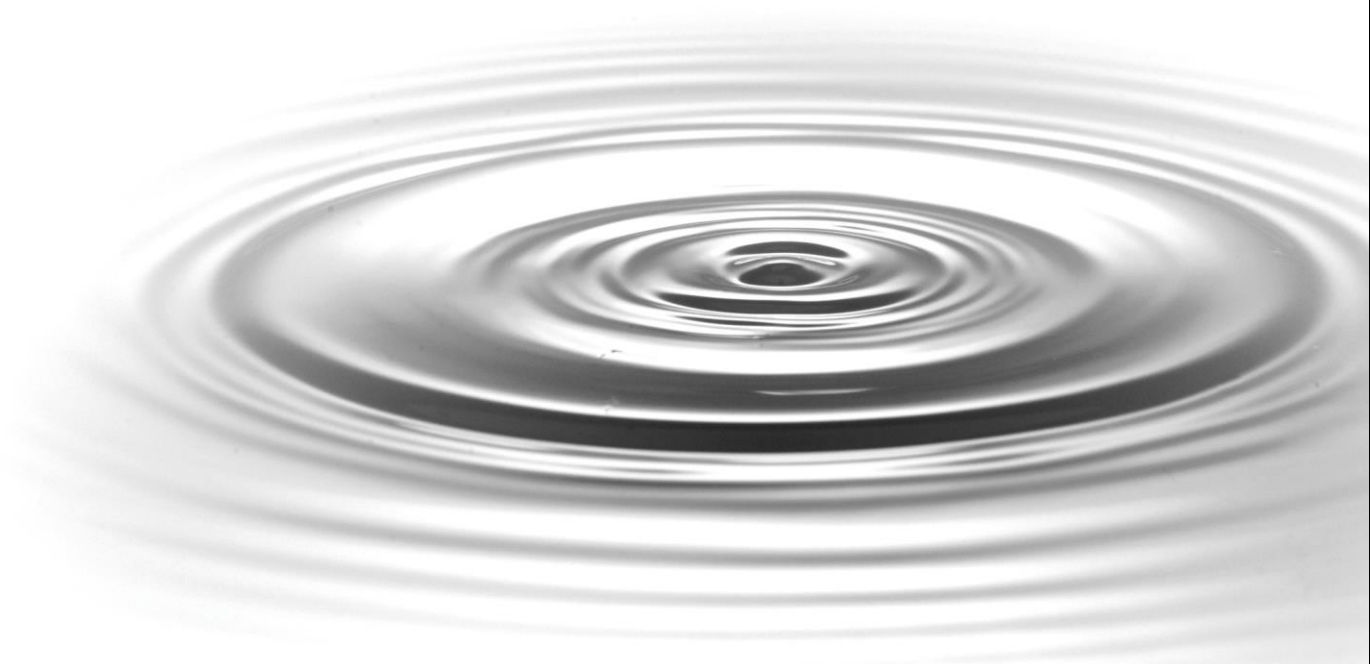




DUXTON
WATER



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LTD

November 2019

Evans and Partners – Small Caps Conference

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Duxton Water provides flexible water supply solutions to our Australian farming partners. Below are some examples of how we assist irrigators in managing their water supply requirements.

Duxton recently leased 1,300ML of groundwater to a family farming partnership in the Mallee region. The business has focused on potato production, and this lease has enabled them to expand production without the capital outlay on water security. Through leasing 1,300ML of ground water across 3 leases (5 years with an option to renew for a further 5), Duxton has supported growth, and the development of their business away from dryland farming.

An ASX listed viticulture business sources its water needs through a range of water products including ownership of entitlements, long-term leases, forward contracts and engagement with the spot market. Duxton leases them 1,000ML of VIC HS water with mixed term lengths (1/3 for 3 years, 1/3 for 4 and 1/3 for 5).

In SA, Duxton leases to a family partnership in the business of producing almonds. With an orchard they have been managing for 10-years, their trees are close to or at maturity now and demand up to 14ML/hectare. Almonds are particularly sensitive to water shortages and as such security of supply is key. As part of their strategy, they lease 600ML, of VIC HS water, on a 3 year lease from Duxton.

Real-Life Case Studies

Through these partnerships we aim to continue to build a stronger Australian economy, in which agriculture has a positive long-term future.

Another lessee is a grape grower in the Sunraysia region which leases 600ML of NSW HS over a 3-year term. This entitlement is in high demand, but the lessee was willing to pay the value of the lease in order to secure the water. The lease gives them peace of mind in delivery of their valued resource.

Duxton leases to an irrigator-owned water utility business, which provides water, by way of infrastructure, to more distant regions. They have a commitment to deliver 12GL of water, and while they own a large portion of this water, they also engage in the spot market and enter lease agreements. With Duxton they have a lease of 500ML of VICHS water, with a 3-year lease term.

