



DUXTON
WATER

DUXTON WATER LTD

Investment Update
MAY 2021



Disclaimer

This presentation is prepared by Duxton Capital (Australia) Pty Ltd [ACN: 164 225 647; AFSL no. 450218] ("DC Australia") and is only made available to "professional investors", "sophisticated investors" and other persons not requiring a regulated disclosure document pursuant to Chapter 6D of the Corporations Act 2001 (Cth) ("Act") ("Permitted Investors"). DC Australia is the Investment Manager of Duxton Water Limited [ACN 611 976 517] ("Duxton Water or the Company"). The content of this presentation is intended only as a source of general information for Permitted Investors and is not the basis for any contract to deal in, or an offer of, any security. Information from this presentation must not be issued in any jurisdiction where prohibited by law and must not be used in any way that would be contrary to Australian law or regulation. Specifically, this presentation shall not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such an offer. Particularly, this presentation and the information contained in it does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any US person.

This presentation is not intended to contain financial product advice as defined in the Act. This presentation is a statement of facts and is for general information only. This presentation is not intended to influence any person in making a decision in relation to investing in Duxton Water. This presentation does not take into account the investment objectives, financial situation or needs of any particular investors. No person should base their decision to invest in Duxton Water solely on the information in this presentation. Permitted Investors should consider the suitability of an investment in Duxton Water in view of their financial position and investment objectives and needs and should consult their professional advisors accordingly.

No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in this presentation. The forecasts and/or sensitivity analyses provided are based upon DC Australia's opinion of the market as at the date of this presentation and are subject to change, dependent on future changes in the market. Any prediction, projection or forecast on the economy, stock market, bond market, any commodity or the economic trends of the markets is not necessarily indicative of the future or likely performance. Investments are subject to risks, including possible loss of principal amount invested. The value of interests in the securities discussed in this presentation and any derived income may fall as well as rise. Past performance or any prediction or forecast is not necessarily indicative of future performance. Returns are not guaranteed.

The securities of Duxton Water referred to in this presentation are not obligations of, deposits in, or guaranteed by DC Australia, Duxton Water or any of their respective affiliates.

All third party data (such as MSCI, S&P and Bloomberg) are copyrighted by and proprietary to the provider. Although the information was compiled from sources believed to be reliable, no liability for any error or omission is accepted by DC Australia, Duxton Water or their respective affiliates or any of their respective directors or employees. The information and opinions contained in this presentation may also change.

Copyright protection exists in this presentation. The contents of this presentation are strictly confidential and it may not be disclosed, reproduced, distributed or published by any person for any purpose without DC Australia's written consent. To the extent permitted by applicable law, none of DC Australia or Duxton Water, their respective affiliates, or any officer or employee of DC Australia or Duxton Water accepts any liability whatsoever for any direct or consequential loss arising from any use of this presentation or its contents, including for negligence.

ADVISORS

No member of DC Australia or Duxton Water, its respective related bodies corporate, shareholders or affiliates, nor any of their respective officers, directors, employees, affiliates, partners, representatives, agents or advisers (including Bell Potter Limited and any of their respective affiliates, related bodies corporate (as that term is defined in the Corporations Act 2001 (Cth) or their respective directors, employees officers and representatives) (each a "Limited Party") guarantees or makes any representations or warranties, express or implied, as to or takes responsibility for, the accuracy, reliability, completeness or fairness of the information, opinions and conclusions contained in this presentation (including by omission). No Limited Party represents or warrants that this presentation is complete or that it contains all information about the Fund that a prospective investor or purchaser may require in evaluating a possible investment in the Fund. To the maximum extent permitted by law, each Limited Party expressly disclaims any and all liability, including, without limitation, any or implied, contained in, arising out of or derived from, or for omissions from, this presentation including, without limitation, any financial information, any estimates or projections and any other financial information derived therefrom. Readers agree, to the maximum extent permitted by law, that they will not seek or sue or hold the Limited Parties liable, and will not take any action they may otherwise have against each Limited Party in any respect in connection with this presentation or its contents and releases each Limited Party from such claims. Furthermore, without limitation to the foregoing, neither the receipt of this presentation by any reader nor any other matter shall be deemed to create or give rise to a fiduciary, agency or similar relationship between each Limited Party and any reader.

