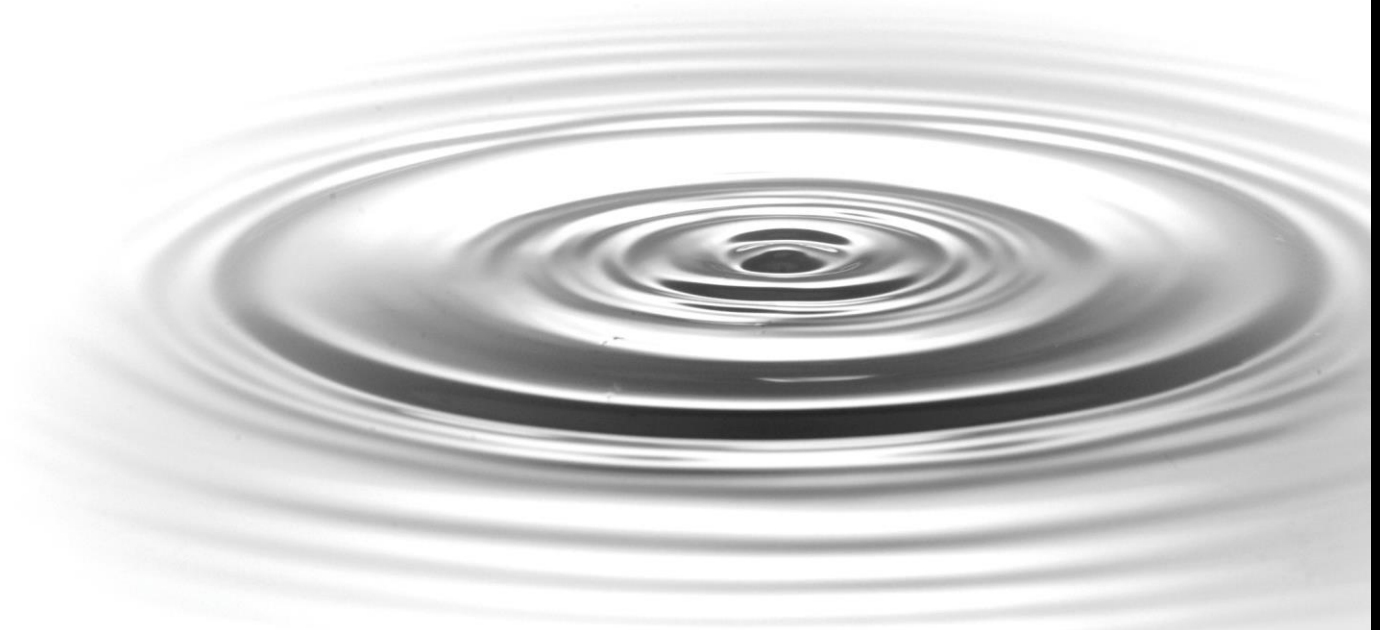




DUXTON
WATER



DUXTONWATER^{LTD}

February 2019

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ASX : D20

- Duxton Water Limited (“Duxton Water” or the “Company”) is the only pure water exposure on the ASX, giving investors the opportunity to invest in a large and highly diversified portfolio of Australian water entitlements.
- Water underpins the Australian agricultural sector and the Australian water market is the most sophisticated in the world, consisting of trade in perpetual water entitlements (also known as water licences or water rights) and the annual water allocations that attach to these entitlements. Total entitlement and allocation trading across the Southern connected Murray Darling Basin was estimated at \$631 million in FY18¹.
- Duxton generates a combination of uncorrelated capital returns through the appreciation of its portfolio of entitlements and income through:
 - entitlements on long term lease (38% of portfolio);
 - trading the annual allocations attaching to its entitlements (62% of portfolio); and
 - trading purchased allocations
- Since its IPO in September 2016, Duxton Water has:
 - generated total shareholder returns of 46.95%²;
 - increased NAV from \$1.07 to \$1.48³ per share;
 - paid \$5.46 million in total dividends; and
 - invested in Australian water assets, now valued at \$212.8 million (31 January 2019)
- **The Company sees strong opportunities for future growth in the maturing Australian water market, with the structural shift in Australian agriculture towards permanent crops supporting price appreciation of water entitlements.** Duxton Water has within its acquisition pipeline a further \$17.6 million of water entitlements, to be funded through an increased debt facility.

All dollar values are in AUD unless otherwise specifically stated.

¹ Aither Pty Ltd

² Inclusive of dividends and franking credits, based on Net Asset Value as at 31 January 2019

³ As at 31 January 2019



1

Australia's only pure listed water play with a strong track record

2

Strong underlying trends supporting future growth in water prices

3

Multiple sources of return

4

A unique asset class with low correlated returns

5

Growth opportunities in a large market with largely fixed costs

6

Experienced management team and investment in resources for global growth

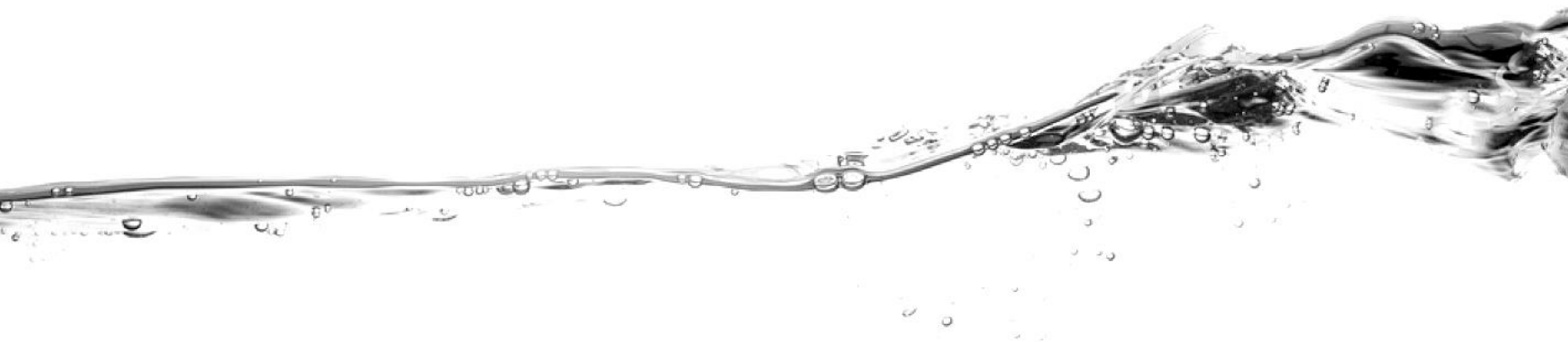
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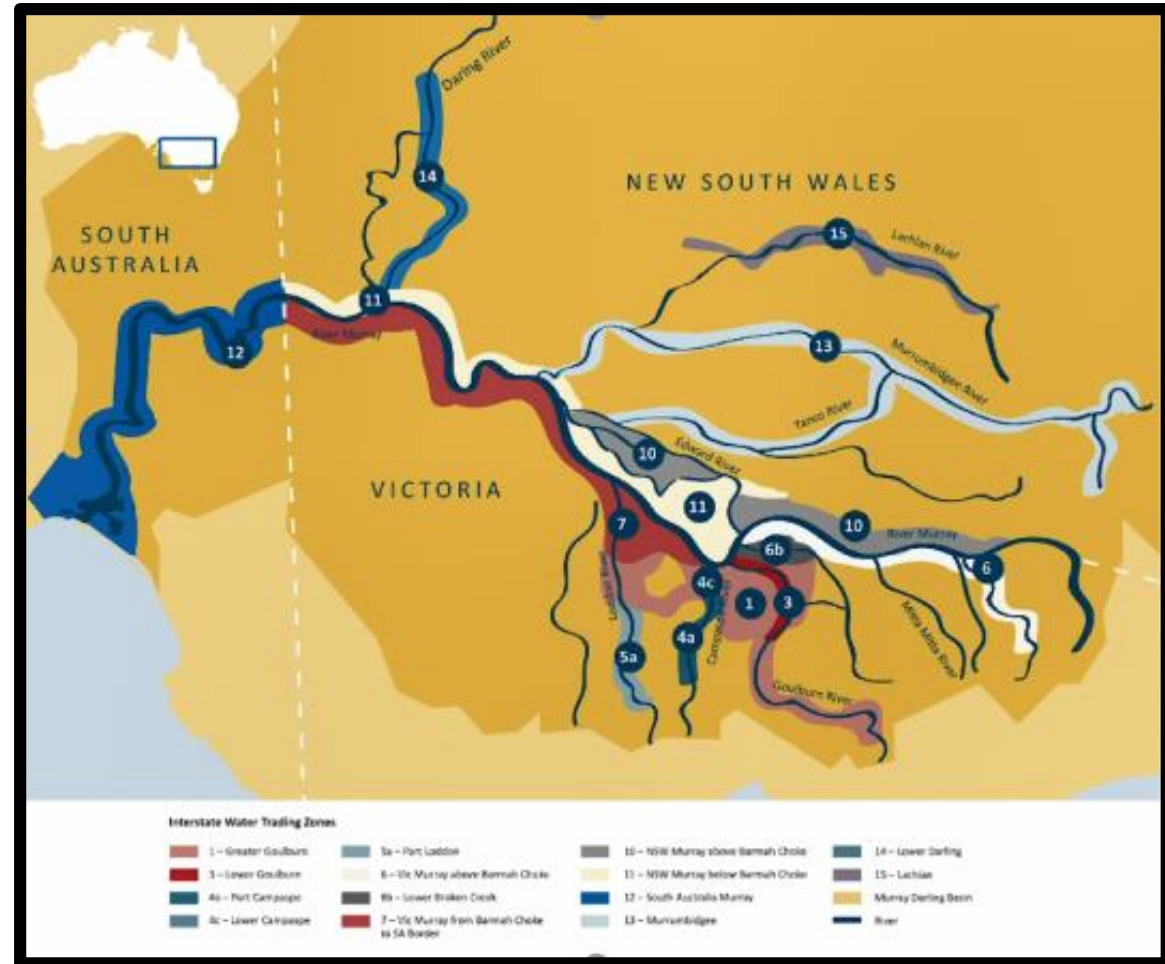
Growth Opportunities

