



Notice of General Meeting

Date: 10am (Adelaide time) on 18 October 2017

Place: The Stirling Hotel
52 Mount Barker Road
Stirling, South Australia

8 September 2017

Dear Shareholder

You are invited to attend an extraordinary meeting of shareholders (General Meeting).

The key General Meeting details are-

- Time and date: 10am (Adelaide time) on 18 October 2017
- Location: The Stirling Hotel, 52 Mount Barker Road, Stirling South Australia

The purpose of the General Meeting is to approve a key transaction that the Company is proposing involving a significant Shareholder, Duxton Vineyards.

The Company has agreed to purchase 2,402 ML of Water Entitlements from Duxton Vineyards, subject to Shareholder approval. The water entitlements are being purchased for approximately \$6,810,050. To pay for those water entitlements, the Company intends to issue 6,610,000 Shares at the prevailing market price on the day of issue, which is currently scheduled for 17 November 2017. The Company will also lease the water entitlements to Duxton Viticulture on a long term basis. Duxton Viticulture is an associated entity of Duxton Vineyards.

Duxton Vineyards and its associated entity, Duxton Vineyards Water, are significant Shareholders, with a current combined shareholding and relevant interest of 40.74%.

The Company has obtained an Independent Expert Report from Pitcher Partners which states that the Duxton Vineyards Transaction is **fair and reasonable** to the Shareholders whose votes are not to be disregarded. The IER includes an independent valuation of the water entitlements to be acquired from Duxton Vineyards.

A copy of all of the documents for the General Meeting, including the Independent Expert Report, can be found at www.duxtonwater.com.au.

If you are unable to attend the General Meeting in person, I encourage you to complete and lodge the enclosed Proxy Form as soon as possible and, in any event, by no later than 10am (Adelaide time) on 16 October 2017. Instructions on how to vote by proxy are set out on the Proxy Form and this Notice.

I encourage all Shareholders to consider the details of the transaction and the Independent Expert Report in particular.

Yours sincerely,



Dennis Mutton
Director

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Notice of General Meeting

A General Meeting of the Company will be held at The Stirling Hotel, 52 Mount Barker Road, Stirling South Australia on 10am (Adelaide time) on 18 October 2017.

The Explanatory Statement that accompanies and forms part of this Notice of General Meeting describe the matters to be considered at the EGM.

Attendance

If you are attending the EGM, please bring your personalised shareholding form to allow the Share Registry to promptly register your attendance at the meeting. The registration desk will be open from 9.30am.

If you are unable to attend in person, you may wish to appoint a proxy to attend and vote at the meeting in your place. Please refer to the Notice and Proxy Form regarding the appointment of a proxy.

Items of Business

1. Approval of Acquisition of Water Entitlements from Duxton Vineyards

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

“Subject to the passing of Resolutions 2, 3 and 4, for the purpose of Listing Rule 10.1 and all other purposes, the acquisition of the 2,402 ML of Water Entitlements by the Company from Duxton Vineyards and the lease of those Water Entitlements to Duxton Viticulture on the terms set out in the Explanatory Statement, is approved.”

This Resolution is the subject of an Independent Expert Report which states that the acquisition of Water Entitlements by the Company from Duxton Vineyards and the lease of those Water Entitlements to Duxton Viticulture is fair and reasonable.

A voting exclusion applies to this Resolution, details of which are contained in the Notice of Meeting.

2. Approval of Issue of Shares to Duxton Vineyards under the Corporations Act

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

“Subject to the passing of Resolution 1, for the purpose of s. 611 item 7 of the Corporations Act and all other purposes, the issue by the Company of 6,610,000 Shares to, and the acquisition of the relevant interest in those Shares by, Duxton Vineyards and its Associates, and the increase in the voting power of Duxton Vineyards and its Associates to 46.29% on the terms set out in the Explanatory Statement, is approved.”

This Resolution is the subject of an Independent Expert Report which states that the issue by the Company of 6,610,000 Shares to, and the acquisition of the relevant interest in those Shares by, Duxton Vineyards and its Associates is fair and reasonable.

A voting exclusion applies to this Resolution, details of which are contained in the Notice of Meeting.

3. Approval of Issue of Shares to Duxton Vineyards under the Listing Rules

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

“Subject to the passing of Resolutions 1 and 2 and for the purpose of Listing Rule 10.11 and all other purposes, the issue by the Company of 6,610,000 Shares to Duxton Vineyards on the terms set out in the Explanatory Statement, is approved”.

This Resolution is the subject of an Independent Expert Report which states that the issue by the Company of 6,610,000 Shares to Duxton Vineyards is fair and reasonable.

A voting exclusion applies to this Resolution, details of which are contained in the Notice of Meeting.

4. Giving of Financial Benefits by the Company

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

“Subject to the passing of Resolutions 1, 2 and 3, for the purpose of s. 208 of the Corporations Act and all other purposes:

- *the issue of 6,610,000 Shares by the Company to Duxton Vineyards at the prevailing market price on the proposed date of issue;*
- *the grant of leases in respect of the Water Entitlements to Duxton Viticulture; and*
- *the giving of other financial benefits by the Company;*

on the terms set out in the Explanatory Statement, is approved.”

This Resolution is the subject of an Independent Expert Report which states that the issue by the Company of 6,610,000 Shares to Duxton Vineyards, the grant of the leases in respect of the Water Entitlements to Duxton Viticulture and the giving of the other financial benefits by the Company is fair and reasonable.

A voting exclusion applies to this Resolution, details of which are contained in the Notice of Meeting.

By order of the Board



Donald Stephens
Company Secretary

Shareholder Quick Reference Guide

Question	Answer
What is the Duxton Vineyards Transaction?	The Company is proposing to issue 6,610,000 Shares to Duxton Vineyards at the prevailing market price on the proposed date of issue for the purchase of 2,402ML of Water Entitlements (comprising both High Security and General Security), which have been valued at \$6,810,050. The Company proposes to lease the Water Entitlements to Duxton Viticulture.
Who is Duxton Vineyards?	Duxton Vineyards is a major Shareholder who currently holds 3,365,561 Shares (5.29%) and has a relevant interest in 26,056,680 Shares (40.74%) in the Company.
Who are Duxton Vineyards' Associates?	Duxton Vineyards Water and Duxton Viticulture are Associates of Duxton Vineyards
What are the findings of the Independent Expert Report?	That the proposed transaction is fair and reasonable to Shareholders whose votes are not to be disregarded.
What effect will the Duxton Vineyards Transaction have on the control in the Company?	The Directors who have not declared a material personal interest do not consider that Duxton Vineyards currently has control over the Company. While it is not the intention of the transaction, as a result of the transaction, Duxton Vineyards, along with its associates, may exercise control over the Company at a future date due to Duxton Vineyards' increase in its relevant interest.
What relevant interest in Shares of the Company will Duxton Vineyards have as a result of the Duxton Vineyards Transaction?	Duxton Vineyards' relevant interest in the Company will increase from 26,056,680 Shares (40.74%) to maximum 32,666,680 Shares (46.29%). This is an increase in relevant interest of 5.54%.
What is the maximum increase in voting power of Duxton Vineyards and its Associates as a result of the Duxton Vineyards Transaction?	The extent of the increase in voting power of Duxton Vineyards and its Associates will be 5.54%, equating to a voting power of 46.29% (32,666,680 Shares).
What do the Directors recommend?	The Directors who have not declared material personal interest recommend that the eligible Shareholders approve the transaction and vote in favour of all Resolutions.
What Resolutions are being sought from Shareholders?	For the issue of shares to Duxton Vineyards and increase in voting power, the Company is seeking approval for the purpose of Listing Rule 10.11 and sections 208 and 611 item 7 of the Corporations Act. For the purchase of the water entitlements and for entry into the leases with Duxton Viticulture, the Company is seeking approval for the purposes of Listing Rule 10.1 and section 208 of the Corporations Act.

What are the financial benefits for which Shareholder approval is sought?	The financial benefits are the issue of 6,610,000 shares to Duxton Vineyards at the prevailing market price on the proposed date of issue and consequent increase in the voting power and relevant interest of it and its Associates, and the lease of the water entitlements to Duxton Viticulture.
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Voting Exclusions

The Corporations Act and the ASX Listing Rules require that certain persons must not vote, and /or the Company must disregard any votes cast by certain persons in relation to the Resolutions. These voting exclusions are described below.

Resolution 1 – Acquisition of Water Entitlements from Duxton Vineyards

The Company will disregard any votes cast on Resolution 1 by Duxton Vineyards and Duxton Viticulture and any of their Associates. However, the Company will not disregard a vote cast on Resolution 1 if:

- it is cast by a person as proxy for a person entitled to vote on Resolution 1, in accordance with the directions on the Proxy Form, and is not cast on behalf of Duxton Vineyards or Duxton Viticulture or any of their Associates; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolutions 2 – Issue of 6,610,000 Shares to Duxton Vineyards under the Corporations Act

In accordance with Item 7 of section 611 of the Corporations Act, no votes may be cast in favour of Resolution 2 by Duxton Vineyards and its Associates.

Resolution 3 - Issue of 6,610,000 Shares to Duxton Vineyards under the Listing Rules

The Company will disregard any votes cast on Resolution 3 by Duxton Vineyards and its Associates. However, the Company will not disregard a vote cast on Resolution 3 if:

- it is cast by a person as proxy for a person entitled to vote on Resolution 3, in accordance with the directions on the Proxy Form, and is not cast on behalf of Duxton Vineyards or its Associates; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 4 – Financial benefits given by the Company

In accordance with section 224 of the Corporations Act, no votes may be cast on Resolution 4 by or on behalf of Duxton Vineyards and any of its Associates, other than if the vote is cast as a directed proxy for a non-related party or Associate.

Voting by Proxy

1. A Shareholder entitled to attend and vote at the General Meeting may appoint one proxy or, if the Shareholder is entitled to cast two or more votes at the Meeting, two proxies, to attend and vote instead of the Shareholder.
2. Where two proxies are appointed to attend and vote at the meeting, each proxy may be appointed to represent a specified proportion or number of the Shareholder's voting rights at the Meeting.
3. A proxy need not be a Shareholder of the Company.
4. A proxy may be an individual or a body corporate. If a body corporate is appointed, the Proxy Form must indicate the full name of the body corporate and the full name or title of the individual representative of the body corporate for the Meeting.

To record a valid vote, a shareholder will need to take the following steps:

- cast the shareholder's vote online by visiting www.investorvote.com.au and entering the shareholder's Control Number, SRN/HIN and postcode, which are shown on the first page of the enclosed Proxy Form; or
- complete and lodge the manual Proxy Form at the share registry of the Company, Computershare Investor Services Pty Limited:

- by post at the following address:

Computershare Investor Services Pty Limited
GPO Box 242
MELBOURNE VIC 3001

OR

- by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- for Intermediary Online subscribers only (custodians), cast the shareholder's vote online by visiting www.intermediaryonline.com,

so that it is received no later than 10am (Adelaide time) on 16 October 2017.

5. 'Snap Shot' Time

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Directors have determined that all Shares of the Company that are quoted on ASX as at 7pm (Sydney time) 16th October 2017 will, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

Proxy Voting by the Chair

The Company's chairman of the Board, Ed Peter, has declared a material personal interest in relation to all of the Resolutions and accordingly will not chair the General Meeting. Mr Dennis Mutton, a Director who has not declared a material personal interest in any Resolution, will chair the General Meeting.

The Chairman intends to vote all available undirected proxies in favour of each Resolution.

Explanatory Statement to Notice of General Meeting

This Explanatory Statement is for the General Meeting of Shareholders of the Company to be held on 18 October 2017. It forms part of the Notice of Meeting.

1. Overview of Duxton Vineyards Transaction

The Company is seeking Shareholder approval of four Resolutions in connection with the Duxton Vineyards Transaction. There are no other items of business.

Subject to Shareholder approval, the Company has agreed to purchase 2,402 megalitres of Water Entitlements from Duxton Vineyards. The Water Entitlements are to be purchased for approximately \$6,810,050. The Company has agreed to issue 6,610,000 Shares at the prevailing market price on the proposed date of issue to pay the purchase price.

Upon purchasing those Water Entitlements, the Company has agreed to lease those entitlements to Duxton Viticulture for an initial term of approximately 7 years for an annual rental of \$476,703.50.

As at the date of the Notice, Duxton Vineyards and its associated Shareholder, Duxton Vineyards Water, each have a relevant interest in 40.74% of the Shares of the Company on issue. If approved, the number of new Shares to be issued to Duxton Vineyards would be 6,610,000.

Based on the number of Shares being issued to Duxton Vineyards, the individual shareholding and relevant interest of Duxton Vineyards and Duxton Vineyards Water before and after the Duxton Vineyards Transaction would be as follows:*

	Duxton Vineyards		Duxton Vineyards Water	
Pre Duxton Vineyards Transaction				
No. of Shares	3,365,561	5.29%	22,691,118	35.47%
Relevant interest	26,056,680	40.74%	26,056,680	40.74%
Post Duxton Vineyards Transaction				
No. of Shares	10,175,611	14.8%	22,691,118	31.90%
Relevant Interest	32,666,680	46.29%	32,666,680	46.29%

*based on total issued Shares of 63,965,406, and assumes no Options exercised

Duxton Vineyards currently holds 3,365,561 Options in the Company, with an issue price of \$1.10 and an expiry date of 31 May 2018. Duxton Vineyards Water currently holds 4,142,919 Options in the Company, with an issue price of \$1.10 and an expiry date of 31 May 2018. The other terms of the Options are set out in the Company's Prospectus dated 11 August 2016, which is publically available on the ASX website.

If after the Duxton Vineyards Transaction but prior to the expiry date, Duxton Vineyards and Duxton Vineyards Water exercise their Options in the Company, their maximum relevant interest in the Company, if no other Optionholders exercise their Options, will be 51.5%.¹ If all Optionholders in the Company, including Duxton Vineyards and Duxton Vineyards Water, exercise their Options prior to the expiry date, the relevant interest of Duxton Vineyards and Duxton Vineyards Water will decrease to 29.9%.

The approval being sought from Shareholders is for:

- The issue of Shares to Duxton Vineyards at the prevailing market price for the purpose of Listing Rule 10.11 and Sections 208 and 611 item 7 of the Corporations Act.
- The purchase of the water entitlements from Duxton Vineyards and entry into the leases of Water Entitlements to Duxton Viticulture for the purpose of Listing Rule 10.1 and Section 208 of the Corporations Act.

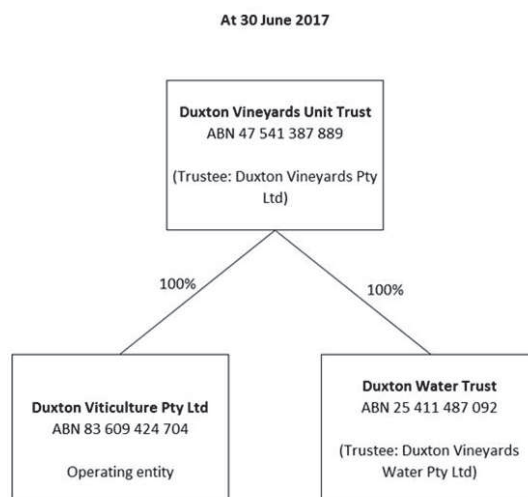
By issuing 6,610,000 Shares to Duxton Vineyards, the Company is giving Duxton Vineyards a financial benefit. 6,610,000 Shares is the number agreed to be issued between the Company and Duxton Vineyards. The reason for giving the financial benefit in the form of the issue of Shares to Duxton Vineyards is that it allows the Company to expeditiously acquire strategic Water Entitlements that do not often come up for sale. This is set out in more detail at Section 7. The Shares will be issued to Duxton Vineyards at the prevailing market price on the proposed day of issue.

The Company is also giving a financial benefit to Duxton Viticulture by entering into the lease of the Water Entitlements to Duxton Viticulture. The reason for giving this financial benefit to Duxton Viticulture is that the Company increases the proportion of its water assets which are leased on a long term basis. The terms upon which the financial benefits are being provided to Duxton Vineyards set out in Section 4 below.

The Directors of Duxton Vineyards are Ed Peter and Dirk Wiedmann (who are also directors of the Company) and Peter Kight. The directors of Duxton Vineyards Water and Duxton Viticulture are the same as Duxton Vineyards.

¹ Based on total issued Shares of 70,575,406.

The corporate structure of the Duxton Vineyards Group is detailed in the below diagram:



Unlike Duxton Vineyards, the Company is not comprised within a corporate group.

The Directors of the Company who have declared a material personal interest in the Duxton Vineyards Transaction are Ed Peter, Peter Michell and Dirk Wiedmann. The material interests of these Directors are set out in the below table. Stephen Duerden and Dennis Mutton have not declared any material personal interest in the Duxton Vineyards Transaction.

Company Director	Declared Interest in DV Group -Current	Declared Interest in DV Group - Expected	Interest in the Company – pre Transaction*	Interest in the Company – post Transaction*
Ed Peter (Chairman)	17.24%	24.11%	0.46%	0.42%
Dirk Wiedmann	3.45%	3.84%	Nil	Nil
Peter Michell	1.72%	2.83%	0.015%	0.014%
Stephen Duerden	Nil	0.14%	0.015%	0.014%
Dennis Mutton	Nil	Nil	Nil	Nil

The Directors who have not declared a material personal interest in respect of the Duxton Vineyards Transaction do not consider that Duxton Vineyards presently has control over the Company.

The Directors who have not declared a material personal interest in respect of the Duxton Vineyards Transaction recognise that by entering into the Duxton Vineyards Transaction, Duxton Vineyards will increase its relevant interest in the Company. Accordingly, although it is not the intention of this transaction, Duxton Vineyards, along with Duxton Vineyards Water, may potentially exercise control over the Company at a future date as a result. Those Directors therefore consider that Shareholder approval should be obtained on the basis that Duxton

Vineyards and its associates may control the Company as a result of the Duxton Vineyards Transaction and thus be a related party as a result.

Details of water purchase and lease arrangements are set out in Section 4 below. Details of the association between Duxton Vineyards, Duxton Vineyards Water and Duxton Viticulture are provided in Section 5.

2. Independent Expert Report –Fair and Reasonable

The Company has obtained an Independent Expert Report (IER) from Pitcher Partners in relation to the Duxton Vineyards Transaction. The IER states that the Duxton Vineyards Transaction is fair and reasonable to Shareholders whose votes are not to be disregarded. The IER is attached in full and forms part of the Notice of Meeting. A summary of the key findings of the IER is set in Section 6. The IER is available from the following website <http://www.duxtonwater.com.au/>.

The IER includes an independent valuation by Aither of the water entitlements to be acquired by the Company, and the Company's existing portfolio of water entitlements.

3. Background

The Company listed on ASX in September 2016. Upon listing the Company completed the acquisition of Water Entitlements from Duxton Vineyard Water and Duxton Vineyards worth approximately \$28.66m, details of which are set out in the Company's replacement prospectus dated 11 August 2016. The Company issued Shares to Duxton Vineyards and Duxton Vineyards Water in payment for those Water Entitlements, which were acquired at market value supported by a valuation undertaken by the Valuer. Upon acquiring those Water Entitlements, the Company also leased those entitlements to Duxton Viticulture on a long term basis.

In effect the Company is proposing to acquire further Water Entitlements from Duxton Vineyards and lease those entitlements on a long term basis, in a similar manner as undertaken as part of listing on ASX. The Board considers that those water entitlements form part of the core target water assets for the Company and are not able to be acquired on more favourable terms in any other manner.

Upon listing on ASX, the Company also raised \$41.7m in cash. The Company has now fully deployed that cash, mostly by acquiring Water Entitlements either for long term leasing, or short term leasing or trading. The proposed transaction to acquire additional water entitlements and lease them on a long term basis forms part of Company's strategy to grow its water portfolio assets and increase the proportion of its water assets which are leased on a long term basis.

For the half-year ended 30 June 2017 the Company's net profit after tax for the period amounted to \$0.974 million (Dec 2016: loss after tax of \$0.232 million) and the net asset value (NAV) of the Company at 30 June 2017 is \$69.726 million or \$1.090 per share (Dec 2016: 68.801 million or \$1.076 per share). Prior to the close of 2017, the Board intends to distribute a dividend to eligible Shareholders in the range of 0.02 to 0.023 cents per Share. The extent of any franking will be determined by the Board at the time the dividend is declared.

Permanent water rights and entitlements are held at historical cost of \$68.814 million (Dec 2016: \$51.125 million) less accumulated impairment losses of \$0.560 million (Dec 2016: \$0.771

million). The net book value of the water rights as at 30 June 2017 is \$68.254 million (Dec 2016: \$50.354 million).

4. Duxton Vineyards Transaction

On 18 August 2017 the Company entered into two Water Purchase Contracts with Duxton Vineyards for the sale and purchase of Water Entitlements. One contract is for the purchase of 2,050 ML of WALs and the other is for the purchase of 352 ML of Water Entitlements as shares in WMI. Other than in relation to the amount and value of Water Entitlements being purchased, the terms of both Water Purchase Contracts are substantially the same.

The key commercial terms and conditions of the Water Purchase Contracts are set out in the following table:

Commercial Term	Details
Region & Zone(s)	NSW Murray River, Zone 11
Security	1,891 ML High Security, 511 ML General Security
Entitlements Purchased (ML)	2,402 ML in total, being 2,050 ML as WALs, 352 ML as shares in WMI
Purchase Price	\$6,810,050 (approx.)
Purchase Consideration	Issue of 6,610,000 new Shares at settlement
Entitlements to be Leased (ML)	2,402 ML (100% of entitlements being acquired)
Entitlements to be Leased (value \$)	\$6,810,050
Lease Term	Settlement date to 30 June 2024 (Approx. 7 years)
Initial Rent (\$)	\$476,703.50
Rate	7%
Option to Extend	Yes (once only)
Option Term	3 years
First Right of Refusal	Yes

Water Purchase Contract terms

The total purchase price payable by the Company for the Water Entitlements is \$6,810,050 subject to immaterial settlement adjustments. This is the market value of the Water Entitlements as determined by an external valuation obtained by the Company as at 5 May 2017. No deposit has been paid by the Company under the Water Purchase Contract.

The Company will acquire ownership of the Water Entitlements at settlement. Settlement of the purchase of the Water Entitlements is subject to Shareholder approval being obtained (based on the Notice of Meeting), and also once all required approvals have been obtained from relevant water authority for the transfer of the Water Entitlements and all other conditions have been satisfied. The regulatory approval that is required is approval from WMI for the transfer of 352 ML of Water Entitlements as shares in WMI. The Company is in the process of applying for approval from WMI and anticipates that approval will be obtained prior

to the proposed date of issue. Prior consent from the NSW Office of Water is not required for transfer of 2,050 ML of WALs.

The Company has agreed to pay the purchase price at settlement by way of the issue of new Shares. Immediately upon settlement, transfers are intended to be lodged with the relevant water authority for registration. As with all transfers of water entitlements, legal transfer of the Water Entitlements from Duxton Vineyards to the Company will be effected upon registration, which occurs shortly after settlement of the Water Purchase Contracts. Settlement of both Water Purchase Contracts must occur at the same time.

For settlement to occur, the Company has to be satisfied that all required approvals from relevant water authorities have been obtained, that the entitlements are unencumbered and that there has been no material adverse change to any of the approvals or regulations applying to the Water Entitlements. The Company has agreed to pay all registration and transfer fees, stamp duty and any costs associated with obtaining the approvals.

Either party to the Water Purchase Contract may terminate the contract if the other party becomes insolvent or materially breaches the contract and does not remedy the breach within a minimum period. Duxton Vineyards has given the Company warranties regarding proper title to and ownership of the applicable Water Entitlements.

The Company is intending to satisfy all of those other conditions required for the transfer of the Water Entitlements so that the Water Purchase Contracts may settle as soon as practical after Shareholder approval and by 17 November 2017, as set out in the timetable in Schedule 1.

At settlement the Company will:

- Issue the 6,610,000 new Shares to Duxton Vineyards to pay for the Water Entitlements being acquired.
- Enter into two Water Entitlements leases with Duxton Viticulture (as lessee), pursuant to which the Company will lease all of the Water Entitlements acquired from Duxton Vineyards to Duxton Viticulture (the key terms of which are set out in the above table). The other material terms of the water leases are set out in this Section 4 below.

Leaseback arrangements

At settlement of the Water Purchase Contract with Duxton Vineyards, the Company will enter into two leases with Duxton Viticulture for an initial term of approximately 7 years each. One lease is for the 2,050 ML of WALs and the other lease is for the 352 ML of Water Entitlements as shares in WMI.

The terms and conditions and final form of the leases have been agreed and cannot be changed unless the Company consents. The leases must be entered into prior to or at settlement of the respective Water Purchase Contracts.

Duxton Viticulture currently pays a weighted average lease yield of 6.00%. If the new leases are entered into Duxton Viticulture will be paying a weighted average lease yield of 6.19%. Duxton Viticulture currently leases 41.65% of the Company's portfolio by value (being 8,554.56ML or 25.67% of the Company's water entitlement portfolio by volume). This will increase to 46.91%

of the Company's portfolio by value (being 10,956.56ML or 30.67% of the Company's water entitlement portfolio by volume) after the transaction. A default by Duxton Viticulture could adversely affect the revenue generated by the Company.

Other Lease Terms

The key commercial terms of the leases are set out in the table above. An outline of the other material terms of the each lease are set out as follows.

Other Term	Details
Payment of Rent	The rent is payable quarterly in advance and is required to be paid regardless of whether or not the lessee actually takes or uses any water available to it under a Water Entitlement or Water Allocation, or whether there is any actual Water Allocation at all.
Outgoings	In addition to the rent, the lessee is also required to pay all outgoings and related costs associated with the ownership of the Water Entitlement or Water Allocations or taking water under the Water Allocation by the lessee.
Compliance	The lessee must comply with all applicable laws and the requirements of relevant water authorities during the lease, and must not do anything that could cause or permit a Water Entitlement to be adversely affected.
Assignment of Lease	The lessee is not entitled to assign or otherwise dispose of its interest in the lease or the Water Entitlements without the Company's consent, but the lessee may assign or otherwise dispose of its annual Water Allocation to which it is entitled. The lessee must also not allow any change in its controlling ownership without the Company's consent.
Encumbrances	The lessee is not entitled to mortgage or otherwise encumber its interest under the lease or the Water Entitlements without the consent of the Company. The Company can not unreasonably withhold its consent where the mortgage is required as part of a loan to the lessee upon terms and conditions satisfactory to the Company.
Lessor Indemnity	The lessee indemnifies the Company for any liability arising from any act, neglect, default or omission of the lessee (or any other person) in using the water under the Water Entitlements.
Termination of Lease	If the lessee does not pay any rent for a period of more than 14 days or is otherwise in default under the lease, the Company may terminate the lease, take back the Water Entitlements and recover any loss from the lessee. The lessee is not required to provide a bank guarantee or other form of security for payment of rent.
Option to Extend	The lessee has an option to extend the initial term for a further period of 3 years, with rent for the extended term to be the specified percentage of the current market value as set out in the above table determined by the Valuer. The option to extend must be exercised within 6 months of expiry of the initial term.
First Right of	The Company may sell the Water Entitlements at any time, subject to

Other Term	Details
Refusal	the leasehold interest granted to the lessee. However, if the lessee has not exercised its option to extend the lease or its option to purchase the Water Entitlements and the Company then wishes to sell the Water Entitlements, it must offer the Water Entitlements to the lessee for sale as a first right of refusal on the same or no less favorable terms for a period of at least 14 days, or unless the Company proceeds to auction the Water Entitlements with prior notice to the lessee.
Carry Over Water	Where any Water Allocations are entitled to be carried over to the next Water Year the lessee must provide the Company with written notice at least 20 business days before the end of the Water Year.

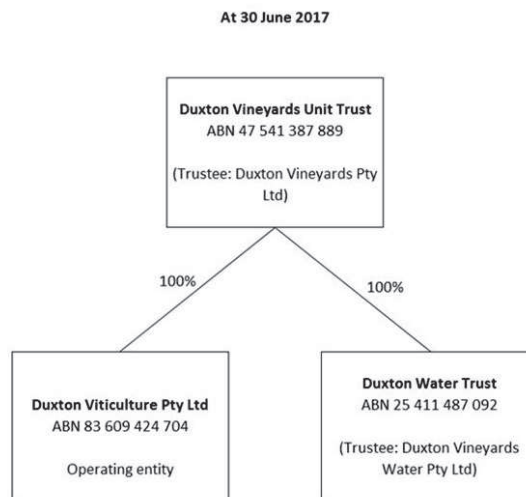
5. Details of Duxton Vineyards

Duxton Vineyards is an agri-producer focused on grape growing and production in South Eastern Australian.

Duxton Vineyards Pty Ltd (as trustee for Duxton Vineyards Unit Trust) owns 100% of Duxton Viticulture Pty Ltd (the operating entity) and owns 100% of the units in Duxton Vineyards Water Pty Ltd as trustee for Duxton Water Trust.

A diagram detailing the structure of these entities is included below:

Duxton Vineyards Group Structure



Directors of Duxton Vineyards

The directors of Duxton Vineyards are Ed Peter and Dirk Wiedmann (who are also directors of the Company) and Peter Kight. The directors of Duxton Vineyards Water and Duxton Viticulture are the same as Duxton Vineyards.

Relevant Related Parties and control

Prior to listing on ASX, the Company was 100% owned and therefore controlled by Duxton Vineyards Water and Duxton Vineyards (although it was incorporated for the purpose of listing on ASX and had not traded prior to the transactions entered into for listing on ASX). As a result of listing on ASX, the relevant interest of each of Duxton Vineyards and Duxton Vineyards Water in the Company was reduced to 40.74% which is their relevant interest in the Company as at the date of the Notice.

Their individual Shareholding and relevant interest before and after the Duxton Vineyards Transaction would be as follows*:

	Duxton Vineyards		Duxton Vineyards Water	
Pre DV Transaction				
No. of Shares	3,365,561	5.29%	22,691,118	35.47%
Relevant interest	26,056,680	40.74%	26,056,680	40.74%
Post DV Transaction				
No. of Shares	10,175,611	14.8%	22,691,118	31.90%
Relevant Interest	32,666,680	46.29%	32,666,680	46.29%

*based on total issued Shares of 63,965,406, and no Options exercised

The Directors who have not declared a material personal interest in respect of the Duxton Vineyards Transaction do not consider that Duxton Vineyards presently has control over the Company.

However the Directors who have not declared a material personal interest in respect of the Duxton Vineyards Transaction recognise that by entering into the Duxton Vineyards Transaction, Duxton Vineyards will increase its relevant interest in the Company. Accordingly, although it is not the intention of this transaction, Duxton Vineyards, along with Duxton Vineyards Water, may potentially exercise control over the Company at a future date as a result. Those Directors therefore consider that Shareholder approval should be obtained on the basis that Duxton Vineyards and its associates may control the Company as a result of the Duxton Vineyards Transaction and thus be a related party as a result.

Ed Peter and Dirk Wiedmann are directors of both Duxton Water and Duxton Vineyards but do not exercise control over Duxton Vineyards, Duxton Vineyards Water or Duxton Viticulture.

The Investment Manager does not in any way act in concert with Duxton Vineyards, Duxton Vineyards Water or Duxton Viticulture in relation to the affairs of the Company.

Relevant Associates

Duxton Viticulture is an Associate of Duxton Vineyards and Duxton Vineyards Water. There are no other Associates of Duxton Vineyards.

Statement of Intention by Duxton Vineyards

Duxton Vineyards has informed the Company that it does not intend to change the business of the Company, has no intentions in respect of the future employment of present employees of the Company, has no further proposal whereby assets will be transferred with the Company or the Associates and has no intention to otherwise deploy the fixed assets of the Company.

Duxton Vineyards has also informed the Company that it has no intention to significantly change the financial or dividend distribution policies of the Company, or to change the Directors of the Company.

Duxton Vineyards has indicated that it intends to distribute its Shares, and those held by Duxton Vineyard Water, to their own investors (as in specie distribution), as soon as practicable after the NAB security over the Shares has been released, which is estimated to be within 24 months. This will result in the Shareholding and relevant interest of Duxton Vineyards and Duxton Vineyards Water reducing to nil. This will result in those investors individually holding Shares in the Company, none of which will have a relevant interest in more than 20% of the Shares on issue as a result. Duxton Vineyards does not otherwise intend to sell or dispose of its Shares or those of Duxton Vineyards Water. Duxton Vineyards does not consider this amounts to a relevant agreement for the purpose of the Corporations Act.

Duxton Vineyards' reasons for entering into transaction

The reasons for Duxton Vineyards entering into this transaction are:

- Through the transaction, Duxton Vineyards has the ability to secure its water requirements without the need to own the underlying water asset, a capital light option.
- In Duxton Vineyards holding the Shares instead of the underlying water assets, Duxton Vineyards' financier has security over a more readily available current value than if direct water assets are held.
- With the equity held in Shares there is much greater liquidity for Duxton Vineyards and its underlying investors.
- By owning Shares in the Company rather than retaining the underlying water assets, Duxton Vineyards and its investors have a balanced exposure to a portfolio of water assets rather than a concentrated holding.
- Whilst the return from the Shares will be offset by the lease payments, Duxton Vineyards has the potential in the future to earn returns greater than the internal return on capital it would receive from directly holding a concentrated water entitlement holding.

