DUXTON
WATER



DUXTONWATER LTD

16 MAY 2019

ANNUAL GENERAL MEETING

DISCLAIMER

This presentation is prepared by Duxton Capital (Australia) Pty Ltd [ACN: 164 225 647; AFSL no. 450218] ("DC Australia") and is only made available to "professional investors", "sophisticated investors" and other persons not requiring a regulated disclosure document pursuant to Chapter 6D of the Corporations Act 2001 (Cth) ("Act") ("Permitted Investors"). DC Australia is the Investment Manager of Duxton Water Limited [ACN 611 976 517] ("Duxton Water"). The content of this presentation is intended only as a source of general information for Permitted Investors and is not the basis for any contract to deal in, or an offer of, any security. Information from this presentation must not be issued in any jurisdiction where prohibited by law and must not be used in any way that would be contrary to Australian law or regulation. Specifically, this presentation shall not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such an offer. Particularly, this presentation and the information contained in it does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any US person.

This presentation is not intended to contain financial product advice as defined in the Act. This presentation is a statement of facts and is for general information only. This presentation is not intended to influence any person in making a decision in relation to investing in Duxton Water. This presentation does not take into account the investment objectives, financial situation or needs of any particular investors. No person should base their decision to invest in Duxton Water solely on the information in this presentation. Permitted Investors should consider the suitability of an investment in Duxton Water in view of their financial position and investment objectives and needs and should consult their professional advisors accordingly.

No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in this presentation. The forecasts and/or sensitivity analyses provided are based upon DC Australia's opinion of the market as at the date of this presentation and are subject to change, dependent on future changes in the market. Any prediction, projection or forecast on the economy, stock market, bond market, any commodity or the economic trends of the markets is not necessarily indicative of the future or likely performance. Investments are subject to risks, including possible loss of principal amount invested. The value of interests in the securities discussed in this presentation and any derived income may fall as well as rise. Past performance or any prediction or forecast is not necessarily indicative of future performance. Returns are not guaranteed.

The securities of Duxton Water referred to in this presentation are not obligations of, deposits in, or guaranteed by DC Australia, Duxton Water or any of their respective affiliates.

All third party data (such as MSCI, S&P and Bloomberg) are copyrighted by and proprietary to the provider. Although the information was compiled from sources believed to be reliable, no liability for any error or omission is accepted by DC Australia, Duxton Water or their respective affiliates or any of their respective directors or employees. The information and opinions contained in this presentation may also change.

Copyright protection exists in this presentation. The contents of this presentation are strictly confidential and it may not be disclosed, reproduced, distributed or published by any person for any purpose without DC Australia's written consent. To the extent permitted by applicable law, none of DC Australia or Duxton Water, their respective affiliates, or any officer or employee of DC Australia or Duxton Water accepts any liability whatsoever for any direct or consequential loss arising from any use of this presentation or its contents, including for negligence.

ADVISORS

No member of DC Australia or Duxton Water, its respective related bodies corporate, shareholders or affiliates, nor any of their respective officers, directors, employees, affiliates, partners, representatives, agents or advisers (including Bell Potter Limited and any of their respective affiliates, related bodies corporate (as that term is defined in the Corporations Act 2001 (Cth) or their respective directors, employees officers and representatives) (each a "Limited Party") guarantees or makes any representations or warranties, express or implied, as to or takes responsibility for, the accuracy, reliability, completeness or fairness of the information, opinions and conclusions contained in this presentation (including by omission). No Limited Party represents or warrants that this presentation is complete or that it contains all information about the Fund that a prospective investor or purchaser may require in evaluating a possible investment in the Fund. To the maximum extent permitted by law, each Limited Party expressly disclaims any and all liability, including, without limitation, any or implied, contained in, arising out of or derived from, or for omissions from, this presentation including, without limitation, any financial information, any estimates or projections and any other financial information derived therefrom. Readers agree, to the maximum extent permitted by law, that they will not seek or sue or hold the Limited Parties liable, and will not take any action they may otherwise have against each Limited Party in any respect in connection with this presentation or its contents and releases each Limited Party from such claims. Furthermore, without limitation to the foregoing, neither the receipt of this presentation by any reader nor any other matter shall be deemed to created or give rise to a fiduciary, agency or similar relationship between each Limited Party and any reader.

FINANCIAL DATA

All references in this presentation to "$" are to Australian currency, unless otherwise stated. A number or figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in the presentation.

ACCEPTANCE

The information in this presentation remains subject to change without notice. No responsibility or liability is assumed by any member of DC Australia, Duxton Water or its respective advisers for updating any information in this presentation or to inform any receipt of any new or more accurate information or any errors or mis-descriptions of which any member of DC Australia, Duxton Water or its respective advisers may become aware. By accepting, accessing or reviewing this document you acknowledge and agree to the terms set out above.

