

DUXTON WATER LIMITED
ANNUAL MEETING 2017

DUXTON
WATER LTD

Section:	Content:
1	The Team
2	Chairman's Address
3	Portfolio Manager's Address
4	Items of Business
4.1	Financial Report and Report of the Directors and Auditor
4.2	Remuneration Report
4.3	Appointment of Independent Auditor
4.4	Election of Director – Ed Peter
4.5	Election of Director – Dennis Mutton
4.6	Authority to issue extra 10% Shares
4.7	Non-executive Director total remuneration
5	Q&A

SECTION 1 – THE TEAM



Ed Peter
Chairman

Ed Peter, is the co-founder and Chairman of Duxton Asset Management ("Duxton"). Prior to forming Duxton in 2009, Ed was Head of Deutsche Asset Management Asia Pacific ("DeAM Asia"), Middle East and North Africa. Ed has been exposed to the Australian water market since 1999.



Peter Michell
Independent Director

Peter Michell is Executive Director at Michell Wool P/L and was its Managing Director for the decade following 2004. Peter holds a Bachelor of Management BA (Man) UniSA, FAICD, FGLF2000, and currently sits on the University of Adelaide's Agribusiness Advisory Board.



Stephen Duerden
Director

Stephen Duerden is the CEO of Duxton Asset Management. Stephen has over 26 years of experience in investment management and joined Duxton in May 2009. Prior to this, Stephen was the COO and Director for both the Complex Assets Investments Team and the Singapore operation of DeAM Asia.



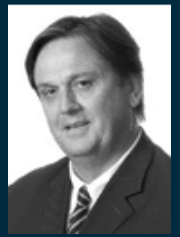
Dirk Wiedmann
Independent Director

Dirk Wiedmann has 28 years of experience in the finance industry. Over his career, Dirk has held senior global positions with several Banks, including UBS AG, Bank Julius Baer & Co Ltd and Rothschild Bank AG. Dirk has been investing in Australian agricultural businesses since 1999.



Dennis Mutton
Independent Director

Dennis Mutton has a long history in the fields of natural resource management and primary industries. Dennis has also held roles as Commissioner and Deputy President of the Murray Darling Basin Commission and Chair of the SA Natural Resources Management Council.



Donald Stephens
Company Secretary

Donald Stephens is a Chartered Accountant and corporate adviser with over 20 years of experience in the accounting industry. Mr Stephens holds a number of positions as a public company director and company secretary as well providing corporate advisory services to a wide range of organisations.



Max Toovey
Portfolio Manager

Max Toovey joined Duxton at the start of 2014 and is responsible for managing the water portfolio for Duxton Water. Prior to joining Duxton, Max worked at KPMG Australia.

SECTION 2 – CHAIRMAN'S ADDRESS

Hi everyone,

There are three things I'd like to address today.

The IPO and what we hoped to achieve and where we are; future expectations from us and your company; and how to think about this asset class in the current investing environment.

During the IPO roadshow we had said we wanted to end up putting the proceeds to work within 6 months and indeed to be largely invested by the end of the calendar year. This we are happy to say was achieved. We also said that we wanted to be able to harvest or lease our water rights to provide an income to our investors and that we were expecting to be able generate an annual yield of at least 5-7% given a normal year. Unfortunately we were not given a normal year. Indeed we were given the wettest year on record for the Murray Darling basin. This led to a fall in the temporary water prices from roughly $275 per meg a year ago to currently $45 per meg now. Due to this extreme weather our gross yield is currently about 4.6% thus our net yield will be under our target. We also said we would like to and expected to be able to lock in leases for approximately 65 -70% of our portfolio. But again, due to the depressed price of the temporary water, we have been reluctant to lock in current prices and currently have half of the portfolio under long term lease – so less than our target. That said, the leases we have added have been at levels above starting point and pulled up our blended long term leasing rate from our original 5.94% to sit currently at 6%.

Now for the good news and the future. Temporary pricing for the 2017 -2018 irrigation year is clearly improving. Already we can see prices in the futures market of over $100. At that level we should see a marked improvement in our yields. If we took indicative pricing on the current futures market with our current leased positions, gross yield would be 5.1% with the limited start of season temporary allocations, going to 6.4% if we receive the allocations at levels currently indicated by the Government. As Max will discuss later, the expectations for the long term weather forecast looks like a dry to normal year. So a return to longer term average pricing of $180 or higher could be on the cards. We have also not stopped our discussions with potential long term lessees of water and have more demand than we have water. As prices are now moving our way we will start signing and announcing contracts with the goal of 65-70% of our portfolio locked in.