FINANCIAL DATA

All references in this presentation to "\$" are to Australian currency, unless otherwise stated. A number or figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in the presentation.

ACCEPTANCE

The information in this presentation remains subject to change without notice. No responsibility or liability is assumed by any member of DC Australia, Duxton Water or its respective advisers for updating any information in this presentation or to inform any receipt of any new or more accurate information or any errors or mis-descriptions of which any member of DC Australia, Duxton Water or its respective advisers may become aware. By accepting, accessing or reviewing this document you acknowledge and agree to the terms set out above.

Executive Summary

.....

Portfolio Update

.....

Long Term Drivers

.....

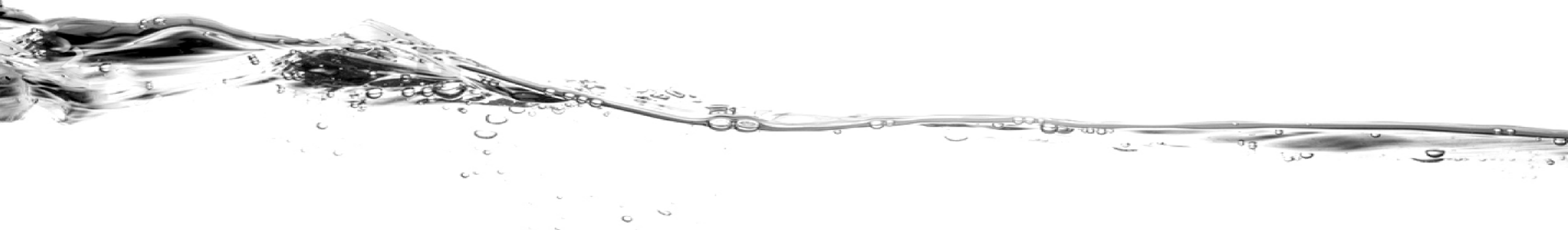
Climate Outlook

.....

ACCC Final Report

.....

The Water Team



Duxton Water owns a diversified portfolio of water assets, primarily located across the southern Murray Darling Basin.

We use the portfolio to generate a return by providing Australian irrigators with flexible water supply solutions. These include long-term leases, forward contracts and allocation sales. These products give irrigators an ability to risk manage their annual water requirement year on year.

Duxton supports a number of agricultural industries including viticulture, dairy, broadacre, almonds, citrus, olives and dried fruits. 100% of our water is used in the production of these commodities which will be consumed in Australia and exported around the world.

Since its IPO in September 2016

Duxton Water has

invested over **\$241 million**
in Australian water assets (cost).

Now valued at*

\$311 million

Currently,

64% of the portfolio
is leased,

providing the company with cashflow visibility

Enabling D20 to pay fully franked
dividends per share of

5.7 cents in 2020

*As at 30 April 2021

Duxton Water has aggregated a diversified portfolio of water assets which assist the company in meeting our water supply requirements to lessees.

Water Entitlements

Water entitlements are perpetual rights to an annual share of water within a system. There are several different types of entitlements, classified by characteristics such as the region, or their security. Duxton Water invests in approximately 18 different water entitlement types.

Security

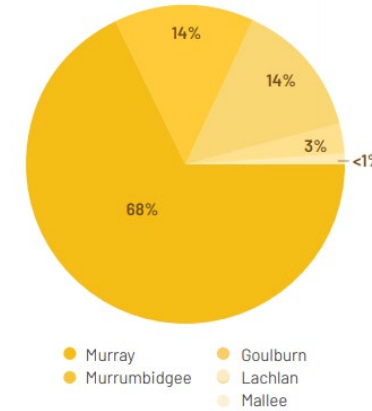
There are primarily two types of permanent water entitlements:

- High security** - receives an allocation in most years, wet or dry.
- General security** - typically, only receives allocation in medium to wet seasons.

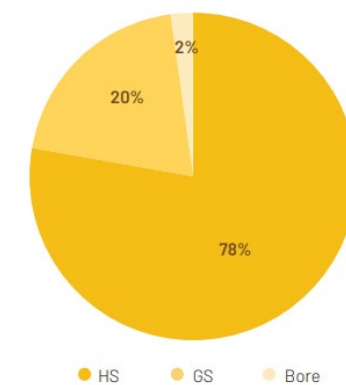
Water authorities allocate water based on entitlement type. Firstly to high security entitlements and then to general security.

