

# **Mt Barker Community Windfarm**

**Mt Barker Power Company Pty. Ltd.  
(ABN 93 125 948 389)**



**Project Brief Dec 2009**  
[www.mtbarkerpower.com.au](http://www.mtbarkerpower.com.au)

## Important Notice and Disclaimer

This presentation ("Presentation") is being issued by SkyFarming Pty. Ltd. ("SkyFarming") and distributed only to a limited number of persons ("Recipients") who have indicated their interest in considering an investment in Mt. Barker Power Company Pty Ltd (the "Project"), and has been prepared based on information available to SkyFarming and the Project at the time of publication.

By accepting this presentation, the Recipient warrants they are a person to whom disclosure is not required under the Australian Corporations Act 2001 (Cth) ("Corporations Act") and acknowledges that this Presentation is not a prospectus or other disclosure document.

Despite anything else contained in this Presentation, this Presentation does not constitute an offer or invitation to issue or sell, or a recommendation to subscribe for or purchase, any securities, in a jurisdiction where such an offer or solicitation would be illegal, and shall not form the basis of any contract or commitment whatsoever. Further, this Presentation may not be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

This Presentation is provided on the condition that the Recipient acknowledges it contains confidential information and undertakes not to copy or circulate it in whole or in part or use such information contrary to law.

This Presentation has been prepared for the sole purpose of assisting Recipients to make their own assessment of the Project so as to enable those Recipients to consider participating in the Project. This Presentation does not purport to contain all of the information that a Recipient may require for the purpose of making an investment in the Project. The information in this Presentation does not take into account the investment objectives, financial situation and particular needs of Recipients. Before making an investment in the Project, Recipients should consider whether such an investment is appropriate to their particular investment objectives, financial situation and particular needs. Recipients will be expected to undertake their own due diligence investigations, review and analysis in relation to the Project and not rely on this Presentation in relation to their assessment of the Project and, if appropriate, seek professional advice, including tax, legal and accounting advice.

Opinions expressed are our current opinions as of the date appearing on this material only. The information is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.

The price and value of the investments referred to in this Presentation and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates and electricity prices could have adverse effects on the value or price of, or income derived from any investment in any Project referred to in this Presentation or not.

Neither SkyFarming, the Project or any of their related bodies corporate, nor any of their respective officers, directors, employees, advisers, consultants, affiliates, nor any other person make any representation, warranty or guarantee, express or implied, as to the quality, fairness, accuracy, reliability, timeliness, continued availability, correctness or completeness of the information, opinions and conclusions contained or referred to in this Presentation or subsequently provided to Recipients by or on behalf of SkyFarming or the Project. To the maximum extent permitted by law, none of those persons accept any liability for any loss, including without limitation any special, indirect, incidental or consequential damages arising from the use of this Presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault, negligence or otherwise on the part of SkyFarming or the Project or their agents and by accepting this presentation, each Recipient releases the SkyFarming and the Project from any such liability and waives all its rights in that regard.

Neither SkyFarming nor the Project or any of their related bodies corporate, nor any of their respective directors, officers, employees, advisers, consultants, affiliates nor any other person is liable to compensate or reimburse any Recipient for any liabilities, costs or expenses incurred in reviewing, investigating or analysing any information relating to the Project or otherwise, whether or not such information is contained in this Presentation.

### Further Investor information

This is a small scale offering of shares which aims to raise up to \$2 million from 20 individual or grouped share holders. Detailed due diligence information, including financial projections, is available to prospective investors after signing a mutual confidentiality agreement.

### Contact:

SkyFarming Pty.Ltd.: Andrew Woodroffe, Susanna Floth ph: 08 94307371

or

MtBarkerPower Co - Investor Group: Pam Rumble, Paul Lewellyn ph: 08 98482015

## Table of Contents

<b>Executive Summary</b> .....	<b>4</b>
<b>Introduction</b> .....	<b>5</b>
<b>Social and Environmental Benefits</b> .....	<b>7</b>
<b>Time Line</b> .....	<b>7</b>
<b>Economics</b> .....	<b>8</b>
Summary.....	8
Features of Investment.....	8
The Project Company.....	9
Upfront Capital Costs.....	10
Funding.....	10
Income.....	11
Operation Expenditure.....	12

# Executive Summary

## Invitation to invest in the Mount Barker Windfarm

The Mount Barker windfarm project has received all of the environmental and technical and government approvals necessary to commence raising finance.