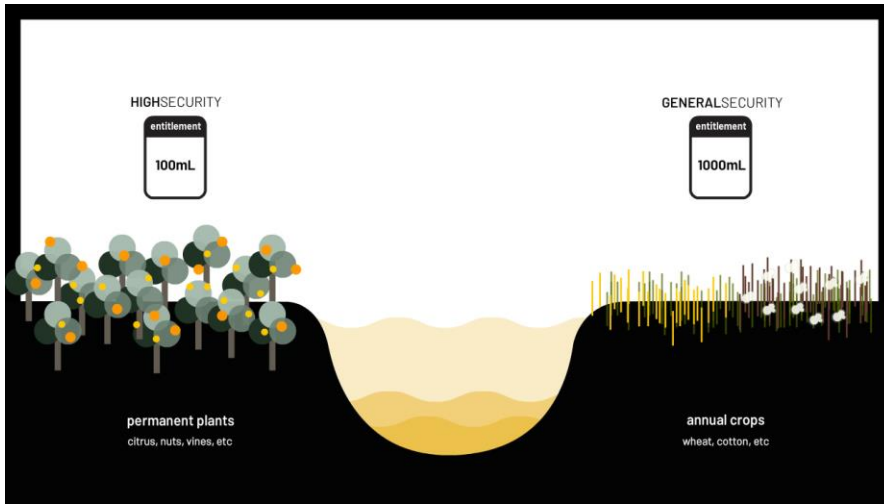
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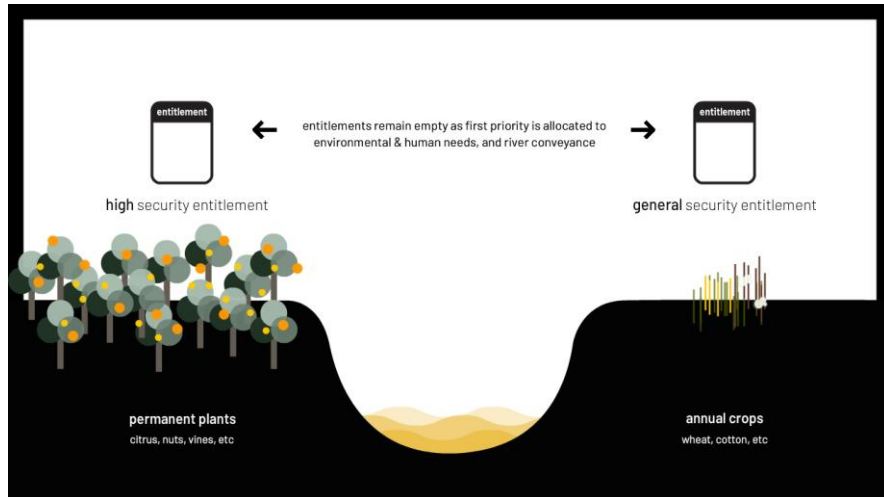
A UNIQUE APPROACH TO WATER OWNERSHIP, INVESTMENT AND MANAGEMENT

- Australia is a continent with varied climates, geographies, and water resource availability. There is **~A\$50 billion** worth of water in Australia.
- **~A\$20 billion** of this is located in the **Southern Murray Darling Basin** system, crossing South Australia, Victoria and New South Wales.
 - 28% of rights on issue are now owned by State and Commonwealth Government
 - Of the remaining 72%, Duxton Water accounts for ~1%
- Around 66% of Australia's total agricultural production takes place in this region.

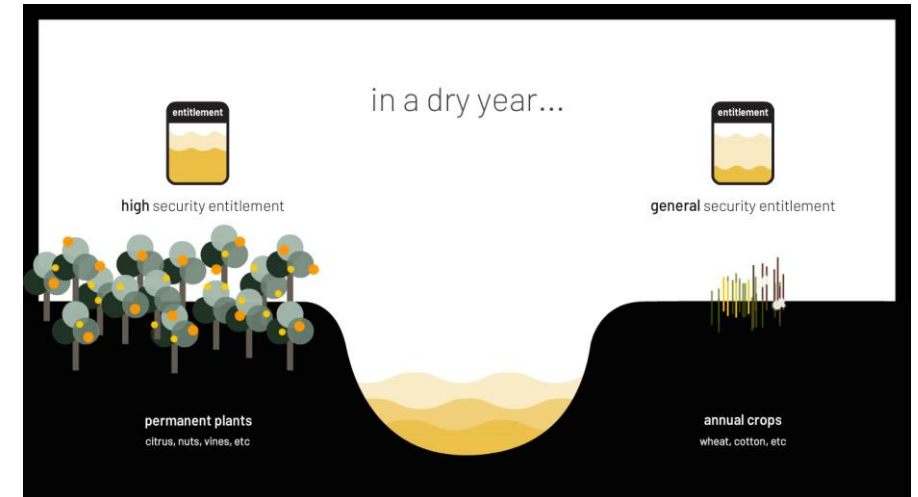
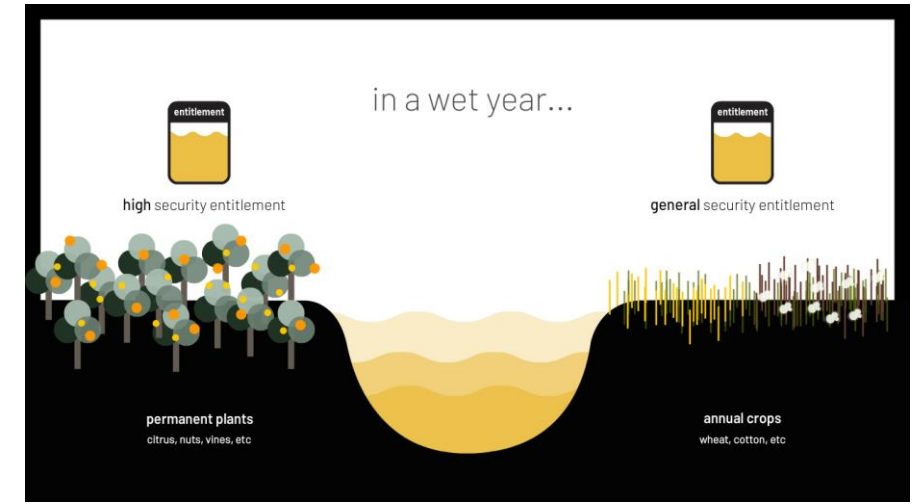


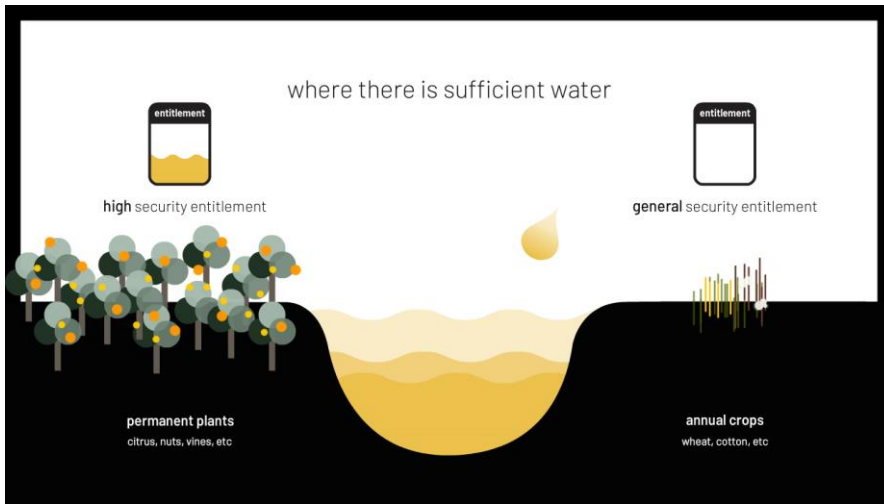


- Farmers plant both **permanent and annual crops**. Historically, they were given a right to the resource based on their production (i.e. **High Security**, lower volume, or **General Security**, but higher volume).