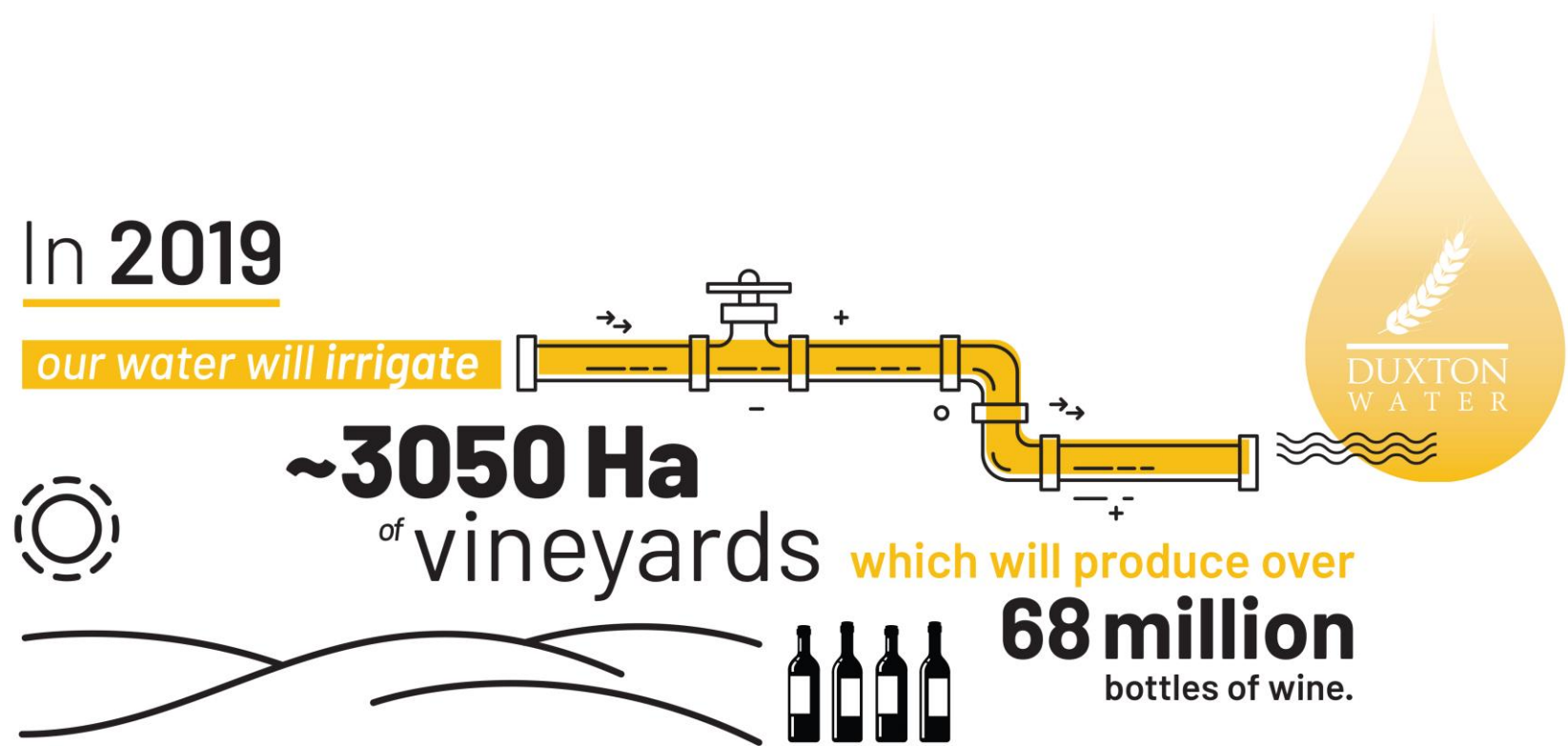


SUPPORTING AGRICULTURAL PRODUCTION

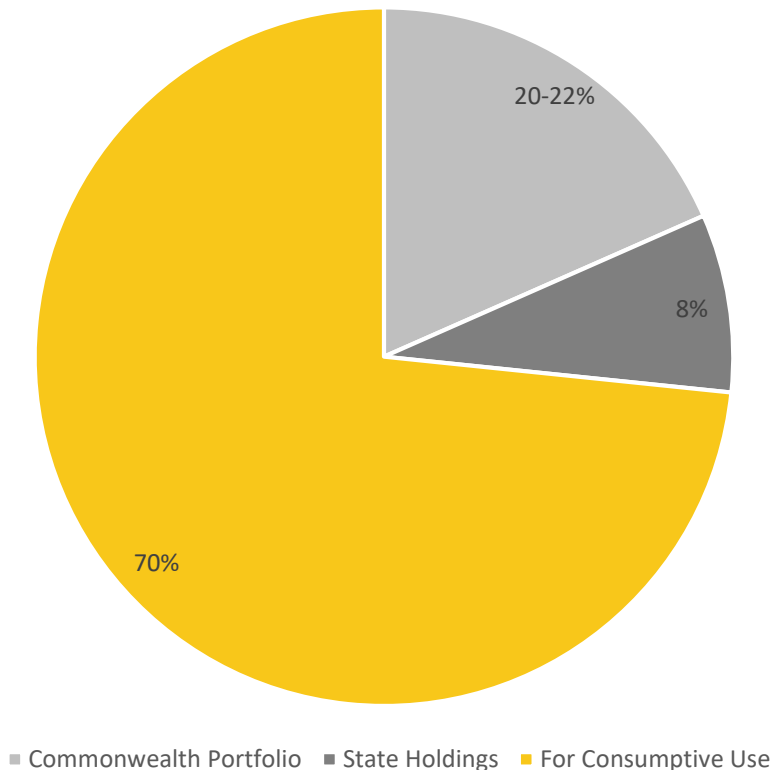
100% of Duxton Waters portfolio is utilised to support our Australian irrigation partners.

As of 24th of November, 67% of Duxton Water’s permanent entitlement is leased directly supporting over 70 irrigating businesses. The balance of the portfolio is utilised to deliver other water supply solutions including risk manage forward allocation contracts and spot allocation sales. This gives irrigators a mix of different water supply options.

Duxton supports a number of agricultural industries including viticulture, dairy, broadacre, almonds, citrus, olives and dried fruits. Our water is used in these industries to produce quality Australian food and fibre to be consumed in Australia and exported around the world.



OWNERSHIP OF ENTITLEMENTS IN SMDB REGION



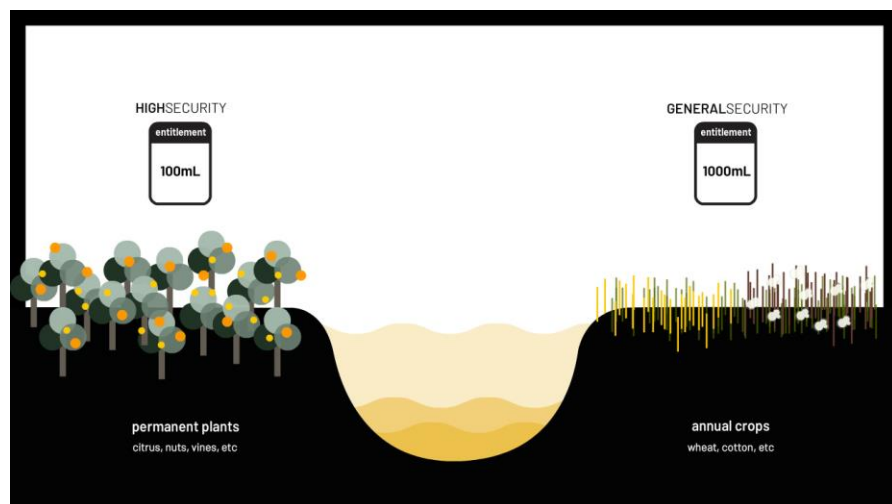
- Australia is a continent with varied climates, geographies, and water resource availability. There is **~A\$50 billion** worth of water in Australia.
- Duxton Water has focused entitlement acquisition in the Southern Murray Darling Basin region of Australia. The SMDB has a total of **7,549,881 ML** of surface water entitlements on issue within its interconnected water systems, with an estimated value of **A\$27.3 billion¹**.
- 20-22% of this volume 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 70% of the of available entitlements assessable to the consumptive pool**; at present roughly 5%-6% of entitlements are held by institutional holders. The vast majority of the remaining consumptive entitlement pool is held by primary producers².
- **Duxton Water’s position at 31 October, represents approximately 1% of the entitlements available for consumptive use across the regions it invests.**

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

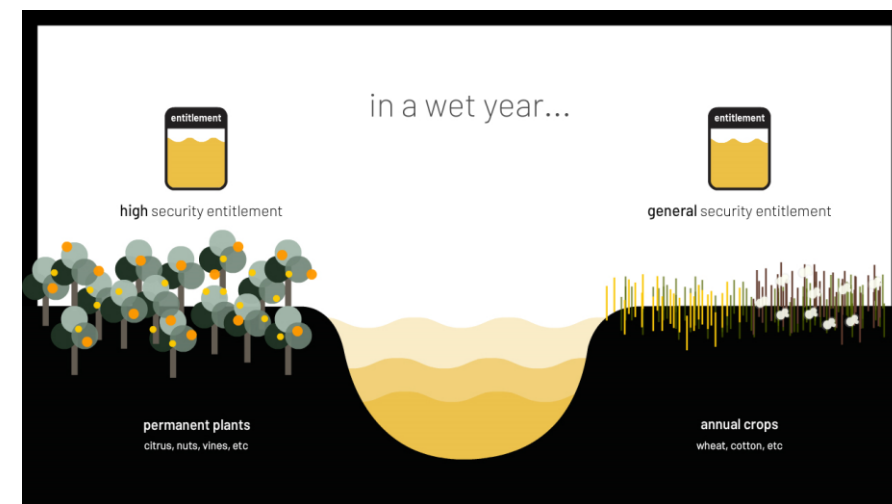
³ <https://www.mdba.gov.au/managing-water/environmental-water/progress-water-recovery>

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

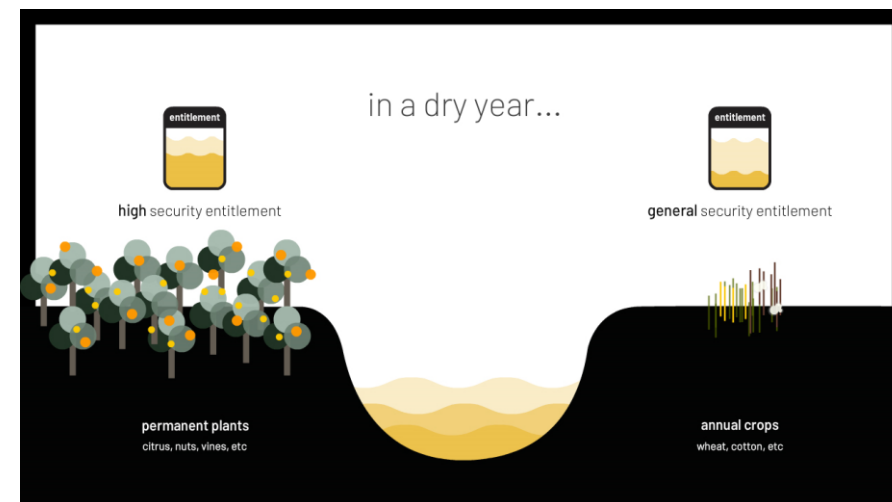
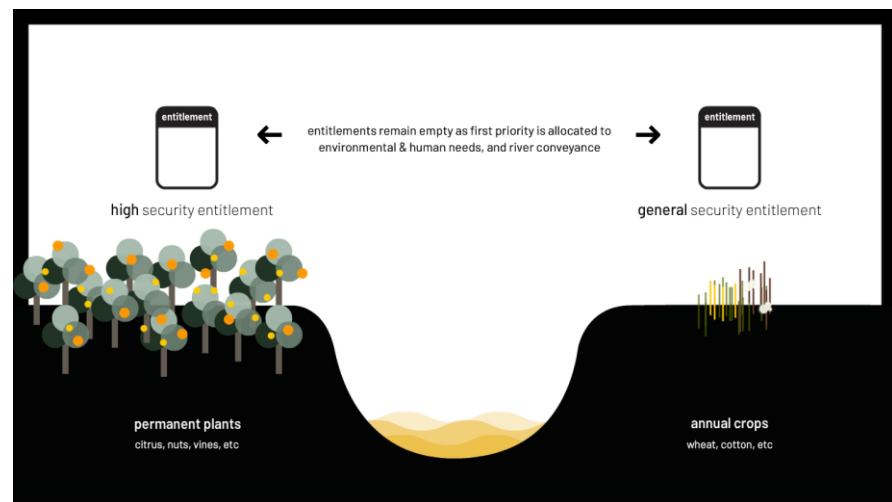