The project comprises three 800 kW German made turbines (similar to those used in the Albany Windfarm) producing approx 9000 MWh/yr. That is roughly equivalent to all of the electricity used in the district.

The total cost of the project in round terms is \$8.4 million of which approximately \$6 million is for turbines. The Federal Government has granted \$4.2 million which, after tax, amounts to \$3 million, leaving \$5.5 million to be financed by debt (bank loans) and equity (individual investors). The project is seeking \$3.4 million in the form of bank loans, leaving \$2.1 million to come from equity investors, \$0.3m of which has already been contributed in project development. As with all wind energy projects, all of the money is required up front to purchase and build the turbines. Once operating they are fully maintained and serviced under a contract with the German manufacturer. It takes about 12 months for turbine delivery once the \$1.5 million down payment is made.

The Mt Barker Power Company is offering you the opportunity to invest in this project. The project is seeking an additional \$1.8 million from up to twenty individuals or groups.

### Return on Investment

Financial modelling indicates a return on investment between 10 and 15% over the 20 year life of the project. This is a long term investment with returns improving greatly over time as the loan is repaid. For this reason it is an ideal superannuation investment.

The actual return on investment is critically dependent on the price received for electricity and the value of Renewable Energy Certificates (RECs) which are paid for the 'green energy' component. A 15% return, for example, assumes a combined electricity and a REC price of \$105/MWhr. These prices are realistic and are stabilised by locking in long term power contracts.

### The Project

This project has been developed by a WA company called SkyFarming Pty. Ltd., but is owned by the Mount Barker Power Company (MBPCo) whose sole purpose will be to operate the Mount Barker windfarm. The project will be wholly owned by a small number of share holder/ investors of the Mount Barker Power Company. SkyFarming Pty. Ltd. will maintain a share in the new company.

The MBPCo will be controlled by shareholders who will elect a board of 3 directors at least one of whom shall be a Director of SkyFarming in the first five years of the project. This will ensure that the company is managed by people with intimate knowledge of the project and the power industry, and that reporting obligations for the Federal Government grant are met.

