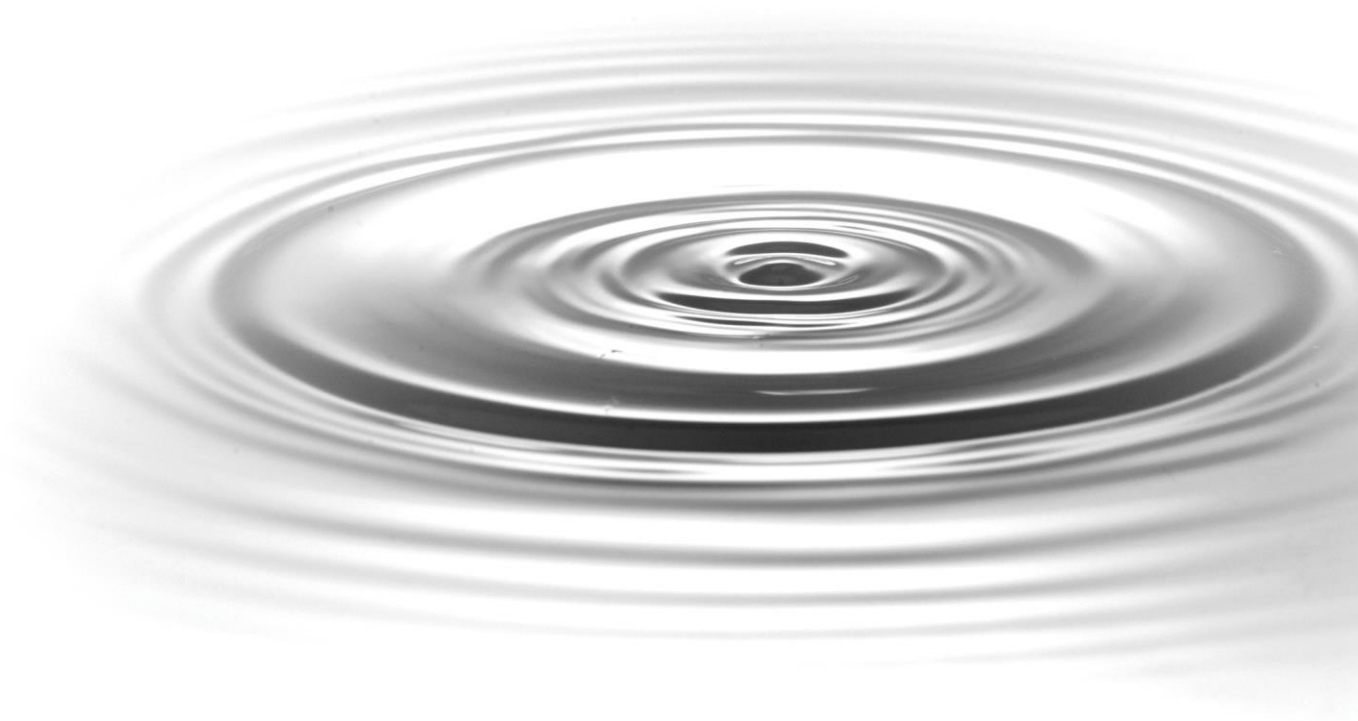




DUXTON  
WATER



**DUXTONWATER** LTD  
(ASX:D20)

19 MAY 2020

**2019 ANNUAL** GENERAL MEETING

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## BOARD MEMBERS



**ED PETER**

Chairman of the Board



**PETER MICHELL**

Independent Non-Executive Director



**STEPHEN DUERDEN**

Non-Executive Director



**DIRK WIEDMANN**

Independent Non-Executive Director



**DENNIS MUTTON**

Independent Non-Executive Director



**KATELYN ADAMS**

Company Secretary

## INVESTMENT MANAGEMENT



**ALISTER WALSH**

Director of Water Assets & Portfolio Manager

**Shareholder questions relating to items of business or resolutions**

**AGM Formalities**

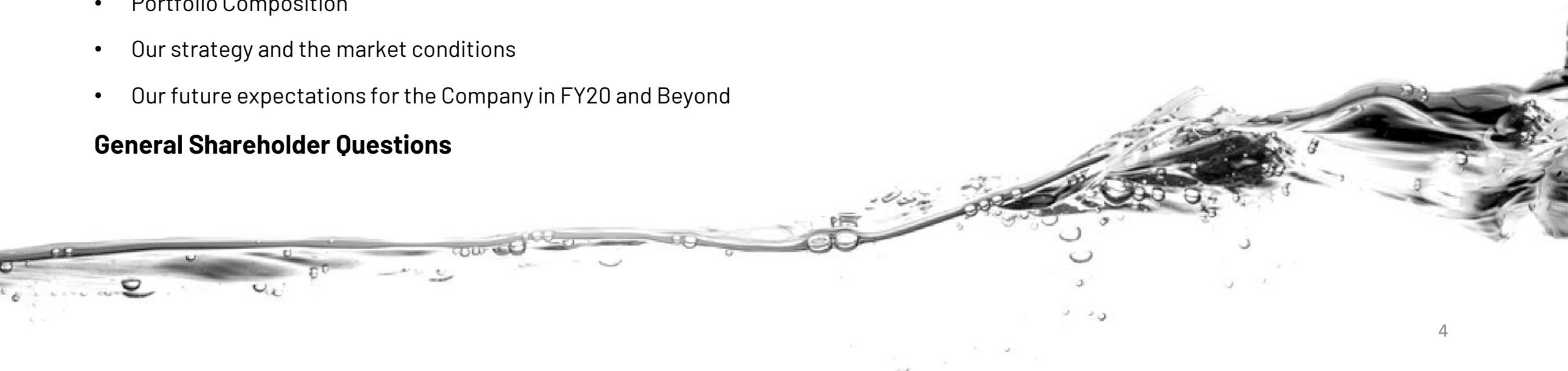
**Chairman's Address**

- Company Overview
- Highlights of 2019 Financial Reports
- Increased visibility on the income streams - Dividend Guidance

**Director of Water Assets Address**

- Portfolio Composition
- Our strategy and the market conditions
- Our future expectations for the Company in FY20 and Beyond