6. Outline of IER

The Independent Expert has determined that the Duxton Vineyards Transaction is fair and reasonable to Shareholders whose votes are not to be disregarded.

The IER should be considered in full. The following is an outline of the key findings and assumptions contained in the IER.

IER

In arriving at the opinion that the Duxton Vineyards Transaction is fair and reasonable, the Independent Expert had regard to insert from final IER.

In determining whether the Duxton Vineyards Transaction is fair, the Independent Expert considered:

- the value of the water entitlements are essentially equal to the value of the proposed consideration, with the variance reflecting approximately 1% which it considered to be immaterial;
- the value of the equity in the Company post the Duxton Vineyard Transaction is equal to the value range of a Share pre the proposed transaction, with the ordinary shares pre and post the proposed transaction valued at \$1.12 (rounded); and
- the terms of the proposed leases are on commercial terms.

In determining whether the Duxton Vineyards Transaction is reasonable, the Independent Expert had regard to the following advantages and disadvantages:

- By entering into a seven year lease with Duxton Viticulture, the Company will have a secure source of income, will increase its weighted average lease expiry, will increase the proportion of water portfolio that is leased and will increase its weighted average yield from the portfolio.
- The growth in the Company's water portfolio and capital base may increase the attractiveness of the Company to institutional investors.
- The proposed purchase provides the Company an opportunity to secure a unique parcel of water which is rarely available on the open market, but rather is generally only available in combination with a land and/or productive asset purchase. Currently there are approximately 189,704 ML of NSW Murray High Security Shares on issue. Of this, approximately 25,508 ML are owned by NSW and Commonwealth governments, leaving only 164,196 ML available to the free market. Of this volume, 75% would be held by no more than 20 groups, the majority of which water would likely be committed to productive assets and are unlikely to be sold without a land and productive asset sale. Further, to acquire this volume on market could well have an undue inflationary impact.
- The Zone 11 Entitlement has some of the greatest flexibility in trading capability. This maximises the customer demand pool available when negotiating or renegotiating a lease of the entitlement. The broader the tradeability of the entitlement, the larger the number of industries that could deploy the asset which reduces specific industry risk.
- The proposed transaction will result in Duxton Vineyards increasing its shareholding from 40.74% to 46.29%. This could further impact the liquidity of the Shares. However, Duxton Vineyards have advised the Company that it is the intention to distribute the Shares that Duxton Vineyards holds in the Company to the unit holders of Duxton Vineyards as soon as practicable after the NAB security over these Shares has been released, which is estimated to be within 24 months.
- The Duxton Vineyard Transaction will result in the proportion of the water entitlements leased to Duxton Vineyards increasing from approximately 41.65% to 46.91%. Whilst

Duxton Vineyards is considered by the Company to be strong and of little counterparty risk, it is placing greater reliance on one party for its income generation. Notwithstanding the foregoing, ultimately there is the capacity to quickly redeploy the asset should there be a default in lease terms, thereby reducing the risk.

Aither Valuation

The Independent Expert had the water entitlements to be acquired from Duxton Vineyards independently valued by Aither, whose report is included in the IER. That valuation is at 30 June 2017 and was conducted on a fair value measurement basis under the Australian Accounting Standards Board (AASB) 13 definition.

Aither determined the value of the Company's current portfolio of water entitlements to be \$69.6 million.

The value of the water entitlements to be acquired from Duxton Vineyards as determined by Aither is set out in the following table, which also shows the value that the Company has agreed to pay for those entitlements.

Water Entitlement	Purchase Value	Aither Value
NSW Zone 11 Murray High Security 1,539 ML (WALs)	\$5,001,750 (\$3,250 / ML)	\$5,386,500 (\$3,500 / ML)
NSW Zone 11 Murray General Security 511 ML (WALs)	\$664,300 (\$1,300 / ML)	\$689,850 (\$1,350 / ML)
NSW Zone 11 WMI High Security	\$1,144,000 (\$3,250 / ML)	\$1,232,000 (\$3,500 / ML)
Total	\$6,810,050	\$7,308,350

The Company has 65 individual water entitlements comprising its current portfolio. The Aither report includes a list of all of those individual water entitlements. The listing of all of the Company's water entitlements in this manner is not publicly available and is not considered by the Board to be materially price sensitive or material to Shareholders for the Resolutions. In addition, such a listing of the Company's current water entitlements is considered by the Board to be disclosing commercially sensitive information which may be detrimental to the interests of the Company. Accordingly those lists have been redacted in the version of the Aither report included in the IER and on the Company's website. The Company will make the unredacted version of the Aither report available for inspection to a Shareholder upon on bona fide request as to the reason for the inspection.

7. Directors Interests and Recommendations

The following table sets out the equity interests of the Directors declared in relation to the Duxton Vineyards' Transaction, being their proportionate interest in the shares and units they hold or control in Duxton Vineyard, Duxton Vineyard Water and Duxton Viticulture as a combined group (DV Group). Those interests may change in the period up to the General Meeting and settlement of the Duxton Vineyards Transaction, and accordingly their expected new interest is also included.

Company Director	Declared Interest in DV Group -Current	Declared Interest in DV Group - Expected	Interest in the Company – pre Transaction*	Interest in the Company – post Transaction*
Ed Peter (Chairman)	17.24%	24.11%	0.46%	0.42%
Dirk Wiedmann	3.45%	3.84%	Nil	Nil
Peter Michell	1.72%	2.83%	0.015%	0.014%
Stephen Duerden	Nil	0.14%	0.015%	0.014%
Dennis Mutton	Nil	Nil	Nil	Nil

* Does not include interests in the Company's Options

Directors Recommendation

The Directors who have not declared any material personal interest in the Duxton Vineyards Transaction are Stephen Duerden and Dennis Mutton. They recommend that the eligible Shareholders vote in favour of the Duxton Vineyards Transaction and approve all Resolutions. Refer to Section 5 for the reasons for the Directors' recommendation.

The Directors who have declared a material personal interest in the Duxton Vineyards Transaction are Ed Peter, Peter Michell and Dirk Wiedmann. They do not make a recommendation in relation to the Duxton Vineyards Transaction or the Resolutions as they do not consider it appropriate to do so in light of the interests they have declared.

Alternatives to Duxton Vineyard Transaction

The Board has considered alternatives to the Duxton Vineyards Transaction which might be available. There are essentially two alternatives – not proceed to acquire the water entitlements at all, or seek to pay cash for them. In considering these alternatives, the Directors who have not declared any material personal interest in the Duxton Vineyards Transaction have concluded that the transaction as proposed is the preferred and recommended approach.

The proposed transaction to acquire additional water entitlements and lease them on a long term basis forms part of Company's strategy to grow its water portfolio assets and increase the proportion of its water assets which are leased on a long term basis.

The ability to secure this volume of NSW Murray High Security Water Entitlement from the open market is very limited. Parcels of this nature are generally only available when a land and production asset are offered for sale. The General Security Entitlement may have been able to have been secured through the open market as it is more readily offered and available in volume, however the General Security entitlement was offered as a package as part of the transaction. Both NSW Murray High and General Security Entitlement form part of the Company's core target portfolio.

As the Company is not in the business of purchasing land and production assets, its ability to secure parcels like this at present relies on the Company engaging or negotiating with agri-

producers who are interested in selling their water entitlement and entering into long term lease arrangements. The Company continues to develop various relationships which over time are likely to deliver opportunities, however the Company does not currently have any discussions at an advanced stage that they would offer as an alternative to the current transaction.

The Board considered agreeing to pay cash to Duxton Vineyards for the Water Entitlements instead of the issue of Shares to Duxton Vineyards. If the water entitlements were to be purchased with cash, the Company would be required to raise the funds by issuing more Shares (or other securities) and pay brokerage commissions and costs of marketing campaigns associated with a separate capital raise. Importantly, this would also not provide the Company with certainty regarding raising sufficient funds to finance the transaction.

Moreover, there is no timing advantage from a regulatory perspective for the Company in purchasing the Water Entitlements with cash. Cash consideration for the Water Entitlements would still require the Company to obtain Shareholder approval.

Therefore the issue of Shares will allow the Company to expeditiously acquire strategic Water Entitlements that do not often come up for sale. Given the Company is currently fully invested with no excess cash reserves and the Board does not wish to leverage the business, the Board concluded that the issue of Shares was therefore a more certain and efficient way for the Company to be able to fund the acquisition of the Water Entitlements. The Company is also agreeing to pay a purchase price which is less than the value independently determined by Aither, as set out in Section 6 and the IER.

Director Participation

All Directors who have declared their material personal interest have participated in Board deliberations in relation to the Duxton Vineyards Transaction pursuant to section 195(2) of the Corporations Act (that is, with approval of the Directors who have not declared a material personal interest). However the Directors who have declared a material personal interest did not vote in respect of the Duxton Vineyards Transaction at relevant Board meetings.

8. Material Risks in Relation to the Duxton Vineyards Transaction

Risk

This section provides the risks which the Directors believe are key risks in relation to the Duxton Vineyards Transaction. Shareholders should be aware that that this is not an exhaustive list of the risks and they should be considered in conjunction with the other information disclosed in this Explanatory Statement. Shareholders should also note that the occurrence or consequences of some of the risks described in this section are partially or completely outside the control of the Company, its Board and the Investment Manager.

Shareholders should consider seeking professional advice from their stockbroker, solicitor, accountant or other independent professional adviser before deciding whether or not to approve the transaction.

Risks associated with the Duxton Vineyards Transaction

Control Risk

As at the date of the Notice, the relevant interest of each of Duxton Vineyards and Duxton Vineyards Water in the Company is 40.74%. If the Duxton Vineyards Transaction is approved, the combined Shareholding and relevant interest of Duxton Vineyards and Duxton Vineyards Water in the Company will be approx. 46.29%. There is a risk that Duxton Vineyards will exert or attempt to exert control over the Company and its affairs.

Duxton Vineyards and Duxton Vineyards Water also hold Options in the Company totaling 3,365,561 and 4,142,919, respectively. If after the Duxton Vineyards Transaction but prior to the expiry date, Duxton Vineyards and Duxton Vineyards Water exercise their respective Options in the Company, their maximum relevant interest in the Company, if no other Optionholders exercise their Options, will be 51.5%.²

See Section 5 of the Explanatory Statement for more information.

Key Lessee Risk

At current, the Company has approximately 76.39% of its lease revenue payable by Duxton Viticulture. If the Duxton Vineyards Transaction is approved, the Company will have approximately 80.51% of its lease revenue paid by Duxton Viticulture. A default by Duxton Viticulture could adversely affect the revenue generated by the Company. Under the terms of the water leases if Duxton Viticulture defaults the Company may terminate the water lease and take back the Water Entitlements. The Company anticipates that it will be readily able to lease those Water Entitlements to another person such that it will not sustain any significant losses as a result of the default by Duxton Viticulture.

² Based on total issued Shares of 70,575,406.

Issue of Shares at prevailing market price

The Share price for the issue of 6,610,000 Shares to Duxton Vineyards is based on the prevailing market price on the proposed date of issue. The Company's Share price is subject to fluctuation. Over the previous 12 months, the Company's Share price has ranged from as low as \$0.96 per Share to its highest price at \$1.10 per Share. Accordingly, there is a risk that the prevailing market price on the proposed issue date may be higher than anticipated by the Company resulting in the Company providing consideration to Duxton Vineyards at a value that is higher than intended.

Security over Duxton Vineyards' Shares

The Shares issued to Duxton Vineyards are likely to be subject to a security interest in favour of the NAB as part of the financial accommodation provided by NAB to the DV Group. If the NAB enforces its rights under that security, some of all of Duxton Vineyards' Shares may be sold. Duxton Vineyards' Shares represent a substantial interest in the Company. Therefore any forced sale of those Shares may affect control of the Company and the traded Share price.

Risk associated with investment in the Company

Contractual Risk

The financial performance of the Company is subject to the company and its counterparties continuing to perform their respective obligations under various contracts. If the Company or one of its counterparties fails to adequately perform their contractual obligations, this may result in a loss of earnings, termination of the particular contract, disputes and or litigation. For example, the Company anticipates many of its Water Entitlements will be subject to long-term lease arrangements. If the leaseholder were to default on their obligations, this could result in a loss of revenue for the Company.

Market Size and Liquidity risk

The turnover of Australian Water Entitlements is relatively small when compared to the aggregate Australian Water Entitlement market, with approximately an average annual turnover of 311 GL (approximately 4% of the entire Entitlements market) valued close to \$400 million during the 2014-15 season. Average annual turnover in Water Allocations over the same period was 5,550 GL. With limited market activity, the small market size poses a liquidity risk for the Company, creating pricing and capacity considerations. This may be of concern as the Company, and the aggregate assets managed by it across multiple client accounts, grows in size, if the market as a whole does not increase at the same pace.³

³ Based on 2015-16 Water Year.

Risk of Shares trading below Net Asset Value (NAV)

The Shares of the Company may trade on the ASX at a discount to the NAV of the Water Entitlements portfolio on a per Share basis and the performance of the Shares may not be correlated with the performance of Water Entitlements portfolio.

Market Risk

Macroeconomic risks such as movements in interest rates, commodities prices and inflation have the potential to adversely impact the value of assets. Significant fluctuations in macroeconomic factors may cause volatility in the value of Water Entitlements and Water Allocations resulting in poor returns.

Diversification Risk

The Company's key strategy in active investment is diversification to mitigate risk. However, whilst the Company will target portfolio diversification across security classes, Water Entitlement types and geographical regions, due to the timing of deployment of funds, the Company may be concentrated in certain Water Entitlements. Consequently, a lack of diversification during periods when capital is yet to be invested may adversely impact the performance of the Company.

Leverage Risk

The Company has the right to employ the use of leverage in order to manage short term cash flow. This has the ability to magnify losses to the Water Entitlements portfolio. With the use of debt, the Company is exposed to changes in interest rates. An increase in interest rates if debt were utilised could have an adverse effect on future financial performance.

Legal, Tax and Regulatory Risks

Regulatory change implemented through the Murray-Darling Basin Plan and through State and Federal water reforms may impact the liquidity, transferability and value of Australian Water Entitlements. Historically, governments have allowed transitional periods in order for the market to adapt to any changes in regulations.

The regulatory environment, such as the tax and legal structure, surrounding Water Entitlements and the investment vehicle is subject to change. Such change has the potential to adversely impact the Company's performance.

Reliance on the Investment Manager

The investment decisions made by the Investment Manager of the Company are key to achieving the investment objectives. Failure to develop and implement adequate strategies may adversely impact the performance of the Company.

Key Person Risk

The success of the Company depends on the ability to retain the members of the Board and for the Investment Manager to retain as well as attract talented personnel. The Company has

executed an Investment Management Agreement with the Investment Manager and a key terms of reference with each director, but this does not guarantee continued involvement of Board members or employment of key personnel. The loss of key employees could cause material disruption to the business and operations of the Company and have a material adverse effect on future financial performance.

Capital Depreciation Risk

Water Entitlements have historically generated capital growth. However, past performance of Water Entitlements is not a reliable indicator of the future performance of Water Entitlements. As such, there exists the risk that Water Entitlements may depreciate in value over the investment period. For example, severe wet conditions were experienced throughout 2010 to 2012. Consequently, the amount of water available for annual water allocations was greater than in previous dry irrigation seasons. As a result, the greater supply of water reduced its scarcity and hence reduced the price of water.

9. ASX Listing Rule Information – Resolutions 1 and 3

For the purpose of Listing Rules 10.10 and 10.13, the Company provides the following information.

Information	Details
Person to be issued the Shares	Duxton Vineyards
Relationship between Duxton Vineyards and the Company	Duxton Vineyards is a substantial Shareholder but is not presently a related party to the Company within the meaning of section 228 of the Corporations Act. However, Duxton Vineyards may control the Company as a result of the Duxton Vineyard transaction. See Section 5.
Maximum number of Shares to be issued	6,610,000 new Shares
Issue price and terms of issue	The new Shares will be issued at prevailing market price on the day of issue, for the purchase by the Company of 2,402 megalitres of Water Entitlements from Duxton Vineyards, which are valued at approximately \$6,810,050 and will have the same rights as the Company's existing issued and quoted shares.
Date for Share issue	17 November 2017, being within 1 month from the date of approval.
Intended use of funds raised	No cash funds are being raised. The funds in this transaction are Water Entitlements valued at approximately \$6,810,050. The Company intends to lease the Water Entitlements to Duxton Viticulture pursuant to two leases. See Section 4.
Independent Expert Report	The notice contains an Independent Expert Report by Pitcher Partners which states that the Duxton Vineyards Transaction is fair and reasonable to Shareholders whose votes are not to be disregarded.

Information	Details
Provision of the IER to each Shareholder	The IER accompanies this Notice of Meeting.
Access to IER	The IER is available on the Company's website at http://www.duxtonwater.com.au/ . Hard copies of the IER are available on request of a Shareholder at no cost to that Shareholder.
Voting exclusion statement	Duxton Vineyards as acquirer of the new Shares will be excluded from voting on Resolutions 1 and 3, along with its Associates as identified in Section 5. See Notice of Meeting for detailed voting exclusion statement.
No approval under Listing Rule 7.1	In accordance with Listing Rule 7.2 exception 14, approval under Listing Rule 7.1 is not required because the issue of Shares to Duxton Vineyards will be made with the approval of Shareholders under Listing Rule 10.11.

Share Price Range

The minimum and maximum price of the Company's Shares in the last 12 months (being since listing on ASX) has been:

Highest Price: \$1.10

Lowest Price: \$0.96

The latest available traded price of the Company's Shares at the date of the Notice is \$1.035.

10. Corporations Act Information

Section 611 Item 7 Corporations Act – Resolution 2

For this resolution the Company is required to give Shareholders all information known to the Company and Duxton Vineyards (and its associates) that is material to the decision to vote on the resolution. The following is a guide to this information as contained elsewhere in the Notice.

Details	Further Reference
Identify of the person proposing to make the acquisition and their associates.	Duxton Vineyards and Associates. See Section 5.
The maximum extent of the increase in Duxton Vineyards' voting power in the Company that would result from the acquisition.	The maximum extent of the increase in the voting power of Duxton Vineyards (and Duxton Vineyard Water) would be 5.54%.
The voting power that Duxton Vineyards would have as a result of the acquisition.	46.29% (32,666,680 Shares)
The maximum extent of the increase in	The maximum extent of the increase in the

the voting power of each of Duxton Vineyards' Associates that would result from the acquisition.	voting power of Duxton Vineyards Associates would be 5.54%.
The voting power that each of Duxton Vineyards' Associates would have a result of the acquisition.	46.29% (32,666,680 Shares)
Statements as to intention, control and directors	No intention to change, see Section 5.

Section 208 of the Corporations Act – Resolution 4

The Company is required under Section 219 of the Corporations Act to provide information to Shareholders for the purpose of determining how to vote on the Resolution 4. A guide to this information contained elsewhere in the Notice is as follows.

Topic	Key Details
Identity of the related party	<p>For the issue of Shares by the Company as part of the Duxton Vineyards Transaction, the related parties are Duxton Vineyards as the allottee of the Shares and its associated Shareholder Duxton Vineyards Water, on the basis that those Shareholders may control the Company as a result of the transaction.</p> <p>For the lease of the Water Entitlements forming part of the Duxton Vineyards Transaction, the financial benefit is being provided to Duxton Viticulture (which is an associate of Duxton Vineyards).</p>
Information about the circumstances of the related party transaction	<p>The existing arrangements between Duxton Vineyards, Duxton Vineyards Water and Duxton Viticulture are set out in Section 5.</p> <p>As to the arrangements between the Company and those entities (other than in respect of the Duxton Vineyards Transaction), Duxton Viticulture is already the lessee of approximately 8,554.56 ML of Water Entitlements from the Company. Those Water Entitlements leases were entered into as part of the listing of the Company on ASX, and the details of those leases are set out in the Company's replacement prospectus dated 11 August 2016.</p> <p>There are no other relevant arrangements between the Company and any of the DV Group.</p>
Nature of the financial benefit	<p>The financial benefits being given by the Company (for which Shareholder approval is sought) are:</p> <ul style="list-style-type: none"> • Issue of 6,610,000 Shares to Duxton Vineyards at the prevailing market price on the proposed date of issue and consequent increase in relevant interest of Duxton Vineyards and Duxton Vineyard Water. • Leases of the Water Entitlements to Duxton Viticulture. <p>The financial benefit being provided to Duxton Vineyards is 6,610,000 Shares.</p> <p>The increase in the relevant interest of Duxton Vineyards and Duxton Vineyards Water will be from 40.74% to 46.29%. The Company cannot quantify the value of that financial benefit.</p>

Topic	Key Details
	<p>The value of the lease being provided by the Company to Duxton Viticulture is not possible to quantify overall. The initial rent payable by the lessee to the Company is \$476,703.50 as set out in Section 4.</p> <p>The reasons for the giving of the financial benefits, the basis for them and the substantive effect of the Duxton Vineyards Transaction are set out in Sections 4 and 5.</p>
Directors' recommendations	The Directors' recommendations (where applicable) and reasons why some Directors have not made any recommendation are set out in Section 7.
Directors' interests	The interests of Directors is set out in Section 7.
Valuation of the financial benefit	A valuation of the financial benefits has been provided by way of the Independent Expert Report and the Valuation Report by Aither (for the Water Entitlements).
Related party's existing interest	The existing interests of the related parties is set out in Section 5. Duxton Vineyards existing relevant interest is 40.74%.
Dilution effect on existing members' interests	The dilution effect on existing shareholders interests is set out in Section 5. Dilution will be up to 5.54%.
Disclosure of a relevant director's total remuneration package	There are no resolutions relating to remuneration or incentives of Directors or other related parties.

Schedule 1

Timetable for Duxton Vineyards Transaction (if approved)

Indicative Date*	Action
18 October 2017	General Meeting of Shareholders to approve all Resolutions.
17 November 2017	<ul style="list-style-type: none">• Settlement of Water Purchase Contracts and entity into Water Leases.• Issue of 6,610,000 Shares to Duxton Vineyards

* Dates are indicative only and may change subject to the Corporations Act and Listing Rules

Glossary

TERM	DEFINITION
\$ or A\$ or AUD	Australian dollars
AFSL	Australian Financial Services Licence
Aither	Aither Pty Ltd ACN 155 726 426
ASIC	Australian Securities and Investment Commission
Associate	Has the same meaning as in Chapter 6C of the Corporations Act
ASX	ASX Limited ACN 008 624 691 or the market known as the Australian Securities Exchange, as applicable
Board	The board of directors of the Company
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day
Chairman	Chairman of the General Meeting
Company	Duxton Water Limited ACN 611 976 517
Constitution	The constitution of the Company
Corporations Act	<i>Corporations Act</i> 2001 (Cth)
Director	A current director of the Company
Duxton Vineyards	Duxton Vineyards Pty Ltd ACN 608 763 515 as trustee for the Duxton Vineyards Unit Trust ABN 47 541 387 889
Duxton Vineyards Water	Duxton Vineyards Water Pty Ltd ACN 609 424 786 as the trustee for the Duxton Water Unit Trust ABN 25 411 487 092
Duxton Viticulture	Duxton Viticulture Pty Ltd ABN 83 609 424 704
DV Group	Duxton Vineyards, Duxton Vineyards Water and Duxton Viticulture
Equity Securities	Includes a Share, a right to a Share or Option, an Option a convertible security and any security that ASX decides to classify as an Equity Security
Explanatory Statement	The explanatory statement accompanying the Notice
General Meeting (EGM) or Meeting	The meeting convened by the Notice
General Security	A form of Water Entitlement, hence Water Allocation, pertaining to a regulated stream for which water orders are accepted subject to storage / demand circumstances
High Security	A form of Water Entitlement, hence Water Allocation, pertaining to a regulated stream for which the supply of water is guaranteed irrespective of circumstances
IER	Independent Expert Report by Pitcher Partners accompanying the Notice
Investment Manager	Duxton Capital (Australia) Pty Ltd ACN 164 225 647, AFSL 450218
Listing Rules	The listing rules of ASX

TERM	DEFINITION
ML	Megalitre
NAB	National Australia Bank Limited ACN 004 044 937
Notice or Notice of Meeting	This notice of meeting including the Explanatory Statement and the Proxy Form
Option	A quoted option to acquire 1 Share, exercisable at \$1.10 per Option on or before 31 May 2018
Pitcher Partners	Pitcher Partners Corporate Pty Ltd ACN 082 323 868, AFSL 229841
Proxy Form	The proxy form accompanying the Notice
Related Party	Has the same meaning as in the Corporations Act
Resolutions	The resolutions set out in the Notice, or any one of them as the context requires
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A registered holder of a Share
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277
SRN	Securityholder Reference Number
Trading Day	A day determined by ASX to be a trading day in accordance with the listing Rules
Trading Region or Trading Zone or Zone	Zones established to simplify administration of a trade by setting out the known supply source or management arrangements and the physical realities of relevant supply systems within the zone.
VWAP	Volume weighted average market price (as defined in the Listing Rules)
WAL	Water Access Licence issued under the Water Management Act 2000 (NSW)
Water Allocation	The specific volume of water allocated to a Water Entitlement in a given season.
Water Entitlement	The perpetual entitlement to exclusive access to a share of water from a specified consumptive pool
Water Purchase Contract	A contract to acquire Water Entitlements
Water Year	Any period of one year ending on 30 June
WMI	Western Murray Irrigation Limited

Duxton Water Limited

8 September 2017

Independent Expert Report





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Ref: PM

8 September 2017

PRIVATE AND CONFIDENTIAL

The Independent Directors
Duxton Water Limited
Duxton House
8 Pomona Road
STIRLING SA 5152

Dear Sirs

INDEPENDENT EXPERT REPORT

INTRODUCTION

Duxton Water Limited (Duxton Water) proposes to acquire 2,402 megalitres (ML) of water entitlements from Duxton Vineyards Pty Ltd as trustee of the Duxton Vineyards Unit Trust (Duxton Vineyards).

The purchase price payable for the water entitlements is \$6,810,050. It is proposed that Duxton Water issue 6,610,000 ordinary shares in Duxton Water as consideration for the purchase of the water entitlements.

Upon purchasing the water entitlements, Duxton Water has agreed to lease those entitlements to Duxton Viticulture Pty Ltd (Duxton Viticulture) for an initial term of approximately 7 years, for an annual rental of \$476,703.50 per annum, based on a 7% yield.

In respect of the above proposed transaction (the Proposed Transaction) we understand that:

- Duxton Vineyards is a substantial shareholder of Duxton Water. Duxton Vineyards owns 3,365,561 ordinary shares and 3,365,561 options in Duxton Water. Through its subsidiary, Duxton Vineyards Water Pty Ltd as trustee of Duxton Water Trust (Duxton Vineyards Water), Duxton Vineyards owns a further 22,691,119 ordinary shares and 4,142,919 options in Duxton Water. The holdings comprise 40.74% of Duxton Water on an undiluted basis and 26.24% on a fully diluted basis. The Proposed Transaction will result in Duxton Vineyards interest in Duxton Water increasing to 46.29% on an undiluted basis and 29.86% on a fully diluted basis;

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*Other than for the acts or omissions of financial services licensees.

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- Mr Edouard Peter, Chairman of the Board of Duxton Water, indirectly holds 297,000 shares in Duxton Water and indirectly holds 50,000 options in Duxton Water. Mr Peter is also a director of Duxton Vineyards and Duxton Vineyards Water and holds an indirect non-controlling interest in Duxton Vineyards and Duxton Vineyards Water; and
- Mr Dirk Wiedman, a non-executive director of Duxton Water, holds 880,000 options in Duxton Water and is also a director of Duxton Vineyards and Duxton Vineyards Water.

In view of the relationship between the Duxton Water and the vendors of the water entitlements, the Proposed Transaction requires an independent expert report pursuant to the ASX Limited (ASX) Listing Rule 10.1, Section 611 item 7 of the Corporations Act 2001 (Section 611) and Section 208 of the Corporations Act 2001 (Section 208).

Pitcher Partners Corporate Pty Ltd (Pitcher Partners Corporate) has been engaged by the Independent Directors of Duxton Water to provide an independent expert report providing our opinion as to whether the Proposed Transaction is considered fair and reasonable to the non-associated shareholders of Duxton Water (Shareholders).

PURPOSE OF REPORT

As stated above, the independent expert report is required pursuant to ASX Listing Rule 10.1, Section 611 and Section 208 in order to assist the non-associated Shareholders of Duxton Water in their decision as to whether to accept or reject the Proposed Transaction.

The report is to be included in the Notice of Meeting to be sent to Shareholders and has been prepared for the exclusive purpose of assisting the non-associated Shareholders in their consideration of the Proposed Transaction. The report should not be quoted or referred to or utilised for any other purpose unless written consent has been provided by Pitcher Partners Corporate.

SOURCES OF INFORMATION

Appendix 2 to this report sets out details of information referred to and relied upon by Pitcher Partners Corporate during the course of preparing this report and forming our opinion.

SUMMARY OPINION

In determining whether the Proposed Transaction is fair we:

- compared the value of the water entitlements being acquired to the value of the consideration;
- compared the value of a Duxton Water share pre the Proposed Transaction to that post the Proposed Transaction; and
- considered whether the entry of leases with Duxton Viticulture was undertaken on commercial terms.

The water entitlements proposed to be acquired by Duxton Water have been independently valued by Aither in their report dated 21 July 2017 (Aither Report) at \$7,308,350. We also obtained advice from Aither that the proposed terms of the leases with Duxton Viticulture were, in their opinion, on commercial terms.

The value of the shares in Duxton Water to be issued as consideration has been estimated by Pitcher Partners Corporate utilising an asset based methodology on a going concern basis. In addition we had regard to the listing price and the trading activity since listing, however, given the illiquidity of the Duxton Water shares, we have not relied upon this as a valuation methodology. Our selection of methodology and valuation are set out in Sections 4 and 5 respectively.

Our assessment of fairness, adopting each of the above methodologies, is summarised in the tables over the page.

Assessment of Fairness – ASX Listing Rule 10.1

	Undiluted Basis Low	Undiluted Basis High	Fully Diluted Basis Low	Fully Diluted Basis High
Value of Water Entitlements	\$7,308,350	\$7,308,350	\$7,308,350	\$7,308,350
Value of Proposed Consideration	\$7,237,950	\$7,257,780	\$7,257,780	\$7,264,390
Difference	\$70,400	\$50,570	\$50,570	\$43,960

Value per Duxton Water Share Pre and Post Proposed Transaction

	Undiluted Basis Low	Undiluted Basis High	Fully Diluted Basis Low	Fully Diluted Basis High
Equity Value of Duxton Water Pre Proposed Transaction	\$70,046,000	\$70,238,000	\$140,408,000	\$140,600,000
Number of Shares	63,965,406	63,965,406	127,930,812	127,930,812
Duxton Water Share Value Pre Proposed Transaction	\$1.095	\$1.098	\$1.098	\$1.099
Equity Value of Duxton Water post Proposed Transaction	\$77,354,350	\$77,546,350	\$147,716,350	\$147,908,350
Number of Shares	70,575,406	70,575,406	134,540,812	134,540,812
Duxton Water Share Value post Proposed Transaction	\$1.096	\$1.099	\$1.098	\$1.099

We also obtained advice from Aither that the proposed terms of the leases with Duxton Viticulture were, in their opinion, on commercial terms.

In our opinion, having regard to the above analysis, the Proposed Transaction is fair to the non-associated Shareholders of Duxton Water. In arriving at this opinion we had regard to the following:

- the value of the water entitlements are greater than the value of the proposed consideration;
- the value of the equity in Duxton Water post the Proposed Transaction is greater than the value range of a Duxton Water share pre the Proposed Transaction; and
- the terms of the proposed leases are on commercial terms.

We have also considered whether the Proposed Transaction is reasonable. In making this assessment we had regard to the following advantages and disadvantages:

- By entering into a seven year lease with Duxton Viticulture, Duxton Water will have a secure source of income, will increase its weighted average lease expiry, will increase the proportion of water portfolio that is leased and will increase its weighted average yield from the portfolio.
- The growth in Duxton Water's water portfolio and capital base may increase the attractiveness of the company to institutional investors.
- The proposed purchase provides Duxton Water an opportunity to secure a unique parcel of water which is rarely available on the open market, but rather is generally only available in combination with a land and/or productive asset purchase. Currently there are approximately 189,704 ML of NSW Murray High Security Shares on issue. Of this, approximately 25,508 ML are owned by NSW and Commonwealth governments, leaving only 164,196 ML available to the free market. Of this volume, 75% would be held by no more than 20 groups, the majority of which water would likely be committed to productive assets and are unlikely to be sold without a land and productive asset sale. Further, to acquire this volume on market could well have an undue inflationary impact.

