

Crown Pastoral Land Tenure Review

Lease name : *The Wolds*

Lease number : PT 008

Public Submissions Part 3

These submissions were received as a result of the public advertising of the Preliminary Proposal for Tenure Review.

These submissions are released under the Official Information Act 1982.

August

12

125038

Tony Sharpe

From: Roseanne Hohepa [Roseanne.Hohepa@MeridianEnergy.co.nz]
Sent: Thursday, 31 March 2011 4:49 p.m.
To: Tony Sharpe
Subject: Tenure review - Preliminary Proposal The Wolds - Submission by Meridian Energy
Attachments: img-3311745-0001.pdf; img-3311702-0001.pdf
Importance: High

<<img-3311745-0001.pdf>> <<img-3311702-0001.pdf>>

Good afternoon Tony

Please find attached Submission by Meridian.

Please note that Meridian is not opposed to the disposal by freeholding to the current lessee, however, Meridian does have a direct interest as outlined in the submission.

We are happy to provide further information on request.

In the meantime kind regards

Roseanne Hohepa
Land & Property Advisor

Meridian Energy Limited
 25 Sir William Pickering Drive, P O Box 2454 Christchurch
 P. 03 357 9792 F. 03 357 9821 M. 021 756306
www.meridianenergy.co.nz

Attention:

This email together with any attachments is confidential. If you are not the intended recipient please delete the message and notify the sender. Any views or opinions presented are solely those of the author and will not necessarily reflect the views of Meridian Energy.

***** PLEASE CONSIDER THE ENVIRONMENT BEFORE PRINTING *****

**SUBMISSION ON THE PRELIMINARY PROPOSAL FOR THE WOLDS
PASTORAL TENURE REVIEW**

To: Commissioner of Crown Lands
C/ Tony Sharpe
Project Manager -Tenure Review
Darroch Limited
P O Box 142
Christchurch 8140

Fax: (03) 3799787
Email: tony.sharpe@darroch.co.nz

Name: Meridian Energy Limited
PO Box 2454
CHRISTCHURCH

Attention: Andrew Feierabend (Planning Manager)
Phone: (03) 03 357-9731
Fax: (03) 357 9821
Mobile: 021 898 143
Email: Andrew.Feierabend@meridianenergy.co.nz

Meridian Energy Limited (Meridian) makes the following submissions on the Preliminary Proposal for the Wolds Tenure which affects Pastoral Lease Pt 008. The land affected by this proposal is legally described as Part Run 85A, Part Run 85B, and Stopped Road (marked D,E SO 15479 and E,F, H SO 15480. The property consists of 7,934 hectares of land.

Meridian would like the following matters to be taken into account and be given effect to prior to or as part of the substantive proposal to be made to the run holder under the provisions of section 46 of Crown Pastoral Land Act 1998.

Meridian is prepared to provide any additional information and discuss the issues raised in this submission further if required with representatives of the Commissioner of Crown Lands.



Andrew Feierabend

For and behalf of Meridian Energy Limited

Dated this 28 day of March 2011

OUTLINE OF SUBMISSION

This submission has been structured under the following headings:

- Part A: Overview of Meridian;
- Part B: Primary Submission Points

PART A: OVERVIEW OF MERIDIAN

1. Meridian is a limited liability company wholly owned by the New Zealand Government. It is one of three companies formed from the split of the Electricity Corporation of New Zealand (ECNZ) on 1 April 1999.
2. Meridian's core business is the generation, marketing, trading and retailing of electricity and the management of associated assets and ancillary structures in New Zealand.
3. Meridian is the single largest generator of electricity in New Zealand. Meridian's hydro generation and storage capacity accounts for approximately 34% of New Zealand's electricity generating capacity and 77% of New Zealand's hydro storage capacity. Meridian is the largest wind farm developer in New Zealand. The company's asset base includes the:
 - Te Uku Wind Farm near Raglan;
 - Waitaki Power Scheme in the Waitaki Catchment,
 - Manapouri Power Scheme in Fiordland;
 - Te Apiti Wind Farm in the Manawatu;
 - Brooklyn Wind Turbine in Wellington;
 - White Hill Wind Farm in Southland, and
 - West Wind Wind Farm near Wellington
4. It is in its operations and assets in the Waitaki Basin that Meridian has a direct interest in the preliminary proposal for tenure review proposed for the Wolds Pastoral Lease. Meridian is not opposed to the disposal by free holding to the current lessee.
5. Meridian as a Crown Entity however needs to ensure that the Waitaki Hydro Power Scheme (WHPS) as a strategic national asset is not compromised by the outcome of the tenure review and that access to the property is provided and protected to enable the operation, maintenance and repair of the WHPS and associated infrastructure and Meridian to meet its other obligations. This protection can only be achieved through the registration of appropriate interests on the title.

6. Section 25 of the Crown Pastoral Land Act 1998 provides an opportunity for the Commissioner to achieve such outcomes. This section states: "In acting under this Part, the Commissioner must (to the extent those matters are applicable) take into account - ... (c) if acting in relation to land used or intended to be used by the Crown for any particular purpose, that purpose." The issues Meridian need to be taken into account are set out below.

PART B: PRIMARY SUBMISSION POINTS

Access to the Tekapo Canal

1. The Wolds Station northern boundary adjoins the Tekapo Canal Structure for a distance of approximately 5 kilometres. The Tekapo Canal is clearly defined on the map provided in the preliminary proposal dated 20/01/10 map reference NZTopo50 map – BZ16. The canal is a significant investment and critical to the efficient running of the WHPS.
2. Meridian Energy Ltd and its personnel need to access the land adjoining the canal for the purposes of inspection and maintenance and emergency works and repairs from time to time. That work is necessary to ensure the structural integrity of the canal and to meet Meridian's statutory obligations in relation to dam safety (which apply to the Tekapo Canal). As part of this work Meridian needs to be able to install and operate measuring and monitoring equipment.

