

DISRUPTING AUSTRALIA'S WATER MARKET

H₂O^X
YOUR WATER EXCHANGE



Asia Pacific
Prudential Securities

APP SECURITIES DISRUPTIVE TECHNOLOGY LUNCHEON

SYDNEY, AUSTRALIA

26 NOVEMBER 2015

Background - Company

- Water For Rivers (WFR) a Joint Government Enterprise (Vic, NSW, Fed Govt) identified the need for an independent, transparent Water Exchange that all market participant's could interact
- The Carbon Trade Exchange (CTX) was approached to develop an exchange, using CTX core Exchange Technology
- H2OX was formed in 2013 to develop, own, and operate the “stock exchange for water”
- H2OX soft launched in November 2014 - Successfully
- H2OX officially launch at Parliament House Sydney August 2015

Background - Presenter

- Matt Davis - MAICD
- Previous CEO & Director (H2OX Pty Ltd)
- Built H2OX from an idea, into a “trading reality”
- 20 Years experience in Water and Agricultural related business’s - both private and corporate including a JV with and ASX Listed company
- Agri Investor, Advisor/Consultant
- Member of:
 - Australian Institute of Company Directors
 - Law Society of Victoria
 - Australian Water Association
 - Australian Water Brokers Association (& Past President)

The “Current State Of Play”

- Brokers/Agents
 - Act as intermediaries between buyers and sellers of “water products”. Irrigators will sometimes trade with each other direct.
 - Some Brokers also act as Exchanges in their own areas.
 - Some Water Authority’s act as Broker/Exchange for their areas
- The Water Market is fragmented causing:
 - Poor liquidity (mini markets within the broader market)
 - Issues with price discovery & transparency
 - Reneged Trades
 - Inefficient use of “un-used Allocations”
 - Sleepy Licenses

The “Current State Of Play”^{cont}

- The Water Market is Un-regulated:
 - No Water Trading specific governance and/or compliance
 - Brokers/Agents can act as principal trader without disclosure
 - No requirement to use a Statutory Trust Account
 - No requirement to hold and maintain Professional Indemnity Insurance
 - Pre market sensitive announcements - No need for a Trading Halt - Insider Trading
 - No central point for information
- Trade Processing:
 - State Water Registers
 - Regional Irrigation Corporations
 - Complex Trade Forms and Contracts
 - Financial Clearance & Settlement
 - Register fragmentation leads to extended trade settlement

The Disruption

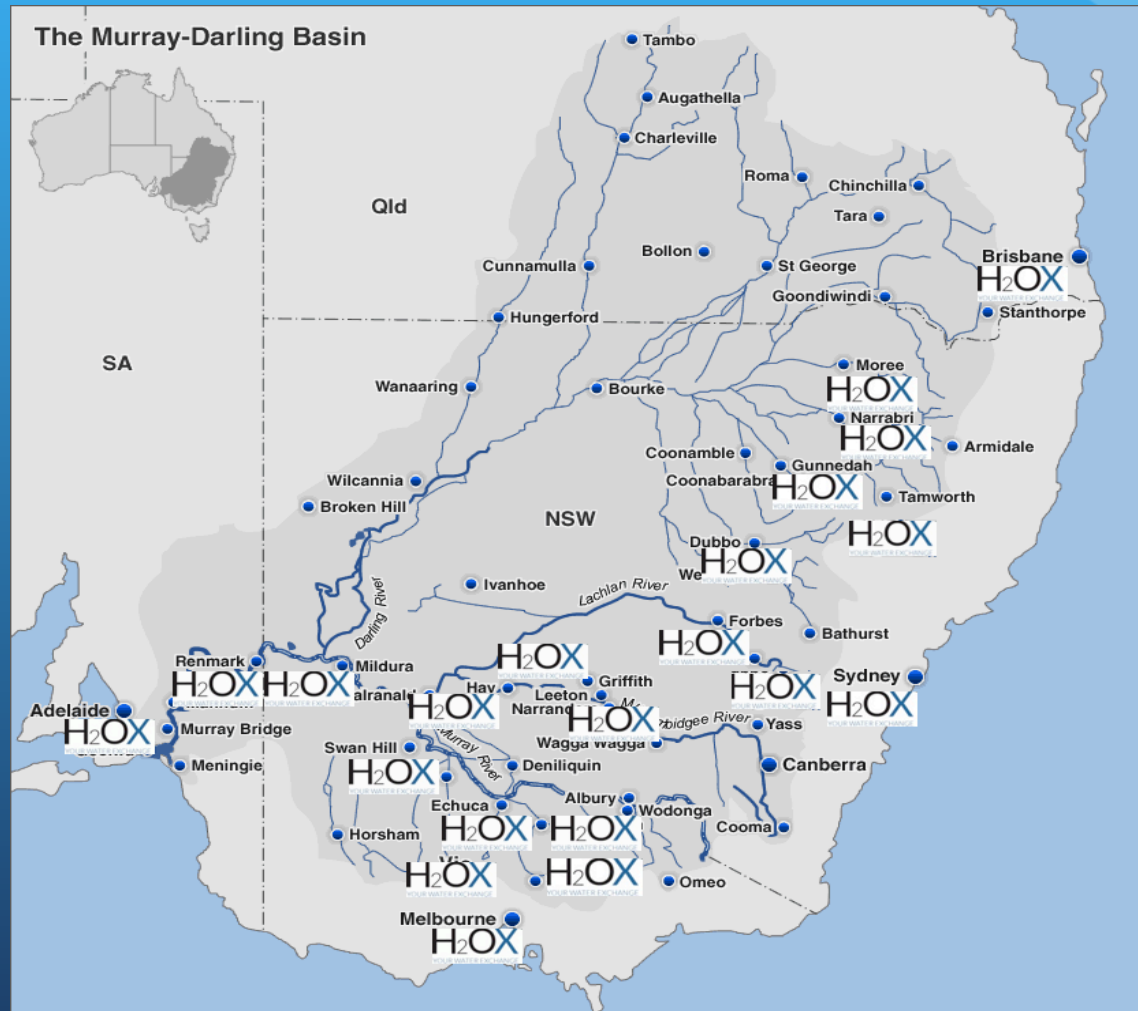
- Who is/will be disrupted:
 - Brokers / Agents
 - Sophisticated Traders
 - Regional Exchanges
 - State Registers
 - Regional Irrigation Corporations & Authority's
 - Irrigators