**General Shareholder Questions**



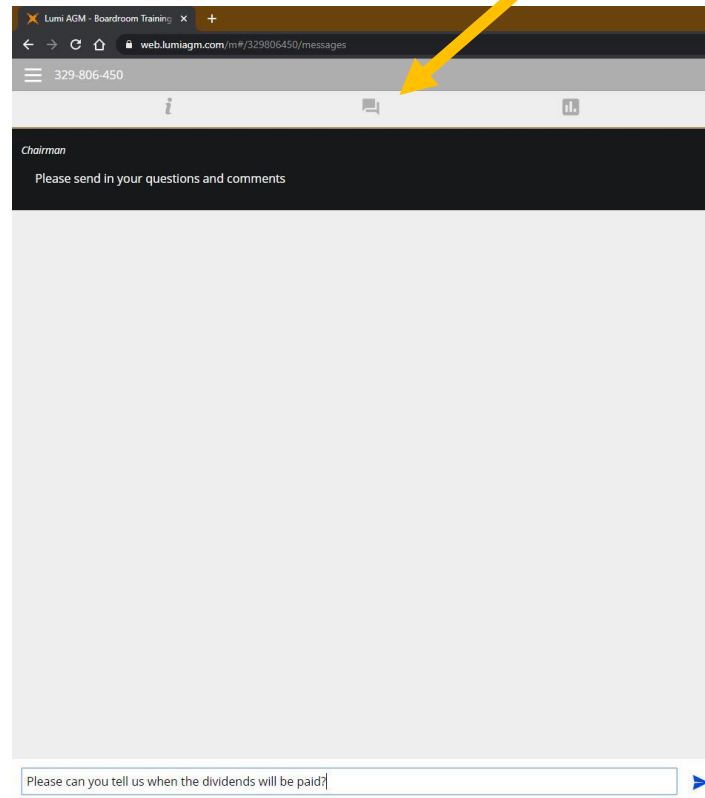
Shareholders will be able to vote on all resolutions on their device throughout the duration of the Meeting.

Please see the desktop examples on this slide. Mobile devices appear slightly differently.

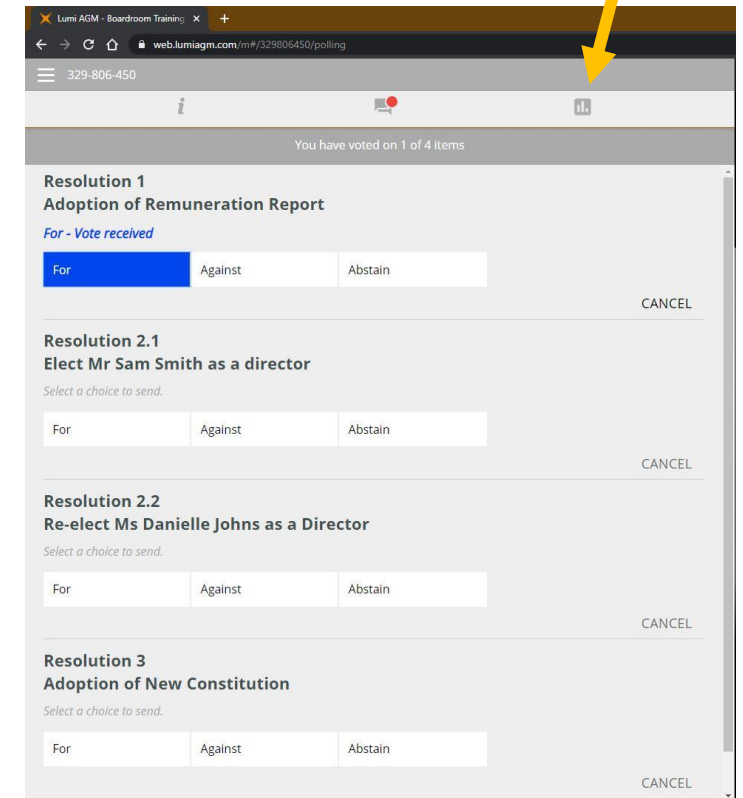
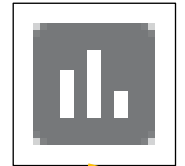
Virtual Meeting Guide can be downloaded from our investor centre, here: <https://www.duxtonwater.com.au/investor-centre>

For technical assistance please contact Computershare (+613) 9415 4024.

### Asking Questions:



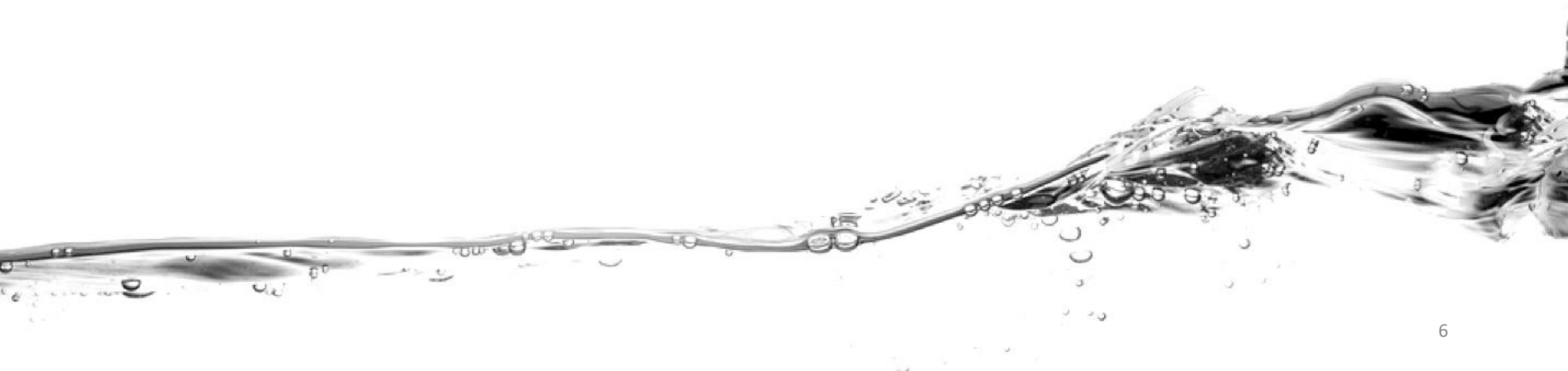
### How to vote:



