Turvey family;
b. A pumping station on the Prosser River which extracts fresh water (released from the Tea Tree Creek dam) or alternate extraction site and routes depending on cost;
c. A pipeline which carries water to the proposed Golf Club storage dam, and to Louisville Point foreshore – from which point Tassal plan to build an undersea pipeline to convey the water direct to the Okehampton Bay fin-fish lease.

3. Objectives

The objective of the agreement is to facilitate the economic and community growth of the Spring Bay area by GBSC developing, owning and operating key water supply infrastructure and so support both the Solis, and Tassal proposed investments and farming enterprises in the local area. This project also has the potential to secure additional drinking water supplies for the towns of Triabunna and Orford.

4. Partner organisations

The Memorandum of Understanding is between:

1. Tassal Operations Pty Ltd ABN 38 106 324 127; and
2. Glamorgan Spring Bay Council

5. Roles and responsibilities

Project Development Stage – nominally to end of December 2016

Tassal responsible to:-

a. Support GSBC in scoping, getting approval for and designing the water supply scheme (ie provision of Justin O'Connor advice as needed);
b. Design and obtain approval for the undersea pipeline between Louisville Point and Okehampton Bay fin-fish lease;
c. Develop a business case for the development of a salmon farming operation in Okehampton/Spring Bay;
d. Developing a commercial agreement with GSBC for the receiving of water from the scheme on a user pays basis in the long term and a cost recovery basis initially; and
e. Submit the business case to the Tassal Board for approval.

GSBC responsible to:-

a. To scope, get approval for and design the water supply scheme;
b. Developing a commercial agreement with Tassal for the provision of water from the scheme on a user pays basis in the long term and a cost recovery basis in the short term;

c. Execute a lease agreement with the Turvey's such that the Tea Tree Dam can be constructed and operated for the benefit of GSBC, Tassal and Solis for a minimum of 50 years;
d. Execute an agreement with Solis such that the water supply infrastructure (described in Appendix A) can be constructed and operated on Solis land;
e. Execute agreements with any other third parties required for the successful implementation of this scheme (eg Tasnetworks for the power to the pump station, Taswater for access rights, other landowners (as and if needed);

Project Execution and Operational Stage – ongoing nominally from December 2016 to July 2018

Tassal responsible to:-

a. Support GSBC in constructing and commissioning of the scheme (ie provision of Justin O'Connor advice as needed);
b. Construct and commission the undersea pipeline between Louisville Point and Okehampton Bay fin-fish lease by July 2018
c. Sign commercial agreement with GSBC for the receiving of water from the scheme on a user pays basis in the long term and cost recovery basis in the short term

GSBC responsible to:-

a. To construct and commission the water supply scheme by December 2017, with the dam being constructed by March 2018 to allow sufficient time for it to fill;
b. Sign a commercial agreement with Tassal for the provision of water from the scheme on a user pays basis in the long term and cost recovery basis in the short term;
c. Develop an agreement with Solis such that the water supply infrastructure (described in Appendix A) can be constructed and operated on Solis land; and
d. Submit the business case to the Tassal Board for approval, or otherwise, in around November 2016.

Both Tassal and GSBC agree to:-

- Fostering collaboration with any relevant 3rd parties;
- Support each other to remove obstacles to the successful delivery of the water supply scheme;
- Act in an appropriately commercial in confidence manner; and
- Maintain the focus on completing the scheme by the proposed dates;

6. Commercial

The commercial agreement between Tassal and GSBC will reflect the following agreed commercial basis:-

a. GSBC responsible for funding the design and construction of the scheme within the timeline outlined;
b. Tassal will pay a monthly usage fee based on:-
    a. The interest on the capital that GSBC uses to fund the scheme:
    b. Capital repayment rate over 30 years; and
    c. Monthly costs for GSBC to operate the water scheme
c. Tassal in the future to pay a monthly fee based on it's share of water used (ie if Tassal uses 50% of the water, Tassal pays 50% of the monthly operating and capital repayment costs). Tassal will warrant to cover all the reasonable costs of the scheme in the instance no other water users are contributing.
d. GSBC shall use its best endeavours to attract other users as required to assist fund the scheme, including Solis/golf club whilst reserving 500ML/pa and 5ML/day minimum flows for Tassal.

7. Governance structure and reporting

The respective officers charged with primary responsibility for successful execution of the MOU are:-

a. Justin O'Connor: Tassal
b. David Metcalf: GSBC

8. Meetings

a. Meetings will be held on a regular basis to facilitate co-operation and keep both parties focussed on completing agreed objectives.
b. Meetings will be co-chaired by David Metcalf and Justin O'Connor

9. Settling Disputes

Any dispute regarding the interpretation or application of this MOU will be resolved through consultation between the parties both parties acting in good faith and reasonably.

10. Authorisation

The signing of this MOU is not a formal undertaking. It implies that the signatories will strive to reach the objectives stated in this MOU to the best of their ability.

Tassal Operations Pty Ltd ABN 38 106 324 127

Mark Ryan (Managing Director and CEO)

Signature of witness

MONIKA MACIOLEK

Name of witness

Date

Glamorgan Spring Bay Council

Signature of authorised representative

Name and title of authorised representative

Signature of witness

Name of witness

Date

Attachment 7 Item 8.1: Tassal Letter of Commitment

19 January 2017

Mr. David Metcalf
General Manager
Glamorgan Spring Bay Council

By email: david@freycinet.tas .gov.au

Dear Mr Metcalf

Dam project – Prosser Plains Raw Water Scheme

LETTER OF COMMITMENT

RECITALS

A. This purpose of this letter is to confirm certain commitments and undertakings hereby given by Tassal Operations Pty Ltd ABN 38 106 324 127 (**'Tassal'**) in relation to present and future conduct in relation to a scheme for the supply of water under the abovenamed scheme (**'Project'**), as described in the Memorandum of Understanding between Tassal and the Glamorgan Spring Bay Council (**'Council'**) which is annexed hereto (**Memorandum of Understanding**).

B. As contemplated by the Memorandum of Understanding, there will be a Project Committee (comprising one representative from the Council and one from Tassal) which will be charged with the responsibility for the successful execution of the Project, including but not limited to, approval and sign-off on all commitments and or expenditure howsoever associated or connected with the Project

C. Tassal confirms that it hereby requests Council to proceed with the investigation and design of the Project including but not limited to obtaining the relevant reports to enable the Project to proceed. (subject always to the approval of the Project Committee in relations to any associated costs and commitments)

1. TASSAL'S BINDING UNDERTAKING

Tassal agrees that, in the event that for any reason including that Council decides, acting reasonably , not to continue with the Project, that Tassal will reimburse the Council for any and all costs associated with the investigation and design of the Project, including obtaining relevant reports and plans provided always that the Council assigns and or transfers (or procures the assignment or transfer of) to Tassal, any and all its rights benefits title and interest in any and all leases licences proprietary and or access rights and any other documentation or matters howsoever associated with the Project and does all other things necessary to give effect to the intention of this clause .

2. TASSAL'S FURTHER COMMITMENTS

2.1 Subject to the execution of commercial agreements by all the relevant participants in the Project including but not limited to Tassal and the Council

(a) Tassal indemnifies the Council in relation to any costs including but not limited to any maintenance costs, interest, capital and any other consultancy costs that may be required relating to the Project provided always that Tassal has agreed to and signed off on all such costs as part of the Project Committee.

(b) Tassal acknowledges that part of the negotiated water supply deal will entitle Taswater to 200ML of water from the scheme for no charge if and when required.

(c) Tassal hereby indemnifies the Council for all monetary outgoings should the Project not proceed for any reason at any stage of the development of the Project, upon production of evidence of expenditure and the relevant tax invoices provided always that:

1. Tassal has agreed to and signed off on all such costs as part of the Project Committee; and
2. the Council assigns and or transfers (or procures the assignment or transfer of) to Tassal, all its rights benefits title and interest in any and all leases licences proprietary and or access rights and any other documentation or matters howsoever associated with the Project and does all other things necessary to give effect to the intention of the clause.