DUXTON
WATER

CONTENTS

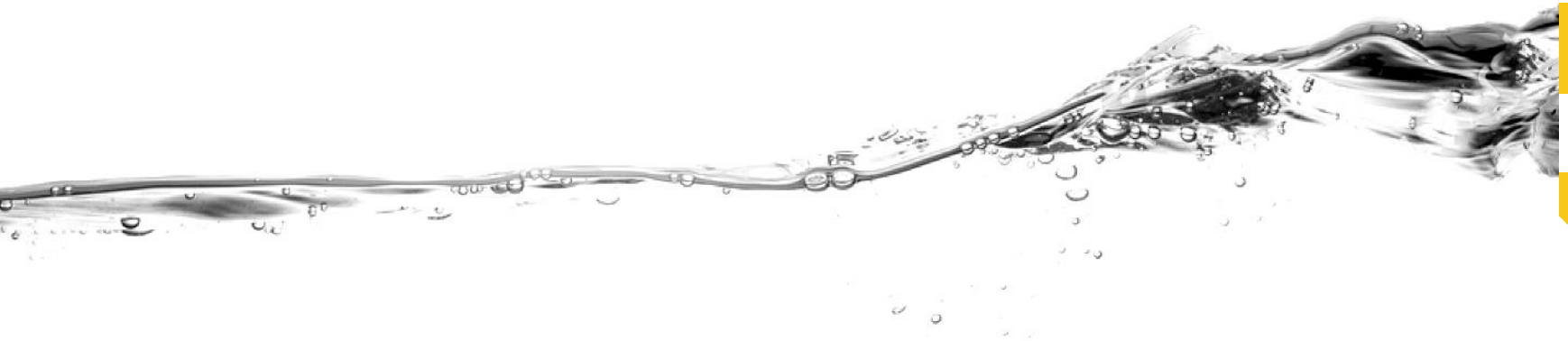
The Team

Chairman’s Address

Portfolio Manager Update

Items of Business

Q&A



BOARD MEMBERS



ED PETER
Chairman of the Board



PETER MICHELL
Independent Non-Executive Director



STEPHEN DUERDEN
Non-Executive Director



DIRK WIEDMANN
Independent Non-Executive Director



DENNIS MUTTON
Independent Non-Executive Director



KATELYN ADAMS
Company Secretary

INVESTMENT MANAGEMENT



ALISTER WALSH
Director of Water Assets & Portfolio Manager



STEVE TJIA
Analyst



LACHLAN BEECH
Analyst



LACHLAN CAMPBELL
Accountant



CAROLYN JAMES
Finance Officer



LAUREN THIEL
Business Development

CONTENTS

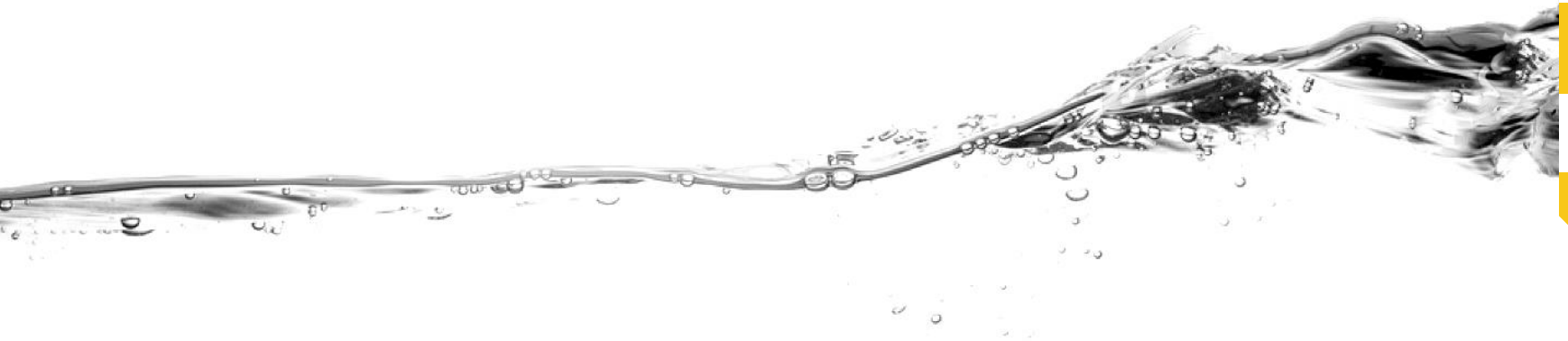
The Team

Chairman's Address

Portfolio Manager Update

Items of Business

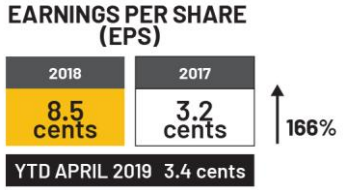
Q&A



RESULTS - SUMMARY

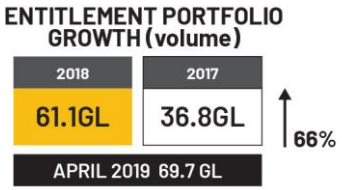






Through the generation of cash profits in 2018, the Company is pleased to have paid shareholders a 2.4 cent dividend in April 2018 (franked to 60%) and a 2.5 cent dividend in September 2018 (franked to 75%).

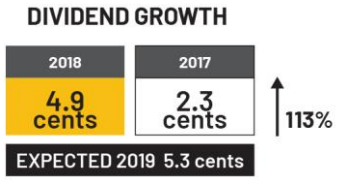
At 30 April 2019, the Portfolio is valued at $239.4 million, up 12.5% from December 2018, with a weighted average EPS for 2019 YTD of 3.4 cents.





In terms of capital growth, on a fair market value basis, the Net Asset Value ("NAV") per share has increased by ~21.64% (inclusive of 5.36% franked cash return), with the portfolio of water assets growing from $86.4 million (31 December 2017) to $194.4 million (31 December 2018), with the entitlement portfolio increasing from 36.8GL to 61.1GL, respectively.

Our shareholders enjoyed a 40.46% return over this period, inclusive of a 5.36% dividend.



Dividend guidance has been provided. The Company expects to pay a;

- 2.7 cent dividend in September 2019; and a
- 2.8 cent dividend in March 2020.

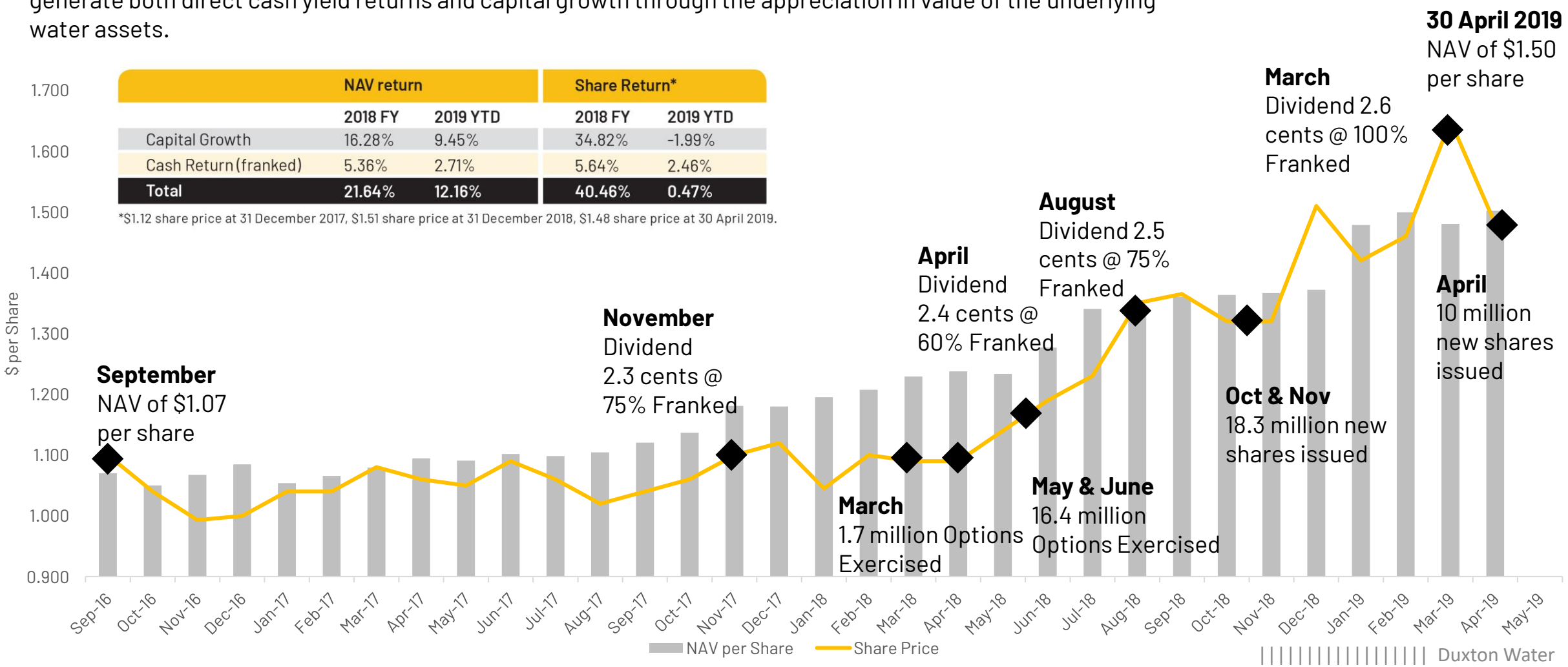
Both targeted to be fully franked.

SHARE PRICE AND NAV PER SHARE SINCE IPO

Through a targeted investment strategy and portfolio composition, this year the Company has been able to generate both direct cash yield returns and capital growth through the appreciation in value of the underlying water assets.

	NAV return		Share Return*	
	2018 FY	2019 YTD	2018 FY	2019 YTD
Capital Growth	16.28%	9.45%	34.82%	-1.99%
Cash Return (franked)	5.36%	2.71%	5.64%	2.46%
Total	21.64%	12.16%	40.46%	0.47%

*$1.12 share price at 31 December 2017, $1.51 share price at 31 December 2018, $1.48 share price at 30 April 2019.