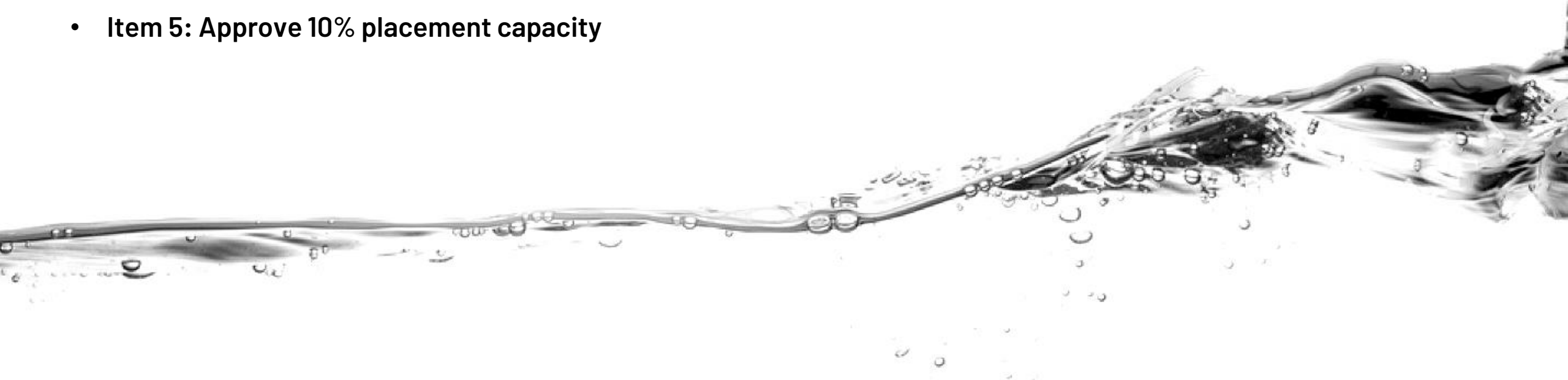
**Please now submit questions now.**

Please state:

- Shareholder registered name
- Resolutions or items of business you wish to address



- **Item 1: Financial report, Directors' Report and Independent Auditors' Report**
- **Item 2: Remuneration Report**
- **Item 3: Election of Director – Edouard Peter**
- **Item 4: Election of Director – Dirk Wiedmann**
- **Item 5: Approve 10% placement capacity**



## ITEM 1: FINANCIAL REPORT, DIRECTORS' REPORT AND INDEPENDENT AUDITORS' REPORT



### Resolution

To receive and consider the Financial Report, Directors' Report and Independent Auditors' Report for the financial period ended 31 December 2019. The relevant documents are also available on the Duxton Water website: [www.duxtonwater.com.au](http://www.duxtonwater.com.au).



## ITEM 2: REMUNERATION REPORT

### Resolution (non-binding)

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

“The Company’s Remuneration Report for the financial period ended 31 December 2019 is adopted.”

*(The Company will disregard any votes cast on Resolution 1 by a KMP/CRP of the Company).*

VOTE TYPE	VOTED	%	% OF ALL SECURITIES
For	4,929,024	91.19	4.13
Against	155,879	2.89	0.13
Open-Usable	320,423	5.92	0.27
Board	195,872	3.62	0.16
Non-Board	124,551	2.3	0.1
Open-Cond	0	0	0
Open Unusable	0	N/A	0
Abstain	96,452	N/A	0.08
Excluded	562,764	N/A	0.47

### ITEM 3: ELECTION OF DIRECTOR – EDOUARD PETER

#### Resolution

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

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

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

VOTE TYPE	VOTED	%	% OF ALL SECURITIES
For	5,654,651	94.18	4.74
Against	29,220	0.49	0.02
Open-Usable	320,423	5.33	0.27
Board	195,872	3.26	0.16
Non-Board	124,551	2.07	0.1
Open-Cond	0	0	0
Open Unusable	0	N/A	0
Abstain	60,248	N/A	0.05
Excluded	0	N/A	0

## ITEM 4: ELECTION OF DIRECTOR – DIRK WIEDMANN

### Resolution

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

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

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

VOTE TYPE	VOTED	%	% OF ALL SECURITIES
For	5,654,211	94.15	4.74
Against	29,220	0.49	0.02
Open-Usable	321,563	5.36	0.27
Board	196,312	3.27	0.16
Non-Board	125,251	2.09	0.1
Open-Cond	0	0	0
Open Unusable	0	N/A	0
Abstain	59,548	N/A	0.05
Excluded	0	N/A	0

## ITEM 5: APPROVE 10% PLACEMENT CAPACITY

### Special Resolution

To consider and, if thought fit, pass, the following resolution with or without amendment, as a **special resolution**:

“In accordance with ASX Listing Rule 7.1A, and for all other purposes, the issue of Shares of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, and on the terms and conditions in the Explanatory Statement, is approved.”

VOTE TYPE	VOTED	%	% OF ALL SECURITIES
For	5,504,301	92.99	4.61
Against	94,400	1.6	0.08
Open-Usable	320,423	5.41	0.27
Board	195,872	3.31	0.16
Non-Board	124,551	2.1	0.1
Open-Cond	0	0	0
Open Unusable	0	N/A	0
Abstain	145,418	N/A	0.12
Excluded	0	N/A	0

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. 100% of Duxton Water’s portfolio is active in the supply of these products.

The Company generates a return by offering irrigators a range of water supply solutions, including long-term entitlement leases, forward allocation contracts and spot allocation sales.

Duxton Water supports a number of agricultural industries including viticulture, dairy, broadacre, nuts, citrus, olives and dried fruits.

Since its IPO in September 2016  
**Duxton Water has**

generated total  
 NAV return of  
**80.51%**<sup>1</sup>

increased NAV  
 from  
**\$1.07 → \$1.76**<sup>2</sup>

paid  
**\$11.56 million**  
 in total dividends

invested over **\$241.16 million**  
 in Australian water assets (cost).  
 Now valued at  
**\$334.56 million**  
 (31 December 2019)

<sup>1</sup> Inclusive of dividends and franking credits, based on Net Asset Value as at 31 December 2019

<sup>2</sup> As at 31 December 2019

## PERFORMANCE

PORTFOLIO GROWTH		ENTITLEMENT PORTFOLIO GROWTH	
2019	2018	2019	2018
334.6m	194.4m	83.0GL	61.1GL
April 2020 326.8 million		April 2020 83.74GL	

NAV RETURN (12-month performance)	
Capital Growth	Cash Return (Inc. franking)
28.43%	5.52%
TOTAL 33.95%	

### Portfolio Growth

- The entitlement portfolio increasing from 61.1GL to 83.0GL, the portfolio of water assets growing from \$194.4 million (31 December 2018) to \$334.6 million (31 December 2019).

