3722

6/5/14

Nick DiGirolamo

From: Jon Grayson <jon.grayson@qipartners.com.au>
Sent: Thursday, 10 March 2011 9:56 PM
To: Eddie Obeid; Wayne Myers; waynecmyers@[redacted]Tony Bellas; Nick DiGirolamo
Subject: Re: Gasfields Water Management - Meeting with Severn Trent and Leightons

Eddie – I had this meeting note largely written before the Siemens news this afternoon, and decided to send it anyway as a record of the meeting.

However, the new circumstances brings the issues canvassed in the note to a head anyway. As discussed, it may represent an opportunity rather than a threat, and could be a catalyst for us focussing on what is the core business for us out of this.

I look forward to discussing it further with you and Nick tomorrow.

ards

Jon

On 10/03/11 8:50 PM, "Jon Grayson" <jon.grayson@qipartners.com.au> wrote:

1. **History**

You may recall that our original pitch to AW contemplated that in developing our business case, we would assess the Higgin Loop (HL) technology as a potential water treatment solution. It had several benefits – low energy intensity and therefore low cost, higher pure water output (98%) than RO, pure brine which has a ready use once crystallised, transportable modular unit design, and proven technology (already in use in the USA). The uncertainties were its applicability to Qld CSG water (a second loop was required to deal with higher chlorine content), and whether it was feasible for large quantities of water especially given it would require large quantities of hydrochloric acid.

e technology is owned by Severn Trent (ST), a large UK water utility. ST had teamed up with Leightons to ist it to prove up and commercialise HL for the Australian market. Our conversations with ST/Leightons at time indicated that they were not ready to align themselves with us, preferring instead to build a pilot plant on their own. They wanted to stay in contact so that, once proved, they could consider being part of our consortium, but they really missed the point of what we were trying to achieve instead seeing us as just another possible source of funding their idea.

2. **Meeting**

ST/Leightons have continued working on the pilot plant having spent about $1 million, and expect to have it on the ground (on Max's property) in April. They are currently in Brisbane doing the rounds of the CSG producers, and have also been in discussions with Max, and through Max sought to restart discussions with us.

Grant and I met with them today. The meeting had quite a different tone to the previous discussions. Their discussions with the CSG producers have been difficult in that they are talking with the technical people who have their plans and budgets firmly based on a conventional RO based solution. Nevertheless they have succeeded in getting raw water from Arrow to be tested in the pilot plant.

They were very interested in our concept of a pipe network and common user infrastructure, and a commitment to an environmental dividend. I think they see our vehicle as a way of overcoming some of the obstacles they are currently experiencing. They acknowledge that their technology is still to be proved in the Australian context and that it may not be a total solution. For example, the large quantities of hydrochloric acid required (1 ML for treating 100ML of water) would probably present an unacceptable hazard being transported across the country. They are therefore considering building an acid plant on the CSG fields.

They have asked whether there is a role for them in our consortium, and have requested an outline of our proposed project and how they might be able to fit in. They propose to use this for consideration of the next steps within their organisations.

3. Our Options

I do not believe it is critical that we have ST/Leightons as part of the consortium. However, given the potential benefits, it may provide a very useful niche solution for some CSG fields, or constitute another stage in a IX-RO solution.

Our options and our response to the potential for ST/Leightons to join our consortium depends on what we see as core to our proposal, and a consideration of sensitivities around Siemens position.

In my view, the core of our proposal is not the water treatment - we have always said that any technology could "plug-in" to our network, and indeed, part of our pitch is that we could accept treated water from existing plants. Instead, I believe that the core of our proposal is the water collection and distribution system. When viewed as such, any water treatment facilities could access the network to dispose of treated or untreated water or concentrate. It is analogous to the electricity industry with our pipe network being equivalent to the transmission and distribution system, and the water treatment facilities are equivalent to power generators which utilise the monopoly/ common user transmission and distribution system.

Under this model, I believe it is consistent to have multiple water treatment facilities tapping in to our pipe network. Whilst we may present a total solution to, say Arrow, the commercial arrangements for water treatment may be separate to the access arrangement for the collection and distribution of water.

The legal status of our relationship with Siemens is clear – the MOU is non-binding and they are non-exclusive. Further they are not proposing to contribute cash to the consortium. I therefore believe there is a sound basis for pursuing parallel discussions with ST/Leightons if we choose to. Handled properly, I think the relationship with Siemens could be managed.

4. Discussion

I suggest that at our next meeting we discuss the two key strategic issues which have arisen from my meeting with ST and Leightons:

- what is our core business, and what will we be offering to CSG producers
- what is the preferred nature of the commercial relationship with our technology provider/s
- whether we leave open or indeed encourage alternative water treatment providers to align with the proposed model
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NOW TOAC EXHIBIT

Steering Meeting

6/5/14

28/2/11 3707

11.05 - 12.15.

GASFIELDS WATER MANAGEMENT

PROJECT CONTROL GROUP MEETING

MONDAY 28TH FEBRUARY 2011

LEVEL 5 WATERFRONT PLACE, BRISBANE

Strategic Plan / Feasibility Study
1. Concept Plan
2. Technology
3. CSG industry
4. Govt.

ATTENDING Nick Di Girolamo (AW) ✓ Eddie Obeid (AW) ✓ Wayne Myers (AWQ) ✓ Tony Bellas (AWQ) ✓ John Britton (Siemens) ✓ Ingrid Lammers (Siemens) ✓	Rohan Burgess (Siemens) ✓ John Harlen (CS Energy) – Apology Doug McAlpine (Watpac) Doug O'Brien (Watpac) ✓ Jon Grayson (QIP) ✓ Grant Pollard (QIP) ✓ Max Winders (MWA) ✓	
1. PROPOSAL REVIEW • Total solution for CSG industry – interconnected infrastructure solution.	• Key features, principles • Competitive advantage	GP
2. CONSORTIUM STRUCTURE • Network of pipes / environmental benefits	• Equity and Alliance Partners • External presentation – single consortium. (AG QIP) • Project Co-ordination • Budget management	JG
3. PROJECT DEVELOPMENT • Target is Arrow.	• "The Solution" stream • Gas Producers stream • Commercial stream • Stakeholder management stream	JG
4. TECHNICAL SOLUTION DEVELOPMENT • Technical Meeting / Workshop.	• Delineation and co-ordination of AWQ, Siemens, Jord, and Watpac work	all
5. PIPE NETWORK	• Update • Implications for other partners	AWQ
6. TECHNOLOGY	• Initial thoughts • Involvement of Jord • Options for Brine treatment	Siemens
7. PCG MEETINGS	• Format and regularity Weekly – 7/3/11 @ 11am.	all