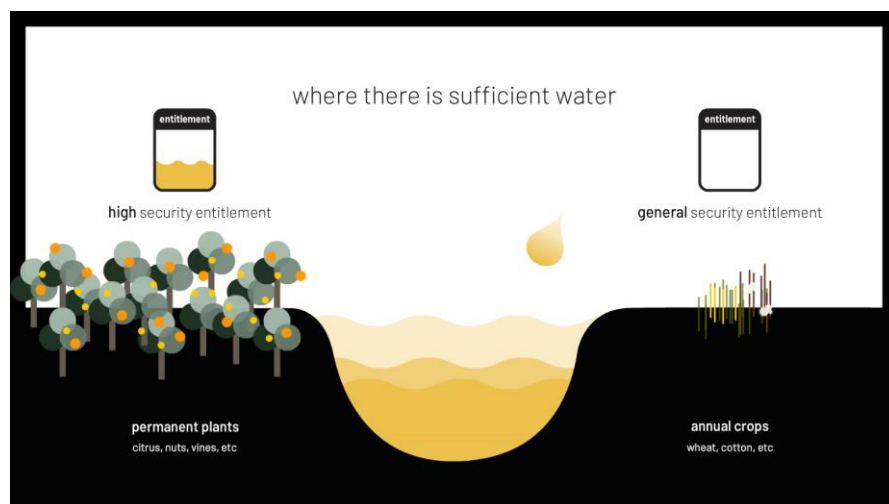
- Farmers plant both **permanent and annual crops**. Historically, they were given a right to the resource based on their production (i.e. **High Security**, lower volume, or **General Security**, but higher volume).

- In a **wet year**, most entitlements perform well; they receive most of their **allocation** (being the usable water in that year).

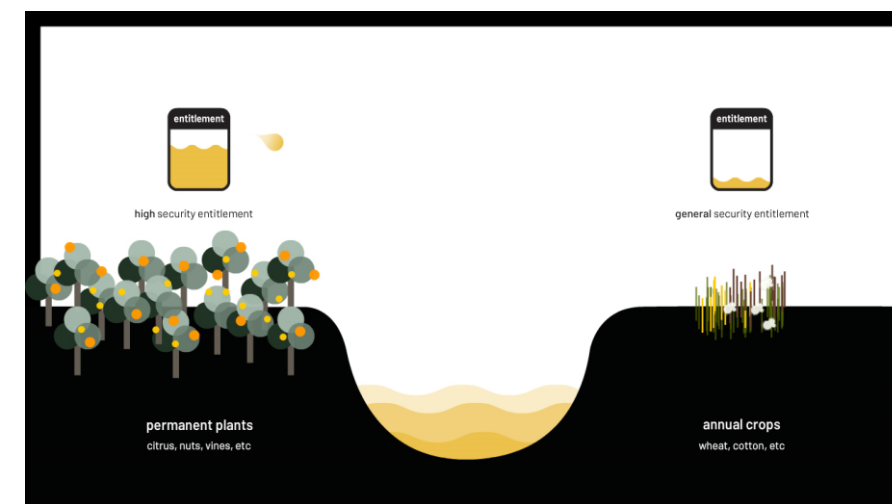


- In a **dry year** high security perform better than general.
- First priority of allocation is always given to environmental, human, and conveyance needs.

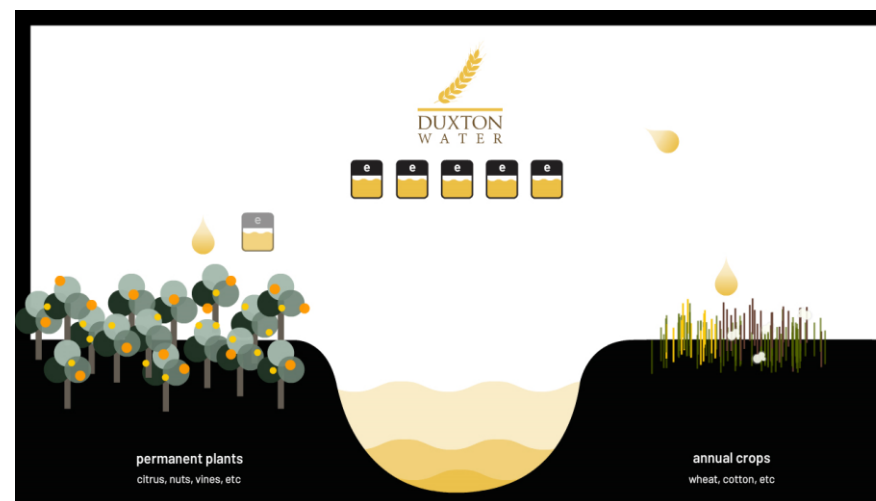




- When there is sufficient water in the system, an **annual allocation** is made to the entitlements; firstly to the high security entitlements, and then also to general security.
- The water was unbundled from land, and a **cap and trade** system was made.



- Duxton Water continues to acquire water entitlements, growing it's **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**.



- 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).

WATER PRODUCTS AND RISK MANAGEMENT – FOR IRRIGATORS

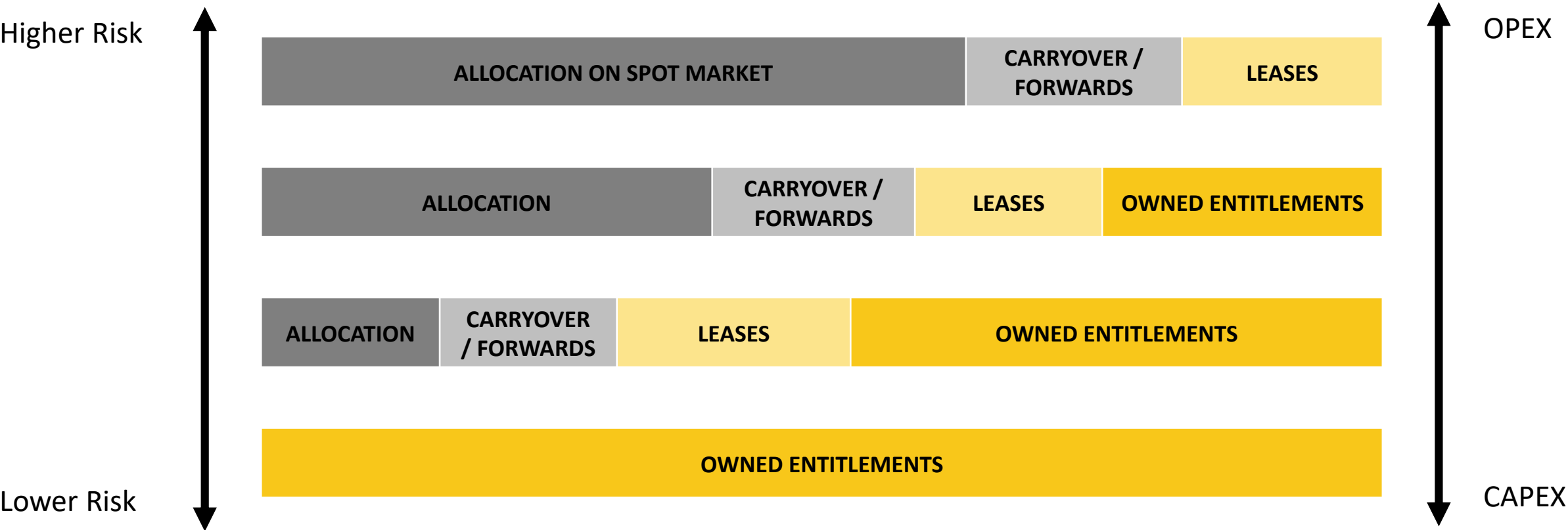
It is vital for agricultural producers to properly manage their key water resource to meet their short-term requirements and to mitigate risk over the long term.