### Total Return

- In terms of capital growth, on a fair market value basis, the Net Asset Value (“NAV”) per share has increased by ~33.95% (inclusive of 5.52% franked cash return).
- During 2019, the Company saw a \$59.3 million fair value uplift across its water assets.
- Since inception to 31 December 2019, Duxton Water has had a fair value revaluation uplift of \$97.1 million.

### Debt

- Drawn debt at 31 December 2019 = \$94.2 million.
- The board has since increased the max debt facility to \$112 million (35% of total assets).

### Capital Raise

- During 2019, the Company raised a total of \$18.6 million in new capital (before costs).

## PROFIT AND LOSS STATEMENT

### PROFIT (EBT)

2019	2018
10.6m	10.4m

### GROSS PROFIT

2019	2018
24.7m	15.5m

### EARNINGS PER SHARE

2019	2018
6.4 cents	8.5 cents

### ADJUSTED EARNINGS PER SHARE

2019	2018
8.7 cents	8.7 cents

### UNREALISED CAPITAL GAIN PER SHARE

2019	2018
35.5 cents	20.1 cents

### Gross Profit

- This has been driven by a larger portfolio, drier conditions which have seen the price of water allocation lift well above what we saw last year, and the team's ability to manage the portfolio.

### Earnings Per Share

- Earning Per Share of 6.4 cents. This was impacted by a non-cash asset impairment as water assets are classified as intangible assets\*. Some of the Company's general security entitlements were impaired by \$3.83 million. In the event these assets revert back towards cost, the impairment expense will reverse, positively impacting statutory profits.

### Adjusted Earnings Per Share

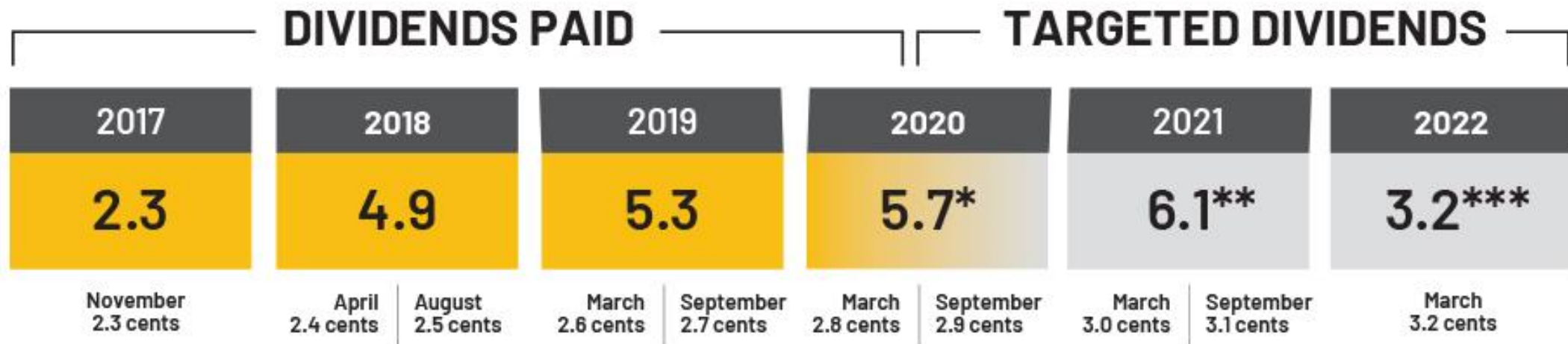
- When adjusted for the non-cash impairment, the Company generated an operational profit of 8.7cents/share for 2019.
- In 2019, the portfolio delivered shareholders with an unrealised gross capital gain of 35.5 cents per share. Profits from the sale of these assets will be booked into the Statement of Profit or Loss.

\* From a statutory accounting perspective, water assets are required to be held at cost, less any accumulated impairment

The leased portion of the portfolio from the 1 July 2020 will be 66%, generating approximately \$9.5 million in annualised leasing revenue.

We are comfortable to provide shareholders with 24 months of dividend targets in these uncertain times given the greater visibility the Company now has to future recurring revenue and a current WALE of 2.9 years (5.2 years inclusive of options to renew).

Given the forward visibility available within the business, the Board would like to reiterate the below fully franked dividend targets.