The company's portfolio is heavily weighted toward high security entitlements, because of their capability to receive an allocation in most years ensuring D20 can meet leasing requirements. The general security entitlements in the portfolio assist in wetter years when these assets receive a higher amount of allocation relative to the capital cost.

Entitlement Portfolio by Region*



Water Security Breakdown*



*As at 30 April 2021



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.

Allocation water received on the Company's unleased portion of the portfolio is actively managed and sold down to producers through spot and forward contract sales.

During 2020, Duxton Water paid two fully franked dividends to shareholders, totaling 5.7 cents per share. The Company maintains its commitment to deliver a biannual dividend.

The Company is pleased to reaffirm its intention to pay the following dividends:

- **Interim 2021** – 3.1 cents per share
- **Final 2021** – 3.2 cents per share
- **Interim 2022** – 3.3 cents per share
- **Final 2022** – 3.4 cents per share

* Targeted dividends

Water entitlement leases provide Duxton Water with a reliable, visible income stream and are an increasingly attractive long-term solution for irrigators.

The Company's leasing revenue increased to \$8.9 million in 2020, up from \$5.8 million in 2019. 64% of the portfolio is leased with a Weighted Average Lease Expiry (WALE) of 2.0 years (4.2 years with options to renew).

Based on current negotiations, Duxton Water expects to increase its leased exposure, achieving the Company's goal of having between 70-80% of the portfolio leased in the next 12 months.

Dividends

In 2020, The portfolio generated an Earnings per Share of 7.3 cents and paid dividends of 5.7 cents (fully franked) to shareholders. With the leased portion of the portfolio providing income visibility, the Company has provided dividend targets for the next 24 months:

Interim 2021	Final 2021	Interim 2022	Final 2022
\$0.031	\$0.032	\$0.033	\$0.034
DIVIDEND TARGETS ARE EXPECTED TO BE FULLY FRANKED			

At 30 April 2021, the Company is invested in approximately \$311 million of water assets (79.2GL) and has a NAV of \$1.62 per share. This represents a NAV return of 78.7% since inception.

DIVIDEND GROWTH

2020	2019	2018	2017
5.7 cents	5.3 cents	4.9 cents	2.3 cents
EXPECTED 2021 6.1 cents EXPECTED 2022 6.5 cents			

EARNINGS PER SHARE (EPS)¹

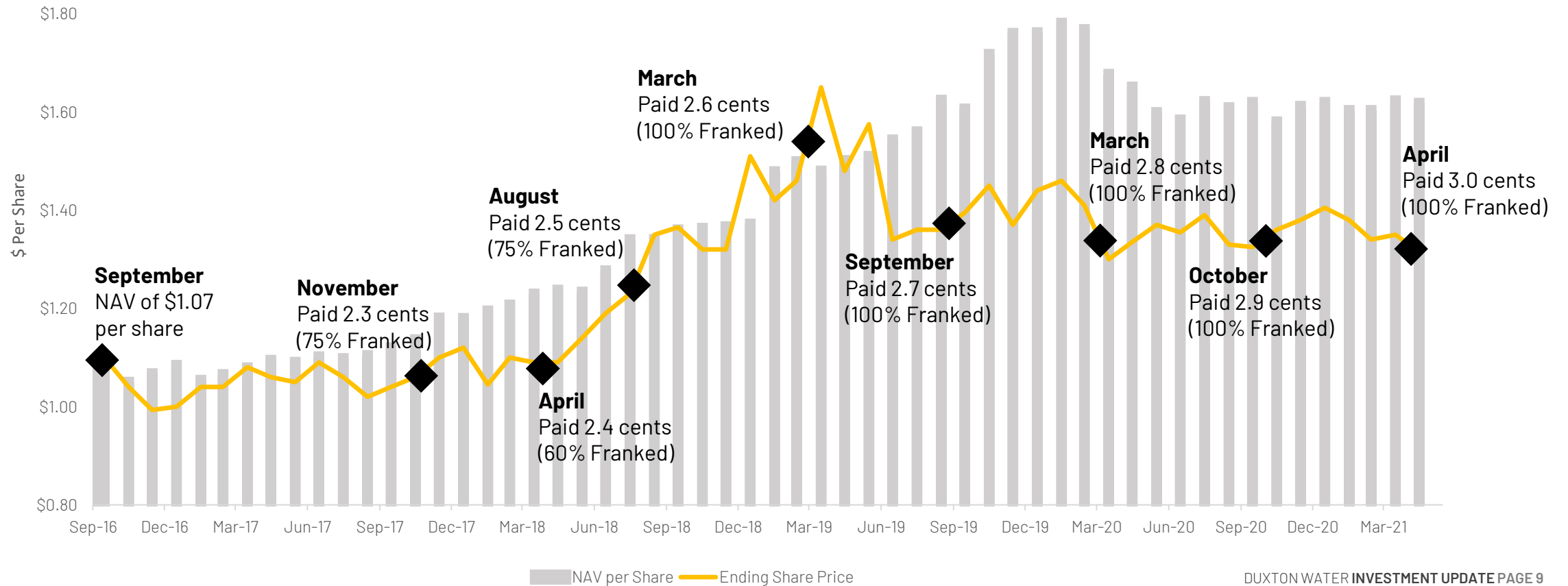
2020	2019	2018	2017
7.3 cents	6.4 cents	8.5 cents	3.2 cents