- The Zone 11 Entitlement has some of the greatest flexibility in trading capability. This maximises the customer demand pool available when negotiating or renegotiating a lease of the entitlement. The broader the tradability of the entitlement, the larger the number of industries that could deploy the asset which reduces specific industry risk.
- The Proposed Transaction will result in Duxton Vineyards increasing its shareholding from 40.74% to 46.29%. This could further impact the liquidity of the shares. However, Duxton Vineyards have advised Duxton Water that it is the intention to distribute the shares that Duxton Vineyards holds in Duxton Water to the unit holders of Duxton Vineyards as soon as practicable after the NAB security over these shares has been released, which is estimated to be within 24 months.
- The Proposed Transaction will result in the proportion of the water entitlements leased to Duxton Vineyards increasing from approximately 41.65% to 46.91%. Whilst Duxton Vineyards is considered by Duxton Water to be strong and of little counterparty risk, it is placing greater reliance on one party for its income generation. Notwithstanding the foregoing, ultimately there is the capacity to quickly redeploy the asset should there be a default in lease terms, thereby reducing the risk.

In our opinion, after consideration of all issues including those set out above, and in the absence of any other information, that the Proposed Transaction is reasonable to the non-associated Shareholders as at the date of this report.

Pitcher Partners Corporate has been engaged to prepare an independent expert's report setting out whether in its opinion the Proposed Transaction is fair and reasonable to the non-associated Shareholders. Pitcher Partners Corporate has not been engaged to provide a recommendation to the non-associated Shareholders in relation to the Proposed Transaction, the responsibility for which lies with the Independent Directors. Shareholders should read the Explanatory Memorandum issued by Duxton Water in relation to the Proposed Transaction.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Shareholders.

The decision as to whether to vote in favour or against the resolutions in respect of the Proposed Transaction is a matter for individual Shareholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder.

Accordingly, before acting in relation to their investment, Shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders who are in doubt as to the action they should take should consult their own professional adviser.

Pitcher Partners Corporate has prepared a Financial Services Guide as required by the Corporations Act 2001 (the Act). The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Pitcher Partners Corporate's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary. The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours sincerely

PITCHER PARTNERS CORPORATE PTY LTD



P MURONE
Executive Director and Representative

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Financial Services Guide

Version dated: 10 October 2014

What is a Financial Services Guide?

This Financial Services Guide ("FSG") is an important document that is designed to assist you in deciding whether to use any of the general financial product advice provided by Pitcher Partners Corporate Pty Ltd. The use of "we", "us" or "our" is a reference to Pitcher Partners Corporate Pty Ltd as the holder of Australian Financial Services Licence ("AFSL") No. 229841. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide.
- details of any potential conflicts of interest
- details of our internal and external dispute resolution procedures and how you can access them.

Information about us

Pitcher Partners Corporate Pty Ltd has been engaged by Duxton Water Limited to provide general financial product advice in the form of a report to be given to you in connection with a financial product to be issued by another party. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are only responsible for the financial product advice provided in our report and for the contents of this FSG.

You may contact us by writing to GPO Box 5193, MELBOURNE VIC 3001, or by telephone on +613 8610 5000.

Pitcher Partners Corporate Pty Ltd is ultimately owned by the Victorian partnership of Pitcher Partners, a provider of audit and assurance, accounting, tax, corporate advisory, insolvency, superannuation, investment advisory and consulting services. Directors of Pitcher Partners Corporate Pty Ltd are partners of Pitcher Partners.

The Victorian partnership of Pitcher Partners is an independent partnership of Pitcher Partners. As such, neither it nor any of the other independent partnerships has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the name "Pitcher Partners", or other related names.

The financial product advice in our report is provided by Pitcher Partners Corporate Pty Ltd and not by the Victorian partnership of Pitcher Partners or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, we and the Victorian partnership of Pitcher Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

We hold professional indemnity insurance as required by the Corporations Act 2001 (Cth).

What financial services are we licensed to provide?

Our AFSL authorises us to provide general financial product advice and deal in the following classes of financial products to both retail and wholesale clients:

- Deposit products (including basic deposit products and deposit products other than basic deposit products)
- Derivatives
- Government debentures, stocks or bonds
- Interests in managed investment schemes including investor directed portfolio services
- Securities

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant Product Disclosure Statement ("PDS") or offer document provided by the issuer of the financial product. The purpose of the PDS or offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS or offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

The fees we charge for preparing reports are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed and confirmed in a letter of engagement with the party or parties who engage us.

Neither Pitcher Partners Corporate Pty Ltd nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any other fees, commissions or other benefits in connection with preparing and providing this report.

All of our employees receive a salary with partners also having an equity interest in the partnership. We do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. We are committed to responding to any complaints promptly, fairly and effectively. We have developed an internal complaint resolution policy and complaint handling procedures that are designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

Partner in Charge – Corporate Finance
Pitcher Partners
GPO Box 5193
MELBOURNE VIC 3001

If we are not able to resolve your complaint to your satisfaction within 45 days of the first notification of your complaint to us, you may contact the Financial Ombudsman Service ("FOS"). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FOS at:

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Telephone: 1300 780 808
Fax: +61 3 9613 6399
Internet: <http://www.fos.org.au>

The Australian Securities and Investments Commission ("ASIC") website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: info@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>

If your complaint relates to a breach of our Privacy Policy or the Australian Privacy Principles, the matter should be referred to The Privacy Officer, GPO Box 5193, Melbourne VIC 3001.

1. Details of the Proposed Transaction

1.1 Summary of the Proposed Transaction

On 18 August 2017 Duxton Water entered into two agreements with Duxton Vineyards:

- an agreement to acquire water shares in Western Murray Irrigation Ltd (WMI) with entitlements to 352 ML water; and
- an agreement to acquire the following water access licence (WAL) with entitlements to 2050 ML water:
 - WAL4944;
 - WAL5023;
 - WAL5434;
 - WAL16076;
 - WAL16271; and
 - WAL16272.

The amount to be paid for the water entitlements is \$6,810,050 and will be paid via the issue of 6,610,000 ordinary shares in Duxton Water. The shares to be issued to Duxton Vineyards will be post dividend. The Independent Directors have provided guidance of a 2 cents to 2.3 cents dividend to be paid to current shareholders in November 2017.

Upon purchasing the water entitlements, Duxton Water has agreed to lease those entitlements to Duxton Viticulture for a period of approximately seven years with an option to extend a further three years. The rent payable will be \$476,703.50, based on a 7% yield.

1.2 Proposed Capital Structure

Should the Proposed Transaction proceed the capital structure of Duxton Water would be as follows:

Proposed Capital Structure

	Number
Ordinary shares on issue pre the Proposed Transaction	63,965,406
Ordinary shares to be issued per the Proposed Transaction	6,610,000
Shares on issue post the Proposed Transaction	70,575,406
Options on issue pre and post the Proposed Transaction	63,965,406

The interest in Duxton Water held by Duxton Vineyards, directly and indirectly, post the Proposed Transaction would be as follows:

Duxton Vineyards Interest in Duxton Water

	Number
Ordinary shares held pre the Proposed Transaction	26,056,680
Ordinary shares to be issued per the Proposed Transaction	6,610,000
Ordinary shares held post the Proposed Transaction	32,666,680
% of shares on issue post the Proposed Transaction	46.29%
Options held pre and post the Proposed Transaction	7,508,480
% of options held post the Proposed Transaction	11.74%

1.3 Key Terms and Conditions

The key terms and conditions of the Agreements are as follows:

Key Terms & Conditions

Item	Details
Condition Precedent	<p>Duxton Water shareholder approval.</p> <p>Duxton Water viewing Duxton Vineyards share certificates for the water entitlements held in WMI.</p> <p>Each lender fully discharging each encumbrance it holds over the water entitlements.</p> <p>Duxton Water obtaining all shareholder approvals required or desirable including permission for Duxton Water to enter into a lease with Duxton Viticulture to lease the water entitlements (Water Supply Lease).</p> <p>Duxton Viticulture entering into the Water Supply Lease with Duxton Water.</p> <p>Duxton Vineyards preparing and lodging the appropriate forms with the Authorities and obtaining any and all approvals required for the transfer of the war rights to Duxton Water on an unconditional basis or on conditions acceptable to Duxton Water.</p>
Completion	Two business days after satisfaction or waiver of the conditions precedent.
Termination	Duxton Vineyards or Duxton Water may terminate the agreement if any condition is not satisfied or waived on or before 13 January 2018 or such later date as the parties mutually agree.

Source: Water Rights Sale Agreement – Water Access Licences and Water Rights Sale Agreement – Water Entitlement in Western Murray Irrigation Limited

2. Scope of Report

2.1 Purpose of the Report

ASX Listing Rule 10.1 requires a listed entity to obtain approval of the holders of its ordinary securities if it proposes to acquire or dispose of a substantial asset from or to a related party, subsidiary, a substantial holder, an associate of any of the aforementioned, or a person whose relationship with the listed entity or any of the aforementioned is such that, in the ASX's opinion, the transaction should be approved by its members.

ASX Listing Rule 10.2 states that an asset is substantial if its value is 5% or more of the equity interest in the entity as set out in the latest financial statements given to the ASX.

With respect to the Proposed Transaction:

- The value of the water entitlements being acquired by Duxton Water from Duxton Vineyards is greater than 5% of the equity of Duxton Water as at 30 June 2017 and accordingly the acquisition is deemed to be a substantial asset.
- Duxton Vineyards is a substantial shareholder of Duxton Water. Duxton Vineyards owns 3,365,561 ordinary shares in Duxton Water and 3,365,561 options. Through its subsidiary, Duxton Vineyards Water, Duxton Vineyards owns a further 22,691,119 ordinary shares in Duxton Water and 4,142,919 options in Duxton Water. The holdings comprise 40.74% of Duxton Water on an undiluted basis and 26.24% on a fully diluted basis. The Proposed Transaction will result in Duxton Vineyards interest in Duxton Water increasing to 46.29% on an undiluted basis and 29.86% on a fully diluted basis.
- Mr Peter, Chairman of the Board of Duxton Water, indirectly holds 297,000 shares in Duxton Water and indirectly holds 50,000 options in Duxton Water. Mr Peter is also a director of Duxton Vineyards and Duxton Vineyards Water and holds an indirect non-controlling interest in Duxton Vineyards and Duxton Vineyards Water; and
- Mr Dirk Wiedman, a non-executive director of Duxton Water, holds 880,000 options in Duxton Water and is also a director of Duxton Vineyards and Duxton Vineyards Water.

As a consequence of the related party nature of the transaction, Duxton Water is required to seek approval of the Proposed Transaction from its non-associated Shareholders pursuant to ASX Listing Rule 10.1 and also under Section 208 of the Act.

ASX Listing Rule 10.10.2 requires that the Notice of General Meeting to approve the Proposed Transaction pursuant to ASX Listing Rule 10.1 be accompanied by a report from an independent expert, stating whether the Proposed Transaction is fair and reasonable to the non-associated Shareholders.

Further, Regulatory Guide 76: Related Party Transactions requires that the shareholders have sufficient information where the proposed transaction provides a financial benefit to a related party and that the directors may wish to obtain an independent expert to consider the value of the financial benefits being provided.

Further, Section 606 of the Act expressly prohibits the acquisition of shares by a party if they own 20% or more of the issued shares of a public company and the acquisition will result in that person (or someone else) increasing its interest by more than 3%, unless one of the exceptions in section 611 of the Act applies.

Following the Proposed Transaction Duxton Vineyards will increase its voting power from 40.74% in Duxton Water to 46.29% on an undiluted basis and from 26.24% to 29.86% on a fully diluted basis.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

Regulatory Guide 74 issued by ASIC deals with 'Acquisitions Agreed to by Shareholders'. It states that the obligation to supply shareholders with all information that is material can be satisfied by the Independent Directors, by either:

- undertaking a detailed examination of the proposed transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an independent expert report.

The Independent Directors have commissioned this independent expert report to satisfy these obligations.

2.2 Basis of Evaluation

There is no legal definition for the expression 'fair and reasonable'. ASIC has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions, whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback, the expert is required to distinguish between 'fair' and 'reasonable'.

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing but not anxious buyer, and a knowledgeable and willing but not anxious seller, acting at arm's length.

An offer could be considered 'reasonable' if there were valid reasons to accept the offer notwithstanding that it was not 'fair'.

Fairness is a more demanding criteria. A 'fair' offer will always be 'reasonable' but a 'reasonable' offer will not necessarily be 'fair'. A fair offer is one that reflects the full market value of a company's businesses and assets.

This is commonly the case where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Pitcher Partners Corporate is to consider whether the Proposed Transaction is fair by comparing the value of the water entitlements to be acquired from Duxton Vineyards with the value of the shares to be issued as consideration. The transaction will be considered fair if the value of the water entitlements to be acquired is equal to or exceeds the value of the consideration. The Proposed Transaction would also be considered fair if the value of a Duxton Water share post the Proposed Transaction is equal to or greater than the value pre the Proposed Transaction.

In addition to the above we have considered whether the leases entered into with Duxton Viticulture are on commercial terms.

In considering whether the Proposed Transaction is reasonable, we have considered the advantages and disadvantages of Duxton Water proceeding with the transaction.

2.3 Limitations and Reliance on Information

The opinion of Pitcher Partners Corporate is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

Our procedures and enquiries do not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board.

3. Profile of Duxton Water

3.1 Brief Background

Duxton Water was incorporated on 20 April 2016 and listed on the ASX on 16 September 2016, raising \$41.7 million in proceeds from the issue of shares. It is the sole Australian water entitlement investment company listed on the ASX.

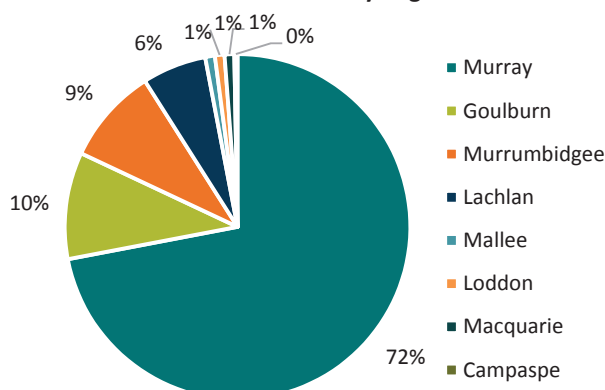
Upon listing, Duxton Water completed the acquisition of water entitlements from Duxton Vineyard Water and Duxton Vineyards worth approximately \$29 million and leased those entitlements to Duxton Viticulture on a long term basis. The acquisition was undertaken through an issue of shares.

By 31 December 2016, Duxton Water had spent approximately \$22 million of the cash in acquiring further water entitlements, increasing its portfolio to approximately \$51 million. By June 2017 the company had deployed all the IPO proceeds, having acquired approximately \$69 million of water entitlements in total.

The company aims to benefit from the increasing demand for water as a vital input to the agriculture industry, which currently utilise approximately 60% of Australia's water consumption. Future water availability is likely to be constrained by a growing global population, impacts of climate change and government buybacks of water entitlements for environmental purposes. The increasing scarcity of water, coupled with the rising demand for it is likely to be a key economic driver underpinning the water market.

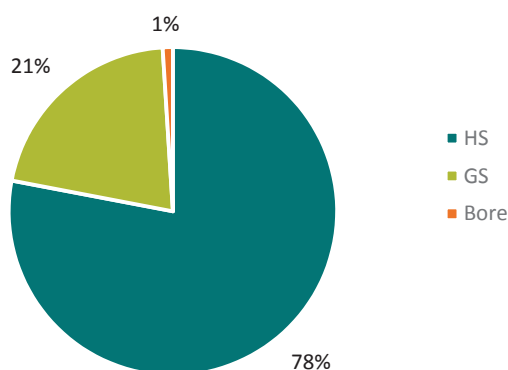
The company's target portfolio comprises a mix of water entitlements in Victoria, New South Wales and South Australia. This includes the Murray, Goulburn, Murrumbidgee, Lachlan, Mallee, Loddon and Macquarie trading zones.

Entitlement Portfolio Value by Region



As at 30 June 2017 the water security breakdown within the portfolio was 78% high security, 21% low/general security and 1% ground water.

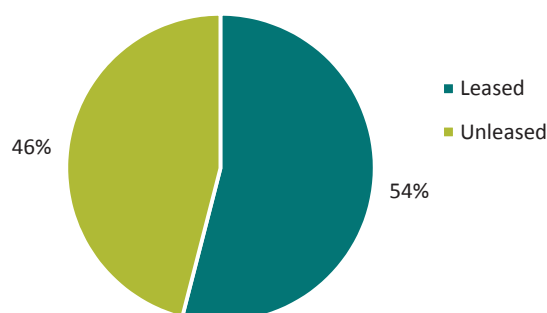
Water Security Breakdown



The majority of Duxton Water's returns are expected to be generated via water entitlement leases with primary producers. These leases are structured in a similar manner to commercial leases where the asset title is held by the lessor and fixed annual rent is paid by the lessee.

The company's investment strategy is to predominantly hold entitlements that are leased out for between 3-10 year periods and for the minority of the portfolio, sell allocations on the spot market. The company's aim is to have 70% to 80% of its water portfolio held in long term leases over time. As at 30 June 2017 54% of the portfolio was leased, with a weighted average lease term expiry of 5.9 years at an annualised yield of 6.04%. The unleased income is generating a running yield of 3.13%.

Water Portfolio Diversification



3.2 Board of Directors

Board of Directors

Directors	Experience
Edouard Peter, Executive Chairman	<p>Mr Peter is the co-founder and Chairman of Duxton Asset Management Pte Ltd. He was appointed to the Board of Duxton Water on 20 April 2016 as a representative of the Investment Manager.</p> <p>Mr Peter has previously held a number of roles within Deutsche Bank including Head of Deutsche Asset Management Asia Pacific, Middle East & North Africa, Head of Global Equities for Asia and Australia, Head of Global Equities for Asia and Australia, and Head of Equities and Branch Manager of DB Switzerland. He was also a member of the Deutsche Bank's Group Equity Operating Committee and Asset Management Operating Committee.</p> <p>Mr Peter is also a director and shareholder of Duxton Vineyards and Duxton Vineyards Water.</p>
Stephen Duerden, Non-executive Director	<p>Mr Duerden is currently the CEO of Duxton Asset Management Pte Ltd. Mr Duerden has over 25 years of experience in investment management. He was appointed to the Board of Duxton Water on 20 April 2016 as a representative of the Investment Manager.</p> <p>Prior to this, Mr Duerden held a number of roles with Deutsche Bank. He has had exposure to a broad range of financial products and services during his career. He has been involved in direct property development and management, the listing and administration of REITS, as well as the operation and investment of more traditional asset portfolios. Mr Duerden is a Fellow of the Financial Services Institute of Australasia and a Certified Practising Accountant.</p>
Dirk Wiedmann Non-executive Director	<p>Mr Wiedmann was appointed to the Board of Duxton Water on 20 April 2016. Mr Wiedmann has 25 years of experience in the finance industry having held senior global positions with Banks, including UBS AG, Bank Julius Baer & Co Ltd and Rothschild Bank AG. Throughout his time in the industry, Mr Wiedmann gained experience in international equities and derivatives, business sector market development, executive education and strategic marketing.</p> <p>Mr Wiedmann is also a director of Duxton Vineyards and Duxton Vineyards Water.</p>

Directors	Experience
Peter Michell Non-executive Director	<p>Mr Michell was appointed to the Board of Duxton Water on 20 April 2016.</p> <p>Mr Michell is a Director at Michell Wool Pty Ltd, and previously held the role of Managing Director from 2004 to 2014. Mr Michell was responsible for commodity trading, global B2B industrial sales and marketing, production management, trade finance, and water and waste water management. Mr Michell also currently sits on the Board of Mutual Trust Pty Ltd and the University of Adelaide's Agribusiness Advisory Board.</p>
Dennis Mutton Non-executive Director	<p>Mr Mutton was appointed to the Board on 20 December 2016.</p> <p>Mr Mutton is an independent consultant in the fields of natural resource management, primary industries, regional growth initiatives, leadership development and government-business relationships.</p> <p>Mr Mutton has previously held executive management roles in both the private and public sectors as CEO of a number of South Australian State Government agencies including the Department of Environment, Water and Natural Resources and the Department of Primary Industries and Regions. Mr Mutton also held roles as Commissioner and Deputy President of the Murray Darling Basin Commission and Chair of the SA Natural Resources Management Council. Mr Mutton also holds a range of board directorships in government, business and not for profit organisations at State and National levels.</p>
Donald Stephen Company secretary	<p>Mr Stephen is a Chartered Accountant and corporate adviser with over 20 years of experience in the accounting industry, including 14 years as a partner of Chartered Accounting firm HLB Mann Judd. Mr Stephen holds a number of positions as a public Company Director and Company secretary. Mr Stephen also provides corporate advisory services to a wide range of organisations.</p>

3.3 Capital Structure

As at the date of this report Duxton Water had 63,965,406 ordinary shares on issue. The top 20 shareholders of Duxton Water as at 31 July 2017 (as well as any options held) comprised the following:

Top 20 Shareholders

Holder	Ordinary Shares	%	Options	%
Duxton Vineyards Water Pty Ltd	22,691,119	35.47%	4,142,919	6.48%
Duxton Vineyards Pty Ltd	3,365,561	5.26%	3,365,561	5.26%
Friday Investments Pty Ltd	1,364,000	2.13%	1,364,000	2.13%
National Nominees Limited	1,226,230	1.92%	1,226,230	1.92%
HSBC Custody Nominees	1,076,534	1.68%	3,440,000	5.37%
Geat Incorporated	1,000,000	1.56%	1,000,000	1.56%
Mr Stephen Maurice Linton Lake	710,270	1.11%	1,000,000	1.56%
Mr David Wayne Rasheed	500,000	0.78%	500,000	0.78%
Ms Wendy Kathren Michell	478,001	0.75%	0	0.00%
Sandhurst Trustees Ltd	455,000	0.71%	455,000	0.71%
BNP Paribas Nominees Pty Ltd	303,742	0.47%	145,454	0.23%
Ironica Pty Ltd	300,000	0.47%	300,000	0.47%
W K M Holdings Pty Ltd	250,000	0.39%	250,000	0.39%
Mrs Jean Thyne Hadges	227,272	0.36%	227,272	0.36%
Mrs Lynette Joy Herriot & Mrs Tracey Joy Moulds	200,000	0.31%	200,000	0.31%
Ks Ooi Nominees Pty Ltd	200,000	0.31%	200,000	0.31%
Mr Alnis Ernst Vedig & Mrs Rasma Vedig	200,000	0.31%	150,000	0.23%
Bond Street Custodians Limited	200,000	0.31%	0	0.00%
J P Morgan Nominees Australia	200,000	0.31%	0	0.00%
R & D Fielke Pty Ltd	181,860	0.28%	181,860	0.28%
Top 20 Shareholders	35,129,589	54.89%	18,148,296	28.35%

Source: Computershare

The top 20 shareholders hold approximately 55% of the total shares in Duxton Water, with approximately 40.74% held by Duxton Vineyards directly and indirectly via its subsidiary Duxton Vineyards Water, with 50% of the holding currently in escrow until 15 September 2017. This tight shareholding explains the lack of liquidity in the shares.

In addition to the ordinary shares, Duxton Water has 63,965,406 options on issue. Duxton Vineyards directly and indirectly holds 11.74% of the options in Duxton Water. All options have an exercise price of \$1.10 and expire on 31 May 2018.

The top 20 option holders of Duxton Water as at 31 July 2017 comprised the following:

Top 20 Option holders

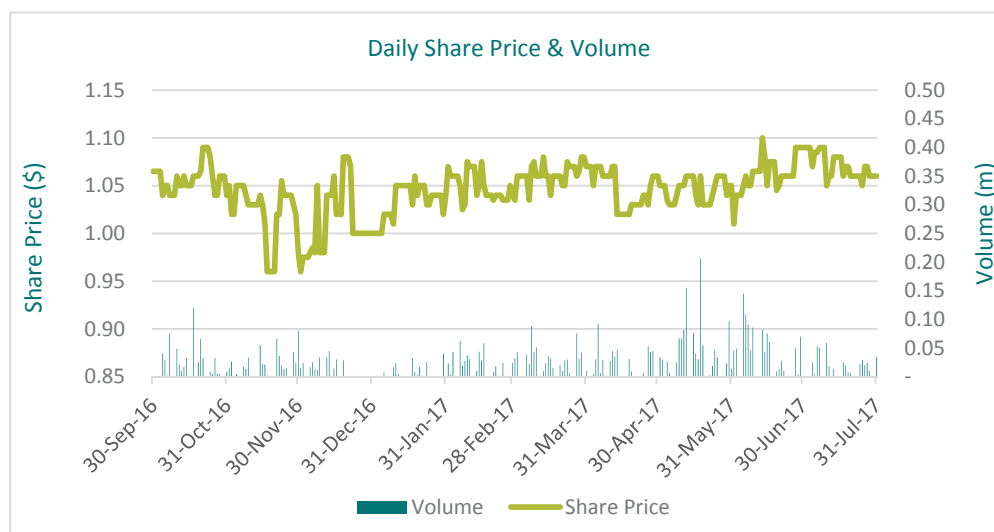
Holder	Options	%
Presali Australia Holdings Pty Ltd	4,400,000	6.88%
Seppeltsfield Pty Ltd	4,400,000	6.88%
Duxton Vineyards Water	4,142,919	6.48%
HSBC Custody Nominees	3,440,000	5.38%
Duxton Vineyards	3,365,561	5.26%
Sherbrook Land Pty Ltd	1,672,000	2.61%
Friday Investments Pty Ltd	1,364,000	2.13%
National Nominees Limited	1,226,230	1.92%
Mr Michael Hartweg	1,210,000	1.89%
Geat Incorporated	1,000,000	1.56%
Mr Stephen Maurice Linton Lake	1,000,000	1.56%
Mr Ben Smith	895,100	1.40%
Balthazar Barossa Pty Ltd	880,000	1.38%
Mr Dirk Erich Wiedmann	880,000	1.38%
Stirling Investments (Sa)	660,000	1.03%
Techwa Corporation Pty Ltd	572,000	0.89%
Mr David Wayne Rasheed	500,000	0.78%
Mr Michael David Row	455,644	0.71%
Sandhurst Trustees Ltd	455,000	0.71%
Mutual Trust Pty Ltd	450,000	0.70%
Top 20 Shareholders	32,968,454	51.53%

Source: Computershare

3.4 Liquidity Analysis

Ordinary Shares

The chart below illustrates the share price and volume of trade in the ordinary shares from September 2016 to June 2017.



Duxton Water shares were issued at \$1.10 each. The price declined to 96 cents on 17 November 2016 and again on 1 December 2016 however has generally fluctuated between \$1.01 and \$1.10 over the six months to 30 June 2017. The VWAP increased from \$1.03 in the quarter to 31 December 2016 to \$1.05 in the six months to 30 June 2017. Since 30 June 2017 to 16 August 2017 the price has fluctuated between \$1.01 and \$1.09 with a VWAP of \$1.07 in July 2017 however this reduced to \$1.02 for the period 1 August to 17 August 2017.

The shares have not been particularly liquid with only 8.4% of total shares traded over the 9 months to 30 June 2017 as illustrated in the following table:

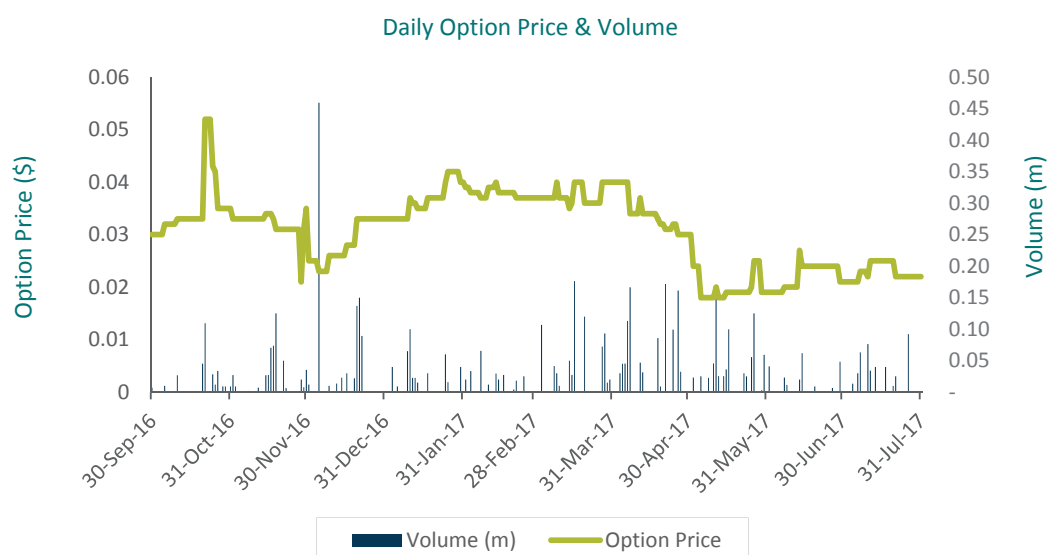
Volume of trades

Quarter ended	Low(\$)	High(\$)	VWAP(\$)	Last Sale Price (\$)	Volume (millions)	% Traded
31-Dec-16	0.96	1.09000	1.03	1.00	1.39	2.2%
31-Mar-17	1.01	1.08000	1.05	1.07	1.34	2.1%
30-Jun-17	1.01	1.10000	1.05	1.09	2.66	4.2%
						8.4%

Source: Capital IQ

Options

The chart below illustrates the price and volume of trade in options from September 2016 to July 2017.



The price of the Duxton Water options peaked on 21 October 2016 at 5.2 cents but declined to approximately 2.1 cents on 28 November 2016. The price of the options steadily increased to approximately 4.2 cents by 25 January 2017 and hovered between 3.4 cents and 4 cents until late April when the price of the options started to decline, falling to around 1.8 cents in May 2017. The price of the options has since fluctuated between 1.3 cents and 2.5 cents through to 15 August 2017. The VWAP increased in the quarter to 31 March 2017 from 3 cents to 4 cents and declined to 3 cents in the quarter to 30 June 2017. The VWAP declined to 2 cents in July 2017.

The options however have not been particularly liquid with only 8.9% of total options traded over the 9 months to 30 June 2017 as illustrated in the following table:

Volume of trades

Quarter ended	Low(\$)	High(\$)	VWAP(\$)	Last Sale Price (\$)	Volume	% Traded
31-Dec-16	0.02	0.05	0.03	0.03	1.73	2.7%
31-Mar-17	0.03	0.04	0.04	0.04	1.44	2.2%
30-Jun-17	0.02	0.04	0.03	0.02	2.01	3.1%
						8.1%

Source: Capital IQ

In addition to the above, we understand that in January 2017 Duxton Vineyards unitholders were distributed options held by Duxton Vineyard Water in Duxton Water, which reduced Duxton Vineyard Water's holding from 22,691,119 options to 4,142,919 options. The options were distributed at the bid price on the day of 4.1 cents.

3.5 Financial Performance

Summarised below is the audited historical income statement for the eight months 31 December 2016 and the income statement for the six months ended 30 June 2017:

Income Statement

	31 Dec 16 \$'000	30 June 17 \$'000
Lease income from permanent water entitlement	698	1,023
Sale of temporary water allocation	145	762
Revenue	843	1,785
Cost of temporary water entitlements sold	-	(132)
Impairment/(reversal) of water entitlements	(771)	211
Management fees	(169)	(290)
Other expenses	(307)	(325)
Total fixed expenses	(1,247)	404
Earnings Before Interest & Tax (EBIT)	(404)	1,249
Net Finance Income	108	73
Listing costs	(185)	-
Profit/(loss) before tax	(481)	1,322
Income tax benefit/(expense)	249	(348)
Profit/(loss) after tax	(232)	974

Source: Annual Report and Half Year Report

Duxton Water primarily generates revenue through water entitlement leases between irrigators (as lessee) and the company (as lessor). As at 30 June 2017 approximately 54% of the water entitlement portfolio is allocated to long term leases. Lease income was approximately \$0.7 million in the period from listing to 31 December 2016 and approximately \$1.0 million for the 6 month period to 30 June 2017.

The balance of the income was generated through the sale of temporary water allocations on the spot market. The increase in revenue from sale of temporary water allocations in the six months to 30 June 2017 reflects the increased water needs during the summer season and cropping requirements.

At 31 December 2016, the water entitlements were impaired by approximately \$0.8 million, the bulk of which related to the Murray segment of the portfolio (\$0.37 million), followed by the Murrumbidgee segment (\$0.15 million). At 30 June 2017, \$0.2 million of this was reversed.

The management fees are paid to the Investment Manager on arms-length commercial terms approved by the Non-Executive Directors of the company.

The company incurred a loss in the period up to 31 December 2016 reflecting primarily the impairment charge and listing costs. In the six months to 30 June 2017 the company has generated a profit of approximately \$974,000.