CONTENTS

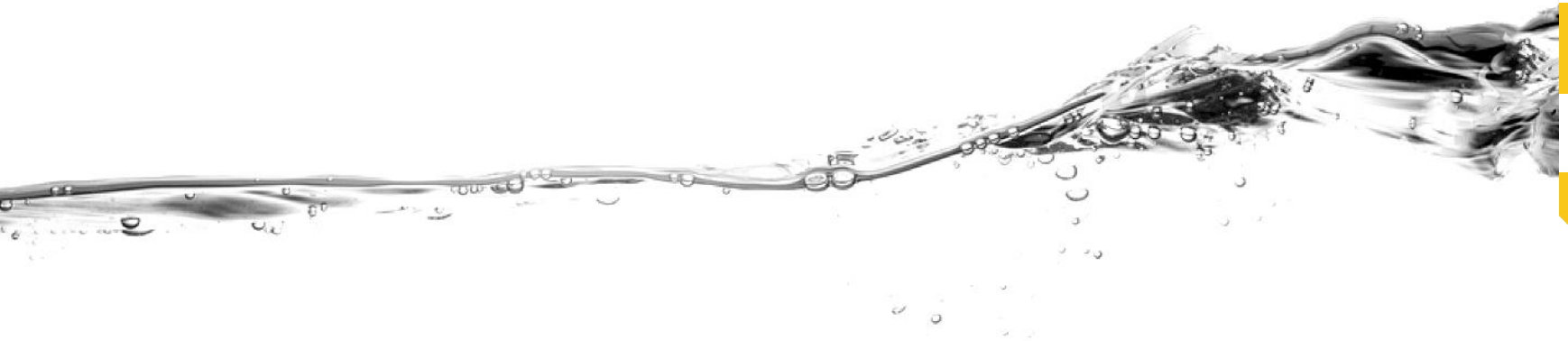
The Team

Chairman’s Address

Portfolio Manager Update

Items of Business

Q&A



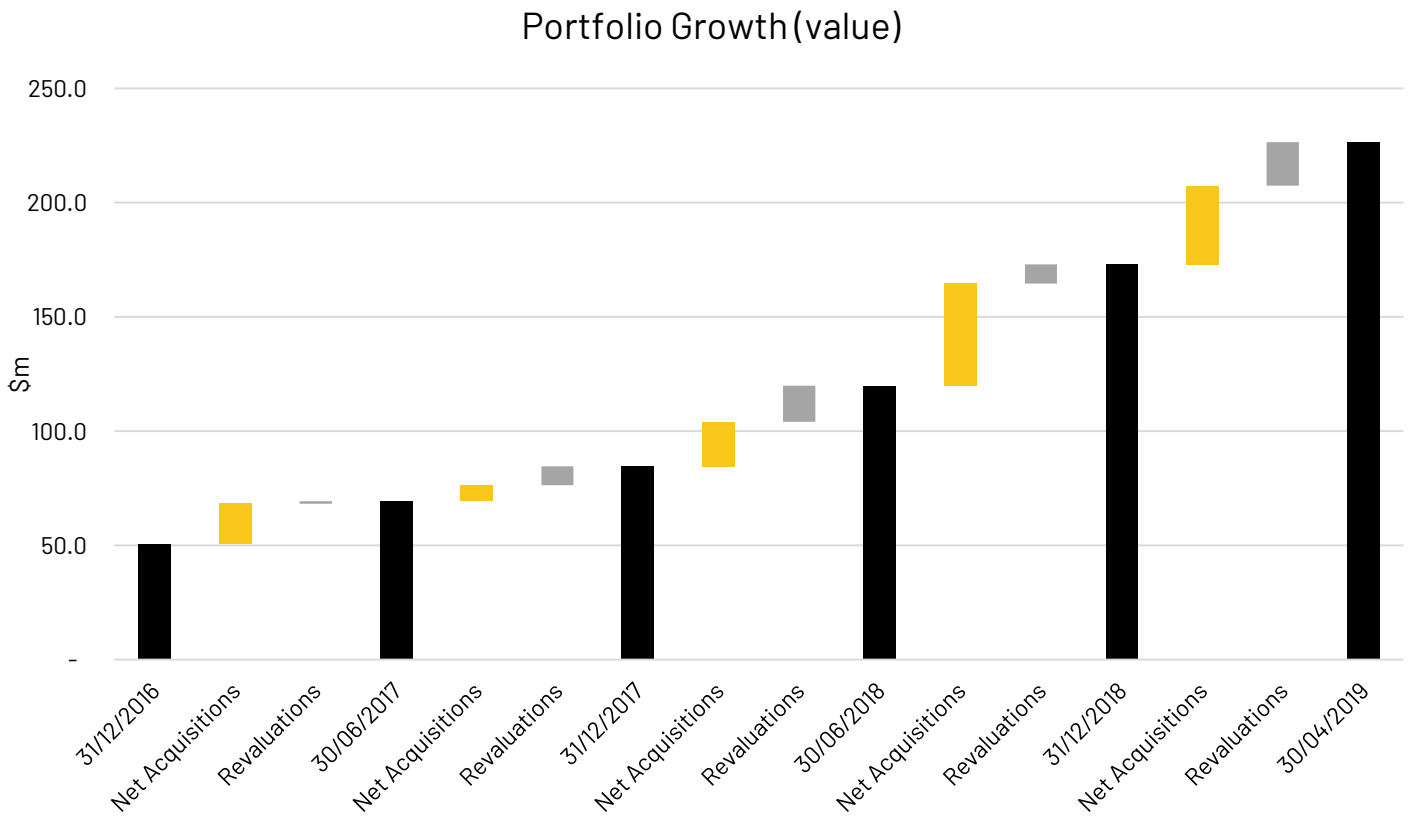
RESULTS - PORTFOLIO

During 2018, the Company acquired 26,420 ML of permanent water entitlements and sold 2,070 ML which resulted in a profit on disposal of water entitlements of $1.9m and a portfolio turnover of 3%.

Since December, a further ~8,000 ML of entitlement has been acquired, bringing the total volume owned and managed to 69.1GL at 30 April 2019. The total portfolio of water assets is valued at $239.4 million at 30 April 2019.

The water portfolio is independently valued, monthly, by Aither. The Company then make the necessary accounting adjustments to arrive at the NAV of $1.50/share at 30 April 2019.

The value of the entitlements is expected to continue to increase over time as the price of the assets is largely driven by longer-term supply and demand factors.