2020 Financial Highlights:

- Duxton Water delivered a profit before tax of \$16.7 million (2019: \$12.9 million).
- Increased annual visible leasing revenue to \$8.9 million (2019: \$5.8 million).
- Paid two fully franked dividends totalling 5.7 cents per share.
- Provided Shareholders with increasing dividend targets for the next 24 months.
- With dry conditions easing and a return to a wetter part of the climatic cycle, general security water asset values have strengthened on the back of general security allocation announcements. This saw a \$3.6 million impairment reversal occur against the Company’s permanent water assets during FY2020.
- At 31 December 2020, the Company held unrealised capital gains of \$69.3 million against its water portfolio, however due to the application of accounting standards, this gain is not included in the Company’s statutory financials.

30 April 2021
NAV of \$1.62 per share

Duxton Water NAV vs Share Price



A growing Demand for water caused by factors such as:

- Demand from farmers and institutional investors pursuing higher value permanent crop strategies that require substantially more water.
- The maturity of the Australian water market has led to the development of more sophisticated water supply products (such as forwards and long-term leases).
- These products enable farmers to manage their annual water requirement in a way which is less capital-intensive than owning permanent water entitlements outright.

A constrained Supply of water due to factors such as:

- Over the last decade, both State and Federal Governments have introduced a number of buy back and water efficiency programs. In an attempt to ease the imbalance between consumptive and environmental water requirements, approximately 30% of water available to the consumptive pool has been recovered for environmental purposes.
- Variability of climate and seasonal conditions also effect the supply available to the consumptive pool. Over the last 20 years, some areas within the Murray Darling Basin have seen a 20% decrease in annual rainfall.

There are currently **15x** more mature almond plantings when compared to the year 2000. Approximately 30% of all almond trees planted in the southern Murray Darling Basin have been planted in the last 5 years (i.e. not yet mature).

