

5th December 2019

Dear Customer,

Offer for Temporary Trade – 2000 Megalitres of FIN’s Distribution Loss Allocation

The Fairbairn Irrigation Network (FIN), as a Shareholder owned entity with a strong customer focus, has the ability to be more flexible and responsive to customer needs than has been the case in previous times. With unfavourable short-term rain forecasts for the Central Highlands, and the low level of the Fairbairn Dam, we have been working to determine how FIN can best serve the interests of you, our customers, with the resources we have at our disposal.

Prior to transitioning to a locally managed company, a potential opportunity presented by the historic underuse of distribution loss allocations was identified. Following analysis of our year to date water distribution efficiencies, we have forecast our distribution loss requirements for the seven months to 30 June 2020 using very conservative parameters. This has enabled us to determine that we are in a position to offer 2000ML of carryover loss allocation to eligible customers.

FIN is of the view that priority should be given to assisting its customers through this dry period. The strength of FIN relies entirely on the strength and future of its customers as a collective, and its ability to provide them with water. Under the circumstances, FIN has determined that a fair and equitable allocation of the water is to pro rata the resource based on existing water allocation on the scheme.

The offer price has been set at a level to reflect what would be considered a normalised temporary trading price based on historical data and will enable customers to utilise a portion of the loss allocation for productive purposes. Profits recouped by FIN as a result of the sale will be utilised by the company to regulate future distribution prices within the scheme over the next 6 to 18 months.

CONDITIONS OF OFFER
1. 2000ML of carryover water will be made available for sale to channel scheme water allocation holders (eligible customers) only at \$120 per ML. Note this price is inclusive of the Part D (FIN Consumption Charge) usage charge.
2. To be eligible for a pro rata allocation, the customer must be the holder of a water allocation on the channel scheme and have no overdue accounts with FIN.
3. To participate, eligible customers must advise FIN of the volume they wish to apply for no later than 1.00pm on Tuesday 10th of December (further details below)
4. Water will be allocated to eligible customers using a distribution factor, rounded to the nearest megalitre.
5. The distribution factor is the total number of megalitres of participating water allocations held by the participating customers divided by the volume of water on offer: <div style="text-align: center;"> Distribution Factor = $\frac{\text{Total MLs of participating water allocations}}{\text{Volume of Water on Offer}}$ </div>



<p>6. The distribution factor is then multiplied by each participating customer's water allocation, to determine their share of the offer.</p> <p>Example: Jenny has 1000ML of water allocation and applies for 150ML of water. FIN offers 2000ML for \$120/ML and 10 customers apply with a combined total water allocation of 20,000ML.</p> <p>Distribution factor = $2000 \div 20000 = 0.10$ Jenny's share = $1000\text{ML} \times \text{the distribution factor of } 0.10 = 100\text{ML}$ Jenny will be entitled to acquire 100ML of water for a total cost of \$12,500.</p> <p>If Jenny, had applied for 90ML in the above scenario, the 10ML she did not require would be redistributed to the customers who were receiving less than their application using the distribution factor.</p>
<p>7. As the water is 'carryover' water it will be subject to the carryover loss reduction at the commencement of each quarter.</p>
<p>8. All other general conditions of allocation use applicable under the FIN customer contract apply to the water allocated.</p>
<p>9. Full payment for the volume of water allocated is required within 30 days of the offer being made.</p>

The decision to allocate and sell water as outlined above is particular to the circumstances currently being experienced, and FIN reserves the right to deal with future water sales at its discretion and in accordance with its constitution. FIN reserves its right to cancel or amend the terms of this expression of interest and will not be bound to complete a trade until it makes formal offers to participating customers following the distribution process set out above.

FIN will continue to monitor water distribution efficiencies/loss forecasts on a month by month basis and reassess its position as the year progresses.

HOW TO APPLY
Apply by email to admin@fairbairnirrigation.com.au with the following information:
a) State your FIN account number and legal name of the water allocation holder.
b) State that you wish to participate in the FIN Water Offer.
c) Nominate the number of megalitres that you wish to apply for.
d) State your contact name and number.
Alternatively, you may complete a form at the FIN office during office hours.

Once the water offer closes, total nominations will be tallied and the above distribution factor calculation will be applied. Subsequently applicants will be advised of the resulting pro rata allocation and their acceptance of the allocation will be sought together with payment.

If you have any queries regarding this notification, please don't hesitate to contact me.

Best regards

Geoff Beard
General Manager
0427 160 564

