

Annexure 1

Auction Process Outline

CBH Operations 2009/10 Shipping Capacity Access Allocations

This document defines the new mechanism and framework for the allocation of CBH's grain export terminal shipping Capacity for the 2009/10 season and beyond. It is intended to trial these business rules in 2009/10 and, if required, further refine them for 2010/11.

The primary aim of this mechanism is to efficiently allocate export Capacity, in an equitable and transparent way, and without unnecessarily adding costs to the WA Grain Supply Chain.

Background

The 2008/9 season experienced an unprecedented demand for export shipping Capacity. The excess of demand over capacity led to delays in the grain export program in the period from January to April 2009.

The primary purpose of this CBH Shipping Capacity Access Allocation mechanism is to ensure Shipping Capacity continues to be allocated on equitable, transparent, commercial and competitive terms, while addressing the identified bottlenecks and operational issues.

The following principles have guided the formulation of this proposal:-

- To provide fair and equitable port access to all market participants including those that seek Direct Port Access.
- Not provide the CBH Group marketing company, GPPL Pty Ltd with an unfair advantage with regard to port access or capacity allocation.
- To ensure allocation is driven by supply/demand but no increased costs to the supply chain overall. All proceeds less direct costs of implementation and operation will be returned to the exporters in such a way as to ensure the application of the allocation mechanism allocates capacity on the basis of price, with auction proceeds returned to exporters who execute the shipment.
- The efficient utilisation of capacity.
- Anti market cornering provisions will be applied to discourage market manipulation, ensure full access and transparency.
- To ensure a sustainable and efficient supply chain.
- A governance framework that is transparent & accountable.
- Provide operational flexibility for all parties.
- Market forces to be allowed to set price in the primary market.
- The secondary market maximises efficiency of the allocation process and does not allow profit taking through speculation.
- Solution to be based upon a robust, independent platform.

Proposed Approach 2009/10 Season

There are two ways in which exporters can access shipping capacity access in the CBH network:

1. Grain Express (utilising the CBH network and supply chain), or
2. Direct Port Access (utilising a non CBH grain accumulation chain).

This capacity allocation mechanism treats both grain supply chains the same and each will have the same ability to access port terminal capacity.

Please note that Direct Port Access arrangements will have a separate CBH Port Terminal Services Agreement and fee structure to the standard CBH Grain Services Agreement and Marketer (FOB) fee levied under Grain Express. Both agreements will be available prior to the first period of allocation.

Shipping Capacity Allocation will operate over two periods throughout the year:-

1. The Harvest Shipping Period 1 Nov – 15 Jan where capacity will be allocated on the basis of expressions of interest
2. The Annual Shipping Period 15 Jan - 31 Oct where capacity will be allocated on the basis of a price/volume based auction

The allocation processes will allow exporters to establish an operational commitment for the accumulation of their grain within agreed ship loading windows.

As was the case in 2008/9, during the harvest period (1 Nov – 15 Jan), capacity will be allocated subsequent to exporters providing CBH with expressions of interest for shipping capacity

For the Annual Shipping period (15 Jan – 31 Oct), the allocation of shipping Capacity will be conducted via an auction mechanism that will have three distinct components:

1. The first phase allocation of Core Capacity for the Annual Shipping Period (15 Jan – 31 Oct) to be conducted in the period of August/September prior to Harvest,
2. A subsequent rolling allocation of residual Core Capacity and any required Surge Capacity to be conducted two months prior to the relevant shipping period.
3. An ascending "clock auction" mechanism with proceeds (auction premium) to be returned to all exporters using CBH Port Terminals in full, less direct costs and on a pro rata basis, allocated using all tonnes shipped from 1 Nov – 31 Oct.

Prior to the first phase auction of Core Capacity for the Annual Shipping Period (15 Jan – 31 Oct) CBH will advise exporters how much Shipping Capacity will be made available in this first phase.

Prior to the second phase auction of Core plus any necessary Surge Capacity for the Annual Shipping Period, CBH will advise exporters how much Capacity has been allocated, how much core remains and how much Surge Capacity will be made available and at what price (for Surge).

As Direct Port Access Capacity has different requirements in terms of its utilisation of terminal storage and in-take grid capacity, overall adjustments to total shipping Capacity for the impact of the up-take of this Capacity may be required.

The Harvest Shipping Period 1 November – 15 January

The nomination of grain to exporters is the key constraint during the Harvest Period and therefore it is highly unlikely that capacity during the Harvest Shipping Period will be over subscribed. This period will therefore operate on the basis of an expression of interest and capacity allocation mechanism.

Expressions of interest in Shipping Capacity for the Harvest Shipping Period will be called for no later than 1 September. Allocations will be made no later than 1 October.

Shipments are to be applied based on normal shipment quantities with only the shipment size available for trade in the secondary market.

If entitlement is not in place 48 hours prior to the vessel arrival, shipment may be delayed until entitlement is received in full. The vessel may then be inserted into the stem at the discretion of CBH on the basis that it does not impact other vessels. Any applicable incentives offered to Grain Express customers may be foregone in this context.

Annual Shipping Period 15 Jan – 31 October

The Annual Shipping Period will be from 15 Jan to 31 October each year.

Overview

- Shipping Capacity will be initially allocated via an auction process ("primary market"). This free market based approach will enable market forces to set a value on peak and off peak shipping slots whilst balancing the supply of export Capacity with demand for export Capacity. Market participants will be able to trade Shipping Capacity purchased at auction ("secondary market") to provide operational flexibility.
- Auction proceeds less auction service and implementation costs will be proportionally distributed over the entire annual export task (exports from 1Nov – 31 Oct) on a per tonne basis and then passed back to the relevant exporters. This will act as a mechanism to assign a relative value to shipping Capacity during peak and non peak periods whilst ensuring that the overall cost of the CBH supply chain does not increase.
- In practical terms this means that the real cost of the Marketer Fee during peak periods will be the cost of Marketer Fee plus any specific auction premium (if applicable) less the net proceeds rebate.
- It is intended that market forces entirely determine the cost and nature of Capacity allocation in the primary and secondary markets. Therefore, the pricing and allocation mechanisms in both are intended to be allocated by a function of demand, supply and price.
- The quantum of Core capacity that is available in any given year will be dependent upon crop size as the size of the crop will determine the minimum transport resources allotted to the task. If in any given half month period, the entire available Core Capacity is allocated via the auction process, CBH will offer additional "Surge" capacity. CBH will offer the maximum amount of Surge Capacity available on the basis that it is anticipated that this will deliver the best market based outcome for Growers. The cost of the Core transport task will be borne by the Grower. The cost of Surge Capacity will be borne by the exporter.
- Entitlement to grain will only be relevant at the time exporters using Grain Express nominate vessels under the CBH Export Accumulation Guidelines (CBH EAG). Nominated harvest period slots using Grain Express will have entitlement arrangements that are considerably more flexible than during the Annual shipping period.
- Participation in the primary and secondary markets will be limited to bona fide exporters who have a current Grain Services Agreement (GSA) or Port Terminal Services Agreement (PTSA) with CBH Operations. Failure to nominate shipments in accordance with the CBH EAG and within the shipment window will

result in the forfeiture of the slot and the loss of the payment made for the relevant slot. All market participants are to be CBH approved (acting reasonably) whilst acknowledging the access test under WEMA.

- An ascending clock auction mechanism will be utilised.

Note: The commodity being sold at auction will be the shipping Capacity for a specified Port Zone and date range. The price paid at auction will be referred to as the "auction premium". The auction premium is additional to the Marketer charge (FOB) on Core Capacity auctioned in the first phase and the Marketer Charge + Surge Capacity charge auctioned during the second phase.

Please also note that during the Harvest Shipping Period, specific and additional incentives for specific commodities, ports and shipping windows are expected to apply. These arrangements will be defined in the 2009/10 GSA.

Auction Mechanism

CBH are currently in advanced discussions with Tradeslot to provide the auction service for shipping capacity. Tradeslot are an independent, industry recognised, auction service provider.

In consultation with Tradeslot, CBH intend to implement the ascending clock auction mechanism.