There are a number of different options for irrigators in the SMDB;

ENTITLEMENT OWNERSHIP	ENTITLEMENT LEASES	FORWARDS FOR ALLOCATION	CARRYOVER OF ALLOCATION
<p>The perpetual right to a particular volume of the water resource. It is this ‘entitlement’ asset which receives an annual allocation of usable water.</p> <p>There are varying entitlement types, each with their own characteristics such as security (priority of allocation), carry over capability and capital value.</p>	<p>The leasing of an entitlement; the lessee usually pays 5-7% of the entitlement cost, and lease terms are generally anywhere from 1 to 10 years in length.</p> <p>Here the allocation risk (i.e. weather risk) lies with the lessee, not the entitlement owner.</p> <p>Consider this a OPEX not CAPEX product.</p>	<p>The seller agrees to provide a particular volume of water, in the future, to the buyer, at a price agreed upon today.</p> <p>Usually the cost is at a premium to the current allocation price.</p> <p>This is a OPEX product, and it the only product which guarantees the delivery of volume on a set date.</p>	<p>Some entitlements have the capacity to bank allocation water and carry it over from one water year to the next. Generally, if allocation is not used or carried over, it expires.</p> <p>Price is driven by demand for carryover space, but can be affordable.</p> <p>This is a OPEX product, and an alternative to owning more expensive entitlements.</p>

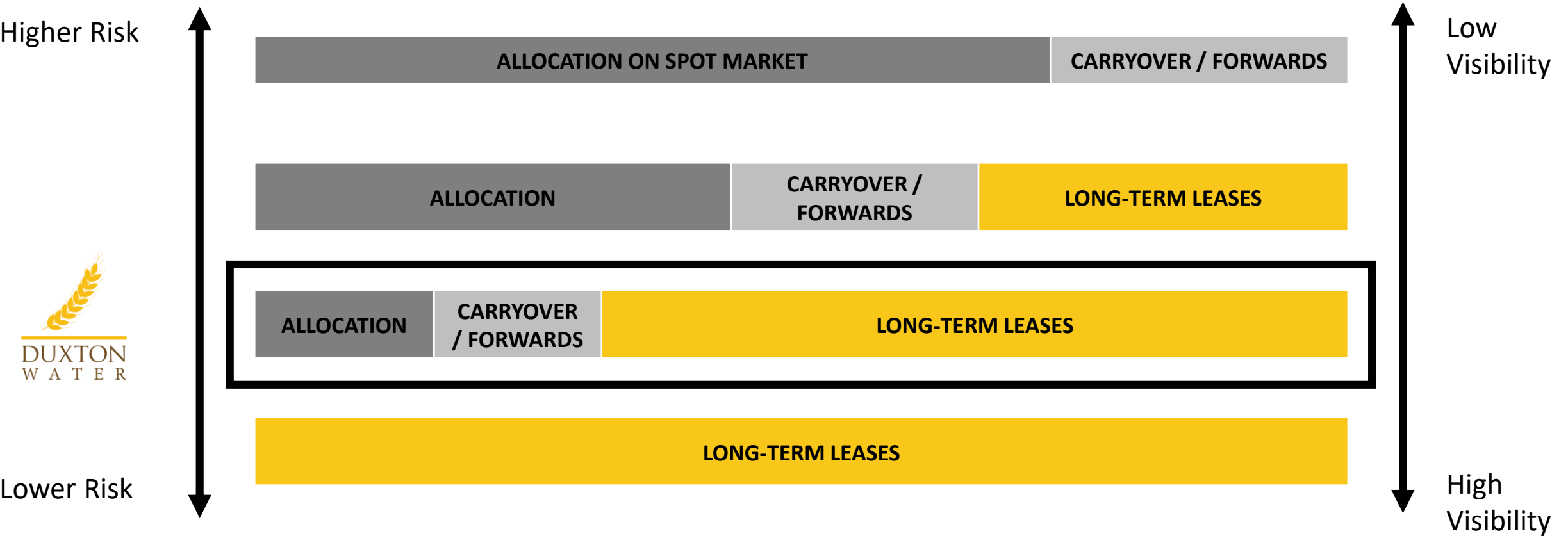
WATER PRODUCTS AND RISK MANAGEMENT – FOR IRRIGATORS

There is no perfect combination of these assets; the mix of water supply solutions that a farmers decides on will ultimately be impacted by their capital and operational means, their appetite for risk, and the sensitivity of the crops to water scarcity. The below diagram shows a spectrum of portfolio options and how risky they are considered to be for the water user.



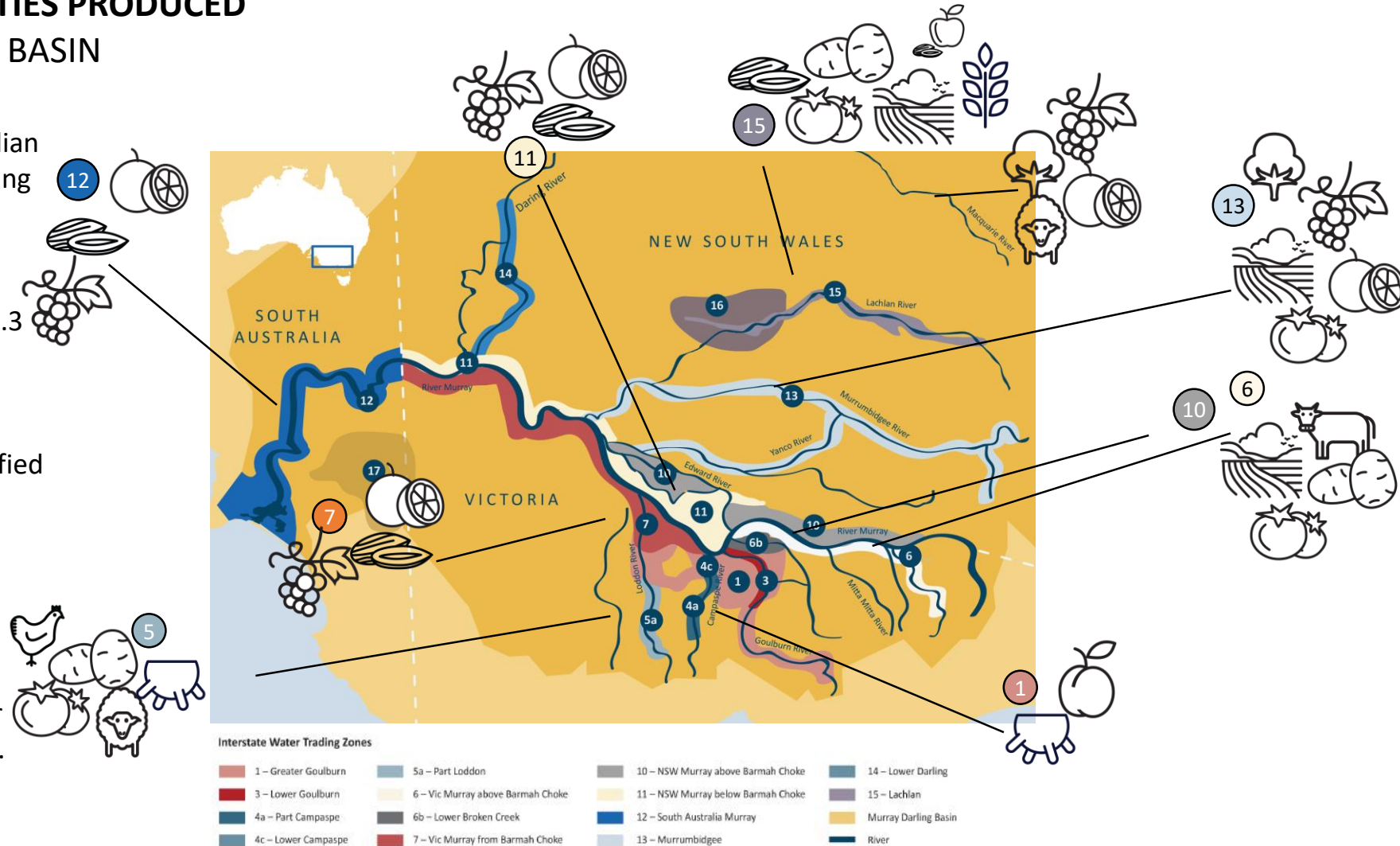
WATER PRODUCTS AND RISK MANAGEMENT – FOR WATER INVESTORS

Similarly, there are a number of ways water investors can manage their returns and risks (allocation, price, lessee default etc.). The below diagram shows how the investors water portfolio (owned water entitlements and the allocation received on these) can be managed to generate returns for shareholders/investors. Some revenue streams provide the investors higher visibility of their revenue (i.e. leases), and can protect against revenue potential to volatility (caused by exposure to weather risk, and therefore spot market pricing risk).