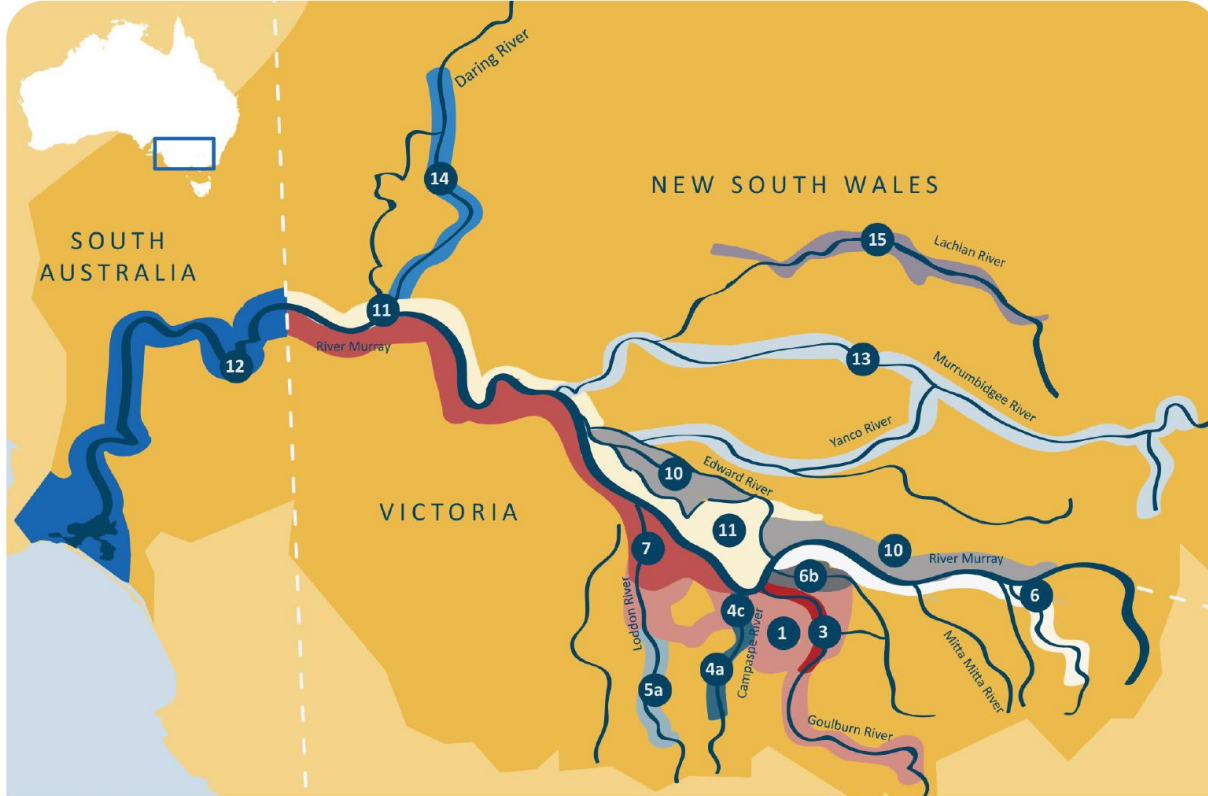


\*2.8 cents paid in March 2020, 2.9 cents targeted for September 2020

\*\*March 2021 & September 2021 targets

\*\*\* March 2022 target, no target provided for September 2022





Interstate Water Trading Zones

1 – Greater Goulburn	5a – Part Loddon	10 – NSW Murray above Barmah Choke	14 – Lower Darling
3 – Lower Goulburn	6 – Vic Murray above Barmah Choke	11 – NSW Murray below Barmah Choke	15 – Lachlan
4a – Part Campaspe	6b – Lower Broken Creek	12 – South Australia Murray	Murray Darling Basin
4c – Lower Campaspe	7 – Vic Murray from Barmah Choke to SA Border	13 – Murrumbidgee	River

# The South Murray Darling Basin

The Australian Water market is spread across river and ground water systems.

~**A\$28 billion** of entitlements

Market turnover of **\$1.5 billion** in entitlements and allocation during the 2018/19 water year

Approximately **80%** of Australia's water trade occurs in this area

The food bowl of Australia, producing permanent and annual crops



### Water Entitlements

- Water entitlements are perpetual rights to an annual share of water within a system.
- There are more than 150 different types of entitlements in the basin, with 30-40 entitlements making up the vast majority of volume traded.

### Zones

- Water entitlements are defined as zones - which are classified into river systems or ground water sources.

### Security

- Throughout a season, the Government distributes allocation against entitlements. The approved allocation is handed down based on entitlement security: firstly to the high security entitlements and then to general security.
  - **High security** - receives an allocation in most years, wet or dry.
  - **General security** - typically, only receives allocation in medium to wet seasons.
- High security entitlements trade at a higher value to general security entitlements because of their characteristic of receiving allocation in most years.



**A Growing Demand for water caused by factors such as:**

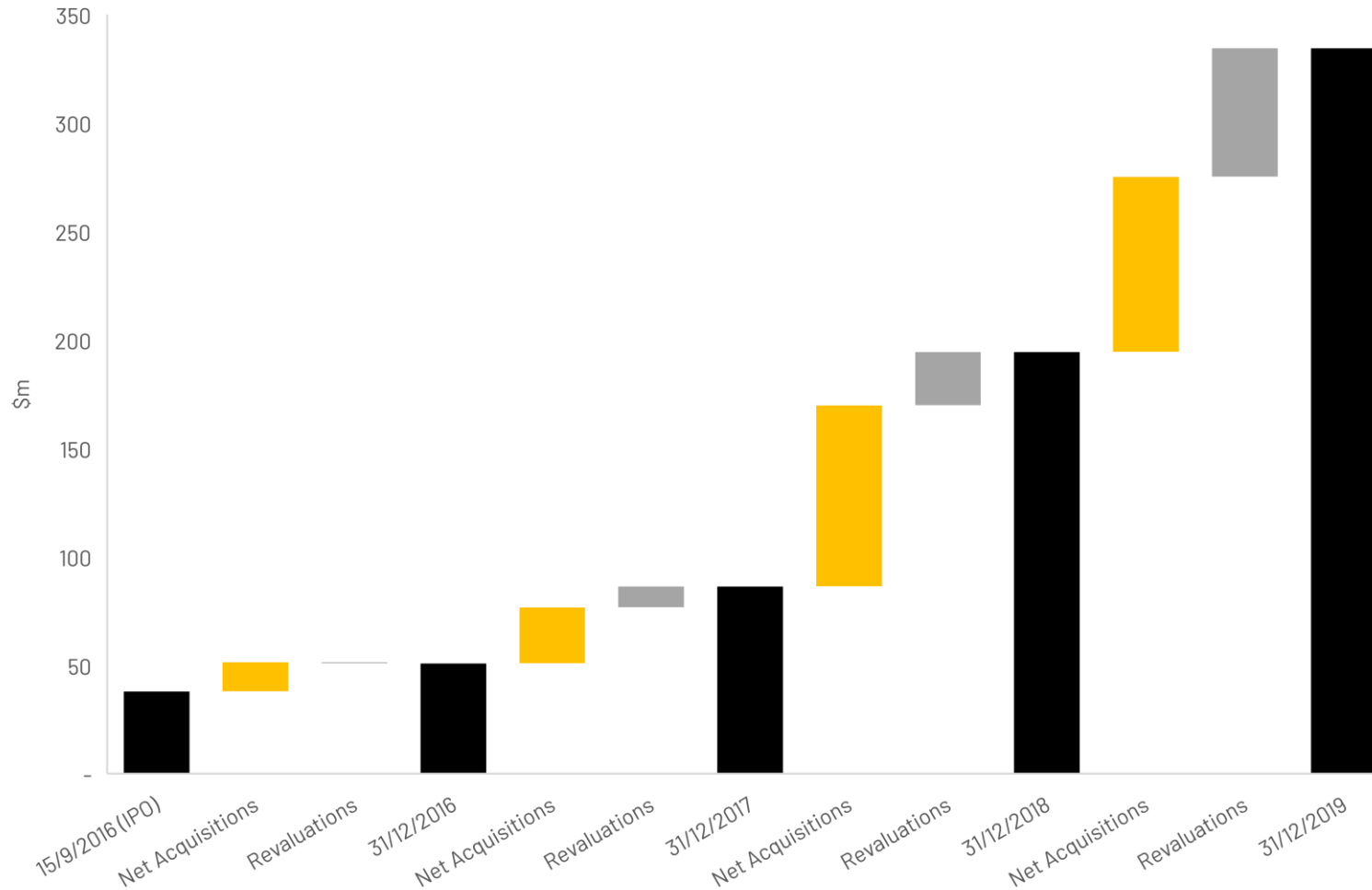
- renewed investments over the last 10 years in agriculture, from domestic and international sources.
- increased marginal return per megalitre driven by:
  - investment in water use efficiencies; and
  - a conversion to higher value commodities
- maturity of the Australian water market leading to the development of more sophisticated water supply products (such as long term leases), which has delivered farmers a capital light approach to risk managing this key input into their business.

