CORPORATE GOVERNANCE STATEMENT

Duxton Water Ltd
ACN 611 976 517

DUXTON WATER LTD

CORPORATE GOVERNANCE STATEMENT

The Directors of Duxton Water Ltd (the Company) are committed to achieving and demonstrating the highest standards of corporate governance. The Board regularly reviews the corporate governance framework and practices of the Company to ensure they deliver best practice outcomes to employees, consultants, contractors, shareholders and all other stakeholders involved or benefitting from the operations of the Company.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place from since incorporation and remain in place.

On 27 March 2014, the ASX Corporate Governance Council released the 3rd Edition of its Corporate Governance Principles and Recommendations (3rd Edition Recommendations). The Company reviewed its corporate governance and reporting practices under these principles and the disclosures in this Corporate Governance Statement reflect this. As at the date of this statement, the Company complies with the 3rd Edition Recommendations (unless otherwise stated).

Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Company's long-term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

The responsibilities of the Board include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring the organisational performance and the achievement of the Company's strategic goals and objectives;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- appointment and performance assessment of the Investment Manager (IM);
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team, including the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- overseeing the operation of the Company's system for compliance and risk management reporting to shareholders; and
- ensuring appropriate resources are available to senior management.

The roles and responsibilities of the Board are set out within the Board Charter. The Board Charter also sets out those matters that are expressly reserved to the board and those delegated to management.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Investment Manager. This delegation is reviewed in accordance with the Investment Management Agreement. The Board Charter is available online at: www.duxtonwater.com.au

The Board is presently responsible for evaluating Board candidates and recommending individuals for appointment to the Board. The Board evaluates prospective candidates against a range of criteria including the skills, experience, expertise and diversity. It also considers the strengths and weaknesses of the Board composition at time and how potential candidates will enhance Board effectiveness. The Board undertakes appropriate background and screening checks prior to nominating a director for election by shareholders, and provides to shareholders all material information in its possession concerning the director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

A written agreement is executed with each director setting out the terms of their appointment, including the basis upon which they will be indemnified. The letter of appointment clearly defines the role of directors, including the expectations in terms of independence, participation, and time commitment. The letter of appointment also makes it clear that directors are required to disclose circumstances that may affect, or be perceived to affect, their ability to exercise independent judgement so that the Board can assess independence on a regular basis.

A written agreement will be executed with the Investment Manager detailing the terms of appointment, including roles and responsibilities, key performance indicators and remuneration. The Company currently has no employees.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for maintaining the information systems and processes that are appropriate for the Board to fulfil its role and to achieve the objective of the Company. The Company Secretary is also responsible for ensuring that the Board procedures are complied with and advising the Board on governance matters. All directors and Committees of the Company have access to the Company Secretary for advice and services. Independent advisory services are retained by the Company Secretary at the request of the Board or Committees.

The Company does not have diversity policy, which documents the principles and commitment in relation to maintaining a diverse group of employees within the Company. There are currently no women on the board or in senior positions (being Key Management Personal and decision makers of the Company). The Company has not disclosed in this Corporate Governance Statement its measureable objectives for achieving gender diversity and therefore has not complied with recommendation 1.5(a) of the Corporate Governance Principles and Recommendations. Due to the current size of the Company, and it having no employees, the Board does not consider it appropriate, at this time, to formally set measurable objectives for gender diversity.

The Board will at least annually evaluate its performance and the performance of its committees and individual directors to determine whether or not it is functioning effectively by reference to the current best practices. The Board continually evaluates the composition of the Board, however a formal evaluation of its performance and the performance of its committees and individual directors is yet to be conducted.

Due to the size of the Company, the Board has determined that this is appropriate at Company's stage to date, however it does recognise that ongoing performance evaluation is important to ensure that the Board, committees and individual director's remain relevant and committed to the Company's business operations and changing business requirements. At the date of this report, the Company has therefore not complied with recommendation 1.6(b) of the Corporate Governance Principles and Recommendations.

The Company will review the performance of the Investment Manager in line with the Investment Management Agreement.

The performance of the Investment Manager is reviewed by comparing performance against agreed measures, examining the effectiveness and results of its contribution and identifying areas of potential improvements.