DIVERSIFICATION OF COMMODITIES PRODUCED IN SOUTHERN MURRAY DARLING BASIN

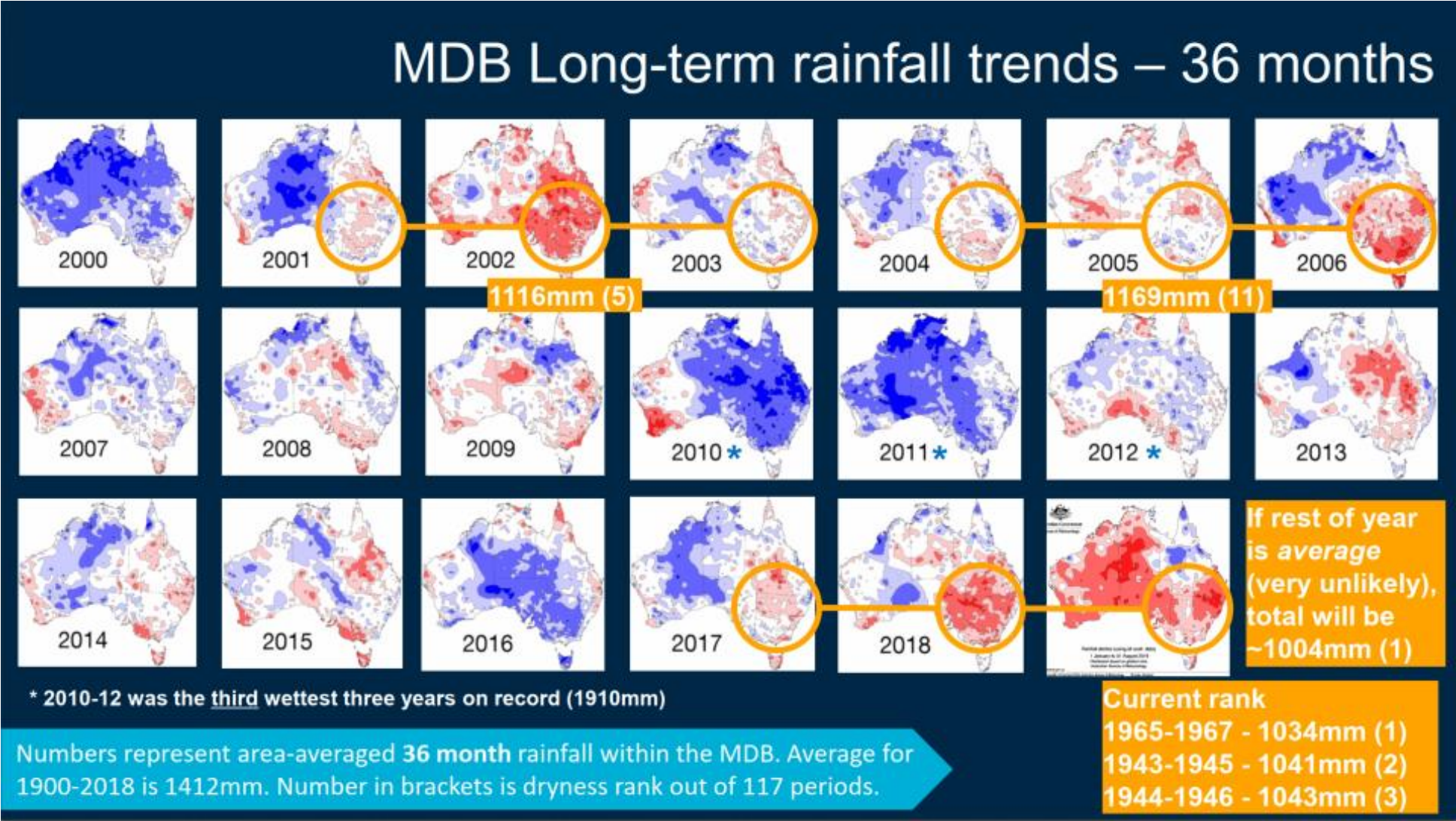
- Duxton Water acts as a proxy to Australian agriculture with its water assets providing solutions to a broad range of irrigators throughout the region.
- Duxton Water owns and manages \$321.3 million in water assets including entitlements and allocation.
- The water entitlements are well diversified across a number of metrics;
 - regions
 - security levels
 - crops
- A further \$10.6 million of water entitlements are within the pipeline for further acquisition, at 31 October 2019.



Duxton Water welcomes and is supportive of the further investigation by the ACCC into the Southern Murray Darling Basin water market, as an extension to the existing role that they have performed in monitoring and reporting of the market development since 2012.

- ACCC Process:
 - November 2019:
 - Public forums
 - Public submissions
 - Request for stakeholder information and data
 - May 2020:
 - Draft report
 - November 2020:
 - Final Report

