

Appeal from concerned shareholders to the
MIL Board, regarding the new fee structure
and the removal of resource distributions

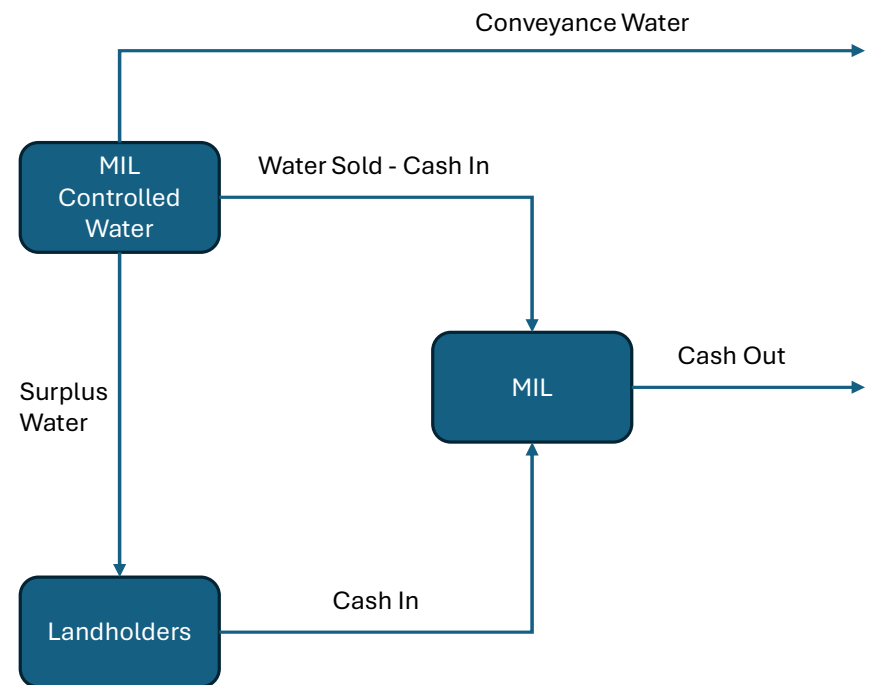
Deniliquin – 26 August 2026

Context

- MIL, MIL controlled water and landholders form a closed loop – changes to how each component contributes has an equal and opposite affect on the others
- The only outgoings are conveyance water consumed and money spent – MIL's focus should be to reduce both

Landholders cannot be better or worse off as a group unless:

- 1) **cash out or conveyance water consumed are increased or reduced, or**
- 2) **the number of landholders in the group changes**

