



24 October 2018

Dear Shareholder

DUXTON WATER LTD ACCELERATED NON-RENOUNCEABLE PRO-RATA ENTITLEMENT OFFER

Ineligible Shareholder Letter

On 17 October 2018 Duxton Water Limited (ABN 53 611 976 517) (ASX:D2O) (**Duxton, the Company**) announced an accelerated non-renounceable pro-rata entitlement offer (**Entitlement Offer**) of 1 fully paid ordinary share in Duxton (**New Share**) for every 2 fully paid ordinary shares in Duxton held as at 7pm (**AEDT**) on Friday, 19 October 2018 (**Record Date**) to raise approximately \$58.7 million.

Unfortunately, for the reasons set out below, you are ineligible to participate in the Entitlement Offer.

The Entitlement Offer is being made by Duxton without a disclosure document under section 708AA of the *Corporations Act 2001* (Cth) (**Act**) as modified by ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84.

The Entitlement Offer is not underwritten and any shortfall shares will be placed by the Directors at their discretion subject to compliance with the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

The Entitlement Offer comprises an offer to Eligible Institutional Shareholders (as defined below) (**Institutional Entitlement Offer**) and an offer to Eligible Retail Shareholders (as defined below) (**Retail Entitlement Offer**).

As the Entitlement Offer is non-renounceable, entitlements under the Entitlement Offer cannot be sold, traded on the ASX or on any other exchange, nor can they be privately transferred.

Documents relating to the Retail Entitlement Offer were lodged with ASX today and will be dispatched to Eligible Retail Shareholders on Wednesday, 24 October 2018.

Eligibility Criteria

Eligible Institutional Shareholders are those persons who:

- were identified as an Institutional Shareholder by Duxton Water (as defined in the Retail Offer Booklet to be lodged with ASX on 19 October 2018);
- have a registered address in Australia or New Zealand;
- is not in the United States and is not acting for the account or benefit of a person in the United States;
- are eligible under all applicable securities laws to receive an offer under the Institutional Entitlement Offer; and
- have successfully received an offer under the Institutional Entitlement Offer.

Eligible Retail Shareholders are those persons who:

- are registered as holders of existing ordinary shares in the Company at 7pm (AEDT time) on the Record Date;
- have a registered address on the Company's share register in Australia or New Zealand as at 7pm (AEDT time) on the Record Date (or are a Shareholder not in Australia or New Zealand that the Company has otherwise determined is eligible to participate);
- are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States;
- were not invited to participate in the Institutional Entitlement Offer and were not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Shareholders who do not qualify as an Eligible Institutional Shareholder are ineligible institutional shareholders and are unable to participate in the Institutional Entitlement Offer.

Shareholders who do not qualify as an Eligible Retail Shareholder are ineligible retail shareholders and are unable to participate in the Retail Entitlement offer.

The restrictions upon eligibility to participate in the Entitlement Offer arise because of:

- the legal and regulatory requirements in countries other than Australia or New Zealand (in connection with the Retail Entitlement Offer) or the other jurisdictions referred to above (in connection with the Institutional Entitlement Offer);
- the potential costs to Duxton Water of complying with these legal and regulatory requirements compared with the relatively small number of Duxton shareholders in those countries;
- the relatively small number of existing Duxton Water shares the shareholders in those countries hold; and
- the relatively low value of New Shares to which those shareholders would otherwise be entitled under the Institutional Entitlement Offer or the Retail Entitlement Offer (as applicable).

Duxton Water has determined, pursuant to ASX Listing Rule 7.7.1(a) and section 9A(3) of the Corporations Act, that it would be unreasonable to make or extend offers to Duxton Water shareholders in certain countries under the entitlement Offer.

According to our records, you do not satisfy the eligibility criteria for an Eligible Institutional Shareholder or an Eligible Retail Shareholder stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3) of the Corporations Act, Duxton Water wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer. You will not be sent the documents relating to the Entitlement Offer and you will not receive any value for the New Shares to which you would otherwise have been entitled.

You are not required to do anything in response to this letter.

For further information on the Entitlement Offer or if you have any questions you can call the Duxton Shareholder Information Line on 08 8130 9500 (within Australia) or +61 8 8130 9500 (outside Australia) from 8.30 am to 5.30 pm (AEDT) Monday to Friday (excluding public holidays).

If you have any further questions you should contact your stockbroker, solicitor, accountant or other professional adviser.

Thank you for your ongoing support of Duxton.

Yours sincerely,

A handwritten signature in cursive script that reads "Donald Stephens".

Donald Stephens

Company Secretary

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this document have not been, and will not be registered, under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act of 1933 and applicable US state securities laws.