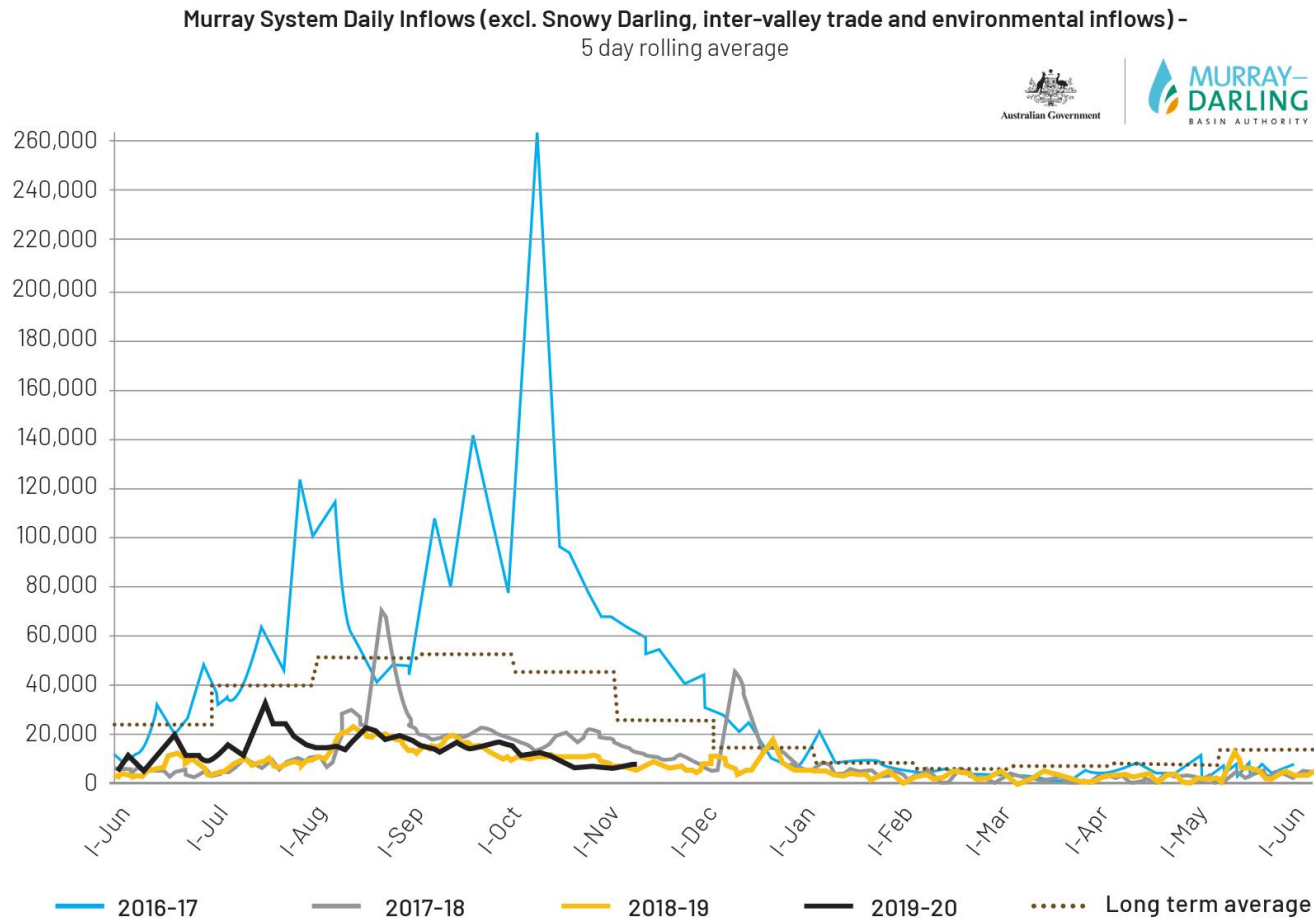
BUREAU OF METEOROLOGY 36 MONTH RAINFALL TRENDS



Source: Bureau of Meteorology

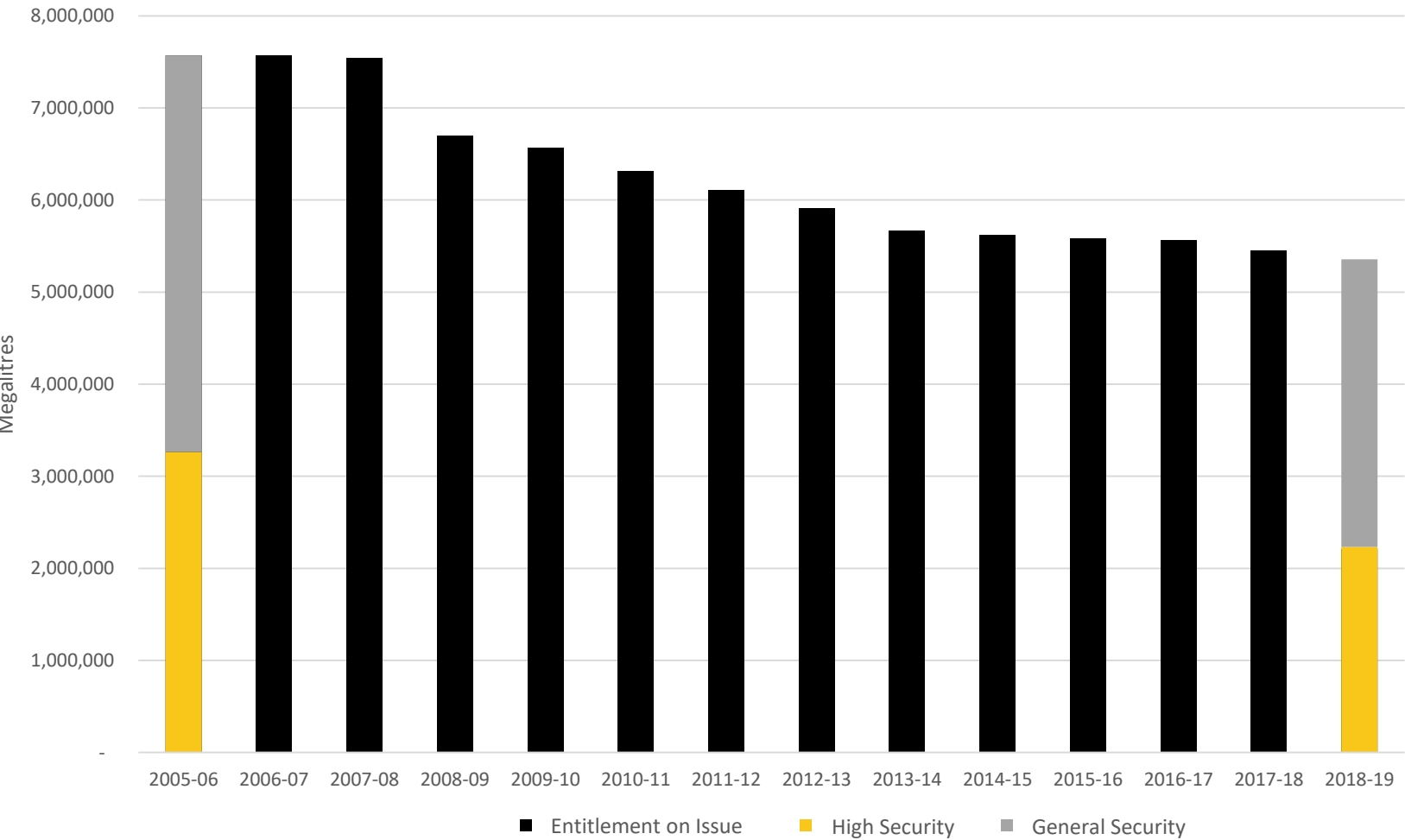
MURRAY SYSTEM DAILY INFLOWS (5 DAY ROLLING AVERAGE)

(Excluding Snowy Darling, Inter-valley trade and environmental inflows)



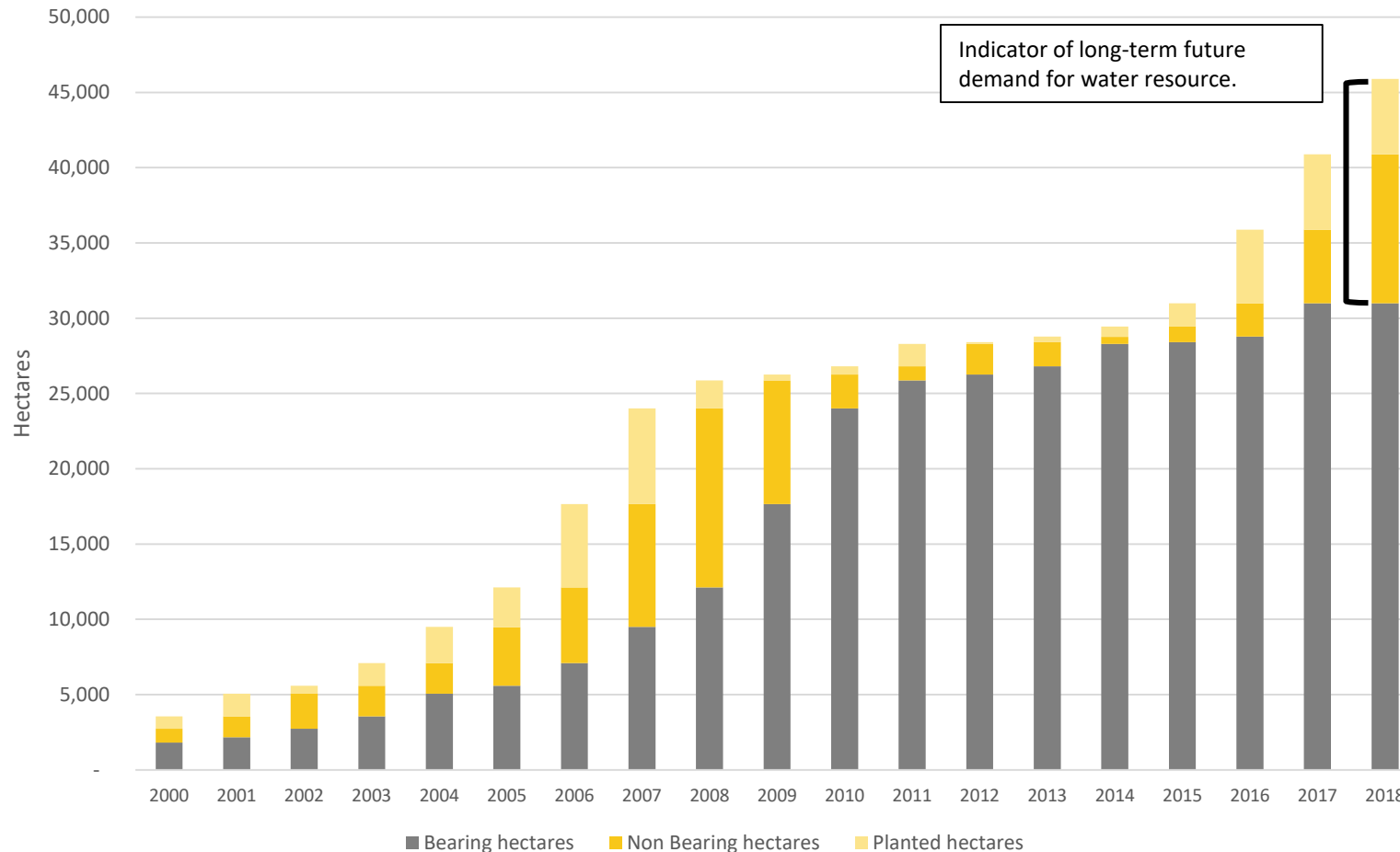
- With one of the driest winter periods on record, and continued below average inflows across the Murray Darling Basin for the 2019 winter period, it is expected that consumptive water supply may reach levels not seen since the millennium drought.
- The MDBA total active storage at the end of October 2019 was at 43 % capacity as inflows continue to decline in line with the ongoing drying conditions. This is compared to 57% capacity at this time last year.
- The storage and inflow conditions have resulted in high security entitlements in South Australia and Victoria opening at significantly lower levels for the start of the 2019/2020 water year, while the chance of any meaningful allocation on lower tier NSW general security entitlements remains low.