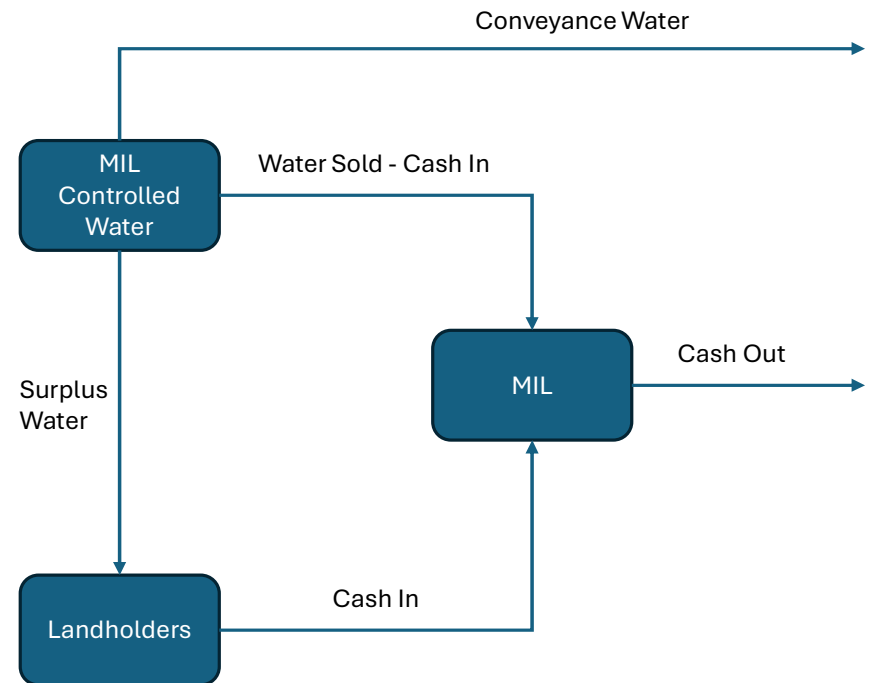


Premise

The new fee structure will result in:

- 1) An increase in the day-to-day cost of running the business (more cash out)
- 2) An increase in the long-term cost of maintaining the assets (more cash out)
- 3) A reduction in the number of irrigators paying these increased costs

Irrigators will be worse off



1) Day-to-day costs

Previous fee structure

- MIL was privatized to remove bureaucracy and complexity associated with government organisations – to reduce costs for irrigators
- Fixed customer base on fixed fees is simple and low risk – easy to manage
- Board/mgmt are accountable to landholders to keep fees low and distribute maximum surplus water – fees charged and water distributed are transparent, measurable performance indicators