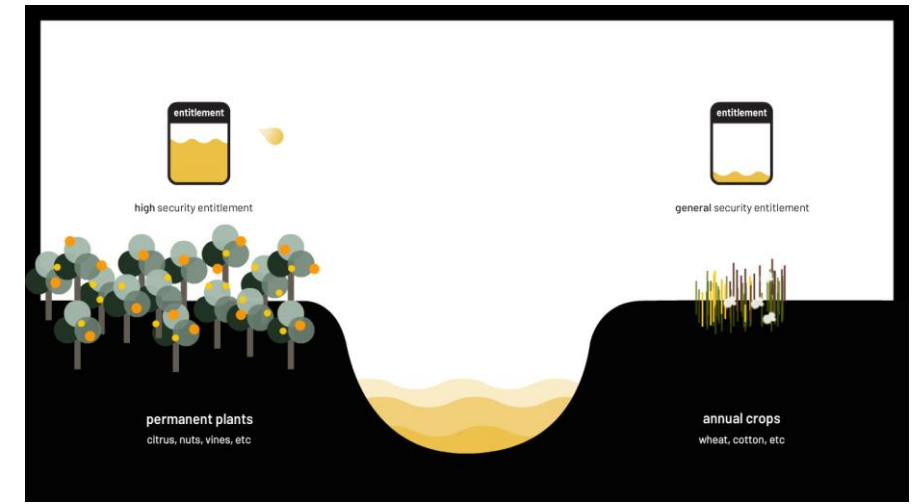
- In a **wet year**, most entitlements perform well; they receive most of their **allocation** (being the usable water in that year).
- In a **dry year** high security perform better than general.
- First priority of allocation is always given to environmental, human, and conveyance needs.



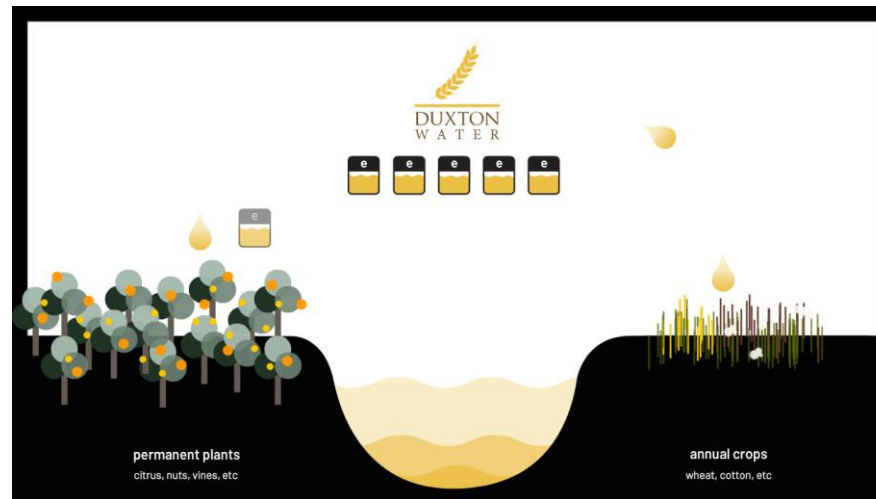


- Duxton Water continues to acquire water entitlements, growing its **diversified and actively managed portfolio**, allowing it to better provide water solutions back to irrigators.
- Duxton Water receives revenue through **long-term leases**, and through **trade of allocation**.

- When there is sufficient water in the system, an **annual allocation** is made to the entitlements; firstly to the high security entitlements, and then also to general security.
- The water was unbundled from land, and a **cap and trade** system was made.



- There is a **cap** on the further issuance of entitlements (so a cap on volume of permanent rights to the resource).
- There is an active market enabling the **trade** of both the entitlements, and of the annual allocation (the usable water in any year).



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KEY INFORMATION

Current share price (as at 06 FEB 2019)	\$1.50 per share
Current shares on issue	108,576,017
Current Market Capitalisation	\$162.9 million
Weighted Earnings Per Share	8.5 cents (2018) unaudited (3.2 cents in 2017)
ASX Code	D20
Investment Universe*	Australian Water Entitlements
Investment Manager	Duxton Capital (Australia) Pty Ltd

FEE STRUCTURE

Duxton Water has no staff itself; management is outsourced to Duxton Capital (Australia) with a fee structure that is highly competitive:

- The Investment Manager receives a management fee of 0.85% p.a. of the net asset value (NAV) of the Company.
- A performance fee (subject to a high watermark) of 5% p.a. is payable on annual returns above 8%, and 10% p.a. on annual returns above 12%.
- The Investment Manager is also paid for reimbursable costs.

All dollar values are in AUD unless otherwise specifically stated.

FY18 3.27% dividend yield at share price of \$1.50.

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

*** Net Asset Value is adjusted for fair market value of water entitlements*

KEY METRICS

Total Megalitres ("ML") owned	63,265 ML
% of entitlements leased	38%
Net Asset Value	\$160.7 million
Net Asset Value per share	\$1.48 per share
2018 distribution yield#	3.27% (4.21% incl. franking). Final Dividend of 2.6 cents fully franked to be paid 27 March 2019.
Gearing	< 30%

BOARD MEMBERS

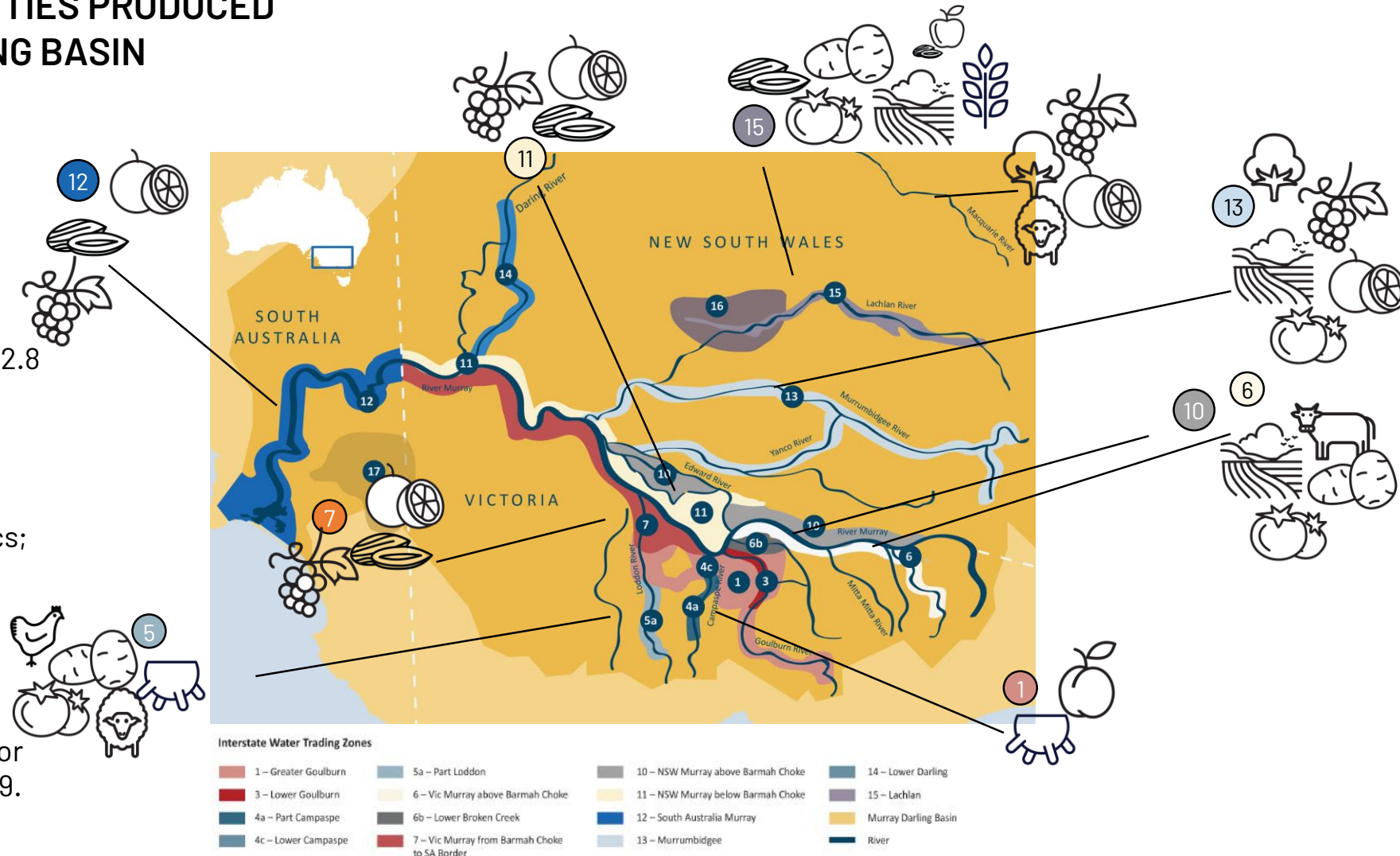
Ed Peter	Non-Executive Chairman
Stephen Duerden	Non-Executive Director
Dirk Wiedmann	Independent Non-Executive Director
Peter Michell	Independent Non-Executive Director
Dennis Mutton	Independent Non-Executive Director

MAJOR SHAREHOLDERS (31 JAN)

Duxton Vineyards	31.7%
Duxton Vineyards ("DV") has begun the process of 'in specie' transferring it's shares in Duxton Water to it's (DV's) underlying unit holders. As per announcement made on 5 February, Duxton Vineyards now holds 24.09%. It is expected this process should be completed in the next ~4 weeks.	