3.6 Financial Position

Summarised below is the audited balance sheet of Duxton Water as at 31 December 2016, the balance sheet as at 30 June 2017 and the adjusted balance sheet as at 30 June 2017 which incorporates the value of the water entitlements as assessed independently by Aither.

Balance Sheet

	31 Dec 16 \$'000	30 Jun 17 \$'000	Adjusted Jun 17 \$'000
Cash and cash equivalents	13,996	1,147	1,147
Term deposits	3,333	-	-
Trade and other receivables	1,042	155	155
Water allocations	-	57	1,280
Other current assets	43	51	51
Total current assets	18,414	1,410	2,633
Water entitlements	50,354	68,254	69,619
Deferred tax asset/(liability)	711	584	(213)
Total non-current assets	51,065	68,838	69,406
Total assets	69,479	70,248	72,039
Trade and other payables	165	118	118
Unearned revenue	471	130	130
Tax liability	42	274	274
Total current liabilities	678	522	522
Total liabilities	678	522	522
Net assets	68,801	69,726	71,517

Source: Annual Report and Half Year Report

Duxton Water's main asset comprises its portfolio of water entitlements. The portfolio has increased since 31 December 2016, reflecting primarily the acquisition of water entitlements during the six months to 30 June 2017. Purchases of new water licences were funded from cash and term deposits being the balance of the funds raised during the IPO.

The water entitlements have been independently valued in the Aither Report at approximately \$69.6 million on a portfolio basis. We note however that the valuation assumes the entitlements are sold 'dry'. Aither have estimated the value of the water allocations at approximately \$1.28 million.

At 31 December 2016, the trade and other receivables balance included \$0.5 million of deposits for water entitlement purchases. The purchase transactions were completed shortly after year end, with the \$0.5 million converted to water entitlements assets.

At 31 December 2016, Duxton Water recognised a deferred tax asset (DTA) on share issue costs of \$0.5 million, and impairment of water entitlements of \$0.2 million. With the uplift in the valuation of the water entitlements per the Aither Report, we have adjusted the DTA, which results in a deferred tax liability (DTL) of approximately \$213,000.

The net assets of the company increased by approximately \$0.9 million in the six months to 30 June 2017 to approximately \$69.7 million. With the revaluation of the water entitlements, adjusted net assets increase to approximately \$71.5 million.

4. Valuation Methodology

4.1 Valuation Approach

Regulatory Guide 111 states that it is generally appropriate for an expert to consider using the following methodologies:

- the capitalisation of future maintainable earnings;
- the discounted cash flow method (DCF);
- the amount that would be available for distribution to security holders on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale; and
- any recent genuine offers received by the company for any business units or assets as a basis for valuation of those business units or assets.

Capitalisation of Future Maintainable Earnings

The capitalisation of future maintainable earnings methodology involves capitalising the estimated future maintainable earnings at a multiple which reflects the risk and opportunities of the business and the stream of income it generates.

In utilising this methodology, it is necessary to determine the appropriate income stream to value, such as:

- Operating Profit After Income Tax (PAT);
- Operating Profit Before Income Tax (EBT);
- EBIT; or
- EBITDA.

The selection of multiple is undertaken by reviewing either listed guideline company data or mergers and acquisition data.

In using the mergers and acquisition data, a review is undertaken of recent transactions of comparable businesses from which the implied earnings multiples are calculated. Multiples are then selected and applied to the subject entity to arrive at an indication of value. The multiples derived are based on an analysis of recent trades of entire companies and therefore reflect value for 100% of the business. However the data often available to determine the implied multiples is less transparent and often forecast data is not available. Furthermore, the price paid for an acquisition normally reflects the fact that there were synergies available to the acquirer. If the target's earnings were adjusted for these synergies, the effective multiple would be lower than that calculated using the actual earnings.

In using guideline company data, a portfolio of public companies is selected based on comparability of the subject company from which valuation multiples and other analytics are calculated. Multiples are then selected and applied to the subject entity to arrive at an indication of value. The multiples derived for guideline companies are based on share prices reflective of the trades of small parcels of shares. As such, they generally reflect multiples reflective of the prices at which portfolio interests change hands. That is to say, there is no premium for control incorporated within such pricing. The multiples may also be impacted by the level of liquidity in the particular stock.

Discounted Cash Flow

The discounted cash flow methodology has regard to the expected future economic benefits discounted to present value. This is considered appropriate where a forecast of future cash flows can be made with a reasonable degree of certainty. This approach is particularly relevant to the valuation of a business in its early growth stage but is equally applicable to any business with expectations of significant growth or with volatility in cash flows.

In undertaking the discounted cash flow methodology regard is generally had to:

- the projected future cash flows;
- an appropriate discount rate; and
- the perpetuity or terminal value, if any.

Asset Based Approach

The asset based approach determines the value of the business having regard to the market value of the underlying assets and liabilities thereof. This approach includes the following methodologies:

- going concern method;
- orderly realisation method; and
- liquidation method.

Under a going concern method, the value is derived by assessing the market value of every asset and liability on a going concern basis. This may include a premium to reflect the value of intangible assets not recorded on the balance sheet, if appropriate, to reflect market position, profitability and overall attractiveness of business. A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business.

The orderly realisation method has regard to the amount that would be distributed to shareholders on the assumption that the entity would be liquidated with the funds realised from the sale of its assets, after payment of all liabilities including realisation costs and taxes, being distributed to shareholders.

The liquidation method is based on the same principles except that in the orderly realisation method, the assets are realised in an orderly manner, whereas, the liquidation method assumes that the assets are sold within a shorter time frame.

Quoted Price

This approach looks at the value of the company having regard to the trades in the subject entity's own equity. There is no premium for control incorporated within such pricing and the pricing may also be impacted by the level of liquidity in the particular stock.

Recent Genuine Offers

Any recent genuine offers received by the company for any business units or assets may be used as a basis for valuation of those business units or assets or for assessing implied multiples which may be utilised when undertaking the capitalisation of future maintainable earnings approach.

4.2 Selection of Approach & Methodology

Pitcher Partners Corporate does not have the necessary experience to under a valuation of the water entitlements. Accordingly we obtained an independent valuation of the water entitlements to be acquired from Duxton Vineyards from Aither.

In valuing Duxton Water we have adopted an asset based methodology on a going concern basis as the primary approach. In utilising this approach, we had regard to the independent valuation of the water entitlements of Duxton Water, also prepared by Aither in their report dated 21 July 2017.

There was insufficient history of earnings and cash flows in order for us to undertake a valuation on an earnings basis or on a discounted cash flow basis.

Further, as discussed earlier, the shares in Duxton Water have been illiquid and inactively traded. As such we do not consider the quoted price methodology to be appropriate.

5. Valuation

5.1 Value of Water Entitlements Proposed to be Acquired

It is proposed that Duxton Water acquire 2,402 ML of water entitlements from Duxton Vineyards. Pitcher Partners Corporate retained Aither to undertake an independent valuation of the water entitlements to be acquired. A copy of the report is attached at Appendix 3. Aither have valued the water entitlements at approximately \$7.31 million on a portfolio basis.

5.2 Value of Duxton Water

Section 3.6 contains the balance sheet as at 30 June 2017, adjusted to reflect the following:

- market value of the water entitlements based on the independent valuation prepared by Aither; and
- an adjustment for DTL arising from the above.

In addition to the above, we consider it appropriate to adjust the net asset value by the proposed dividend to shareholders to be paid to shareholders prior to the issue of ordinary shares to Duxton Vineyards. The Independent Directors provided guidance of a 2 cent to 2.3 cent dividend, assuming no options are exercised. Consequently we consider it appropriate to deduct \$1.279 million to \$1.471 million from the net asset value.

We are not aware of any other adjustments that are required in order to derive the market value of the equity in Duxton Water.

Having regard to the above we have derived a value for 100% of the equity in Duxton Water in the order of \$70.046 million to \$70.238 million post dividend but pre the Proposed Transaction. As the equity value of Duxton Water has been derived using an asset based approach, this is inclusive of a control premium as it reflects 100% ownership. We consider this appropriate given the holding which Duxton Vineyards has in Duxton Water.

Duxton Water currently has 63,965,406 shares ordinary shares on issue. This ascribes a value per Duxton Water ordinary share on a control basis as follows:

Value of Duxton Water Ordinary Share

	Undiluted Basis Low	Undiluted Basis High	Fully Diluted Basis Low	Fully Diluted Basis High
Value of Equity (\$)	70,046,000	70,238,000	¹ 140,408,000	140,600,000
Number of shares on issue	63,965,406	63,965,406	127,930,812	127,930,812
Duxton Water Share Value	\$1.095	\$1.098	\$1.098	\$1.099

In comparison, the share price of Duxton Water has been trading more recently at a VWAP of \$1.02, albeit we do not consider this relevant given the small volume of trades in the company's shares.

We have also undertaken a valuation of Duxton Water assuming the Proposed Transaction proceeds:

Value of Duxton Water Ordinary Share

	Undiluted Basis Low	Undiluted Basis High	Fully Diluted Basis Low	Fully Diluted Basis High
Value of Equity as is post dividend (\$)	70,046,000	70,238,000	140,408,000	140,600,000
Value of Water Rights (\$)	7,308,350	7,308,350	7,308,350	7,308,350
Value of Equity Post Transaction (\$)	77,354,350	77,546,350	147,716,350	147,908,350
Number of Shares Pre Transaction	63,965,406	63,965,406	127,930,812	127,930,812
Proposed share issue	6,610,000	6,610,000	6,610,000	6,610,000
Number of Shares Post Transaction	70,575,406	70,575,406	134,540,812	134,540,812
Duxton Water Share Value Post Transaction	\$1.096	\$1.099	\$1.098	\$1.099

¹ Value of equity increased to reflect exercise of options at \$1.10 per option

6. Assessment of Fairness

6.1 Approach

Under RG111, the Proposed Transaction will be considered fair to the non-associated Shareholders if the value of the consideration is equal to or less than the value of the water entitlements to be acquired from Duxton Vineyards and the value per Duxton Water share is greater post the Proposed Transaction.

To assess whether the Proposed Transaction is fair we have undertaken the following:

- determined the value of the consideration;
- compared the value of the water entitlements to be acquired to the proposed consideration;
- considered the value per Duxton Water share before and after the Proposed Transaction; and
- considered whether the proposed leases to Duxton Viticulture on commercial terms.

6.2 Assessment of Fairness – Proposed Transaction

The purchase price for the water entitlements is \$6,810,050 with the consideration being 6,610,000 ordinary shares in Duxton Water. In Section 5 we valued the ordinary shares in Duxton Water on a control basis, post dividend, to be \$1.095 to \$1.098 on an undiluted basis and \$1.098 to \$1.099 on a fully diluted basis. This ascribes a value to the consideration as follows:

Value of Consideration

	Undiluted Basis Low	Undiluted Basis High	Fully Diluted Basis Low	Fully Diluted Basis High
Value of Duxton Water Shares	\$1.095	\$1.098	\$1.098	\$1.099
Number of Shares to be Issued	6,610,000	6,610,000	6,610,000	6,610,000
Value of Proposed Consideration	\$7,237,950	\$7,257,780	\$7,257,780	\$7,264,390

The value ascribed to the water entitlements by Aither as compared to the value of the consideration is summarised below:

Assessment of Fairness – ASX Listing Rule 10.1

	Undiluted Basis Low	Undiluted Basis High	Fully Diluted Basis Low	Fully Diluted Basis High
Value of Water Entitlements	\$7,308,350	\$7,308,350	\$7,308,350	\$7,308,350
Value of Proposed Consideration	\$7,237,950	\$7,257,780	\$7,257,780	\$7,264,390
Difference	\$70,400	\$50,570	\$50,570	\$43,960

We have also considered the value of Duxton Water both pre and post the Proposed Transaction:

Value per Duxton Water Share

	Undiluted Basis Low	Undiluted Basis High	Fully Diluted Basis Low	Fully Diluted Basis High
Equity Value of Duxton Water Pre Proposed Transaction	\$70,046,000	\$70,238,000	\$140,408,000	\$140,600,000
Number of Shares	63,965,406	63,965,406	127,930,812	127,930,812
Duxton Water Share Value Pre Proposed Transaction	\$1.095	\$1.098	\$1.098	\$1.099
Equity Value of Duxton Water post Proposed Transaction	\$77,354,350	\$77,546,350	\$147,716,350	\$147,908,350
Number of Shares	70,575,406	70,575,406	134,540,812	134,540,812
Duxton Water Share Value post Proposed Transaction	\$1.096	\$1.099	\$1.098	\$1.099

We also obtained advice from Aither that the proposed terms of the leases with Duxton Viticulture were, in their opinion, on commercial terms.

In our opinion, having regard to the above analysis, on balance the Proposed Transaction is fair to the non-associated Shareholders of Duxton Water. In arriving at this opinion we had regard to the following:

- the value of the water entitlements exceeds the value of the proposed consideration;
- the value of the equity in Duxton Water post the Proposed Transaction exceeds the value range of a Duxton Water share pre the Proposed Transaction; and
- the terms of the proposed leases are on commercial terms.

7. Assessment of Reasonableness

7.1 Approach

7.2 Approach

While ASIC Regulatory Guide 111 Content of Expert Reports provides that an offer which is fair will also be considered reasonable we have also considered other factors which should be brought to the attention of non-associated Shareholders.

7.3 Advantages

The advantages to non-associated Shareholders of the Proposed Transaction are as follows:

Advantage	Explanation
Fair	As the Proposed Transaction is fair it is also considered reasonable.
Source of secure income	By entering into a seven year lease with Duxton Viticulture, Duxton Water will have a secure source of income, regardless of weather events, increasing the prospect of dividend payments. Duxton Water's leases currently range from four years to six years, with a weighted average lease expiry of 5.9 years. With the new leases proposed to be entered into, the weighted average lease expiry will increase to 6.1 years.
Increase in size	Growth in Duxton Water's water portfolio and capital base may increase the attractiveness of the company to institutional investors and potentially lead to greater liquidity in the shares.
Increase in weighted average yield of leased portfolio	The proposed lease arrangement will provide Duxton Water a 7% annual lease yield on the entitlement. This is higher than the current weighted average yield of the leased portfolio of 6.04% and will lift the Weighted Average Yield of the portfolio.
Increase in leased proportion of water portfolio	The proportion of water portfolio leased will increase from 54% to over 58%.
Unique parcel of water	<p>The proposed purchase provides Duxton Water with an opportunity to secure a unique parcel of water which is rarely available on the open market, but rather is generally only available in combination with a land and/or productive asset purchase.</p> <p>Currently there are approximately 189,704 ML of NSW Murray High Security Shares on Issue. Of this, approximately 25,508 ML are owned by NSW and Commonwealth governments, leaving only 164,196 ML available to the free market. Of this volume, 75% would be held by no more than 20 groups, the majority of which water would likely be committed to productive assets and are unlikely to be sold without a land and productive asset sale.</p> <p>Further, to acquire this volume on market could well have an undue inflationary impact.</p>
Flexibility in trading capability	Zone 11 Entitlement has some of the greatest flexibility in trading capability. This maximises the customer demand pool available when negotiating or renegotiating a lease of the entitlement. The broader the tradability of the entitlement, the larger the number of industries that could deploy the asset which reduces specific industry risk.

7.4 Disadvantages

The disadvantages to non-associated Shareholders of the Proposed Transaction are as follows:

Disadvantage	Explanation
Number of shares held by Duxton Vineyards	The Proposed Transaction will result in Duxton Vineyards increasing its shareholding from 40.7% to 46.29%. This could further impact the liquidity of the shares. However, Duxton Vineyards have advised Duxton Water that it is the intention to distribute the shares that Duxton Vineyards holds in Duxton Water to the unit holders of Duxton Vineyards as soon as practicable after the NAB security over these shares has been released, which is estimated to be within 24 months.
Increased reliance on Duxton Vineyards	<p>The Proposed Transaction will result in the proportion of the water entitlements leased to Duxton Vineyards increasing from approximately 41.65% to 46.91%. Whilst Duxton Vineyards is considered by Duxton Water to be strong and of little counterparty risk, it is placing greater reliance on one party for its income generation.</p> <p>Notwithstanding the above, ultimately there is the capacity to quickly redeploy the asset should there be a default in lease terms, thereby reducing the risk.</p>

7.5 Assessment of the Reasonableness

In our opinion, after consideration of all issues including those set out above, it is our view, in the absence of any other information, that the Proposed Transaction is reasonable to the non-associated Shareholders as at the date of this report.

Appendix 1: Glossary of Terms

Term	Description
Aither Report	Aither report dated 21 July 2017 valuing the water entitlements
\$	Australian Dollars
AFSL	Australian Financial Services Limited
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Act	Corporations Act 2001
DCF	Discounted Cash Flow
DTA	Deferred Tax Asset
Duxton Vineyards	Duxton Vineyards Pty Ltd as trustee of the Duxton Vineyards Unit Trust
Duxton Vineyards Water	Duxton Vineyards Water Pty Ltd as trustee of Duxton Water Trust
Duxton Viticulture	Duxton Viticulture Pty Ltd
Duxton Water	Duxton Water Limited
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FOSL	Financial Ombudsman Service Limited
FSG	Financial Services Guide
GST	Goods and Services Tax
Independent Directors	Independent directors of Duxton Water
ML	Megalitres
PAT	Operating Profit After Income Tax
PBT	Operating Profit Before Income Tax
PDS	Product Disclosure Statement
Pitcher Partners Corporate	Pitcher Partners Corporate Pty Ltd
RG	ASIC Regulatory Guide
Section 208	Section 208 of the Corporations Act
Section 611	Section 611 Item 7 of the Corporations Act
Shareholders	Shareholders of Duxton Water
VWAP	Volume Weighted Average Price
WAL	Water Authority Licence
Water Supply Lease	Proposed lease between Duxton Water and Duxton Viticulture to lease the water entitlements to be acquired from Duxton Vineyards
WMI	Western Murray Irrigation Ltd

Appendix 2: Sources of Information

In preparing this report we have had regard to the following information:

- Duxton Water website
- Draft Explanatory Statement and Notice of Meeting
- Final executed Water Rights Sale Agreements
- Duxton Water Supplementary Prospectus
- Duxton Water annual report as at 31 December 2016
- Duxton Water half year report to 30 June 2017
- Duxton Water monthly updates
- List of shareholders as at 31 July 2017
- List of option holders as at 31 July 2017
- Share trading information from CapIQ since listing to 17 August 2017
- Option trading information since listing to 15 August 2017 provided by Duxton Water
- Aither Report

Appendix 3: Water Entitlements Valuation

Attached is the independent valuation of the water entitlements undertaken by Aither. Duxton Water has 65 individual water entitlements comprising its current portfolio. The valuation report prepared by Aither includes a list of all of those individual water entitlements. The listing of Duxton Water's water entitlements in this manner is not publicly available and is not considered by the Board to be materially price sensitive or material to shareholders. In addition, such a listing of Duxton Water's current water entitlements is considered by the Board to be disclosing commercially sensitive information which may be detrimental to the interests of Duxton Water. Accordingly those lists have been redacted in the valuation included in this Appendix 3.

The top half of the cover features a dark teal background with a large, faint, geometric watermark of the word "AITHER" in a sans-serif font. The watermark is composed of several overlapping, semi-transparent shapes that form the letters.

Valuation of Australian water entitlements

Duxton Water Limited and potential acquisition

A confidential Final Report prepared for Pitcher Partners Corporate Pty Ltd

Valuation date: Friday 30 June 2017

Report provision date: Friday 21 July 2017

A I T H E R

CONFIDENTIAL

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Valuation summary

Instructions

On 12 July 2017, Aither was instructed by Pitcher Partners Corporate Pty Ltd (Pitcher Partners) to provide an independent fair market valuation of Australian water entitlement types. The entitlements chosen for valuation relate to the current Duxton Water Limited (Duxton) water entitlement portfolio (Duxton Portfolio) and a potential acquisition water entitlement portfolio (Acquisition Portfolio).

The valuation date was agreed as at Friday 30 June 2017. It is Aither's opinion that entitlement market values have not changed significantly between this date and the date that this report is provided (Friday 21 July 2017).

Pitcher Partners also instructed Aither to provide a portfolio valuation assessment of the Duxton Portfolio and the Acquisition Portfolio (Table 1 and Table 2). The specific water entitlement assets held by these two respective portfolios are documented at Table 4 and Table 5.

In addition to a valuation of relevant water entitlement types and a valuation of the Duxton Portfolio and Acquisition Portfolio, Pitcher Partners instructed Aither to provide the following related advice:

- An assessment of encumbrances (such as lease agreements) on specific entitlements in relation to the impact this may have on market value – see Attachment A.
- An assessment of any potential market value premiums or discounts based on the volume of specific water entitlements, or the total size of each portfolio – see Attachment B.
- A review of water entitlement title documents to assess ownership and material entitlement characteristics or conditions that may impact market value – see Attachment C.

Specific valuation instructions are detailed in Aither's proposal attached at Attachment D.

Reliance

We understand that the results of Aither's valuation assessment (this document) will be used by Pitcher Partners (Reliant Party) for the purpose of informing the potential acquisition by Duxton of the Acquisition Portfolio, as well as an assessment of the current market value of the Duxton Portfolio. This valuation has been prepared for the sole use of the Reliant Party for this described purpose.

Valuation method

Aither has undertaken this valuation based on an assessment of fair market value for the portfolios and associated water entitlements in question. Aither has adopted the Australian Accounting Standards Board (AASB)13 Fair Value Measurement definition of fair value; being:

“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

For each entitlement type held by the Duxton Portfolio and Acquisition Portfolio, and based on the data available, Aither has employed either a market or an income valuation approach to inform our

fair market valuation (see AASB 13). Detailed discussion of the methods used, transaction evidence relied upon and resulting valuations are described in Section 1 and Section 2 of this report.

30 June 2017 valuation assessment

Based on the market valuations adopted for each relevant entitlement type, the 30 June 2017 portfolio value of the Duxton Portfolio is determined to be \$69.6 million. Table 1 provides a summary portfolio value assessment of the Duxton Portfolio as at this date.

Table 1 Duxton Portfolio value – 30 June 2017

Water Source / Entitlement type	Volume held (ML)	Estimate of market value – 30 June 2017 (\$/ML)	Estimated value of portfolio – 30 June 2017 (\$)
<u>New South Wales 10 Murray Regulated River</u>			
General Security	3,062	\$1,275	\$3,904,050
<u>New South Wales 10 Murray Regulated River – Murray Irrigation Limited</u>			
General Security	3,624	\$1,275	\$4,620,600
<u>New South Wales 11 Murray Regulated River</u>			
High Security	3,166.15	\$3,500	\$11,081,525
General Security	1,155.41	\$1,350	\$1,559,803.50
Supplementary	83	\$260	\$21,580
<u>New South Wales 11 Murray Regulated River – Western Murray Irrigation Limited</u>			
High Security	2,304	\$3,500	\$8,064,000
<u>New South Wales 13 Murrumbidgee Regulated River</u>			
High Security	1,776	\$3,500	\$6,216,000
<u>New South Wales Lachlan Regulated River</u>			
General Security	4,138	\$600	\$2,482,800
<u>New South Wales Lachlan Regulated River – Jemalong Irrigation Limited</u>			
General Security	2,660	\$600	\$1,596,000
<u>New South Wales Macquarie Regulated River</u>			
General Security	226	\$1,300	\$293,800
<u>Victorian 1A Greater Goulburn</u>			
High Reliability Water Share	2,522.90	\$2,600	\$6,559,540
<u>Victorian 3 Lower Goulburn</u>			
High Reliability Water Share	120	\$2,600	\$312,000
<u>Victorian 4A Campaspe</u>			
High Reliability Water Share	60	\$2,350	\$141,000
<u>Victorian 5A Loddon</u>			
High Reliability Water Share	239	\$2,100	\$501,900
<u>Victorian 6 Murray</u>			
High Reliability Water Share	3,772.60	\$2,650	\$9,997,390

Water Source / Entitlement type	Volume held (ML)	Estimate of market value – 30 June 2017 (\$/ML)	Estimated value of portfolio – 30 June 2017 (\$)
<u>Victorian 7 Murray</u>			
High Reliability Water Share	3,409.50	\$2,915	\$9,938,692.50
<u>South Australia Murray Regulated River</u>			
High Security - Class 3	509	\$3,100	\$1,577,900
<u>South Australia Mallee Prescribed Wells Area</u>			
Parilla Red Zone	500	\$1,500	\$750,000
Total	<u>33,327.56</u>		\$69,618,581

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

Based on the market valuations adopted for each relevant entitlement type, the 30 June 2017 portfolio value of the Acquisition Portfolio is \$7.3 million. Table 2 provides a summary of the portfolio value assessment of the Acquisition Portfolio as at this date.

Table 2 Acquisition Portfolio value – 30 June 2017

Water Source / Entitlement type	Volume held (ML)	Estimate of market value – 30 June 2017 (\$/ML)	Estimated value of portfolio – 30 June 2017 (\$)
<u>New South Wales 11 Murray Regulated River</u>			
High Security	1,539	\$3,500	\$5,386,500
General Security	511	\$1,350	\$689,850
<u>New South Wales 11 Murray Regulated River – Western Murray Irrigation Limited</u>			
High Security	352	\$3,500	\$1,232,000
Total	<u>2,402</u>		\$7,308,350

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

Inclusion of 2017-18 allocations in portfolio value assessment

While Aither believes relevant entitlement market values have not changed significantly between Friday 30 June 2017 and the date that this report is provided (Friday 21 July 2017), water allocations for the 2017-18 water year have been allocated to entitlements held by each of the portfolios over this period. If the portfolios or individual entitlements were sold at the report provision date, it is likely that unused or unleased 2017-18 water allocations accrued to entitlements would be packaged in the sale (i.e. water entitlements would be sold 'wet').

Accounting for the value of 2017-18 water allocations is potentially material given that much of the holdings of the Duxton Portfolio and Acquisition Portfolio are higher reliability and therefore receive allocations early in water years. On this basis, the value of these water allocations may add a material premium to the portfolio values determined in Table 1 and Table 2.

The volume of allocations received by the Duxton Portfolio as at 17 July 2012 is equal to 10,721.84 ML. Based on an assessment of 21 July 2017 water allocation spot prices, this volume of water allocations is valued at approximately \$1.28 million (excluding transaction costs).

Limitations of advice

The valuation assessment provided in this report is provided subject to the following limitations and conditions:

- **Assessment of asset title documentation** – Aither has reviewed and assessed water entitlement title documentation provided by Duxton with the purpose of reviewing ownership and any material conditions on the water entitlements that may impact value. Aither has relied on ownership as stated in title documents supplied. Aither has not undertaken any independent title searches or attempted to validate any information included in title documents supplied. Please see Attachment C to this report.
- **Independent validation of portfolio holdings** – Aither has been supplied details of both the Duxton Portfolio and Acquisition Portfolio by Duxton. Aither has cross checked information supplied about the nature of water entitlement asset holdings of each portfolio as well as confirmed volumes of holdings against titles. Aither has not undertaken any independent validation of the accuracy of the information supplied by Duxton. Consequently, any advice given by Aither on the holdings of each portfolio is subject to the accuracy and limitations of data provided by Duxton.
- **Assessment of asset specific characteristics and impact on value** – Aither's scope of work for the main valuation (Table 1 and Table 2) does not include an assessment the nature of specific entitlements and property right characteristics (such as specific entitlement parcel volumes or encumbrances) that may be material to informing entitlement specific market values or investment decisions. Please see Attachment A and B to this report which respectively provide an assessment of encumbrances and asset specific premiums or discounts that may be applied to the findings of the main valuation (Table 1 and Table 2).
- **Suitable qualifications to undertake valuation** – Aither offers Australia's leading independent analysis and advice on water markets and water sector investments. The skills and professional experience of Aither's team in Australian water markets make Aither suitably qualified to undertake this valuation assessment. However, as noted in Aither's proposal and declared to Pitcher Partners, Aither is not a registered or certified property valuer and does not provide conveyancing or legal services.
- **Reliance** – Aither has undertaken this valuation assessment for use by the Reliant Party and for the sole Purpose described above.
- **Reliance period** – This valuation has been prepared as at Friday 30 June 2017 and should be relied upon in this context.
- **Consent** – Aither consents to the inclusion of a generalised summary of the valuation of each portfolio in Pitcher Partners' independent expert report on the basis that it is accompanied by the following disclaimer and is subject to the conditions and limitations stated by Aither in this document:

"This table represents a generalised summary of the valuation of the Duxton Water Limited water entitlement portfolio and a potential acquisition water entitlement portfolio undertaken by Aither for 30 June 2017. It should not be interpreted or relied upon for any purpose outside of the context of the full valuation report [INSERT LINK]."

Aither also consents to the publication of a redacted version of the full valuation report by Duxton, subject to the following disclaimer:

"This report is a redacted version of the valuation of the Duxton Water Limited water entitlement portfolio and a potential acquisition water entitlement portfolio undertaken by Aither for 30 June

2017. It should not be interpreted or relied upon for any purpose outside of the context of the full unredacted valuation report.”

- **Confidentiality and reproduction** – The information contained in this document is confidential and must not be reproduced, distributed, referred to or used, in whole or in part, for any purpose without the express written permission of Aither.
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- **Reliance on third-party data** – Aither relies on data obtained from multiple third-party sources that are documented in the report. Consequently, any advice given by Aither on the value of water entitlements is subject to the accuracy and limitations of data obtained. In this context, Aither makes no warranties, expressed or implied, in relation to any third-party information contained in this document.
- **Pecuniary interests** – Aither does not have any pecuniary interest in Duxton Water Limited or any related entities that would prevent the independent undertaking of this valuation assessment. Aither provides independent advice to several market participants, investors and governments but has no financial stake in any water market outcome or participant.
- **Conflicts of interest** – Aither does not have any known professional conflicts of interest (perceived, potential or real) that would impact on the provision of the described independent valuation services.

1. Valuation method

1.1. Fair market value measurement

Aither has undertaken this valuation based on an assessment of fair market value for the water entitlement types and portfolios in question. Aither has adopted the Australian Accounting Standards Board (AASB)13 Fair Value Measurement definition of fair value; being:

“the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

Consistent with AASB 13, a fair value measurement requires the entity undertaking the valuation (Aither) to determine the following:

- the particular asset(s) that is the subject of the valuation measurement
- for a non-financial asset, which water entitlements are, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
- the principal (or most advantageous) market for the asset
- the valuation technique(s) appropriate for the valuation measurement, considering the availability of data.

The sections below document Aither's determination of the above points for the context of this valuation.

1.2. Assets subject to valuation measurement

Aither has identified the assets subject to valuation measurement based on the portfolio holdings of both the Duxton Portfolio and Acquisition Portfolio (portfolio details supplied by Duxton). The identification was performed on the basis of water entitlement and account reference numbers (WAL, WEE and certificates), and the associated volumes and other characteristics of these entitlements.

1.2.1. Duxton Portfolio

The current portfolio of entitlements held by Duxton contains 16 different entitlement types from water systems predominantly in New South Wales and Victoria (Table 3). A small volume of surface and groundwater South Australian water entitlements are also held.

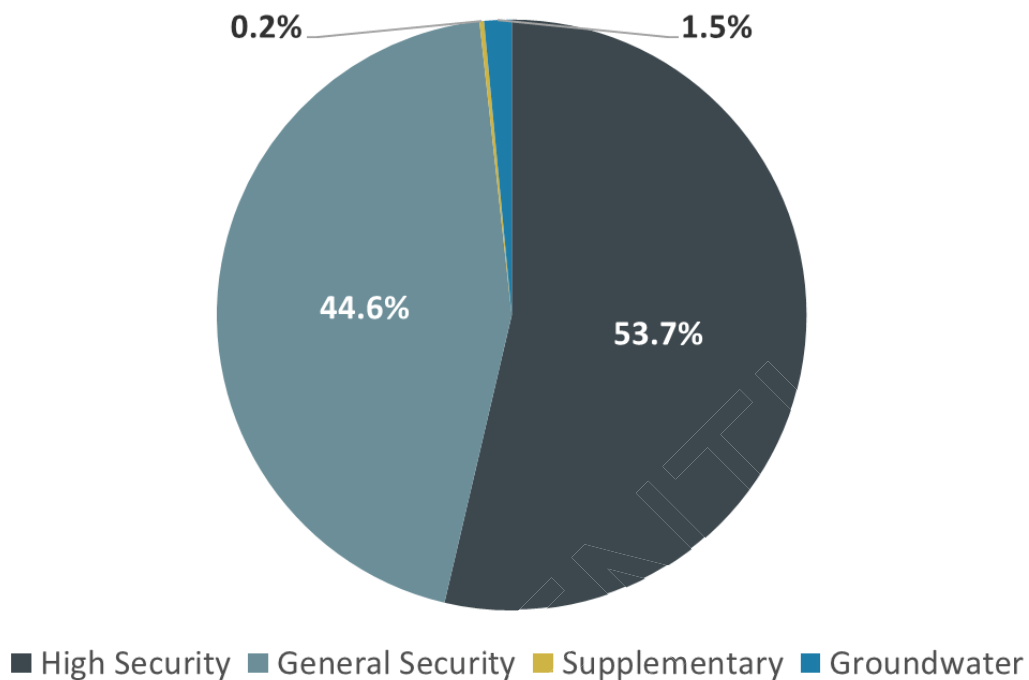
Table 3 Duxton Portfolio – entitlement holdings breakdown by state by volume

State	Percentage of holdings (%)
New South Wales	67%
Victoria	30%
South Australia	3%

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

Notes: Holdings rounded to the nearest percent.