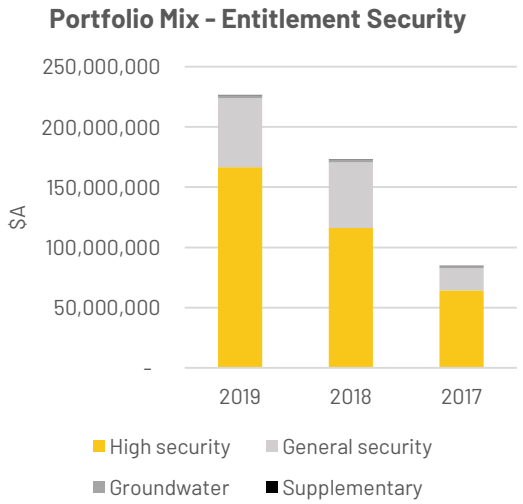


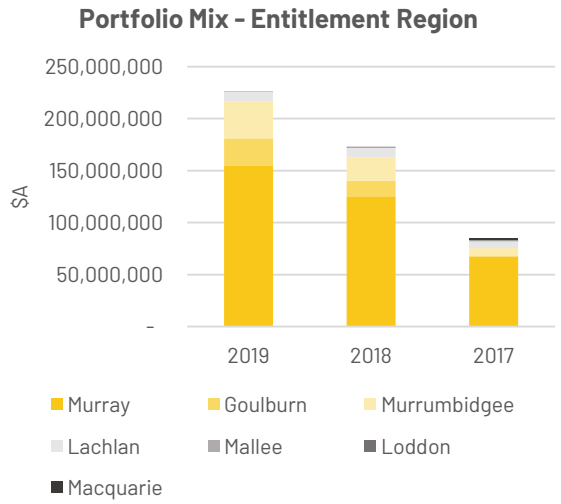
RESULTS - PORTFOLIO

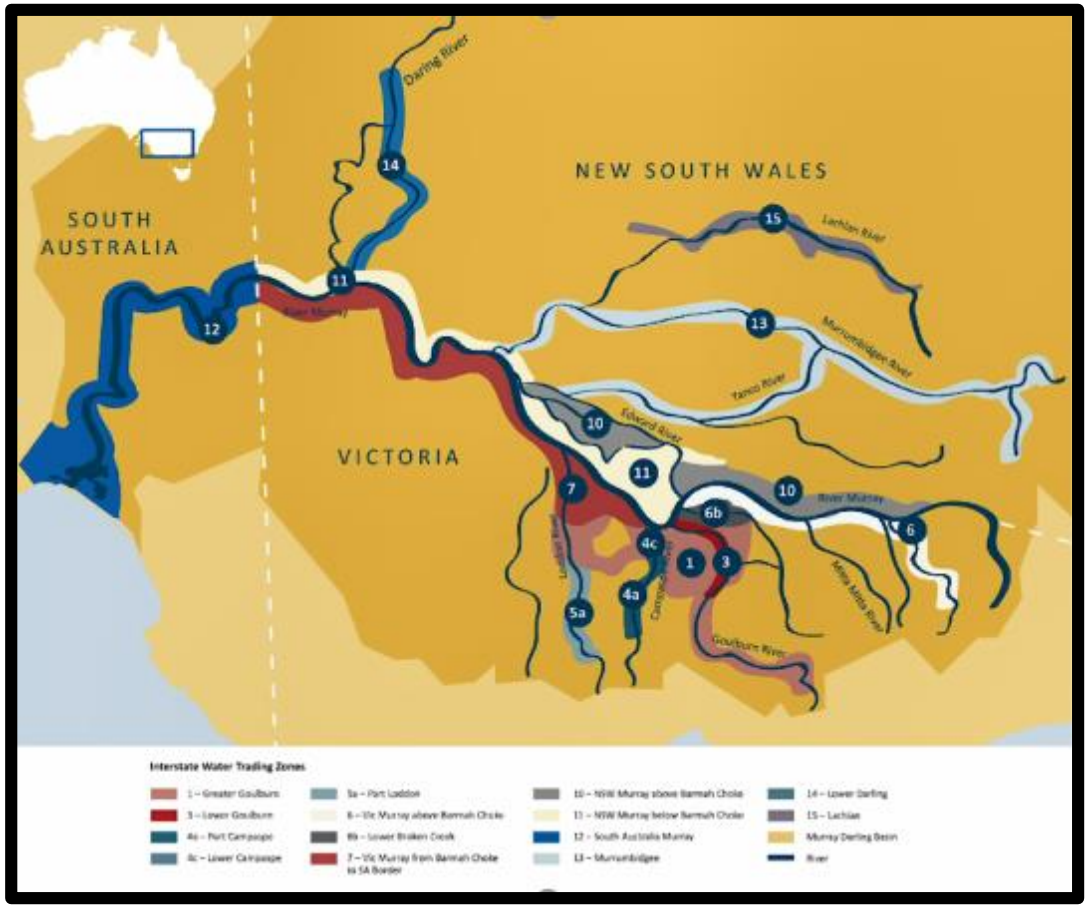
The team are actively managing the composition of the Company's water portfolio and take a targeted approach to acquisitions and portfolio rebalancing. This ensures the portfolio remains diversified and retains the ability to position itself ahead of any systematic trends or expected seasonal conditions.

The portfolio is diversified in terms of regional exposure, entitlement class (high security or general security), and water source (surface or groundwater).

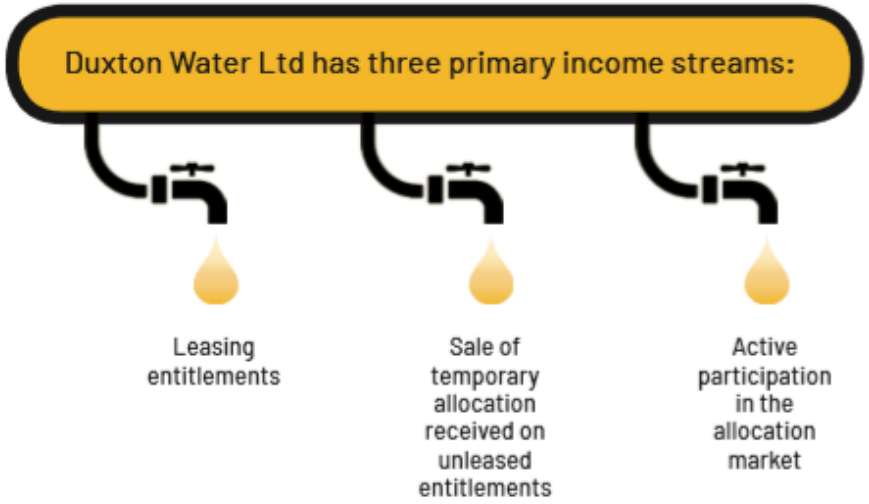
The graphs below show the portfolio composition at 30 April 2019, and at the last two financial year ends:







RESULTS - INCOME



Income	2018	2017
Lease Income	$2.8 million	$2.4 million
Allocation Sales	$23.5 million	$1.6 million
Entitlement Sales	$1.9 million	$0.02 million
Other Income	$0	$0.04 million
Total	**$28.2 million**	**$4.1 million**

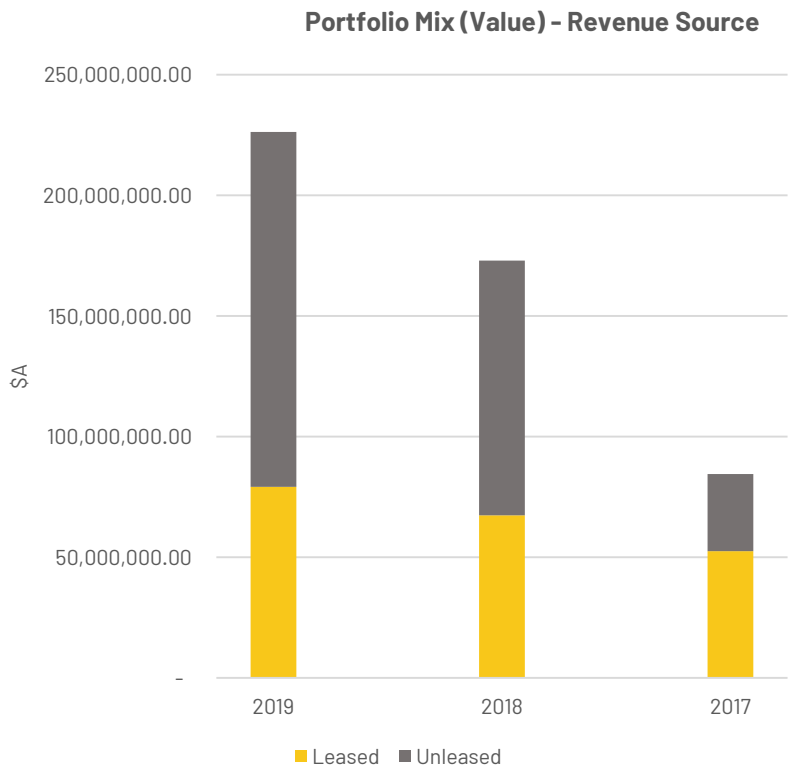
Duxton Water owns and manages a portfolio of water assets

- **Water entitlements** being the perpetual right to the resource. Entitlements receive annual allocations, to varying degrees, and at different times throughout the water year (1 July to 30 June), dependent on the individual entitlement's unique characteristics.
- **Water allocations** are the annual allocation of usable water to the water entitlement. The volume of allocation varies year-on-year largely due to climatic conditions, storage levels, in-flows, and rainfall forecasts. As such, the price of allocation varies significantly throughout the water year, and year-on-year.