**A Constrained Supply of water due to factors such as:**

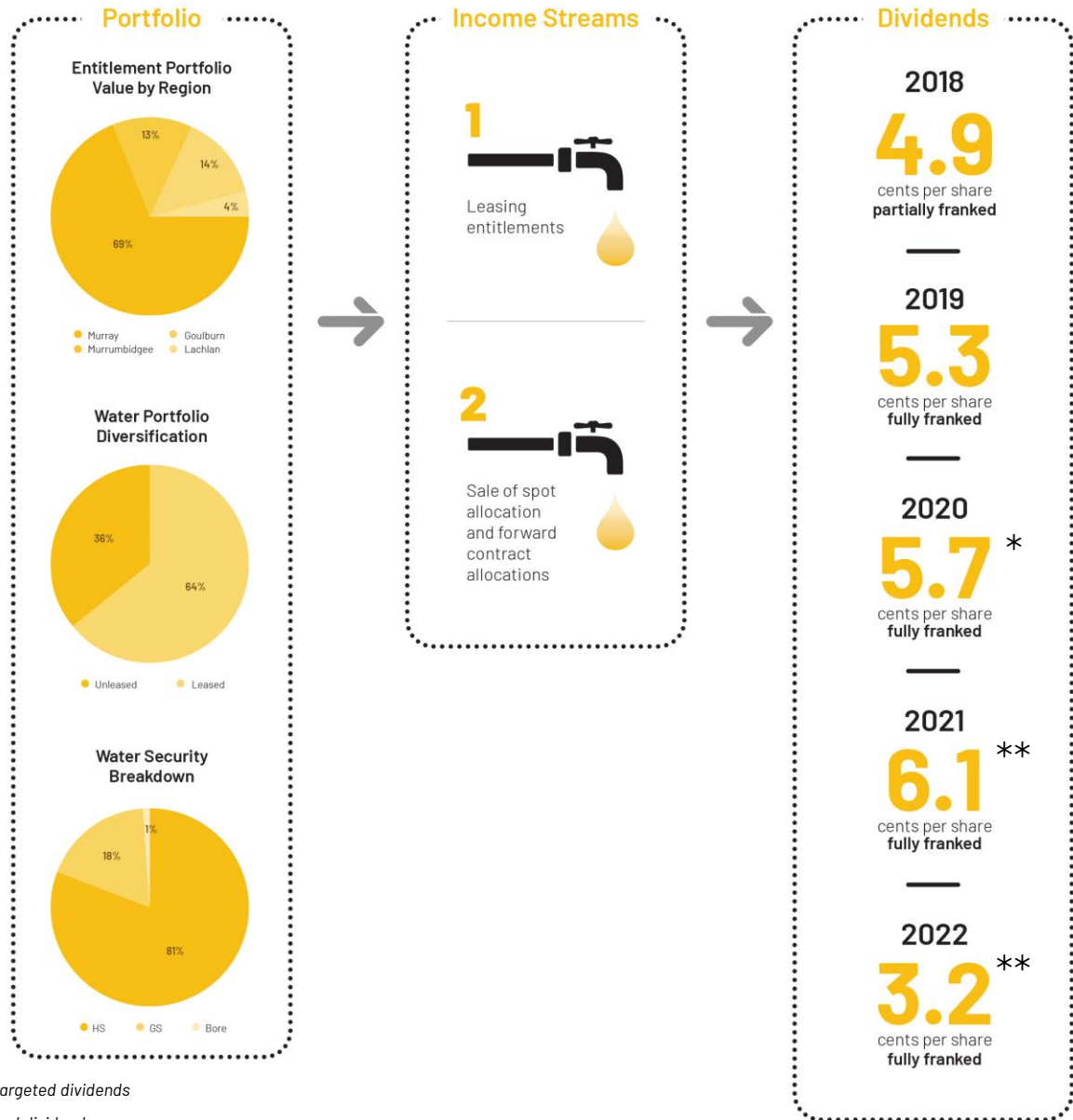
- addressing the imbalance between consumptive and environmental requirement through the implementation of voluntary water buyback and water efficiency programs. Through combined State and Federal holdings, approximately 30% of the consumptive pool has been acquired for environmental purpose, 20-22% of which has been acquired over the last 10 years.
- variability of climate and seasonal conditions effect the supply available to the consumptive pool.



Water Entitlement Portfolio Value



- During 2019, the Company deployed a net \$80.8m in acquiring 21,936 ML of permanent water entitlement and selling 739ML.
- The water portfolio is independently valued, monthly, by Aither. The Company makes necessary accounting adjustments to arrive at the NAV of \$1.76 per share at December 2019.
- The portfolio has been positively revalued by \$59.3m over 2019.
- We are seeing secular growth within this asset class as long-term demand and supply drivers continue to strengthen.