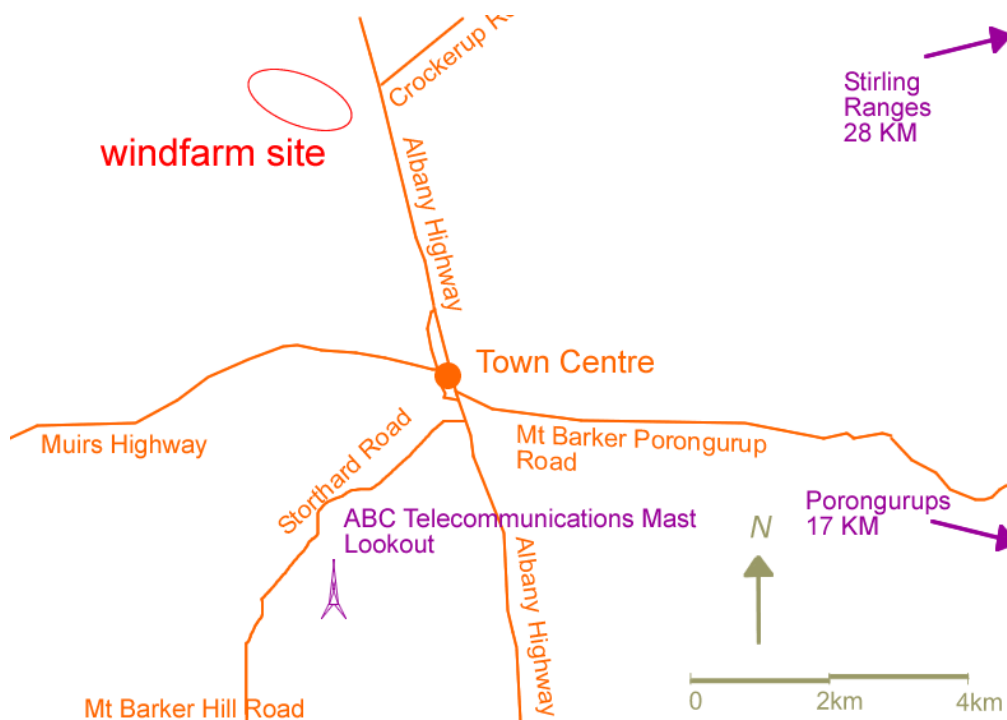
# Introduction

A windfarm is proposed for a hill on a private sheep farm 3.3 km north of Mt Barker on the western side of Albany Highway. The windfarm will consist of three 800kW Enercon wind turbines slightly bigger than those in Esperance and two thirds the diameter of those in Albany. As Mt Barker is inland, they will be low wind (class III) wind turbines on 73m high towers. A major benefit of this site is it's proximity to the Mt Barker substation, some 3.5 km south west, which allows for relatively easy grid connection.

The project will cost about \$8.4 million in total of which up to 50% is paid by a Federal Governments Renewable Remote Power Generation Program grant. Investors will get an internal rate of return of 10 – 15% fully franked over the 20 year life of the project.

The project has been initiated and developed by SkyFarming Pty Ltd, the Perth company that is also the technical consultant for the Denmark Community Windfarm.

The windfarm operation will be controlled by Western Power Networks from the East Perth Control centre, monitored by Enercon (the manufacturer of the turbines) in Germany and maintained by the Enercon maintenance crew based in Albany.



Map of the proposed site.

To date;

- the project company, Mt Barker Power Company Pty Ltd (ABN 93 125 9848 389) has been established
- a lease agreement with the landowner has been signed
- wind data has been monitored for over 4 years and a 3rd party verification study has been performed by Garrad Hassan, the internationally recognised wind energy consultants
- an Amendment to the Town Planning Scheme was gazetted on the 21st of August, 2007 (planning consent) including EPA approval
- studies for Connection and Access to the South West grid have been completed by Western Power Networks and an “access offer” made with no special conditions or limits
- a Power Purchase Agreement in the form of a term sheet has been negotiated and signed with an electricity retailer
- a geotechnical investigation involving drilling and analysis of core samples has been completed
- the project has received certification for reserve capacity credits from the Western Australian Independent Market Operator (IMO) starting with the 2010/2011 cycle
- binding offers have been obtained from Enercon, the German turbine manufacturer, for supply, installation, commissioning and for a long-term service and maintenance contract



*Photomontage from 1.5km to the south of the windfarm.*

# Social and Environmental Benefits

It is estimated that the 9000 MWh/yr of electricity will offset 9000 tonnes of CO<sub>2</sub> emissions a year. These figures roughly match the consumption of electricity and associated greenhouse gas emissions of the township of Mt Barker. This matching of town size to windfarm size clearly models what is required to supply a community with sustainable energy. To date, Albany and Kalbarri are the only windfarms on the grid in Australia to be sized to the local community.

The windfarm will be a visible statement of Mt Barker's clean, green, free range produce image.

