

# Application for Funding Projects



## Whakatohea Mussels (Opotiki) Limited

Mussel farming and production  
facility – Stage 1 & 2



Figure 1: Harvesting Mussel Lines off the Northern Quest

## Part A: Key Details

Please note that if the funding agreement will not be held with the applicant (i.e. applying on behalf of another organisation), then we require the details of that organisation.

1. Proposal Title:

2. Please provide a very brief description of the project/activity:

To accelerate the company's deep water mussel farming and on-land processing of live mussels, for domestic and export markets; value added mussel <sup>Commercial Informa</sup> and frozen half shell mussel exports. The primary objective of this project is to accelerate the development of our company, but in a way that delivers jobs sooner in Opotiki and under-pins the development of the Opotiki safe harbour and marine industrial land development.

3. Please provide the details of the applicant organisation/entity for which funding is being requested:

<b>Legal Name:</b>	Whakatohea Mussels (Opotiki) Limited
<b>Entity Type:</b>	Company
<b>Registered Offices / Place of Business:</b>	96 Waioeka Road, RD 1, Opotiki
<b>Identifying Number:</b>	5351102
<b>Organisation's Website:</b>	www.openocean.co.nz

4. Please provide the contact details for a person as a key point of contact):

<b>Contact Name and Role:</b>	Peter Vitasovich, Chief Executive		
<b>Email Address:</b>	Privacy of natural persons	<b>Telephone:</b>	Privacy of natural persons

5. Please describe the principal role or activity of the applicant organisation.

Whakatohea Mussels (Opotiki) Ltd (WMOL) was formed in 2014 to develop and operate an open ocean greenshell mussel farm on 3,800 ha of water space (the Farm). The farm is located 8.5km off the coast of Opotiki in the Eastern Bay of Plenty at a water depth of approximately 40m.  
WMOLs mission is to develop the farming and vessel capacity in both Opotiki <sup>Commercial Information</sup> to produce the critical mass of mussels to build a mussel processing factory in Opotiki that will operate 12 months of the year and employ in excess of <sup>Commerci</sup> people.

6. This project will be based in the region of:

7. What type of funding is this application for:

[Note: the most appropriate funding type will be determined by the PDU in consultation with the applicant]

8. What is the activity / funding start and end date?

<b>Start Date:</b>	1/11/2018	<b>Completion Date:</b>	<sup>Commercial Information</sup>
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9. Has this project / activity been previously discussed with any part of Government? Yes:  . No:

- If Yes, please describe which part of government, and what the outcome of the discussions were.

- This project has been discussed with the Government as part of the assessment of the Opotiki Harbour Development project. A draft Business Case (for a mussel processing factory) was submitted as part of the conditions of that project to assess the development potential of offshore mussel farming in the Eastern Bay of Plenty. That draft Business Case was assessed by the Provincial Development Unit and the Ministry of Primary Industries.
- This application is a staged implementation of a large part of the proposal included in the earlier business case, but is looking to accelerate a scaled development of the mussel processing factory in Opotiki, as well as new activities needed by the Harbour Project to accelerate mussel farming by other operators.
- WMOL have not previously submitted an application to the Provincial Growth Fund in our own right. This

application is being submitted to compliment the acceleration of offshore mussel farming offshore and to the grading and processing of mussels in Opotiki. Both of these activities will provide jobs in Opotiki, as well as provide increased boat movements that accelerate the viability of the Opotiki harbour entrance and the Marine Industrial Zone (safe-harbour) land development.

10. Have you previously received Government funding for this Project? Yes:  No:

- If Yes, please list which part of the Government, when the funding was received, and how much under Q11.

11. Please set out the proposed sources of funding for the Project:

Source of Funding: <i>[please indicate where all other funding is sourced from, noting who the funder is]</i>	\$ (excluding GST)	Status / Commentary <i>[i.e. received / confirmed / in principle]</i>
Provincial Growth Fund Funding (through this application) – Stage 1	\$850,000	Request A
Provincial Growth Fund Funding (through this application) – Stage 2	Commercial Information	Request B
WMOL co-funding contribution – Stage 1	Commercial Information	Received
WMOL co-funding contribution – Stage 1	Commercial Information	Received
WMOL co-funding contribution – Stage 2	Commercial Information	Request C
<b>Total:</b>		

**Request C:** The company proposes that Stage 2 would be co-funded with % of Commercial Information). This would allow us time to prepare a Product Disclosure Statement (as required by the Financial Markets Authority) to raise the additional equity which would take approximately Commercial Information. We would like during this period the option for the PGF fund to Commercial Information. This option which would then enable the company to progress an accelerated time frame to build the production facility in the Commercial Information.

## Part B: Project Description

12. This application is: "a stand-alone activity"  or "in support of a wider project/programme"

This application is submitted as part of a Commercial Information

In turn, by having increased mussel production this proposed will accelerate the viability of the facility proposed in this application, as well accelerate the demand for a frozen half shell processing facility in Opotiki.

13. Will additional funding be required in the future? Yes:  No:

If Yes, please describe at a high level, what this may include, and when this is likely to be applied for.

This application is likely to lead to a more substantial application for further stages of investment:

- Commercial Information

The expected increase of marine farming activity in the region will also require the development of land based marine farm activity (storage and services) and marine support workshop capability. We will explore the option of basing this activity within the Marine Industrial Zone of the Ōpōtiki Harbour development project. We understand from PDU that there are opportunities explore whether synergies exist to accelerate this by Commercial Information

These developments will also look to service the needs of other mussel farmers accelerating their proposed entry into the area. This will complement the total development of all parties in the region. This application (Stage 1 & 2) is seeking to update an earlier Draft Business Case to reflect the accelerated building of the mussel processing factory on a staged basis, Commercial Information

**Commercial Information** Stage 2 is intended to build a processing facility (grading and  
Commercial Informa (likely Comm jobs), but **Commercial Information**

Stage 2 is expected to 'conditional and drawn down by Commercial Information, but only once the updated Business Case has been completed in Stage 1

14. Has a feasibility study, or equivalent, been conducted prior to this application? Yes:  No:

**Commercial Information**  
Unit as part of the Agreement for the Validation Stage of the Opotiki Harbour Development project.