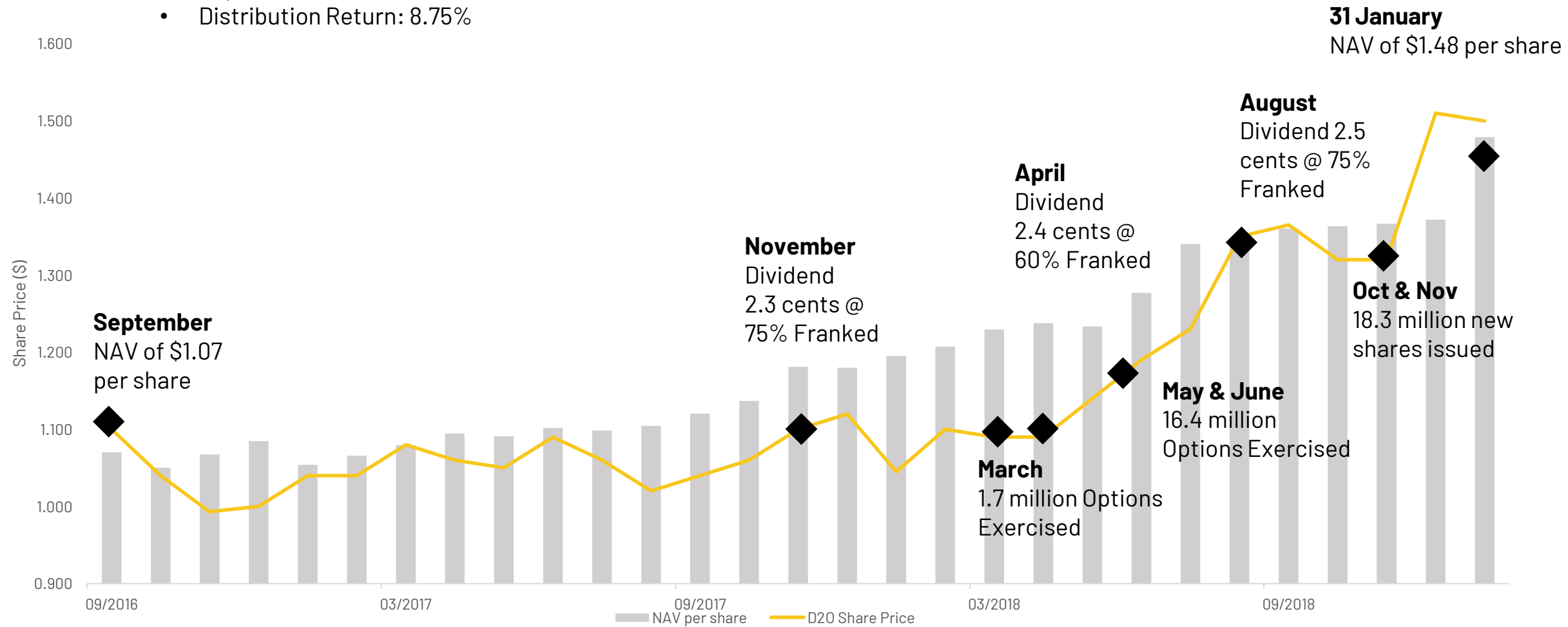
DIVERSIFICATION OF COMMODITIES PRODUCED IN SOUTHERN MURRAY DARLING BASIN

- Duxton Water acts as a proxy to Australian agriculture with its water assets providing solutions to a broad range of irrigators throughout the region.
- Duxton Water owns and manages \$212.8 million in water assets including entitlements and allocation.
- The water entitlements are well diversified across a number of metrics;
 - regions
 - security levels
 - crops
- A further \$17.6 million of water entitlements are within the pipeline for further acquisition, as 31 January 2019.



SHARE PRICE AND NAV PER SHARE SINCE IPO

- Total Shareholder (Share) Return¹ of 46.95% (17.46% p.a. annualised) since September 2016
 - Capital Return: 38.21%
 - Distribution Return: 8.75%



¹Inclusive of dividends and franking credits, based on Net Asset Value at 31 January 2019 \$1.48

..... Duxton Water has achieved both capital return and income...

MULTIPLE SOURCES OF RETURNS

PERFORMANCE

PERIOD	NAV Return (Capital Gain)	Dividend Return (Cash Return)	Total Return
1 Month	7.78%	0.00%	7.78%
3 Month	8.46%	0.00%	8.46%
6 Month	10.32%	2.46%	12.78%
12 Month	23.74	5.29%	29.03%
Inception	38.21%	8.75%	46.95%
Inception (Annualised)	14.59%	3.59%	17.59%
Options (\$1.10/share)	34.44%	3.00%	37.44%
Entitlement Offer (\$1.30/share)	13.75%	0.00%	13.75%

- The return on water assets is primarily through capital growth.
- Income is generated from:
 - 38% of the portfolio on long term leases with a WALE of 4.5 years, with payments received quarterly in advance
 - 62% of the portfolio for which the Company trades the allocations attaching to the entitlements
 - trading in purchased allocations
- The Company's policy is to gradually migrate to 70% - 80% of entitlements on long-term lease.

All dollar values are in AUD unless otherwise specifically stated.

Cash Returns are Fully Franked.

Source: Duxton Capital (Australia) - Based on NAV as at 31 December 2018.

10-YEAR CORRELATION

	Aust. water entitlements (AUD)	ASX 200 (AUD)	FTSE 100 (GBP)	DAX (EURO)	HSI (HKD)	DJI (USD)	BACMO (AUD)
Aust. water entitlements (AUD)	1.00	-0.07	0.03	0.04	-0.06	0.13	-0.01
ASX 200 (AUD)	-0.07	1.00	0.74	0.67	0.65	0.71	-0.28
FTSE 100 (GBP)	0.03	0.74	1.00	0.76	0.66	0.77	-0.25
DAX (EURO)	0.04	0.67	0.76	1.00	0.65	0.76	-0.31
HIS (HKD)	-0.06	0.65	0.66	0.65	1.00	0.68	-0.36
DJI (USD)	0.13	0.71	0.77	0.76	0.68	1.00	-0.37
BACMO (AUD)	-0.01	-0.28	-0.25	-0.31	-0.36	-0.37	1.00

- This table sets out the correlation of water returns (as measured by the Aither Entitlement Index) with major equities indexes and bonds between 2008 and December 2018.
- Australian water returns display negative correlation with any of these indexes and low correlation with bonds.
- Investment in water entitlements provides uncorrelated diversification.

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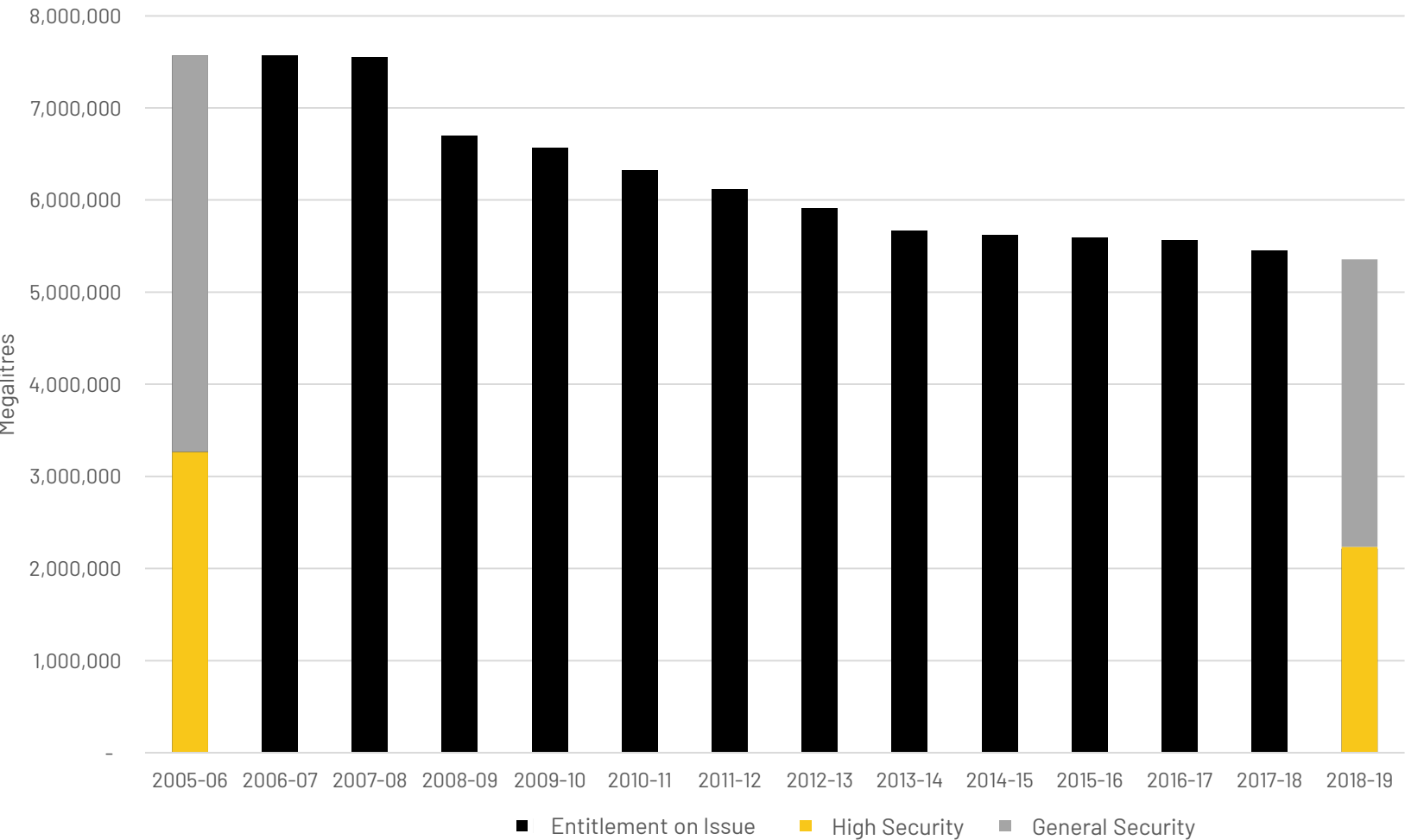
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SMDB ENTITLEMENTS ON ISSUE FOR CONSUMPTIVE USE