33kV line

3. Meridian owns and operates an overhead 33kV line running across The Wolds Station on the western edge of the property.
4. The 33 kV line is a critical strategic asset for Meridian. The line, constructed during the formation of the WHPS, provides the primary power supply from Transpower's 220kV switchyard in Twizel through to the Pukaki Dam switchyard and on to Tekapo B Power Station. It is crucial to the operation of the WHPS that the ability to operate, maintain, repair and undertake emergency works on a line is protected.

Monitoring equipment

5. Meridian also has a range of monitoring equipment located on The Wolds Station which it will require ongoing access to in order to operate and maintain that equipment. The monitoring equipment includes:
 - wells
 - weirs
 - piped drains
 - automatic and manual piezometric monitoring points

- manual and telemetered data loggers
 - rain gauges
 - solar panels for data loggers
 - culvert pipes and piezo tapping points, including some internal drains under buttress works
6. The right to operate the monitoring equipment is crucial for the safe operation of the WHPS and to enable Meridian to meet its statutory obligations in relation to dam safety and public safety.

Telecommunications equipment

7. Meridian has telecommunications equipment located on Mt Mary on The Wolds Station that is used for the operation of the WHPS. The equipment includes:
- mobile radio voice repeater
 - voice repeater linking to mid Waitaki
 - private radio paging service
 - diversity radio for data network - (canal protection signals \ canal and lake level data)
8. The telecommunications equipment provides voice and data communication critical for the remote control day to day operation of and dispatch of the WHPS. The equipment is also essential to Meridian's emergency management and business continuity planning and implementation. The equipment operates in a location where telecommunications service is not otherwise available.
9. Meridian needs to be able to continue to locate telecommunications equipment on Mt Mary and the ability to access that equipment for maintenance and operational purposes.

Statutory rights in relation to canal, 33kV line, monitoring equipment, and telecommunications equipment

10. Under the Electricity Act 1992 Meridian has the right to:
- access the land to maintain and repair the canal and associated infrastructure; and
 - retain and operate the 33kV line, monitoring equipment and telecommunications equipment on the land and access the land to operate, maintain and repair the line and equipment.

However the Electricity Act provisions are a default generic protection mechanism for all electricity infrastructure and do not address the issues specific to the canal and associated infrastructure, the 33kV line, or the monitoring equipment or telecommunications equipment. As a result the provisions usually contained in an easement setting out the rights and obligations of the land owner and the operator of the asset to provide clarity and certainty do not exist. In addition the rights under the Electricity Act are not recorded on the title to the land so purchasers or other persons with an interest in the land are usually not aware of the terms under which the asset may be accessed, operated and maintained and, in the case of the monitoring equipment, that the equipment is even present on the land.

11. It is important for the integrity and security of the WHPS that the right to access, operate and maintain the canal and associated infrastructure, the 33kV line, the monitoring equipment, and the telecommunications equipment is protected by an easement in favour of Meridian. Meridian requests the Commissioner provide within the substantive proposal for such an easement.

Stock water supplies

12. Meridian provides stock water to other land from two pipelines and associated water supply infrastructure located on the property. Meridian seeks to protect its ability to operate, maintain and repair the pipelines and associated water supply infrastructure for the benefit of those using this supply by a memorandum of encumbrance or easement in favour of Meridian.
13. A map showing the location of the pipelines and associated water supply infrastructure is attached to this submission as Appendix 1. Maps as part of the same appendix show the as built location of the water supply assets inclusive of troughs, gate valves and intake.

Maps

14. A map showing the location of the 33kV line, monitoring equipment, telecommunications equipment, and two pipelines and associated water supply infrastructure, is attached to this submission as Appendix 1.

Lake Pukaki Shore Erosion – Western Boundary

15. Part of The Wolds Station is adjacent to Lake Pukaki.
16. The level of Lake Pukaki was raised as part of the construction of the WHPS to provide greater storage. As a result of the level of Lake Pukaki being raised there is inevitably erosion that will occur to the land adjoining the Lake. The erosion cannot be prevented entirely.

17. Meridian seeks that a memorandum of encumbrance be registered to provide, in summary, that:

- the landowner accepts that erosion will occur;
- Meridian will use reasonable endeavours to minimise erosion by available practical and economic means as determined by Meridian in its reasonable opinion;
- Meridian may access the land to take actions to minimise erosion and to install and operate monitoring and measuring equipment; and
- Meridian may acquire areas by erosion and will pay compensation for areas lost to the landowner by erosion.

18. Such a memorandum of encumbrance provides for the inevitable effects of erosion in a fair and reasonable way.

19. The Crown has previously recognised that such a memorandum of encumbrance is needed and should be provided for as part of tenure review. For example – in the tenure review for Pukaki Downs the memorandum a copy of which is attached as Appendix 2 was required and registered.

20. Meridian seeks that a memorandum of encumbrance to similar effect as the memorandum of encumbrance attached as Appendix 2 be required to be entered into and registered.

Mining Interest

21. Meridian is the holder of Mining Permit 41867 under the Crown Minerals Act 1991. The mining permit was issued on the 3 March 2005 and has a ten year life. A copy of that permit is attached as Appendix 3 to this submission. The permit provides for the extraction of greywacke and sandstone as defined in the Minerals Programmes 1996 on the land described in the permit. The land affected is part of the Wolds pastoral lease land. Rock extracted from the Wolds is used by Meridian for shoreline protection works on Lake Pukaki to prevent erosion and protect infrastructure including roads.