By volume, the entitlements held by the Duxton Portfolio are mostly High Security; although there is a significant volume of General Security entitlements, with relatively smaller volumes of Supplementary and Groundwater entitlements also held (Figure 1).



Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

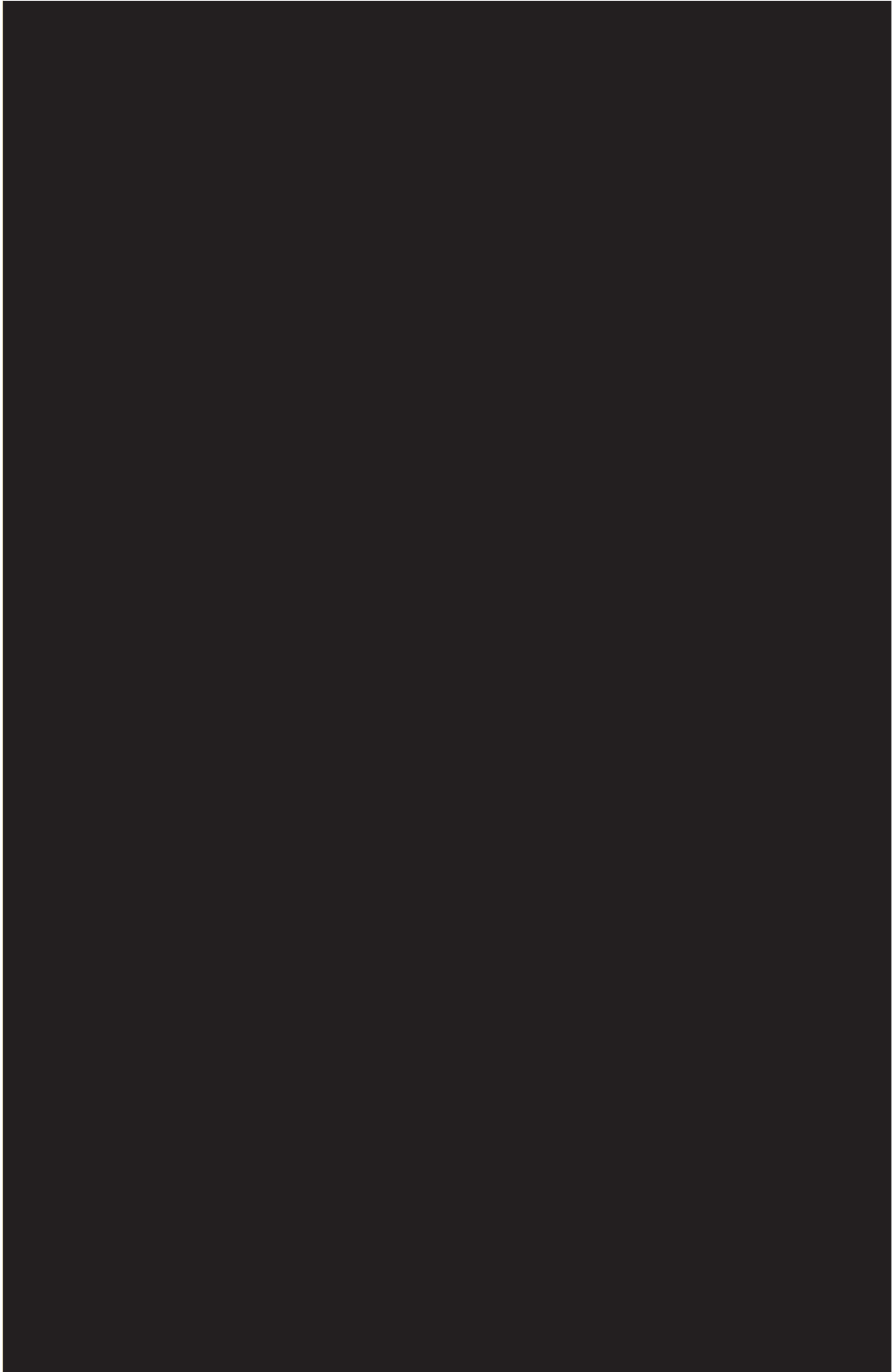
Notes: Holdings rounded to one decimal place.

Figure 1 Duxton Portfolio – security of entitlement holdings breakdown by volume

The Duxton Portfolio holds water entitlements with a total volume of 33,327.56 ML. The specific entitlements and volumes are outlined in detail below in Table 4.

Table 4 Duxton Portfolio holdings overview

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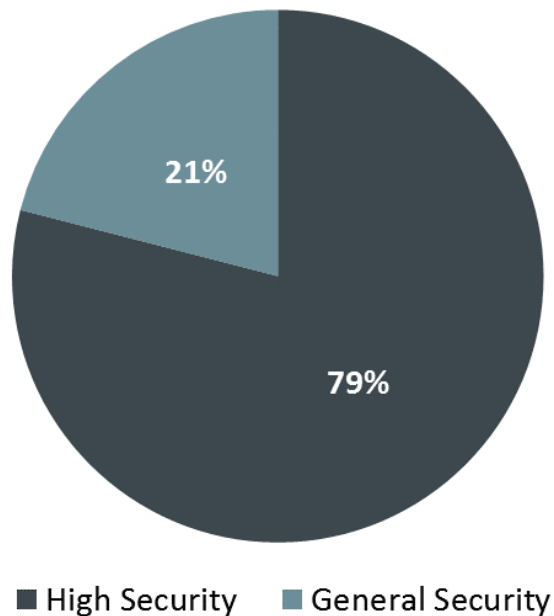




Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

1.2.2. Acquisition Portfolio

The Acquisition Portfolio contains three separate entitlement types all of which are located within the New South Wales 11 Murray water source. By volume these entitlements are mostly High Security, although there is one General Security entitlement within the portfolio (Figure 2). In addition, there is a mixture of Regulated River and Western Murray Irrigation Limited (irrigation corporation) licences.



Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

Notes: Holdings rounded to the nearest percent.

Figure 2 Acquisition Portfolio – security of entitlement holdings breakdown by volume

The Acquisition Portfolio holds water entitlements with a total volume of 2,402 ML. The specific entitlements and volumes are outlined in detail below in Table 5.

Table 5 Acquisition Portfolio holdings overview

Water Source / Reference Number	Entitlement Type	Volume (ML)
<u>New South Wales 11 Murray Regulated River</u>		
WAL 4944	High Security	557
WAL 5023	High Security	289
WAL 16076	High Security	284
WAL 16271	High Security	209
WAL 16272	High Security	200
WAL 5434	General Security	511
<u>Sub total</u>		<u>2,050</u>
<u>New South Wales 11 Murray Regulated River – Western Murray Irrigation Limited</u>		
WMI450	High Security	352
<u>Sub total</u>		<u>352</u>
<u>Total</u>		<u>2,402</u>

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017

1.3. Highest and best use

As defined by AASB 13, the valuation of a non-financial asset, which water entitlements are, consistent with its highest and best use relates to:

“the use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used.”

The highest and best use of a non-financial asset considers the use of the asset that is physically possible, legally permissible and financially feasible. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. An entity's current use of an asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Aither considers the current use of the Duxton Portfolio and the intended future use of the Acquisition Portfolio to be consistent with the highest and best use of these assets at the date of valuation (30 June 2017).

1.4. Principal market

As defined by AASB 13, the principal (or most advantageous) market for an asset is the:

“market with the greatest volume and level of activity for the asset or liability.”

In the context of the water entitlement assets held by the Duxton Portfolio and Acquisition Portfolio, we have identified the principal market to be the Murray-Darling Basin water entitlement market. This market is generally liquid with satisfactory price discovery and market rule transparency. These findings extend to the major water entitlement types which make up the majority by both volume and value of both the Duxton and Acquisition Portfolios.

Major participants in the Murray-Darling Basin water entitlement market include irrigators, investors (both domestic and foreign), major agribusiness, local government and environmental water holders. In the context of this valuation, we expect a potential purchaser of the Duxton or Acquisition Portfolios to be a large investor or agribusiness with similar portfolio management intentions to Duxton.

1.5. Valuation approaches

For each of the entitlement types assessed, we have determined an appropriate valuation approach based on data available to use as inputs to the valuation assessment. These inputs represent similar assumptions to that which other market participants would use when pricing similar water entitlement assets. Detailed discussion of the two valuation approaches used for this valuation is provided below.

1.5.1. Market approach

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets to value the assets subject to valuation measurement (AASB 13). Given available data, this is Aither's preferred valuation method for water entitlements.

Aither's market approach valuation method draws on publicly available water trade data from the Victorian, New South Wales and South Australian Water Registers as well as analysis of trade data obtained from several water market intermediaries. Specifically, we use the following method:

- For the month prior to the valuation, we collect available water trade data for each of the relevant entitlement types from the Victorian, New South Wales and South Australian water registers.
- We then 'clean' the raw data for outlier prices to calculate a dollar per ML volume weighted average price (VWAP) for each of the relevant entitlement types.
- Following this we analyse recent sales data (buy and sell offers, and transactions) from market intermediaries (for this valuation we have used Ruralco Water, H2OX, Wilks Water and Landmark WATER).
- Finally, we compare and corroborate the analysis of register data with market intermediary data to establish a more accurate valuation due to the known time lag of information that can occur for prices reported on the state registers.

Since state register data and water market intermediary data does not always align for a given time period, Aither uses a degree of professional judgement to arrive at dollar per ML valuations for each entitlement type. Aither's professional judgement is grounded in its knowledge of market trends and drivers; contemporary market intelligence gained through networks; and Aither's current engagement to value approximately 90 different entitlement types across Australia on a monthly and quarterly basis for a large Australian agricultural enterprise, a global NGO, a major Australian superfund and a major Australian bank.

1.5.2. Income approach

The income approach converts future cash flows or income that are expected to accrue to an asset over time to a current value. When the income approach is used, the fair value measurement reflects current market expectations about the future income stream (AASB 13). Where there is a lack of market data to support a market approach valuation method, the income approach can be used as an alternative.

Known current lease fees can be used to approximate future cash flows to relevant entitlement types. For this valuation, we have only used this income approach to inform the valuation of a single entitlement type, South Australia Mallee Prescribed Wells Area Parilla Red Zone (please see Section 2.15).

1.6. Assumptions

1.6.1. Impact of encumbrances on market value

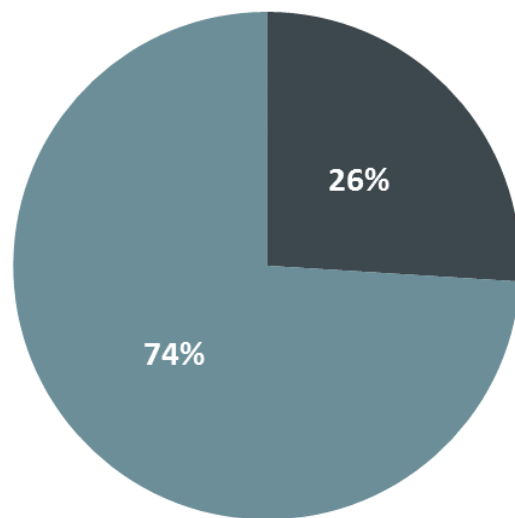
We have undertaken a valuation based on an assumption of unencumbered entitlements (Table 1 and Table 2). Encumbrances on entitlements (such as leases) may have positive or negative impacts on the market value of specific entitlement parcels. Please see Attachment A which provides an assessment of the potential impact of known encumbrances on the market value of the Duxton Portfolio and Acquisition Portfolio.

1.6.2. Impact of entitlement parcel size or other material characteristics on market value

The valuation at Table 1 and Table 2 does not include an assessment the nature of specific entitlements and property right characteristics (such as parcel volume) that may be material to informing entitlement specific market values or investment decisions or. Please see Attachment B which provides an assessment of these potential impacts.

1.6.3. Irrigation corporation licence assumptions

The Duxton Portfolio and Acquisition Portfolio include water licences that are held within three New South Wales irrigation corporations: Murray Irrigation Limited; Western Murray Irrigation Limited; and Jemalong Irrigation Limited. By volume, approximately 26 per cent of entitlements held by the Duxton Portfolio (Figure 3) and 15 per cent of the Acquisition Portfolio (Figure 4) are within irrigation corporations. These volumes are material in to this valuation as water licences held within irrigation corporations can be priced differently to equivalent entitlements held outside (e.g. Regulated River).

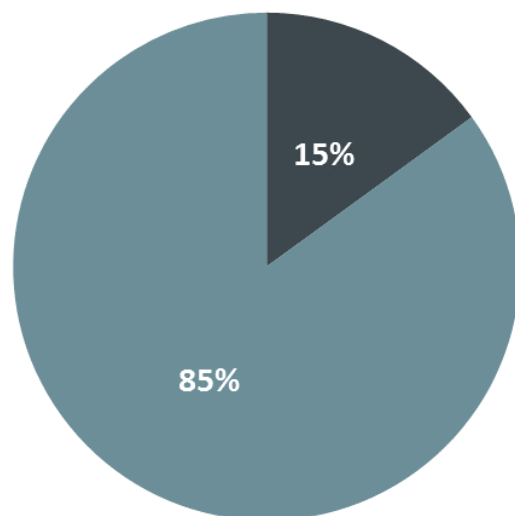


■ Within irrigation corporations ■ Outside irrigation corporations

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

Notes: Holdings rounded to the nearest percent.

Figure 3 Duxton Portfolio – within irrigation corporation entitlement holding breakdown



■ Within irrigation corporations ■ Outside irrigation corporations

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

Notes: Holdings rounded to the nearest percent.

Figure 4 Acquisition Portfolio – within irrigation corporation entitlement holding breakdown

Within irrigation corporation trade data

Water licence trades between customers located within these irrigation corporations are not reported on the relevant state water registers and details of trades are generally not made publicly available. To inform a valuation of the licences held within these irrigation corporations by both the Duxton and

Acquisition Portfolios, we have relied upon water trade data for equivalent water entitlements held outside of irrigation corporations.

Irrigation corporation licence transformation costs

Licences within irrigation corporations are subject to different conditions to entitlements held outside of irrigation corporations (in New South Wales referred to as Water Access Licences (WALs)). Specifically, water licences held within irrigation corporations may not have as high a value per ML compared to equivalent WALs in the same water source due to less trade flexibility and different fee structures. For example, water licences within irrigation corporations can only be traded customer to customer, whereas WALs can generally be traded to a larger pool of potential buyers across the entire water source.

Irrigation corporation licences are 'transformable', meaning a licence can be converted to an equivalent WAL. If an individual irrigation corporation licence holder decides to transform their licence, there is a cost involved in transformation. The irrigation corporation generally charges a fee to cover the administration cost of this process.

The fee charged differs from irrigation corporation to irrigation corporation. Table 6 documents the relevant fees for each irrigation corporations as documented by the Australian Competition and Consumer Commission (ACCC) for 2015-16 (more recent fee schedules are not made publicly available and only available upon request from specific irrigation corporations).

Table 6 Irrigation corporation transformation processing fees, 2015-16

Irrigation corporation	Transformation processing fees (\$)
Murray Irrigation Limited	\$385
Western Murray Irrigation Limited	\$333
Jemalong Irrigation Limited	\$400

Source: Aither 2017. Based on ACCC 2017.

In New South Wales, transformation is commonly given effect via a trade of 'share component' from the irrigation corporation's WAL to a WAL nominated by the customer. This incurs additional New South Wales Government processing and administration fees. These fees are generally fixed and are not dependent upon the volume of water being transformed. When large volumes are transferred, the cost per ML of this transformation process is generally small (generally less than \$10 per ML).

Given the relatively large volumes held in irrigation corporation licences by both the Duxton and Acquisition Portfolios, transformation and associated fees are likely to be very small on a dollar per ML basis. On this basis, the fact that these licences are held in irrigation corporations is unlikely to have a material impact on the valuation of the licences compared to equivalent entitlements held outside of irrigation corporations. Therefore, in this valuation Aither has assumed there to be no discount on the value of licences held by the Duxton or Acquisition Portfolios within irrigation corporations compared to equivalent entitlements held outside of irrigation corporations in the same water source.

Please note, in cases where irrigation corporations do not hold a separate entitlement for conveyance losses, a share of each irrigator's irrigation licence is used. When transformation occurs, this volume of water is retained by the irrigation corporation to meet any conveyance loss requirements to deliver water to customers that remain within the network. These calculations are made on a case by case basis and Aither has not considered these potential adjustments in this valuation.

Termination of delivery rights

Aither has been instructed by Duxton that it does not own delivery rights connected to licences held within irrigation corporations. Therefore, any costs regarding termination of delivery rights would not accrue to Duxton. On this basis, Aither has not considered these potential costs to be material to this valuation.

Irrigation corporation fees

There are fees associated with holding licences within an irrigation corporation that differ from holding an entitlement outside of an irrigation corporation. Most of the material fee differences relate to delivery, conveyance and landholding access. As Aither has been instructed by Duxton that it only holds irrigation licences and not delivery rights, these fees would not accrue directly to Duxton. On this basis, Aither has not considered these potential costs to be material to this valuation.

1.6.4. Third-party information

Aither relies on data obtained from multiple third-party sources – including water market intermediaries and state water registers which are known to have up to three-month lag times between sale agreements and registration of trade. Consequently, any advice given by Aither on the value of water allocations or entitlements is subject to the accuracy and limitations of data obtained from third-party sources. In this context, Aither makes no warranties, expressed or implied, in relation to any third-party information contained in this document.

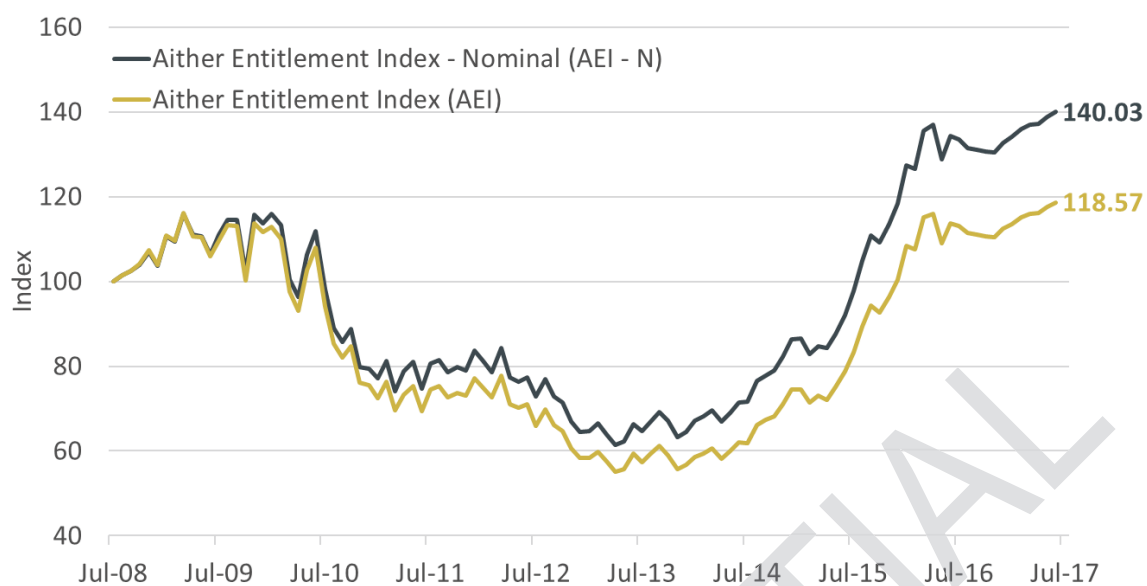
Furthermore, Aither has relied on the information provided by Duxton about the holdings of the Duxton and Acquisition Portfolios. Aither was provided with title documentation by Duxton, and while Aither has cross checked information supplied about the nature and asset holdings of each portfolio, Aither has not undertaken any independent validation of the accuracy of the information supplied.

1.6.5. Market value change

The value of water entitlements can and does change considerably over time, with monthly entitlement value change of over 5 per cent not infrequent. Over the past three years (2014-15 to 2016-17), there has been a sustained and substantial increase in southern Murray-Darling Basin entitlement values, and a large portion of this increase has been driven by New South Wales entitlement types. The *Aither Southern Murray-Darling Basin Entitlement Index* provides evidence of this trend (Figure 5).¹

Market value variability is important in the context of undertaking a time specific water entitlement portfolio valuation of both the Duxton Portfolio and Acquisition Portfolio because it demonstrates that portfolio valuations will change over time (potentially by significant amounts even at monthly timesteps).

¹ The Index tracks the relative monthly market value of a group of major water entitlement types across the southern Murray-Darling Basin. Indexed back to 100 at July 2008, a current index value higher than 100 indicates relatively higher market values of the group compared to July 2008 – and vice versa.



Source: Aither 2017.

Figure 5 Aither Southern Murray-Darling Basin Entitlement Index

2. Valuation assessment

This section documents the evidence that Aither has used to determine the valuation of each entitlement type of relevance to this assessment. For those entitlement types for which Aither has adopted a market valuation approach, recent transaction data is documented along with any material assumptions made by Aither. For those entitlement for which Aither has also used an income valuation approach, the workings of this analysis along with any material assumptions made by Aither are presented.

2.1. New South Wales 10 Murray General Security

Table 7 New South Wales 10 Murray General Security – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$1,275 per ML
Material assumptions or limitations	<ul style="list-style-type: none">• New South Wales Water Register does not report trades in a way that allows New South Wales 10 Murray and New South Wales 11 Murray entitlement trade to be disaggregated• Aither has valued New South Wales 10 Murray General Security entitlements and New South Wales 10 Murray General Security – Murray Irrigation Limited equally (see Section 1.6.3)

Source: Aither 2017.

Prices for New South Wales 10 Murray General Security entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the New South Wales Water Register, there has been a slight weakening of New South Wales Murray General Security entitlement prices in June 2017 (Table 8).

Table 8 New South Wales Water Register June 2017 summary – New South Wales Murray General Security

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
New South Wales Murray General Security ⁶	\$1,266	\$1,262	\$1,155	\$1,400	6

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for New South Wales Murray General Security entitlements in 2017 range from \$1,150 per ML to \$1,400 per ML (Table 9).

Table 9 Last five reported trades for 2017 – New South Wales Murray General Security

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
New South Wales Murray General Security	27/06/2017	300	\$1,150
New South Wales Murray General Security	21/06/2017	45	\$1,325
New South Wales Murray General Security	23/06/2017	100	\$1,300
New South Wales Murray General Security	13/06/2017	564	\$1,250
New South Wales Murray General Security	05/06/2017	75	\$1,400

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

Table 10 presents the results of the analysis of water market intermediary trade data and quoted prices for for June 2017.

Table 10 Water market intermediary price summary June 2017 – New South Wales 10 Murray General Security

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
New South Wales 10 Murray General Security	\$1,300	\$1,250	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

Only one sale of New South Wales 10 Murray General Security was reported by water market intermediaries for June 2017 (Table 11).

Table 11 Water market intermediary sales data for 2017 – New South Wales 10 Murray General Security

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
New South Wales 10 Murray General Security	07/06/2017	20	\$1,300
New South Wales 10 Murray General Security	12/05/2017	56	\$1,280
New South Wales 10 Murray General Security – Murray Irrigation Limited	21/04/2017	100	\$1,250
New South Wales 10 Murray General Security – Murray Irrigation Limited	16/03/2017	100	\$1,270
New South Wales 10 Murray General Security – Murray Irrigation Limited	10/01/2017	606	\$1,350
New South Wales 10 Murray General Security – Murray Irrigation Limited	2/12/2016	400	\$1,275

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.2. New South Wales 11 Murray High Security

Table 12 New South Wales 11 Murray High Security – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$3,500 per ML
Material assumptions or limitations	<ul style="list-style-type: none"> New South Wales Water Register does not report trades in a way that allows New South Wales 10 Murray and New South Wales 11 Murray entitlement trade to be disaggregated Aither has valued New South Wales 11 Murray High Security entitlements and New South Wales 11 Murray High Security – Western Murray Irrigation Limited equally (see Section 1.6.3)

Source: Aither 2017.

Prices for New South Wales 11 Murray High Security entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the New South Wales Water Register, there has been a strengthening of New South Wales Murray High Security entitlement prices in June 2017 (Table 13).

Table 13 New South Wales Water Register June 2017 summary – New South Wales Murray High Security

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
New South Wales Murray High Security ⁶	\$3,420	\$3,451	\$3,480	\$3,600	4

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for New South Wales Murray High Security entitlements in 2017 range from \$3,200 per ML to \$3,600 per ML (Table 14).

Table 14 Last five reported trades for 2017 – New South Wales Murray High Security

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
New South Wales Murray High Security	23/06/2017	42	\$3,480
New South Wales Murray High Security	06/06/2017	20	\$3,600
New South Wales Murray High Security	06/06/2017	17	\$3,200

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
New South Wales Murray High Security	05/06/2017	8	\$3,300
New South Wales Murray High Security	19/05/2017	10	\$3,420

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

Table 15 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 15 Water market intermediary price summary June 2017 – New South Wales 11 Murray High Security

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
New South Wales 11 Murray High Security	\$3,500 - \$3,540	\$3,450	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

Transactions reported by water market intermediaries range between \$3,500 per ML and \$3,540 per ML for June 2017 (Table 16).

Table 16 Water market intermediary sales data for 2017 – New South Wales 11 Murray High Security

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
New South Wales 11 Murray High Security	26/06/2017	37	\$3,540
New South Wales 11 Murray High Security	01/06/2017	10	\$3,500

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.3. New South Wales 11 Murray General Security

Table 17 New South Wales 11 Murray General Security – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$1,350 per ML
Material assumptions or limitations	<ul style="list-style-type: none"> New South Wales Water Register does not report trades in a way that allows New South Wales 10 Murray and New South Wales 11 Murray entitlement trade to be disaggregated.

Source: Aither 2017.

Prices for New South Wales 11 Murray General Security entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the New South Wales Water Register, there has been a slight weakening of New South Wales Murray General Security entitlement prices in June 2017 (Table 18).

Table 18 New South Wales Water Register June 2017 summary – New South Wales Murray General Security

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
New South Wales Murray General Security ⁶	\$1,266	\$1,262	\$1,155	\$1,400	6

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for New South Wales Murray General Security entitlements in 2017 range from \$1,150 per ML to \$1,400 per ML (Table 19).

Table 19 Last five reported trades for 2017 – New South Wales Murray General Security

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
New South Wales Murray General Security	27/06/2017	300	\$1,150
New South Wales Murray General Security	21/06/2017	45	\$1,325
New South Wales Murray General Security	23/06/2017	100	\$1,300
New South Wales Murray General Security	13/06/2017	564	\$1,250
New South Wales Murray General Security	05/06/2017	75	\$1,400

Source: Aither 2017

Notes: See end notes.

Table 20 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 20 Water market intermediary price summary June 2017 – New South Wales 11 Murray General Security

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
New South Wales 11 Murray General Security	\$1,260 – \$1,425	\$1,350	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

Sales prices reported for New South Wales 11 Murray General Security by water market intermediaries range between \$1,260 per ML and \$1,425 per ML for June 2017 (Table 21).

Table 21 Water market intermediary sales data for 2017 – New South Wales 11 Murray General Security

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
New South Wales 11 Murray General Security	30/06/2017	250	\$1,425
New South Wales 11 Murray General Security	26/06/2017	23	\$1,325
New South Wales 11 Murray General Security	16/06/2017	10	\$1,260

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.4. New South Wales 11 Murray Supplementary

Table 22 New South Wales 11 Murray Supplementary – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$260 per ML
Material assumptions or limitations	<ul style="list-style-type: none"> New South Wales Water Register does not report trades in a way that allows New South Wales 10 Murray and New South Wales 11 Murray entitlement trade to be disaggregated

Source: Aither 2017.

Prices for New South Wales 11 Murray Supplementary entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the New South Wales Water Register, there was no trade of New South Wales Murray Supplementary entitlement prices in May or June 2017 (Table 23).

Table 23 New South Wales Water Register June 2017 summary – New South Wales Murray Supplementary

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
New South Wales Murray Supplementary ⁶	No reported trade	No reported trade	No reported trade	No reported trade	No reported trade

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for New South Wales Murray Supplementary entitlements range from \$120 per ML to \$320 per ML (Table 24).

Table 24 Last five reported trades – New South Wales Murray Supplementary

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
New South Wales Murray Supplementary	2/02/2017	37	\$120
New South Wales Murray Supplementary	23/01/2017	60	\$320
New South Wales Murray Supplementary	7/12/2016	10	\$220
New South Wales Murray Supplementary	5/12/2016	60	\$320
New South Wales Murray Supplementary	17/08/2016	39	\$230

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

Table 25 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 25 Water market intermediary price summary June 2017 – New South Wales 11 Murray Supplementary

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
New South Wales 11 Murray Supplementary	No recent trade	No recent trade	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

No trades have been recently reported by water market intermediaries for New South Wales 11 Murray Supplementary (Table 26).

Table 26 Water market intermediary sales data for 2017 – New South Wales 11 Murray Supplementary

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
No recent trade			

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.5. New South Wales 13 Murrumbidgee High Security

Table 27 New South Wales 13 Murrumbidgee High Security – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$3,500 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Prices for New South Wales 13 Murrumbidgee High Security entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the New South Wales Water Register, there was no trade of New South Wales 13 Murrumbidgee High Security entitlements in June 2017 (Table 28).

Table 28 New South Wales Water Register June 2017 summary – New South Wales 13 Murrumbidgee High Security

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
New South Wales Murrumbidgee High Security	\$3,500	No trade	No trade	No trade	No trade

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for New South Wales 13 Murrumbidgee High Security entitlements in 2017 range from \$3,500 per ML to \$3,600 per ML (Table 29).

Table 29 Last five reported trades for 2017 – New South Wales 13 Murrumbidgee High Security

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
New South Wales 13 Murrumbidgee High Security	29/05/2017	45	\$3,500
New South Wales 13 Murrumbidgee High Security	23/02/2017	130	\$3,500
New South Wales 13 Murrumbidgee High Security	17/02/2017	444	\$3,600
New South Wales 13 Murrumbidgee High Security	23/01/2017	30	\$3,550
New South Wales 13 Murrumbidgee High Security	18/01/2017	100	\$3,550

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

Table 30 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 30 Water market intermediary price summary June 2017 – New South Wales Murrumbidgee 13 High Security

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
NSW Murrumbidgee 13 High Security	No recent trade	\$3,500	\$3,500 – \$3,600	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

A single transaction valued at \$3,480 per ML has been reported recently by water market intermediaries for New South Wales Murrumbidgee 13 High Security for 2017.

Table 31 Water market intermediary sales data for 2017 – New South Wales Murrumbidgee 13 High Security

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
NSW Murrumbidgee 13 High Security	11/04/2017	120	\$3,480

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.6. New South Wales Lachlan General Security

Table 32 New South Wales Lachlan General Security – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$600 per ML
Material assumptions or limitations	<ul style="list-style-type: none"> Aither has valued New South Wales Lachlan General Security entitlements and New South Wales Lachlan General Security – Jemalong Irrigation Limited entitlements equally (see Section 1.6.3)

Source: Aither 2017.

Prices for New South Wales Lachlan General Security entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the New South Wales Water Register, there has been a strengthening of New South Wales Lachlan General Security entitlement prices in June 2017 (Table 33).

Table 33 New South Wales Water Register June 2017 summary – New South Wales Lachlan General Security

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
New South Wales Lachlan General Security	\$550	\$650	No trade	\$650	2

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for New South Wales Lachlan General Security entitlements in 2017 range from \$550 per ML to \$650 per ML (Table 34).

Table 34 Last five reported trades for 2017 – New South Wales Lachlan General Security

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
New South Wales Lachlan General Security	15/06/2017	30	\$650
New South Wales Lachlan General Security	17/05/2017	100	\$550
New South Wales Lachlan General Security	20/04/2017	197	\$650
New South Wales Lachlan General Security	20/03/2017	100	\$600
New South Wales Lachlan General Security	17/03/2017	570	\$620

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

Table 35 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 35 Water market intermediary price summary June 2017 – New South Wales Lachlan General Security

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
New South Wales Lachlan General Security	No recent trade	\$550 – \$600	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

A single transaction valued at \$550 per ML has been reported recently by water market intermediaries for New South Wales Lachlan General Security – Jemalong Irrigation Limited for 2017 (Table 36).