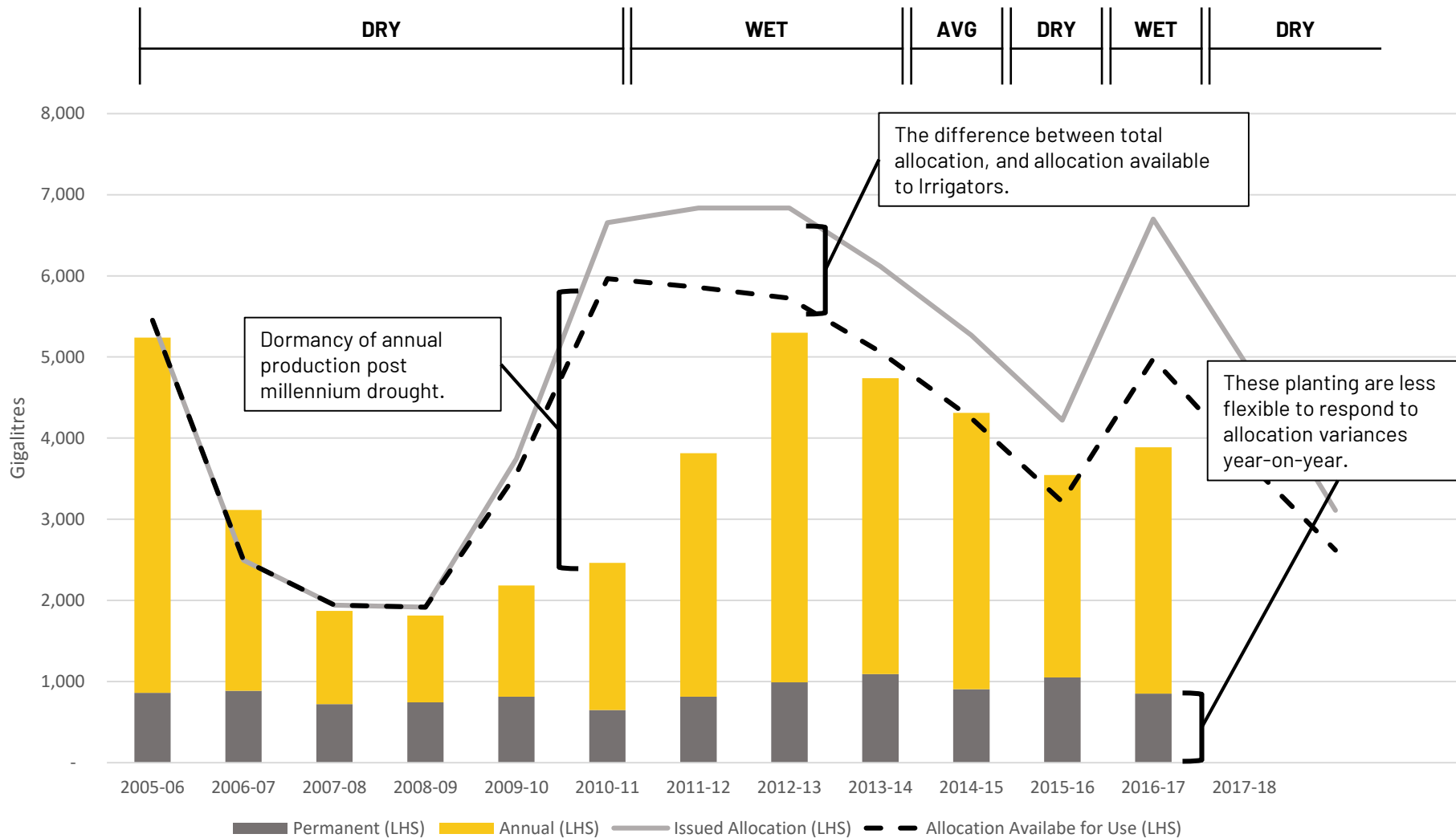


- Permanent supply is fixed within the “cap and trade” model.
- Supply available for consumptive use has decreased with the ongoing Government buy-back program to support environmental requirements.
- The Government has purchased both High Security (31%) and General Security (27%) Entitlements.
- There are now 31% less High Security rights available, which are key to long-term water security particularly for permanent plantings.

.....while demand continues to increase...

STRONG UNDERLYING TRENDS

ALLOCATION AND USAGE BY INDUSTRY IN SMDB REGION

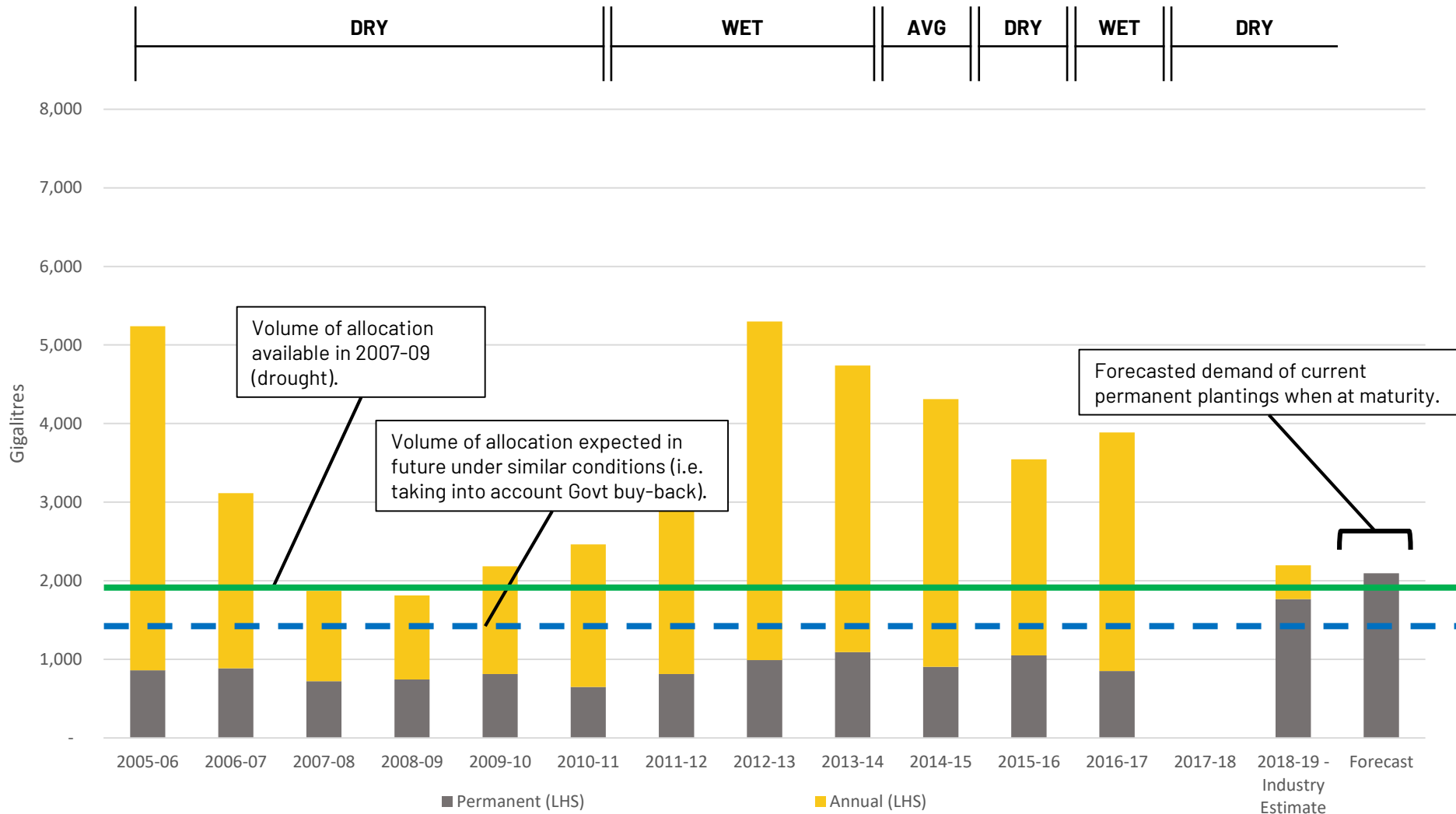


- Demand (usage) trends are shifting towards more permanent crops (grapes, fruit and nuts).
- Such crops require more water as they mature but are higher value and can therefore afford to pay more for water.
- This shift to higher margin, permanent plantings, together with the intensification of agriculture is steadily driving up entitlement values.