22. It is critical that ongoing access to the Wolds pastoral lease land is available to Meridian following the completion of the tenure review process. Notice of the access arrangements have been registered against the computer registers for the land under section 83 of the Crown Mineral Act. Meridian notes that tenure review should not alter the access and mining rights.

Preparation of documents

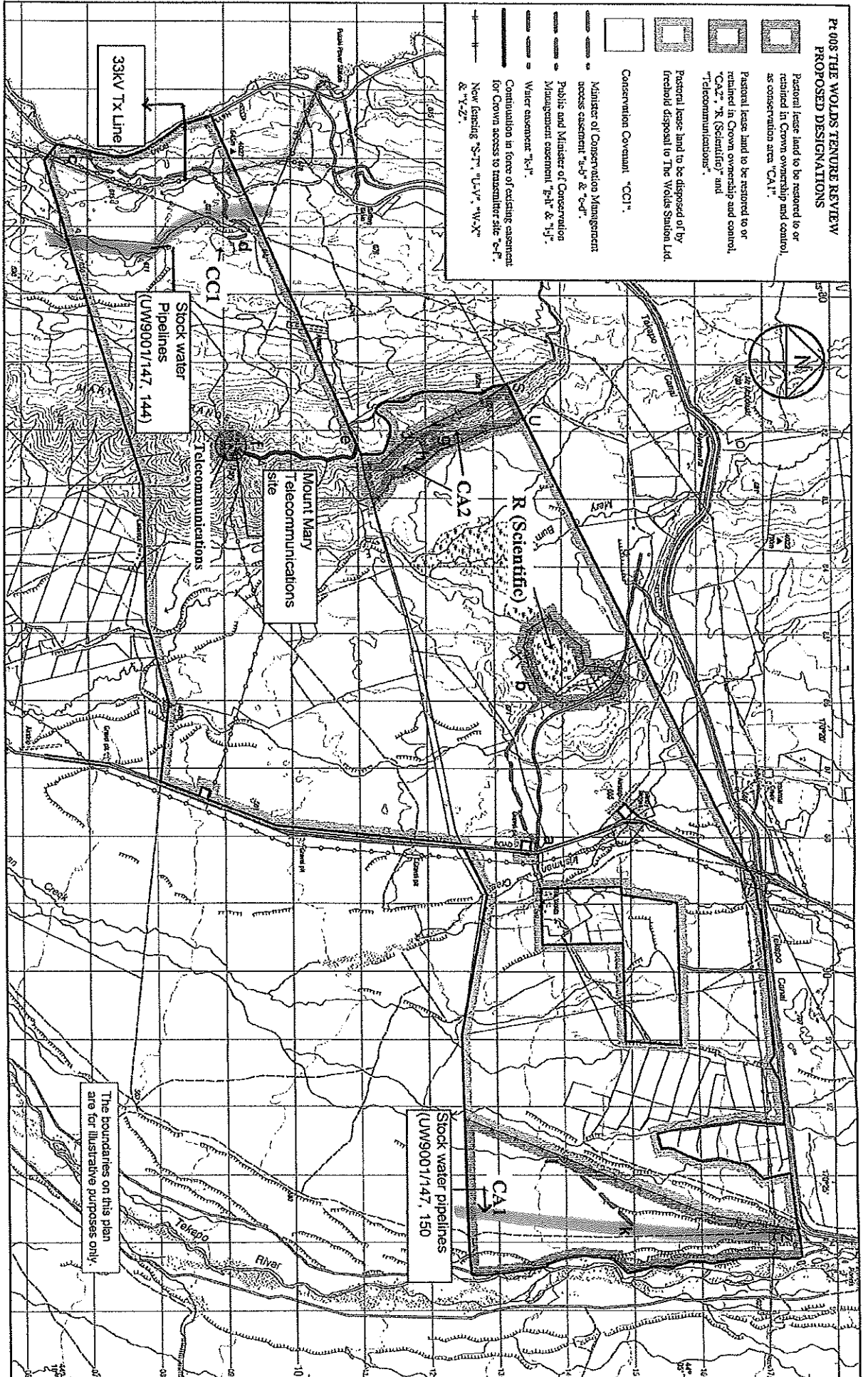
23. Meridian would meet the cost of any surveys required for the preparation of the easements and memorandum of encumbrance described in this submission and the cost of its solicitors preparing those documents.

Conclusion

24. Meridian trusts the above submissions will be given effect to and as previously indicated is happy to meet to discuss the type of instruments that might be used to achieve the outcomes discussed above.

APPENDIX 1

Maps outlining 33kV transmission line
and Stock water pipelines

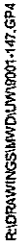


The Wolds

Scale 1:50000 (@ A3)