SECTION 2 – CHAIRMAN'S ADDRESS

Lastly, I would like to address the current investing market and how we see ourselves fitting into the world. Your company has no debt. During the IPO road show we tried to explain our worst scenario: a very wet year with Temporary prices collapsing. This is exactly what we have just seen. If we had had debt our yield would have been needed to cover interest expense, as our balance sheet is exceptionally strong we are in a position to declare a dividend this year.

The current markets are largely driven by the extraordinarily low interest rate environment. For all major asset classes it is important to keep in mind what tends to happen when rates reverse and start moving up. For bonds with duration they lose value; For commercial and residential real estate they lose value; For equities one needs to be especially careful because we anticipate as the risk free rate rises, the equity yield needs to rise and your price-earnings ratio will tend to decline. By and large when rates are going up it is usually because of inflation and the equities that tend to do well are ones that can pass on their pricing. We anticipate that over the cycle, as water is very linked into agriculture, we will be beneficiaries of inflation – especially food inflation. That, combined with an exceptionally strong balance sheet means we should perform comparatively well in the most difficult environments. As we sit today even if rates do not go up – we fully expect to still yield more than either the bond or equity market.

In closing I want to thank everyone, our shareholders, my other board members and the Duxton team for their support. We as a management team will do our utmost to deliver the best prudent results we can.

Thank you,
Ed Peter.

**As at 30 April 2017.*

SECTION 3 – DUXTON WATER SNAPSHOT – 30 APRIL 2017

KEY INFORMATION

Securities on Issue	63,965,406 Shares 63,965,406 Options
NAV per Share as at 30 April 2017	$1.09 per Share
Exercise price of each Option	$1.10 exercisable on or before 31 May 2018
Market Cap (at 30 April 2017)	$67.8 million
ASX Code	D2O (Shares) D2OO (Options)
Investment Universe*	Australian Water Entitlements
Investment Manager	Duxton Capital (Australia) Pty Ltd
ASX Listing Date	16 September 2016

**Duxton Water may hold small land holdings from time to time when the purchase of land is required for the purchase of the Water Entitlement associated with it.*

ASSET ALLOCATION

Total Water Entitlement at Market Value	$68,452,671
Cash Position (30 April 2017)**	$1,293,564
Net Assets	$70,024,372

BOARD MEMBERS

Ed Peter	Chairman
Stephen Duerden	Director
Dirk Wiedmann	Independent Director
Peter Michell	Independent Director
Dennis Mutton	Independent Director

MAJOR SHAREHOLDERS	Shares	Ownership
Duxton Vineyards Water Pty Ltd	22,691,119	35.5%
Duxton Vineyards Pty Ltd	3,365,561	5.3%

***Duxton Water has additionally entered into contracts, agreed terms for contracts or has pending offers for contracts on an additional $0.5 million worth of water entitlements. These additional contracts will lead to 99% of the portfolio being invested.*