.....while demand continues to increase...

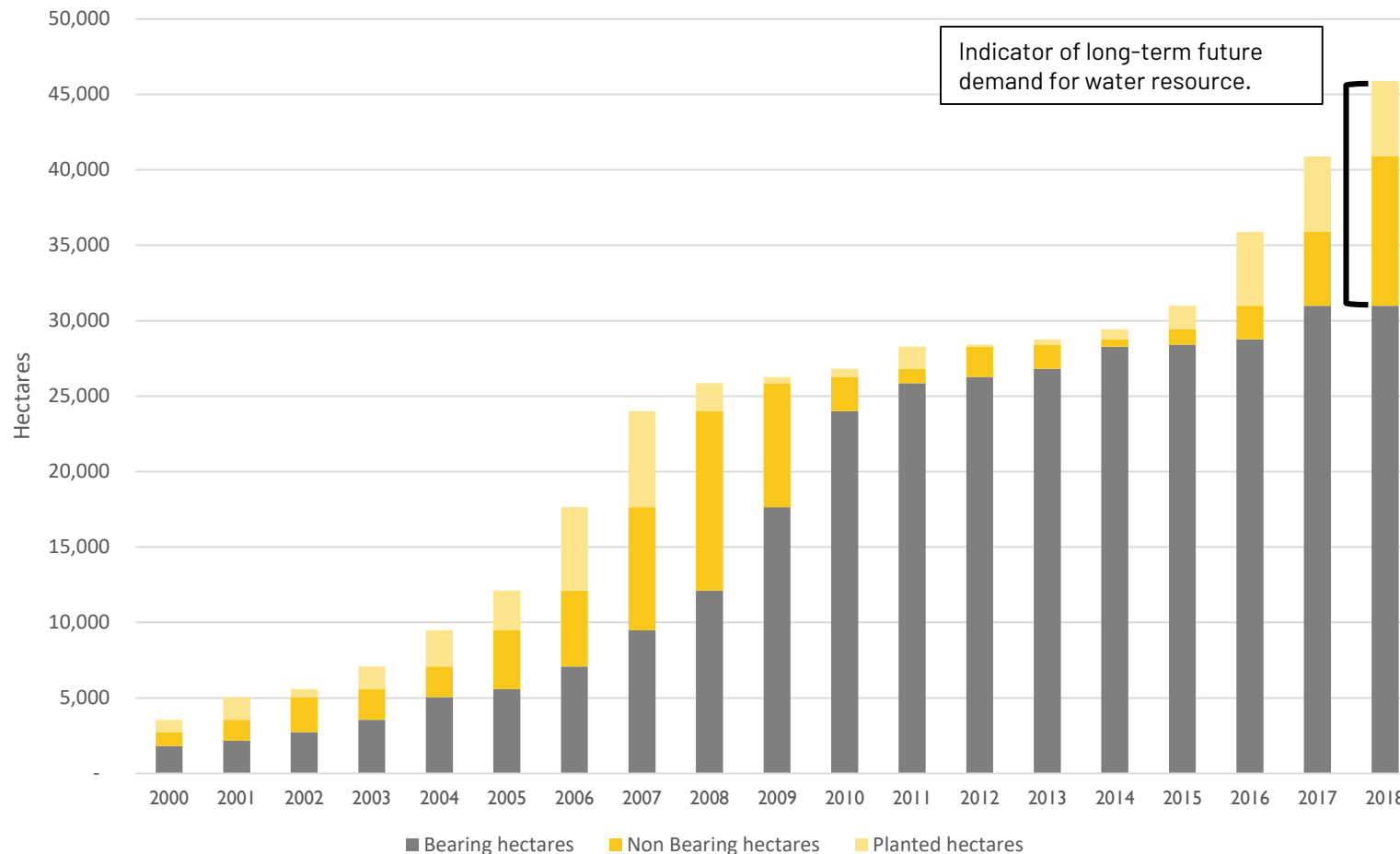
STRONG UNDERLYING TRENDS

ALLOCATION AND USAGE BY INDUSTRY IN SMDB REGION



- Industry estimates and forecasts indicate a significant increase in permanent plantings with inelastic demand.
- The graph now shows the future demand expected from the plantings in the ground now, when they reach full maturity over the next 5-7 years.
- If the region experiences drought conditions similar to those in 2007-2009, there is expected to be even less available water since the Government has bought back entitlements (the allocation on these rights is no longer in the market and available for irrigative use).

ALMOND PLANTING AND WATER DEMAND



- Australian bearing almond orchard size has grown 14.9x since 2000, with over 15,000ha planted between 2016 and 2018 alone.
- At planting stage, trees demand 3ML/ha, and build up to 14ML/ha at maturity (6+ years).
- At full maturity, this equates to a total industry demand (assuming no further plantings) of ~630GL of water to sustain production.
- This equals ~8% of total entitlements on issue and ~28.2% of High Security entitlements available to Irrigators; this could represent a higher percentage depending on annual allocation volumes.

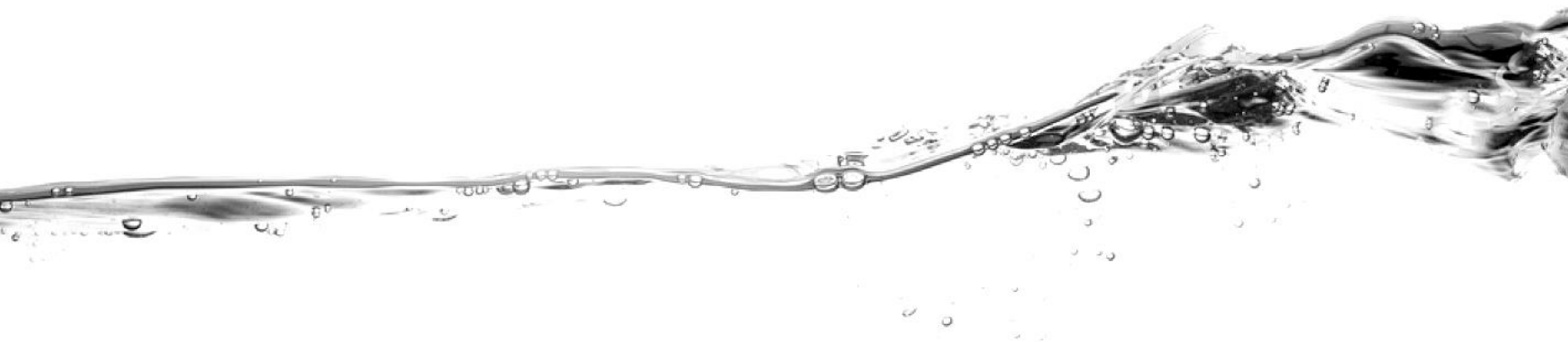
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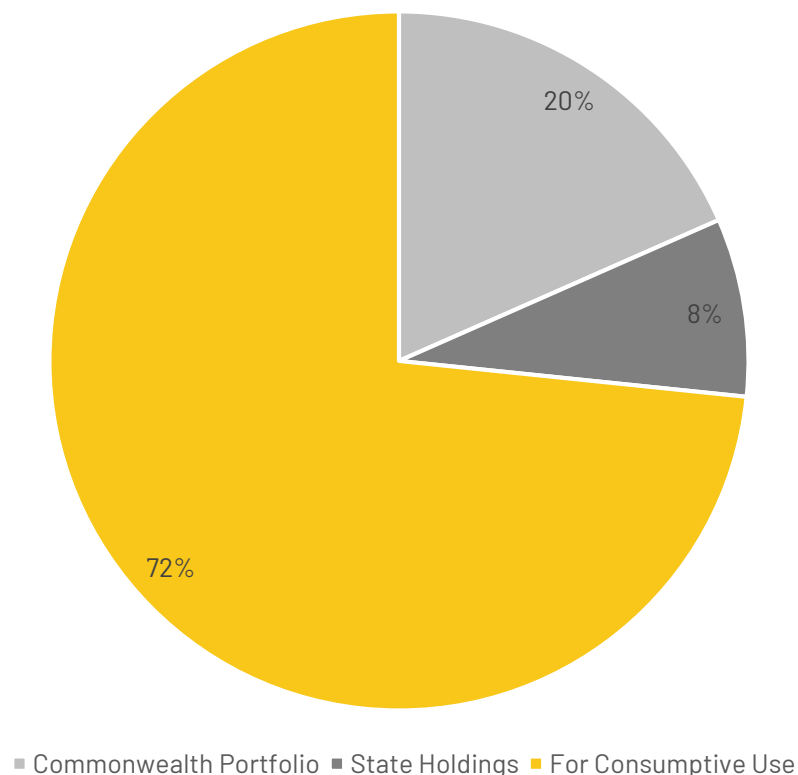
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OWNERSHIP OF ENTITLEMENTS IN SMDB REGION



- Duxton Water has focused entitlement acquisition in the Southern Murray Darling Basin region of Australia. The MDB has a total of **7,549,881 ML** of water entitlements on issue within its interconnected water systems, with an estimated value of **A\$20.2 billion¹**.
- As at 30 June 2018, 20% of this volume (1.5m ML) is held within the Commonwealth Environmental Water Holdings ("CEWH") and is unavailable for irrigative use. A further 8% is held by the respective States.
- **This leaves 72% of the system available to investors and producers;** at present roughly 4%-5% of entitlement holders are 'investor type' and the remainder are primary producers².
- **Duxton's position at 31 December, excluding assets in the pipeline for acquisition, represents an estimated ~1% of the entitlements available for consumptive use.**
- The Company is scalable beyond its current ~1% market share, with an active water market, minimal fixed costs, and the ability to expand the portfolio beyond the Southern Murray Darling Basin into other Australia water regions.