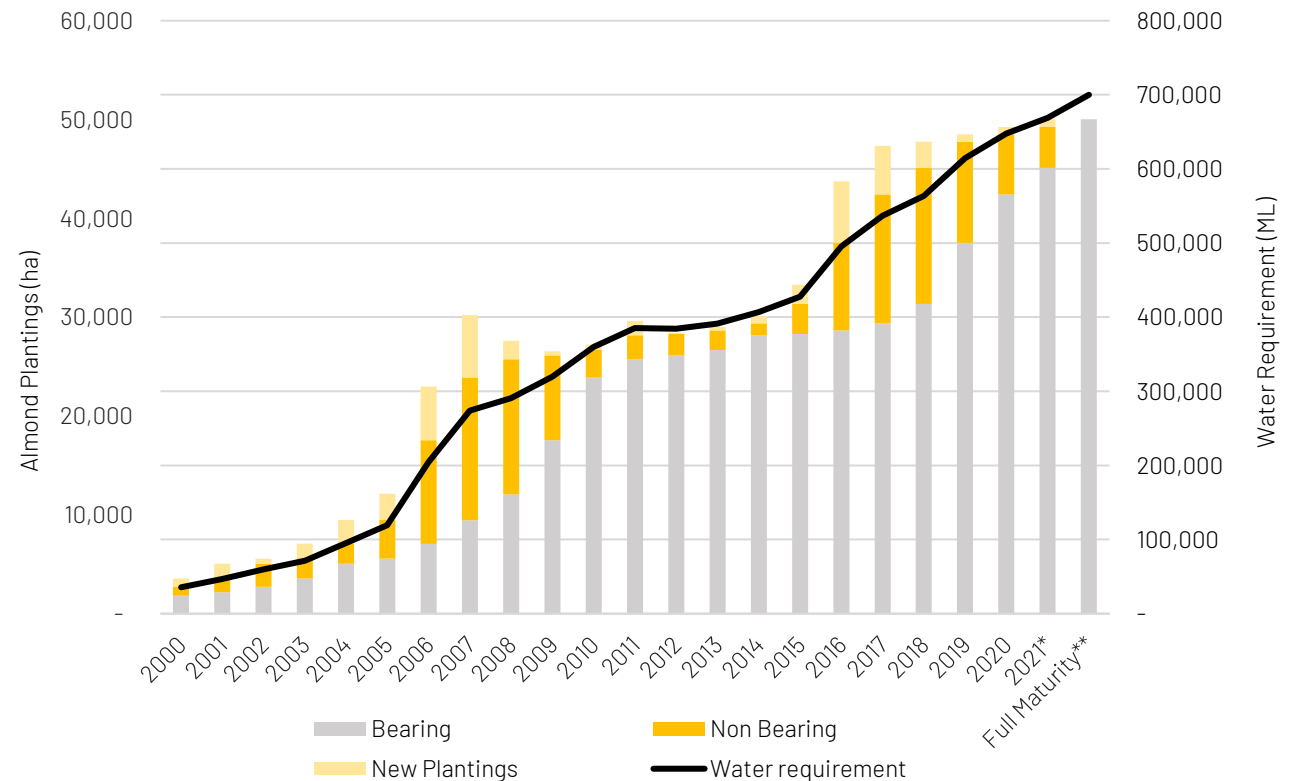
At planting stage, almond trees use 3 megalitres per ha, and build up to 14 megalitres per ha at maturity (6+ years).

When current almond plantings reach full maturity, the almond industry will require approximately 700GL of water annually to sustain production (assuming no further plantings).

This requirement covers approximately 32% of all high security entitlements available to irrigators. This percentage could be significantly higher depending on annual allocation volumes.

This increased demand pressure is further exacerbated by new developments of permanent horticulture such as hazelnuts, walnuts, pecans, citrus and vineyards.

Australian Almond Industry Growth



*Based on Almond Board of Australia expectations

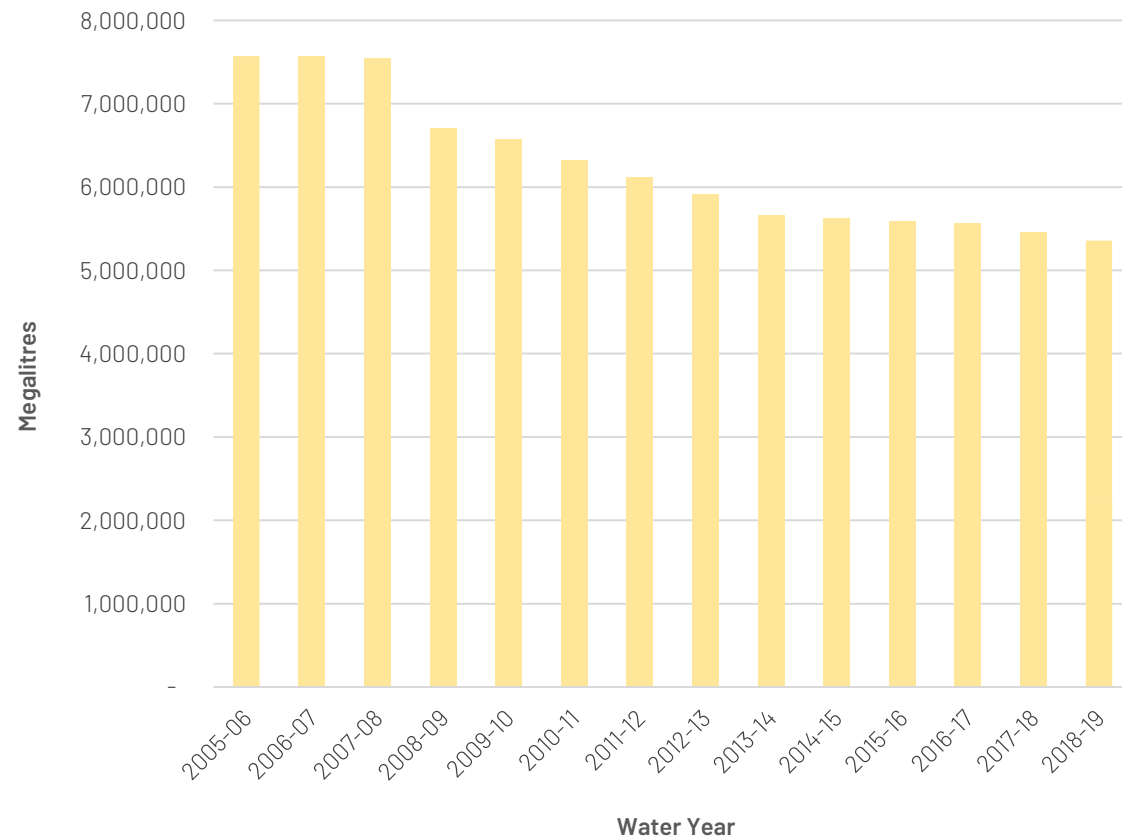
**Based on full maturity of Almond Board of Australia expectations