Duxton Water uses it's portfolio of water entitlements to generate revenue through leases, sale of allocation, and forward contracts.

- **Leases** provide Duxton Water with a reliable, visible income stream and are an increasingly attractive long-term solution for irrigators. Leases ultimately pass through all allocations and water security that ownership of the entitlement offers, albeit in a capital light approach as it frees up capital that would otherwise be tied up in the irrigators' balance sheet. We will continue to grow the leased portion of the portfolio over time as the demand for these products increase.
- **Unleased** entitlements receive their allocation, which is then traded back into the spot market through sales and forward contracts.

RESULTS - INCOME



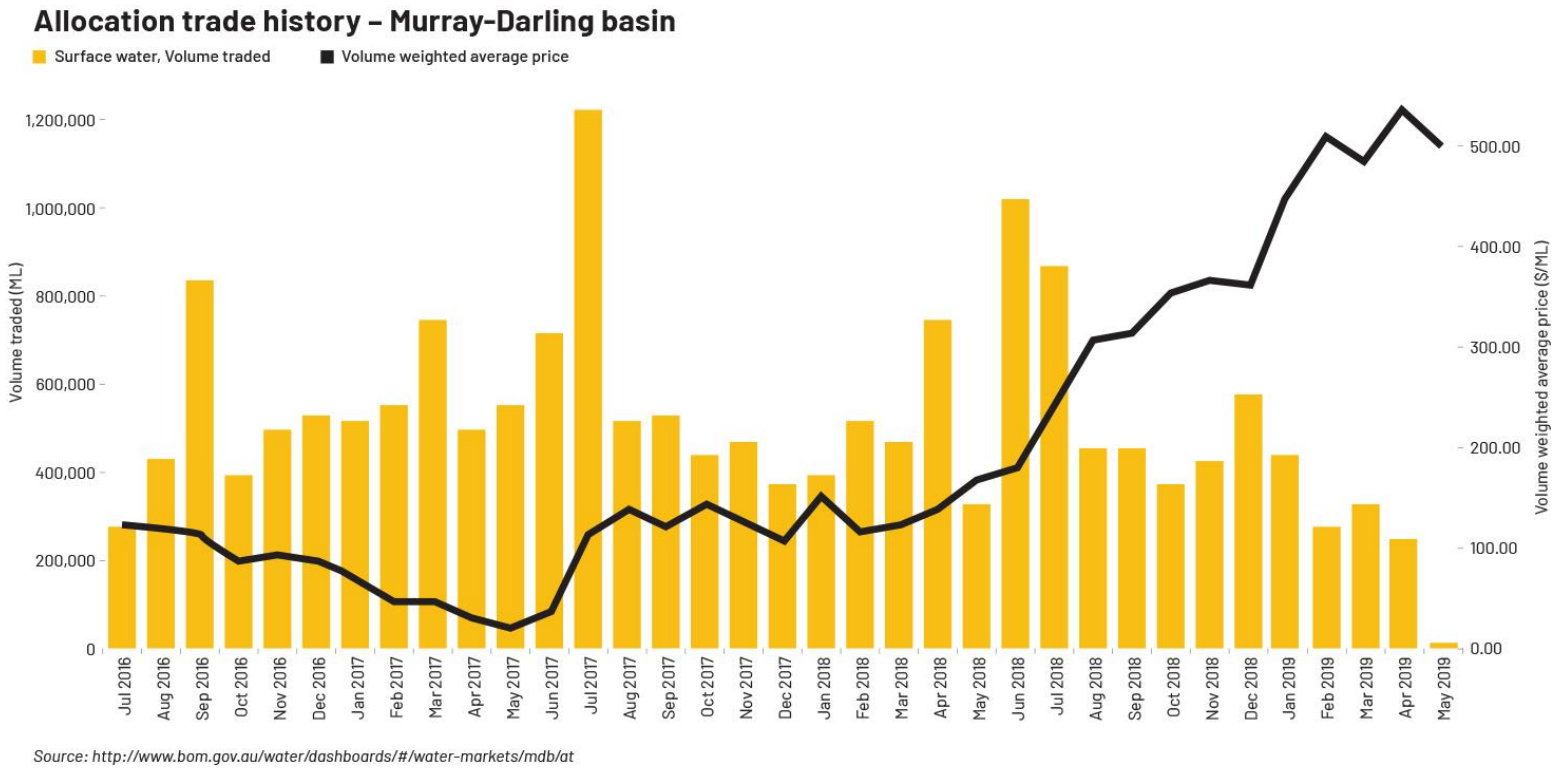
While the absolute volume of leased entitlements has increased, with the Company having entered into new agreements in 2018, the leased percentage has decreased as a result of continued acquisition of entitlements. The leased percentage of the portfolio has declined to 39% as at 31 December 2018 (31 December 2017: 62% leased). This has allowed the Company to maximise revenues as the allocations received on the unleased entitlements have been available to sell in the spot market. In 2018, spot market prices moved from ~$120/ML to ~$350/ML. In January 2019 they peaked at ~$600/ML to ~$700/ML.

The Weighted Average Lease Length of the portfolio at 31 December 2018 was 4.54 years. The target remains to earn 6-7% return on long term leases and to have 70-80% of the portfolio leased. By 1 July 2019, Duxton estimates ~50-60% of the portfolio will be leased.

There has been a shift in irrigator demand observed in the market, from a reliance on the spot market (allocation purchases) towards longer-term supply solutions such as forward contracts and leases. Duxton Water is in a position through its diversified portfolio, to continue entering into new leases.

RESULTS - MARKET

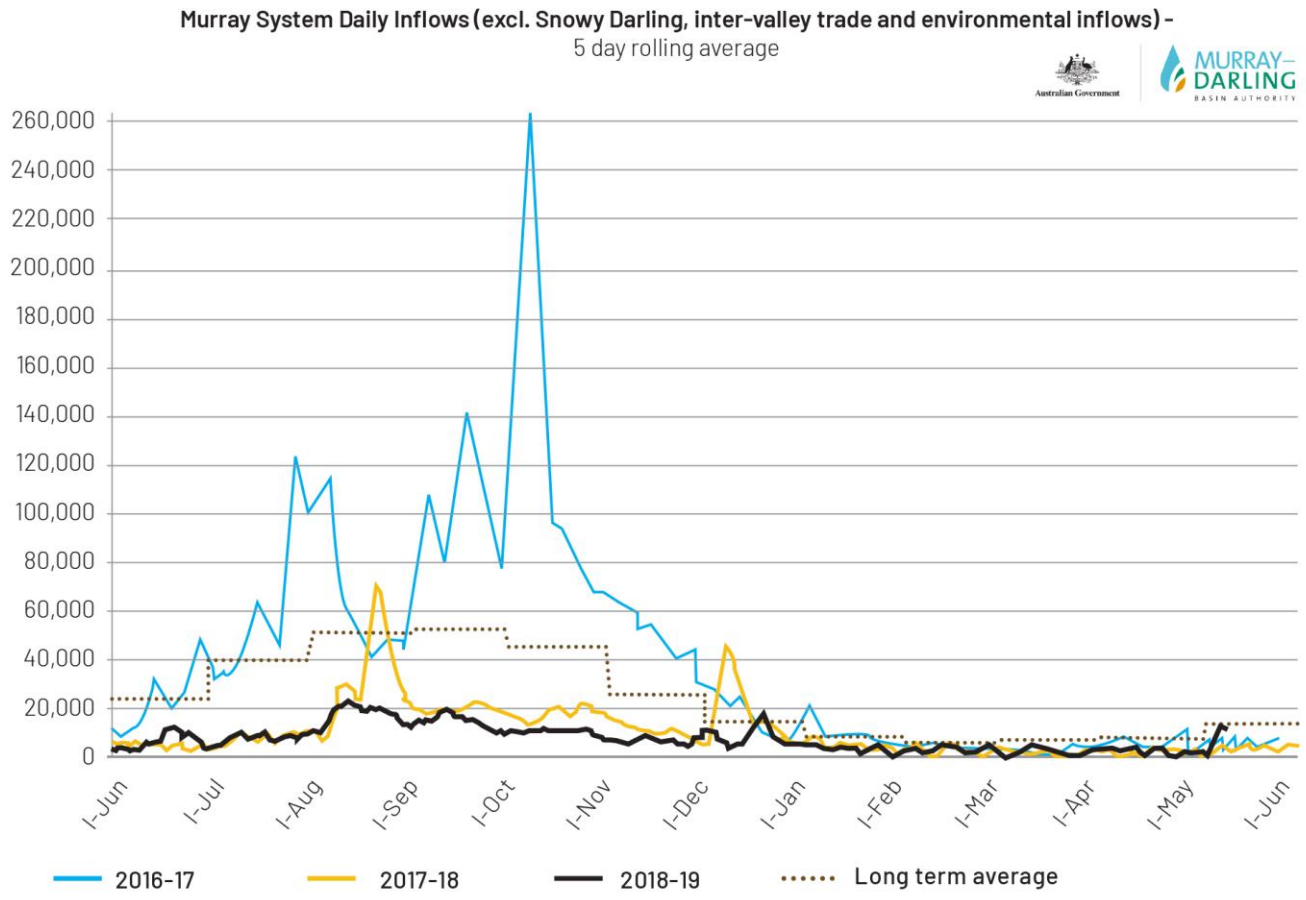
Australia has a variable climate and as such there can be significant volatility in water allocations and prices over time. Outside of climate and allocation supply, the key drivers to the price of allocation are the reduction in overall supply due to the Government's buyback program, increase in efficiency (irrigators can do more with less water), and the shift in commodity production to higher margin crops.



Source: http://www.bom.gov.au/water/dashboards/#/water-markets/mdb/at

- In 2018, the Murray Darling Basin recorded its seventh lowest annual rainfall. Rainfall as a whole was exceptionally low across Australia, with much of the area experiencing rainfall totals in the lowest 10% of records. Severe rainfall deficiencies are continuing to affect large areas throughout southern and eastern Australia and throughout the Murray Darling Basin, as seen in the rainfall decile chart.
- Allocation prices now are ~$550-600/ML and forward contracts are ~$650/ML, representative of ongoing demand from irrigators and the understanding that dry conditions should continue into the 2019/2020 water year.

RESULTS - MARKET



Source: Murray Darling Basin Authority

- These hot and dry conditions are reflected in the ~2,900GL of total Murray-Darling system inflows for 2018, which is significantly lower than the 10-year average of ~7,400GL. These poor inflows compounded the low level of inflows received in 2017, resulting in lower levels of active storage within the catchments and ultimately fewer allocations to be distributed amongst entitlement holders.
- Storages are low and major rainfall deficiencies in the 2017-18 and 2018-19 water years have reduced subsoil moisture. To reset the system, there would need to be a significant resetting or "wet" event, as there was in the 2016-2017 water year (see blue line on graph).
- The Bureau of Meteorology's ("BoM") recent outlook forecast a 60-80% chance of below average rainfall in May. The El Nino outlook remains at "Alert". An El Nino typically results in below average rainfall and above average temperature across eastern Australia.

OPENING ALLOCATION ANNOUNCEMENTS

ENTITLEMENT TYPE#	2018 OPENING	APRIL 2019	2019 OPENING [1 JULY 2019]
NSW Murray HS	97%	97%	97% but not committed
NSW Murray GS	0%	0%	0%
NSW Murrumbidgee HS	95%	95%	95%
NSW Murrumbidgee GS	0%	7%	0%
VIC Goulburn HS*	36%	100%	1% (currently tracking dry conditions)
VIC Murray HS*	47%	100%	0% (currently tracking dry conditions)
SA Murray HS	100%	100%	22%

VIC MURRAY SYSTEM OUTLOOK – HIGH RELIABILITY

INFLOW CONDITIONS	1 JUL 2019	15 AUG 2019	15 OCT 2019	17 FEB 2020
Extreme Dry	0%	18%	19%	26%
Dry	0%	30%	45%	64%
Average	9%	41%	78%	100%
Wet	28%	67%	100%	100%

VIC GOULBURN SYSTEM OUTLOOK – HIGH RELIABILITY

INFLOW CONDITIONS	1 JUL 2019	15 AUG 2019	15 OCT 2019	17 FEB 2020
Extreme Dry	0%	2%	9%	15%
Dry	1%	16%	36%	45%
Average	11%	40%	73%	100%
Wet	36%	68%	100%	100%

NSW SYSTEM OUTLOOK – GENERAL RELIABILITY

INFLOW CONDITIONS	MURRAY		MURRUMBIDGEE	
	1 SEPT 2019	1 NOV 2019	1 SEPT 2019	1 NOV 2019
Extreme Dry	0%	0%	0%	0%
Dry	0%	0%	0%	0%
Average	0%	6%	17%	25%
Wet	0%	30%	28%	47%

SA MURRAY SYSTEM OUTLOOK – HIGH RELIABILITY

INFLOW CONDITIONS	1 JUL 2019	1 SEPT 2019	1 JAN 2019	1 APR 2020
Extreme Dry	22%	31%	60%	64%
Dry	22%	45%	92%	93%
Average	22%	53%	100%	100%
Wet	22%	71%	100%	100%

https://nvrm.net.au/outlooks/current-outlook - https://www.industry.nsw.gov.au/water/allocations-availability/allocations/statements - https://www.environment.sa.gov.au/topics/river-murray/water-allocation-and-carryover/water-allocations-and-announcements
#this is a sample of some of the entitlements on issue in the region where the Company's portfolio is focused
*Per VIC Resource Manager, models are currently tracking dry conditions.

INVESTOR RELATIONS

AT
31 MAY 2018
$20.1 million raised
@$1.10/share
OPTIONS

↓

IN
OCTOBER 2018
$9.8 million raised via Institutional Offer
& $14.0 million raised via Retail Offer
@$1.30/share
ENTITLEMENT

↓

BY
NOVEMBER 2018
18,295,736 issued
NEW SHARES

↓

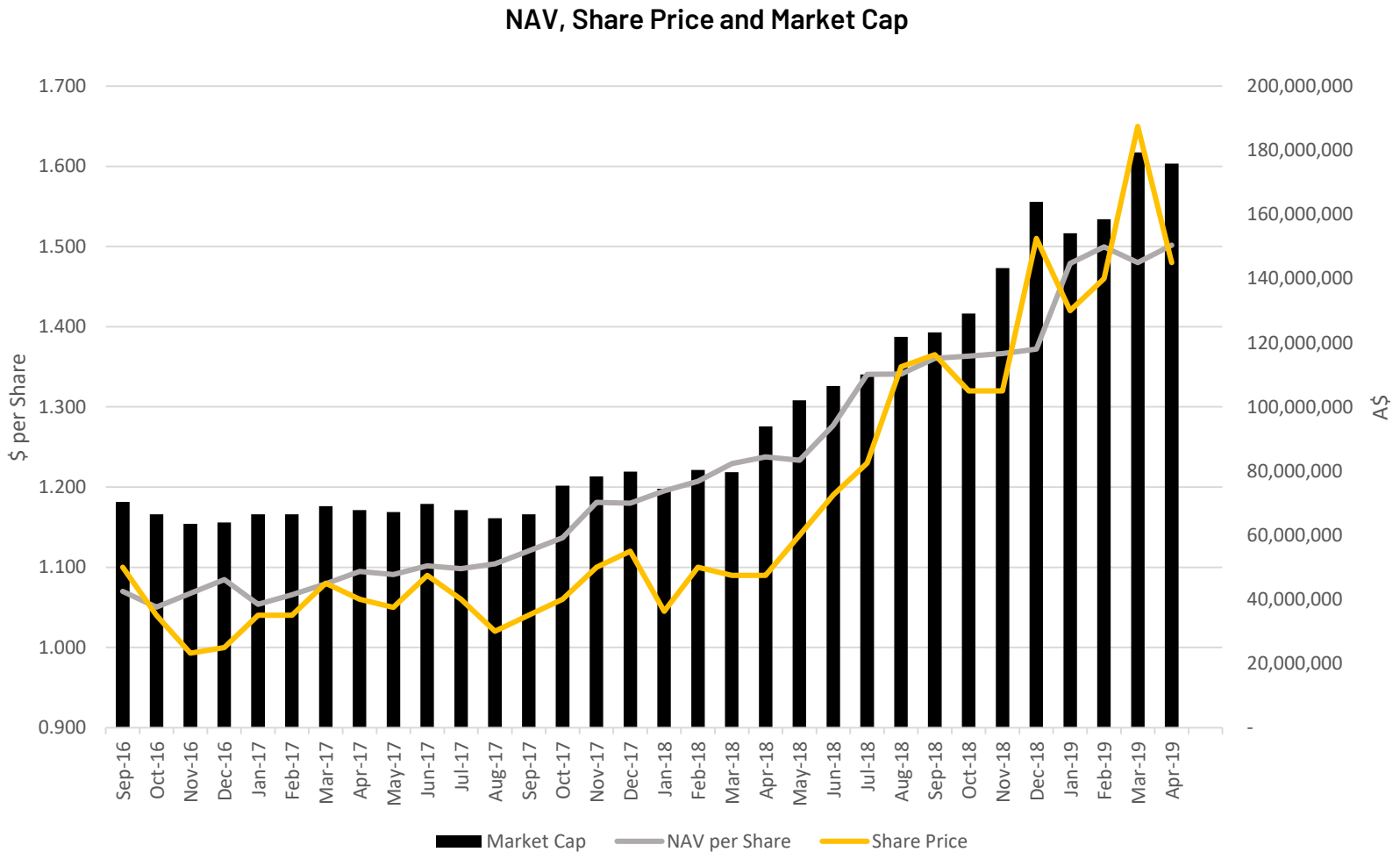
AT
31 MARCH 2019
108,678,385issued
TOTAL SHARES

↓

AT
APRIL 2019
$15.0 million raised via a Placement **@$1.48/share**
PLACEMENT

↓

MAY 2019
New Shares to be issued 20 May 2019 **@$1.48/share**
SHARE PURCHASE PLAN



STRATEGY

SHORT TERM	LONG TERM

• Short and medium term weather forecasts are indicative of continued dry weather for the region of focus
• Opening allocation volumes are expected to be low, reflective of limited in-flows and depleted storages
  • Further allocation announcements will be made through the 2019/2020 water year as resource availability improves
• The portfolio is expected to continue to grow through both acquisition and value uplift over the next 12 months
  • Further diversification should be achieved through acquisition of entitlements outside the SMDB region
• By 1 July 2019, ~50-60% of the portfolio should be leased
  • Most new leases start on 1 July
• Irrigators are shifting their focus from relying on the spot market, to securing longer-term water supply solutions (through entitlement acquisition, leases and forward contracts)
	• There is a cap on any further issuance of entitlements to irrigators or for consumptive use
	• We are seeing increasing commitment by Government to recover the further 450GL, which is expected to be achieved by 2024 through direct buy-back, or efficiency gains
	  • Both major parties have shown continued support of the market-based approach. Therefore we believe there is a low sovereign risk in terms of any significant change to the market systems in place
	• Irrigators continue to plant higher-margin annual crops that are less price-sensitive (like Cotton). Annual growers have flexibility to scale production up and down according to the available resource; we expect to see less annual production in 2019/20 water year due to lower water availability
	• There continues to be significant further permanent crop development in the SMDB region; these crops are also price-competitive and have a fixed trajectory of inelastic demand for the resource

CONTENTS

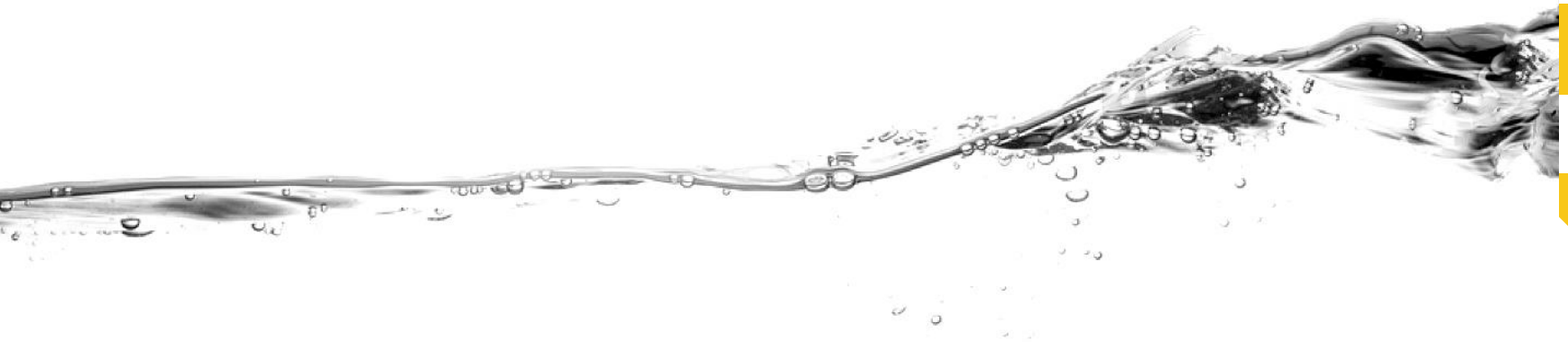
The Team

Chairman’s Address

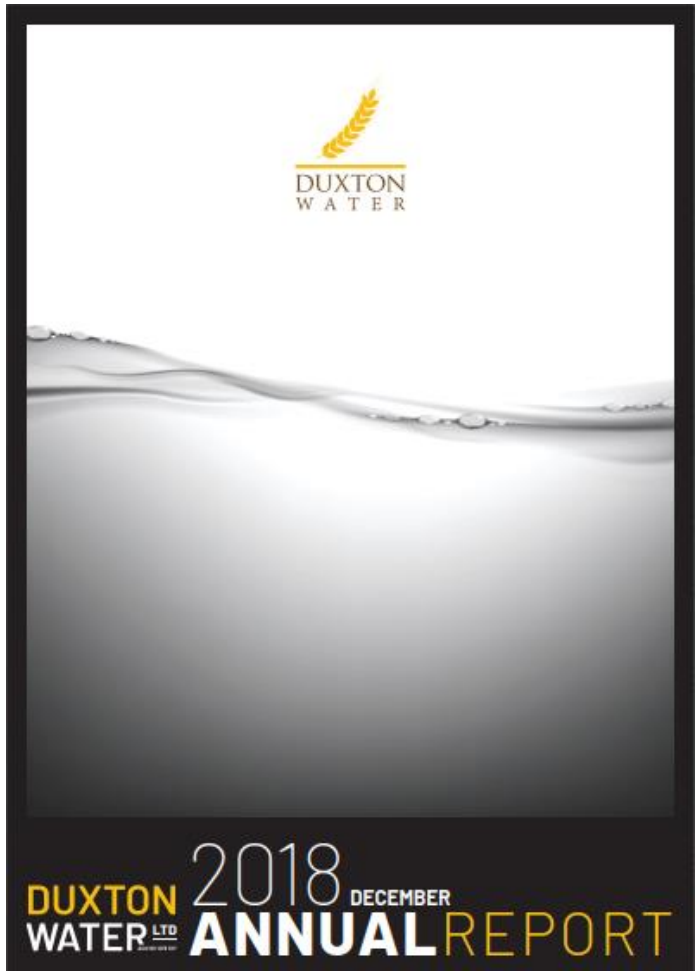
Portfolio Manager Update

Items of Business

Q&A



ITEM 1: FINANCIAL REPORT AND REPORTS OF THE DIRECTORS AND AUDITOR



Resolution

To receive and consider the Financial Report, Directors' Report and Independent Auditor's Report for the financial period ended 31 December 2018. The relevant documents are also available on the Duxton Water website: www.duxtonwater.com.au.