¹ Aither – Water Markets Report 2017-18 review and 2018-19 outlook

² Commonwealth Environmental Water Holding, The Living Murray, New South Wales Office of Environment and Heritage, as at 18 February 2018

³ <https://www.mdba.gov.au/managing-water/environmental-water/progress-water-recovery>

⁴ <https://www.smh.com.au/environment/at-great-risk-13-billion-murraydarling-plan-headed-for-failure-report-says-20171129-gzv344.html>



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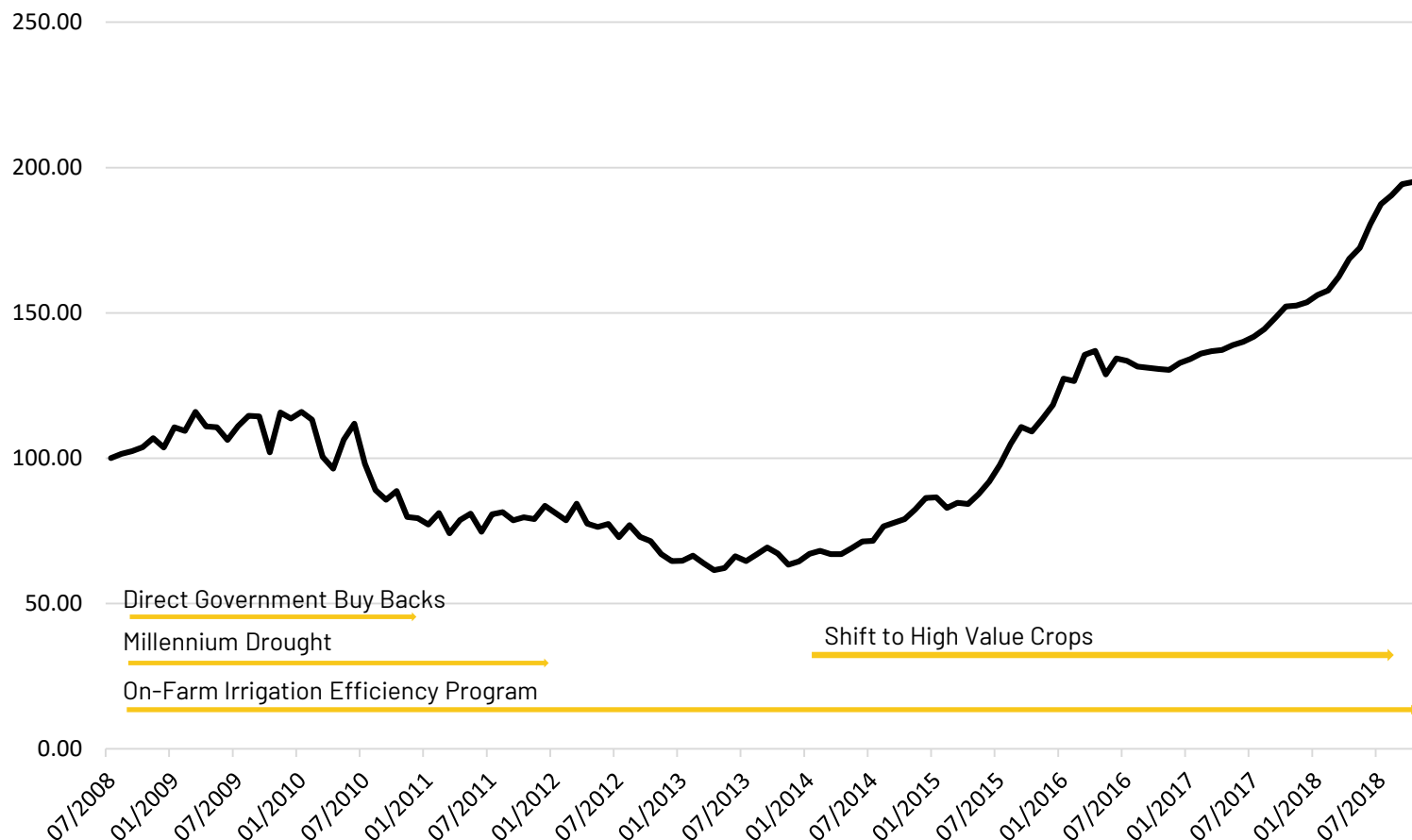
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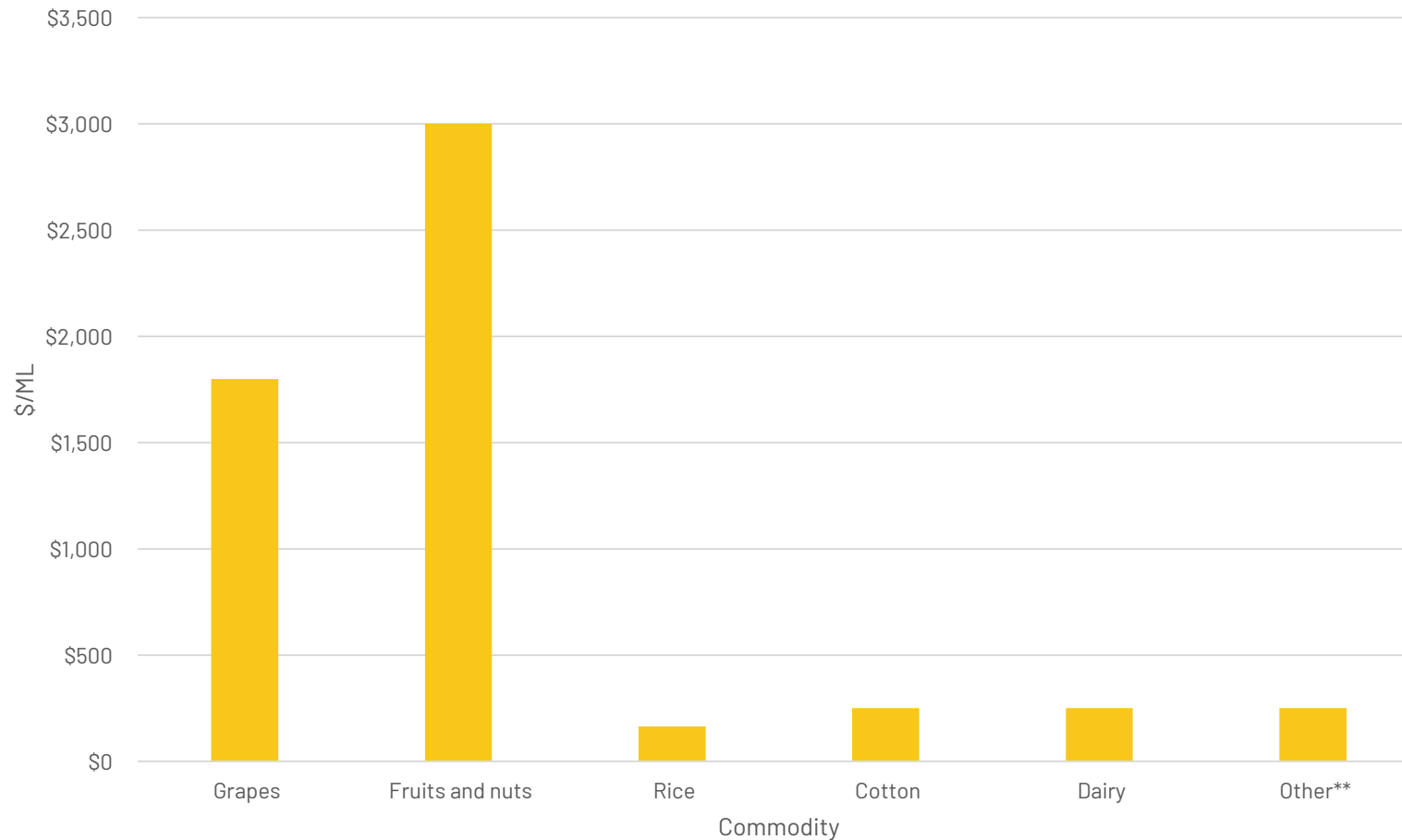


