

SHAREHOLDER NEWSLETTER

15 September 2015

WELCOME

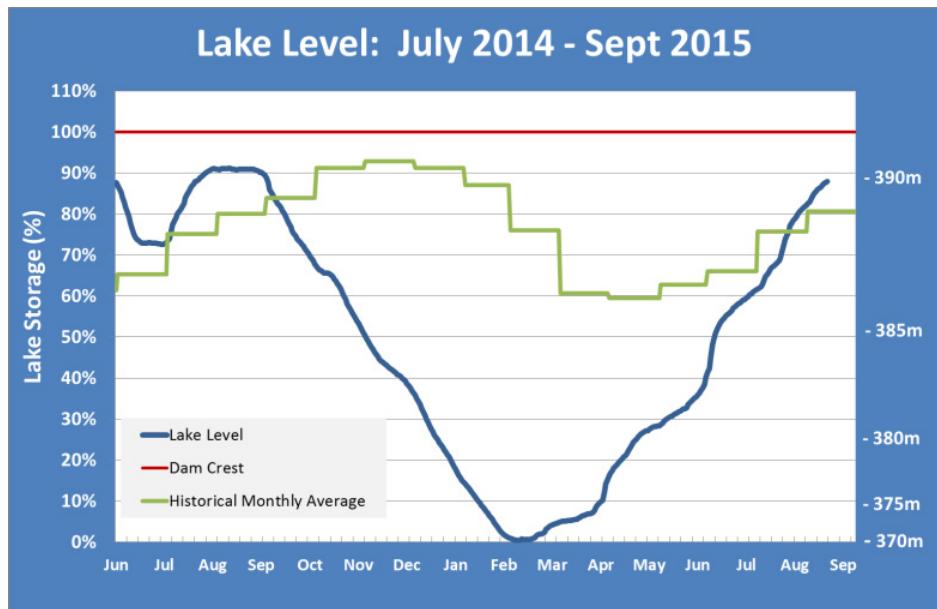
We have started the irrigation season (1st September) but, as with most years, we are not anticipating any real irrigation demand this month. I will explain in this newsletter how we intend to manage the storage and irrigation requirements at this early part of the season – no surprise to most of you that we will be taking a very precautionary approach.

In this newsletter I will provide updates on the lake storage, the start of the irrigation season and the progress with the investigations into the contaminant claims. I cover a few things that are happening up at the dam – current work and our plans for next year. We have an opportunity for some irrigation management training for those who have not done this very successful course previously and we're also in the market for an Operations and Asset Manager – see overleaf for details.

WATER STORAGE

Our lake storage is currently 88% full compared with our average level for September of 81%. That sounds good but we are actually still about 3% below where we were this time last year. I'm reasonably confident we will be able to continue to increase the lake level through this month (unlike September last year). If the next two weeks are similar to the three weeks just gone, we should make 100% by the end of the month. On its own however, that is no guarantee of water for the whole season. My view is that a full lake after Xmas is a much better proposition than relying on just being full at the end of September.

As I have reported previously, we have been tracking the likely snowpack in the catchment behind the lake and our indications are that there is more than last year (possibly twice as much) albeit still below average. It is the amount of snowpack that helps us get through Spring so it does look like there will be a bit of assistance from the melting snow this season.



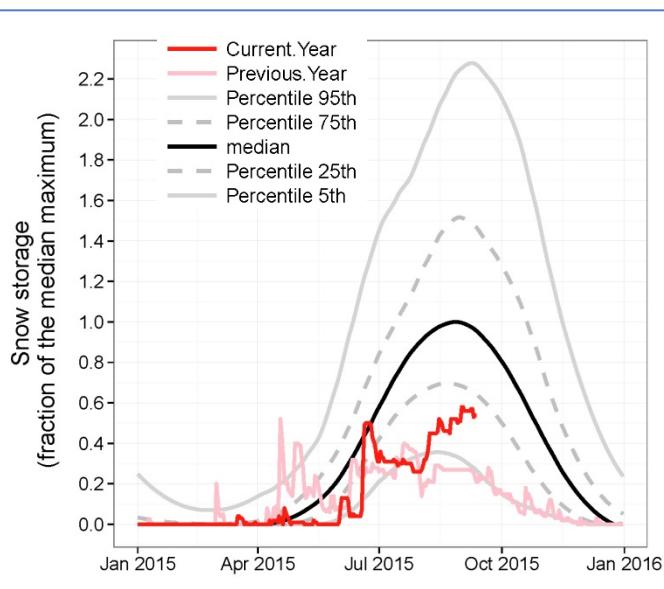
WATER USE & STORAGE MANAGEMENT

From what I have been able to research, the forecast El Nino conditions may not be as drastic for Sth Canterbury and for Opuha if we get the cooler Spring that seems to be part of the climatic sequence. If this is the case, then our overall Spring demand may be lower and enable us to keep more water in storage to provide for the very dry conditions that are expected to prevail after Xmas. The impact of a windier Spring (also forecast) is a little more difficult to anticipate – it probably will be the overall temperature that will determine just how 'drying' the windier conditions are and what affect this has on evapotranspiration (ET) and subsequently on soil moisture and water demand.

Restrictions

We are expecting to be operating under a managed regime for most of this season and certainly from the outset.

In September, we have agreed to a 50% irrigation restriction regime along with a reduced minimum flow at Saleyards Bridge. In our discussions with OEFRAG leading into September, it was felt that all effort should continue to be focused on filling the lake so a combined regime of reduced river flow and voluntary restrictions was agreed. In offering the 50% restriction, we were very clear with all parties that our demand in September is typically nil or close to it. We were confident



however that even if conditions did change (in particular, if soil temperatures did rise significantly) that we would be able to meet any irrigation demand under a restricted regime.

We have also agreed that if the natural catchment flows get up sufficiently with some decent rain to around 60 cumecs in the Opihi River, then we will release a flushing flow to assist with a freshening of the Opuha River. The Opuha has been running under minimum release from the dam for over six months now. I explained this in our last newsletter.

In October, the minimum river flow under the ORRP rises significantly to 8.5 cumecs – it is our highest river flow month and also the start of the fishing season. It can also be quite a ‘swing’ month for irrigation with demand anywhere between zero and 100% in different seasons. All OEFRAG members are very conscious of the need to manage the storage and river flows at this critical time of the season and I would suggest that we will be looking to manage the allocation of water between river and irrigation very carefully.

In preparation for our OEFRAG meeting next week, I will be doing a close assessment of lake storage, potential snow melt yield and likely water demand (river and irrigation) to help inform any decision by the group. I would be very appreciative of any information or feedback from our irrigators around the whole region on soil moisture levels (especially those with Aquaflex or other quantitative data) and anticipated early season demand. Please email me directly over the next week.

LAKEBED SEDIMENT – Investigation by ECan

As you are all aware, there is a process in place to work with ECan around the as-yet-unsubstantiated claims about possible chemicals in the lake bed. The focus of your Board and management team is to work closely with ECan as the lead regulatory authority, the local group that has made these claims, Arowhenua, TDC and other stakeholders to further investigate these claims in a scientifically robust way under the leadership of ECan.

Since I last wrote to you all, further sampling has been carried out up at the lake by ECan using divers to sample in the locations provided by the local group as to where they had sampled the dry lake bed (see photo above) These samples are now being prepared for analysis under a very robust, scientific process.

When the laboratory analyses are completed, Opuha Water will work with ECan to ensure that a pathway forward is identified including how we communicate with you as our shareholders.

The Board and management of Opuha Water are treating this issue with the utmost importance and are committed to ensuring that the investigation and any subsequent actions are based on robust evidence and science.

To continue to provide confidence in our scheme at this time, we have been conducting regular water sampling using independent contractors and the results have all continued to show no detectable levels of the alleged chemicals.

I will continue to provide updates to you all via my newsletters as we make progress towards resolving this matter.



OPERATIONS

Irrigation Season Preparation

Steve, Chris and Richard have completed all the major repair and upgrade work around the schemes in preparation for the new season. The Levels scheme has had some water through it as part of the pre-season cleaning and I expect Totara Valley will have the same soon. Kakahu tends to come on a bit later because of the heavier soils and later demand in that part of the region.

At the moment, most of the fine days are being spent by the Ops staff getting on top of the vegetation control spraying.

I expect most of you will be making your own preparations for the upcoming season. It is a good time to give the pump shed a check (bird's nests or rodent damage in the switchboard?) and also the intake (pump suction and screens) should be cleared before you start. At the delivery end, a look over critical pipe and hose connections as well as a close check of the irrigators themselves (structural check, tyre pressures, hoses and nozzles) might help avoid an unplanned outage on start-up – just when you need the water and all the irrigation service contractors are flat out elsewhere!

Power Station and Dam

We have been keeping an eye on the refurbished transformer and everything seems to be behaving with that key piece of equipment. The power station has been operating daily but only for about 2-3 hours as we are releasing minimum water from the dam.

The main maintenance work we currently have on at the dam site is at the downstream weir where the main hydraulic ram on the radial gate has been removed and is being overhauled – probably for the first time since the system was commissioned in 1998. The gate has to remain in service during this work so as special lifting beam has been installed to hold the gate open and enable some adjustment of its setting.

Downstream Weir Upgrade

I expect most of you will have heard me, sometime over the last four years(!), make reference to plans to upgrade the downstream weir. The main objective has been to address the frequency with which the overflow embankment has operated by increasing the flood passing capacity of the main structure. After a lot of time and effort considering the option to build a new, separate spillway structure, we have now reverted to a previous option that involves modifying the existing concrete

spillway and installing some new control gates. This is a lower cost option. We are currently firming up the budget for the project but I am expecting that we will be carrying out the modification work at the conclusion of the irrigation season in autumn next year. It is preferable that we have a lower lake level during the construction period so autumn should provide those conditions.

As well as reducing the frequency of the overflow embankment operating (where the section of the embankment gets washed out to pass high flood flow and thereby protect the rest of the structure and embankment), one of the other advantages will be that it reduces the risk we have always attributed to operating the lake at a very high level. Having a more resilient structure at the downstream weir will provide more confidence in operating the lake at high levels when we deem that necessary.

SHAREHOLDER FEEDBACK SESSIONS

We recently scheduled a couple of evening briefing meetings for shareholders who are not part of the sub-schemes – one in Fairlie and one at Opuha House (we had previously held forums for each of the sub-scheme groups). The main objective was to update on the lake conditions and look ahead at the coming season and also to get feedback on any issues of concern. We had a good turnout and discussion at Fairlie but a no-show the following evening at Pleasant Point which was a little surprising.

SHARES FOR SALE OR LEASE

A reminder that we are willing to advertise for sellers and buyers of shares (including lease opportunities) in our newsletters and on the website.

CURRENTLY WE ARE AWARE NOT AWARE ANY SHARES AVAILABLE FOR SALE OR LEASE

ECAN'S ANNUAL REVIEW OF WATER USE

We have been interacting with ECan Compliance staff over the last month as they carry out their review of last year's water use by consent holders. They have a semi-automated system that aligns individual consent conditions and any restriction regime with actual water use (from the telemetered meter data). Any inconsistencies are flagged by the system and are then investigated closer by the staff. Last season was particularly complicated with the water shortage directions in place and our self-managed allocation regime (eg 4 days on, 4 days off) we have been helping the staff determine whether there was actually any non-compliance incidents.

As I mentioned previously, I think the level of interest being shown by ECan on compliance with water consents should be a flag to all of you with your own consents for the season coming. It is important that you do understand the conditions of all your consents and ensure you operate within the conditions including how these conditions may be modified during any enforced restriction periods.

Irrigation Farm Manager Training

We have teamed up with the Sustainable Farming Fund and New Zealand Landcare Trust to fund an Irrigation Operator and Manager Training Course, for OWL shareholders.

This is a one-day training course, run by Irrigation New Zealand, to help irrigating farmers improve their knowledge and application of irrigation on their properties. The course provides a mix of classroom learning and in the paddock practical application, and topics include irrigation regulation, scheduling, operation and maintenance and irrigator calibration. A comprehensive set of resources is also provided to take home for reference and future learning.

This is a great opportunity for shareholders (or their managers) to attend the course free of charge - it would usually cost \$250 per person to attend. Registration is limited to 24 people, therefore if you would like to attend please let Julia Crossman know as soon as possible julia@opuha.co.nz or 021535174.

A flier will also be sent to you all via email in the next week regarding this event.

ENVIRONMENTAL

Land and Water Regional Plan Update

One of the topics we did present on at our recent shareholder meetings was the pending changes to the Land and Water Regional Plan (LWRP). There is a Plan Change scheduled to be released in October, which will introduce the Matrix of Good Management (MGM) and new nutrient management provisions. These new rules introduce thresholds of 50ha irrigation or 20ha winter-grazing as those which require a resource consent, replacing the '20kgN/ha/yr rule'. A consent will be required under these new rules when they become operative after the RMA submission and hearing process.

We have become very concerned recently that ECan have not been clear whether the existing LWRP rules will still apply requiring Orange Zone farmers who currently have an N loss of >20kg/ha/yr to obtain a consent by 1st January 2016. We know we have a number of shareholders in this position. We have been getting informal feedback that the consent requirement will not be enforced but our attempts to get formal advice from ECan on this basis have been unsuccessful. We will continue to seek clarity on this matter on behalf of those of you that fall within this criteria.

Farm Environment Plans

We are continuing to roll-out our FEP programme and we're down to 36 to go in the "Orange Zone landowners irrigating 50 hectare or more" group and we are still aiming to complete these by Xmas.

In the New Year, we will be contacting Red Zone landowners with more than 50 hectares irrigation. There are 15 of these remaining to be completed (mainly Kakahu). We are recruiting additional resources to assist with this stage of the programme.

ANNUAL GENERAL MEETING

An early note for your diaries:

**Opuha Water Ltd AGM,
4pm, 30th November
Pleasant Point Golf Club.**

Note that this will be the first AGM of the fully merged Opuha entity. We will be holding postal elections for (one or two) Directors in the lead up to the meeting.

STAFF NEWS

Vacancy - Operations and Asset Manager

It is with much regret but with our very best wishes that I need to advise you all that Steve Pagan will be moving on from Opuha Water by the end of the year. I fully understand Steve's decision to move back full time on to the family farm in Beautiful Valley and we wish Steve and Kate all the best with this exciting new undertaking. It was Steve's intention to see this season out with us but an unplanned change of circumstances has brought that date forward now.

Steve has been with us four years and, in that time, has well and truly defined the Operations and Asset Manager role. The relationships and systems that Steve has developed in his time here have formed the foundation of a very successful period for both Steve and Opuha.

We will ensure that we have an appropriate send-off for him but in the meantime I am sure you will all join with us in thanking Steve and wishing him well.

So we now have a great opportunity for the right person to fill some very big boots! I have already initiated a recruitment process and advertisements for the role will be out this week.

If you know of anyone that is interested in this very rewarding role, please get them to contact our recruitment advisor, Natasha Muller, on Ph 03 688 8367 or email Natasha at natasha@personnelplacements.co.nz.

I would also be happy to discuss any aspects of the role with any of you. Please contact me directly.

Family Plans

The other very notable 'development' in our staff team is that Julia will be taking maternity leave early in the New Year.

Exciting times ahead for Julia and Jon with the pending arrival of their first child and we wish them all the best as their already busy lifestyle gets turned on its head!

Regards

Tony McCormick
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tony@opuha.co.nz

FUEL PURCHASE CONTRACT

Just a reminder of the offer to all our shareholders on the back of our own switch to NPD for our primary fuel purchases. Area Manager Nick Clarkson is offering very competitive rates and service to any of our shareholders and I would recommend that you give Nick a call to see what he can do for you.

OPUHA WATER LTD – SPECIAL FUEL OFFER

**For The Best Prices
on Fuel Call NPD**

NPD is now the approved fuel supplier for Opuha Water Ltd so we want to extend our service to all Opuha Water Ltd Shareholders and Contractors. For the best price on fuel call NPD Area Manager Nick Clarkson on **027 288 0018**.



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