Table 36 Water market intermediary sales data for 2017 – New South Wales Lachlan General Security

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
New South Wales Lachlan General Security – Jemalong Irrigation Limited	28/01/2017	100	\$550

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.7. New South Wales Macquarie General Security

Table 37 New South Wales Macquarie General Security – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$1,300 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Prices for New South Wales Macquarie General Security entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the New South Wales Water Register, there has been a weakening of New South Wales Macquarie General Security entitlement prices in June 2017 (Table 38).

Table 38 New South Wales Water Register June 2017 summary – New South Wales Macquarie General Security

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
New South Wales Macquarie General Security	\$1,319	\$1,250	\$1,250	\$1,250	1

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for New South Wales Macquarie General Security entitlements in 2017 range from \$1,250 per ML to \$1,350 per ML (Table 39).

Table 39 Last five reported trades for 2017 – New South Wales Macquarie General Security

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
New South Wales Macquarie General Security	26/06/2017	20	\$1,250
New South Wales Macquarie General Security	09/05/2017	124	\$1,300
New South Wales Macquarie General Security	02/05/2017	74	\$1,350
New South Wales Macquarie General Security	19/04/2017	150	\$1,300
New South Wales Macquarie General Security	12/04/2017	70	\$1,300

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

Table 40 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 40 Water market intermediary price summary June 2017 – New South Wales Macquarie General Security

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
New South Wales Macquarie General Security	No recent trade	No recent trade	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

There were no sales reported by water market intermediaries for June 2017 (Table 41).

Table 41 Water market intermediary sales data for 2017 – New South Wales Macquarie General Security

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
No recent trade			

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.8. Victorian 1A Greater Goulburn HRWS

Table 42 Victorian 1A Greater Goulburn HRWS – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$2,600 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Prices for Victorian 1A Greater Goulburn HRWS entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the Victorian Water Register, there has been a strengthening of Victorian 1A Greater Goulburn HRWS entitlement prices in June 2017 (Table 43).

Table 43 Victorian Water Register June 2017 summary – Victorian 1A Greater Goulburn HRWS

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
Victorian 1A Greater Goulburn HRWS	\$2,531	\$2,600	\$2,566	\$2800	64

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for Victorian 1A Greater Goulburn HRWS entitlements in 2017 range from \$2,550 per ML to \$2,600 per ML (Table 44).

Table 44 Last five reported trades for 2017 – Victorian 1A Greater Goulburn HRWS

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
Victorian 1A Greater Goulburn HRWS	30/06/2017	100	\$2,600
Victorian 1A Greater Goulburn HRWS	30/06/2017	213.5	\$2,600
Victorian 1A Greater Goulburn HRWS	27/06/2017	288.5	\$2,550
Victorian 1A Greater Goulburn HRWS	21/06/2017	111.1	\$2,550
Victorian 1A Greater Goulburn HRWS	19/06/2017	101.5	\$2,550

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

Table 45 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 45 Water market intermediary price summary June 2017 – Victorian 1A Greater Goulburn HRWS

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
Victorian 1A Greater Goulburn HRWS	\$2,550	\$2,600	No recent trade	\$2,700

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

Water market intermediaries have reported trades of between \$2,500 to \$2,600 per ML during 2017.

Table 46 Water market intermediary sales data for 2017 – Victorian 1A Greater Goulburn HRWS

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
Victorian 1A Greater Goulburn HRWS	06/06/2017	5	\$2,500
Victorian 1A Greater Goulburn HRWS	03/05/2017	233	\$2,600
Victorian 1A Greater Goulburn HRWS	03/05/2017	16	\$2,560
Victorian 1A Greater Goulburn HRWS	03/05/2017	100	\$2,600

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.9. Victorian 3 Lower Goulburn HRWS

Table 47 Victorian 3 Lower Goulburn HRWS – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$2,600 per ML
Material assumptions or limitations	Vic 3 Lower Goulburn HRWS share similar characteristics with Vic 1A Greater Goulburn, Aither has valued this entitlement type at the same market value as Vic 1A Greater Goulburn HRWS and LRWS – noting that there are restrictions on trading water from Vic 3 Lower Goulburn back into Vic 1A Greater Goulburn which is not expected to impact the market value materially

Source: Aither 2017.

Prices for Victorian 3 Lower Goulburn HRWS entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the Victorian Water Register, there has been an increase in trade activity of Victorian 3 Lower Goulburn HRWS in June 2017 (Table 48).

Table 48 Victorian Water Register June 2017 summary – Victorian 3 Lower Goulburn HRWS

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
Victorian 3 Lower Goulburn HRWS	No trade	\$2,561	No trade	\$2,600	3

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for Victorian 3 Lower Goulburn HRWS entitlements in 2017 range from \$2,100 per ML to \$2,650 per ML (Table 49).

Table 49 Last five reported trades for 2017 – Victorian 3 Lower Goulburn HRWS

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
Victorian 3 Lower Goulburn HRWS	22/06/2017	261	\$2,100
Victorian 3 Lower Goulburn HRWS	19/06/2017	75	\$2,560
Victorian 3 Lower Goulburn HRWS	27/03/2017	70	\$2,650
Victorian 3 Lower Goulburn HRWS	23/01/2017	12	\$2,100
Victorian 3 Lower Goulburn HRWS	22/01/2017	32	\$2,387

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

Table 50 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 50 Water market intermediary price summary June 2017 – Victorian 3 Lower Goulburn Murray HRWS

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
Victorian 3 Lower Goulburn HRWS	No recent trade	No recent trade	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

No recent transactions of Victorian 3 Lower Goulburn HRWS have been reported by water market intermediaries for 2017.

Table 51 Water market intermediary sales data for 2017 – Victorian 3 Lower Goulburn HRWS

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
No recent trade			

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.10. Victorian 4A Campaspe HRWS

Table 52 Victorian 4A Campaspe HRWS – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$2,350 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Prices for Victorian 4A Campaspe HRWS entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the Victorian Water Register, there has been an increase in trade activity of Victorian 4A Campaspe HRWS in June 2017 (Table 53).

Table 53 Victorian Water Register June 2017 summary – Victorian 4A Campaspe HRWS

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
Victorian 4A Campaspe HRWS	No trade	\$2,346	No trade	\$2,355	2

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for Victorian 4A Campaspe HRWS entitlements in 2017 range from \$2,300 per ML to \$2,400 per ML (Table 54).

Table 54 Last five reported trades for 2017 – Victorian 4A Campaspe HRWS

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
Victorian 4A Campaspe HRWS	23/06/2017	15	\$2,300
Victorian 4A Campaspe HRWS	22/06/2017	77	\$2,355
Victorian 4A Campaspe HRWS	07/04/2017	2	\$2,300
Victorian 4A Campaspe HRWS	10/02/2017	77	\$2,355
Victorian 4A Campaspe HRWS	31/01/2017	40	\$2,400

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

Table 55 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 55 Water market intermediary price summary June 2017 – Victorian 4A Campaspe HRWS

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
Victorian 4A Campaspe HRWS	No recent trade	No recent trade	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

No recent transactions of Victorian 4A Campaspe HRWS have been reported by water market intermediaries for 2017 (Table 56).

Table 56 Water market intermediary sales data for 2017 – Victorian 4A Campaspe HRWS

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
No recent trade			

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.11. Victorian 5A Loddon HRWS

Table 57 Victorian 5A Loddon HRWS – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$2,100 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Prices for Victorian 5A Loddon HRWS entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the Victorian Water Register, there has been an increase in trade activity of Victorian 5A Loddon HRWS in June 2017 (Table 58).

Table 58 Victorian Water Register June 2017 summary – Victorian 5A Loddon HRWS

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
Victorian 5A Loddon HRWS	No trade	\$2,031	\$1,700	\$2,200	4

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for Victorian 5A Loddon HRWS entitlements in 2017 range from \$1,700 per ML to \$2,200 per ML (Table 59).

Table 59 Last five reported trades for 2017 – Victorian 5A Loddon HRWS

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
Victorian 5A Loddon HRWS	23/06/2017	74	\$1,700
Victorian 5A Loddon HRWS	22/06/2017	11	\$2,200
Victorian 5A Loddon HRWS	07/06/2017	60	\$2,000
Victorian 5A Loddon HRWS	07/02/2017	35	\$2,000
Victorian 5A Loddon HRWS	06/02/2017	65	\$2,000

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

Table 60 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 60 Water market intermediary price summary June 2017 – Victorian 5A Loddon HRWS

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
Victorian 5A Loddon HRWS	No recent trade	No recent trade	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

No recent transactions of Victorian 5A Loddon HRWS have been reported by water market intermediaries for 2017.

Table 61 Water market intermediary sales data for 2017 – Victorian 5A Loddon HRWS

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
No recent trade			

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.12. Victorian 6 Murray HRWS

Table 62 Victorian 6 Murray HRWS – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$2,650 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Prices for Victorian 6 Murray HRWS entitlements have been sourced from state water registries and water market intermediaries. These reported transactions form the basis of our valuation.

Based on analysis of trades registered on the Victorian Water Register, there has been a weakening of Victorian 6 Murray HRWS entitlement prices in June 2017 (Table 63).

Table 63 Victorian Water Register June 2017 summary – Victorian 6 Murray HRWS

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
Victorian 6 Murray HRWS	\$2,659	\$2,630	\$2,627	\$2,800	18

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for Victorian 6 Murray HRWS entitlements in 2017 range from \$2,560 per ML to \$2,650 per ML (Table 64).

Table 64 Last five reported trades for 2017 – Victorian 6 Murray HRWS

Sale description	Date registered	Volume (ML)	Sale Price (\$/ML)
Victorian 6 Murray HRWS	30/06/2017	40	\$2,650
Victorian 6 Murray HRWS	30/06/2017	60	\$2,650
Victorian 6 Murray HRWS	27/06/2017	108	\$2,560
Victorian 6 Murray HRWS	26/06/2017	192.5	\$2,650
Victorian 6 Murray HRWS	22/06/2017	1,680	\$2,615

Source: Aither 2017. Based on New South Wales Water Register 2017.

Notes: See end notes.

Table 65 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 65 Water market intermediary price summary June 2017 – Victorian 6 Murray HRWS

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
Victorian 6 Murray HRWS	\$2,650	\$2,600	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

No recent transactions of Victorian 6 Murray HRWS have been reported by water market intermediaries for 2017.

Table 66 Water market intermediary sales data for 2017 – Victorian 6 Murray HRWS

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
No recent trade			

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.13. Victorian 7 Murray HRWS

Table 67 Victorian 7 Murray HRWS – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$2,915 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Prices for Victorian 7 Murray HRWS entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the Victorian Water Register, there has been a weakening of Victorian 7 Murray HRWS entitlement prices in June 2017 (Table 68).

Table 68 Victorian Water Register June 2017 summary – Victorian 7 Murray HRWS

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
Victorian 7 Murray HRWS	\$2,854	\$2,824	\$2,898	\$3,200	66

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for Victorian 7 Murray HRWS entitlements in 2017 range from \$2,850 per ML to \$2,950 per ML (Table 69)

Table 69 Last five reported trades for 2017 – Victorian 7 Murray HRWS

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
Victorian 7 Murray HRWS	30/06/2017	50	\$2,950
Victorian 7 Murray HRWS	23/06/2017	140	\$2,950
Victorian 7 Murray HRWS	21/06/2017	59.4	\$2,900
Victorian 7 Murray HRWS	19/06/2017	44.2	\$2,850
Victorian 7 Murray HRWS	16/06/2017	100	\$2,925

Source: Aither 2017. Based on Victorian Water Register 2017.

Notes: See end notes.

Table 70 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 70 Water market intermediary price summary June 2017 – Victorian 7 Murray HRWS

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
Victorian 7 Murray HRWS	\$2,800 – \$2,985	\$2,900	No recent trade	Asking \$3,000

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

Water market intermediaries reported prices of between \$2,785 and \$2,985 per ML during June 2017 (Table 71).

Table 71 Water market intermediary sales data for 2017 – Victorian 7 Murray HRWS

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
Victorian 7 Murray HRWS	14/06/2017	138	\$2,985
Victorian 7 Murray HRWS	22/02/2017	162.1	\$2,800
Victorian 7 Murray HRWS	21/11/2016	86.9	\$2,785

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.14. South Australian Murray High Security – Class 3

Table 72 South Australian Murray High Security – Class 3 – Valuation summary

Item	Comment
Valuation approach	Market approach
Aither 30 June 2017 valuation	\$3,100 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Prices for South Australian Murray High Security – Class 3 entitlements have been sourced from state water registers and water market intermediaries. These reported transactions form the basis of our valuation using a market valuation approach.

Based on analysis of trades registered on the South Australian Water Register, there has been a strengthening of South Australian Murray High Security – Class 3 entitlement prices in June 2017 (Table 73).

Table 73 South Australian Water Register June 2017 summary – South Australian Murray High Security – Class 3

Entitlement type	May 2017 VWAP (\$/ML) ^{1, 3}	June 2017 VWAP (\$/ML) ^{1, 3}	Last week of June 2017 VWAP (\$/ML) ^{1, 4}	Max June 2017 price (\$/ML) ³	Number of trades (June 2017) ⁵
South Australian Murray High Security – Class 3	\$3,003	\$3,100	\$3,100	\$3,100	10

Source: Aither 2017. Based on South Australian Water Register 2017.

Notes: See end notes.

The last five water entitlement trades recorded for South Australian Murray High Security – Class 3 entitlements in June 2017 range from \$3,007 per ML to \$3,100 per ML (Table 74).

Table 74 Last five reported trades for 2017 – South Australian Murray High Security – Class 3

Entitlement type	Date registered	Volume (ML)	Reported price (\$/ML)
South Australian Murray High Security – Class 3	21/06/2017	50	\$3,100
South Australian Murray High Security – Class 3	21/06/2017	20	\$3,100
South Australian Murray High Security – Class 3	09/06/2017	20	\$3,100
South Australian Murray High Security – Class 3	06/06/2017	320	\$3,007
South Australian Murray High Security – Class 3	01/06/2017	20	\$3,007

Source: Aither 2017. Based on South Australian Water Register 2017.

Notes: See end notes.

Table 75 presents the results of the analysis of water market intermediary trade data and quoted prices for June 2017.

Table 75 Water market intermediary price summary June 2017 – South Australian Murray High Security – Class 3

Entitlement type	Ruralco Water (\$/ML)	H2OX (\$/ML)	Wilks Water (\$/ML)	Landmark WATER (\$/ML)
South Australian Murray High Security – Class 3	\$3,100	\$3,150	No recent trade	No recent trade

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

Water markets intermediary transactions reported were both at \$3,100 per ML during June 2017 (Table 76).

Table 76 Water market intermediary sales data for 2017 – South Australian Murray High Security – Class 3

Entitlement type	Date reported	Volume (ML)	Reported price (\$/ML)
South Australian Murray High Security – Class 3	26/06/2017	20	\$3,100
South Australian Murray High Security – Class 3	19/06/2017	30	\$3,100

Source: Aither 2017. Based on Ruralco Water, H2OX, Wilks Water and Landmark WATER 2017.

Notes: See end notes.

2.15. South Australian Mallee Prescribed Wells Area – Red Parilla Zone

Table 77 South Australian Mallee Prescribed Wells Area – Red Parilla Zone – Valuation summary

Item	Comment
Valuation approach	Market approach and income approach
Aither 30 June 2017 valuation	\$1,500 per ML
Material assumptions or limitations	None noted

Source: Aither 2017.

Based on information provided on the South Australian Water Register, there has never been a trade of South Australian Murray High Security Mallee Prescribed Wells Area – Red Parilla Zone with a commercial price. This makes valuing this entitlement type using the market approach challenging.

Duxton confirmed with Aither that in 2016-17 it purchased a 500 ML parcel of this entitlement type for \$1,500 per ML. Based on knowledge of the market and area in question, this price appears reasonable, but there is no publicly available market data available to Aither to compare this purchase price with.

To validate the purchase price of \$1,500 per ML, Aither has also employed an income valuation approach based on the known lease agreement between Duxton and the lessee for this entitlement parcel (i.e. using a discounted cash flow (DCF) analysis). Aither understands that the current lease agreement is for \$135 per ML per annum. For the purposes of DCF analysis, Aither has assumed that this lease can be achieved into perpetuity (appraisal period of 120 years). Aither has not considered transaction and lease management costs in this analysis.

To arrive at a valuation of \$1,500 per ML, an approximate 9 per cent real discount rate is required as an assumption in the DCF analysis. Based on Aither knowledge of the market in question, its relatively small size and therefore comparatively smaller potential lease market and higher counter-party risk, a 9 per cent real discount rate is a reasonable assumption to make. Table 78 below provides a discount rate sensitivity analysis for the DCF analysis and estimate of market value for this entitlement type.

Table 78 South Australian Mallee Prescribed Wells Area – Red Parilla Zone – Income approach DCF analysis sensitivity table

Real discount rate applied (%)	Estimated market value (\$/ML)
5%	\$2,692.26
7%	\$1,928.00
9%	\$1,499.95
11%	\$1,227.27

Source: Aither 2017.

Notes: See end notes.

3. Portfolio valuation

3.1. Duxton Portfolio

Based on the market valuations adopted for each relevant entitlement type, the 30 June 2017 portfolio value of the Duxton Portfolio is determined to be \$69.6 million. Table 79 provides a summary portfolio value assessment of the Duxton Portfolio as at this date.

Table 79 Duxton Portfolio value – 30 June 2017

Water Source / Entitlement type	Volume held (ML)	Estimate of market value – 30 June 2017 (\$/ML)	Estimated value of portfolio – 30 June 2017 (\$)
<u>New South Wales 10 Murray Regulated River</u>			
General Security	3,062	\$1,275	\$3,904,050
<u>New South Wales 10 Murray Regulated River – Murray Irrigation Limited</u>			
General Security	3,624	\$1,275	\$4,620,600
<u>New South Wales 11 Murray Regulated River</u>			
High Security	3,166.15	\$3,500	\$11,081,525
General Security	1,155.41	\$1,350	\$1,559,803.50
Supplementary	83	\$260	\$21,580
<u>New South Wales 11 Murray Regulated River – Western Murray Irrigation Limited</u>			
High Security	2,304	\$3,500	\$8,064,000
<u>New South Wales 13 Murrumbidgee Regulated River</u>			
High Security	1,776	\$3,500	\$6,216,000
<u>New South Wales Lachlan Regulated River</u>			
General Security	4,138	\$600	\$2,482,800
<u>New South Wales Lachlan Regulated River – Jemalong Irrigation Limited</u>			
General Security	2,660	\$600	\$1,596,000
<u>New South Wales Macquarie Regulated River</u>			
General Security	226	\$1,300	\$293,800
<u>Victorian 1A Greater Goulburn</u>			
High Reliability Water Share	2,522.90	\$2,600	\$6,559,540
<u>Victorian 3 Lower Goulburn</u>			
High Reliability Water Share	120	\$2,600	\$312,000
<u>Victorian 4A Campaspe</u>			
High Reliability Water Share	60	\$2,350	\$141,000
<u>Victorian 5A Loddon</u>			
High Reliability Water Share	239	\$2,100	\$501,900
<u>Victorian 6 Murray</u>			
High Reliability Water Share	3,772.60	\$2,650	\$9,997,390

Water Source / Entitlement type	Volume held (ML)	Estimate of market value – 30 June 2017 (\$/ML)	Estimated value of portfolio – 30 June 2017 (\$)
<u>Victorian 7 Murray</u>			
High Reliability Water Share	3,409.50	\$2,915	\$9,938,692.50
<u>South Australia Murray Regulated River</u>			
High Security - Class 3	509	\$3,100	\$1,577,900
<u>South Australia Mallee Prescribed Wells Area</u>			
Parilla Red Zone	500	\$1,500	\$750,000
Total	<u>33,327.56</u>		\$69,618,581

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

3.2. Acquisition Portfolio

Based on the market valuations adopted for each relevant entitlement type, the 30 June 2017 portfolio value of the Acquisition Portfolio is \$7.3 million. Table 80 provides a summary of the portfolio value assessment of the Acquisition Portfolio as at this date.

Table 80 Acquisition Portfolio value – 30 June 2017

Water Source / Entitlement type	Volume held (ML)	Estimate of market value 30 June 2017 (\$/ML)	Estimated value of portfolio 30 June 2017 (\$)
<u>New South Wales 11 Murray Regulated River</u>			
High Security	1,539	\$3,500	\$5,386,500
General Security	511	\$1,350	\$689,850
<u>New South Wales 11 Murray Regulated River – Western Murray Irrigation Limited</u>			
High Security	352	\$3,500	\$1,232,000
Total	<u>2,402</u>		\$7,308,350

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

4. End notes

State Water Register June 2017 summary tables

1) All \$0 trades were excluded from price calculations. Other outliers are excluded if they are judged to bias the VWAP calculation. 2) Only trades reported in May 2017 are included in this calculation. 3) Only trades reported in June 2017 are included in this calculation. 4) Trades reported from 23 June to 30 June 2017 are included in this calculation. 5) Number of trades excludes \$0 and trades with outlier prices. 6) The New South Wales Water Register does not report entitlement trades in a way that allows New South Wales 10 Murray High Security and New South Wales 11 Murray High Security trades to be disaggregated.

Last five reported trades for 2017 tables

Aither has cleaned trade data sourced from state water registers for outlier trades. Date registered is not indicative of sale agreement date. For New South Wales, Aither has only considered 71Q entitlement trades. The New South Wales Water Register does not report entitlement trades in a way that allows New South Wales 10 Murray High Security and New South Wales 11 Murray High Security trades to be disaggregated.

Water market intermediary sales data for 2017 tables

Date reported is not necessarily indicative of sale agreement date.

Attachment A – Encumbrance assessment

Instructions

On 12 July 2017, Aither was instructed by Pitcher Partners Corporate Pty Ltd (Pitcher Partners) to provide an independent fair market valuation of Australian water entitlement types. The entitlements chosen for valuation relate to the current Duxton Water Limited (Duxton) water entitlement portfolio (Duxton Portfolio) and a potential acquisition water entitlement portfolio (Acquisition Portfolio).

A component of this engagement involved Aither being instructed to assess the positive or negative impact that encumbrances, such as a lease agreement, could have on the value of specific entitlements held by each portfolio and the portfolios in aggregate.

This attachment to the main valuation report explores the potential market value impacts of current water entitlement encumbrance.

Types and potential market value impacts of encumbrances

Types of encumbrances

An encumbrance is a claim against an asset by a party that is not the registered owner – examples of financial encumbrances include mortgages or leases. In specific relation to water entitlements, the most common type of encumbrance is a water entitlement lease (technically referred to as 'term transfers' by some Australian state governments).

Water entitlement leases involve the transfer of the use of the water entitlement from the owner of the asset to another party for a fixed-term (generally water entitlements are leased to an agricultural enterprise that will use the water allocated to the entitlement). For the period of the lease, the costs associated with holding the entitlement are generally paid by the lessee and the allocation risk is also borne by the lessee (which is different to other property leases where the lessor directly pays asset holding costs and passes these on through the lease fee). For use of a water entitlement, a lease fee (rent) is paid to the owner of the entitlement.

While there are market conventions, there is no industry standard water entitlement lease agreement and in many cases the conditions and terms attached to lease agreements can be relatively bespoke. Water entitlement lease fees can be paid annually, quarterly or monthly, can be a fixed rate or a percentage of the entitlement market value, can be adjusted for CPI. Term extensions options are not uncommon.

Given the value of water entitlements, mortgages are another type of common entitlement encumbrance (i.e. where a bank or financial institution registers a financial claim against a specific water entitlement).

Potential market value impacts of encumbrances

An encumbrance, if material, can impact the ability to transfer the asset in a market or limit the use of this asset by the new owner. In comparison to an unencumbered asset, which may have more trade flexibility or less restrictions on use, an encumbered asset may be valued by some buyers at a

discount to market value to reflect the materiality of limitations. Alternatively, an encumbered water entitlement asset with an above market and agreed future lease income could be valued by some buyers at a premium to market if the terms of this lease were materially advantageous.

Two key aspects will generally determine the potential market value impacts of specific encumbrances over water entitlements:

- **Lease terms compared to market averages** – if lease terms for a specific encumbered entitlement are materially better or worse than market averages, an associated premium or discount may be applied to the market value.
- **Type of buyer** – if a potential buyer was an investor with similar intentions and investment horizons as Duxton, no or some premium may be paid to acquire leased entitlements on the basis that there are secured and known returns from these assets. If a potential buyer was an agricultural enterprise that wanted to use the water allocated to the entitlements or have use of the entitlement accounts, it is likely that a discount would be applied to the market value of specific encumbered entitlements.

Furthermore, guidelines surrounding Commonwealth Government water entitlement purchases (buybacks) and irrigation efficiency upgrades do not allow encumbered water entitlements to be sold or transferred to the Commonwealth Government – this includes if there is a current mortgage over the entitlement. This has the effect of limiting the potential market for currently encumbered water entitlements and this could have a material impact on the value of these entitlements. However, on the basis that further Commonwealth Government water entitlement purchases are unlikely, Aither does not consider this to be a material concern in the context of this valuation.

Identification of relevant encumbrances

Between 7 July 2017 and 21 July 2017, Duxton provided Aither with encumbrance details and supporting documentation relevant to entitlements held by the Duxton Portfolio and Acquisition Portfolio. As instructed, Aither has relied on this information to make an assessment and has not undertaken its own independent searching for registered interests over entitlements held.

Duxton Portfolio

Based on documents provided, Aither has identified 9 encumbrances in relation to water entitlements held in the Duxton Portfolio. The details of these encumbrances are documented below in Table 81 and Table 82. While the terms of every lease differ slightly, at a portfolio level Aither finds the following:

- By volume, 56 per cent of the Duxton Portfolio is currently leased.
- The weighted average annual current yield of the Duxton Portfolio is 5.91 per cent (Aither was not provided with water entitlement purchase prices so this is not a calculation of yield on cost).
- Current leases over water entitlements held by the Duxton Portfolio have a volume weighted average term to expiry of 5.9 years.

Table 81 Summary of Duxton Portfolio entitlement encumbrances – Lease 1 to 5

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Source: Aither 2017. Based on lease details supplied by Duxton 2017.

Table 82 Summary of Duxton Portfolio entitlement encumbrances – Lease 6 to 9

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Source: Aither 2017. Based on lease details supplied by Duxton 2017.

Acquisition Portfolio

Based on documents provided by Duxton to Aither, there are no 'current' encumbrances in relation to water entitlement types held by the Acquisition Portfolio. There are however proposed encumbrances that may apply at the point of acquisition of this portfolio by Duxton (i.e. a purchase and lease back approach). Aither has been provided with the details of these proposed encumbrances.

While Aither understands that it is Duxton intention to lease back the entitlements that will be potentially acquired through the Acquisition Portfolio, at the date of reporting these lease agreements are yet to be finalised and have not been executed. In this context, we have not provided a detailed summary of the proposed lease terms below.

Aither is aware that there are two proposed leases. The first is for New South Wales 11 Murray High Security (1,539 ML) and New South Wales 11 Murray General Security (511 ML) entitlement types for a proposed weighted annual yield of 6.5 per cent. The second lease is for New South Wales 11 Murray High Security – Western Murray Irrigation Limited (352 ML) for a proposed annual yield of 6.5 per cent.

Comparative analysis

Market data on water entitlement leases

The southern Murray-Darling Basin states (New South Wales, Victoria and South Australia) have publicly-accessible and reliable water registers that among other things provide the ability to undertake title searches. It is a requirement that the nature (but not specific terms) of any encumbrances on specific rights or approvals are recorded on this documentation.

However, unlike for allocation and entitlement trade, there is limited public data on entitlement lease prices and terms. For Victoria and South Australia there is no contemporary public register of entitlement lease prices or terms but are made public through ABARES a year following registration. The New South Wales Government does not publicly release lease details. In general, the details of most lease deals are kept commercial in confidence by the parties or intermediary involved. In comparison to other asset classes, such as commercial real estate or government and corporate bonds, assessing market average water entitlement yields is very difficult due to the lack of publicly available transaction evidence.

Available transaction data

At the time of valuation, public data on lease prices and terms was available for Victorian and South Australian entitlement types up to the conclusion of the 2015-16 water year. Evidence of relevant transactions is provided in **Table 83**.

Current market yields typically range from 4 per cent to 6 per cent across the various entitlement types being leased on the open market. In comparison, the yields being achieved by Duxton (**Table 81** and **Table 82**) range between 5 per cent to 9 per cent are therefore the Duxton Portfolio leases are at the upper end of the market.

Table 83 Available entitlement lease transaction evidence – Victoria and South Australia

Entitlement type	Financial Year commencement	Lease term (years)	Volume (ML)	Annualised lease price (\$/ML)	Current annual yield (%)
Victorian 1A Greater Goulburn HRWS	2014-15	3	300	\$22.23	1%
Victorian 1A Greater Goulburn HRWS	2015-16	3	300	\$47.67	2%
Victorian 1A Greater Goulburn HRWS	2014-15	3	200	\$92.27	4%
Victorian 1A Greater Goulburn HRWS	2014-15	3	400	\$92.27	4%
Victorian 1A Greater Goulburn HRWS	2014-15	2.3	100	\$177.46	7%
Victorian 1A Greater Goulburn HRWS	2014-15	4.5	495.7	\$113.68	4%
Victorian 1A Greater Goulburn HRWS	2014-15	4.9	797.3	\$103.94	4%
Victorian 1A Greater Goulburn HRWS	2014-15	5	340	\$103.24	4%
Victorian 1A Greater Goulburn HRWS	2014-15	4.2	1,650	\$130.89	5%
Victorian 1A Greater Goulburn HRWS	2014-15	4.2	176.1	\$138.43	5%
Victorian 1A Greater Goulburn HRWS	2013-14	8	8.1	\$149.95	6%
Victorian 6 Murray HRWS	2015-16	3	103.2	\$93.42	4%
Victorian 6 Murray HRWS	2015-16	3	823.5	\$128.15	5%
Victorian 6 Murray HRWS	2014-15	5	200	\$88.17	3%
Victorian 6 Murray HRWS	2014-15	5	250	\$88.55	3%
Victorian 6 Murray HRWS	2014-15	4.6	1,006	\$101.17	4%
Victorian 7 Murray HRWS	2014-15	2.7	500	\$42.80	1%
Victorian 7 Murray HRWS	2014-15	3	500	\$45.00	2%
Victorian 7 Murray HRWS	2013-14	3	1,000	\$92.27	3%
Victorian 7 Murray HRWS	2014-15	3	500	\$102.52	4%

Entitlement type	Financial Year commencement	Lease term (years)	Volume (ML)	Annualised lease price (\$/ML)	Current annual yield (%)
Victorian 7 Murray HRWS	2014-15	3	300	\$118.00	4%
Victorian 7 Murray HRWS	2015-16	3	2,000	\$118.33	4%
Victorian 7 Murray HRWS	2013-14	4	3,000	\$93.43	3%
Victorian 7 Murray HRWS	2014-15	2.5	400	\$160.33	6%
Victorian 7 Murray HRWS	2015-16	3	400	\$139.10	5%
Victorian 7 Murray HRWS	2015-16	3	900	\$150.00	5%
Victorian 7 Murray HRWS	2014-15	5	200	\$120.83	4%
Victorian 7 Murray HRWS	2015-16	5	1,000	\$120.83	4%
Victorian 7 Murray HRWS	2014-15	5	500	\$125.93	4%
Victorian 7 Murray HRWS	2014-15	5	1,200	\$140.92	5%
Victorian 7 Murray HRWS	2015-16	5	500	\$143.92	5%
South Australian 3A Murray High Security	2013-14	3	100	\$65.00	2%
South Australian 3A Murray High Security	2014-15	3	306	\$104.58	3%
South Australian 3A Murray High Security	2014-15	5	95	\$107.37	3%
South Australian 3A Murray High Security	2014-15	5	290	\$107.59	3%
South Australian 3A Murray High Security	2015-16	5	1,005	\$137.31	4%
South Australian 3A Murray High Security	2014-15	11	24	\$98.48	3%
South Australian 3A Murray High Security	2013-14	11	10	\$109.09	4%

Source: Aither 2017. Based on ABARES 2017.

In the absence of public lease data for New South Wales, Aither has reviewed commercial in confidence lease agreements for similar water entitlement types to those held by the Duxton Portfolio and the Acquisition Portfolio. Current yields for these New South Wales lease agreements are within a range of 5 per cent to 7 per cent. These yields are similar to yields currently agreed for encumbered New South Wales entitlements held by the Duxton Portfolio and proposed for the not yet executed lease agreements related to the Acquisition Portfolio.

