

Round 2: Hughenden Irrigation Project Demand Assessment – Letter of Intent

Name of customer:

Company / trading name:

Main property / address:

Email: Ph/Mob:

Confidentiality

Your identity, land areas, water demand and commercial information will be confidential. But your responses will be aggregated with other responses and published as part of a summary in the detailed business case.

Water product

The proposed project is expected to deliver a mix of about **60,000 ML** of two water products:

- 1) Medium priority (MP) – monthly reliability of about **80%**
- 2) High priority agriculture (HPA) – monthly reliability of **at least 95%**.

Capital cost – Customer contribution (once-off upfront)

Customers pay a one-off capital contribution for a tradable water asset and share of scheme. This form asks for your demand at two prices for each product.

Greenfield farming land is likely to cost about **\$1,200 per hectare** (subject to negotiations).

Operating cost – Annual water charges (no government subsidy available)

Governments require 100% of operating costs be covered by annual charges. The following annual charges are draft only and may change during the detailed business case (once engineering has been completed).

PRICES

Medium priority (MP) prices

Medium priority	Low (\$/ML)	High (\$/ML)
Capital charge – once-off upfront (\$/ML)	1,400	2,000
Fixed annual charge (\$/ML)	96	96
Variable water use charge (\$/ML)	14	28
Total annual charge (ongoing) (\$/ML)	110	124

High priority agriculture (HPA) prices

High priority ag	Low (\$/ML)	High (\$/ML)
Capital charge – once-off upfront (\$/ML)	3,900	4,500
Fixed annual charge (\$/ML)	164	164
Variable water use charge (\$/ML)	14	28
Total annual charge (ongoing) (\$/ML)	178	192

Geotechnical investigations, engineering design and costs are not complete, so we need this price range.

Please include a truthful volume of demand at low and high price points to give the scheme its best chance.

OTHER INFORMATION

Farm development: Blocks will be sold with a four-wire boundary fence and an access road, electricity connection and metered irrigation outlet to boundary. No internal block development (e.g. laser leveling) will be done by the project proponent. Customers will develop their own blocks at their own cost.

Flowrate: Water will be available 330 days. Flowrate is based on delivery of your entitlement over 270 days (24 hrs/day). You will receive your water in as little as 9 months (270 days) but can stretch it out over 330 days.

Meter flow rates are calculated as follows (e.g. 1,000ML divided by 270 days = 3.7ML/day = 43 Litres/second).

Pressure: Minimum pressure to property is 50 kPa or 7 PSI. But most will get about 150kPa or 21 PSI.

See PowerPoint information pack for more detail.

YOUR CURRENT OPERATIONS

Q1: What is your current main enterprise (i.e. beef, annual crop, tree crops or other)?

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Q2. If you are a beef producer, how many cattle do you turn off annually?

Q3: How many hectares of **dryland annual crops** do you have?

Q4: How many hectares of **irrigated annual crops** do you have?

Q5. How many hectares of **dryland tree crops** do you have?

Q6. How many hectares of **irrigated tree crops** do you have?

ROUND 2 DEMAND FOR WATER – MEDIUM PRIORITY / ANNUAL CROPS

This section sets out two prices for medium priority (MP) water and asks for your minimum, likely and maximum demand at each price.

“Likely” demand will drive the engineering and revised cost estimates. “Minimum” demand means: “If I am going to invest this is the minimum volume to be financially viable” and “Below this volume I will not invest.”

Demand for medium priority (MP) water – Low price (\$1,400/ML) – Not legally binding

Q7: What volume of MP water (e.g. 80% monthly reliability) would you buy at **\$1,400/ML once-off upfront capital cost** with an annual charge of about **\$110/ML**?

Crop	Minimum volume - (ML)	Likely volume (ML)	Maximum volume (ML)
For example: Hay	500 ML	1,000 ML	2,000 ML
For example: Grain	250 ML	500 ML	1,000 ML
Total			

Demand for medium priority (MP) water – High price (\$2,000/ML) – Not legally binding

Q8: What volume of MP water would you buy at \$2,000/ML once-off upfront capital cost with an annual charge of about \$124/ML?