SECTION 3 – APRIL UPDATE

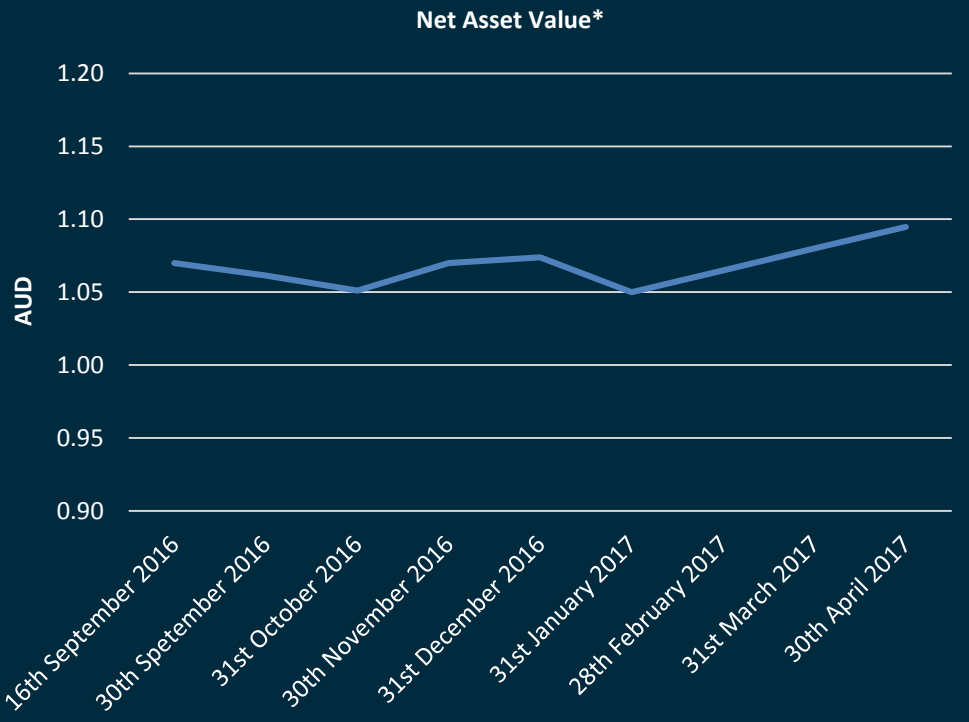
Net Asset Value

Net Asset Value of $1.09 as at April, up from $1.08 for the previous month. Main Drivers of the movements were:

- Lachlan Valley water entitlements increased 13.2%.
- NSW Murray High Security increased 4.1%.
- NSW Murray General Security increased 2.1%.

Temporary Water Sales

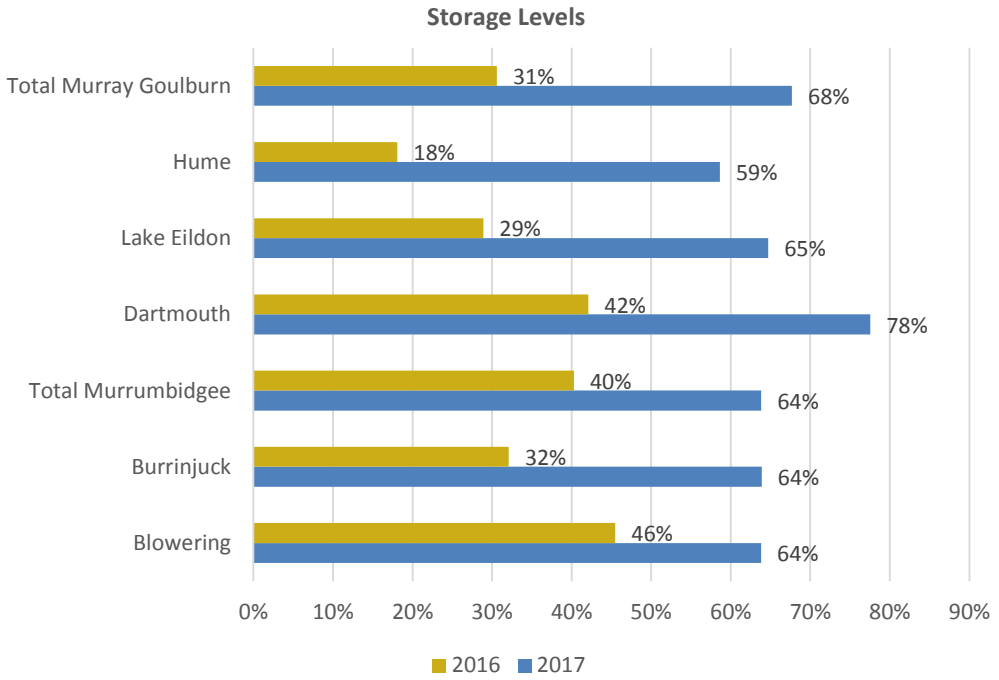
In April, 862ML of allocations were sold. YTD allocation sales amount to 12,220ML.



As at 30 April 2017.

SECTION 3 – WATER MARKET UPDATE – APRIL 2017.

- Wet 2016 filled reservoirs – Hume 98% in November and 59% at the end of April.
- Dry start to 2017 but inflows from reservoirs are keeping temporary prices low.
- Temporary prices fell from $300/ML in February 2016, to $30-$40/ML today.
- Permanent prices have held firm due to long-term water security.



Source: As at 30 April 2017.

SECTION 3 – WATER OUTLOOK

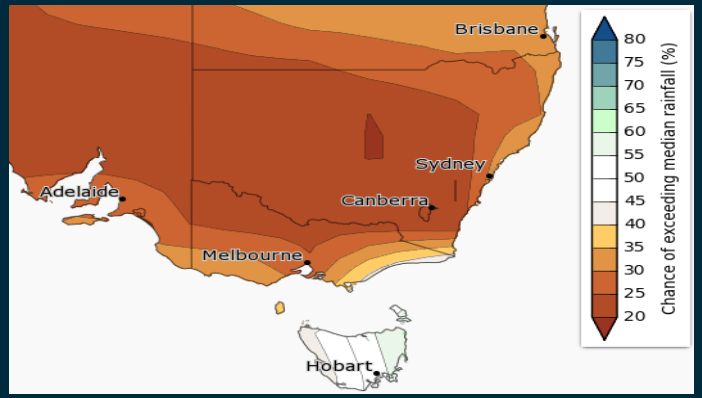
Short Term

- Bureau of Meteorology (BoM) forecast up to 80% chance of below average rainfall between May-July.

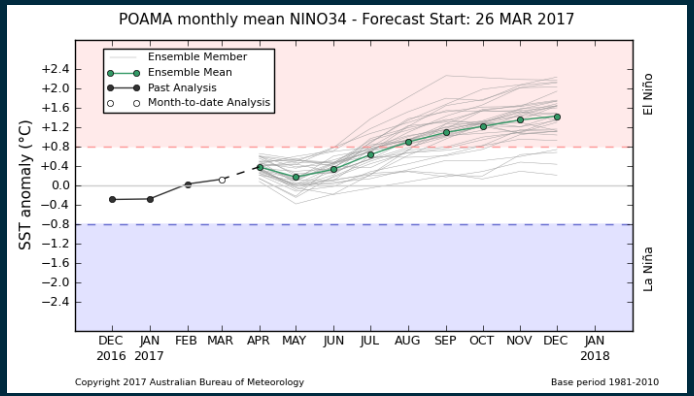
Medium Term

- Models are forecasting an El-Nino in the latter half of 2017.
- El Nino often brings drier weather to the Southern Murray Darling Basin.
- Historically, temporary prices after an El-Nino have ranged between $170-$920/ML.

Chance of above median rainfall for May - July 2017

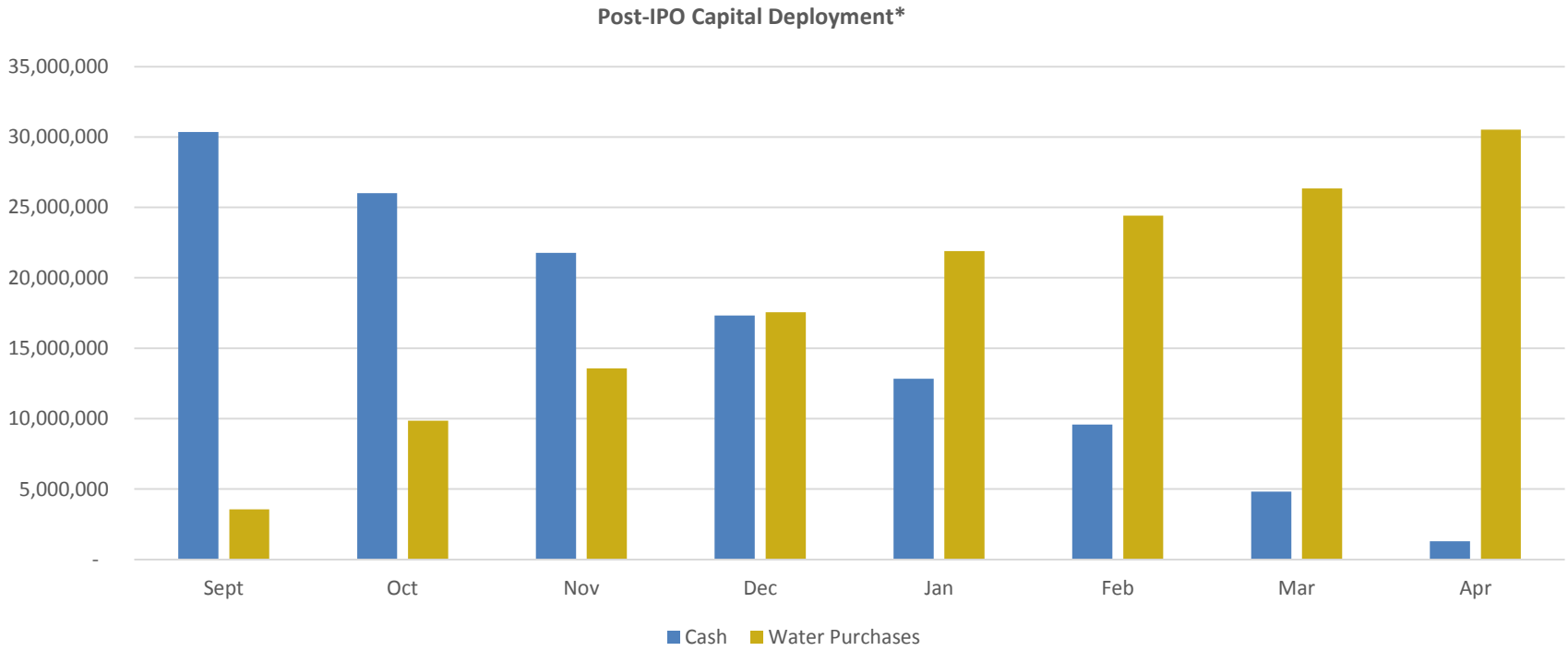


El Nino Forecast



**As at 30 April 2017.*
Source: Bureau of Meteorology

SECTION 3 – CAPITAL DEPLOYMENT



- Deployed capital within 6 month guidance**

As at 30 April 2017.
***Once all transactions are settled.*

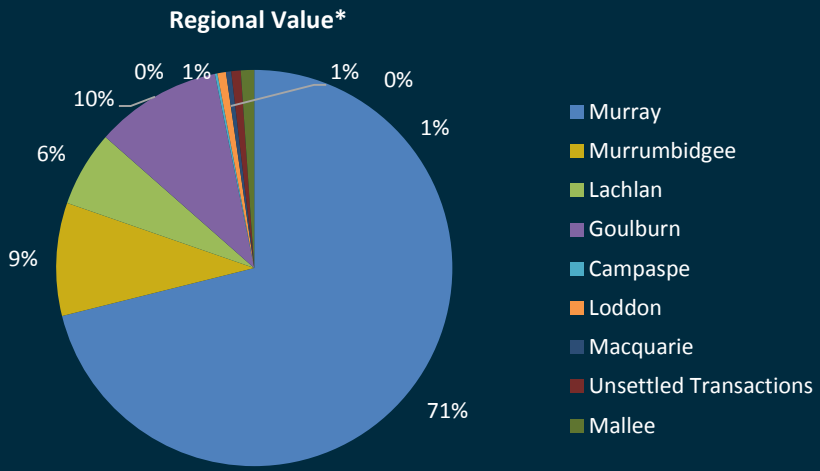
SECTION 3 – PORTFOLIO OVERVIEW

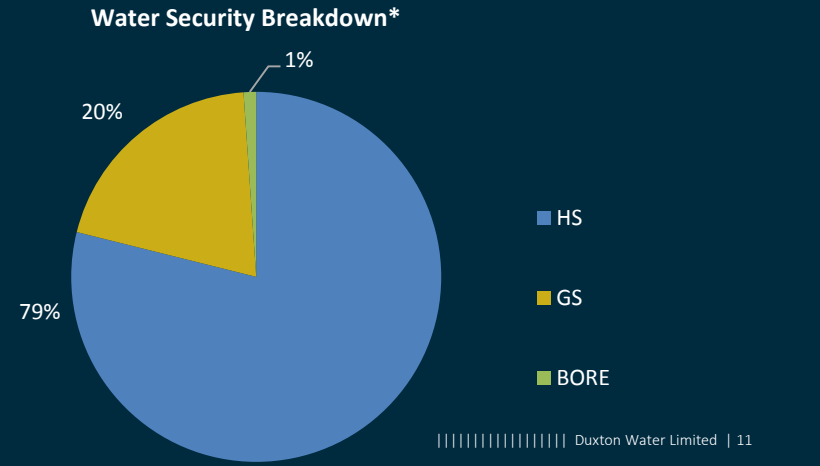
- Deployment strategy focused on Southern Murray Darling Basin
- The Murray system takes up over 70% of our water portfolio, offering:

1) Relatively consistent returns.
2) Greatest liquidity.
3) The potential to benefit from the permanent crop trend.

- 80/20 split between High and General Security.

**As at 30 April 2017.*



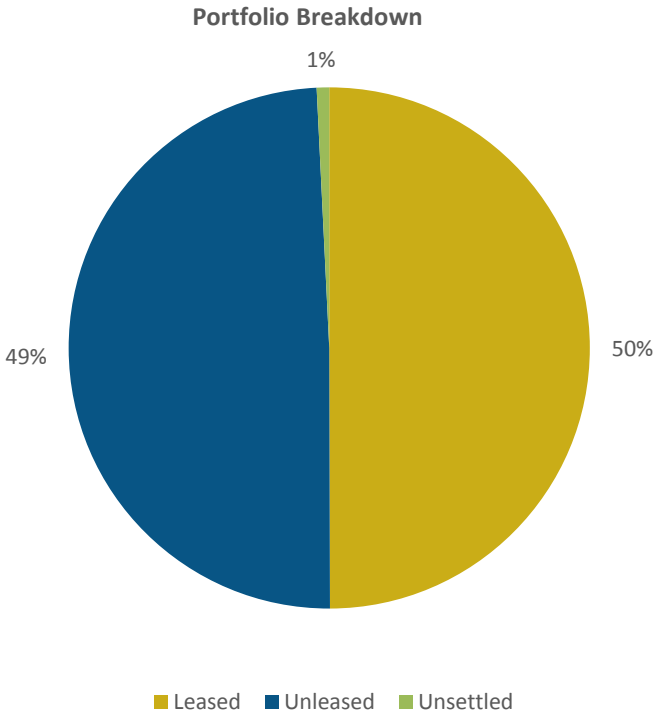


SECTION 3 – INCOME OVERVIEW

- 50/50 split between leased and unleased water entitlements - currently negotiating further leases
- Leased yield is 6%
- Unleased yield is 4.2% - 12GL sold YTD.
- Annualised weighted average yield is 5.1%*
    - We will have access to a further 8GL on 1st July based on indicative opening allocations issued by the State government water authorities.
    - This will boost the unleased yield throughout the year.

Dividends

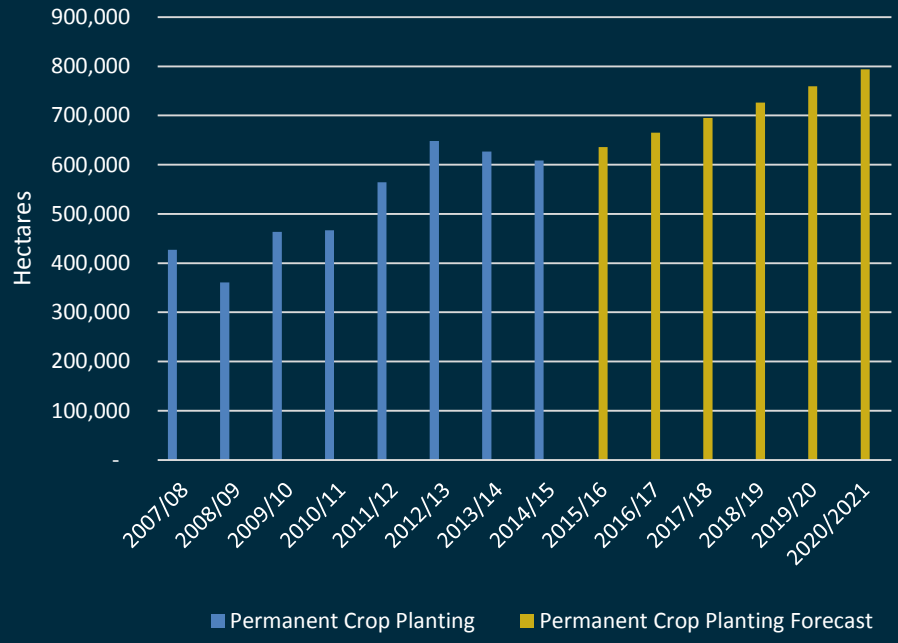
The Company intends to pay a dividend or capital return of approximately 3% to Shareholders in August 2017 with the second dividend or capital return of a similar amount expected to occur in February 2018. The Company will seek to make these distributions in the most tax efficient way for Shareholders.**



*As at 30 April 2017.
**The amount of the distribution will be at the discretion of the board

SECTION 3 – PERMANENT PLANTINGS

- Permanent crop trend emerging within the Murray Darling Basin.
- Over the last 8 years, nearly 5% annual increase in permanent crop plantings (fruit/nut trees etc)
- At this rate, there will be over 800,000 hectares planted within the next few years.
- Water demand for permanent crops will exceed water supply in drought years.
- We expect therefore water will be highly sought after, putting significant upward pressure on water prices.