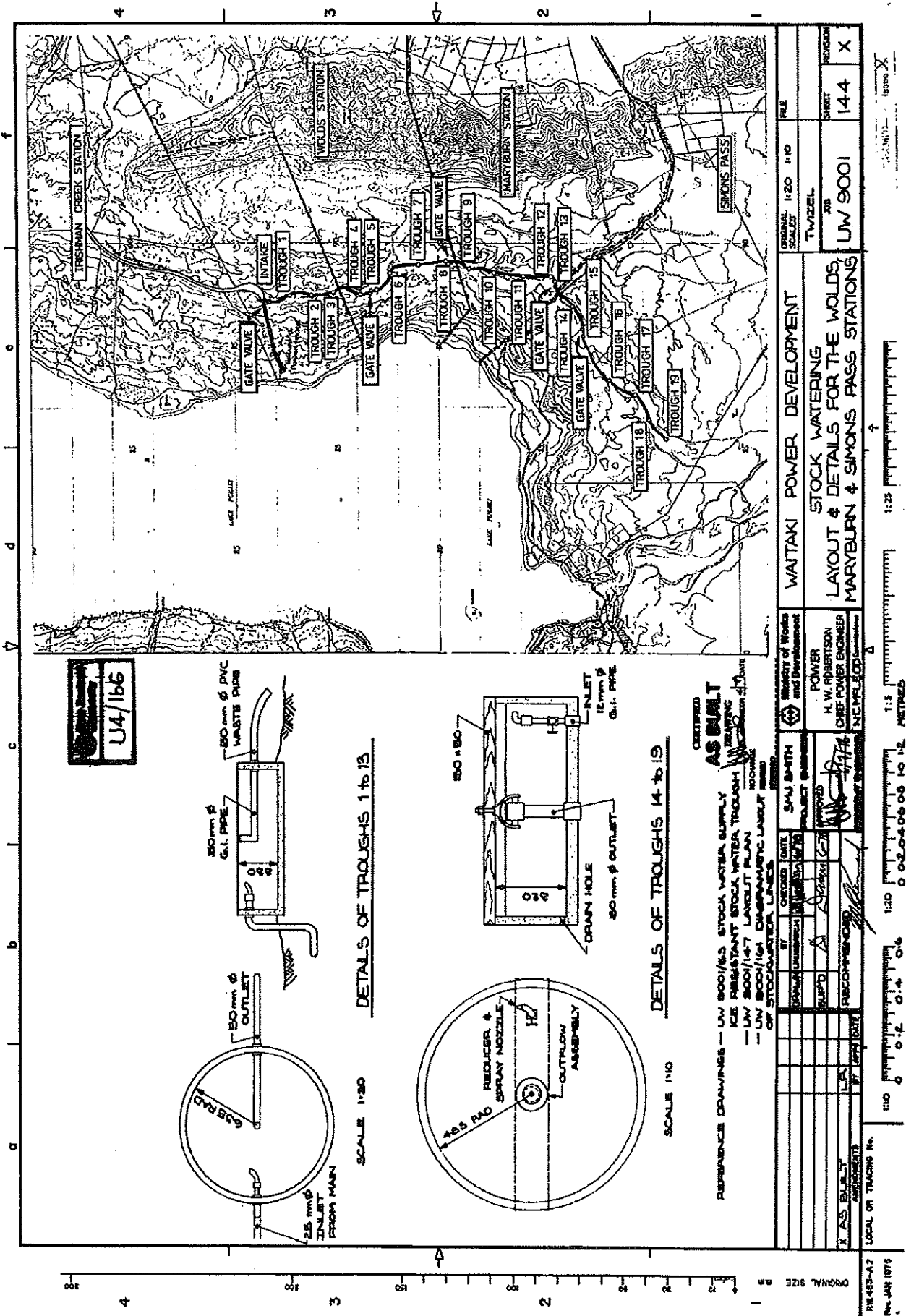
0 500 1000 1500 2000 2500 3000 3500 4000 4500 5000 metres

Version	1	2	3	4	5
Canterbury Land District					
NZTopo50 map - BZ16					
Sheet 1 of 1					
Date:20/01/10					



R:\DRAWINGS\WU\UW9001-144.GP4

1 of 1



APPENDIX 2

Copy of Memorandum of Encumbrance Pukaki Downs

Memorandum of Encumbrance

Parties

3/13
3/13
 Lester John Baikle and Robin Ann Baikle (together with their successors in title referred to the Grantor);
Meridian
 Hydro Energy Limited (the Grantee).

ENC A417271.10 Encumbr

Cpy - 01/01.Pgs - 006,15/01/03,16:27



DocID 21072651

Recitals

- A. The Grantor is the registered proprietor of the estates in fee simple in all those parcels of land described in the Fourth Schedule (the Land).
- B. The Grantee is the owner/operator of the Pukaki Power Scheme.
- C. By an agreement dated 28 November 1997 (the Agreement), the Grantor and the Crown agreed to the terms of a Land Tenure Agreement.
- D. Under clause 12 of the Agreement, the Grantee and the Crown acknowledged that Land contained in part of the land subject to the Land Tenure Agreement (the Land Tenure Agreement Land) around the shores of Lake Pukaki may be subject to erosion from fluctuations in lake levels caused by the operation of the Lake Pukaki Power Generation Scheme (the Power Generation Scheme) and that further Land may be required to be taken by the operator/owner of the Power Generation Scheme.

Under the Agreement the *Grantor* ~~Grantee~~ agreed the following:

- (i) that it would permit the owners or operators of the Power Generation Scheme or the Crown (on behalf of such operators or owners) to take such Land from the Land Tenure Agreement Land as may from time to time be required to accommodate erosion;
- (ii) that compensation in respect of the erosion would be determined as if the area of the Land eroded was an acquisition for a public work under the Public Works Act 1981; and
- (iii) that the terms of clause 12 of the Agreement should;
 - (a) be binding on it and its successors in title; and
 - (b) be protected by covenant or such other legal device the Crown or the owner or operator of the Power Generation Scheme may require and be in the name of the Crown or the owner or operator of the Power Generation Scheme.

- F. The Grantee and the Grantor have agreed to the terms of a Memorandum of Encumbrance (the Memorandum) to give effect to clause 12 of the Agreement.

3/13 *NRB* *3/13*

NOW THIS MEMORANDUM WITNESSES that the Grantor ENCUMBERS the Land for the benefit of the Grantee as set out in the First Schedule and Third Schedule and that the Grantor and the Grantee covenant with each other as set out in the Second Schedule.

In witness of which this Memorandum has been executed this 3rd day of June 1999

SIGNED by)
LESTER JOHN BAIKIE and)
ROBIN ANN BAIKIE)
In the presence of:)

PAR 8/13

JB Baikie
RA Baikie

Witness to signatures:

Name: *Simon James Dorman*

Address: SIMON JAMES DORMAN

Occupation: SOLICITOR
12 THE TERRACE
TIMARU

Signature: _____

SIGNED by)
HYDRO ENERGY LIMITED)
MERIDIAN)
In the presence of:)

[Signature]
(Director)

[Signature]
(Director/Authorised Person)
Chief Executive

Witness to signatures:

Name: *James Malcolm Gill Hay*

Address: *WELLINGTON*

Occupation: *SOLICITOR*

Signature: *[Signature]*
7

First Schedule

TERMS AND CONDITIONS OF ENCUMBRANCE

1. The term of this encumbrance is 50 years commencing from the date of this Memorandum, subject to earlier determination as provided in the Third Schedule.
2. The rent charge for this encumbrance is \$10.00 plus GST, to be paid to the Grantor on demand by the Grantee, by the 1st day of April in each year.
3. The Grantee shall be entitled to exercise all the rights and powers of an encumbrancee under the Land Transfer Act 1952 and Property Law Act 1952.

Second Schedule

THE COVENANTS

1. ACKNOWLEDGMENT THAT LAND SUBJECT TO EROSION

The Grantor acknowledges that parts of the Land around the shores of Lake Pukaki may be subject to erosion from fluctuations in lake levels caused by the operation of the Power Generation Scheme and further land may be eroded by the operation of the Power Generation Scheme.

2. RIGHTS OF THE GRANTEE

- 2.1 The Grantee has the right, on and over the Land, at any time and at the sole discretion of the Grantee and its duly authorised employees to:

- (a) erode the Land (in whatever quantities and at whatever times the Grantee thinks fit); and
- (b) have access to the Land for the purpose of installing, operating and maintaining monitoring and measuring equipment and structures, safety devices and similar equipment on the Land and, at its sole option, to minimise erosion, land subsidence, land slippage and landslides on the Land.

- 2.2 The Grantee may if it sees fit from time to time install, operate and maintain monitoring and measuring equipment and structures, safety devices and similar equipment on the Land. Except in the case of emergency, the installation of such devices and equipment shall not be undertaken without the Grantee first having obtained the consent of the Grantor, such consent not to be unreasonably withheld

- 2.3 Any monitoring and measuring equipment, structures, safety devices and similar equipment of whatever nature made or installed by the Grantee on the Land shall not be or become fixtures annexed to the Land but shall remain the property of the Grantee and may at any time be removed by the Grantee provided that any substantial damage caused by such removal shall immediately be remedied by the Grantee at its cost.

8/3 Rev B

2.4 Nothing in this Memorandum shall be taken to restrict or hinder the Grantee from raising or lowering the level of water on or near the Land during the course of carrying on the Grantee's electricity generation business.

2.5 The covenants recorded in this Memorandum are not in substitution for, and are without prejudice to, any statutory rights and authorities that the Grantee may have from time to time in respect of the Land.

3. OBLIGATIONS OF THE GRANTEE

3.1 Notwithstanding the provisions of clause 2 of this Schedule 2, the Grantee shall use reasonable endeavours to minimise erosion, land subsidence, land slippage and landslides on the Land by available practical and economic means as determined by the Grantee in its reasonable opinion.

4. RIGHTS OF THE GRANTOR

4.1 This Memorandum does not affect any right or claim by the Grantor for payment for any damage (excluding damage caused by erosion) to the Land owned by the Grantor due to or arising from negligence of the Grantee or by its employees or agents.

5. OBLIGATIONS OF THE GRANTOR

5.1 The Grantor shall not obstruct or interfere with and shall ensure its agents, contractors, employees and invitees shall not obstruct or interfere with the carrying on of the normal business operations of the Grantee to the intent that the Grantee shall have the absolute right to erode the Land for purposes relating to electricity generation.

6. COMPENSATION IN THE EVENT OF EROSION

6.1 The Grantee will pay reasonable compensation to the Grantor for the parts of the Land eroded during the operation of the Power Generation Scheme.

6.2 Such compensation may be paid for any loss of use of any part of the Land by the Grantor and/or the loss of value of the Land through the right of the Grantor to erode the Land and for all losses or damage caused as a natural consequence of the exercise of such rights.

6.3 The Grantor and the Grantee will in good faith negotiate the payment of compensation.

6.4 If no agreement as to the payment of compensation can be reached, then the compensation payable in respect of the parts of the Land eroded will be determined as if the area of the Land eroded was an acquisition for a public work under the Public Works Act 1981.

7. DISPUTE RESOLUTION PROCEDURE

7.1 The Grantor and the Grantee (the Parties) acknowledge that they wish to avoid or minimise any differences or disputes which might arise out of or from the terms of this Memorandum.

Handwritten signature/initials

- 7.2 The Parties therefore agree that if any difference or dispute arises between them as to the terms of this Memorandum over the interpretation or effect of this Memorandum, or in relation to any other matter arising under this Memorandum, that they will actively, openly and in good faith discuss their differences or dispute with a view to achieving a prompt resolution;
- 7.3 If the Parties cannot resolve the dispute or difference between them within 20 days of the written notification of the dispute or difference given by one party to the other at the last known address or the registered office of the other party, then the Parties will submit the dispute to mediation.
- 7.4 Should the dispute remain unresolved after mediation, it shall be submitted to arbitration in accordance with the Arbitration Act 1996 and the substantive laws of New Zealand. The Parties shall agree between themselves as to who to appoint as arbitrator and, in the event of disagreement, a single arbitrator shall be appointed by the President of the New Zealand Society (or any successor).

8. **BINDING ON EXECUTORS AND ASSIGNS**


This Memorandum shall be binding on the executors and assigns of the Grantor and the Grantee and will remain in full force and effect in all circumstances.

Third Schedule

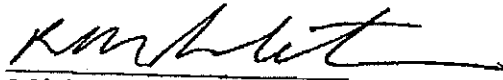
DETERMINATION OF THIS MEMORANDUM OF ENCUMBRANCE

1. This encumbrance shall immediately determine and the owner for the time being of the Land or any part of the Land be entitled to a discharge of the encumbrance if the obligations secured under this Memorandum of Encumbrance are fully performed or become no longer enforceable.

Fourth Schedule

 3400
1749.05 hectares being Sections 1 & 7 SO 19913 Certificate of Title
(Canterbury Land Registry).

Correct for the purposes of the
Land Transfer Act 1952



Solicitor for the Grantee



PARTICULARS ENTERED IN REGISTER
LAND REGISTRY - CANTERBURY
FOR REGISTRAR - GENERAL OF LAND

9.00 27.JUL 99 A 417271.10

**MINING PERMIT 41 867
CROWN MINERALS ACT 1991**

PERMIT HOLDER: Meridian Energy Limited
15 Allen Street
WELLINGTON

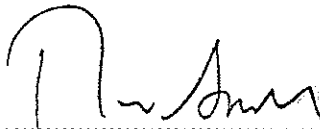
NOW THEREFORE: I, ROBERT SMILLIE, Manager Exploration and Mining Services Unit, Crown Minerals acting under delegated authority of 2 February 2004, do

HEREBY GRANT to the Permit Holder a mining permit for the duration of 10 years commencing on the date hereof

WHICH HEREBY gives the exclusive rights to mine for greywacke and sandstone as defined in the Minerals Programme 1996, in the land described in the First Schedule and delineated on the plan attached hereto

UPON THE CONDITIONS specified in the Second Schedule hereto and subject to the Crown Minerals Act 1991 and any regulations made thereunder.

DATED AT Wellington this 3rd day of March 2005



SIGNED BY Robert Smillie
Manager Exploration and Mining Services Unit, Crown Minerals

FIRST SCHEDULE**Mining Permit 41 867**

AREA : 223.5237 hectares


LAND DISTRICT : Canterbury

LOCAL AUTHORITY : Mackenzie District

LEGAL DESCRIPTION OF PERMIT AREA : Part of part Run 85A

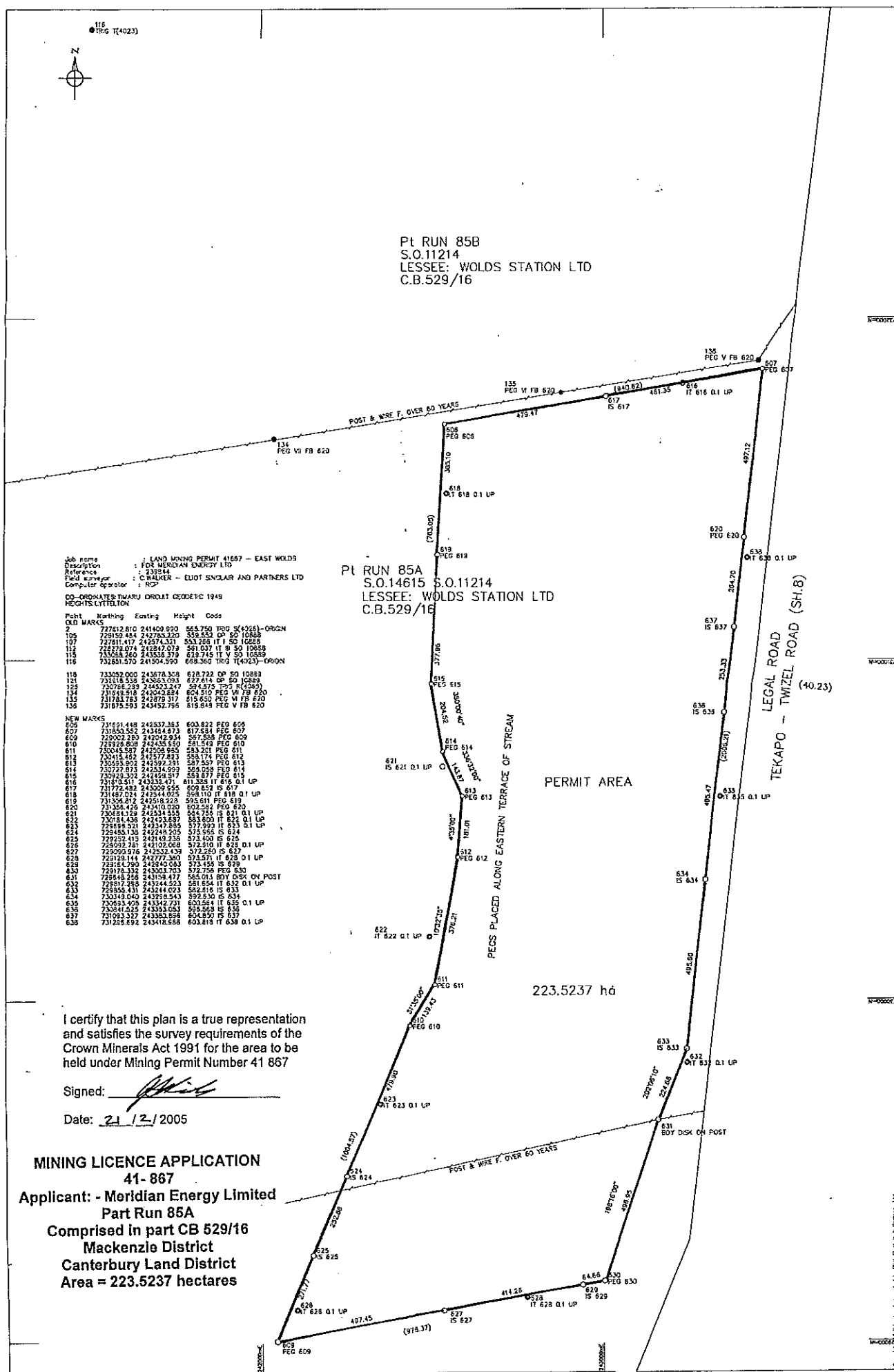
INSTRUMENT OF TITLE REFERENCES

<u>Legal Description</u>	<u>Instrument of Title</u>	<u>Ownership of Non-Statute minerals under report</u>
Part Run 85A [part included]	CIR CB529/16	Crown

 **Eliot Sinclair
& Partners Limited**
Consulting Surveyors • Consulting Engineers

Thamesway House, 151 Morningside Road, Brixton, London SW2 1JG, England, U.K.
Telephone: 01-873 3331 • Telex: 9400 2222 • Fax: 01-873 3332 • Cable: 222222

LAND MINING PERMIT 41867 -- EAST WOLDS
FOR MERIDIAN ENERGY LTD

[illegible]

I certify that this plan is a true representation and satisfies the survey requirements of the Crown Minerals Act 1991 for the area to be held under Mining Permit Number 41 867

Signed: [Signature]
Date: 21/2/2005

MINING LICENCE APPLICATION
41- 867
Applicant: - Meridian Energy Limited
Part Run 85A
Comprised in part CB 529/16
Mackenzie District
Canterbury Land District
Area = 223.5237 hectares

223.5237 hđ

PERMIT AREA

PEGS PLACED ALONG EASTERN TERRACE OF STREAM

TEKAPO -- LEGAL ROAD
TWIZEL ROAD (SH.8)

$$(40.23)$$

SECOND SCHEDULE CONDITIONS OF MINING PERMIT 41 867

(Terms used in this Schedule shall have the same meaning as in the Minerals Programme for Minerals other than coal and petroleum (1 October 1996) unless the context indicates otherwise.)

WORK PROGRAMME

1. The permit holder shall make all reasonable efforts to undertake the activities authorised by the permit in general accordance with the following work programme:
 - (a) stripping of vegetation and topsoil and stockpiling, backfilling or other disposal as appropriate using earthmoving machinery as necessary;
 - (b) unless otherwise approved in writing by the Chief Executive of the Ministry of Economic Development (the Chief Executive) quarrying of gravel by opencut methods as required using earthmoving machinery as necessary; and
 - (c) rehabilitation as appropriate.

GOOD EXPLORATION OR MINING PRACTICE

2. The permit holder shall undertake all quarrying operations in accordance with good exploration or mining practice.

ANNUAL WORK REPORT TO BE SUBMITTED

3. The permit holder shall report in accordance with prescribed regulations. Specifically the permit holder is required to submit to the Chief Executive, within 60 days of the anniversary of the date of grant of this permit in each year, a brief report which details quarrying activities under the permit during the preceding year.

TECHNICAL REPORTS

4. The permit holder shall report in accordance with prescribed regulations.

MARKING OUT

5. If required by the Chief Executive the permit holder shall clearly mark the boundaries of the permit or areas defined in the approved work statement of this permit by pegs, coloured tape or other approved means.

ROYALTIES

6. (a) Subject to condition 6(b) the permit holder is required to calculate and is liable to pay royalties to the Crown for any period for which a royalty return must be provided, in respect of all gravel taken from the land comprised in the permit that is:
- i sold; or
 - ii gifted or exchanged or bartered or removed from the permit area without sale; or
 - iii used in the production process (as a substitute for otherwise having to purchase gravel for this purpose); or
 - iv unsold on the surrender, expiry or revocation of the permit, that is, inventory or unsold stocks of any gravel. (This does not include where gravel has been extracted but returned to the land and thus its ownership is retained by the Crown).
- (b) The permit holder is not liable to pay a royalty when:
- i The net sales revenues from the permit are less than \$100,000 for a reporting period, except where the permit is part of a production unit; or
 - ii The net sales revenues from the permit average less than \$8,333 per month if the reporting period is less than 12 months, except where the permit is part of a production unit; or
 - iii The permit is part of a production unit and the combined net sales revenues of all permits and licences in the production unit are less than \$100,000 for a reporting period; or average less than \$8,333 per month, if the reporting period is less than 12 months.

Rate of Royalty

- (c) Subject to condition 6(b), condition 6(d) and condition 6(e), the royalty payable in each reporting period, and that must be calculated, is the higher of either a one percent (1%) ad valorem royalty on net sales revenues or a five percent (5%) accounting profits royalty on accounting profits.
- (d) Subject to condition 6(b) and condition 6(e), where net sales revenues for the permit or the production unit are \$1,000,000 (one million dollars) or less for a reporting period, the permit holder is required to calculate, and is liable to pay the 1% ad valorem royalty only, and does not have to calculate and is not liable to pay the accounting profits royalty.
- (e) Where net sales revenues for the permit or the production unit exceed \$1,000,000 (one million dollars) for a reporting period, and in the preceding reporting periods net sales revenues were \$1,000,000 or less and greater than \$100,000, the permit holder is required to calculate the provisional accounting profits royalty for that reporting period and previous reporting periods (excluding any period for which a royalty was not payable in accordance with condition 6(b), starting from either the commencement of the permit or the previous time the accounting profits royalty was calculated.