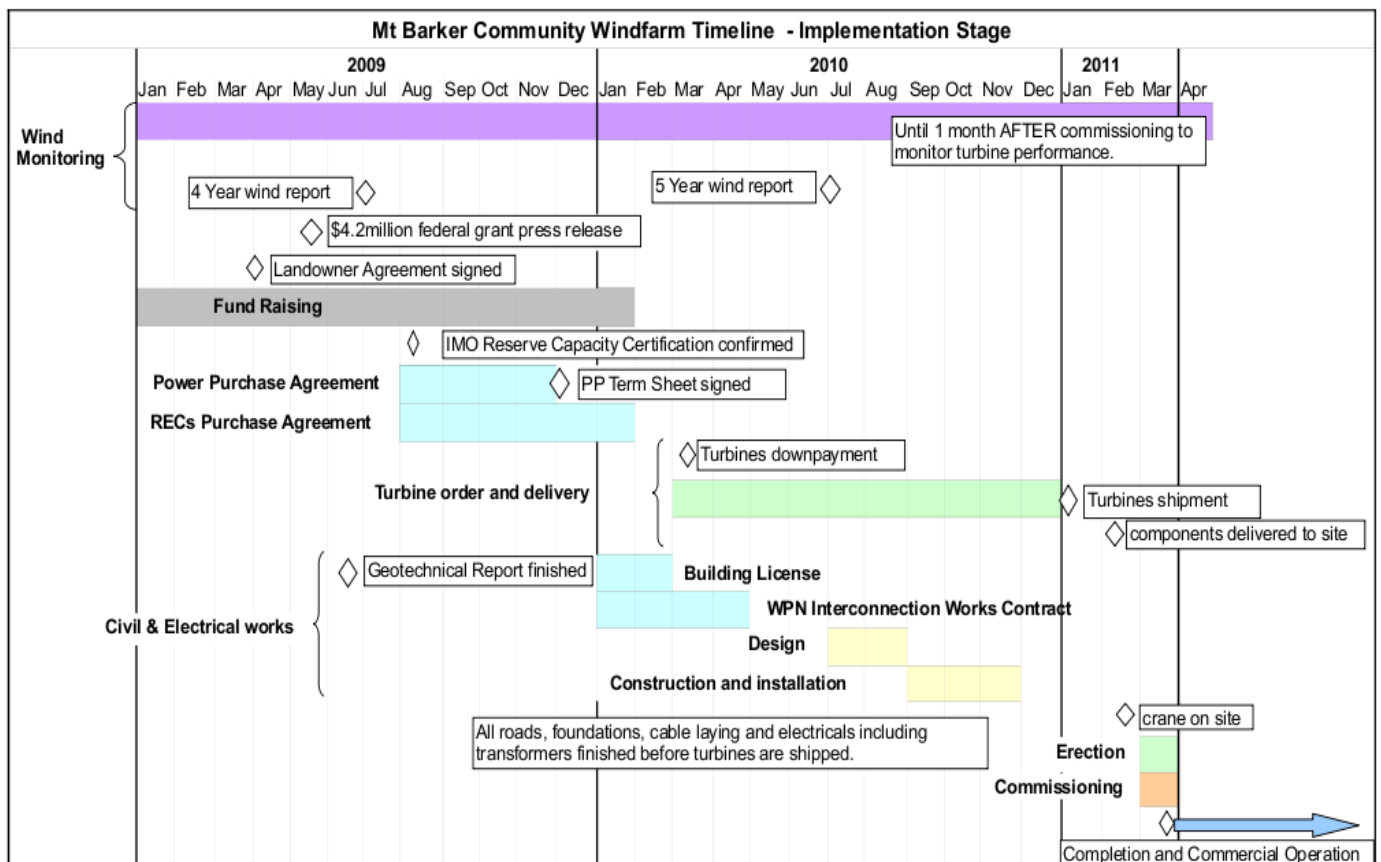
Some \$1million of civil works including the roading, hardpoints for the crane, foundations and cable trenching are expected to be wholly sourced from within the shire, and rental income will also provide an additional source of rural income.

Public support for the project has been strong. In response to the advertising of the windfarm development, 50 submissions, *all positive*, were received by the council during the 6 week public consultation period required by the planning process. The shire has also contributed a small financial contribution as an expression of support for the project.

## Time Line

The critical factor for project delivery is the delivery time for the turbines, which currently has been confirmed by the manufacturer to be about 12 months from order placement. All other activities like civil works and electrical interconnection works have short lead times and will be completed well ahead of turbine delivery to site. Installation and commissioning of turbines will be performed by Enercon.