3. AUTHORITY TO ACT FOR TASSAL

I Mark Ryan, being the Managing Director and CEO of Tassal Operations Pty Ltd hereby warrant that in signing this document I am authorised to do so on behalf of Tassal.

Signed by Mark Ryan for and on behalf of Tassal Operations Pty Ltd

Tassal Group Limited
ABN 15 106 062 270
Tassal Operations Pty. Ltd.
ABN 36 106 324 727
De Costi Seafoods Pty. Ltd.
ABN 91 606 307 804
GPO Box 1545, Hobart
Tasmania, AUSTRALIA 7001
email: tassal@tassal.com.au
website: www.tassal.com.au

22nd February 2018

Mr. David Metcalf
General Manager
Glamorgan Spring Bay Council

By Email: david@freycinet.tas.gov.au

Dear Mr Metcalf,

Prosser Plains Raw Water Scheme
LETTER OF COMMITMENT

The purpose of this letter is to confirm certain commitments and undertakings given by Tassal Operations Pty Ltd ("Tassal") to Glamorgan Spring Bay Council ("Council") regarding the above-named project ("the Project").

As contemplated by the Memorandum of Understanding and the previous Letter of Commitment dated 19th January 2017, there will be a Project Committee (comprising one representative from the Council and one from Tassal) who will be responsible for the successful execution of the Project.

As part of their responsibilities, the Project Committee will be required (including but not limited) to manage: approval, construction, commissioning and sign-off on all commitments and/or expenditure howsoever associated or connected with the Project.

Tassal requests Council proceed with the construction of the Project (subject always to the approval of the Project Committee), including the planned undersea pipelines to Tassal's marine operations site in Spring Bay.

Subject to execution of binding commercial agreements between Tassal, Council and any other relevant parties, Tassal agrees the following:

1. If Council reasonably decides to discontinue with the Project prior to construction, Tassal will reimburse Council for any and all costs associated with the investigation and design of the Project on condition that Council assigns and/or transfers to Tassal any and all its rights, benefits, grants, title and interest in all leases, licences, proprietary and/or access rights, and any other documentation or matters howsoever associated with the Project.

2. If the Project does not proceed at any stage for any reason, Tassal indemnifies Council for all outgoing costs of the Project, provided that:

    a. Council produces evidence of expenditure and all relevant tax invoices;
    b. The Project Committee had agreed to and signed off on all outgoing costs; and

c. Should Tassal wish to continue with the Project, Council assigns or transfers to Tassal all its right, benefit, grants, title and interest in all infrastructure, leases, licence, proprietary and or access rights and any other equipment and documentation howsoever associated with the Project.

3. Tassal indemnifies Council in relation to maintenance costs, interest, capital and any other consultancy costs that relate to the Project prior to construction, subject to the Project Committee's approval of those costs.

4. TasWater is entitled to 200ML per annum of water from the Project at no charge to TasWater if and when required by Tassal.

5. Tassal commits to transfer all its right, benefit and interest to the Hobbs Lagoon water supply being water licence number 9230 with an allocation of 3,325ML. to Council.

6. Tassal commits to pay Council for the annual maintenance, financing (capital plus interest), electricity, licensing and other associated operating costs of the Project subject to the Project Committee's approval of those costs.

   Tassal makes this commitment on the understanding that the Project will be self-funding inclusive of all design and approved construction costs, grants, water usage charges and operating costs, and on the principle that Council ratepayers are not to be financially burdened by the Project. It is a condition of this commitment that Council take proactive and all reasonable steps required to secure additional water users of the Project and all agreements with additional users are approved by the Project Committee, and are on fair and reasonable commercial terms.

Signed by Tassal Operations Pty Ltd by its authorised representative:

Mark Ryan
Managing Director and CEO