SMDB ENTITLEMENTS ON ISSUE FOR CONSUMPTIVE USE



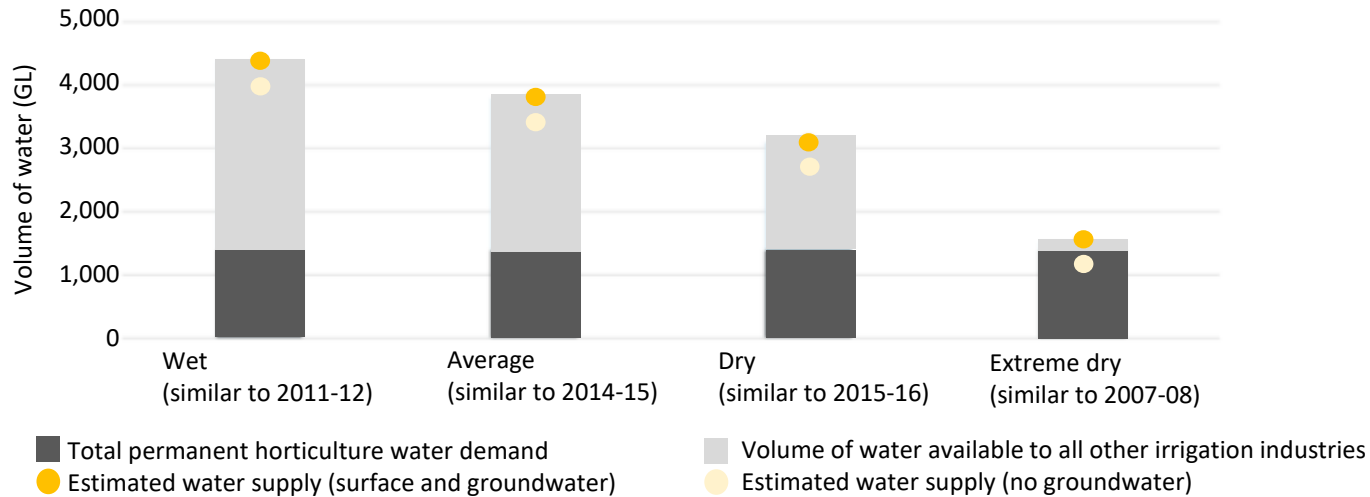
- Permanent supply is fixed within the “cap and trade” model.
- Supply available for consumptive use has decreased with the ongoing Government buy-back program to support environmental requirements.
- The Government has purchased both High Security (31%) and General Security (27%) Entitlements.
- There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

ALMOND PLANTING AND WATER DEMAND

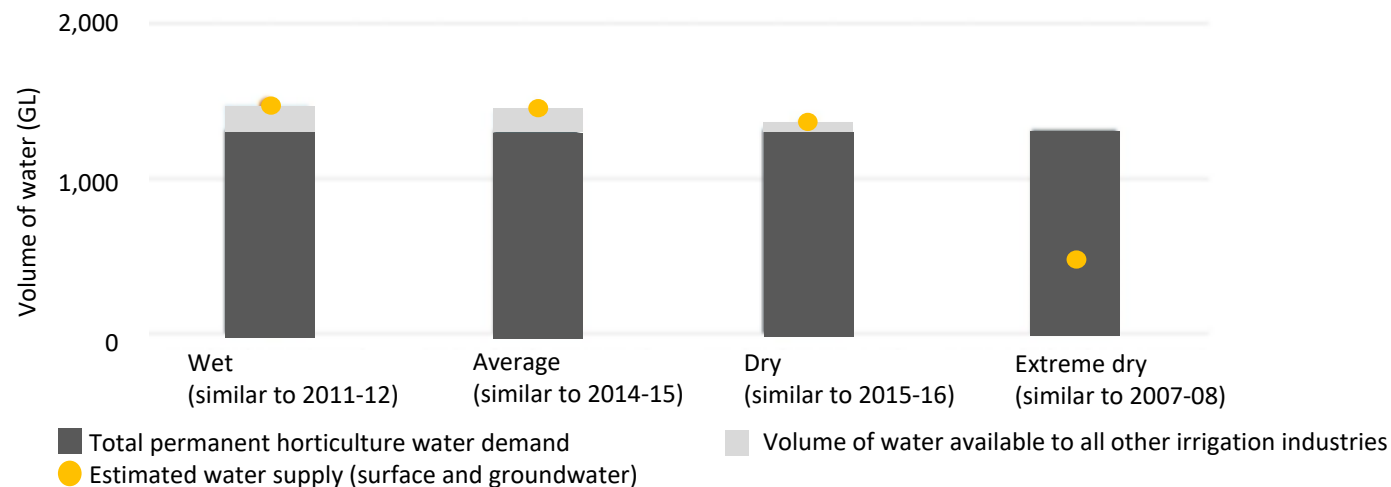


- Australian bearing almond orchard size has grown 14.9x since 2000, with over 15,000ha planted between 2016 and 2018 alone.
- At planting stage, trees demand 3ML/ha, and build up to 14ML/ha at maturity (6+ years).
- At full maturity, this equates to a total industry demand (assuming no further plantings) 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.

Water availability and horticulture demand in the connected Murray region



Water availability and horticulture demand in the lower Murray region



- Aither estimate that existing permanent horticulture will demand approximately 1,400 GL of irrigation water per annum at full maturity (~55% increase from ABS estimates).
- Horticultural demands account for all allocation against entitlements in the lower Murray region in average years. Supply shortfall will need to be met through carryover and the trade of water.
- Aither's analysis suggests that under an extreme dry scenario, the directly available consumptive surface water supply within the lower Murray may only meet approximately 40 per cent of total existing permanent horticulture demand (at full maturity).
- Upward pressure is placed on allocation prices as demand increases and supply decreases.

- 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 \$1.5-1.6 Billion in 18/19 water year¹.
- The primary investment objective of Duxton Water is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering irrigators a range of supply solutions including;
 - entitlements on long term lease (67% of portfolio), representing 81% of the company’s high security entitlement portfolio; (at 24/11/2019)
 - trading the annual allocations which are attached to the unleased portion of the portfolio; and
 - spot allocation supply.
- Since its IPO in September 2016, Duxton Water has:
 - generated total NAV return of 76.37%²;
 - increased NAV from \$1.07 to \$1.72³;
 - paid \$11.56 million in total dividends; and
 - invested over \$229.3 million in Australian water assets (cost), now valued at \$321.3 million (31 October 2019).
- **The Company continues to experience strong demand for its water supply solutions. With the structural shift in Australian agriculture towards permanent crops and more efficient irrigating technology we expect this to support further price appreciation of water entitlements over time.** Duxton Water will look to continue to grow its portfolio to support the provision of further water supply products. The Company currently has within its acquisition pipeline a further \$10.6 million of water entitlements at 31 October 2019.

All dollar values are in AUD unless otherwise specifically stated.

¹ Aither Pty Ltd, 2019. Estimate of irrigation company trade

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

³ As at 31 October 2019

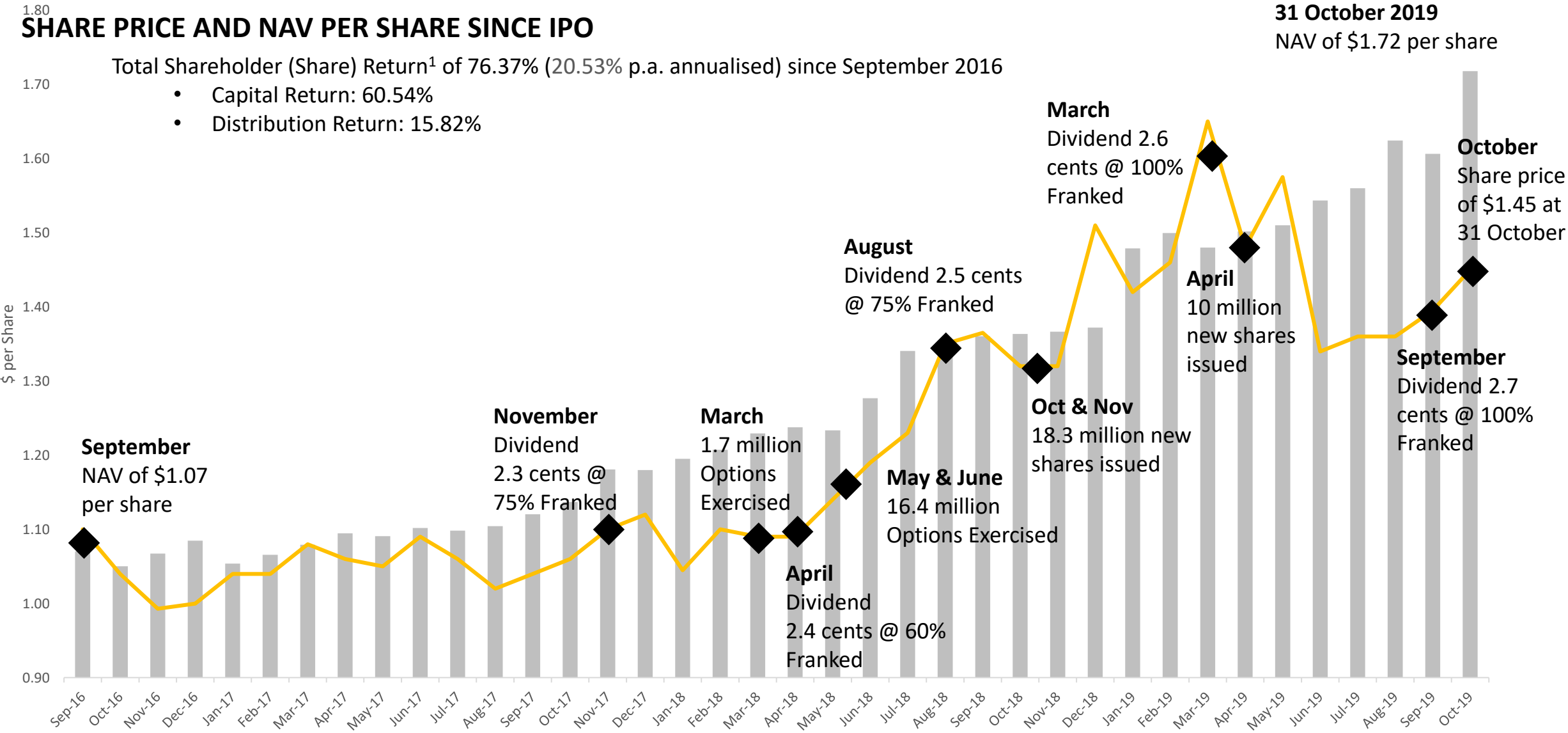
..... and has generated strong shareholder returns