Other material lease terms

While there are market conventions, there is no industry standard water entitlement lease agreement and in many cases the conditions and terms attached to lease agreements can be relatively bespoke. Beyond the agreed lease fee, other conditions and terms can have a material impact on the market value of encumbered water entitlements. In this context, Aither has reviewed the current lease agreements relating to the Duxton Portfolio and made the following findings:

- **Long average term to expiry** – current leases over water entitlements held by the Duxton Portfolio have a volume weighted average term to expiry of 5.9 years. Market average lease terms are approximately 3 to 4 years, so the average term to expiry of the Duxton Portfolio leases are above the historical market average. For the correct buyer, such as an institutional investor with similar investment intentions to Duxton, the above average term to expiry for leases could be advantageous for the marketing of the Duxton Portfolio for sale.
- **Protection against inflation** – by volume, only 6 per cent of Duxton Portfolio leases are adjusted for CPI in future years (for these leases CPI adjustment only starts from 2020-21 onwards). Given the above average term to expiry of the Duxton Portfolio leases, inflation over the forward 5 to 6 year period will dilute the current yields generated by Duxton Portfolio leases. This may be detrimental to the marketing of the Duxton Portfolio for sale.
- **Lease fee reset at option** – the majority of Duxton Portfolio leases have options over them that allow the lessee to re-lease the water entitlement(s) upon initial lease expiry. In most cases, the lease fee for the option period has been agreed as a set percentage of water entitlement market value at the point in time that the option is taken (effectively a current yield). Knowing the future yield of the investment if the option is taken is advantageous as it insulates the owner of the entitlement against the impact that capital value appreciation over this period will have on current yield calculations. In all cases the agreed yields on these options are within market averages and Aither would not be expect these characteristics to be detrimental to the marketing of the Duxton Portfolio for sale.
- **Current leases negotiated between related parties** – the current Duxton Portfolio leases were negotiated between related parties and this has implications for a purchaser of the Duxton Portfolio. For example, if the purchaser's investment horizon assumed the need to renegotiate leases at the point options can be taken or following an option period expiry and the purchaser believed that it would not be able to negotiate as advantageous terms as Duxton has and could in the future, this may be detrimental to the marketing of the Duxton Portfolio for sale.

Conclusion

Based on the analysis and discussion presented in this section, Aither concludes that if an investor with similar intentions to Duxton was the potential purchaser of the Duxton Portfolio or Acquisition Portfolio, the high lease weight of the portfolios, at or above market yields and above market average terms to expiry are likely to increase the attractiveness of the portfolios and therefore buyer willingness to pay.

Our market intelligence suggests that there are several large domestic and foreign investment vehicles (including superannuation funds and banks) seeking to deploy capital to acquire large parcels of water entitlements in the Murray-Darling Basin and Australian more broadly. Some of these investors would look favourably on the current lease arrangements in place for the Duxton Portfolio. While based on current leases the Duxton Portfolio may be more attractive compared to alternative portfolios, and this may command some premium to market for the right buyer, most buyers may not be willing to pay a large premium to market value (Table 1 and Table 2).

Attachment B – Material premiums or discounts assessment

Instructions

On 12 July 2017, Aither was instructed by Pitcher Partners Corporate Pty Ltd (Pitcher Partners) to provide an independent fair market valuation of Australian water entitlement types. The entitlements chosen for valuation relate to the current Duxton Water Limited (Duxton) water entitlement portfolio (Duxton Portfolio) and a potential acquisition water entitlement portfolio (Acquisition Portfolio).

A component of this engagement involved Aither being instructed to provide advice about any material premiums or discounts that could be applied based on the nature or characteristics of specific entitlements or the strategic nature of each portfolio in aggregate.

Specifically, this attachment to the main valuation report assesses the size and strategic nature of specific entitlements listed at Table 4 and Table 5 of the main valuation report, and whether as a result it would be appropriate to attach a significant premium or discount to the market values established. While the valuation date was agreed as Friday 30 June 2017 the assessment of potential premiums and discounts has been conducted as at the date of this report (21 July 2017). In this context, this attachment also explores the value of 2017-18 water allocations allocated to each of the portfolios over this period.

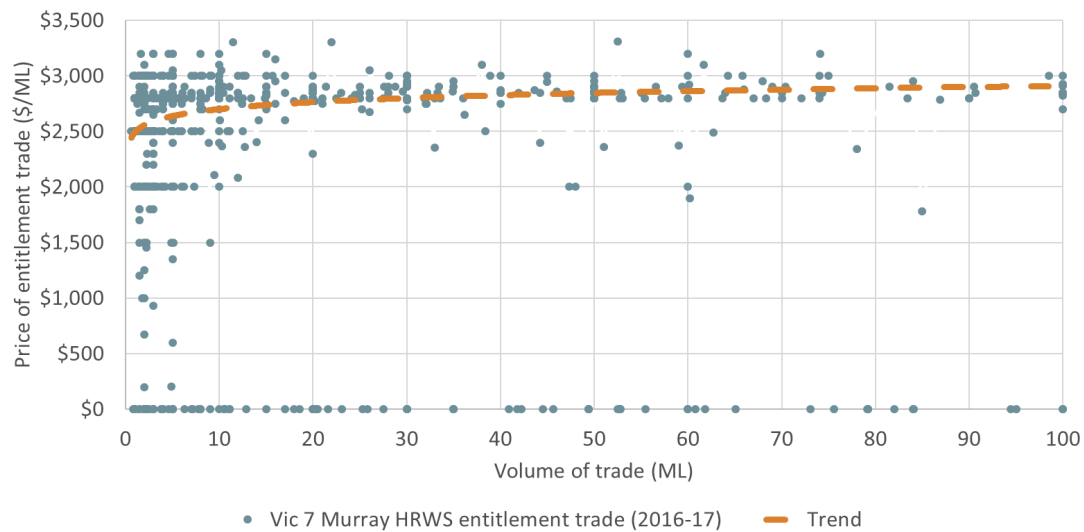
Market value discounts for small volume entitlement parcels

While in aggregate the Duxton Portfolio and Acquisition Portfolio are both sizeable assets, the size of some of the entitlements within the portfolios are relatively small in the context of entitlements on issue in the water systems in which they are located.

Anecdotal market evidence suggests that when very small volume entitlement parcels are sold, a discount to the average market value for equivalent but larger water entitlement parcels is attached. The reason for this discounting is the fact that water entitlement transactions incur both variable brokerage fees but fixed state government processing fees. The logic being that the sale of very small entitlement parcels incurs proportionally higher dollar per ML transaction costs because of the fixed fees.

Discounting of small parcels can be observed within the entitlement market when price and volume trends are assessed. Figure 6 demonstrates this trend in relation to Victorian 7 Murray HRWS entitlements over the course of water year 2016-17. Discounting appears to be occurring for those parcels below 20 ML, with this being particularly the case in relation to parcels below 10 ML – note, Aither has not undertaken formal statistical relationship analysis.

Figure 6 Victorian 7 Murray HRWS entitlement trade price and volume comparison –2016-17



Source: Aither 2017. Based on the Victorian Water Register 2017.

Note: Outliers have been removed for illustration purposes. Aither has not undertaken statistical relationship analysis.

Median entitlement trade parcel volumes

To assess whether the entitlements within the Duxton Portfolio and Acquisition Portfolio could attract a discount due to their small volume, we have calculated the median volume of relevant entitlement trade parcels over water years 2007-08 to 2016-17 (Table 84). Those entitlements held by the Duxton Portfolio and Acquisition Portfolio that are significantly lower in volume than the relevant median have been assessed as having the potential to attract a discount due to their small volume.

Table 84 Median entitlement trade parcel volumes – 2007-08 to 2016-17

Water source and entitlement type	Median traded parcel size (ML) ¹
New South Wales Murray General Security ²	165
New South Wales Murray High Security ²	61
New South Wales Murray Supplementary Water ²	63
New South Wales Murrumbidgee High Security	150
New South Wales Lachlan General Security	350
New South Wales Macquarie General Security	201.5
Victorian 1A Greater Goulburn HRWS	27
Victorian 3 Lower Goulburn LRWS	14.7
Victorian 4A Campaspe HRWS	26.2
Victorian 5A Loddon HRWS	17.5
Victorian 6 Murray HRWS	53.3
Victorian 7 Murray HRWS	20
South Australian Murray High Security – Class 3	50

Water source and entitlement type	Median traded parcel size (ML) ¹
South Australian Mallee Prescribed Wells Area ³	167

Source: Aither 2017.

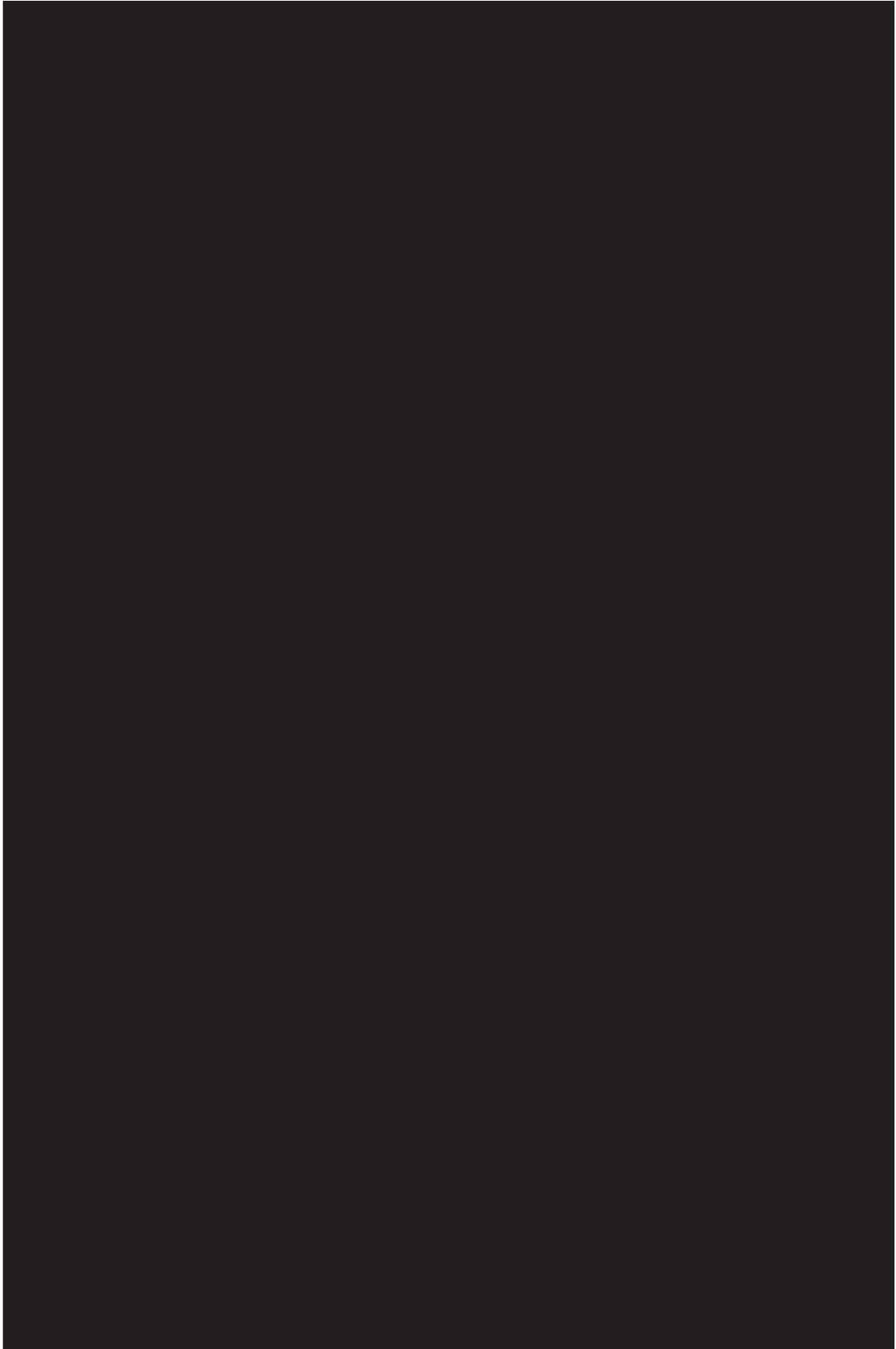
Notes: 1) Median parcel size includes entitlement trades with \$0 reported prices. 2) The New South Wales Water Register does not report trades in a way that allows New South Wales 10 Murray and New South Wales 11 Murray entitlement trade to be disaggregated. 3) Mallee Prescribed Wells Area data is not broken down by management zone and therefore differences may exist between the data presented here and the actual time taken to acquire the specific entitlement type held by Duxton Water.

Assessment of Duxton Portfolio for small parcel volumes

Table 85 presents an assessment of individual parcel volumes for the Duxton Portfolio based on the assessment of median entitlement trade parcel volumes for the equivalent entitlement type. Four individual entitlement parcels have been identified as having the potential to attract a market value discount if sold at market individually.

Table 85 Duxton Portfolio entitlement volume discount assessment







Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

Assessment of Acquisition Portfolio for small parcel volumes

Table 86 presents an assessment of individual parcel volumes for the Acquisition Portfolio based on the assessment of median entitlement trade parcel volumes for the equivalent entitlement type. No individual entitlement parcels have been identified as having the potential to attract a market value discount if sold at market individually.

Table 86 Acquisition portfolio entitlement size discount assessment

Water Source / Reference Number	Entitlement Type	Volume (ML)	Potential for discount due to parcel volume?
<u>New South Wales 11 Murray Regulated River</u>			
WAL 4944	High Security	557	No
WAL 5023	High Security	289	No
WAL 16076	High Security	284	No
WAL 16271	High Security	209	No
WAL 16272	High Security	200	No
WAL 5434	General Security	511	No
<u>Sub total</u>		<u>2,050</u>	
<u>New South Wales 11 Murray Regulated River – Western Murray Irrigation Limited</u>			
WMI450	High Security	352	No
<u>Sub total</u>		<u>352</u>	
<u>Total</u>		<u>2,402</u>	

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017

Assessment of potential parcel volume market value discount

In general, Aither has identified individual parcels of less than 10 ML as having the potential to attract a market value discount if sold individually. This volume has been assumed based on:

- historical median trade parcel volumes (Table 84)
- the fact that at volumes of 10 ML or greater, the fixed administration fee component of engaging in trade is distributed sufficiently across the parcel being traded to be less than 1 per cent of total transaction price (Table 87).

It should be noted however that whether a specific parcel attracts a discount or not will depend on the median parcel size for entitlements and other case by case factors.

Table 87 Transaction costs as percentage of total parcel market value – Vic 7 Murray HRWS

Water entitlement parcel volume (ML)	Transaction costs as percentage total parcel market value (%)
1	13.66%
10	4.07%
20	3.53%
50	3.21%
100	3.11%
500	3.02%
1,000	3.01%

Source: Aither 2017.

Note: Assumes market value as at 30 June 2017, 3 per cent brokerage commission and relevant Victorian Government fees.

Based on the assumption of 3 per cent brokerage fees, buyers of water entitlement parcels at or above median parcel volumes generally incur total transaction costs (brokerage and state administration fees) of no more than 3 per cent to 4 per cent of total trade value (Table 87). We have used this benchmark to back solve a potential market value discount that might be applied to water entitlements with small parcel volumes that are held by the Duxton Portfolio. This method effectively discounts the per ML market value of the entitlement by the proportionally higher costs that fixed administration fees represent per ML of the entitlement traded. These calculations are documented in Table 88 below.

Table 88 Potential market value discount by entitlement type based on volume of parcel – Duxton Portfolio

Water Source / Reference number	Entitlement type	Volume (ML)	30 June 2017 market value (\$/ML)	Brokerage fees (3%) (\$)	State transfer fees (\$)	Potential market value discount (\$/ML)
<u>New South Wales 11 Murray Regulated River</u>						
WAL 9316	General Security	1	\$1,350	\$40.50	\$456.07	\$440 – \$460
<u>New South Wales 13 Murrumbidgee Regulated River</u>						
WAL 3834	High Security	3	\$3,500	\$315	\$456.07	\$350 – \$370
<u>Victorian 7 Murray</u>						
WEE 037190	HRWS	5	\$2,915	\$437.25	\$310.60	\$170 – \$190
<u>Victorian 6 Murray</u>						
WEE 044162	HRWS	5.30	\$2,650	\$421.35	\$310.60	\$170 – \$190

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017 and state fees sourced from relevant state governments 2017.

Having assessed the impact of potential discounts applicable to the four specific entitlements identified in the Duxton Portfolio, we have estimated a potential total aggregate dollar value discount if these entitlements were sold individually of between approximately \$3,240 and \$3,530. In the context of a total estimated 30 June 2017 value of the Duxton Portfolio of \$69,618,581, this represents an approximate 0.005% potential discount on the portfolio in aggregate. Considering this and assuming that if the Duxton Portfolio were to be sold it would be sold in aggregate, Aither believes that the estimated potential discount amount for the four identified entitlements is immaterial to the overall valuation of the portfolio.

Strategic value of the portfolio

There are some important strategic benefits associated with acquiring a large portfolio, such as the Duxton Portfolio or the Acquisition Portfolio, in a single transaction when compared to purchasing individual entitlements on the open market. These considerations, and potential to impact on the market value of each portfolio are explored below.

Brokerage fees

Brokers and exchanges typically charge between 2 and 4 per cent of the purchase price, depending on the broker and specific details of a given trade. Some brokers charge both the buyer and seller,

although some market makers have negotiated lower fees with specific brokers. Buying an off the shelf portfolio can avoid brokerage charges and provide a significant financial savings.

In the case of the Duxton portfolio, the avoided cost of not using a water broker could be as much as approximately \$2.8 million. In relation to the Acquisition portfolio this could be as much as \$300,000.

Time taken to acquire similar portfolio from market

For any buyer seeking to acquire a portfolio the size of the Duxton Portfolio or the Acquisition Portfolio it would take time to acquire such a portfolio by buying individual parcels from the market without materially impacting on market prices. Managing these negotiations would also come at some material cost to the investor.

Based on historical liquidity in relevant entitlement markets, we estimate that it could take an investor up to approximately 4 years to acquire a portfolio of a similar size to the Duxton Portfolio – assuming an investor purchased 25 per cent of annual traded volume each year (Table 89). This time estimate is almost entirely driven by the time it would take to acquire New South Wales 11 High Security entitlements and New South Wales Lachlan General Security entitlements. In this context, there may be strategic merit to the Duxton Portfolio given the large holdings these entitlement types.

Table 89 Estimated time to acquire Duxton Portfolio entitlements

Entitlement class	Annual average for 2015-16 and 2016-17		Duxton Holdings (ML)	Years taken to acquire	
	Volume traded (ML) ¹	Number of trades ¹		@25% of turnover	@15% of turnover
New South Wales Murray High Security ²	5,635.815	58.5	5,470.15	3.88	6.47
New South Wales Murray General Security ²	16,436.415	67.5	7,841.41	1.91	3.18
New South Wales Murray Supplementary	432.5	4	83	0.77	1.28
NSW 13 Murrumbidgee HS	6,088.75	22.5	1,776	1.17	1.94
NSW Lachlan General Security	7037	19	6,798	3.86	6.44
NSW Macquarie General Security	3464.5	15	226	0.26	0.43
Vic 1A Greater Goulburn HRWS	48,637.1	796.5	2,522.90	0.21	0.35
Vic 3 Lower Goulburn HRWS	1655.4	22	120	0.29	0.48
Vic 4A Campaspe HRWS	850.95	29	60	0.28	0.47
Vic 5A Loddon HRWS	873.1	24	239	1.09	1.82
Vic 6 Murray HRWS	20,334.85	228.5	3,772.60	0.74	1.24

Entitlement class	Annual average for 2015-16 and 2016-17		Duxton Holdings (ML)	Years taken to acquire	
	Volume traded (ML) ¹	Number of trades ¹		@25% of turnover	@15% of turnover
Vic 7 Murray (Barmah to SA) HRWS	60,428.15	849.5	3,409.50	0.23	0.38
SA Murray High Security – Class 3	37,101.791	220	509	0.05	0.09
SA Mallee Prescribed Wells Area ³	1086.93	5.5	500	1.84	3.07

Source: Aither 2017. Based on New South Wales, Victorian and South Australian Water Register 2017.

Notes: 1) Volumes and numbers of entitlement trades include transfers with \$0 reported prices. 2) The New South Wales Water Register does not report trades in a way that allows New South Wales 10 Murray and New South Wales 11 Murray entitlement trade to be disaggregated. 3) Mallee Prescribed Wells Area data is not broken down by management zone and therefore differences may exist between the data presented here and the actual time taken to acquire the specific entitlement type held by Duxton Water.

Based on historical liquidity in relevant entitlement markets, we estimate that it could take an investor up to approximately 1 to 2 years to acquire a portfolio of a similar size to the Acquisition Portfolio – assuming an investor purchased 25 per cent of annual traded volume each year (Table 90Table 89). This time estimate is almost entirely driven by the time it would take to acquire New South Wales High Security entitlements. In this context, there may be similar additional strategic merit to the Acquisition Portfolio given the large holdings of these entitlement types.

Table 90 Estimated time to acquire Acquisition Portfolio entitlements

Entitlement class	Annual average for 2015-16 and 2016-17		Acquisition Portfolio holdings (ML)	Years taken to acquire	
	Volume traded ¹	Number of trades ¹		@25% of turnover	@15% of turnover
New South Wales Murray High Security ²	5,635.815	58.5	1891	1.34	2.24
New South Wales Murray General Security ²	16,436.415	67.5	511	0.12	0.21

Source: Aither 2017, based on New South Wales, Victorian and South Australian water register data

Notes: 1) Volumes and numbers of entitlement trades include transfers with \$0 reported prices. 2) The New South Wales Water Register does not report trades in a way that allows New South Wales 10 Murray and New South Wales 11 Murray entitlement trade to be disaggregated.

Current market interest

Our market intelligence suggests that there are several large agribusinesses and investment vehicles (including superannuation funds and banks) seeking to deploy capital to acquire large parcels of water entitlements in the Murray-Darling Basin and Australian more broadly. This interest has been sustained over several years.

The current market environment and interest from multiple parties may provide opportunities over the short and long-term where market liquidity is advantageous for the sale of portfolios as large as both the Duxton Portfolio or the Acquisition Portfolio.

Inclusion of 2017-18 allocations in portfolio value assessment

Entitlement valuations determined by Aither in the main valuation report are as at Friday 30 June 2017 (Table 1 and Table 2). These 'end of season' market values most likely reflect the fact that all water allocations during 2016-17 have been used and these entitlements are being sold 'dry' (not discounting the fact that expectations about allocations to entitlements in future years, including 2017-18, will be priced into the market value of these entitlements).

While Aither believes relevant entitlement market values have not changed significantly between Friday 30 June 2017 and the date that this report is provided (Friday 21 July 2017), water allocations for the 2017-18 water year have been allocated to entitlements held by each of the portfolios over this period. If the portfolios or individual entitlements were sold at the report provision date, it is likely that unused or unleased 2017-18 water allocations accrued to entitlements would be packaged in the sale (i.e. water entitlements would be sold 'wet').

Accounting for the value of 2017-18 water allocations is a material issue given that much of the holdings of the Duxton Portfolio and Acquisition Portfolio are higher reliability and therefore receive allocations early in water years. On this basis, the value of these water allocations may add a material premium to the portfolio values determined in the main valuation report.

On Monday 17 July 2017, Duxton provided Aither with details of unused and unleased allocations that have accrued to the entitlements of the Duxton Portfolio for the 2017-18 water year – these figures are inclusive of the allocation determinations made by state governments on Monday 17 July 2017.

Aither was not provided with 2017-18 allocations accruing to the Acquisition Portfolio. Aither has assumed that all allocations to entitlements of this portfolio can be considered 'used' given that in the event of acquisition, Duxton has pending lease-back agreements in place so 2017-18 allocations to these entitlements will accrue to the lessee not Duxton.

As is shown in Table 91, the current volume of allocations received by the Duxton Portfolio in 2017-18 is equal to 10,721.84 ML. Based on an assessment of 21 July 2017 water allocation spot prices, this volume of water allocations is valued at approximately \$1.28 million (excluding transaction costs). Based on the value of these allocations and a 30 June 2017 valuation of the Duxton Portfolio of approximately \$69.67 million, Aither considers the inclusion of the value of 2016-17 allocations to be material to informing a portfolio value assessment of the Duxton Portfolio at the date that this report is provided (Friday 21 July 2017).

Table 91 Value of unused and unleased water allocations to Duxton Portfolio – 2017-18 water year as at 17 July 2017

Water entitlement type	Allocation volume (ML)	21 July 2017 allocation spot price (\$/ML)	Estimated value of current 2017-18 allocations (\$)
New South Wales 10 Murray General Security	248.64	\$110	\$27,350
New South Wales 11 Murray General Security	18.5	\$120	\$2,220

Water entitlement type	Allocation volume (ML)	21 July 2017 allocation spot price (\$/ML)	Estimated value of current 2017-18 allocations (\$)
New South Wales 11 Murray High Security	3,884	\$120	\$466,080
New South Wales 13 Murrumbidgee High Security	2.9	\$120	\$348
New South Wales Macquarie General Security	81.4	\$120	\$9,768
Victorian 1A Greater Goulburn HRWS	285.34	\$105	\$29,961
Victorian 6 Murray HRWS	165.08	\$110	\$18,159
Victorian 7 Murray HRWS	5,526.98	\$120	\$663,238
South Australian Murray High Security – Class 3	509	\$120	\$61,080
Total	10,721.84		\$1,278,204

Source: Aither 2017. Based on entitlement holdings supplied by Duxton 2017.

Attachment C – Title document review

CONFIDENTIAL

Piera Murone
Executive Director
Pitcher Partners Corporate Pty Ltd
By email

Dear Piera

Valuation of Australian water entitlements

On 12 July 2017, Aither was instructed by Pitcher Partners Corporate Pty Ltd (Pitcher Partners) to provide an independent fair market valuation of Australian water entitlements relating to the current Duxton Water Limited (Duxton) water entitlement portfolio (Duxton Portfolio) and a potential acquisition water entitlement portfolio (Acquisition Portfolio).

A component of this engagement involved Aither viewing and assessing water entitlement title documentation with the purpose of reviewing ownership and any material conditions on the water entitlements that may impact value. Aither was not instructed to provide legal advice or conveyancing services, nor is Aither suitably qualified to provide legal advice or conveyancing services.

Between 7 July 2017 and 13 July 2017, Duxton provided Aither with title and supporting documentation relevant to entitlements held by the Duxton Portfolio and Acquisition Portfolio.

I confirm that Aither has reviewed the documents supplied, cross checked information about the nature of water entitlement holdings of each portfolio, and confirmed the volumes of entitlements held. With two exceptions, we are comfortable that title documents supplied and subsequent clarifications provided by Duxton support the following findings:

- For the Duxton Portfolio, title and supporting documents supplied support the current ownership by or the current transfer of ownership to Duxton.
- Entitlement characteristics and volumes stated on title and supporting documents align with Aither's understanding of the volumes and nature of holdings of each portfolio.
- There are no conditions that have been identified that would materially impact on the value of any entitlement held by either portfolio (subject to clarifications by Duxton that encumbrances noted on title documents are not current – see Table 1).

Table 1 documents exceptions to the above-mentioned findings.

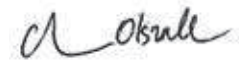
Table 92 Title document review – exceptions

Exception	Comment
Original advice received by Aither suggested Duxton owned 3,409.50 ML of Vic 7 Murray – HRWS. Vic 7 Murray – HRWS title documents supplied total 3,396.50 ML.	Duxton confirmed the recent purchase of 13 ML of Vic 7 Murray – HRWS. Aither understands this to be with the Victorian Water Register for approval. Aither has not reviewed the sale agreement or other related documents.
Titles for the following entitlements suggest there was a current encumbrance at the point the title document was produced: WAL39825, WAL37452, WAL3834 and WAL3365. Lease documents supplied by Duxton did not list current encumbrances over these entitlements.	Duxton confirmed with Aither that at the date of valuation (30 June 2017) these entitlements are not leased nor are there any current encumbrances over these entitlements.

As instructed, Aither has not undertaken any independent validation of the accuracy of the information supplied by Duxton nor undertaken any independent title searches. Consequently, any advice given

by Aither on the holdings of each portfolio is subject to the accuracy and limitations of documents provided by Duxton.

Kind regards



Chris Olszak
Director

Friday 21 July 2017

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Attachment D – Aither proposal and instructions

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A I T H E R

Piera Murone
Executive Director
Pitcher Partners Corporate Pty Ltd
By email

Dear Piera

Valuation of Australian water entitlements

Building on discussions to date, I have prepared this letter of proposal which outlines how Aither could assist Pitcher Partners with the provision of water entitlement valuation services. This letter outlines Aither's understanding of the scope of work required by Pitcher Partners, our approach to meeting your needs and proposed commercial arrangements. We would be happy to modify the scope or proposed approach as to best meet your needs.

Scope

Aither understands that Pitcher Partners is seeking an assessment of the current fair market value of several water entitlement types, a valuation of Duxton Water Limited's (Duxton) water entitlement holdings, and related valuation analysis and advice. We understand that the results of Aither's assessment will be used by Pitcher Partners to inform a potential acquisition by Duxton, as well as an assessment of the current market value of the Duxton portfolio. In this regard, we consent to the inclusion of Aither's assessment and associated reporting in Pitcher Partners' independent expert report.

Specifically, Aither has been asked by Pitcher Partners to quote for the following services:

- A current fair market valuation of the water entitlement types listed at Table 1 in Attachment A – this will be used to inform the potential acquisition.
- A current fair market valuation of the water entitlement types listed at Table 2 in Attachment B – this will be used to inform a valuation of Duxton's water entitlement holdings.
- A portfolio valuation assessment of Duxton's water entitlement holdings (Attachment B).
- An assessment of encumbrances (such as lease agreements) on specific entitlements in relation to the impact this may have on market value.
- An assessment of any potential market value premiums or discounts based on the volume of specific water entitlements, or the total size of each portfolio (Attachment A and Attachment B).
- A water entitlement title search to assess ownership and material entitlement characteristics or conditions that may impact market value.

Method and approach

To meet your requirements, Aither will provide a valuation report which can cover all aspects of the scope described. To provide Pitcher Partners with a range of options, we have structured our approach to reflect five different service levels. These options have been developed to aid your decisions around budget and depth of services required.

Option 1 – Current fair market valuation assessment

Option 1 involves an assessment of the current fair market value (that is the dollar per megalitre price) of the water entitlement types listed at Attachment A and Attachment B. At the request of Pitcher Partners, these assessments and the results will be undertaken and presented independently.

To provide robust fair market valuations for water entitlements, Aither uses a tested method which we currently use on a monthly basis to value over \$200 million worth of entitlements and inform the lending of a major Australian bank. The method draws on publicly available water trade data from the Victorian, New South Wales and South Australian Water Registers as well as analysis of trade data obtained from several market intermediaries. Specifically, Aither uses the following method:

- For the month prior to the valuation, collect available water trade data for each of the entitlement types listed above from the Victorian, New South Wales and South Australian water registers.
 - 'Clean' data for outlier prices to calculate a dollar per ML volume weighted average price (VWAP) for each of the entitlement types listed above and other analysis.
- Analyse recent sales data (buy and sell offers and transactions) from market intermediaries (Ruralco Water, Waterfind Australia, H2OX, Tom Wilks Water and Landmark WATER). Confidentially consulting directly with brokers helps Aither to corroborate the analysis of register data and establish a more accurate valuation due to the known time lag of information that can occur for prices reported on the public registers.
- Present analysis (including any assumptions made) to Pitcher Partners in a valuation report.

Please note that Option 1 does not include an assessment the nature of specific entitlements and property right characteristics (such as parcel volume or encumbrances) that may be material to informing investment decisions or entitlement specific market values (see Options 3 and 4).

Option 2 – Portfolio valuation assessment

Option 2 involves a portfolio valuation assessment of Duxton's water entitlement holdings. To provide this, Aither will multiply the entitlement holdings of Duxton (Attachment B) by the estimated fair market values of entitlement types established in the analysis undertaken under Option 1.

Similarly, Option 2 does not include an assessment the nature of specific entitlements, property right characteristics (such as parcel volume or encumbrances) or the potential strategic value of the portfolio to a potential buyer that may be material to informing a more detailed assessment of Duxton's water portfolio as a whole (see Options 3 and 4).

Option 3 – Assessment of encumbrance

Option 3 involves an assessment of the positive or negative impact that an encumbrance, such as a lease agreement, can have on a specific entitlement's market value. This option would require Duxton or Pitcher Partners to supply Aither with the details of current lease agreements related to all entitlements listed at Attachment A and Attachment B – Aither will not undertake its own independent searching for registered interests over entitlements. Aither would rely on this information to make an assessment as to whether the identified encumbrance may have a positive or negative impact on the market value of the individual entitlements listed.

Option 4 – Assessment of market value premiums or discounts

Option 4 involves an assessment of the size and strategic nature of specific entitlements listed at Attachment A and Attachment B, and whether as a result it would be appropriate to attach a

significant premium or discount to the market values established under Option 1. For example, a water entitlement of less than 10 ML in volume, may if sold individually, attract a price discount based on the relatively high transaction costs of acquiring such a small and potentially non-strategic parcel.