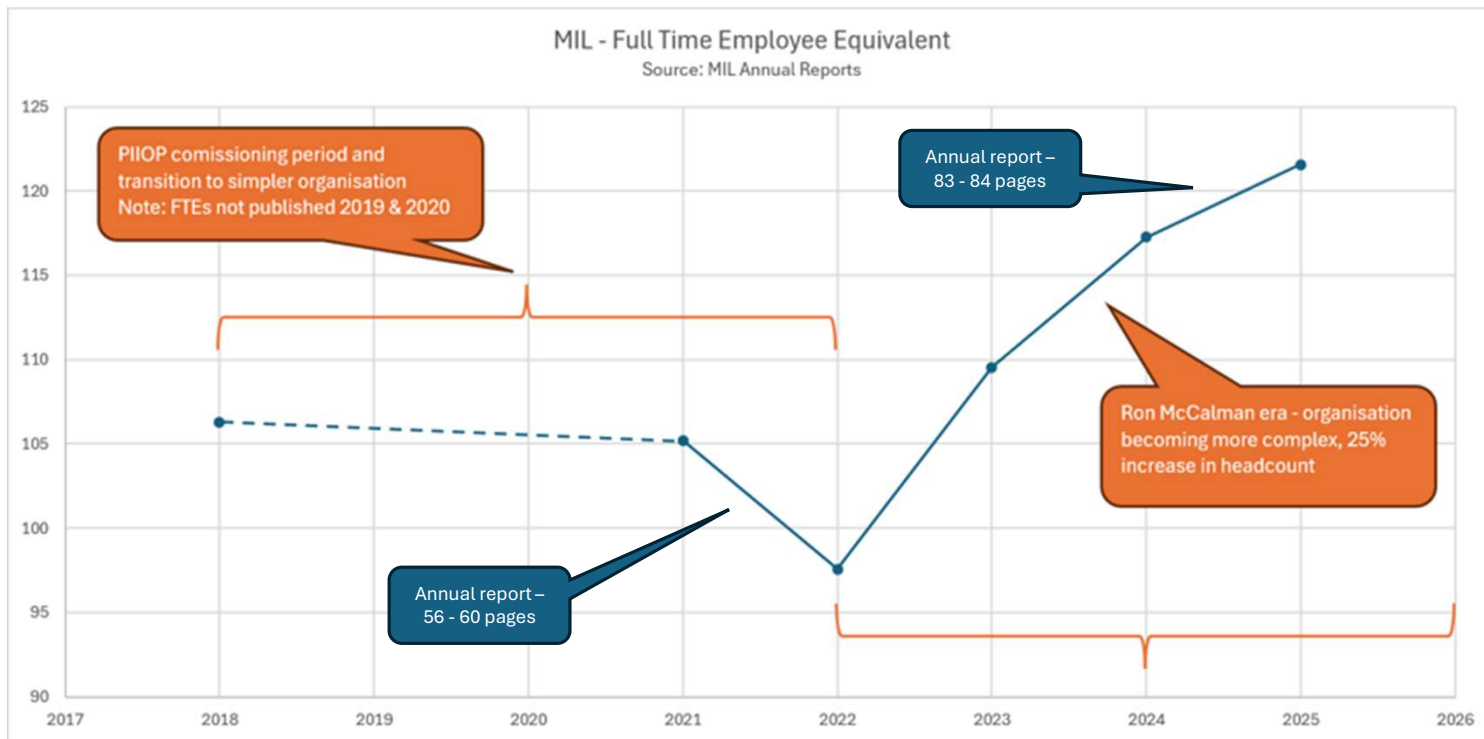
New fee structure

- Trading water rather than relying on a fixed income base is inherently more complex and riskier
- Managing this complexity and risk comes at a cost – more managers and higher paid employees are required, more mistakes will be made
- More opportunity for waste and corruption as money in and water out of MIL are internal figures not directly impacting shareholders – low transparency

Costs WILL be higher to run the business

Cost of complexity

Source: Annual Report 2022 & 2025	2022 actual	2022 + 3yr CPI Source: ATO / ABS CPI rates	2025 actual	Over-spend
Employee Benefits	\$12.513m	\$14.061m	\$16.354m	16.3%
Materials & Contracts	\$8.367m	\$9.402m	\$10.555m	12.3%
Total	\$20.880m	\$23.463m	\$26.909m	14.7%



Costs should have been decreasing in real terms over the last 3 years as the company consolidated following PIIOP – they are doing the opposite

2) Asset maintenance costs

Humes concrete pipe reference manual:
*“For most common installations, the service life of concrete pipes is virtually unlimited ... samples from the first known concrete pipes in the US, laid in 1842, were in **excellent condition** after more than 140 years service.”*

Previous business review 2018-21

- 3-4 year program conducted by engineers, field technicians & CFO – took this long as channels had to be drained to inspect assets
- Assets inspected – condition, remaining life and replacement costs assessed and recorded
- Assumes assets are maintained to extend their life and leverages compounding investment returns
- Determined AMRR was sustainable at current fee levels with CPI increases – assuming assets were well managed into the future
- Independent review of this team's work commissioned by Board – audit results are in old board papers – overwhelmingly positive

2023 “generational” business review

- Conducted over 12 months – channels not drained during modelling
- Details have not been released, but are assumed to be similar to the regular accounting review that used to take place prior to 2018
- Assumption is that assets are replaced at the end of their design life – this is highly conservative and should not happen
- Review determined that by 2064, after completing 40 years of pre-mature asset replacements the fund should still be more than double its current size in real terms

This review rapidly accelerated the sale of water distributions for a 5-year period. The new fee structure assumes this increase is required on an on-going basis – which it is not.

Surplus money creates waste

Source: 2025 Annual Report Pg 47	2025	2024	2023	2022
Capital Fund Reserve	\$81.8m	\$68.8m	\$61.4m	\$55.6m

If we assume the reality lies somewhere between these two reviews, the AMRR fund will grow faster than is required (due to compounding investment returns this growth will accelerate over time)

Note: this is already occurring – the business review projected a fund balance of \$100m by 2029, but the current trend will hit \$100m by 2027. The company is collecting funds too quickly.