ENTITLEMENT PRICING – AITHER ENTITLEMENT INDEX



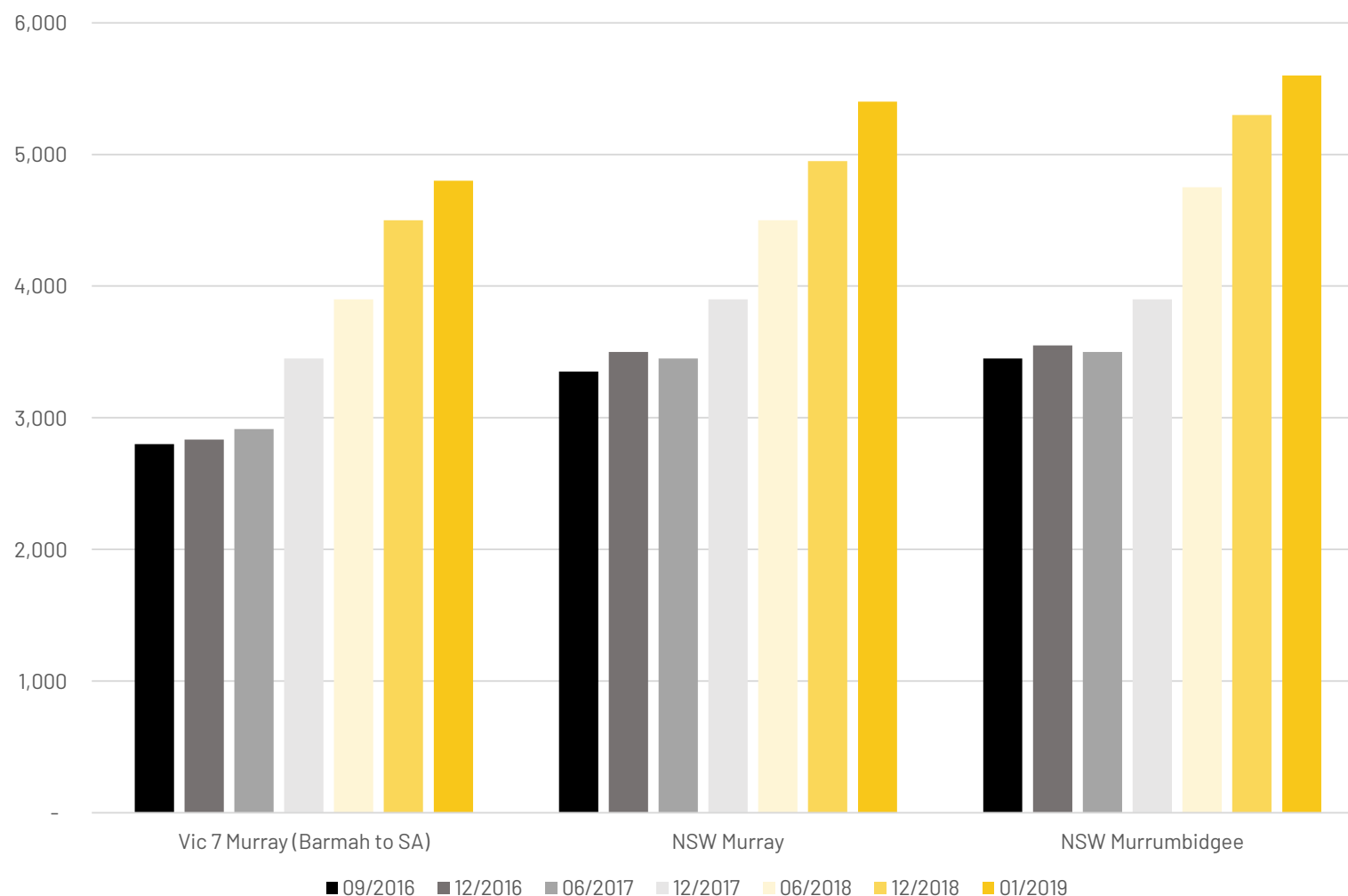
- This graph shows the Aither Entitlement Index over the period from July 2008 to December 2018.
- The Aither index tracks the change in weighted capital value of a group of major water entitlement types across the southern Murray-Darling Basin.
- The graph indicates the movement in values since 2014, driven by major increases in permanent crop plantings.
- Entitlement values have seen a Compound Annual Growth Rate (CAGR) of 51.3% over the past two years. Since the inception of the Index (10 years), a 6.72% CAGR has been observed.

PRICE INELASTICITY OF DEMAND – CUT-OFF PRICE



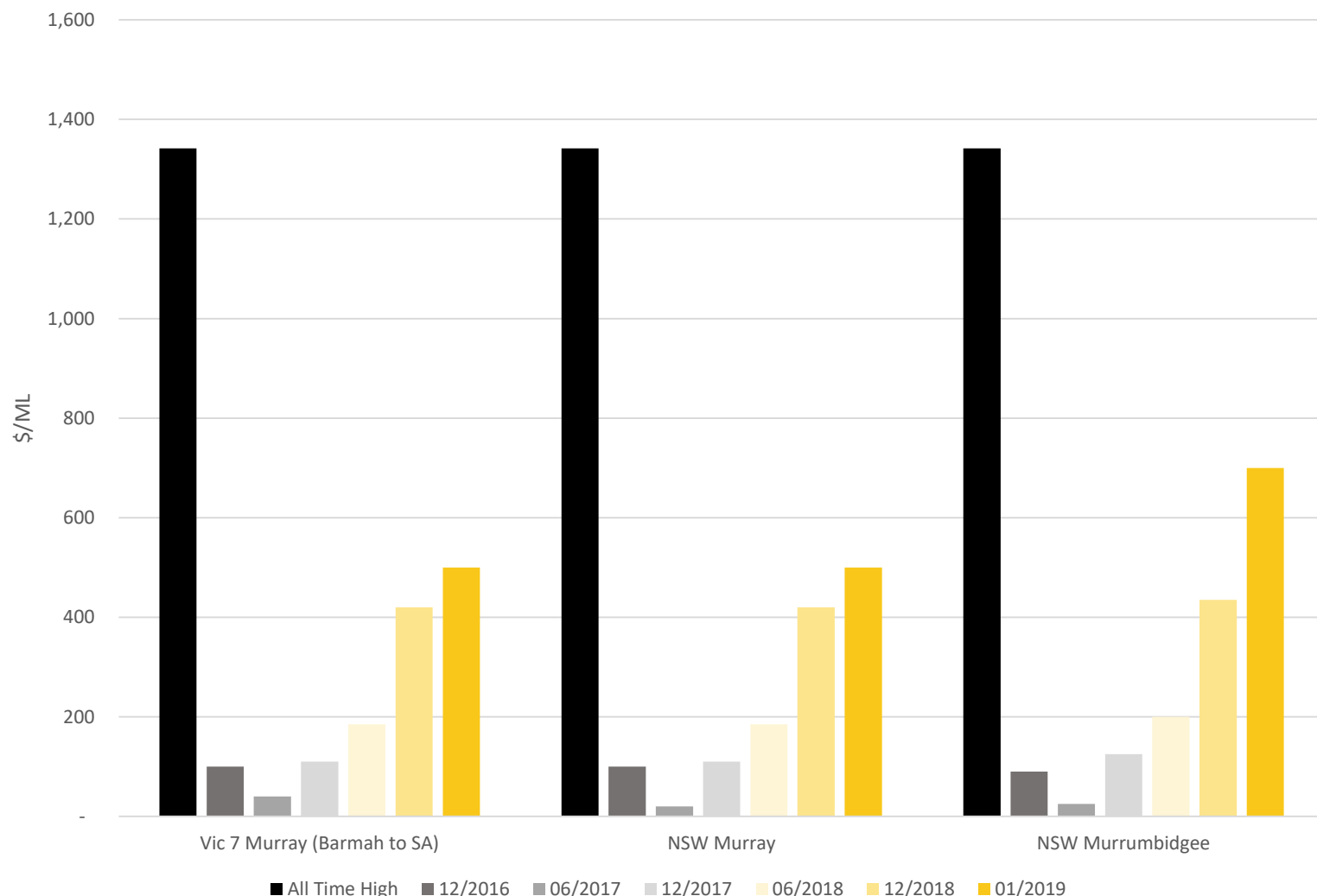
- Market prices provide a signal for water users to consider the opportunity costs of their water-use decisions. Water moves to its highest and best use.
- Different agricultural industries have different opportunity costs and elasticities of demand.
- Cut-off water price is the price of water (\$/ML) such that production for the given industry is no longer profitable.
- Elasticity of Demand:
 - Grapes: -0.5
 - Fruits and Nuts: -0.4
 - Rice: -1.9
 - Cotton: -1.3
 - Dairy: -1.3

ENTITLEMENT PRICING



- The steady growth in the water entitlement prices over the last two-years is driven by long-term interest from investors and corporate agricultural enterprises, resulting from the opportunities for land-use change to cotton, nuts, and other high-value irrigated crops.
- Since 2008, Aither suggest the compound annual growth rate of entitlements has been 6.72%.
- In just the last 2 years, entitlements have seen an uplift in value of 51.03%.¹
- The extent of plantings of nuts and fruit trees now indicates growing long-term demand, for high security water assets.

ALLOCATION PRICING



- Allocation pricing is highly dependent on climatic conditions; the rainfall, combined with storage levels, determines volume of physical water available each year.
- The floor price is expected to increase given the industry shift towards higher-margin crops like Cotton, and toward permanent plantings.
- This graph shows the allocation prices of 3 entitlements over the lifetime of Duxton Water.
- Prices have been as low as \$20/ML in the very wet winter and spring of 2016/17. They normalised around \$160/ML in 2017/18 with more average weather conditions. 2018 year saw prices increase to \$200/ML at the end of the water year.
- Allocation is now trading at \$500 to \$700/ML with parts of the region declared to be in drought conditions.

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