Source: ABS

SECTION 4.1 – FINANCIAL REPORT AND REPORTS OF THE DIRECTORS AND AUDITOR

To receive and consider the Financial Report, Directors' Report and Independent Auditor's Report for the financial period ended 31 December 2016.

SECTION 4.2 – REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"The Company's Remuneration Report for the financial period ended 31 December 2016 is adopted."

(The Company will disregard any votes cast on Resolution 1 by a KMP/CRP of the Company).

Vote type	Voted	%	% of all securities
For	26,977,116	98.48	42.17
Against	63,300	0.23	0.10
Open-Usable	353,950	1.29	0.55
Board	*145,800*	*0.53*	*0.23*
Non-Board	*208,150*	*0.76*	*0.33*
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	68,551	N/A	0.11
Excluded	0	N/A	0.00

SECTION 4.3 – APPOINTMENT AND REMUNERATION OF INDEPENDENT AUDITOR

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That KPMG, having been duly nominated by a Shareholder and having consented in writing to act, is appointed as auditor of the Company and that the Board is authorised to fix the remuneration of the auditor."

Vote type	Voted	%	% of all securities
For	27,098,967	98.67	42.37
Against	0	0.00	0.00
Open-Usable	363,950	1.33	0.57
Board	*155,800*	*0.57*	*0.24*
Non-Board	*208,150*	*0.76*	*0.33*
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	0	N/A	0.00
Excluded	0	N/A	0.00

SECTION 4.4 – ELECTION OF DIRECTOR – ED PETER

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"*Pursuant to clause 17.3 of the Constitution and for all other purposes, Edouard Peter is elected as a Director of the Company.*"

(The Company will disregard any votes cast on Resolution 4 by Mr Peter or his associates)

Vote type	Voted	%	% of all securities
For	26,982,216	98.59	42.18
Against	22,200	0.08	0.03
Open-Usable	363,950	1.33	0.57
Board	*155,800*	*0.57*	*0.24*
Non-Board	*208,150*	*0.76*	*0.33*
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	94,551	N/A	0.15
Excluded	0	N/A	0.00

SECTION 4.5 – ELECTION OF DIRECTOR – DENNIS MUTTON

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"*Pursuant to clause 17.3 of the Constitution and for all other purposes, Dennis Mutton is elected as a Director of the Company*."

(The Company will disregard any votes cast on Resolution 5 by Mr Dutton or his associates)

Vote type	Voted	%	% of all securities
For	26,970,416	98.64	42.16
Against	9,000	0.03	0.01
Open-Usable	363,950	1.33	0.57
Board	*155,800*	*0.57*	*0.24*
Non-Board	*208,150*	*0.76*	*0.33*
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	119,551	N/A	0.19
Excluded	0	N/A	0.00

SECTION 4.6 – AUTHORITY TO ISSUE EXTRA 10% SHARES

To consider and, if thought fit, to pass the following resolution with or without amendment, as a special resolution:

"In accordance with ASX Listing Rule 7.1A, and for all other purposes, the issue of Shares of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, and on the terms and conditions in the Explanatory Statement, is approved."

(The Company will disregard any votes cast on Resolution 6 by persons who may participate in the issue and or associates of that person).

Vote type	Voted	%	% of all securities
For	26,897,916	98.03	42.05
Against	186,051	0.68	0.29
Open-Usable	353,950	1.29	0.55
Board	*145,800*	*0.53*	*0.23*
Non-Board	*208,150*	*0.76*	*0.33*
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	25,000	N/A	0.04
Excluded	0	N/A	0.00

SECTION 4.7 – NON-EXECUTIVE DIRECTOR TOTAL REMUNERATION

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"For the purposes of ASX Listing Rule 10.17 and clause 17.6 of the Constitution, the maximum aggregate amount per annum available for payment as remuneration to the Non-Executive Directors of the Company is $250,000 per annum."

(The Company will disregard any votes cast on Resolution 7 by a Director of the Company or any of their associates).

Vote type	Voted	%	% of all securities
For	26,932,116	98.43	42.10
Against	77,300	0.28	0.12
Open-Usable	353,950	1.29	0.55
Board	*145,800*	*0.53*	*0.23*
Non-Board	*208,150*	*0.76*	*0.33*
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	99,551	N/A	0.16
Excluded	0	N/A	0.00


Q&A

CONTACT INFORMATION

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