**Income Streams**

**Passive income** is generated through leases:

- Stable Income
- High quality and diversified lessees
- Lease payments in advance
- Asset backed

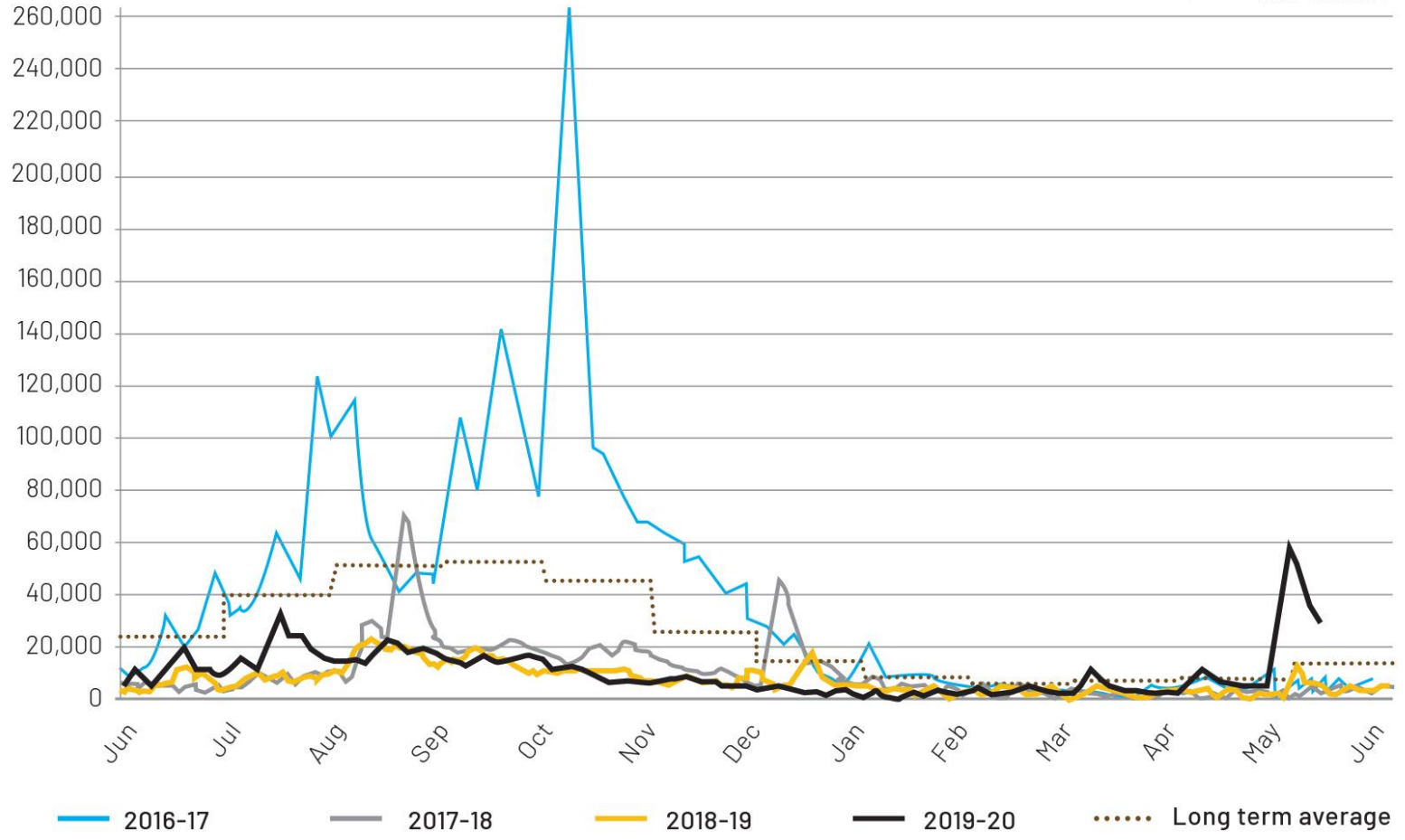
**Active Income** is generated through allocations:

- Flexible to suit seasonal conditions
- Higher yielding in dry seasons
- Inter-valley trade opportunities