1.80
SHARE PRICE AND NAV PER SHARE SINCE IPO

31 October 2019
NAV of \$1.72 per share

Total Shareholder (Share) Return¹ of 76.37% (20.53% p.a. annualised) since September 2016

- Capital Return: 60.54%
- Distribution Return: 15.82%



¹Inclusive of dividends and franking credits and based on Share Price at 31 October 2019 at \$1.45

NAV Share Price

KEY INFORMATION	
Current share price (as at 31 October 2019)	\$1.45 per share
Current shares on issue	120,802,101
Current Market Capitalisation	\$175.16 million
Weighted Earnings Per Share	2.3 cents YTD (1 Jan – 30 Jun) 8.5 cents (2018) (3.2 cents in 2017)
ASX Code	D2O
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:	
<ul style="list-style-type: none"> 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. 	

KEY METRICS	31 OCTOBER 2019
Total Megalitres ("ML") owned	81,202 ML (24 th November, 2019)
% of entitlements leased	67% (24 th November, 2019)
Net Asset Value	\$207.5 million (inc tax provision for unrealised capital gain)
	\$1.72 per share
Net Asset Value per share	(\$1.95 excluding tax provisions for unrealised capital gain)
2019 distribution yield [#]	3.66% (5.22% incl. franking)
Gearing	< 30%

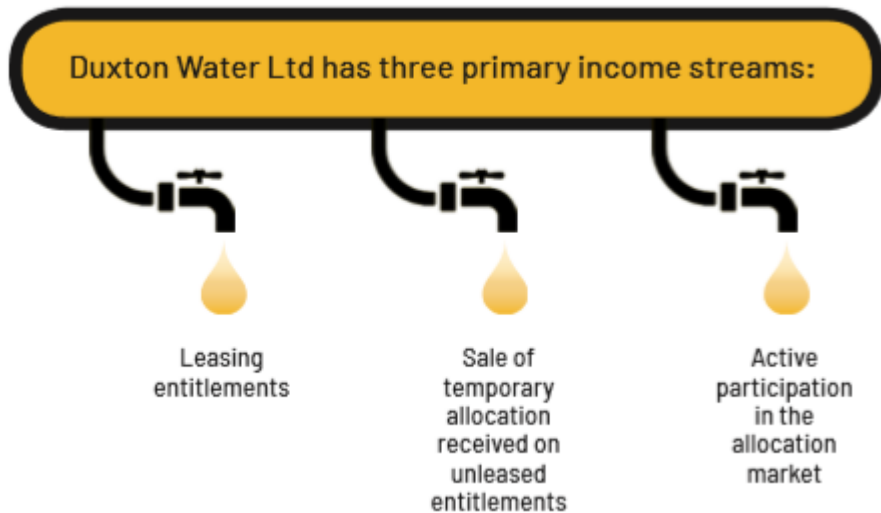
BOARD MEMBERS	
Ed Peter	Non-Executive Chairman
Stephen Duerden	Non-Executive Director
Dirk Wiedmann	Independent Non-Executive Director
Peter Michell	Independent Non-Executive Director
Dennis Mutton	Independent Non-Executive Director

All dollar values are in AUD unless otherwise specifically stated.

[#] Distribution yield based on 2.6 cent dividend paid in March 2019 and 2.7 cent dividend paid in September 2019 with a reference share price of \$1.45.

*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



- Over the past 12 months, Duxton Water has continued to build its water entitlement portfolio and through the provision of water supply solutions to its farming irrigation partners, mature its increasingly visible revenue to support shareholder returns.
- The Board is pleased with the progress towards its long-term goal of achieving between 70% - 80% of the portfolio being deployed into long term lease arrangements. The leased percentage of the portfolio has increased to 67% as at 24th November 2019 (30 December 2018: 39% leased).
- Allocation received on the Company's unleased portion of the portfolio is actively managed and sold down to producers through spot and forward contract sales, to support further agricultural production outcomes. The Company operates within the rules and regulations that govern all irrigators and water entitlement holders within Australia.
- The Company has now paid two dividends through 2019, 2.6 cents per share on the 27 March 2019 and 2.7 cents per share on the 18 September 2019 (both fully franked).
- The Board maintains its commitment to providing our shareholders with a bi-annual dividend and has reaffirmed a target of paying a fully franked final dividend of 2.8 cents (\$0.028) in March 2020. With the increase in forward-looking lease revenue, the Company is now targeting a fully franked interim dividend of 2.9 cents (\$0.029), payable in September 2020.



1

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

2

Diverse irrigator customer base. Over 70 farming business now supported through long term leases.

3

Multiple sources of return

4

A unique asset class with uncorrelated returns

5

Growth opportunities in a large market with largely fixed costs

6

Experienced management team and investment in resources for global growth

KEY CONTACTS

Alister Walsh

Duxton Capital (Australia)

Director of Water Assets

alister.walsh@duxtonam.com

+61 427 282 250

+61 8 8130 9520

Tim young

Duxton Capital (Australia)

Business Development

Tim.young@duxtonam.com

+62 400 523 188

+61 8 8130 9500

Bridget Johnson

Duxton Capital (Australia)

bridget.johnson@duxtonam.com

+61 475 045 434

+61 8 8130 9500

\$300

ENTITLEMENT PRICING – AITHER ENTITLEMENT INDEX

\$250

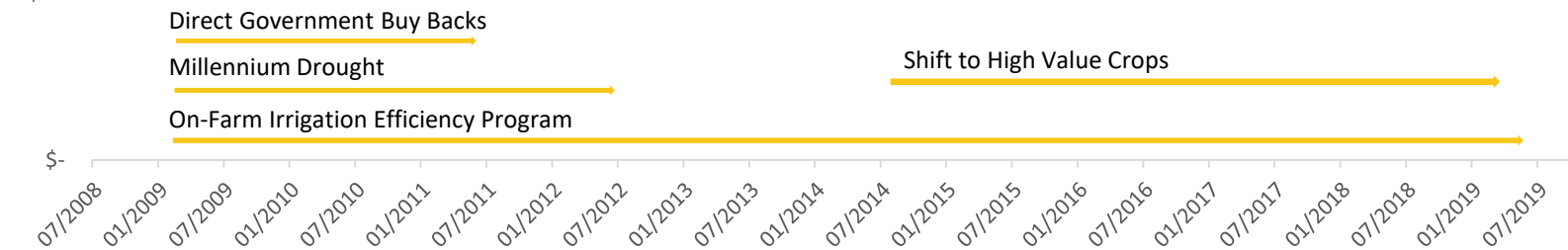
\$200

\$150

\$100

\$50

\$-



- This graph shows the Aither Entitlement Index over the period from July 2008 to September 2019.
- 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 26.40% over the past five years. Since the inception of the Index (10 years), a 7.44% CAGR has been observed.