Details of the project implementation are shown in the table below:



# Economics

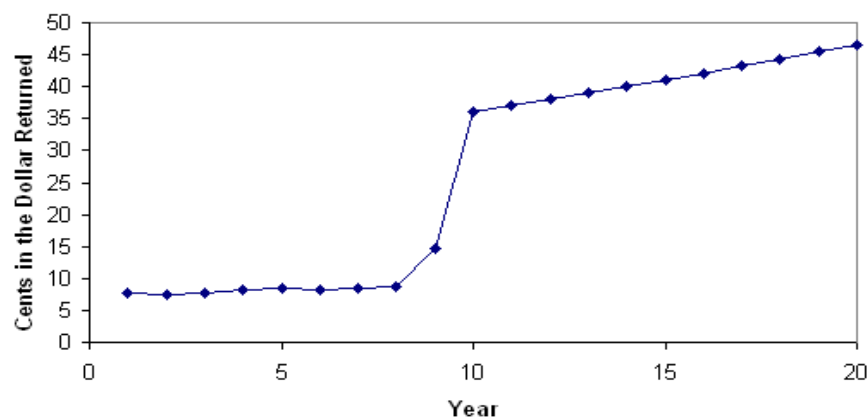
## Summary

Investment in wind power requires all of the capital investment up front to purchase and build the facility, but the return on investment is long term and improves dramatically after the loans have been paid off. (see graph below) .

The project will cost \$8.4 million in total and have a life of 20 years. The yearly earnings from electricity sales are projected to be \$0.9 million with operation cost \$0.27 million. The cost of the turbines will be written off over the life of the project so there will be no residual value at the end of the project (ie unless the company agrees at a later date to retain funds to replace the turbines). The company will pay all taxes and charges so, the Project will produce *fully franked* Internal Rates of Return on equity of 14.9% after 20 years.

Every \$1 invested will return \$4.93 after tax assuming 3% consumer price index per annum.

**Return on Investment**



*This graph shows the stream of dividend payouts in cents per dollar over the life of the project. Notice the jump in returns after year 10 when the loan is paid off.*

These figures are based on the following assumptions;

- 3 x 800kW E53 Enercon turbines on 73m towers
- Development costs of \$350,000
- Civil works of \$1 million
- Western Power Networks Access proposal dated 5th May, 2008
- Long term wind generation is 9000 MWh/yr
- Combines Income per MWh for power sales and RECs or Greenpower premium is \$105
- \$4.2 million Federal Government RREP taxable grant contribution
- \$3.4 million loan
- Enercon maintenance contract
- inflation CPI of 3%pa
- 20 year life

## Features of Investment

- long term
- increasing returns after loan payback (10 years)
- no roll over
- fully franked (tax credit)
- regular payout
- no residual value
- amount varies with wind

## The Project Company

Mt Barker Power Company (MBPCo) Pty Ltd (ACN 125 948 389) was established in 2007 as a privately owned limited company with the sole purpose of owning and operating the Mt Barker Windfarm. MBPCo is the owner of the project assets and also the recipient of the RRPGR grant. Currently all its shares are owned by SkyFarming. Investment is now sought to increase the equity capital by approx. \$1.8 million to a combined equity capital of \$2.1 million.

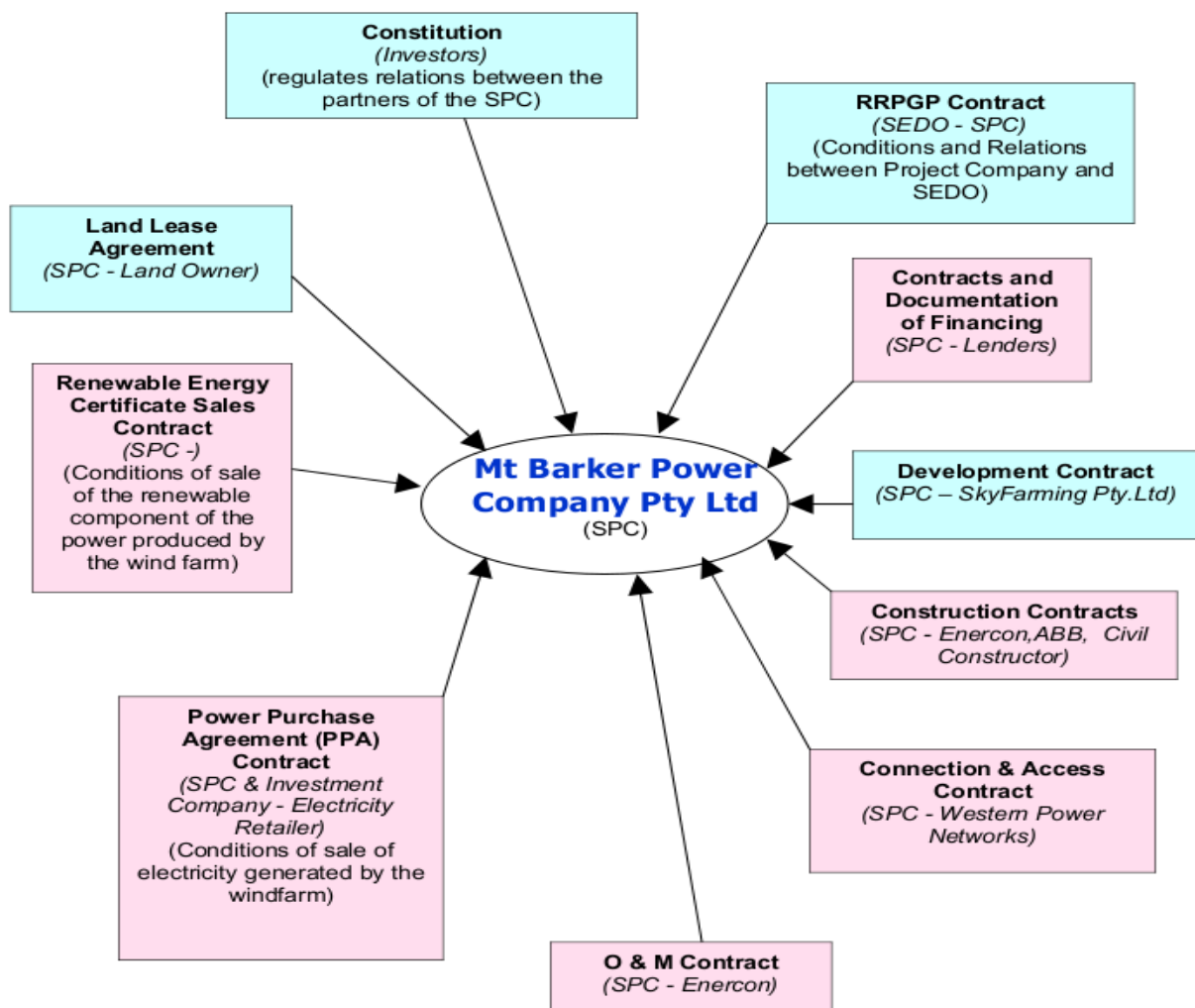
The company will have a board of 3 directors, at least one of which shall be nominated by SkyFarming. During the first 5 years of operation the managing director of Mt Barker Power Company shall be nominated by SkyFarming, and will be responsible for the day to day management of the windfarm and for all compliance and reporting requirements.

### Sale and Transferring of shares:

The constitution of MBPCo lays out flexible mechanisms for the sale and transfer of shares. For example MBPCo shares can be bought and sold at fair market value, and freely transferred between immediate family members.

### Legal Framework of the Company:

The diagram below shows the legal framework of the project company (blue coloured items have been finalized, pink items are secured by negotiated term sheets or quotes)



SPC = Special Purpose Company

## Upfront Capital Costs

Based on quotes for the Enercon E53 wind turbine on a 73m tower configuration

<b>Capital Expenditure</b>	<b>\$k</b>	
Development Costs**	350	4%
Finance	133	2%
Civil Works	959	11%
Turbines*	5903	70%
Electrical works	728	9%
Other + Contingencies	356	4%
<b>Total</b>	<b>8429</b>	<b>100%</b>

\*Based on 0.60 \$Aus/Euro

\*\*Development costs cover involved securing all the agreements (planning, grid access, landowners, turbine offer, service contract, RREP grant), confirming the wind resource, obtaining finance, finalising contracts.

## Funding

The Federal Government RRP GP grant covers 50% of the total \$8.429 capital cost of the project, however, the grant is treated as taxable income so its actual value to the project is approximately \$3.0m. This leaves \$5.4m to be raised from bank loans and equity investors as outlined below:

<b>Funding sources (rounded)</b>	<b>\$m</b>	
Grant*	3	36%
Bank loan	3.4	40%
Equity	2	24%
<b>Total</b>	<b>8.4</b>	<b>100%</b>

\*Minus 30% of \$4.2m, for 30% corporate income tax

The equity component covers the actual project;

- the purchasing of the turbines and towers
- the electrical and civil works design and installation
- the final installation of the turbines and commissioning

## Income

The income for the project is based on the sale of:

- (1) the 'electricity' generated
- (2) the Renewable Energy Certificates (RECs) which are sold to meet the Renewable Energy Target (1 MWh of green electricity =1 REC)

The total price for the electricity and RECs used in the economic modelling is assumed to be \$105/MWh for 9000 MWh/yr ie \$945,000 pa for the first year. The basis of these calculations are outlined below and are available in detail in the due diligence documentation provided to prospective investors who sign the confidentiality agreement.

### Wind Energy calculations

Generation from the windfarm was calculated using short term (relatively) data from wind monitoring equipment installed 46 metres above ground level at Mt Barker Hill and longer term data from Bureau of Meteorology data from Albany.

With this data and 5m contours of the area, an analysis using industry standard windfarm computer modelling software, ReSoft's WindFarm V4.0, the long term generation at the wind farm site was calculated to be 9000 MWh/yr. These calculations were independently verified by, Garrad Hassan.

Based on three Enercon E53 windturbines on 73m towers, international wind energy consultants Garrad Hassan calculated a three year average energy output of 8,178 MWh/yr. This compares with SkyFarming's inhouse calculations of 8,299 Mwh/yr.

The above figures were based on a 2MW wind farm output (a constraint initially imposed by the rules of Federal government grant).

The Garrad Hassan figure was used to calibrate the full 2.4 MW output calculation, providing a figure of 8,714 MWh/yr. Adjusted for the Transmission Loss Factor for Mt Barker substation, which in 2009/2010 is 1.0428, the saleable generation becomes  $1.0428 \times 8,793 = 9,087$ , approximately 9,000 MWh/yr.

### Sale of Electricity and Renewable energy Certificates

The Mount Barker Power company has signed a term sheet for a power purchase agreement for the sale of all electricity produced by the windfarm. The value of this purchase price is used in the economic modelling of the project.

The sale price of Renewable Energy Certificates (REC)s is reflected in the spot price market, which is currently around \$35 / MWh, but has fluctuated between \$29 - \$53 over the past 12 months. The long term REC price is predicted to increase because the Federal Government has increased the Renewable Energy Target obligation from 2% to 20% renewable energy by 2020. Accounting for the volatility of the spot price market for RECs, it is reasonable to expect a REC price range of \$35-50 dollars per MWh for a medium term offtake agreement.

## Operation Expenditure

Expenditure includes annual connection & access costs to the grid, rent to landowner, operation & maintenance, administration and miscellaneous costs, amounting to approx. \$240,000 pa.

Most of the cost is the per MWh generation Operation and Maintenance fee for the 'Enercon Partner Konzept' contract. This contract is a 12 year full maintenance service package (extendable) for which Enercon guarantees turbine availability of 97%. The fees increase significantly after 5 years. The annual connection and access fees required by Western Power Networks to connect to the grid are as per the Access Offer letter, 5th of May, 2008.

	<b>\$k</b>	<b>\$k</b>
	<b>Year 1-5</b>	<b>Year 6 onward</b>
<b>Expenditure</b>	<b>\$k</b>	<b>\$k</b>
O & M*	97	134
Grid access	62	72
Corporate	45	52
Other costs (insurance etc)	18	21
Rent	14	15
	235	294

\*Based on 0.60 \$Aus/Euro