\* Paid + targeted dividends

\*\* Targeted dividends

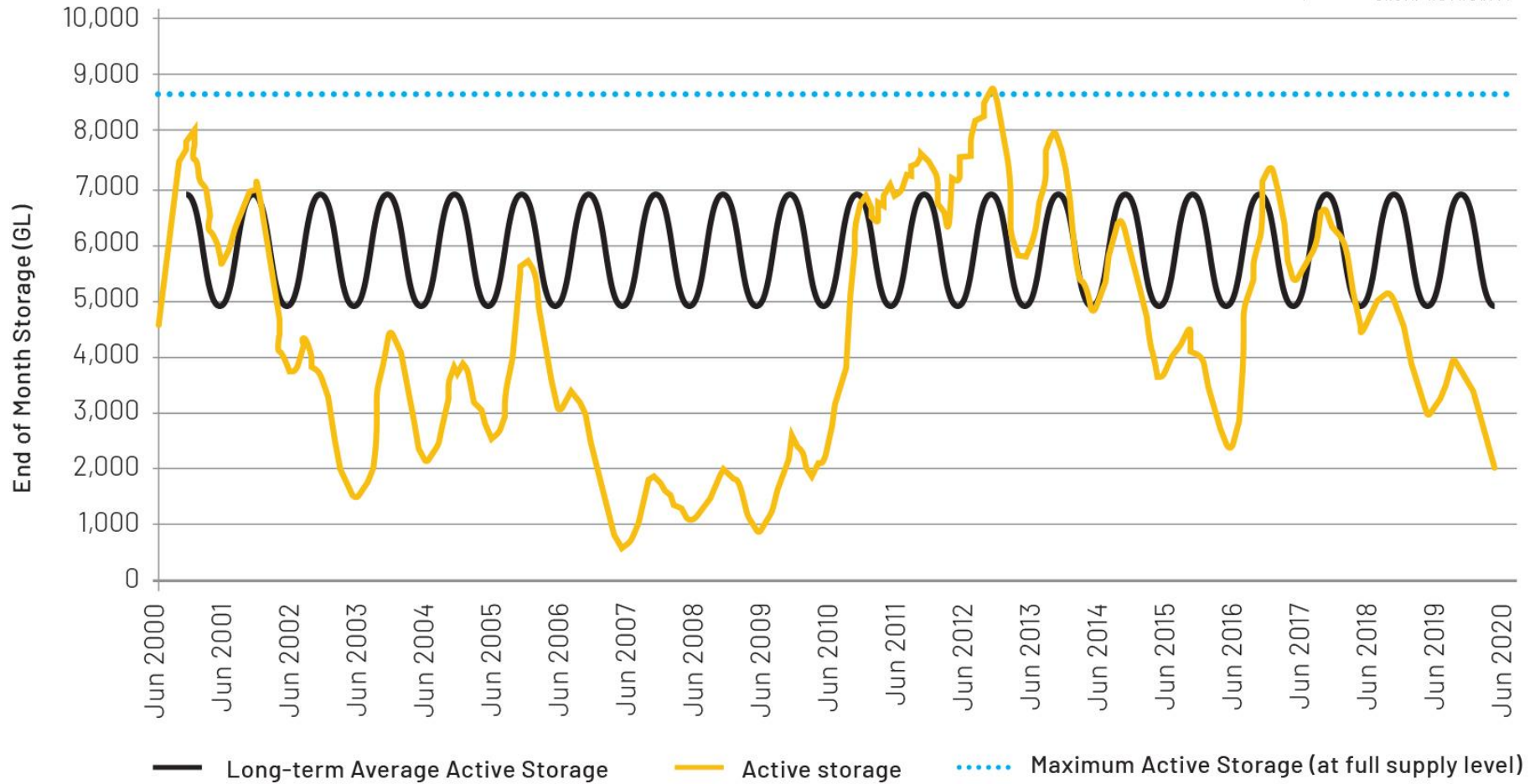
# MURRAY SYSTEM DAILY INFLOWS



Murray System Daily Inflows (excl. Snowy Darling, inter-valley trade and environmental inflows) - 5 day rolling average



### MDBA ACTIVE STORAGE- JUNE 2000 TO PRESENT



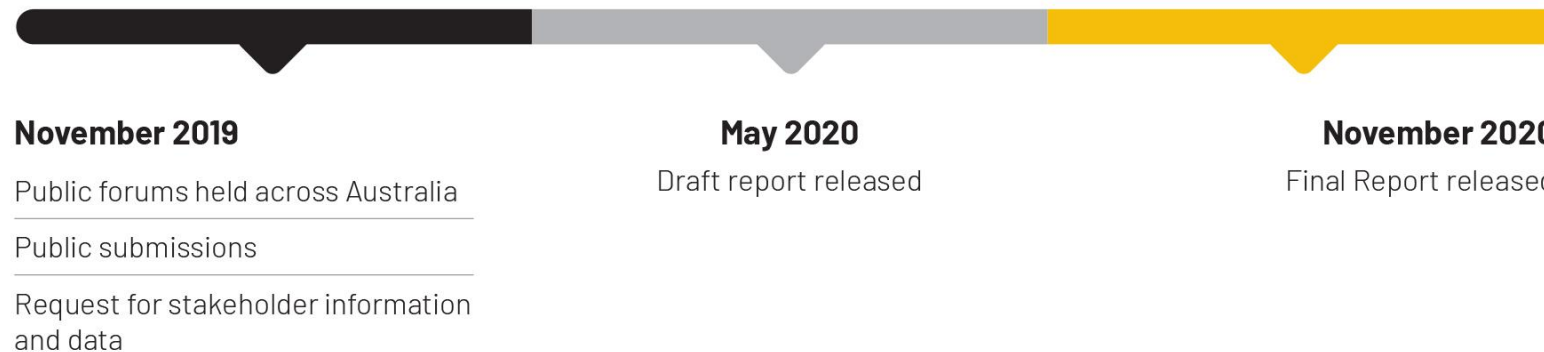
## ACCC ENQUIRY

The Company welcomes and has actively participated in the ACCC Inquiry into the southern Murray Darling Basin water market. Whilst the review is a separate engagement, the ACCC has had an existing role in monitoring and reporting on the market's development since 2012.

It was pleasing to see a clear and balanced articulation of both their support for the market and areas of potential improvement by numerous stakeholders, including farmers, industry representatives and Government bodies. Analysis of conditions through the millennial drought estimated that due to the effective operation of the Australian water market, an additional ~\$1 billion of economic activity was maintained.

What became clear from a number of submissions to the ACCC, was the acknowledgement of the structural demand and supply changes over the last 10 years (since the millennial drought) and the markets ongoing importance in providing farmers with the tools and flexibility to adequately plan for future irrigation needs and mitigate the effects and impact of climate change.

### ACCC Process





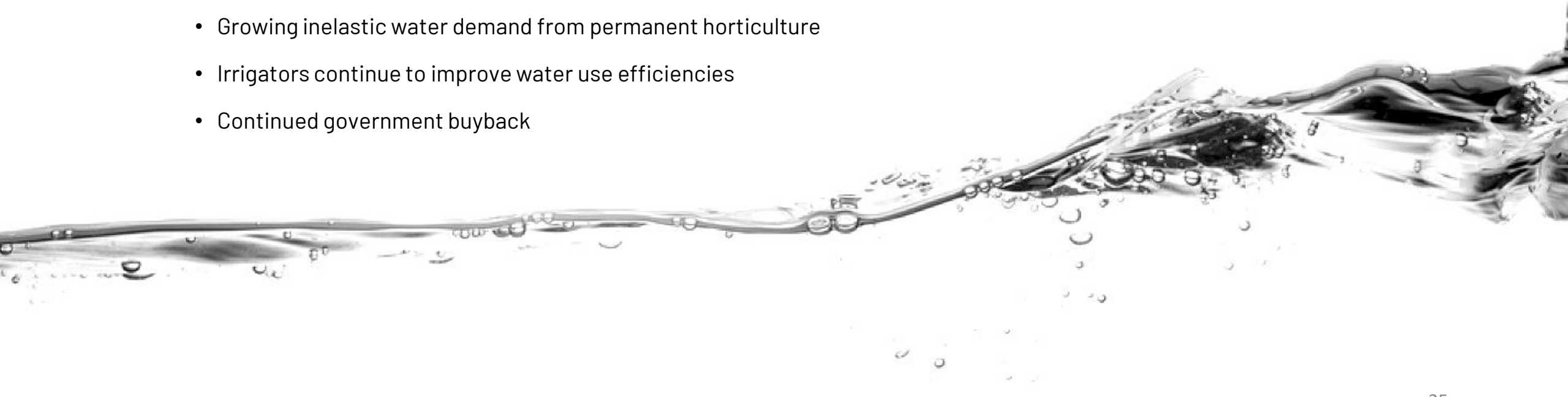
## SUMMARY

### Short Term

- Strategic portfolio composition and diversification to provide returns over the climactic cycle
- Visible dividend targets

### Long Term

- Growing inelastic water demand from permanent horticulture
- Irrigators continue to improve water use efficiencies
- Continued government buyback



Please submit all questions through the online platform, stating your registered shareholding name.

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