



C/- GHD Limited
1st Floor
826 Colombo St
PO Box 13 468
Christchurch
P 03 377 8076
F 03 377 8575

To
Douglas Marshall
Manager Corporate Services
Selwyn District Council
Private Bag 1
Leeston

And to
Roy Baker
General Manager Corporate Services
Christchurch City Council
P O Box 237
Christchurch

Date
23 July 2004

Dear Sirs

Central Plains Water Limited Prospectus

1. I am writing to you as the shareholders of Central Plains Water Limited ("CPWL") and settlors of the Central Plains Water Trust ("CPWT"). I am doing so in my capacity as a trustee of CPWT, as Chairman of the Finance and Funding Committee responsible for funding the proposed prospectus issued by CPWL and as a member of the Executive Team being the joint CPWT and CPWL Central Plains Water project management group ("Central Plains Water").

Summary

2. We wish to make you aware of an important funding problem that has arisen in relation to the forthcoming prospectus issue. Central Plains Water is doing all it can to resolve the problem but seeks your assistance in the event that current initiatives for resolution are not successful.

3. Central Plains Water hereby makes an urgent request for bridging finance from you, if required, of up to \$300,000. For reasons discussed below it is critical to avoid any further delays in the Central Plains project, particularly at this time. An answer is sought by the end of July 2004.

Background

4. CPWL intends issuing a prospectus on 20 September 2004 with the objective of raising \$4.7 million when the prospectus closes on 1 October 2004. The prospectus target of \$4.7 million is based on consultants' estimates to conclude the resource consenting process. The largest part of the work involved in issuing CPWL's prospectus has been done, including refining the Central Plains concept. However, there is still important work to be completed, particularly in terms of communicating the prospectus to prospective investors. This is important in order to achieve the goal of \$4.7 million.
5. The funding which was available to CPWL for the prospectus issue has almost been exhausted and will run out at the end of July 2004. The reasons for the funding shortfall are the delays encountered in getting the CEDF funding approved at the beginning of this year and also includes the extra work carried out by Central Plains in investigating proposals from farmers in the Windwhistle area for that area to be consented and constructed ahead of the main scheme (see further discussion below). In addition some recent budget changes particularly in relation to the cost of the physical prospectus itself are significant and were unforeseen. The budgeted shortfall on issuing and closing the prospectus is in the vicinity of \$250,000 and, on the basis of budget information received last week, possibly up to \$300,000.

6. In summary, the additional \$300,000 is calculated as follows:

(a)	Delays in issuing prospectus	60,000
(b)	Prospectus management	58,000
(c)	Consideration of alternative funding proposal	15,000
(d)	Miscellaneous	30,000
Subtotal of items (a) to (d) above, all as submitted to Christchurch City Council in June 2004 (see paragraph 8 below)		163,000
(e)	Additional communications costs relating to database refinement, publication costs per recent PR South estimates (prospectus, investment statement, supporting documents) and stakeholder concerns	107,000
(f)	Contingency (approximately 10%)	30,000
		\$300,000

7. The existing funding from Selwyn District Council to date has been \$1,081,543. The additional funding sought would be on terms to be agreed with Council including interest if required. Repayment would be a priority assuming successful closure of the prospectus.
8. Central Plains Water has attempted to bridge the funding gap by making an application to Christchurch City Council. That application was endorsed by the Council's Strategy and Finance Committee but when it came before the full Council on 30 June 2004 the motion was lost 13 votes to 10. Consequently a further application has been made to the Canterbury Economic Development Fund to bridge the funding gap. That application may be heard by the CEDF on 4 August 2004, but if past indications are a guide it would probably take some months to conclude. In addition, we have spoken with other potential funders who have an interest in the scheme, including the Ritso Society, but have no concrete proposals yet. (The previous Ritso funds of \$250,000 will have been expended in full by the end of July 2004.)
9. There will be an inevitable delay in the prospectus being issued unless an alternative funding source is identified and confirmed. The delay is likely to amount to some months, and result in the prospectus issue being delayed at least until the end of this year, most likely to early 2005, and in significant additional costs. At worst, it may not be possible to issue a prospectus at all and the Central Plains Water project would end at this point.
10. Central Plains Water is anxious to avoid any further delays in issuing the prospectus. Therefore, while other initiatives to secure the urgent funding required will continue, it has been resolved make an approach to you in the hope that you will be able to assist at this time. If you were able to make additional funding of up to \$300,000 and confirm that fact by the end of July 2004, Central Plains Water would be able to continue with its planned prospectus programme and ensure that the target issue date of 20 September 2004 is met without any further delay.
11. Assuming that the prospectus is successful in raising the minimum subscription proposed of \$3.7 million (of the \$4.7 million sought) then of course the bridging finance provided is intended to be repaid within a relatively short period of time.

Conclusions

12. In short, it is extremely important that the Central Plains Water scheme momentum not be lost at this critical stage of the project to ensure its ultimate success.
13. To that end Central Plains Water is approaching both Christchurch City Council and Selwyn District Council as the initial promoters and primary backers of Central Plains Water to provide urgent bridging finance to ensure the prospectus is issued on the scheduled date of 20 September 2004.
14. The sum sought is up to \$300,000 subject to completion of an updated budget which we are preparing at present and want to discuss with you. The moneys will be required from 20 August 2004 on terms to be agreed. Assuming the prospectus

closes successfully, repayment would be made within one month of the prospectus being closed and CPWL receiving sufficient funds.

15. It is critical that we know whether the funds will be available by the end of July 2004. On 29 July 2004 CPWT and CPWL are meeting to make a decision based on solvency considerations as to whether the Central Plains Water project should continue as planned or be suspended indefinitely or terminated as from the end of July 2004, when existing Ritso and CEDF funds will be exhausted.
16. Members of Central Plains Water would be happy to discuss these issues with you further. We look forward to hearing from you.

Yours sincerely



Willie Palmer
Chairman
Finance and Funding Team
Central Plains Water

Ph 371 3502

Copies to: Doug Marsh
226 Maidstone Road
Avonhead
Christchurch

Eddie Thomas
GHD Limited
P O Box 13 468
Christchurch

Pat Morrison
"Hukanui"
RD 1
Darfield

Brian Kreft
P O Box 900
Christchurch