THE ENTIRE >\$1BILL WATER MARKET

H2OX Business Model



Market Geography



Disruption – How?

- ✓ H2OX has built an Independent - Non Conflicted Exchange providing:
 - ✓ A Live 24/7 Exchange
 - ✓ Access to the ENTIRE Murray Darling Basin
 - ✓ Accessed by Brokers/Agents and Independent Trading Members
 - ✓ Entire Market will have visibility
 - ✓ Central Exchange providing Liquidity & Price Transparency
- ✓ Brokers/Agents and Independent Trading Members on the H2OX Exchange are required to:
 - ✓ Sign up to and comply with H2OX Member Agreement
 - ✓ Comply with H2OX Trading Rules and Code of Conduct
 - ✓ Be a member of a professionally related organization
 - ✓ Hold current Professional Indemnity Insurance
 - ✓ Hold and Authority to Act from their clients
 - ✓ Defaulting parties need to “make good” the trade in the event of a default.

H2OX WILL SELF REGULATE



Disruption - How? _{cont}

- ✓ H2OX Product Offering:
 - ✓ Entitlement Trading
 - ✓ Allocation Trading
 - ✓ Ground Water Trading
 - ✓ Forward Contracts <1Yr (2016 Exchange Development)
 - ✓ Water Lease's up to 10Yrs (2016 Exchange Development)
 - ✓ Derivative's (Currently being scoped)



Disruption - How? _{cont}

- ✓ H2OX Integrated Transaction Process:
 - ✓ Buy or Sell order posted on Exchange
 - ✓ Trade Matches
 - ✓ Auto-population of Invoices
 - ✓ Direct Debit from Buyers account initiated
 - ✓ Exchange auto-populates all required documents for the subject trade
 - ✓ Once H2OX receives cleared funds, documents are submitted
 - ✓ Upon approval, H2OX registers the trade, and undertakes financial settlement (seller, broker comms, auth fees)

H2OX VISION - BECOME THE ASX OF WATER



Permanent

Temporary

Groundwater

Last High Low Avg. Qty. Last Qty.
 \$100.00 \$9,999.00 \$40.00 43 20

Available Funds
 \$1,132,098.50

Filter

Water Sharing Plan:

Water Management Area:

Water Source:

Trade Zone:

License Category:

Reset

Trade Account

Client:

License:

Trade Zone: NSW Border Rivers

Entitlement 1000

Share:

Allocation: 1000

Reset

Bid to Buy

ID	Zone	Qty	Price
10236	Murray/Darling - Above the Choke	10	\$9,999.00
10197	Murrumbidgee - Outside Yanco Creek	200	\$90.00
10196	Murray/Darling - Above the Choke	250	\$70.00
10198	Lachlan - Belubula	250	\$65.00
10223	NSW Border Rivers	20	\$60.00
10199	Lachlan - Downstream Lake Cargelligo Wier	100	\$50.00

Offer to Sell

Price	Qty	Zone	ID
\$60.00	10	NSW Border Rivers	10224
\$105.00	75	Lachlan - Downstream Lake Cargelligo Wier	10188
\$120.00	100	NSW Border Rivers	10221
\$125.00	150	NSW Border Rivers	10190
\$140.00	50	NSW Border Rivers	10187
\$175.00	50	NSW Border Rivers	10189
\$200.00	175	Lachlan - Willandra Creek	10193
\$9,999.00	10	Murray/Darling - Lower Darling	10234

Market Strategy

- 2015/16 Trading Year
 - Market acceptance and Member sign-ups on track with over 35 Members
 - Aggressive marketing campaign being initiated
 - Competitive transaction processing rates
 - Forecasts YTD met or exceeded
- 2016/17 water season
 - Become the central exchange for the Spot Market
 - Launch online trading of Forward Contracts and Leases
 - Develop derivative products
 - AML / AFSL Licensing
 - Investigate International Opportunity's

The background of the entire slide is a complex financial chart. It features a grid of blue lines. Overlaid on this grid are several data series: a primary candlestick chart in light blue, a secondary candlestick chart in red, and a continuous red line graph. There are also some white circular highlights on the chart, one near the top right and another near the bottom center.

H₂O²X™

YOUR WATER EXCHANGE

APP
Securities

Asia Pacific
Prudential Securities

Contact

Matt Davis

M: +61 (0) 429 182 382