- (f) Where the permit holder is required to calculate the accounting profits royalty, then until all restoration costs are determined in respect of the permit, the permit holder is liable to pay the higher of a 1% ad valorem royalty on net sales revenues or a 5% provisional accounting profits royalty on provisional accounting profits. In the royalty return for the final reporting period, the permit holder is required to take into account all unclaimed restoration costs, and any proceeds or gains from hire, rent, lease or disposal of land or fixed assets which have not previously been deducted, and then to calculate any liability to pay the accounting profits royalty in all reporting periods where net sales revenues for the permit or the production unit exceeded \$1,000,000 (or averaged \$83,333 per month if the reporting period was less than 12 months).
- (g) The net sales revenues, ad valorem royalty, the provisional accounting profits royalty and the accounting profits royalty must be calculated in accordance with the provisions of paragraphs 15.9 to 15.47 of the Minerals Programme for Minerals other than coal and petroleum (1 October 1996).

Point of Valuation

- (h) For the purpose of calculating net sales revenues, the point of valuation for the gravel recovered under this permit is at the place where the gravel is first transported across the permit boundary.

Reporting Period

- (i) The annual reporting period for this permit is 1 July to 30 June in the following year.

Royalty Return

- (j) The permit holder is required to provide to the Chief Executive a royalty return for every reporting period within the duration of the permit regardless of whether or not a royalty is payable in accordance with conditions 6(a) or 6(b). The royalty return is required to be provided within five months of the end of the reporting period. The royalty return must be in the form prescribed, from time to time, in relevant regulations. If no relevant regulations have been made the royalty return must be in a form that sets out information as presented in paragraphs 15.54 to 15.57 of the Minerals Programme for Minerals other than coal and petroleum (1 October 1996).
- (k) The declaration in the royalty return filed for the permit must be signed by the permit holder.
- (l) If the net sales revenues are \$1,000,000 or less for a reporting period (or average \$83,333 or less per month, if the reporting period is less than 12 months) and the permit holder employs or engages the services of an accountant (in public practice) the accountant must also sign the declaration in the royalty return filed for the permit.
- (m) If the net sales revenues are over \$1,000,000 in a reporting period (or average more than \$83,333 per month if the reporting period is less than 12 months), the royalty return filed for the permit must also be accompanied by a written statement signed by either an accountant or an auditor. If the permit holder engages the services of an auditor to review financial statements or financial information as part of meeting the statutory requirements of the Companies Act 1993 or the Financial

Reporting Act 1993, then the auditor must sign the written statement. The statement must be in the form prescribed in the relevant regulations. The statement is required to be paid for by the permit holder.

Royalty Payments

- (n) Subject to condition 6(o), where net sales revenues for any half year (six months) in a reporting period average \$8,333 or more per month, the permit holder is liable to make an interim royalty payment of 1% of the net sales revenues for that six month period. The interim royalty payment must be received by the Chief Executive within 30 calendar days after the end of that six month period.
- (o) Where a reporting period is less than 12 months, the permit holder is liable to make one interim royalty payment to the Chief Executive of 1% of the net sales revenues for the reporting period, where net sales revenues for the reporting period average \$8,333 or more per month. The interim royalty payment must be received by the Chief Executive within 30 calendar days of the end of the reporting period.
- (p) The permit holder must pay to the Chief Executive any royalty that he or she is liable to pay within five months of the end of each reporting period. If the permit holder has made any interim payments of royalty and upon completion of the royalty return, the amount of royalty that he or she is liable to pay exceeds the total amount of interim payments made, the permit holder is required to pay the difference.

Keeping of Records

- (q) The permit holder must, for the purposes of supporting the royalty return, keep for seven years or until the acceptance of the final royalty return for which the permit holder is responsible, whichever occurs first, proper books of account and records, which may include the books and records listed in paragraph 15.62 of the Minerals Programme for Minerals other than coal and petroleum (1 October 1996) maintained in accordance with accepted business practice and which explain or provide details of any aspect of the matters listed in paragraph 15.61 of the Minerals Programme for Minerals other than coal and petroleum (1 October 1996).
- (r) The permit holder must supply additional information or a detailed explanation of the basis of the royalty return to the Chief Executive within 30 days of receipt of a request by the Chief Executive for such information or explanation (refer paragraph 15.57 of the Minerals Programme for Minerals other than coal and petroleum (1 October 1996)).

Reports of Production

- (s) The permit holder is required to provide to the Chief Executive an accurate report of gravel production for the preceding six-month period within 30 calendar days following 30 June and 31 December each year. This report may be made as part of an interim royalty statement accompanying any interim royalty payment or the royalty return or by means of a separate production report. A report of production is required to be forwarded irrespective of whether there has been any production during the relevant six-month period.

Amendment of Royalty Conditions

- (t) Where the Minister of Energy (the Minister) considers that the amount of net sales revenues specified in condition 6(d), at which and below which the permit holder is required to calculate and is liable to pay the 1% ad valorem royalty only, should be increased, the Minister may amend that condition and conditions 6(e), 6(l) and 6(m) to increase that amount by giving the permit holder one month's notice in writing.

Books to be Available for Inspection

- (u) All books, accounts and other records of the permit holder in relation to the permit shall be available at all reasonable times for inspection, for the purpose of verifying the royalty returns, by the Chief Executive or any person legally authorised in writing for that purpose.

FEEES

- 7. The permit holder shall pay any prescribed fees that apply to this permit.

THE CROWN MINERALS ACT 1991

MINING PERMIT No. 41 867

Manager Exploration and Mining Services
Unit, Crown Minerals

TO

Meridian Energy Limited

Area: 223.52 hectares

MEMORIALS