Under Option 4, Aither will also assess the premium or discount that entitlements listed under Attachment A and Attachment B may attract if sold as portfolios in their entirety. For example, a buyer may be willing to pay a premium to acquire the Duxton portfolio (Attachment B) in its entirety.

Option 5a – Water entitlement title assessment

Option 5a involves Aither viewing and assessing water entitlement title documentation with the purpose of reviewing ownership and any material conditions on the water entitlements that may impact value. This option would require Duxton to supply Aither with the relevant title documents – Duxton has already provided some title documents to Aither, and we understand that Duxton will be able to provide those outstanding. Under this option, Aither would rely on ownership as stated in title documents supplied. For the purposes of a valuation and not a formal sales agreement, this level of assessment be sufficient and avoid the costs of Aither independently undertaking title searches.

Option 5b – Water entitlement title search and assessment

Option 5b involves Aither undertaking an independent title search for each of the water entitlements listed at Attachment A and Attachment B. This would involve Aither approaching each relevant state jurisdiction or authorised title information broker and requesting formal title documents for each water entitlement. The purpose of this task is to review ownership and any material conditions on the water entitlements that may impact value.

We note that this option will require expenses to be incurred by Aither (title search fees) and delivery will be contingent on the timeliness of receiving requested title documents from third-parties.

Team and experience

Aither offers Australia's leading independent analysis, insight, and advice on water markets and water sector investments. Aither team members have extensive experience working with the private sector and government in the design, implementation and modelling of Australia's water markets. We are independent and objective and have no direct stake in the market.

Chris Olszak (Director) will lead the project and quality assure outputs, and Daniel Baker (Senior Consultant) will be responsible for undertaking the analysis. Both proposed team members have an expert understanding of and valued networks across the Australian rural water sector. CVs are attached to the back of this letter.

Chris Olszak, Director – Chris is one of Australia's leading water economists. Chris has an unparalleled understanding of the economics of water markets and the regulatory, policy and institutional settings that govern the water sector. Chris has worked extensively on water markets for the Commonwealth and basin states, as well many large private sector market participants.

Daniel Baker, Senior Consultant – Trained in environmental economics and public policy, Daniel currently manages Aither's provision of water markets transaction due diligence advice and valuation services to Aither's rural water clients – including major agribusinesses, Australian banks, domestic and international investors, and local governments.

Aither's relevant project experience includes work across the following areas:

- **Water portfolio valuations:** Aither is engaged by a large Australian agricultural enterprise, a global NGO, a major Australian superfund and a major Australian bank to provide ongoing water entitlement and portfolio valuation assessments. Aither currently values approximately 90 different entitlement types across Australia on a monthly and quarterly basis.
- **Irrigated agriculture transaction advice:** Aither is regularly engaged by domestic and international investors to provide transaction due diligence advice in relation to the purchase of Australian irrigated agricultural assets. Aither has recently provided asset specific transaction advice to a major North American institutional investor.
- **Water portfolio transaction advice:** Aither was engaged by an Australian private sector investor to provide independent due diligence advice which was used to inform the purchase of a large water entitlement portfolio in the southern Murray-Darling Basin.
- **Australian water markets and resource management advice:** Aither provides market analysis and research advice to a network of domestic and international investors in relation to water resource management and water markets in Australia. Aither has recently provided advice of this nature to two major North American investors and as well as several Australian investors.
- **Advisory retainers:** Aither is engaged by several Australian investment groups to provide ongoing water market and related commercial advisory services under retainer arrangements. Aither provides these clients with strategic advice to inform investment portfolio, market participation and strategy decision making.

Timing

Aither can commence this project immediately following engagement. Aither expects that Option 1 and Option 2 could be completed within a one-week period, with the provision of a final report to Pitcher Partners before close of business Friday 14 July 2017. The inclusion of Option 3, 4 and 5 would require a two-week period for final delivery. However, if all five options were chosen, we are still able deliver an interim report including Options 1 and 2 within a one-week period.

Budget and commercial arrangements

Redacted – commercial in confidence

Conflict of interest and confidentiality

I confirm that Aither does not have any known conflicts of interest (perceived, potential or real) in the provision of the described independent advisory services. We provide independent advice to several market participants, investors and governments but have no financial stake in any water market outcome or participant. If any perceived, potential or real conflicts of interest arise during an engagement with Pitcher Partners, we will bring it Pitcher Partners' attention for immediate resolution.

We have already entered into a Non-Disclosure Agreement with Duxton. We are happy to complete a Confidentiality Agreement with Pitcher Partners as part of any engagement.

Limitations

The provision of the above described services by Aither is subject to the following:

- Aither is not a registered or certified property valuer and does not provide a full property valuation service, or conveyancing or legal services.
- Aither relies on data obtained from multiple third-party sources. Consequently, any advice given by Aither on the value of water allocations or entitlements shall be subject to the accuracy and limitations of data obtained from third-party sources.

Next steps

I trust the above is in accordance with your requirements. Please do not hesitate to contact me on 0425 707 170 or at chris.olszak@aither.com.au to discuss any aspects of this proposal.

Kind regards



Chris Olszak
Director
Friday 7 July 2017

Attachment A – Potential acquisition water entitlement types

Table 1 Potential acquisition water entitlement types

Water entitlement no.	Water Source	Category	Volume (ML)
WAL4944	New South Wales 11 Murray Regulated River	High Security	557
WAL5023	New South Wales 11 Murray Regulated River	High Security	289
WAL5434	New South Wales 11 Murray Regulated River	General Security	511
WAL16076	New South Wales 11 Murray Regulated River	High Security	284
WAL16271	New South Wales 11 Murray Regulated River	High Security	209
WAL16272	New South Wales 11 Murray Regulated River	High Security	200
Share in water held by Western Murray Irrigation Ltd	New South Wales 11 Murray Regulated River	High Security	352

Source: Provided to Aither by Pitcher Partners 2017.

Attachment B – Duxton Water Limited water entitlement portfolio

Table 2 Duxton Water Limited water entitlement portfolio





Source: Provided to Aither by Duxton Water Limited 2017.

Note: 1) Aither understands that these entitlements are currently being consolidated by Duxton. Duxton has agreed to provide post-consolidation WEE numbers to Aither during the week beginning Monday 10 July 2017.

Chris Olszak | Director



Qualifications

Bachelor of Commerce (Economics)

The University of Melbourne
1995 – 2000

Bachelor of Engineering (Honours – Environmental)

The University of Melbourne
1995 – 1999

Employment history

February 2012 – current

Director

Aither

2007 – 2012

Economist

Frontier Economics

2002 – 2007

Senior Economist

Economics and Policy Group,
URS

2001 – 2002

Consultant

Environmental Services Group,
Andersen

Chris Olszak is an economist who specialises in water markets and infrastructure. He co-founded Aither in 2012 after previously working with Frontier Economics and URS. Chris' primary skills are in public policy, economic evaluation, pricing and regulation, and water market design and analysis. He combines these skills with in-depth technical, policy and regulatory knowledge of water management and markets in Australia. Chris' strengths as a consultant lie in his exceptional analytical skills and knowledge and his ability to lead complex and sensitive engagements.

Chris is a recognised expert in Australian water markets, having spent more than a decade leading and undertaking engagements for governments, regulators, market participants, banks and investors.

He leads Aither's water markets practice – including the development of Aither's bespoke water market models and independent Water Markets Report. Chris is regularly sought after to speak publicly on water market policy, trends and drivers.

Chris has recently directed water markets and policy engagements with the NSW Government, Victorian Government, Melbourne Water, Dairy Australia, Southern Rural Water, as well as a range of financial institutions and market participants.

Previously, Chris has provided due diligence advice to inform the successful purchase of a large water entitlement portfolio in the southern Murray-Darling Basin.

Throughout the late 2000's, Chris was the lead author of the National Water Commission's assessments of the [Impacts of water trading in the southern MDB](#) which provided him with a unique insight into irrigation industries and communities, and their publication [Water markets in Australia: a short history](#) which traced the emergence and development of water markets over many decades

Project summary

Supply-side drivers of water allocation prices in southern Murray-Darling Basin: Aither was engaged by the Commonwealth Department of the Environment to draft a report that identifies supply-side drivers of water allocation prices in the southern Murray-Darling Basin – including Commonwealth water purchases through the Restoring the Balance Program. Using Aither's proprietary water allocation price model, the report examines the water allocation price impacts of changing consumptive water availability under a range of seasonal conditions, and the drivers for the changes in water availability. Commonwealth Department of the Environment, 2015.

Contemporary irrigation trends and drivers in the southern Murray-Darling Basin: Aither was engaged by the Rural Industries Research and Development Corporation (RIRDC) to explore contemporary irrigation trends and drivers in the southern Murray-Darling Basin (sMDB). The project involved extensive stakeholder consultation in the sMDB. Aither's report provides RIRDC with insight into what impact contemporary irrigation trends and drivers are having now, and what impacts are likely to be felt into the future for the sustainability and competitiveness of different rural industries. Rural Industries Research and Development Corporation, 2015.

Independent advice on the development and implementation of water investment strategies, and ongoing water markets advice: Aither was engaged to provide a large Australian agricultural enterprise located in the southern Murray-Darling Basin with ongoing water markets advice services. Aither's analysis examined the nature and distribution of entitlements, indicators of market size and liquidity, and provided an assessment of likely future government purchases. Aither has also been engaged to provide monthly market value assessments for a number of Victorian water entitlement types in the southern Murray-Darling Basin. Confidential private sector client, 2012 – current.

Independent review of water entitlement management: Aither was engaged to undertake an independent review of water entitlement management arrangements for an irrigation water supplier located in South Australia. The findings of the review were used to inform future decision-making by the irrigation water supplier on how to cost-effectively secure future water supply for network users and manage other associated risks. Confidential private sector client, 2016.

Due diligence of multi-million dollar water portfolio for a large institutional investor: Aither was engaged by a confidential private sector investor to provide independent due diligence advice which was used to inform the successful purchase of a large water entitlement portfolio in the southern Murray-Darling Basin (circa \$100 million). Aither provided the client with contextual information, descriptions of specific entitlement characteristics, historical trade analysis, price forecasts and strategic advice about other considerations. Aither was engaged because of its position as the leading independent provider of water markets analysis in Australia. Confidential private sector client, 2015.

Water licence advisor, Dubbo City Council: In 2013, Aither was engaged to act as water licence advisor to the Dubbo City Council. The first phase of the project was an assessment of needs which involved a stocktake of current portfolio and management practices; strategic modelling of supply and demand to identify needs over time and analysis of the reliability, price and other regulatory features of relevant Water Access Licence types. After developing an agreed strategy for the Council, Aither is now providing ongoing entitlement management and trading advice. Dubbo City Council, ongoing.

Water trading strategy, Goulburn-Murray Water: In 2012, Aither developed a water allocation trading strategy for water entitlements held by the G-MW Connections Project (formerly NVIRP). The trading strategy was focused on within-season timing of trading decisions to manage risk. Our advice also encompassed governance and procurement issues in the context of G-MW's multiple roles within the water market in northern Victoria. The strategy was approved by the board and is now being implemented. Goulburn-Murray Water, 2012.

Comparative assessment of the value of entitlements in the Murray-Darling Basin: Aither was engaged to estimate the annual financial returns on water access entitlements across the entire MDB. The assessment was based on the returns that could be obtained by selling water allocations and drew upon our detailed database of individual trades over the last 6 years. The comparative assessment of historical returns helped our client identify priorities for investment. Private-sector client, 2013.

Water markets information: In October 2014, Aither published its inaugural Water Markets Report 2013–14 Review and 2014–15 Outlook. A large Australian agricultural enterprise located in the Murray-Darling Basin engaged Aither to provide an update of this report for the 2014-15 water year. Aither provided analysis of allocation and entitlement market outcomes – including prices, volume of trade, market size, value of turnover, liquidity and yield. Private sector client, 2015.

Trading rule compliance and mechanisms: Chris led Aither's engagement with VEWH to provide advice to help demonstrate compliance with the Murray Darling Basin Plan's water trading rules and advice on the most appropriate mix of allocation trading mechanisms (e.g. brokers, tenders, exchanges). The Basin Plan water trading rules particularly address the need for announcements to the market to be made publicly available and for organisations privy to insider information to avoid trading under certain circumstances. Aither's advice outlined how these rules could impact VEWH's operations and outlined how the rules could be met while providing VEWH with necessary operational flexibility. Victorian Environmental Water Holder, 2014.

Advice on developing and assessing cost benefit analysis for dams: Further to earlier work advising IA on their water sector CBA template, IA asked Aither for further detailed guidance on developing CBA for the development of dams (both rural and urban). The purpose was to assist Infrastructure Priority List proponents in further understanding IA's expectations when developing a CBA. As part of the engagement, IA also requested analysis of potential challenges for Infrastructure Priority List assessment in this area (such as lack of data, difficulty in quantifying benefits). Infrastructure Australia, 2014.

Sales of groundwater and unregulated surface water: Aither was engaged by Southern Rural Water to provide economic and regulatory advice regarding the sale of unallocated groundwater and unregulated surface water in Victoria through the use of market mechanisms. Our advice addressed key issues of mechanism design as well as the establishment of a reserve price. Southern Rural Water, 2014.

Licence valuation project: Aither was engaged by a government client to undertake a valuation of four separate irrigation Water Access Licences in a New South Wales water system. Aither applied two methods to the valuation: 1) a direct market valuation based on past sales data; and 2) a comparative valuation based on products within the same system and products in other systems with similar characteristics. Aither provided a recommended licence valuation and total asset valuation. This valuation will be used in reporting changes to the State's asset base. NSW Office of Environment and Heritage, 2014.

Water trading review: Aither reviewed the financial performance of a number of Victorian water corporations and entitlement holders in relation to water allocation trading in 2012-13. The reviews were undertaken for Coliban Water, Goulburn-Murray Water, the Bulk Entitlements Management Committee, the Victorian Environmental Water Holder, and North East Water. Each review considered the financial performance of the entity compared to a series of market price benchmarks. The reviews also considered the performance of market intermediaries in relation to market outcomes and their fees and charges. South East Water, 2013.

Modelling the value of water entitlements and allocations: Chris led the project to develop an economic model to estimate future water allocation and entitlement prices in the southern Murray-Darling Basin water market under a range of government buyback and climate change scenarios. The project also involved an assessment of the regulatory risks associated with owning a portfolio of water entitlements and an assessment of strategies to maximise returns over time. Private sector client, 2012.

Water markets in Australia: a short history: Chris authored this National Water Commission flagship report on the history of water market development in Australia. The report documents the development of water markets in Australia, including the factors contributing to their success.

The impacts of water trading in the southern Murray-Darling Basin: an economic, social and environmental assessment: Chris led the report writing for the National Water Commission's comprehensive assessment and report on the impacts of water trading released in 2010. He then led the updated assessment of the impacts of trade published in early 2012 where he managed hydrological and environmental input, social analysis, fieldwork, a survey of over 500 irrigators and economic (CGE) modelling. Chris also led a project for the NWC undertaking irrigator and industry level case studies on the role of water trading. National Water Commission, 2009-2012.

Strengthening Australia's water markets: Peer review of a draft report to the National Water Commission that examined the factors affecting the development of water markets in Australia and identified strategic recommendations for the future. National Water Commission, 2011.

Structural adjustment in the irrigation sector in the Murray-Darling Basin: Chris authored a published report to the Murray-Darling Basin Authority (MDBA) on the relative importance of various factors affecting adjustment in the irrigation sector in the Murray-Darling Basin. The report provided an early input into the MDBA's Guide to the Draft Basin Plan prior to more detailed socio-economic assessment. MDBA, 2010.

Australian water reform 2009: Chris played an integral role in preparing the Commission's 2009 biennial assessment of progress by jurisdictions in meeting commitments under the National Water Initiative. Through this experience, he has gathered deep expertise in all relevant aspects of water resource management in Australia including in water allocation planning, environmental water, addressing over allocation and overuse, water markets, and water pricing. National Water Commission, 2009.

Analysis of water management options to manage climate risk: Economic analysis of water allocation management options and reserve policy options as an input into the preparation of the Draft Northern Region Sustainable Water Strategy. Victorian Department of Sustainability and Environment, 2008.

Urban water markets: Contributed to this study on the potential for markets for urban water resources to promote optimal water resource and environmental outcomes. The report assessed several options including end user entitlement trading, third-party access, and wholesale or retail markets. The report developed practical conclusions to guide potential reforms. Joint Steering Committee on Water Sensitive Cities / National Water Commission, 2008.

Daniel Baker | Senior Consultant



Qualifications

First Class Honours – Bachelor of Interdisciplinary Studies (Sustainability)

Australian National University
2012-2013

Bachelor of Interdisciplinary Studies (Sustainability)

Australian National University
2009-2012

Employment history

July 2016 – present
Senior Consultant
Aither

June 2013 – June 2016
Consultant
Aither

2010 – 2011
Program officer
Department Regional Australia,
Regional Development and
Local Government

2010
Program officer
Department of Infrastructure,
Transport, Regional
Development and Local
Government

Trained in environmental economics and public policy, Daniel has significant experience in Australian water markets, water infrastructure and policy reform. Underpinned by his deep knowledge in rural water, Daniel currently manages the provision of Aither's market leading water markets advice and valuation services to Australian agribusinesses, major Australian rural banks, domestic and international investors, and local governments.

Since joining Aither in 2013, Daniel has led the development of Aither's water markets data analysis capabilities and production of the annual Aither Water Markets Report series. Daniel is currently managing the delivery of Aither's grant from the Business Research and Innovation Initiative (BRII) to improve transparency and reliability of water market information and enhance consumer confidence in Australia's water markets.

In the past year, Daniel led the analysis and reporting for Aither's independent report on the price impacts of supply-side drivers of water allocation prices in the southern Murray-Darling Basin. Daniel refined and use Aither's proprietary water allocation price model to estimate the water market price impacts of the Australian Government's water buyback program. Daniel also recently managed an independent review of water entitlement management and water security for a major irrigation water supplier in South Australia.

Before joining Aither, Daniel gained valuable experience at the former Commonwealth Department of Infrastructure, Transport, Regional Development and Local Government. Daniel worked on a range of national infrastructure, regional Australian and employment building projects and programs. Projects included major transport, tourism and public developments. Daniel was also involved in delivering infrastructure improvements to some of Australia's most in-need regional communities and local governments.

Daniel was awarded First Class Honours in a Bachelor of Interdisciplinary Studies (Sustainability) from the Australian National University in 2013. His thesis focused on the management of regulatory divergence across international emissions trading schemes.

Sharp-minded, inquisitive and diligent, Daniel brings a dimension of discipline and critical thinking to Aither's team.

Project summary

Victorian water markets and policy risks: Aither was engaged to provide a contemporary assessment of the value and benefits of Water Markets in Victoria in the context of recent changes in supply and demand. Daniel was responsible for research and report drafting – including developing comparisons of the Victorian system with non-market based systems. The project investigated the implications of recent changes in water demand and impacts on industry, as well as what policy settings (if any) may need changing to cope with any adjustment pressure. Victorian Department of Environment, Land, Water and Planning, 2016.

Business Research and Innovation Initiative (BRII) – feasibility report: Aither was funded under BRII to develop a solution to improve transparency and reliability of water market information and enhance consumer confidence in Australia's water markets. Daniel is project managing a 12 week engagement to deliver a feasibility report on Aither's user-focused, web-based water markets information and insights platform solution. Commonwealth Department of Industry, 2017.

Water Market Drivers Report: Aither was engaged to deliver a major publicly released research and analysis report on the trends and drivers of water market activity across NSW. Daniel was responsible for overseeing and quality assuring both qualitative and quantitative analysis methods, and analysis of policy and regulatory issues and constraints associated with market use and development. NSW DPI Water, 2017.

Irrigated agriculture transaction advice: Daniel regularly leads Aither's engagements with domestic and international investors to provide transaction due diligence advice in relation to the purchase of Australian irrigated agricultural assets. Aither has recently provided several asset specific transaction advice to a major North American institutional investor. Various confidential private sector clients, ongoing.

Advisory retainers: Daniel has been engaged by several Australian investment groups to provide ongoing water market and related commercial advisory services under retainer arrangements. Daniel provides these clients with market leading strategic advice to inform investment portfolio, market participation and strategy decision making. Various confidential private sector clients, ongoing.

Water portfolio valuations: Daniel manages Aither's engagements with a large Australian agricultural enterprise, a global NGA, a major Australian superfund and a major Australian bank to provide ongoing water entitlement and portfolio valuation assessments. Aither currently values approximately 90 different entitlement types across Australia on a monthly and quarterly basis. Various confidential private sector clients, ongoing.

Supply-side drivers of water allocation prices in southern Murray-Darling Basin: Daniel led the analysis and reporting of Aither's engagement with the Australian Government to identify supply-side drivers of water allocation prices in the southern Murray-Darling Basin. Refining and using Aither's proprietary water allocation price model, Daniel assessed the impact of changing consumptive water availability (including the impact of the Australian Government's buyback) under a range of seasonal conditions, and the drivers for the changes in water availability. Australian Government, 2016.

Contemporary irrigation trends and drivers in the southern Murray-Darling Basin: Aither was engaged by the Rural Industries Research and Development Corporation (RIRDC) to explore contemporary irrigation trends and drivers in the southern Murray-Darling Basin (sMDB). For this project, Daniel undertook extensive stakeholder consultation across the sMDB to inform the report. Rural Industries Research and Development Corporation (RIRDC), 2016.

NSW Office of Environment and Heritage portfolio valuation: Daniel in managing the 2017 five yearly review of the value the New South Wales NSW Office of Environment and Heritage's (OEH) environmental water portfolio. NSW Office of Environment and Heritage, 2017.

Monthly water market update reports: Daniel provides monthly water market updates for H2OX's water exchange website. The updates provide a forward looking assessment of market conditions and intuitive updates on water availability, trade rules and industry demand. H2OX, ongoing.

2015-16 SARMS NPA Review: Aither was engaged to work with Jacobs to review the National Partnership Agreement on South Australian River Murray Sustainability Program (SARMS NPA). Daniel led a trend analysis of the South Australian water access entitlement market and an assessment of the capacity for the Irrigation Industry Improvement Program (3IP) to achieve water return targets given water market trends and program funding. Primary Industries and Regions South Australia (PIRSA), 2016.

Water entitlement portfolio due diligence: Aither was engaged by a private sector investor to provide independent due diligence advice which will be used to inform the purchase of a large water entitlement portfolio in the southern Murray-Darling Basin. Daniel was responsible for providing historical trade analysis, price forecasts and strategic advice about other considerations related to the water entitlement portfolio being offered for sale. Confidential private sector client, 2015.

Cobar Shire Council - Strategic water portfolio assessment and options scoping: Daniel is leading an engagement with the Lower Macquarie Water Utilities Alliance (LMWUA) to undertake a strategic needs assessment of the water portfolio held by Cobar Shire Council (central west New South Wales). In the context of mitigating a likely future water supply shortfall in Cobar Shire, Daniel advised on recommendations to improve the management of Council's water portfolio as well as scope mitigation options provided by engagement in water markets. Lower Macquarie Water Utilities Alliance, 2017.

Independent review of water entitlement management: Daniel led an independent review of water entitlement management arrangements for an irrigation water supplier located in South Australia. The findings of the review will be used to inform future decision-making by the irrigation water supplier on how to cost-effectively secure future water supply for network users and manage other associated risks. Confidential private sector client, 2016.

Scoping water market dashboard reporting: Daniel played a key research and reporting role in an engagement to scope options to improve the quality and relevance of water markets information provided by the Bureau of Meteorology. Daniel was also responsible for developing dashboard mock-ups to improve the presentation and usability of information, with a view to assisting the Bureau of Meteorology to deliver more value to end users. Bureau of Meteorology, 2014.

Phase 3 water trading strategy – implementation: Aither has an ongoing role advising Dubbo City Council on the management of its water entitlement portfolio. Daniel is leading implementation of its water trading strategy over a two year period. This includes reporting on water supply and demand and market conditions, advising on optimal use of water from Council's portfolio, and undertaking water trading actions where required. Dubbo City Council, 2015-2017.

State-wide practical guidance on water entitlement management: Daniel led the development of a document to provide state-wide practical guidance on water entitlement management in New South Wales. The purpose of the guidance is to assist all NSW councils, with responsibility for urban water supply, to understand their water entitlement portfolios and adopt a more strategic approach to entitlement management. NSW Water Directorate, 2015.

Case for exemption to Commonwealth Procurement Rule 10.19: Daniel project managed an engagement with the Commonwealth Environmental Water Office (CEWO) to provide supporting information that the CEWO can use to secure an exemption to Commonwealth Procurement Rule 10.19 for environmental water market purchases (both allocation and entitlements). Gaining this exemption will give the Commonwealth Environmental Water Holder the ability to purchase water

from market in an efficient and effective way while minimising any potential negative impact on other market participants. Commonwealth Environmental Water Office (CEWO), 2016.

Advice on QLD Water Arrangements: Aither was engaged by a confidential private sector client to provide advice on Queensland water arrangements across a number of catchments. Daniel was responsible for developing an overview of the different water entitlement products and water supply schemes, a summary of recent developments related to transitioning channel irrigation schemes in Queensland to local management, and an overview of water allocations, unallocated water and water use in selected catchments. Confidential private sector client, 2015.

Environmental water policy and management – Phase 1: Daniel played a key research and drafting role in Phase 1 of Aither's engagement with the Australian Conservation Foundation (ACF) to articulate opportunities to improve environmental water management in the Murray-Darling Basin (MDB). In this phase, Daniel contributed to initial scoping of potential issues constraining, and opportunities for, improved approaches to environmental water management in the MDB. Australian Conservation Foundation, 2013.

Environmental water policy and management – Phase 2: Daniel played a key research and drafting role in Phase 2 of Aither's engagement with the Australian Conservation Foundation (ACF) to articulate opportunities to improve environmental water management in the Murray-Darling Basin (MDB). In this phase, Daniel contributed to the assessment and prioritisation of issues constraining improved approaches to environmental water management in the MDB. Daniel also played a key role in the development of a position paper that articulated the ACF's positions on opportunities to improve environmental water management in the MDB. Australian Conservation Foundation, 2014.

New South Wales water sharing plan economic analysis: Daniel led Aither's engagement to undertake an economic analysis to establish how six New South Wales groundwater and one surface water water sharing plans (and associated water trading) have supported water dependent industries in New South Wales. Both quantitative and qualitative methods were used to establish whether water trade within the respective systems has occurred, encouraged the economically efficient use of water, and contributed to the resilience of agricultural (and other water dependent) industries, particularly during drought. New South Wales Natural Resources Commission, 2015.

Water markets outcomes update: In October 2014, Aither published its inaugural Water Markets Report 2013–14 Review and 2014–15 Outlook. A large Australian agricultural enterprise located in the Murray-Darling Basin engaged Aither to provide an update of this report for the 2014-15 water year. Daniel led the analysis of water market outcomes in the southern Murray-Darling Basin for the 2014-15 financial year for this project. Confidential private sector client, 2015.

Water market economic analysis in the southern Murray-Darling Basin to inform investment: Daniel was responsible for undertaking a year-to-date economic analysis of water market outcomes in the southern Murray-Darling Basin for the 2014-15 financial year. The analysis was provided to a large Australian agricultural enterprise to inform water investment strategies regarding the future purchase of high-value water-dependent agricultural assets. Confidential private sector client, 2015.

Southern Murray-Darling Basin water market valuation: Daniel led Aither's engagement to provide a large Australian agricultural enterprise with a market value assessment for several Victorian water entitlement types in the southern Murray-Darling Basin as at 30 June 2015. To develop an accurate valuation, Daniel analysed publically available water trade data from the Victorian Water Register and consulted with a number of water brokers to establish a more reliable valuation. Confidential private sector client, 2015.

Advice on sales of unallocated groundwater and unregulated surface water: Daniel was responsible for undertaking research into previous examples of groundwater and unregulated surface water sales across Australia – including sale mechanisms and processes, and methodologies related

to the setting of reserve price. The research fed into Aither's economic and regulatory advice regarding the sale of unallocated and unregulated water in Victoria through the use of market mechanisms. Southern Rural Water, 2014.

Queensland Government irrigation review: Daniel played a key research and drafting role in a review of Australian jurisdictional experiences in irrigation scheme privatisation and corporatisation. The review informed consideration of local management arrangements for eight irrigation schemes in Queensland. The review analysed aspects of governance and corporate form; transition arrangements; assets, capital and pricing; policy and regulation; customer interaction; water entitlements and trade; environmental management; and tax. Queensland Department of Energy and Water Supply, 2013.

Aither Water Markets Report 2015-16: Daniel led the development of Aither's Water Markets Report 2015-16. Daniel was responsible for leading the analysis of water market data and providing comment about water market outcomes in the southern Murray-Darling Basin for the 2015-16 financial year. Aither, 2015.

Aither Water Markets Report 2014-15: Daniel took a leading role in the development of Aither's Water Markets Report 2014-15. Daniel was responsible for leading the analysis of water market data and providing comment about water market outcomes in the southern Murray-Darling Basin for the 2014-15 financial year. Daniel also contributed to the drafting of the report which provides information about water market activity in the 2014-15 water year. Aither, 2015.

Aither Water Markets Report 2013-14: Daniel was responsible for undertaking a comprehensive analysis of water market outcomes in the southern Murray-Darling Basin for the 2013-14 financial year. This analysis was used as the foundation of Aither's inaugural Water Markets Report 2013-14. The report provided information on recent water market activity, and fills a key information gap the market following the termination of the National Water Commission. Aither, 2014.

Document history

Revision:

Revision no.	2
Author/s	Daniel Baker and Alexander Dunn
Checked	Daniel Baker
Approved	Chris Olszak

Distribution:

Valuation date	Friday 30 June 2017
Report date	Friday 21 July 2017
Revision date	Wednesday 26 July 2017
Issued to	Pitcher Partners Corporate Pty Ltd
Description	Final water entitlement valuation assessment

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We understand that Pitcher Partners Corporate Pty Ltd is seeking water market valuation advice and services for several water systems within the Murray-Darling Basin. We understand that Pitcher Partners Corporate Pty Ltd does not wish for Aither to provide a legal assessment or a registered valuers assessment for any water access licence which relates to the aforesaid water entitlements.

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A I T H E R

Appendix 4: Qualifications, Declarations and Consents

The report has been prepared at the request of the Independent Directors of Duxton Water and is to be incorporated in the Explanatory Memorandum to be given to Shareholders. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Explanatory Memorandum and should not be used for any other purpose.

The report represents solely the expression by Pitcher Partners Corporate of its opinion as to whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of Duxton Water. Pitcher Partners Corporate consents to this report being incorporated in the Explanatory Memorandum.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Pitcher Partners Corporate has relied upon the information provided by the Independent Directors and Management of Duxton Water and DV. Pitcher Partners Corporate does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us other than as required in accordance with RG111.74 to RG111.78. Drafts of our report were issued to the Independent Directors for confirmation of factual accuracy.

Furthermore, recognising that Pitcher Partners Corporate may rely on information provided by Duxton Water and Duxton Vineyards and their respective officers and/or associates, Duxton Water has agreed to make no claim by it or its officers and/or associates against Pitcher Partners Corporate to recover any loss or damage which Duxton Water, or its associates may suffer as a result of that reliance and also has agreed to indemnify Pitcher Partners Corporate against any claim arising out of this engagement, except where the claim has arisen as a result of any proven wilful misconduct or negligence by Pitcher Partners Corporate.

Pitcher Partners Corporate is a licensed corporate advisory entity of Pitcher Partners, Chartered Accountants. Pitcher Partners is a chartered accounting firm providing a full range of accounting and advisory services.

The Director of Pitcher Partners Corporate involved in the preparation of this report was Piera Murone. Piera Murone is a representative of Pitcher Partners Corporate and has many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Neither Pitcher Partners Corporate, Pitcher Partners, nor any partner or executive or employee thereof has any financial interest in the outcome of the Offer. Pitcher Partners Corporate is to receive a fee relating to the preparation of this report of \$30,000 plus GST based on time spent at normal professional rates.

Lodge your vote:



Online:

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Computershare Investor Services Pty Limited
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Victoria 3001 Australia

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Proxy Form

XX

 <p>Vote online</p> <ul style="list-style-type: none"> • Go to www.investorvote.com.au or scan the QR Code with your mobile device. • Follow the instructions on the secure website to vote. 	
<p>Your access information that you will need to vote:</p> <p>Control Number:</p> <p>SRN/HIN:</p> <p>PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.</p>	



For your vote to be effective it must be received by 10:00am (Adelaide time) Monday 16 October 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Duxton Water Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Duxton Water Limited to be held at The Stirling Hotel, 52 Mount Barker Rd, Stirling SA 5152 on Wednesday, 18 October 2017 at 10:00am (Adelaide time) and at any adjournment or postponement of that meeting.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Ordinary Business

	For	Against	Abstain
1 Approval of Acquisition of Water Entitlements from Duxton Vineyards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of Issue of Shares to Duxton Vineyards under the Corporations Act	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Issue of Shares to Duxton Vineyards under the Listing Rules	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Giving of Financial Benefits by the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /