

18 March, 2014

Dear channel irrigation customer,

The interim board is now well advanced on the draft business proposal that examines the benefits of investigating local management for the Emerald channel irrigation scheme. It is now almost time to put our proposal to government, so we would like to invite your participation in the process.

We anticipate providing a summary of our business proposal to you for consideration later this month. This timeline reflects a slight delay as extra time was taken on the final engineering due diligence report on the scheme assets.

Emerald local management interim board members will then contact as many channel irrigators as possible to discuss the proposal one-on-one. It is proposed that the Board will also hold an information session for the peri-urban customers to gauge their support. In addition, a public meeting will be held to determine the views of stakeholders and the community and the level of support by customers.

In the meantime we would like to receive your comments on the Interim board's recommended corporate form for the proposed new irrigator-owned entity. After receiving positive feedback from customers in November last year, the proposal is to establish a company limited by shares.

We are recommending a company limited by shares primarily because:

- The company will always exist to own and manage the scheme even though shareholders and staff may change
- The liability of scheme owners will be limited to the value of their shares
- The company would be able to apply for government grants and have access to limited external capital
- Transfer of share arrangements will allow payment of exit fees when required if allocations exist the Selma or Weemah irrigation system
- Voting rights will be linked to shares and be allocated at one (1) vote per megalitre (ML) of allocation, affording all shareholders the right to vote and provide protection to both minority and majority shareholders.

We also propose that the company board be made up of six directors plus the chair with a requirement for 4 shareholders and 3 non-shareholders (independent and skills based). The Constitution would also allow for a smaller board, reducing costs once the business is established. The smaller board would have four directors plus the chair with a requirement for 3 shareholders and 2 non-shareholders (also skilled independents). The Board will be required to operate in the best interests of the company and its shareholders.

In addition an irrigators' advisory group, a stock and domestic (peri-urban) users group will be established to advise the new entity on customer concerns at an operational level.

If you would like more information, or to discuss any aspect of what we are proposing, please contact one of the interim board members on the contact numbers below or email emerald@lmairrigation.com.au.

We look forward to being able to talk to you further about our business proposal and the potential benefits and responsibilities that could flow from taking on the ownership and management of the channel scheme locally.

Yours sincerely

Netty Smith
Chair
Emerald Interim Board

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