

Dear Member

Water Trading – New Options

The WaterMart trading platform has been open for business for the 2015/16 season since 13 July 2015 but we thought it would be useful to acquaint Members of some new trading options.

WaterMart provides the ability to trade:

- Temporary Water (Allocation trades but with a minimum buy or sell order of 10 ML)
- Permanent Delivery Entitlements **within** CICL's licence
- TENT (Temporary Entitlement Trades) within CICL's licence

Temporary Water (Allocation) Trading

As with previous seasons, WaterMart allows users to temporarily trade their allocation on the following markets:

- ICM (Local Coleambally market) is available to those WaterMart customers that wish to trade locally (internal trades) only. The associated fee is split 50/50 between the buyer and seller
- SCB (External market) links WaterMart customers to other buyers and sellers across the Southern connected part of the Murray-Darling Basin. Again, the minimum buy or sell order is 10 ML and the associated trading fee is split 50/50 between the buyer and seller. Please note though that additional fees, e.g. those charged by State Government may also be payable.

Permanent Delivery Entitlements within CICL licence

From the 12 August 2015, WaterMart will offer Members of CICL, the ability to permanently trade General Security Delivery Entitlement. There are specific terms and conditions that underpin the permanent trade of DE and these can be accessed via the WaterMart website. Please take your time to read these terms and conditions as you will be required to formally accept them prior to lodging any trade.

Once a buy and sell order match, a binding contract is formed between the Buyer and the Seller and both are subject to the DE terms and conditions that they acknowledged at the time they placed their orders with WaterMart and to WaterMart's terms and conditions. Please note also the resulting trade is subject to the normal policies and processes that CICL has in place to govern all permanent trades of DE.

Once a trade occurs, the Buyer and the Seller will both be required to lodge a completed Internal Permanent Transfer form with CICL, along with associated documentation (including Share, Water Entitlement and Delivery Entitlement certificates). The trade will then be considered by CICL's Board in the usual way and in accordance with the policy that governs the transfer of DE within CICL. If the trade is approved, the trade can then be settled (a process involving the payment of the associated trading fees, transfer of funds to the seller, reissuing of share certificates etc).

ABN 75 951 271 684

Brolga Place PO Box 103
Coleambally NSW 2707
Telephone 02 6954 4003
Office Fax 02 6954 4321
Co. Sec. Fax 02 6950 2814
www.colyirr.com.au

There is significantly more administration associated with the trade of DE than there is with the trade of temporary water and CICL is required to complete the conveyancing associated with the trade of DE; accordingly, the trade fee is higher \$350.00 (including GST) being split 50/50 between the buyer and the seller (i.e. \$175 each). In addition WaterMart will charge its normal commission of \$69.00 (including GST) per trade from both the buyer and the seller.

Those wishing to permanently trade **High Security DE** are advised to contact the Company Secretary because these trades will have to be arranged off-platform.

TENT (Temporary Entitlement Trades) within the CICL licence

The concept behind the TENT product is to assist members to either trade or secure allocation water in a future season/s at an agreed price. The key matters that must be kept in mind with TENTS are:

- the Seller is not guaranteeing the Buyer a specific volume of water in a future season – the volume that ultimately accrues to the Buyer will depend on the water allocation outcome in the delivery season
- CICL's Member Benefit is based on the ownership of DE only and is **not** a consideration in the trade of TENTS
- a Buyer who acquires water in a delivery season via a TENT trade in the preceding season
 - can use the water in the delivery season
 - can trade it in the delivery season
 - cannot carryover the water into another season (because the TENT is time-limited) but they might be able to negotiate private arrangements in the same way they currently do in respect of their remaining allocation (but should bear in mind the risk that such water may be 'spilled' in the event when allocations exceed 70%).

TENTs may appeal to Members who:

- have secured forward contracts for their crops
- are seeking to protect themselves against price spikes in the temporary water market
- are seeking a guaranteed level of income from their holding of water entitlement, especially those members contemplating retiring from farming

WaterMart Apps

Don't forget that WaterMart prices are available via an app that can be downloaded from the WaterMart website.

If you would like any information of the products available on WaterMart, please contact Therese Chauncy or myself.

Yours sincerely,



Bronwyn Vearing
Company Secretary
Coleambally Irrigation

5 August 2015