- MIL has a history of spending money wastefully when it has been readily available (PIIOP, privatisation settlement “dowry”)
- If asset managers don’t have to find a way to keep costs low – they won’t (this is not unique to MIL)

Simply by having surplus money available, the assets will cost more to maintain through complacency, inefficiency and the reality that building is often easier and more interesting to staff than maintenance

3) Less irrigators to pay the increased cost

Previous fee structure

- DE's put in place to protect irrigators when water was separated from the land
- All landholders serviced by MIL contribute to the systems cost, regardless of water use
- Landholders who use less water pay more per ML, reflecting the fact that it costs a similar amount to maintain the company and assets regardless of how much water goes through them – this is how it should be (this why MIL's costs don't reduce during drought)

New fee structure

- Landholders who no longer irrigate can exit irrigation (no DE fees) and no longer contribute, but still have the benefit of access to MIL in the future if they want it
- Remaining irrigators pick-up the costs of running the system
- Amplifies the negative impacts of the basin plan

Summary

The new fee structure will result in:

- 1) An increase in the day-to-day cost of running the business
- 2) An increase in the long-term cost of maintaining the assets
- 3) A reduction in the number of irrigators paying these costs

If irrigators are worse off, who is better off?

- Employees / management / CEO
- Contractors / consultants / suppliers to MIL
- Landholders leaving irrigation

Irrigators will be worse off

Average Landholding

Source: MIL Customer Calculator

Delivery Entitlements	500
Number of Irrigation Landholdings	1
Number of Stock and Domestic Landholdings	0
Number of Domestic Only Landholdings	0
Number of Stock and Domestic Outlets	1
Number of Small Outlets	0
Number Large Outlets	1
Number of Extra Large Outlets	0
Water Entitlements	0
Annual Usage	300

Fee Type	Current	Proposed
Fixed Fee	\$11,855.59	\$5,623.28
Variable Fee	\$3,670.65	\$6,604.65
Total Fee	\$15,526.24	\$12,227.93
Change		-\$3,298.31

An average landholding has a fee saving of \$3,300 p.a.

At an average water price of \$200/ML, a resource distribution of 3.3% is enough to eliminate this saving

In the 5 years between 2019 & 2023 – resource distributions averaged 6%, on top of which allocation advances of up to 5% were added on 3 occasions. Allocations during this period were varied (0%, 3%, 50%, 110%, 110%)

Even excluding all allocation advances, and the accelerated water sales following the 2023 business review, the last 8 years have still yielded an average resource distribution of 4.75%

This landholding is NOT better off

Year	Usage ML	Water Price	Fee Saving	5% Resource Distribution	Net Outcome
Dry	0	\$400	\$6,232	\$10,000	\$3,768 worse off
Avg	300	\$200	\$3,298	\$5,000	\$1,702 worse off
Wet	600	\$50	\$364	\$1,250	\$886 worse off

Final Thought

CEO Report – 2025 Annual Report

Over the past three years, we have seen the Company's financial performance dramatically improve. In the 2021/22 financial year, the Company had a net loss of -\$7.41M. In comparison, this year, we have achieved a net profit of \$17.05M. The Company has achieved an accumulative improvement in our retained earnings of \$29.1M over the last three financial years. What is most pleasing, is that this outcome has been achieved while maintaining the commitment made to Shareholders during the Business Review in 2023 of only increasing fees and prices by CPI (excluding government pass-through costs).

Tightly managed costs, high utilisation of the system and diversified revenue streams have been the primary contributors to this result.

CEO says	Reality
Tightly managed costs	25% increase in headcount, 15% increase in spend over and above CPI
High utilisation of system	4 years at 110% allocation – of course utilisation is high
Diversified revenue streams	Selling water that used to be distributed – this money was not earned Unrealised investment (losses)/gains 2022 – (\$7.0m) Unrealised investment (losses)/gains 2025 – \$4.9m \$11.9m difference in UNREALISED investments gains Source: Annual Report 2022 & 2025 – Consolidated statement of profit or loss

Our CEO spins the truth – do we really understand the lasting impacts of the changes being made? Are they really in the best interests of the company and its shareholders?