Principle 2: Structure the board to add value

The Board has not established a nomination committee, and therefore not complied with recommendation 2.1(a) of the Corporate Governance Principles and Recommendations. The Directors takes ultimate responsibility in addressing board succession issues and to ensure the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. The Board closely assesses diversity criteria when considering Board candidates.

The Company's desired mix of skills and competence is listed below. The Board considers its current composition adequately meets these required competencies.

Area	**Competence**
Leadership	Business Leadership, Public Listed Company Experience
Business and Finance	Accounting, Audit, Business Strategy, Competitive Business Analysis, Corporate Financing, Financial Literacy, Mergers and Acquisitions, Risk Management, Tax – International, Commodity Trading, Investment Management, Agricultural Investing
Sustainability and Stakeholder Management	Community Relations, Corporate Governance, Health & Safety, Human Resources, Remuneration

At the date of this statement the Board consists of the following directors:
Mr Ed Peter
Mr Steven Duerden
Mr Dirk Wiedmann
Mr Peter Michell
Mr Donald Stephens (Company Secretary)

The Board considers this to be an appropriate composition given the size and development of the Company at the present time and continually assesses the composition of the Board to ensure its membership maintains a combination of skills and experience that ensure the Board has the expertise to meet both its responsibilities to stakeholders and its strategic objectives.

The names of directors including details of their qualifications and experience are set out in the Replacement Prospectus also available on the Company's website:
www.duxtonwater.com.au

Independence
The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an independent Director:
"An independent director is a director who is not a member of management, is a Non-Executive Director and who:

- is not, or has not been, employed in an executive capacity by the Company and there has been a period of at least three years between ceasing such employment and serving on the Board;
- is not, or has not within the last three years been, a partner, director or senior employee of a provider of material professional services to the Company;
- is not, or has not within the last three years been, in a material business relationship (e.g. as a supplier or customer) with the Company , or an officer or, or otherwise associated with, someone with such a relationship;
- is not a substantial security holder of the entity or an officer of , or otherwise associated with, a substantial security holder of the entity;
- does not have a material contractual relationship with the Company other than as a director; or
- has not been a director of the entity for such a period that his or her independence may have been compromised.

In accordance with the definition above, Messrs Dirk Weidmann and Peter Mitchell are considered independent.

The Board Charter requires that where practical the majority of the Board will be independent.

The Board has determined that two of the four Directors are independent as defined under Recommendation 2.4. The Company therefore has complied with Recommendation 2.4 of the Corporate Governance Principles and Recommendations.

The Board Charter provides that where practical, the Chairman of the Board will be a non-executive, independent director.

The Company's Chairman, Mr Ed Peter is not an independent director, as he controls the Investment Manager, although he does not fulfil the role of CEO. The Company therefore has not complied with recommendation 2.5 of the Corporate Governance Principles and Recommendations. However the Board considers that, having regard to his wealth of experience and industry knowledge, Mr Peter is the most suitable person to occupy the position of Chairman of the Company.

The Board also considers, having regard to the relationship between the Company and the Investment Manager, it is in the best interests of the Company to be guided by the leadership of Mr Peter as this will enable the Company to effectively develop and implement its strategic objectives, particularly in the critical short to medium phase of the Company. The Board considers that the presence of Mr Peter on the Board will assist in facilitating these objectives.

The Company maintains a program for inducting new directors, for which the Company Secretary is responsible for. The Company also ensures that appropriate professional development opportunities are provided to directors to ensure they develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Principle 3: Act ethically and responsibly

The Company has developed a Code of conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

A copy of the Code of Conduct can be found online at: www.duxtonwater.com.au

Principle 4: Safeguard integrity in corporate reporting

Audit and Risk Management Committee (the Committee)

The Committee consists of the following directors:

Mr Peter Michell (Committee Chairman)
Mr Stephen Duerden
Mr Dirk Wiedmann

Messrs Weidmann and Mitchell are independent and the chairman of the Committee is not the chairman of the Board; therefore the Company has complied with recommendation 4.1(a)(1) & (2) of the Corporate Governance Principles and Recommendations.

The relevant qualifications and experience of each of the members of the Committee can be found in the director profiles contained within the Replacement Prospectus and on the Company's website at: www.duxtonwater.com.au.

All members of the Audit and Risk Management committee are financially literate and have an appropriate understanding of the industries in which the Company operates.

The Committee has not conducted any meetings during the current period as the Company was recently incorporated.

The Audit and Risk Management committee operates in accordance with a charter which is available on the Company website at: www.duxtonwater.com.au

The Audit and Risk Management Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.
The Board reviews the membership and charter of the Committee annually.

An Independent Director and Company Secretary have certified to the Board that the financial statements are founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects. This declaration is provided to the Board before it approves the Company's financial statements for a financial period, and declares that in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give and true and fair view of the financial position and performance of the entity.

External auditors

The Company, and the Committee Policy, is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. KPMG was appointed as the external auditor in 2016. It is KMPG's policy to rotate audit engagement partners on listed companies in accordance with the requirements of the Corporations Act 2001, which is generally after five years, subject to certain exceptions.

The amount of fees paid to the external auditors is provided in a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Management committee.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5: Make timely and balanced disclosure

Continuous disclosure
The Company has a Continuous Disclosure Policy that outlines the processes followed by the Company to ensure compliance with its continuous disclosure obligations and the corporate governance standards applied by the Company in its communications to the market. A summary of this policy is available on the Company's website at: www.duxtonwater.com.au.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility in assisting the Board to ensure compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. The Company's website also enables users to provide feedback on Company matters and includes a "Corporate Governance" landing page that discloses all relevant corporate governance information, including policies and procedures.

Principle 6: Respect the rights of security holders

The Board strives to ensure that security holders are provided with sufficient information to assess the performance of the Company and its Directors and to made well-informed investment decisions. The Company provides all information about itself and its corporate governance via its website at: www.duxtonwater.com.au

Investor relations and member participation
The Company has a shareholder communication policy which outlines the various medium through which the Company communicates with security holders. A copy of this policy can be viewed online at: www.duxtonwater.com.au

Shareholders are encouraged to participate at all Annual General Meetings and other General Meetings of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. The meetings shall also be conducted to allow questions and feedback to the Board and management of the Company.

The Company aims to promote effective communication to and from shareholders. At this time Members of the Company cannot register to receive email notifications when an announcement is made by the Company to the ASX, which is a departure from recommendation 6.4 of the Corporate Governance Principles and Recommendations; however Members are encouraged to contact the company via their website or directly to the registered office. Members are also encouraged to register with the Company's share register to communicate electronically.

Principle 7: Recognise and manage risk

Audit and Risk Management Committee (the Committee)
The Committee consists of the following directors:

Mr Peter Michell (Committee Chairman)
Mr Stephen Duerden
Mr Dirk Wiedmann

Messrs Weidmann and Mitchell are independent and the chairman of the Committee is not the chairman of the Board.

The Audit and Risk Management Committee operates in accordance with a charter which is available on the Company website at: www.duxtonwater.com.au

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit Risk Management Committee and reviewed by the full board. A review took place during the reporting period.

The Company does not have an internal audit function due to the size and nature of the Company, however the Audit and Risk Management Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Committee monitors the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the Committee:

- reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluating the Company's risk management system;
- reviews group-wide objectives in the context of the abovementioned categories of corporate risk;
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis, and
- reviews compliance with agreed policies.

The Committee recommends any actions it deems appropriate to the Board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit, Business Risk and Compliance Committee on the effectiveness of:

- the risk management and internal control system during the year, and
- the Company's management of its material business risks.

The Company's Risk Management Policy can be viewed online at: www.duxtonwater.com.au.

Exposure to material economic, environmental and social sustainability risk
The Company's policy it to identify and manage potential or apparent business, economic, environmental and social sustainability risks (if appropriate). The Company at present has not identified specific material risk exposure in these categories. Review of the Company's risk management policy is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

Principle 8: Remunerate fairly and responsibly

The Company has appointed Duxton Capital (Australia) as its Investment Manager to manage its assets and implement its investment strategy. The Company does not have any employees and therefore does not see the need for a remuneration committee. The full board will appoint and assess the performance of the Investment Manager in line with the terms of the Investment Management Agreement.

The Company's policies and practices regarding the remuneration of the Investment Manager and the non-executive Directors are (or will be in the future) set out in the Remuneration Report in the Company's Annual Report which is (or will be) available on the Company's website.