Source: Murray Darling Basin Authority

ITEM 2: REMUNERATION REPORT

Resolution (non-binding)
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 2018 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	3,769,020	90.64	3.17
Against	107,343	2.58	0.09
Open-Usable	282,008	6.78	0.24
Board	175,533	4.22	0.15
Non-Board	106,475	2.56	0.09
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	65,798	N/A	0.06
Excluded	0	N/A	0.00

Source: Murray Darling Basin Authority

ITEM 3: ELECTION OF DIRECTOR – STEPHEN DUERDEN

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

"That Stephen Duerden, having retired as a Director in accordance with Clause 17.3 of the Constitution and, being eligible and having offered himself for re-election, be re-elected as a Director of the Company."

(The Company will disregard any votes cast on Resolution 3 by Mr Duerden or his associates)

VOTE TYPE	VOTED	%	% OF ALL SECURITIES
For	3,892,578	93.15	3.28
Against	4,000	0.10	0.00
Open-Usable	282,008	6.75	0.24
Board	175,533	4.20	0.15
Non-Board	106,475	2.55	0.09
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	45,583	N/A	0.04
Excluded	0	N/A	0.00

Source: Murray Darling Basin Authority

ITEM 4: ELECTION OF DIRECTOR – DENNIS MUTTON

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

"That Dennis Mutton, having retired as a Director in accordance with Clause 17.3 of the Constitution and, being eligible and having offered himself for re-election, be re-elected as a Director of the Company."

(The Company will disregard any votes cast on Resolution 3 by Mr Mutton or his associates)

VOTE TYPE	VOTED	%	% OF ALL SECURITIES
For	3,893,928	93.15	3.28
Against	4,000	0.10	0.00
Open-Usable	282,008	6.75	0.24
Board	175,533	4.20	0.15
Non-Board	106,475	2.55	0.09
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	44,233	N/A	0.04
Excluded	0	N/A	0.00

Source: Murray Darling Basin Authority

ITEM 5: APPROVAL OF 10% PLACEMENT CAPACITY

Special Resolution
To consider and, if thought fit, 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."

VOTE TYPE	VOTED	%	% OF ALL SECURITIES
For	3,714,593	88.29	3.13
Against	211,018	5.01	0.18
Open-Usable	282,008	6.7	0.24
Board	175,533	4.17	0.15
Non-Board	106,475	2.53	0.09
Open-Cond	0	0.00	0.00
Open Unusable	0	N/A	0.00
Abstain	16,550	N/A	0.01
Excluded	0	N/A	0.00

Source: Murray Darling Basin Authority

CONTENTS

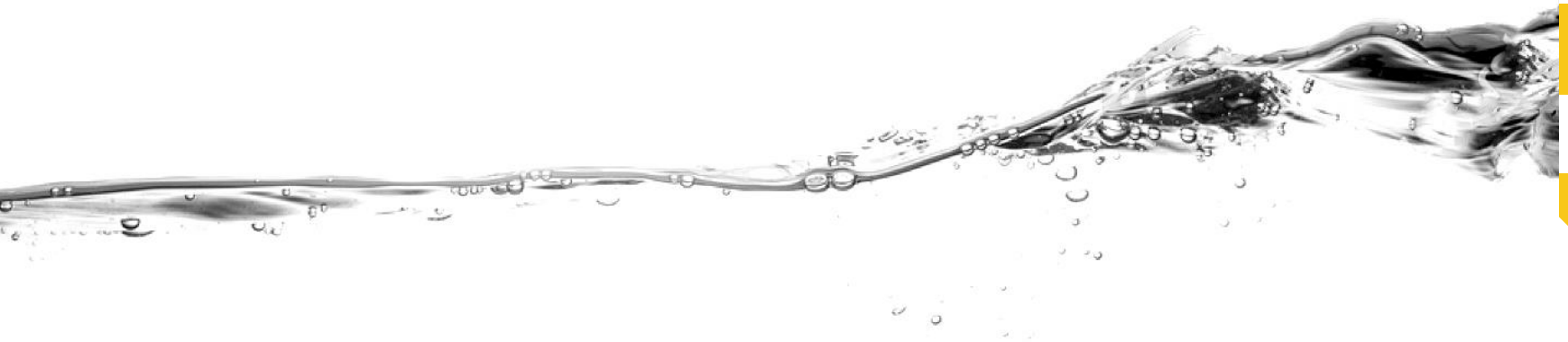
The Team

Chairman’s Address

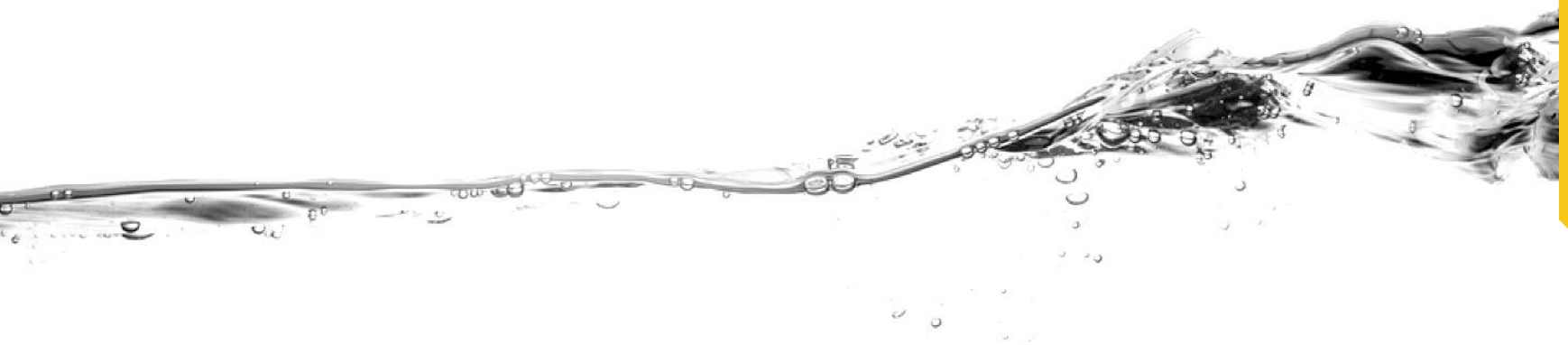
Portfolio Manager Update

Items of Business

Q&A



KEY CONTACTS



Alister Walsh
Duxton Capital (Australia)
Director of Water Assets
alister.walsh@duxtonam.com
+61 427 282 250
+61 8 8130 9520

Lauren Thiel
Duxton Capital (Australia)
Business Development
lauren.thiel@duxtonam.com
+61 417 834 549
+61 8 8130 9531

DUXTON WATER

1. **Australia's only pure listed water play with a strong track record**
2. **Strong underlying trends supporting future growth in water prices**
3. **Multiple sources of return**
4. **A unique asset class with uncorrelated returns**
5. **Growth opportunities in a large market with largely fixed costs**
6. **Experienced management team and investment in resources for global growth**