Crop	Minimum volume (ML)	Likely volume (ML)	Maximum volume (ML)
For example: Hay	500 ML	1,000 ML	2,000 ML
For example: Grain	250 ML	500 ML	1,000 ML
Total			

Medium priority crops and water use

Examples of double cropping rotations for the area, with estimated irrigation water needs, are below.

Rotation	Summer Crop	Irrigation use (ML/ha)	Winter Crop	Irrigation use (ML/ha)	Total irrigation water use (ML/ha) *
1	Corn	5	Chickpeas	4	9
2	Mung beans	3	Barley or Wheat	6	9
4	Rhodes grass hay – Pivot	7	Rhodes grass hay	3	10
3	Grain sorghum	6	Chickpeas	4	10
5	Rhodes grass hay – Flood	9	Rhodes grass hay	4	13

Note: * Customers must undertake their own due diligence and determine irrigation rates for their enterprise.

What is your demand for annual cropping land?

Q9: Assuming a price of about \$1,200 per hectare, how much land would you buy for annual cropping?

	Minimum (ha)	Likely (ha)	Maximum (ha)
Demand for annual cropping land (ha)			

ROUND 2 DEMAND FOR WATER – HIGH PRIORITY AGRICULTURE / TREE CROPS

This section sets out two prices for high priority agriculture (HPA) water and asks for your minimum, likely and maximum demand at each price.

“Likely” demand will drive the engineering and revised cost estimates. “Minimum” demand means: “If I am going to invest this is the minimum volume to be financially viable” and “Below this volume I will not invest.”

Demand for high priority agriculture (HPA) water – Low price (\$3,900/ML) – Not legally binding

Q10: What volume of HPA water (e.g. 95%+ monthly reliability) would you buy at \$3,900/ML once-off upfront capital cost with an annual charge of about \$178/ML?

Crop	Minimum volume (ML)	Likely volume (ML)	Maximum volume (ML)
For example: Citrus (Mandarins or Lemons)	3,000 ML	4,000 ML	5,000 ML
For example: Mangoes	1,000 ML	2,000 ML	3,000 ML
Total			

Demand for high priority agriculture (HPA) water – High price (\$4,500/ML) – Not legally binding

Q11: What volume of HPA water would you buy at \$4,500/ML once-off upfront capital cost with an annual charge of about \$192/ML?

Crop	Minimum volume (ML)	Likely volume (ML)	Maximum volume (ML)
For example: Citrus (Mandarins or Lemons)	3,000 ML	4,000 ML	5,000 ML
For example: Mangoes	1,000 ML	2,000 ML	3,000 ML
Total			

Tree growers know their irrigation water use which may range from 6-8ML (mangoes) to 10-14ML/ha pa (for citrus crops such as mandarins and lemons or avocado and nut trees).

What is your demand for tree cropping land?

Q12: Assuming a price of about \$1,200 per hectare, how much land would you buy for tree cropping?

	Minimum (ha)	Likely (ha)	Maximum (ha)
Demand for annual cropping land (ha)			

Certainty of investment and other questions

Q13: To what extent are you likely to invest in the Hughenden Irrigation Project? Please just tick one box.

Likelihood	100% Certain (5)	Very likely (4)	Likely (3)	Undecided (2)	Not Likely (1)
Your response					

Q14: What reasons or factors would stop you investing in this project?

Q15: Are you willing to participate in Round 3 – Water Sales in 2022? (Circle one) **YES / NO**

YOUR SIGNATURE (NON-BINDING COMMITMENT)

Your signature:Date:

Use of data

- Your responses are critical to a decision about whether this project will proceed to construction.
- Responding does not imply that the project will proceed and is not legally binding on you.
- However, indications of strong demand will demonstrate significant support for the project.

Project contacts

Project: Angus MacDonald, Principal Advisor, Jacobs on mobile **0488 444 973** or via his email below.

Agronomy: Malcolm Frick, PeritusAg on **0429 888 583** or email malcolm.frick@peritusag.com.au.

Local contacts

Please feel free to give one of the local grazier representatives a call.

- Jeff Reid on 0427 411 878
- Clayton McLean on 07 4741 1609 or 0429 728 970.

Next steps

Please complete and sign this form. Or fill out in Word and type your name at the signature line.

Email back to angus.macdonald2@jacobs.com.

Due date: Close of business **Friday, 21 May 2021.**