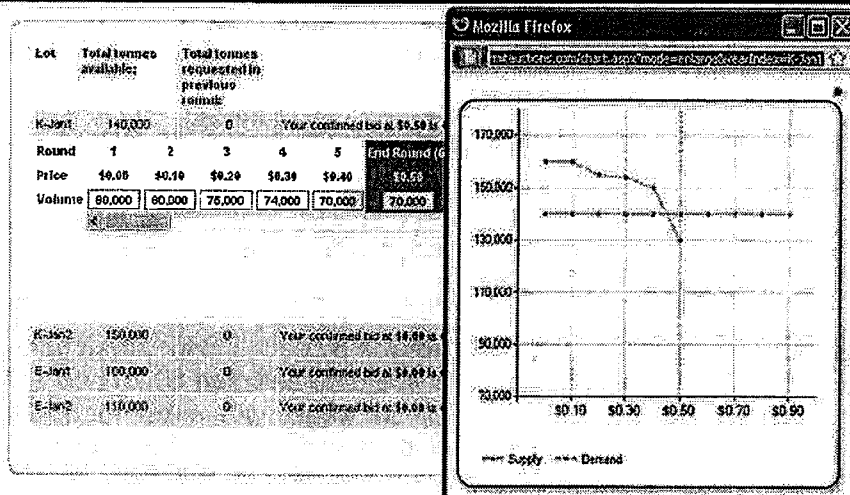
The ascending clock auction is a proven and low risk approach to create:

- Transparent and equitable allocation outcomes,
- Easy-to-use bidding interface,
- Uniform price per lot (all bidders pay the same price) and
- Ability to run lots in parallel to allow switching between lots on the basis of price signals.

Process

At the start of the auction, the seller (CBH) will advise the available total supply of available capacity per location per period (e.g. half month). CBH will also set the start or reserve price at the Marketer or FOB fee. As the auction starts the first round, bidders are asked to indicate how much capacity they would be requesting at the price of the start round.

After a set time, the system ends the round and adds up all volume bids that buyers have submitted in the start round. If this total demand exceeds the available supply the system starts the next round and increases the per tonne price by one increment (e.g. \$0.10). As in the start round, bidders respond by submitting their volume demand at the higher per tonne price. As the price increases round by round, some bidders start to reduce their demand or shift their bidding to other lots, hence closing the gap between aggregate demand and supply. Eventually, the price puts enough pressure on demand to reach the point where demand equals supply. At that stage the system closes the bidding process and the capacity can be allocated to the bidders at the price of the last round:



Clock auction closing in round 6 at \$0.40, awarding sample bidder 70,000 tonnes

What if...

1. Demand drops below the supply?

The system will ration back volume if there is "left over" – see Rationing below.

2. A bidder gets disconnected?

The system allows proxy bids before the actual auction event and "bidding ahead" during the auction.

3. Bidders put in snipe bids?

The submission time of a bid has no impact on the outcome. When the round closes, the system adds up all volume bids regardless of timing.

4. Bidders hide demand in early rounds to jump in with big volume bids later?

The clock auction only accepts bids that are equal or lower than last round's bids.

Rationing

If in the last round of a lot demand is coming down sharply, it is possible that demand drops below supply and the process has to deal with a "left-over". There are two alternative rules for this situation CBH ration back volume to successful bidders. For example: In an auction for a lot of 100,000 tonnes, two bidders are left competing. As the clock ticks up from \$0.20 to \$0.30, Bidder A reduces his demand from 60,000 to 50,000 tonnes. Bidder B reduces demand from 50,000 tonnes to 45,000 tonnes. The round closes and the system ends bidding for this lot as demand (50,000 + 45,000 = 95,000 tonnes) has dropped below the supply of 100,000 tonnes. 5,000 tonnes are now technically "left over". The system takes into account the percentage drop in the last round to determine how much each bidder should be rationed back:

| Bidder | Absolute volume reduction in last round | Percentage reduction | Rationing |
|--------|---|--|---|
| A | 60,000 to 50,000 = 10,000 reduction | 10,000 / 15,000 (total reduction of all bidders in the last round) = 66% | 66% of the "left over" of 5,000 = 3,300 tonnes, rounded to the nearest full thousand = 3,000 tonnes |
| B | 50,000 to 45,000 = 5,000 reduction | 5,000 / 15,000 (total reduction of all bidders in the last round) = 33% | 33% of the "left over" of 5,000 = 1,650 tonnes, rounded to the nearest full thousand = 2,000 tonnes |

The rationed volume is added back to the volume won by each bidder at the price of the previous round \$0.20 (theoretically the price would be between \$0.20 and \$0.30 but there is no way of determining how much a bidder would have asked for at \$0.25 or similar). Bidder A is rationed back 3,000 tonnes and totals 53,000 tonnes at \$0.20.. Bidder B receives 2,000 tonnes through rationing and totals 47,000 tonnes at \$0.20.

Note: Bidders who did not drop their demand in the last round will always receive the requested volume in full. Rationing only applies to bidders who reduced demand in the final round.

Accelerating the process

If the bidding increments are small and the business decides to allow long round times, the overall process can become lengthy (example: at \$0.10 increments and 1h round time, a \$5.00 clearing price would create 50h of auctioning). A preferred solution is "intra round bidding", where round increments are large but the system allows bidders to specify "breakpoints". Example: Round 1 asks for volume demand from \$0.00 to \$0.99. If the bidder does not want to reduce the demand in this bracket it will indicate a flat demand. In round 2 (\$1.00 to \$1.99), the bidder chooses to reduce the volume by 10,000 tonnes should the price exceed \$1.66:

| Lot | Total tonnes available: | Total tonnes requested in previous round: | Your confirmed bid at confirmed bid at \$0.99 | |
|------------|--------------------------|---|---|---------|
| K-Jani | 140,000 | 0 | | |
| Round | Current Round (1) | | 2 | |
| Price (\$) | 0.00 | 0.99 | 1.00 | 1.66 |
| Volume | 80,000 | 80,000 | 80,000 | 70,000 |
| Total (\$) | 0 | 79,200 | 80,000 | 134,300 |

Intra round bidding, sample bidder reduces demand at \$1.66 by 10,000 tonnes

Intra round bidding typically reduces the need for rationing: Bidders are free to choose the price points at which they would like to drop their demand - rather than asking all bidders to act on common price points. If rationing occurs in intra round clock auctions it is usually small and for one bidder only.

Benefits of the clock auction

Clock auctions allow bidders to learn from the market incrementally. They also allow lots to be offered simultaneously, creating flexibility for bidders and reducing large cost jumps between lots.

The clock auction results in a uniform price per tonne for all successful bidders of one lot. Bidders small and large can compete equally and at the granularity of one slot (1,000 tonnes).

First Phase Auction

This First Phase auction will be held in August/September 2009 subject to finalising IT requirements and a third party auction provider.

Bidders will remain confidential, but prices will be openly published. Auction outcomes will be advised at the conclusion of the first phase. Key features of the auctions are as follows:

- The 2009/10 auction(s) will be conducted via an independent clearing house.
- CBH will in August advise the projected volume of Core Capacity available from Jan 15 2010 and how much will be auctioned in the First Phase.
- Time slots will be auctioned by Port Zone, in half month lots. Each slot will have the following attributes: a unique identity number (preceded by "C" or "S" to indicate Core or Surge Capacity, then a Port and half month indicator followed by a unique identifier); load date (this will be a half month time period); Port Zone; and quantity. By way of example:

Lot No.: C-1

Load date: 16 to 31 Jan-10

Port Zone: Kwinana

Quantity: Max 1,000 MT less 5% at shippers option

Slot Numbers Each 1,000 MT of Capacity will be allocated a unique slot number.

This number will allow the secondary market to trade Capacity down to 1,000 MT components if required.

- Lots will auctioned concurrently, in one three and one half; and two three month tranches. For example the first tranche will comprise 28 separate lots made up of the four ports by seven half month periods.
- Each tranche will be progressively auctioned until the full year has been complete.
- All auctions of lots will open at the FOB fee and the first clock will show the market demand for shipping in that period. Bids will increase in minimum increments of \$1.00/MT (participants have the option to increase their bid by any amount they wish using the intra round mechanism described above). The winning bid will be referred to as the "Auction Premium" for that lot. A bid of the FOB fee alone will be considered a valid bid.
- The successful bidder will be asked to designate those slots to be delivered to port via direct access arrangements or via Grain Express. Once submitted, the designation cannot be changed.
- On completion of the auction, successful bidders will be issued a "Shipping Capacity Statement". There will be one statement defining the number of slots allocated within each lot that was auctioned. The statement will record the slot

Definition of Core Capacity

For the avoidance of doubt, the purpose of the auction process is to allocate port Capacity allowing for the fact that Shipping Capacity is a function of the following factors:

1. Transport Capacity,
2. Port grid Capacity,
3. Port terminal storage, and
4. Berth Capacity.

Core Capacity will always be dependent upon the size of the crop in any given year and will therefore be subject to change in that context.

Core Transport Resources

- Core Transport resources are those contracted to CBH on long term agreements that provide a dedicated grain transport service with pre-set tonnage targets and prescriptive transport routes on a daily/weekly/monthly/annual basis. Typically CBH has separate transport contracts within each shipping zone, except for the rail transport service provider who operates across Zones.
- Core Transport Resources have been contracted by CBH on the basis of providing the industry/growers the most efficient transport resource to meet the specific needs of each separate harvest, performing on a set and consistent basis. Acquiring an excessive amount of Core transport resources will unnecessarily add to supply chain cost.

Resource Allocation

- The key issue when determining Core/Surge Capacities is the projected seasonal transport task for grain to port.
- CBH will provide the Core Capacity based on an application of resources over the full year to clear storage in preparation for the following season. Note that despite an even application, Core Transport resources may be deployed in such a way as to increase accumulation Capacity for specific periods. Concentrating movement demand on short haul and relatively efficient out-loading locations will dramatically impact Capacity despite utilising the same resource base.
- Core will therefore be subject to change on a calendar month basis.

Deployment of the Core Transport Resource

On the basis of an example projection of a 10 million MT's crop (less for domestic out turn), the following Table 1 provides an indication of how Core transport resource Capacity might be deployed. These figures are based upon assumptions relating to the geographic spread of the crop and its subsequent directional flow, grain availability and prevailing weather conditions amongst many other factors. CBH anticipate that the earlier part of the shipping season will generally have relatively efficient stock selections, which will facilitate shorter haul routes and more efficient loading sites. This period is also more prone to favourable weather for operations.

Please note that that allocation of Shipping Capacity will always be subject to season by season operational uncertainties. These are export clearance numbers and do not include domestic demand. Please also note that these are Core Transport Resource assumptions only and do not include Surge Transport.

Table 1: Deployment of CORE transport resource

| MONTH | GERLADTON | KWINANA | ALBANY | ESPERANCE |
|-----------|-----------|-----------|-----------|-----------|
| November | 100,000 | 250,000 | 120,000 | 90,000 |
| December | 150,000 | 350,000 | 140,000 | 110,00 |
| January | 150,000 | 375,000 | 150,000 | 130,000 |
| February | 170,000 | 470,000 | 180,000 | 180,000 |
| March | 170,000 | 470,000 | 180,000 | 180,000 |
| April | 170,000 | 470,000 | 180,000 | 180,000 |
| May | 150,000 | 450,000 | 180,000 | 160,000 |
| June | 140,000 | 420,000 | 180,000 | 160,000 |
| July | 130,000 | 350,000 | 180,000 | 140,000 |
| August | 85,000 | 300,000 | 180,000 | 120,000 |
| September | 75,000 | 245,000 | 95,000 | 75,000 |
| October | 55,266 | 154,987 | 70,000 | 70,482 |
| TOTAL | 1,545,266 | 4,304,987 | 1,835,482 | 1,600,000 |

Definition of Surge Capacity

CBH will develop a flexible and efficient surge transport capability that meets the needs of the market.

The extent and nature of Surge Transport Resources will vary depending upon requirement and availability. Generally surge comes from contracted resources providing additional capacity as these are a known quantity both operationally and commercially. The cost of Surge Transport Resources is based upon the anticipated movement requirement and the basket of sites intended to be cleared and the additional Port Terminal costs associated with receiving these additional volumes at the Port. It is therefore highly variable and will be entirely driven by market needs.

Pre Auction Bid Bond

Exporters will be required to provide a bid bond for security two weeks prior to auction. This size of this bond will determine the credit limit for the purchase of export shipping capacity. Any unused portion of the bond will be returned to exporters at the completion of the auction. Exporters will have the opportunity to review and increase/decrease the size of this bond as the auction evolves. Failure to settle payment within settlement terms will lead to the bidder losing its bond.

Auction Settlement

The following settlement terms apply to exporters regardless of whether they use Grain Express or Direct Port Access :

- At the conclusion of the auction, the Marketer will be invoiced the full Marketer Charge (to be defined in the GSA and PSTA) with a \$ 5.00 pre-payment due immediately. The balance of the Marketer Charge will be payable on vessel nomination. The Auction Premium and Surge fees (if applicable) will also be invoiced and due immediately. Settlement is to be made on the seventh banking day after the auction ("T+7"). The auction settlement for Grain Express and Direct Port Access users will be the same.

Auction Service and Process

CBH are in discussions "Tradeslot", an auction service provider, confirmation of the chosen provider will be made available in due course.,

The operation of the auction service and process will be routinely reviewed both internally and externally to ensure compliance with business rules.

Auction Proceeds

The CBH Group has no intention of profiteering from the Auction process. This mechanism is designed to efficiently allocate Port Terminal Capacity in such a way as to ensure it is appropriately valued in terms of time and place. It is also the CBH Groups intention to ensure that the cost to Growers of the WA grain supply chain is not unnecessarily increased. It is for this reason that auction proceeds less direct costs will be returned to exporters who use the CBH Port Terminals via rebates to the Marketer Fees (FOB).

- Auction proceeds are the per tonne bid values made by exporters to win the allocation of slots of Shipping Capacity, less the direct cost of the auction including any set up costs.
- Auction proceeds will be rebated to exporters on a per tonne basis, proportionally distributed over the entire shipping period. For example, if auction proceeds are \$10 M, and the WA export program from 1 Nov – 31 October is 10 M tonnes, the rebate across all tonnes shipped in every month will be \$ 1 per MT.
- The rebate will be paid to participating exporters within 30 days of the completion of the export program for the season on 31 October.

Secondary Market

To provide all market participants with optimal operational flexibility, it is proposed that a "secondary" market will be implemented. This secondary market will facilitate market participants to adjust their positions, through selling/buying registered Capacity.

The proposed design of the secondary market has also been guided by a set of design principles:

- The Secondary market will function independently of CBH Operations. However CBH will maintain a register of transactions in the secondary market.
- Trades in the Secondary Market must take place between organisations who have a current GSA or PTSA.
- Secondary market should seek to limit excessive speculative trading.
- The secondary market mechanism should be cost effective to implement.
- The secondary market should not be allowed to detract from the final effective operational performance of the shipping task.

It is envisioned that this market would operate as a bilateral market between willing registered buyers and sellers. For the 2009/10 season trades will be initiated through direct buyer to seller contact. In future seasons CBH may seek to further facilitate the efficient operation of this market through development of a web enabled transaction platform.

Key features of the proposed secondary market are described below and summarised in the Appendices:

- The commodity being traded in the secondary market is the 1,000 MT shipping slot that was purchased as a part of the lot at auction in the primary market.
- To ensure final operational performance and comply with the requirements of the Wheat Export Marketing Act 2008, CBH will be required to register the ownership transfer of all shipping slots at a nominal administration fee (\$0.10 per tonne).
- It is the responsibility of buyers/sellers to ensure that the counterparty to a transaction is an approved market participant. A register of approved market participants will be maintained by CBH. It is envisaged that this register will be made available to all market participants via LoadNet®.
- Trades will need to be processed by CBH through a transfer of shipping capacity form signed by both Buyer and Seller. Trades not subsequently administered by CBH will not be recognised.
- All approved market participants with a valid booking slot will be free to trade that slot in the secondary market. There will be no limit on the number of slots that can be traded, or the number of times that each slot can be traded, within the time period specified below. Each time a slot is traded, CBH will record the trade and charge an administrative fee to the new owner of the slot on a per tonne basis.
- The secondary market for Core Capacity will open no less than 7 days following the completion of the Core Capacity auctions but not prior to that date.
- Secondary market transactions may continue until 30 days prior to the commencement of the first day of the load date range.
- Buyers that purchase booking slots within 7 days of auction should note that if settlement is not received within 7 days of auction, the lot will be re-auctioned in the next round. It is the buyer's responsibility to ensure that the time slot they are purchasing has been settled and validated by the Market Operator. Any transactions in the secondary market within 7 days of the auction are at buyers risk.
- Settlement of costs is between the buyer and the seller. CBH will record the transfer of the slot to the buyer and perform any final reconciliation with the ultimate buyer and user of the slot.

Direct Port Access Arrangements

Exporters requiring Direct Port Access arrangements will be subject to the same auction process as those using the Grain Express process. It should be noted that:

- Market participants requiring Direct Access will be required to purchase Shipping Capacity either via the first or second phase auction process.
- Successful bidders will be required to designate each export Capacity slot as "Direct Access" or "Grain Express" immediately on completion of the auction.
- The designated access arrangement will be recorded by slot on the Shipping Capacity Statement issued by the Market Operator.
- Slot designations are not interchangeable. In other words, a "Direct Access" slot cannot be sold as a "Grain Express" slot in the secondary market.
- The total throughput of each port may vary depending upon the direct access uptake. The Capacity sold in Surge auctions will be adjusted accordingly.

Market Oversight and Anti Cornering Provisions

The operating rules for the auction will focus on

- Ensuring auction prices are a reflection of genuine supply and demand;
- Information disclosure, so that information reflected in the prices at which transactions occur is reliable;
- Providing transparency, so that market users know with some degree of certainty whether, and at what prices, they can deal and can know the prices and volume of all individual transactions concluded;
- Balancing the interests of all market users so that no market users are favoured over others;

A breach of the rules is first and foremost a breach of the contract between an entity and CBH. These rules will be contractual and confer upon CBH contractual remedies, including the ability to refer a participant to an Auction Review Committee to cancel any auction slot (with or without refund). The Auction Review Committee will comprise one CBH member, one independent member (likely a representative of the independent Auction House) and one industry member.

The Rules will be modelled on a combination of ASX market supervision and Division 2 of Part 7.10 of the Corporations Act 2001 and aimed at preventing market manipulation. CBH reserves the right to refer any such disciplinary action to the ACCC for full and proper disclosure. Some conduct may simultaneously result in a breach both of CBH rules and legislation. Where this is the case, it is possible that both CBH and / or the ACCC will exercise their respective rights to take action in response to the breach. A breach of legislation may result in civil or criminal action.

CBH will develop a set of rules to ensure that there is no potential market manipulation, no collusion and no clubs/syndicates so as to ensure that an orderly market is maintained. In this regard CBH will aim is to prevent any one marketer cornering or otherwise distorting the market.

CBH in consultation with the Auction Review Committee will have the absolute right to refuse Secondary Market transactions or cancel slots won in the Primary Market if it is clear that any one marketer is selling more capacity than executing shipments (that it has bought significant capacity in the primary market with intent to trade not ship).

CBH and the Auction Review Committee will monitor compliance with business rules and, if necessary, instigate enforcement action in respect of rule breaches: for example, by referring the suspected breach of a market rule by a customer to its Disciplinary Tribunal, to ACCC/ASIC, or to both. CBH also undertakes other market monitoring necessary to ensure that it is providing a market of integrity within the constraints of its powers.

In its first year of operation, it is envisaged that the Auction Review Committee will meet after every tranche and following each phase of the auction to monitor operations and compliance.

Market Caps. The aim of the auction system is to allow the free market to operate, therefore there are no specific caps to be applied to the primary or secondary market. However, the following mechanisms will act to practically inhibit market cornering:

1. The up front pre-payment of \$ 5.00 within the Marketer Charge plus any auction premium and Surge costs,
2. The active operation of the Auction Review Committee,
3. The First Phase Auction will comprise three tranches, the Second Phase Auction will be rolling and monthly. Attempts to corner the market will be evident to all participants and the market can respond.
4. The system will be independantly audited on a regular basis.
5. The selection of High Stakes Auctions specialists to run the auction. Significant training and a "dummy" auction will be provided prior to the first real auction. This is to ensure that all participants fully understand and can compete equally in the auction.
6. The selected auction system "clock auction" by its nature apportsion volumes within a lot based on the moment supply equals demand which ensures every party has an equal opportunity to secure a shipping slot.
7. A full review of the auction service and processes will occur after year One. The views of all participants will be sought.
8. The auctions have been sized and timed to ensure a significant supply and that the slots are distributed in the fairest means possible.

Market Structure

In order to ensure the governance framework is transparent and accountable, CBH propose to introduce the following governance bodies / mechanisms:

- *Governance mechanisms*
 - o The key mechanisms for governance are:
 - Market rules and procedures.
 - Independent reviews to ensure compliance with those rules and procedures.
 - A formal (twice yearly) process of consultation with market participants.
- *Governance bodies*
 - o Key governance bodies are as follows:
 - o The Market Operator is the independent organisation charged with managing the day-to-day operations of the auction in accordance with the business processes and rules.
 - o Market Assurance is provided by both internal and external reviews to assess compliance with the rules.
 - o Auction Review Committee is a representative body to provide feedback on the operation of the market and suggestions for improvement.

General Business Rules

Conduct of the Auction

- Capacity will be offered from 15 Jan 2010.
- Capacity will be offered will be in 14 – 16 day windows being the first and last half of the month for each port zone.
- Capacity can incorporate old and/or new season's grain.
- Capacity can be acquired without grain entitlement by any customer holding a Grain Services or Port Terminal Service Agreement with CBH.

Linking the Auction to the CBH EAG's

- Once the auction is complete, successful exporters have the right to ship their grain within the relevant window.
- Exporters holding slots will be required to nominate their cargo in accordance with the CBH EAG's and quote slot numbers that equate to the nominated port, shipping dates, vessel ETA and export volumes.
- On the basis that the vessel arrives within the relevant window and the exporter has entitlement to the applicable grain either in Grain Express or accumulated under Direct Port Access arrangements, CBH will ensure that the vessel will be loaded as instructed.

Vessel Nominations – Harvest Shipping Period

- For the Harvest Shipping Period only, vessel nominations do not require grain entitlement, but entitlement must be in place prior to the ship being able to load.
- Each port zone will have specific windows and commodities that are required for Harvest Shipping and may attract specific up front discounts to the Marketer fee. Discount arrangements will be defined in the 2009/10 CBH Grain Services Agreement.
- The provision of Shipping Capacity at the nominated port facility is committed subject to the exporter guaranteeing its ability to obtain Grain Entitlement 48 hours prior to loading the vessel.
- For specific commodities, ports and shipping windows, after the vessel has been loaded and provided the shipper has adhered to the business rules, CBH may incentivise the Grain Express shipper an amount linked to the charging structure for that season.
- Confirmation of shipping slots will be via a separate CBH Shipping Contract that will be provided subsequent to EOI allocations. Exporters will be required to pay the full Marketer fee upon issue of the certificate.
- Exporters may trade their Certified Harvest Shipping slots with another exporter who has executed a GSA with CBH and in line with the secondary market business rules. CBH will consent to a transfer and charge a nominal administration fee.
- All other terms contained in the CBH EAG will apply.
- Direct Port Access arrangements will also apply as for the balance of the year.

Vessel Nominations – Non harvest Shipping Periods

- As per the CBH EAG.

- All vessel nominations must be supported by valid shipping Certificates or Shipping slots equal to the quantity of grain to be loaded.

Vessel Arrivals for the Harvest Shipping Period 1 November – 15 January

- CBH will not load a vessel if the exporter does not have sufficient grain entitlement.
- A vessel must arrive within the nominated laycan window period to earn a discount during the Harvest Shipping Period only.
- If a vessel arrives within 7 days after the last day of the laycan window, and the exporter has entitlement CBH will load the vessel without penalty but the rebate will not apply.
- If a vessel arrives or the exporter does not have entitlement after 7 days from the last day of the laycan window, the exporter will forfeit the full Marketer Charge.
- If a vessel arrives or the exporter does not have entitlement after 7 days from the last day of the laycan window, it will be at CBH's discretion to load the vessel once entitlement is in place and the exporter will be re-charged the full Marketer Charge.

Vessel Arrivals – Annual Shipping Period 15 January – 31 October

(Direct Port Access vessel rules will be circulated prior to the auction).

- CBH will not load accept a nomination if the exporter does not have sufficient grain entitlement.
- If the exporter fails to submit a valid nomination prior to 22 days before the last day of the laycan window the exporter will forfeit the full Marketer Charge (FOB).
- If the ship fails to arrive in the laycan window the exporter will forfeit the full Marketer Charge (FOB).
- In the event that the ship arrives subsequent to the closure of the laycan, CBH will make reasonable endeavours to place the vessel in the shipping queue and load it in accordance with the CBH EAG without compromising other shippers or the shipping queue.
- CBH will always use its discretion in the favour of the delayed exporter provided that other exporters are not affected by that service.
- Where CBH is able to place the vessel in the queue and load it, the exporter will again be charged the full Marketer Fee.

Amendments to Shipping Slots

- It will be at CBH's discretion to consider and accept minor amendments to the contracts in the interest of operational flexibility and efficiency.
- All amendments accepted by CBH will be updated on the stem.

Despatch/Demurrage

- Arrangements for Dem/Des risk sharing in 2009/10 will be as per the 2008/9 GSA. That is, CBH and the exporter will agree at the time of vessel nomination whether these arrangements will apply on a cargo by cargo basis. These arrangements will not apply to harvest shipping.

Payments and Forfeitures

- If the exporter does not make payment within the payment terms CBH at its discretion may re-offer or auction the Shipping Capacity relevant to that contract.
- All other fees and charges pursuant to the GSA will apply and be charged to the customer after the vessel has been loaded.
- CBH will reconcile the Marketer Fee and Surge (if applicable) on the loaded tonnes compared to contracted capacity tonnes. There will be a 5% less tolerance on the contracted Capacity, CBH will reconcile to this amount. Tonnage shipped below the 5% will be treated as a forfeiture of Capacity and will not be reimbursed.

Annexure 2

Draft Auction Rules



tradeslot

SHIPPING CAPACITY ACCESS ALLOCATIONS

ONLINE AUCTION RULES (Ascending clock auction)

1. Preamble

The following Auction Rules govern the obligations of parties in the conduct of an Online Auction.

The Auction Rules for a specific Auction are those rules located on the auction system website at the time of the Auction.

It is the responsibility of the individual Bidder to ensure they understand and/or seek appropriate legal advice on the Auction Rules.

2. Tradeslot Registered Bidder Agreement

Upon completion and submission of your Tradeslot Registered Bidder Agreement (and for all Bidding conducted by you while certified/authorised under those details), you are deemed to have accepted, and are bound by, the Auction Rules, as amended and varied from time to time.

3. Registered Bidder

3.1. Requirement to Apply for Qualification

All entities wishing to participate in the Auction (Potential Bidders) are required to apply for and be assessed as Qualified Bidders. These requirements are set out in the Qualification Rules.

Qualification Rules TBD as per CBH preferred process. This may build on any existing accreditation / membership processes.

4. Requirement to Apply for Registration

Entities assessed as Qualified Bidders by CBH must apply to Tradeslot for Registration to access the auction system website and use the System.

Application to become a Registered Bidder requires acceptance of the terms and conditions of the Tradeslot Registered Bidder Agreement.

5. Shipping Capacity Access Auction System

In order to participate in an Auction, Registered Bidders must log on to the dedicated auction system website, www.<auctionsystem URL>.

This auction system website address is TBD.

Registered Bidders are issued a single system account user name and password via email, with which to access the System for purposes of the Auction. Registered Bidders are permitted to have other parties and/or advisors use their account to monitor the Auction and enter Bids on their behalf. Registered Bidders provide their account log on details to others entirely at their own risk. Bids entered by parties or advisors who have been granted access by a Registered Bidder are deemed to be Bids of that Bidder and are binding on that Bidder.

The auction system website server is hosted within a secure hosting facility. Tradeslot independently manages the Auction.

Tradeslot will provide a telephone based Help Desk Service during the Auction. The Tradeslot Help Desk Number is **+61 3 8624 0000**.

6. Auction format

6.1. Online Auction

All bids in the Auction are submitted electronically via the Internet during the Lot Bidding Period.

The Auction is conducted in a simultaneous, multiple-round, ascending clock Auction format.

6.2. Auction Schedule

The Auction Schedule, including the date and time of all Auction Phases is determined by CBH prior to the Auction Start.

CBH will publish the Auction Schedule prior to the Auction Start on the auction system website, accessed at www.<auctionssystem URL>.

CBH will publish the Auction Catalogue of Lots to be included in the scheduled Auction prior to the Auction Start.

CBH may alter the Auction Schedule by notifying Qualified Bidders of the revised Auction Schedule, and publishing the revised Auction Schedule prior to the previously published Auction Start.

7. Event and Round Timing

The Server Time on the auction system website is the official time clock for all activities associated with the Auction. Australian Eastern Standard time, as kept by the Server, will be displayed.

The time remaining in each Round, known as the Round Timer, will be displayed during bidding periods. In each Round the Round Timer counts backwards towards zero.

8. Auction Pricing

All Auction pricing is in Australian Dollars for each lot delivered to the specified delivery point for each bidder.

All Auction and Bid pricing is exclusive of Goods and Services Tax (GST), per tonne of capacity.

8.1. Clock Price

The Clock Price for each Lot will be displayed as a price range for bidders to place Bids within. In each Activity Round the Clock price range will increase by one Bid Increment. Bidders will express Bids in terms of Capacity (mt) requested at that price per tonne.

The price is a uniform price – when the Lot is awarded, all Bidders will pay the same (uniform) price per tonne of Capacity (mt).

First phase auctions

Auction Bid Comparison Price = FOB + shipping capacity premium.

Second phase auctions

Auction Bid Comparison = FOB fee + surge fee (if applicable) + shipping capacity premium.

The Clock Price will be displayed singularly as the Auction Bid Comparison Price, however each pricing element within this (as expressed above) will be displayed to all Bidders at all times.

8.2. Reserve Prices

The Opening Clock Price Range per Lot is based on the FOB charge (plus any surge fees) set by CBH prior to the Auction.

9. Bidder Profile

9.1. Bidder Profile Details

Registered Bidders' contact details are held in the System for the Auction.

Bidders may update Auction contact details and email addresses on-line on the Bidder Profile page, during the scheduled Bidder Profile Update Period.

9.2. Bidder Limits

The application of limits placed on Bidders, in terms of Credit/Financial or Capacity/Volume limits, is an optional auction design feature for CBH.
If CBH decides against Credit or Capacity limits, references to these (and implications of these) should be removed throughout the Auction Rules.

9.2.1. Capacity / Volume Limits

Pre-determined Capacity Limits for each Bidder for an Auction will be set prior to the Auction, and are displayed on the Bidder Profile page.

Pre-determined Capacity Limits constrain the total capacity for which a Bidder can submit Bids.

Each Bidder's capacity limit settings will be the pre-determined Capacity Limits set by CBH in accordance with the Qualification Rules.

The System automatically applies the Capacity Limit constraints. The System will not allow submission of Bids during an Activity Round or submission of Proxy Bids that will exceed capacity limits.

9.2.2. Credit/Financial Limits

Pre-determined Credit Limits for each Bidder for an Auction will be set prior to the Auction, and are displayed on the Bidder Profile page.

Pre-determined Credit Limits constrain the total capacity for which a Bidder can submit Bids.

Each Bidder's capacity limit settings will be the pre-determined Credit Limits set by CBH in accordance with the Qualification Rules.

The System automatically applies the Credit Limit constraints. The System will not allow submission of Bids during an Activity Round or submission of Proxy Bids that will exceed Credit limits.

9.3. Credit or Capacity Limit Adjustment

Bidders may adjust their Credit or Capacity Limits for an Auction on the System during the Bidder Profile Update Period according to the following rules:

A Bidder cannot increase Credit or Capacity Limits pre-determined by CBH, however pre-determined Credit or Capacity Limits may be reduced by a Bidder.

Any attempt to increase Credit or Capacity Limits (above the pre-determined amount) will be blocked by the System.

If a Bidder does not make changes to their Credit or Capacity Limits for an Auction, their individual settings will apply.

Credit or Capacity Limit adjustments can only be submitted or changed during the Bidder Profile Update Period. Bidders cannot adjust Capacity Limits after the Bidder Profile Update Period has ended.

10. Lot Registration

Lot Registration should occur if Bidders are subject to Credit or Capacity limits.

By registering for Lots, Bidders are electing to preference certain Lots over others by ranking them. In the case where valid Bids are submitted across more than one Lot, but the total Bidding Activity would breach Credit and/or Capacity Limits the Lot preference order submitted during the Lot Registration process would indicate which Bids are submitted.

If CBH decides against using Credit or Capacity limits, references to registration for Lots would not be required.

10.1. Registration for Lots

Bidders are required to register for those Lots (from the Auction Catalogue) for which they wish to have opportunity to submit Bids during the Auction.

Bidders cannot Bid on Lots for which they have not registered. Bidders are not required to Bid on every Lot for which they have registered.

Credit or Capacity Limits do not constrain the number of Lots for which that Bidder can register.

10.2. Lot Registration Period

Bidders are required to register for Lots during the Registration Period. Bidders are allowed to change their Registration Status on any Lot at any time during the Registration Period

10.2.1. Registration of Lot Preference

Bidders are required to register a numerical Lot Preference Order (starting at 1, the highest preference) against each Lot for which they register. Bidders cannot have the same preference for two or more separate Lots.

Bidders may change their Lot Preference Order at any time during the Registration Period. Lot Preference Order cannot be changed after the Registration Period End.

For any given Bidder, Lot Preference Order is automatically used to prioritise the submission of Bids and Proxy Bids up to relevant Credit and Capacity Limits.

10.2.2. Placement of Proxy Bids

Bidders are able to place Proxy Bids and enable Proxy Bid settings during the Registration Period.

11. Auction Event Bidding

11.1. Starting the Lot Bidding Period

The Lot Bidding Period for all Lots commences at the date and time of the Auction Start. The Lot Bidding Period continues subject to the scheduling of Activity Rounds.

The Lot Bidding Period for a given Lot ends at Lot Award.

11.2. Activity Round Schedule

The Auction Bidding Period is structured into multiple, sequential Activity Rounds. Activity Processing Periods commence after each Activity Round End and prior to the start of the Activity Pause Period.

During the Activity Processing Period all Bidding activity is suspended, and Auction data will not be available to download.

The scheduling of Activity Rounds is the same for all Lots, subject to the end of Individual Lot Bidding Periods.

11.2.1. Activity Round Length

Activity Rounds last for a given duration of time, which is set by CBH before the Auction begins.

The time remaining to adjust Bids in each current Activity Round is indicated on the screen by the Round Timer.

Activity Rounds are advanced when the Round Timer reaches zero.

11.3. Advancing Activity Rounds

At the end of each Activity Round there will be a Round Processing Period. During this Period the system will calculate the Aggregate Demand for each Lot by adding together the Capacity (mt) demanded by all Valid Bids and Proxy Bids.

If the Aggregate Capacity (mt) demanded is greater than the Capacity Supplied for that Lot, the Round will advance with the Clock Price Range raised by one Price Increment.

The Aggregate Demand calculated for each completed Activity Round will be displayed on a chart. Each new Aggregate Demand point will be added to the chart at the end of the Round Processing Period. Each Lot will have its own chart.

12. Auction Bidding Activity

12.1. Bids

Bids on Lots can only be submitted a) during an Activity Round or b) as a Proxy Bid during Registration Period.

Bidders can submit Bids on Lots for which they are Registered, up to applicable Capacity Limits.

Bidders can submit multiple Bids during each Activity Round.

Valid Bids submitted in previous Activity Rounds during the Auction cannot be withdrawn by the Bidder under any circumstances.

The last Valid Bid placed in the previous Activity Round is binding on the Bidder.

12.2. Valid Bid

In order for a Bid (for a given Lot), to be a Valid Bid it must:

- Be less than or equal to the Capacity Bid from the previous Round for that Lot;
- Be within relevant Capacity Limits for that Bidder; and
- Be less than or equal to the Volume Limits set for the Lot

The System does not accept a Bid that is not a Valid Bid.

12.3. Intra-Round Bidding

Intra-Round bidding occurs when Bidders are able to place Bids at more than one Price Increment in any one Activity Round.

If an Activity Round allows for Intra-Round Bidding, the Bidder will be asked to place as many different Capacity (mt) Bids as they like within the Clock Price Range (between a Round Minimum Price and Round Maximum Price).

12.3.1. Price Breakpoints

The Price (within the Clock Price Range in any given Activity Round) at which a Bidder reduces the Capacity (mt) requested is known as a Price Breakpoint. A Bidder may include as few or as many price breakpoints in any one Clock Price Range as they like.

Intra-Round Bidding Example: Activity Round 1 asks the Bidder to submit Capacity (mt) Bids for any Price point within the Clock Price Range from \$0.00 to \$0.99. The bidder may wish to place one Bid at \$0.99. They have no price breakpoints in this Clock Price Range.

In Activity Round 2, the Bidder is asked to submit Capacity (mt) Bids at any Price Point within the Clock Price Range from \$1.00 to \$1.99. The bidder chooses to place Bids at \$1.10, \$1.62 and \$1.98. The Bidder has expressed two price break points.

12.4. Declining Volume Rule

For a Bid in any single Lot to be deemed Valid, the Bid must be for Capacity (mt) that is less than or equal to the submitted Valid Bid in the previous Activity Round. As the Clock Price increases, Capacity Bids must decrease or stay the same.

The system will not accept a Bid for greater Capacity (mt) than the previous Activity Round. The system will notify the Bidder that the Bid is invalid and to decrease or maintain the Capacity (mt) to make the Bid Valid.

12.5. Bid Increment

The Bid Increment is the amount by which the Clock Price Range per tonne increases per Activity Round. Bid Increments are determined by CBH prior to the Auction Start. Positive Capacity (mt) Requirement

To remain active for any given Lot (for which they are Registered), a Bidder must express a Valid Bid whereby the Capacity (mt) that they request remains greater than zero. The system will not allow Bids for Capacity less than zero.

Valid Bids will be processed when the Round Timer reaches zero and the Lot will be either a) Awarded or b) advanced to the next Activity Round at the increased Clock Price Range.

12.5.1. Lot Deactivation

If a Bidder does not place a Valid Bid with Capacity (mt) greater than zero for a given Lot, that Bidder is not eligible to be Awarded any Capacity for that Lot or be eligible to submit Bids in the next Activity Round for that Lot.

12.6. Proxy Bids

Proxy Bids are bids that are automatically submitted by the system on a Bidder's behalf in the event that the Bidder has elected to place all bids (at all available and relevant Clock Price increments) in the system before the auction begins. Proxy Bids, if automatically submitted are contractually binding offers.

12.6.1. Setting Up Proxy Bids

Proxy Bids can be placed for each Lot at any Price Breakpoint within the Clock Price Range.

The Proxy Bid represents the maximum allowable Volume the Bidder is willing to buy at that Price per tonne.

Proxy Bids can be submitted or edited at anytime during the Lot Bidding Period or the Registration Period.

To be activated, Proxy Bids need to be checked (with a tick) on the screen.

The Tradeslot Help Desk cannot place Proxy Bids or enable Proxy Bidding on behalf of Bidders.

The system will only allow Proxy Bids that meet the criteria of a Valid Bid.

12.6.2. Automatic Submission of Proxy Bids

For a given Bidder, Activity Round and Lot, the System automatically submits a Proxy Bid at the end of the Activity Round if:

- The Bidder is Activated to submit Bids in that Activity Round for that Lot (Active in previous Activity Round);
- The Bidder has not already made a Valid Bid in that Activity Round; and
- The Proxy Bid amount does not exceed the Bidder's Credit and/or Capacity Limits at the time the Proxy Bid is automatically submitted (the end of the Activity Round).

Proxy Bids are automatically submitted for all Bidders meeting these criteria. The submission of these Proxy Bids ensures these Bidders remain Activated for that Lot in the next Activity Round.

Once submitted, Auto Submit Proxy Bids are contractually binding Bids.

Proxy Bids are submitted at the end of the Activity Round for which they are nominated.

12.6.3. Order of processing of Auto Submit Proxy Bids

Where a Bidder has submitted Valid Proxy Bids for multiple Lots, but the sum of their Bid(s) exceeds their Credit or Capacity Limits, Proxy Bids will be processed according to the Lot preferences submitted during the Lot registration period.

12.7. Application of Capacity Limits

A Bid will not be accepted by the System if that Bid will result in the Bidder exceeding relevant Capacity Limits. When a bid is placed in the System it will;

Compare the submitted bid amount with the Available Volume Capacity and Available Financial Capacity of the Bidder; and

If the Bid amount is less than or equal to the Available Volume and/or Financial Capacity then the bid is accepted and auto-submitted, otherwise the bid is rejected.

Exceeding the Financial or Volume Capacity Limit will not be permitted by the system.

12.8. Lot Award

A given Capacity Volume within each Lot is Awarded to one or more Winning Bidders within that Lot.

A Winning Bidder is a Bidder that has submitted a Valid Bid for Capacity (mt) in the Final Activity Round. The Final Activity Round is determined when Aggregate Demand for that Lot is calculated to be less than or equal to Aggregate Supply for that Lot.

The Clock Price in the Round whereby Aggregate Demand is calculated to be less than or equal to Aggregate Supply is the clearing price per tonne for that Lot.

There may be more than one Winning Bidder in each Lot. Each Winning Bidder will be awarded an allocation of the available Capacity for that Lot. The allocation will be as close to their Bid as practical, subject to Rationing.

12.9. Rationing and Overshoot

The situation whereby Aggregate Demand is less than Aggregate Supply in the Final Round is known as Overshoot. In the case of overshoot, the system "ration" the deficit in Capacity (mt) to the successful Bidders.

Capacity (mt) is rationed back pro-rata, according to the last round percentage drop in each successful Bidders Valid Bid. The successful Bidders will be allocated slightly less Capacity (mt) than they had bid for.

The Clearing Price is the last price within the Clock Price Range at which the system had calculated that Aggregate Demand was greater than Aggregate Supply for that Lot.

All Capacity will be allocated at the Clearing Price.

12.1. Passing-in Capacity

If a Lot is not awarded (there have been no bids for the Lot at the End of the first Activity Round), the Capacity within that Lot will be passed-in and auctioned during a Second Phase Auction.

In the situation whereby there have been some Valid Bids in the First Round, but Aggregate Demand for that Lot is less than Aggregate Supply for that Lot, the Lot will be partially awarded. The remaining Capacity that has not been Awarded will be passed-in and auctioned during a Second Phase Auction.

13. Disruption to an Auction

If the System fails at the server, or there is any unexpected disruption to services prior to Auction Start, the Auction is re-scheduled at the discretion of CBH. All Qualified Bidders will be notified of the rescheduling of the Auction.

If the System fails, or there is any unexpected disruption to services after the Auction Start (during the Lot Bidding Period), the status of competition for all Lots, reverts to that existing at the end of the Activity Round immediately prior to the disruption. The Auction recommences as soon as the problem is rectified, and as scheduled by CBH.

If a given Bidder is disconnected from the System during the Lot Bidding Period (due to individual system or connection failure), the Bidder can continue to participate in the Auction by submitting, amending or enabling Proxy Bids by proxy.

14. Post Auction

14.1. Terms and Conditions for Sales Schedules

Following the Auction End, confirmation to Winning Bidders, of Lot Award and corresponding charges are included into Terms and Conditions of Sales Schedules and issued electronically.

14.2. Publication of Results

CBH will publish the results of the Auction online at *<seller website>*.

If a Grievance is submitted, Winning Bidders will be notified that their Lot Award is provisional until the Grievance is determined by the Grievance Committee. Confirmation of Lot Award to Winning Bidders will be made after determination of the Grievance by the Grievance Committee.

14.3. Grievances

Subject always to Section 14, Bidders may lodge a Grievance but are not entitled to make any other complaint in connection with an Online Auction.

If a Bidder has Grievance, it must be lodged in writing, by 5.00 pm on the first Business Day following the Auction End.

Bidders are to submit Grievances to the Tradeslot Auction Manager either electronically or by facsimile as follows:

Electronically at: <auction manager email address>

By Facsimile at: (03) 9621 1811

All Grievances will be acknowledged via return email and CBH will be notified immediately. Grievances will be determined by a Grievance Committee that consists of representatives of CBH and Tradeslot.

Grievances will be determined by the Grievance Committee in accordance with a Grievance Procedure.

CBH shall appoint a Probity Officer by 5:00pm on the second Business Day after the Auction End. The Probity Officer has an overriding duty to impartially assist the Grievance Committee to ensure that any Grievance is determined in accordance with the Grievance Procedure.

Each Bidder acknowledges that the Grievance Committee is empowered and authorised to determine Grievances and that the rules of natural justice need not apply to the proceedings of the Grievance Committee.

CBH, Tradeslot and each Aggrieved Bidder have the right to maintain as confidential the Grievance, application of the Grievance Procedure and the determination of the Grievance.

Each Bidder authorises and consents to the use of any personal information provided in connection with these Auction Rules for the purposes set out herein, subject only to the

Privacy Act 1988 (Cth) and any other applicable legislation. Without limiting the foregoing, such information may be used by the Grievance Committee as reasonably necessary to determine any Grievance.

Determination of a Grievance by the Grievance Committee shall be final, binding and conclusive on the Aggrieved Bidder upon notice to the Aggrieved Bidder.

14.3.1. Grievance Procedure

The Grievance Procedure aims to provide a framework for raising and dealing with Grievances which arise from the relevant Online Auction. It aims to provide an efficient, clear, fair and accessible mechanism for dealing with problems which arise and for ensuring that the determination of any Grievances, and the Online Auction itself, has been conducted properly.

The Grievance shall be determined having regard to the following factors only:

- (a) the application of the Auction Rules;
- (b) the Bidder Agreement between the Aggrieved Bidder and Tradeslot;
- (c) the Aggrieved Bidder's participation in the CBH On-Line Auction;
- (d) the operation of the System;
- (e) any oral submissions made by the Aggrieved Bidder;
- (f) any recommendations made by the Probity Officer; and
- (g) any other factor that the Grievance Committee considers appropriate in its absolute discretion, provided that notice of such consideration is given to the relevant Aggrieved Bidder(s).

CBH must contact the Aggrieved Bidder and offer an opportunity to make an oral submission to the Grievance Committee. Hearings of oral submissions to the Grievance Committee:

- (a) Are to be held at the offices of CBH, <seller address> on the dates notified to Aggrieved Bidders;
- (b) The Aggrieved Bidder may put submissions to the Grievance Committee by telephone if the Aggrieved Bidder is unable to attend in person; and
- (c) Are to be no longer than 45 minutes in duration and may be presented by the Aggrieved Bidder or a representative of the Aggrieved Bidder.

The Probity Officer shall be entitled to be present when oral submissions are made by an Aggrieved Bidder to the Grievance Committee but, for the avoidance of doubt, may only participate to the extent permitted by the Grievance Committee.

15. Limitation of Liability and Indemnity

15.1. Limitation of liability

CBH and Tradeslot hereby exclude, to the fullest extent permitted by law, all liability to Bidders arising out of or otherwise in connection with the participation by Bidders in the Auction including, without limiting the foregoing, any liability:

- for failure of the System prior to the Auction Start;
- for failure of the System during the Lot Bidding Period;
- for failure by the System to accept a Valid Bid;
- for errors in the submission of Proxy bids;
- for errors in the Reserve Price for a Lot;
- for any Capacity Limit of a Bidder, whether such limits are nominated by a Bidder or otherwise;
- for interruption of any other kind to access to the Online Auction website;
- for loss or delay in the receipt by a Bidder of any electronic notification from CBH;
- for loss or delay in the receipt by CBH of any electronic notification from a Bidder;
- for indirect, incidental, special or consequential damages including damages for loss of profits or savings (actual or anticipated) and loss of goodwill, whether or not the Bidder knows of the possibility of such damage or such damage was otherwise foreseeable; and
- contributed to directly or indirectly by the Bidder's acts or omissions;

Except to the extent that such liability arises from acts or omissions of CBH that are negligent or unlawful or which amount to willful misconduct.

15.2. Indemnity

Each Bidder indemnifies CBH and Tradeslot, its officers, employees and agents, from and against any claim, action, liability, loss, damage, cost, charge, expense, outgoing, payment, diminution in value or deficiency of any kind or character arising directly or indirectly from any:

- Breach by the Bidder of these Auction Rules; or

- Acts or omissions (including any negligence, unlawful conduct or willful misconduct) by the Bidder arising out of or otherwise in connection with the bidder's participation in the Online Auction.

Annexure 3

Bundle of Press Articles



Countryman
23/04/2009
Page: 3
General News
Region: WA
Circulation: 9469
Type: Rural
Size: 189.46 sq.cms
--T--

Port power shift closer

Rebecca Turner and Lara Ladyman
Growers campaigning to break the stranglehold WA's grower-owned storer and handler CBH has at ports are confident of loading their first bulk grain ship this year.

And it may be ahead of the 2009-10 harvest.

Set to change the face of the WA grain industry, the shake-up is a step closer following successful testing of an alternative grain belt at the Geraldton port last week.

Mid West growers and the WA Grain Group (WAGG), which wants to export grain from Albany, last week won the backing of WA Transport Minister Simon O'Brien.

"Anything that increases competition and drives down costs for growers, and ultimately consumers, has support and the Government looks forward to working with any group that holds this as their aim," Mr O'Brien said.

Countryman understands the grower groups pushing to set up competition against CBH have been working with logistics group Patrick and potentially other traders, including Elders Toepfer, which is already testing the fertiliser market and has also announced it wants to get into the grain handling business.

Spokesman for the Geraldton group, Bruce Ley, said the Australian Quarantine Inspection Service supervised the belt trial and believed, with a bit of tweaking, everything was in place for shipments to start immediately and they would definitely be offering growers an alternative for the coming harvest.

"It's not a war on CBH," Mr Ley said. "It's about reducing our costs, about having an option for growers in

the Geraldton area. It is their choice whether they will use this option."

The Eradu farmer, who believes this historic venture will save growers about \$10 a tonne, said CBH had been talking for years about rewarding grower loyalty but he was yet to see any evidence of this.

WAGG chairman Doug Clarke said their motivation was also about introducing competition at ports in an effort to cut supply chain costs.

But CBH has previously cautioned its grower-shareholders to consider the consequences and has questioned the motivations.

New chief executive Andy Crane said it was important growers understood the significance of diverting grain outside the CBH system.

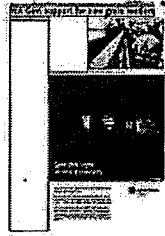
"Are they trying to bring down charges or CBH?" Dr Crane said.

CBH has indicated that if it lost significant volume, the way it did business would have to change dramatically. As a result, the services all farmers had come to take for granted may no longer be there.

The Pastoralists and Graziers Association has also encouraged the export of bulk grain through the proposed James Point port and Mr O'Brien also has said he would like to see vessels alongside the privately-operated facilities within two years, branding it as "a disgrace" construction had not started.

"We are nine years on from the initial announcement a private company wished to invest in improving common user port space, which would in turn improve the WA economy," he said.

"It is my aim as Transport Minister to ensure WA has all the port facilities it needs for the 21st century."



WA Govt support for new grain loaders

By COLIN BETTLES

TRANSPORT Minister Simon O'Brien is encouraging competition for grain growers who want to export their produce outside of the CBH storage and handling network.

The support comes after Mr O'Brien met with several WA Grain Group (WAGG) members and unnamed grain exporter representatives last week.

Geraldton and Albany port zone growers used the meeting to discuss their ongoing push to introduce competition for bulk export grain loading at WA ports.

At the meeting, WAGG chairman Doug Clarke showed Mr O'Brien the cost efficiencies that could be achieved if the deal went ahead.

Geraldton grower Bruce Ley showed Mr O'Brien a presentation of a successful ship loading trial at the Geraldton port that was conducted the previous day.

The Geraldton trial was attended by Australian Quarantine and Inspection Service (AQIS) officials.

A workshop will be held in the next few weeks with growers and stevedores to assess other grain handling logistics.

In March, *Farm Weekly* reported that the two grower groups met with representatives from shipping giant Patrick.

The groups are looking to reduce storage costs and now awaiting the outcome of a feasibility study into the viability of loading grain at different ports including Esperance, Albany and Geraldton.

The Geraldton deal could require approval from the Environment Protection Authority and Mr O'Brien because the port is Government owned.

Groups members said the trial was a success that showed grain could be easily shipped from the port immediately.

They also had no issue with the potential costs involved and mooted that ships could potentially be loaded with grain for export this harvest.

However, a potential dilemma could evolve from CBH's treatment of any the potential grain exporters that could be involved in the deal.

Grain marketers would not comment.

They are understood to be fearful of speaking out in case they go to the bottom of CBH's shipping and grain transportation lists, and potentially lose customers due to any delays.

Mr Clarke said WAGG's drive to introduce competition at WA ports had risen in an effort to reduce supply chain costs and return more dollars to growers.

He said the industry's concerns about rail and road transport was also raised at last week's meeting.

"The Minister was encouraged by the range of thinking coming from industry on ways to improve the grain transport task and make better use of our infrastructure, including our ports," Mr Clarke said.

"Keeping our farmers cost competitive in the international market place is paramount to our

state's economic prosperity."

In a statement to *Farm Weekly* after the meeting, Mr O'Brien said the State Government was always interested in initiatives designed to introduce competition and flexibility into the WA transport sector.

He said anything that increased competition and drove down costs for growers, and ultimately consumers, had support.

"The Government looks forward to working with any group that holds this as their aim," he said.

"Grain industry exports generate more than \$4 billion, and after allowing for the economic multiplier effect probably deliver around \$10b in economic activity, incomes and profits for WA.

"The battle over deregulation of grain marketing and handling has been a long one, but now it is over and we all look forward to industry taking advantage of it to improve its own economic performance in a competitive world.

"I, and the Government, look forward to seeing competition brought into the grain handling industry as it evolves in the new deregulated era."

Mr O'Brien said the State Government also continued to work closely with the Federal Government and industry to determine the best level of appropriate support for upgrades to WA's grain rail freight network.

"The Federal Government is undertaking a short-term review of the amount of further investment required for the network," he said.

"We are supportive of this review and look forward to making further announcements in due course.

"The Government is working to lift standards and improve the overall network because we have confidence in the long-term future of the grain industry."

Mr Ley said the grower groups were only interested in driving down costs that had become unreasonable.

"At the end of the day it will be a commercial decision. That's the only motivation to what we are doing," he said.

"We have tried talking to different CBH directors for the past couple of years but to no avail.

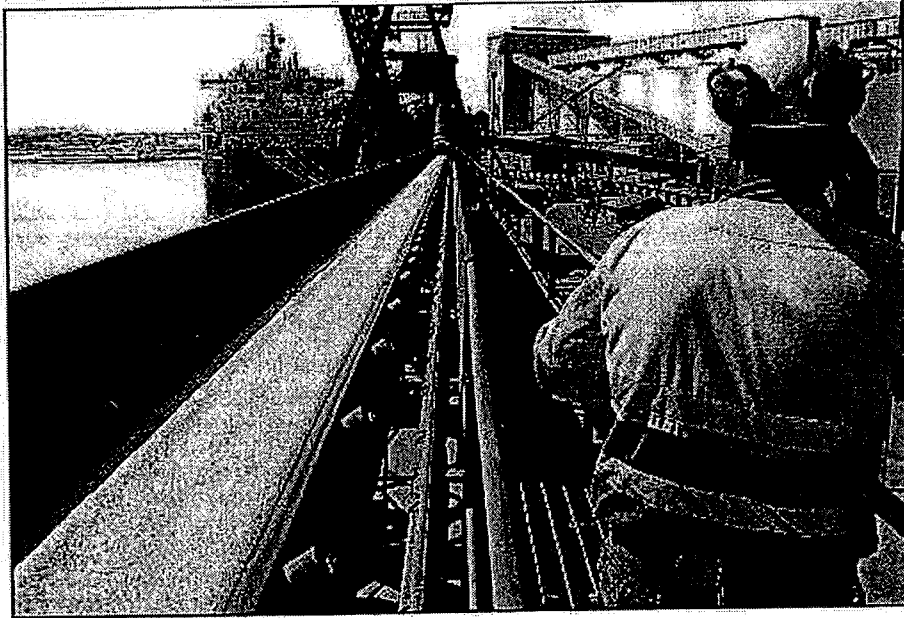
"The only way now is to take our business elsewhere or create it, if they can't accommodate our requests.

"There's nothing stopping us from doing this, if the numbers stack up."

Mr Ley and Mr Clarke would not name the grain marketers involved in the negotiations, fearing their exposure could attract possible retribution from CBH.

The co-operative held a review meeting last week with growers to analyse its performance in the 2008-09 harvest, the first under deregulation of bulk wheat exports and the CBH storage and

▼ Continued on page 10



□ Trial loading at the Geraldton port last week

▲ Continued from page 9

handling initiative Grain Express.

Another review meeting will be held with grower groups and farm consultants next month.

Growers have also been sent a comprehensive survey requesting their direct feedback on all aspects of the co-operative's performance last harvest, including storage and handling costs and services.

A report on the review is expected to make recommendations on storage and handling charges.

A CBH spokesperson said they

were aware of the push to ship grain outside the CBH network from the grower groups and continued to encourage competition.

"We are not afraid of competition and will continue to work hard to meet our customer and growers' business needs," the spokesperson said.

Pastoralists and Graziers Association (PGA) Western Graingrowers chairman Rick Wilson said he and his committee would keep a close eye on the grower groups looking to export grain by using logistics outside of the CBH storage and handling system.

He said if their attempt was successful and they started loading ships

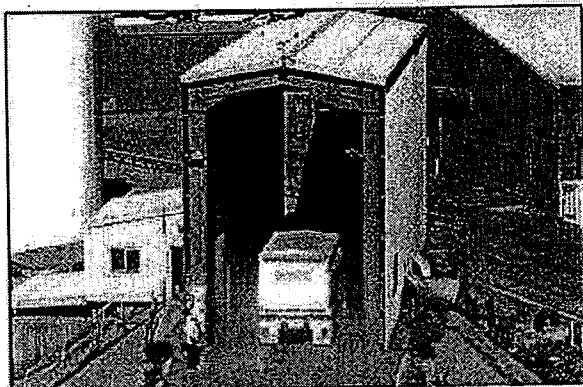
it could potentially revolutionise grain storage and handling in WA.

"At the end of the day it has to be a commercial solution, not a political one," he said.

"CBH don't have a legislated monopoly on storage and handling,

"We are supportive of any outcomes that provide a commercial solution but essentially it's not the job of political lobby groups like the PGA to get involved and become a player."

Mr Clarke has said several times that storage and handling costs are currently growers' biggest on-farm expense and the bills needed to fall to



□ A truck prepares to unload part of the trial shipment last week