**Commercial Information**

15. Please provide a detailed description of this project for which funding is being applied:

This application is seeking the support of the Provincial Growth Fund to

- to access the funding requirements to accelerate our mussel farming and contract servicing for new mussel farmers;
- to specify the product requirements for the <sup>Commercial Inform</sup> facility;
- to complete the plant design and consenting for the proposed factory and
- to revise our Business Case for early building of a factory in a phased manner.

This funding is being sought in order to accelerate the construction of a factory and the farming of the water space faster than initially envisaged by the company. This acceleration to the site will provide jobs sooner in Opotiki and will accelerate the number of boat movements requiring safe harbouring in the Eastern Bay. The company has recently (November 2017) completed a capital raising which did not envisage this pace of growth. Many of the activities being assessed in this application were proposed for 2020/21 and are now being brought forward to 2019. The company is seeking co-funding to enable this work and to determine the funding needs for this acceleration (stages 1 and 2).

- **Planning for accelerating mussel lines and servicing other industry entrants**

In November 2017 the company approached its shareholders to fund the development of a further <sup>Commercial Info</sup> over the <sup>Commercial Information</sup>, this would <sup>Commercial Info</sup> the current area being farmed by the company. This planning proposed to expand the company to <sup>Commercial Inform</sup> of their useable <sup>Commercial Inform</sup> of consented water space.

The company wishes to revisit the pace and scale of this growth to determine whether it can accelerate growth further. In addition, with the addition of <sup>Commercial Information</sup> <sup>Commercial Information</sup> the company needs to work with these parties to understand how the <sup>Commercial Information</sup> will be developed and what services (e.g. placing, maintaining and harvesting) WMOL can provide to those farmers. This will need to include <sup>Commercial Information</sup>

Careful planning is required to understand what is possible and realistic, this will also need to consider planning the workforce and boat capacity of the company. A second boat (the Kukutai) is expected to be fully commissioned in November 2018, which will provide capacity for installing more lines. The Kukutai will complement the Northern Quest and collectively the vessels will be able to farm <sup>Commerc</sup> longlines.

This planning will help inform <sup>Commercial Information</sup>. These are (currently) expected to impact the longer term funding needs for the business case

This work would be completed by <sup>Commercial Information</sup> and would result in the Financial Projections Model being updated to feed into the revised Business Case. These plans would also inform the contract negotiations with the two new market entrants.

- <sup>Commercial Information</sup>  
<sup>Commercial Information</sup>

- **Plant design and consenting**

The company plans to build its mussel processing factory on a four hectare site at 93 Waioka Road, on the outskirts of Opotiki. The site is adjacent to <sup>Commercial Information</sup> with ready access to power, water and gas utilities. The zoning allows for this as a permitted activity and <sup>Commercial Information</sup> provides some workforce synergies. WMOL has a conditional arrangement to purchase the land from <sup>Commercial In</sup>

The initial Draft Business Case planned to construct a \$ <sup>Commercial Information</sup> factory of <sup>Commercial Informat</sup>. This had included provision for a grading facility, half shell plant <sup>Commercial Information</sup>. This was expected to be commissioned at the start of

The company plans to review the designs with a view to staging the introduction of the frozen half shell mussel processing, as well as reflect the more detailed **Commercial Information** above. This would require securing process engineering advise and considering how this could be phased. The earlier Business Case, provided for one fully integrated plant (including frozen half shell mussel processing, **Commercial Information** facility). Stage 1 will be to design plant that delivers grading **Commercial Information** in Stage 2, with the timing of subsequent introduction of frozen half shell processing being deferred until the **Commercial Information** [REDACTED].

This piece of work would include developing designs able to be submitted for resource and building consent approvals.

- **Business Case Revision**

The Draft Business Case includes an economic, strategic and commercial business case for WMOL building a mussel processing facility.

The revised Business Case would build on this work and include consideration of:

- Further acceleration (beyond 1,086ha) of their current water space for mussel farming
- **Commercial Information** [REDACTED]
- **Commercial Information** [REDACTED]
- **Commercial Information** [REDACTED]
- The impact of additional mussels volumes (from other operators) on the viability of a staged factory build.
- Future proofing the processing facility to allow for further development of Half Shell Processing in Stage 3
- Product development including marketing and consumer insights
- On water monitoring systems and testing
- Business model and financial structure to best service a vertically integrated company.

This work would build on the \$ <sup>Commercial Inform</sup> [REDACTED] invested in preparing the earlier (pre-acceleration) business case.

16. How does this project demonstrate additionality within the region?

**Mussel Farming**

WMOL are currently the [redacted] Commercial Information

All of this farming requires systems that will operate within an open ocean environment and vessels to install and maintain these farms. While the company has planned to expand, this was only at a rate that would see [redacted] % of the farmable area ([redacted] Commercial Information) being developed of the current consented water space, and [redacted] % of the consent area of [redacted] Commercial Information

This stage of work will determine the amount of additional water space able to be farmed by

- (i) WMOL securing funding to accelerate its growth and by;
- (ii) WMOL agreeing to provide the intellectual property and servicing capacity for other operators to put a proven system in the ocean.

The maximum additional hectareage possible is an additional [redacted] Commercial Information, up to the 'useable' hectares currently planned to be consented [redacted] Commercial Information.

This productive capacity is new to the region and New Zealand and is unlikely to be farmed without more certainty on harvesting systems and the availability of economic transport solutions between the sea farms and land. Collectively the Eastern Bay of Plenty aquaculture package provides staged approach to farming the water space and unlocking harbour development that will enable further growth of deep water aquaculture water space.

**Processing**

Currently all off the post-landing processing of mussels from the Eastern Bay [redacted] Commercial Information are processed in Tauranga, and sometimes in Nelson (when the Tauranga plant is closed for maintenance).

This proposal provides totally new processing capability to the Eastern Bay of Plenty. In addition, this will provide 'added value' jobs as the processing proposed is planned to increase the yield per tonne from \$ [redacted] Commercial Information (frozen half shell only) to \$ [redacted] Commercial Information per tonne (live, frozen half shell and [redacted] Commercial Information). This could also attract further volumes of mussels from the Coromandel being sent to the South Island for [redacted] Commercial Information.

This proposal plans to provide [redacted] Commercial Information high-value jobs, for Opotiki, with the potential for a further [redacted] Commercial Information jobs as production volumes increase to make a frozen half shell plant viable for Opotiki.

**Funding Sources**

To date the company has funded all of its growth from raising capital and operating surpluses. It has not sought Government support for its growth.

To date the Directors have chosen to manage growth and secure shareholder support once economic and financial feasibility points are reached. This plan has shareholder support.

However, as a small company, we only have limited capacity to take on new activities and risks. This application is predicated on the company seeking to accelerate three activities at once:

- its own mussel farming
- the servicing of new mussel farmers
- processing (in Opotiki).

The company is seeking Government support to help confirm the viability of taking on these risks. In doing so, it is seeking a grant to help with this process. The company expects that it's Stage 2 application will consider a mix of [redacted] Commercial Information, some of much may be sort from the Government. While the shareholders have been strongly supportive to date, it is too early to determine their appetite to accelerate all of this growth for the region.

Government funding is seen as enabling the company to accelerate its own and the industries growth.



### Unlocking Regional Potential

WMOL have been and expect to continue to be leading catalyst for open ocean mussel farming in the region (and New Zealand). While this is particularly relevant to the Bay of Plenty with an acknowledged <sup>Commercial Information</sup> of potential sea farms to be unlocked, it also provides potential resilience for a <sup>Commercial Information</sup> industry that is subject to the risks of shallow water aquaculture.

This project is seen as catalytic for accelerating job growth in Opotiki; for accelerating mussel farming in the region; for providing a catalyst for mussel <sup>Commercial Information</sup> products and for providing the catalyst boat movements that enable secure harbouring in the Eastern Bay of Plenty. <sup>Commercial Information</sup>

#### 17. How is the project connected to regional (and sector) stakeholders and frameworks?

Development of more mussel farming capacity and land based processing facilities has been proposed as part of several regional strategic documents.

Aquaculture is a key area of focus in the [Bay of Plenty Regional Strategy](#) with the goal to “Establish a significant Aquaculture industry in the Eastern Bay of Plenty, and investigate options for a Harbour Entrance in Ōpōtiki.” “The potential benefits of aquaculture for the Bay of Plenty await discovery and commercialisation. With care to protect the sustainability of the resource, new ventures can be established. However, for the Eastern Bay in particular, where there is a great need to create economic and societal advancement, the potential of the aquaculture opportunity will not be fully realised unless there is the ability to bring the harvest ashore for processing.

The [Bay of Connections Aquaculture Strategy 2018](#) has a vision to develop the Bay of Plenty into a world-class aquaculture region. Its goal is to grow an integrated and sustainable aquaculture industry in the Bay of Plenty with export sales of \$250 million by 2025. One of the five focus areas for the next three years is to continue support for the Ōpōtiki Harbour development project.

Aquaculture is one of four high priority catalytic projects identified in the **Eastern Bay of Plenty: Regional Development Project report** (September 2018). From the report: “Ōpōtiki Harbour Development would enable 16,000 to 20,000 Ha of marine farms and a large onshore processing facility or facilities, creating more than <sup>Commercial In</sup> FTE attributable jobs and over \$113m of GDP per annum by 2030. The benefits of this development would be concentrated in one of New Zealand’s most deprived areas.” “One marine farm is currently being developed, with the potential for up to five marine farms (or up to <sup>Commercial Info</sup> ha) to be environmentally sustained. Supporting this are reports prepared in conjunction with MPI / BOPRC for the Ōpōtiki Harbour Development project.” “...the largest job creation opportunity is to open up to 20,000 ha of international-scale aquaculture via harbour and processing facilities in or around Ōpōtiki, creating over 1,000 attributable jobs within the EBOP region for a PGF investment of \$62,000 per job.

The Ōpōtiki harbour development project is also included in the [Ōpōtiki District 2018-2028 Long Term Plan](#). The Opotiki Mussel Processing Factory was identified in the Detailed Business Case for a Harbour at Ōpōtiki as one of the validation stage workstreams.

[Whakatōhea Māori Trust Board](#) has a long term vision for aquaculture to “maximise the water space for Whakatōhea by generating financial returns and creating sustainable employment”. The Agreement in Principle to settle historical claims between Whakatōhea and the Crown includes <sup>Commercial Information</sup>. Whakatōhea have a separate PGF application in which seeks to spatially plan for additional marine space (their ‘marine area of interest’) for development with WMOL.

Toi EDA’s [Annual Report 2017 and Economic Update](#) identified aquaculture expansion and processing including bio-actives as one of a range of range of investment opportunities emerging across the Eastern Bay of Plenty

18. How will your project lift productivity potential in the regions?

The activities funding is sought for are part of the wider Eastern Bay of Plenty aquaculture package. This sector was identified as one of four clusters of catalytic infrastructure and connected development projects. Aquaculture is identified as the largest of the four opportunity clusters for the Eastern Bay of Plenty. Collectively they transform the Bay of Plenty economy, currently a surge region significantly lagging the national averages for jobs, earnings, GDP and growth. The sector attributed with potentially creating over <sup>Commercial</sup> jobs for the region. Many of these jobs will be enabled by WMOL’s on-water capability and the Opotiki based processing facility proposed by this application.

PGF Outcome	✓	How will the project positively or negatively impact this outcome in the region(s) identified?
1. Increase economic output	✓	The development of a mussel processing facility in Opotiki and the expansion of our sea farming space will lead the growth of the offshore aquaculture industry in the Eastern Bay of Plenty. The sector is estimated by Stakeholder Strategies to grow \$1 billion of exports by 2025. WMOL was the first mover in this economic opportunity, and this proposal is a significant catalyst for the growth of our company and the regional opportunity.
2. Enhance utilisation of and/or returns for Māori assets	✓	WMOL is <sup>60%</sup> owned by the Whakatohea Maori Trust Board (WMTB) and another <sup>Comm</sup> % are Iwi Affiliations and <sup>Comm</sup> % Iwi Organisations. 100% of our shareholders are from Opotiki or have an affiliation to Opotiki. This application will provide the sea farms <sup>Commercial Information</sup> with additional lease revenue streams for their farms. Also, WMOL’s agreement to service the growth of other operators, will likely result in the entry of other Maori owned aquaculture businesses into the deep water opportunities in the Eastern Bay of Plenty..
3. Increase productivity and growth	✓	Introducing grading facilities will enable WMOL to increase the yield on its current ocean harvest from \$ <sup>Commercial In</sup> /tonne to an estimated \$ <sup>Commercial In</sup> /tonne. In addition, by enabling more mussel lines for WMOL and the servicing of other new entrants the utilisation of the currently consented water space is expected to increase from [ <sup>Commercial Information</sup> ] of the consented water space within <sup>Commercial Inform</sup> <sup>Commercial Information</sup>
4. Increase local employment and wages (in general and for Maori)	✓	44% of the Eastern Bay of Plenty population are Maori; unemployment is 12.6% and median income is \$20,700. The region currently lags all of the national indicators significantly. Building the Stage 2 production capability is expected to yield <sup>Comm</sup> jobs in Opotiki, with a further <sup>Commercial</sup> jobs expected on-the-water from increasing sea farming activities. The company is committed to employing local people. It already employs <sup>Comm</sup> people of which <sup>Comm</sup> people are from Opotiki, and the earlier draft Business Case planned for increasing this to <sup>Commerc</sup> by <sup>Commercial</sup> .

5. Increase local employment, education and/or training opportunities for youth (in general and for Māori)	✓	100% of Opotiki is rated as deciles 7-10 deprivation areas. 15.8% of the population are under 15 years of age and unemployment runs at 12.8%. WMOL is committed to employing young Maori from our community. Employment by the company to date has seen █% of employees come from Opotiki. The company has invested in training and development to ensure safe conduct on the water.
6. Improve digital communications, within and/or between regions	☐	No obvious benefits.
7. Improve resilience and sustainability of transport infrastructure, within and/or between regions	✓	Provides increased capacity for a deep water option for New Zealand's aquaculture industry. Increasing concerns over the environmental impacts of inshore aquaculture mean that the industry is vulnerable to disease and environment risks. Increasing WMOLs capacity and capability improves the resilience of this fledgling industry in the region. Commercial Information █
8. Contribute to mitigating or adapting to climate change	☐	No obvious benefits
9. Increase the sustainable use of and benefit from natural assets	✓	Increasing WMOL's number of mussel lines increases the sustainable use of currently (and future) consented water space.
10. Enhance wellbeing, within and/or between regions	✓	Accelerating the creation of █ processing jobs in Opotiki is potentially a game changer for this deprived community. Retail shops are continuing to close and the creation of new employment options for this community. In time, WMOL plans to be one of the three largest employers in this community. This application is a key project in the aquaculture catalytic projects that create █ jobs for the region. WMOL see this as being key for enhancing well-being for the whole region, not just Opotiki.
Total number of outcomes project contributes to	8/10	

19. Has public consultation been conducted?

Yes:

No:

If yes, , what were the results?

If no, , is there a plan to do so?

WMOL has not specifically consulted with the public/community on this proposal. However, the company understands that there is significant social license and interest in creating mussel processing jobs in Opotiki. This was canvassed as part of the earlier consultation on the Opotiki Harbour Project and has been confirmed by constant requests from our shareholders to accelerate the building of the processing facility. █% of our shareholders are from Opotiki or have an affiliation to Opotiki.

No specific consultation is planned, nor is any expected as part of the Resource and Building Consent process. The proposed activity is a permitted activity (non-notifiable) under the Opotiki District Plan.

20. Has any customer demand analysis been undertaken? Yes:  No:

- If yes, please provide a description of the analysis and its outcomes:
- If no, please describe why, and how you are sure of the need for the asset:

The initial business case for export demand for New Zealand Greenshell Mussels indicated a growth of 9% from 2004 – 2014. A core base of customers (domestic and export) have been established for the live and half shell market currently processed at other processing facilities outside the region. The demand in these markets will continue grow with the increase in volume produced.  
Further work is proposed to be undertaken in Stage 1 on the value added forms of mussels to ensure a correct fit of product supply to market demand.

21. Where the project utilises land, does the land have any other interests associated with it? (i.e. Treaty claims, or iwi/hapū ownership) Yes:  No:

The company has a conditional arrangement with **Commercial Information** to purchase a 4 hectare site at 93 Waioeka Road, on the outskirts of Opotiki. The land is on a European title and is not subject to any treaty claims..

22. Is the land is owned by others, i.e. not solely by the applicant?

If yes,, then please describe the other interests and how will this be managed?

See above – the site is owned by **Commercial In** and is proposed to be purchased as a freehold title. The site is a good building site with ready access to power, water and gas utilities. **Commercial Information**

23. Does the land have appropriate Resource Management Act consents? Yes:  No:

If no, how and when will this be addressed?

The proposed site zoned for the proposed activities, but resource consent will need to be applied for using water. The earlier business case identified that this would require using **Commercial Inform** litres a day for cleaning and cooking purposes. The Stage 1 includes completing the necessary work to submit the resource and building consent applications. Preliminary discussions with Opotiki District Council (ODC) have not identified any barriers to this project progressing. ODC support our application.

## Part C: Project Delivery

[Please note – this section refers to the actual activity associated with this application.]

24. Please provide an overview of the project management approach / plan for this activity.

The Chief Executive (Peter Vitasovich) will be primarily responsible for project management under the supervision of the WMOL Board of Directors. Peter oversaw the preparation of the earlier Business Case and has been responsible for building the Tauranga based mussel processing facility operated by North Island Mussels. Overall responsibility for the Business Case rests with the Board of WMOL.

WMOL do not envisage the Provincial Development Unit being involved in the preparation of the Business Case, but they will be consulted to ensure the assumptions being used in the revised Business Case are consistent with those being adopted by other applicants using the Provincial Growth Fund to fund their growth.

This stage of work will be dependent on engaging with a core group of advisers that have supported the company's planning to date and specialist advisers to provide detailed work:

- Commercial Information
- Process engineers
- Resource and building consents
- On water monitoring specialists
- Marketing and consumer insights
- Business model and financial structure to best service a vertically integrated company

25. Have you have independent verification of the project approach / plan? Yes:  No:   
 If yes, who verified the project and when?

The company's earlier Business Case was based on expert advice received from the advisers listed in Question 24. MPI and the PDU have sought independent advice from Aquaculture New Zealand on proposed approach to both offshore farming and on-shore processing. This advice led to the refocusing of our plans to

(i) accelerate land-based processing in Opotiki, but

(ii) Commercial Information

Commercial Information

26. Please provide us with a project plan, where possible please attach a schedule (i.e. Gantt chart):

[Please use the following table to describe the milestones of the project, if preferred, a schedule can be provided]

#	Project Activity	Responsible:	Date / Period:
1	Stage 1: Revised Business Case	Peter Vitasovich	Commercial Information
2	Stage 2: Project Planning & Delivery Phase	Peter Vitasovich	Commercial Information
3	Stage 2: PDS Initiation	Peter Vitasovich	Commercial Information
4	Stage 2: Capital Equity raise	Peter Vitasovich	Commercial Information

27. Please provide a complete breakdown of the costs of the project to assist us in understanding where the funds will

be utilised:

[Note that figures in this table must align with other figures provided in Q11. Please use as many lines as it takes to provide us with the appropriate detail. If more suitable, please attach a budget spreadsheet to this application]

Cost Description:	\$ (excluding GST)
Stage 1: Revised Business Case]	\$ Commercial Information
Stage 2: Project Planning & Delivery Phase	
- Mussel Farm Equipment (Commercial Information lines)	\$ Commercial Information
- Factory Land	\$ Commercial Information
- Factory CAPEX	\$ Commercial Information
- Factory OPEX	\$ Commercial Information
- Capability & Capacity	\$ Commercial Information
<b>Total</b>	\$ Commercial Information

28. What are the proposed deliverables if funding is approved?

[Please use the following table, consider what deliverables there will be, when, and whether there are any payments associated with them and against what criteria payment should be made. If it is a single deliverable with single payment, please just use one line]

#	Description	Payment criteria:	Invoice Value \$ (Exc. GST)	%	Invoice Date:
1	Stage 1 - Revised Business Case, Commercial Information and Consenting	On signature of the funding agreement and the delivery of start-up report	\$ Commercial Information	Commercial Information %	Commercial Information
2	Stage 2 - Mussel Lines	Commercial Information % on submission of an installation plan; then 2-part payments: - Commercial Information % part payment on delivery to the site - Commercial Information % part payment on commissioning	\$ Commercial Information \$ Commercial Information \$ Commercial Information	Commercial Information % Commercial Information % Commercial Information %	Commercial Information Commercial Information Commercial Information
3	Stage 2 - Factory Capex	- Land purchase - Signing construction contract - Commercial Information % part payment on partial construction - Commercial Information % part payment on commissioning - Commercial Information % part payment on installation on final sign off of building consent and factory handover	\$ Commercial Information \$ Commercial Information \$ Commercial Information \$ Commercial Information \$ Commercial Information	Commercial Information % Commercial Information % Commercial Information % Commercial Information % Commercial Information %	Commercial Information Commercial Information Commercial Information Commercial Information Commercial Information
4	Stage 2 - Factory Opex	Payment based on projections developed in Stage 1 Business Case Payment based on commissioning of factory	\$ Commercial Information \$ Commercial Information	Commercial Information % Commercial Information %	Commercial Information Commercial Information
5	Stage 2 - Capability & Capacity	Payment based on factory and mussel line installation	\$ Commercial Information	Commercial Information %	Commercial Information

29. Please provide a description of why Government funding is required to deliver this project?

WMOL does not currently have the capital to invest directly into these activities. However, the company has every expectation that it will be able to raise further capital from its shareholders Commercial Information  
Government funding support is sought to accelerate this planning faster than the company had initially envisaged for the development of the industry or the company.

30. Please provide an overview of the applicant's relevant skills and experience for delivering a projects of this nature:

WMOL has already under taken three large complex projects in its development to date – the development of the current mussel farming operation, the purchase of the marine farming vessel Northern Quest and the design, construction and commissioning of the marine farming vessel Kukutai. This was funded from WMO shareholder investment of \$<sup>Co</sup> [redacted]

Peter Vitasovich, the Chief Executive, Privacy of natural persons  
[redacted]  
[redacted]

In addition, the board of directors experience includes:

- IAN JAMES CRAIG (CHAIR)  
Privacy of natural persons  
[redacted]
- VAUGHAN WILKINSON (DIRECTOR)  
Privacy of natural persons  
[redacted]
- ROBERT TUAHURU EDWARDS(DIRECTOR)  
Privacy of natural persons  
[redacted]
- ARIHIA TUORO (DIRECTOR)  
Privacy of natural persons  
[redacted]
- FREDERICK NEVILLE COOKSON (DIRECTOR – BCOM CA)  
Privacy of natural persons  
[redacted]

We believe we have the experience to oversee this project with our current leadership and governance board.

31. Please explain the Governance arrangements for this project

The Directors of WMOL will oversee this project with the Chief Executive sponsoring and leading the project. The Chief Executive is a member of the Opotiki Harbour Action Group and the Bay of Plenty Aquaculture Management Group. He will keep these industry groups informed on progress, as required.

32. What procurement process has been undertaken (i.e. selection of a provider), or will be undertaken, and how will that be managed?

Using the foundation work in the original business case for the mussel half shell processing factory, the scope of the business case will be adjusted, and details expanded. We will look to work with the providers already engaged by the company as they have foundational knowledge on the project to date which will reduce costs.

The previous business case funded by WMOL cost \$ <sup>Commercial Information</sup> [REDACTED]

For the land purchase from OPAC independent advise will be sought on the land valuation and pricing for this transaction.

The business case will identify <sup>Commercial Information</sup> [REDACTED] who have specific experience in construction of food processing facilities. The construction build, and commissioning project will be put to the companies to quote for the work. The selection process will take into account, cost, experience and ability to deliver in the required time frame

The business case will identify specialized pieces of equipment and potential suppliers. Where possible we will source multiple quotes from suppliers and ensure fit for intended purpose.

Where providers are to be used for specific pieces of work, we will look to go to market to engage for the specific work required.

33. What risks are associated with the delivery of this activity?

#	Risk	Mitigation approach	Rating
1	Funding Approval	The delivery of Stages 1 & 2 are on a very accelerated timeframe. The ability to be able to deliver the projects in the proposed timeframe will be subject to funding approval in 2018. WMOL will attempt to mitigate this by the pre-engagement of parties involved in preparing the revised business case	<sup>Commercial</sup> [REDACTED]
2	Adviser availability – Stage 1 – that advisers are not available and able to complete the Stage 1 work within the timetable set out.	Early engagement with existing relationships to determine availability and secondary options for critical pieces of work.	<sup>Commercial Informa</sup> [REDACTED]
3	Business case viability – Stage 1 – that the business case shows that operating the plant will be inefficient initially.	A balance will be found between market demand and available volume. Where additional volume is required we will look to source this from other mussel farmers. Installation and commissioning of equipment will be staged with primary processing (grading & chilling), being the focus, <sup>Commercial Information</sup> [REDACTED]	<sup>Commercial Informa</sup> [REDACTED]
4	Construction timetable slippage and cost escalation – building – how will you mitigate this?	Factory build will be funded on a series of milestones with a contracting company. The initial focus will be on the primary processing. Where slippage occurs other production facilities may be used as an interim measure	<sup>Commercial</sup> [REDACTED]
5	Specialist equipment availability – Stage 2	Factory build will be a staged implementation allowing for the installation of specialist equipment within the expected timeframes. Other production facilities may be used as interim measures.	<sup>Commercial Informa</sup> [REDACTED]



34. Will the applicant own the asset on delivery?

Yes:

No:

If no, please describe who will own the asset.

35. When the project is delivered, what is the plan to operationalise the asset (if an asset), and maintain it through life?

This project is expected to deliver an updated Business Case that will be used as the basis for the Stage 2 <sup>Commercial</sup> applications to the Provincial Growth Fund, **Commercial Information**

**Commercial Information** The need for the later will be determined in discussion with the PDU to understand what appetite the Govt has to **Commercial Information**

**Commercial Information**

**Commercial Information**. WMOL is keen to explore any mechanism where funding can be provisionally provided by the Government that could, in the future, help the Trust Board secure a more significant strategic shareholding in the company.

The company is expecting to fund the on-going operation and depreciation of any assets funded by the PGF from on-going (growth) operations.

36. What will the impact be on the applicant's financial accounts?

WMOL's accounts are sustainable without the funding. The provision of the funding will allow the company to accelerate the development of stage 1 and 2. We have attached the following documents in relation to the financial accounts:

- Redacted business case prepared for the Ootiki Mussel Half Shell processing premises (April 2017)
- WMOL Product Disclosure Statement (November 2017) – **Commercial Information**
- Prospective Financial Statements for the Four Years to June 2021 – as lodged as part of our public record with the FMA

**Part D: Declarations**

Commercial Information

- 37. Has this activity ever been declined Crown Funding in the past?
- 38. Is the applicant or the contracting entity insolvent or subject to any insolvency action, administration or other legal proceedings?
- 39. The contracting entity is compliant and will continue to comply with all applicable laws, regulations, rules and professional codes of conduct or practice including but not limited to health and safety and employment practices
- 40. Is any individual involved in the application, the proposed contracting entity or the project, an undischarged bankrupt?
- 41. Is any individual under investigation for, or has any individual been convicted of, any offence that has a bearing on the operation of the project?
- 42. Are there any actual, potential or perceived conflicts of interest that the applicant or any of the key personnel have in relation to this project.  
 "In a small country like ours, conflicts of interest in our working lives are natural and unavoidable. The existence of a conflict of interest does not necessarily mean that someone has done something wrong, and it need not cause problems. It just needs to be identified and managed carefully..."  
<https://www.oag.govt.nz/2007/conflicts-public-entities>

If you answered "Yes" to any of the above, please provide a description below:

The company is fully compliant
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By completing the details below, the applicant makes the following declaration about its application for Provincial Growth Fund funding for the project ("application"):

- I have read, understand and agree to the Terms and Conditions of applying for Provincial Growth Fund funding which are attached as Appendix 1;
- The statements in the application are true and the information provided is complete and correct, and there have been no misleading statements or omissions of any relevant facts nor any misrepresentations made;
- I have secured all appropriate authorisations to submit the application, to make the statements and to provide the information in the application;
- I consent to this application being publically released if funding is approved. I have identified the commercially sensitive and personal information.
- The applicant warrants that it has no actual, potential or perceived conflict of interest (except any already declared in the application) in submitting the application, or entering into a contract to carry out the project. Where a conflict of interest arises during the application or assessment process, the applicant will report it immediately to the Provincial Development Unit by emailing [PGF@mbie.govt.nz](mailto:PGF@mbie.govt.nz); and
- I understand that the falsification of information, supplying misleading information, or the suppression of material information in this application, may result in the application being eliminated from the assessment process and may be grounds for termination of any contract awarded as a result of this application process.

**Full name:**

**Peter Ivan Vitasovich**

**Title / position:**

**Chief Executive**

Signature:

Privacy of natural persons

**Date:**

**9<sup>th</sup> November 2018**

## **Appendix 1 – Terms and Conditions of this Application**

### **General**

The terms and conditions are non-negotiable and do not require a response. Each applicant that submits a request for Provincial Growth Fund (“PGF”) funding (each an “application”) has confirmed by their signature on the application that these terms and conditions are accepted without reservation or variation.

The Provincial Growth Fund is a government initiative which is administered by the Provincial Development Unit, a unit within the Ministry of Business, Innovation and Employment. Any reference to the Provincial Development Unit in these terms and conditions, is a reference to MBIE on behalf of the Crown.

### **Reliance by Provincial Development Unit**

The Provincial Development Unit may rely upon all statements made by any applicant in an application and in correspondence or negotiations with the Provincial Development Unit or its representatives. If an application is approved for funding, any such statements may be included in the contract.

Each applicant must ensure all information provided to the Provincial Development Unit is complete and accurate. The Provincial Development Unit is under no obligation to check any application for errors, omissions, or inaccuracies. Each applicant will notify the Provincial Development Unit promptly upon becoming aware of any errors, omissions, or inaccuracies in its application or in any additional information provided by the applicant.

### **Ownership and intellectual property**

Ownership of the intellectual property rights in an application does not pass to the Provincial Development Unit. However, in submitting an application, each applicant grants the Provincial Development Unit a non-exclusive, transferable, perpetual licence to use and disclose its application for the purpose of assessing and decision making related to the PGF application process. Any hard copy application or documentation supplied by you to the Provincial Development Unit may not be returned to you.

By submitting an application, each applicant warrants that the provision of that information to the Provincial Development Unit, and the use of it by the Provincial Development Unit for the evaluation of the application and for any resulting negotiation, will not breach any third-party intellectual property rights.

### **Confidentiality**

The Provincial Development Unit is bound by the Official Information Act 1982 (“OIA”), the Privacy Act 1993, parliamentary and constitutional convention and any other obligations imposed by law. While the Provincial Development Unit intends to treat information in applications as confidential to ensure fairness for applicants during the assessment and decision making process, the information can be requested by third parties and the Provincial Development Unit must provide that information if required by law. If the Provincial Development Unit receives an OIA request that relates to information in this application, where possible, the Provincial Development Unit will consult with you and may ask you to confirm whether the information is considered by you to be confidential or still commercially sensitive, and if so, to explain why.

The Provincial Development Unit may disclose any application and any related documents or information provided by the applicant, to any person who is directly involved in the PGF application and assessment process on its behalf including the Independent Advisory Panel (“IAP”), officers, employees, consultants, contractors and professional advisors of the Provincial Development Unit or of any government agency. The disclosed information will only be used for the purpose of participating in the PGF application and assessment process, which will include carrying out due diligence. If an application is approved for funding, information provided in the application and any related documents may be used for the purpose of contracting.

In the interests of public transparency, if an application is approved for funding, the application (and any related documents) may be published by the Provincial Development Unit. Commercially sensitive and personal information will be redacted by reference to the provisions of the Official Information Act 1982.

### **Limitation of Advice**

Any advice given by the Provincial Development Unit, any other government agency, their officers, employees, advisers, other representatives, or the IAP about the content of your application does not commit the decision maker (it may be Senior Regional Officials, Ministers or Cabinet depending on the level of funding requested and the nature of the project) to make a decision about your application.

This limitation includes individual members of the IAP. The IAP's recommendations and advice are made by the IAP in its formal sessions and any views expressed by individual members of the IAP outside of these do not commit the IAP to make any recommendation.

#### **No contractual obligations created**

No contract or other legal obligations arise between the Provincial Development Unit and any applicant out of, or in relation to, the application and assessment process, until a formal written contract (if any) is signed by both the Provincial Development Unit and a successful applicant.

#### **No process contract**

The PGF application and assessment process does not legally oblige or otherwise commit the Provincial Development Unit to proceed with that process or to assess any particular applicant's application or enter into any negotiations or contractual arrangements with any applicant. For the avoidance of doubt, this application and assessment process does not give rise to a process contract.

#### **Costs and expenses**

The Provincial Development Unit is not responsible for any costs or expenses incurred by you in the preparation of an application.

#### **Exclusion of liability**

Neither the Provincial Development Unit or any other government agency, nor their officers, employees, advisers or other representatives, nor the IAP or its members will be liable (in contract or tort, including negligence, or otherwise) for any direct or indirect damage, expense, loss or cost (including legal costs) incurred or suffered by any applicant, its affiliates or other person in connection with this application and assessment process, including without limitation:

- a) the assessment process
- b) the preparation of any application
- c) any investigations of or by any applicant
- d) concluding any contract
- e) the acceptance or rejection of any application, or
- f) any information given or not given to any applicant(s).

By participating in this application and assessment process, each applicant waives any rights that it may have to make any claim against the Provincial Development Unit. To the extent that legal relations between the Provincial Development Unit and any applicant cannot be excluded as a matter of law, the liability of the Provincial Development Unit is limited to \$1.

Nothing contained or implied in or arising out of the PGF documentation or any other communications to any applicant shall be construed as legal, financial, or other advice of any kind.

#### **Inducements**

You must not directly or indirectly provide any form of inducement or reward to any IAP member, officer, employee, advisor, or other representative of the Provincial Development Unit or any other government agency in connection with this application and assessment process.

#### **Governing law and jurisdiction**

The PGF application and assessment process will be construed according to, and governed by, New Zealand law and you agree to submit to the exclusive jurisdiction of New Zealand courts in any dispute concerning your application.

#### **Public statements**

The Provincial Development Unit and any other government agency, or any relevant Minister, may make public in whole or in part this application form including the following information:

- the name of the applicant(s)
- the application title
- a high-level description of the proposed project/activity
- the total amount of funding and the period of time for which funding has been approved
- the region and/or sector to which the project relates

The Provincial Development Unit asks applicants not to release any media statement or other information relating to the submission or approval of any application to any public medium without prior agreement of the Provincial Development Unit.

## Appendix 2 - Operational criteria for all tiers of the Fund

### Link to Fund and government outcomes

- Demonstrate the ways in which the project will contribute to lifting the productivity potential of the region
- Demonstrate how the project contributes to the Fund's objectives of:
  - more permanent jobs
  - benefits to the community and different groups in the community
  - increased utilisation and returns for Māori from their asset base (where applicable)
  - sustainability of natural assets (e.g. water, soil integrity, the health and ecological functioning of natural habitats)
  - mitigating or adapting to climate change effects, including transitioning to a low emissions economy
- Clear evidence of public benefits (i.e. benefits other than increased profitability for the applicant)
- Are in a Government priority region or sector

### Additionality

- Project is not already underway, does not involve maintenance of core infrastructure or assets (except for rail and transport resilience initiatives), and does not cover activities the applicant is already funded for (funding could be considered to increase the scale of existing projects or re-start stalled projects)
- Demonstrated benefit of central Government investment or support
- Detail of any supporting third party funding (and any funding sought unsuccessfully)
- Acts as a catalyst to unlock a region's productivity potential
- Demonstrated links to other tiers of the Fund and related projects, to maximise value of Government investment

### Connected to regional stakeholders and frameworks

- Evidence of relevant regional and local support, either through existing regional development mechanisms, or through another relevant body such as a council, iwi or other representative group (or reasons for any lack of local support)
- Has been raised and discussed with the region's economic development governance group
- Alignment with, or support for the outcomes of, any relevant regional development plan, Māori development strategy or similar document (whether regional or national)
- Demonstrated improvement in regional connectedness (within and between regions)
- Leverage credible local and community input, funding, commercial and non-commercial partners
- Utilise existing local, regional or iwi/Māori governance mechanisms

### Governance, risk management and project execution

- Evidence of robust project governance, risk identification/management and decision-making systems and an implementation plan appropriate to the size, scale and nature of the project
- Future ownership options for capital projects, including responsibility for maintenance, further development, and other relevant matters
- Benefits and risks clearly identified and quantified, depending on the scale of the initiative
- Evidence of potential exit gates and stop/go points, and a clear exit strategy
- Clearly identifies whole of life costs (capital and operating)
- Dependencies with other related projects are identified
- Evidence of sustainability after conclusion of PGF funding
- Adequacy of asset management capability (for capital projects)
- Compliance with international obligations (where relevant)

### **Appendix 3: Draft Business Case 29 April 2017 (redacted)**

The following Draft Business Case was prepared to support the application for the Opotiki Harbour Project. All of the key data and financial forecast information has been redacted as they are no longer valid for the staged process proposed for developing the processing facilities. This earlier business case refers to operating a frozen half shell capacity, which will not be part of this application.

PROACTIVELY RELEASED

**Appendix 4: WMOL Product Disclosure Statement (November 2017) –**

Attached document capital raise to help fund the expansion of the Company's open ocean mussel farm and purchase a new service vessel.

PROACTIVELY RELEASED

**Appendix 5: Prospective Financial Statements for the Four Years to June 2021**

Attached document as lodged as part of our public record with the FMA

PROACTIVELY RELEASED