

14 November, 2016

Dear Customer,

I write to advise that local management for SunWater's irrigation channels in Eton is progressing again with the State Government establishing a transition company and board to represent the interests of customers and negotiate on their behalf.

Eton Irrigation Scheme Pty Ltd has been formed and the board includes irrigators John Muscat and Jo Prior, water professional and former SunWater manager, Tom Wallwork, and engineer/ former manager of the Pioneer Valley Water Board, John Palmer. I am a scheme irrigator and will serve as Chair. You will recall that at the end of 2014 Eton lodged a business proposal with the State Government in a bid to take over the irrigation channels. The board recently received a formal offer from Government regarding the proposed terms of transfer to local management. The first task of the transition board will be to consider that offer and assess what it will mean for irrigators.

The board is not authorised to make the State Government's offer public at this time but expect to be able to do so in the next month when discussions about what the offer will mean for prices and future operation of the scheme can occur.

The Board is required to indicate to government by 31 January 2017 whether or not, based on the offer, the board wishes to continue with investigations into local management. If we do continue, then in the following months further due diligence will be conducted, the scheme's status will be reassessed, the financial modelling will be updated and a detailed legal due diligence will be undertaken to support a final decision and the actual transfer. The board is required to negotiate and agree the final terms of transfer with the government by 31 October 2017.

On the finalisation of that agreement a prospectus-like document will be provided to customers. The document will set out the full details of the transaction, include a proposed business case and findings of the due diligence, and offer customers the opportunity to become a member of the new local management entity however, the transfer to local management will only occur if a sufficient number of customers agree to become members. The Board is planning to hold a meeting in December to update customers on the timeline and process for transitioning.

More information is available by contacting me on 0405 140 322. You should also feel free to discuss the process with any of the board members.

I realise that the road toward local management has been a lengthy one but I urge all of you to take the time over the coming months to consider local control of the scheme as a future option for Eton.

Yours sincerely



Lee Blackburn

Chair

Eton Irrigation Scheme