Source: Australian Almonds, Orchard Size Statistics

Water available for consumptive use has decreased with the ongoing Government buy-back program. This initiative aims to support environmental water requirements by reducing the consumptive pool of water available for irrigated agriculture.

The Government has bought back high security (31%) and general security (27%) entitlements.

Water Entitlements on Issue



Permanent horticulture has a highly inelastic demand for water due to the high capital costs to plant permanent crops.

It is estimated that existing permanent horticulture in the Lower Murray will demand 1,250GL of irrigation water per annum at full maturity.

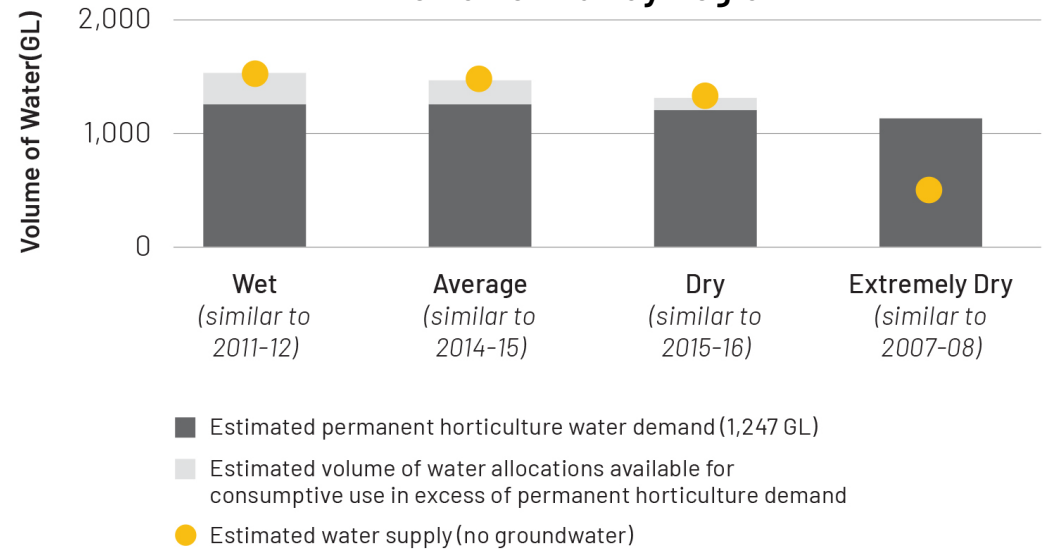
In the Lower Murray, during an average to dry year, total water demand from existing horticulture may be 100-250GL less than the total water volume available for consumptive use.

This suggests that under an extremely dry scenario, the water supply within the Lower Murray may only meet 40% of existing permanent horticulture water demand (at full maturity).

Supply shortfall will need to be met through carryover from wetter years and the trade of water from other valleys.

Upward pressure is placed on both entitlement and allocation prices as demand increases and supply decreases.

Water Requirements of Permanent Horticulture in the Lower Murray Region



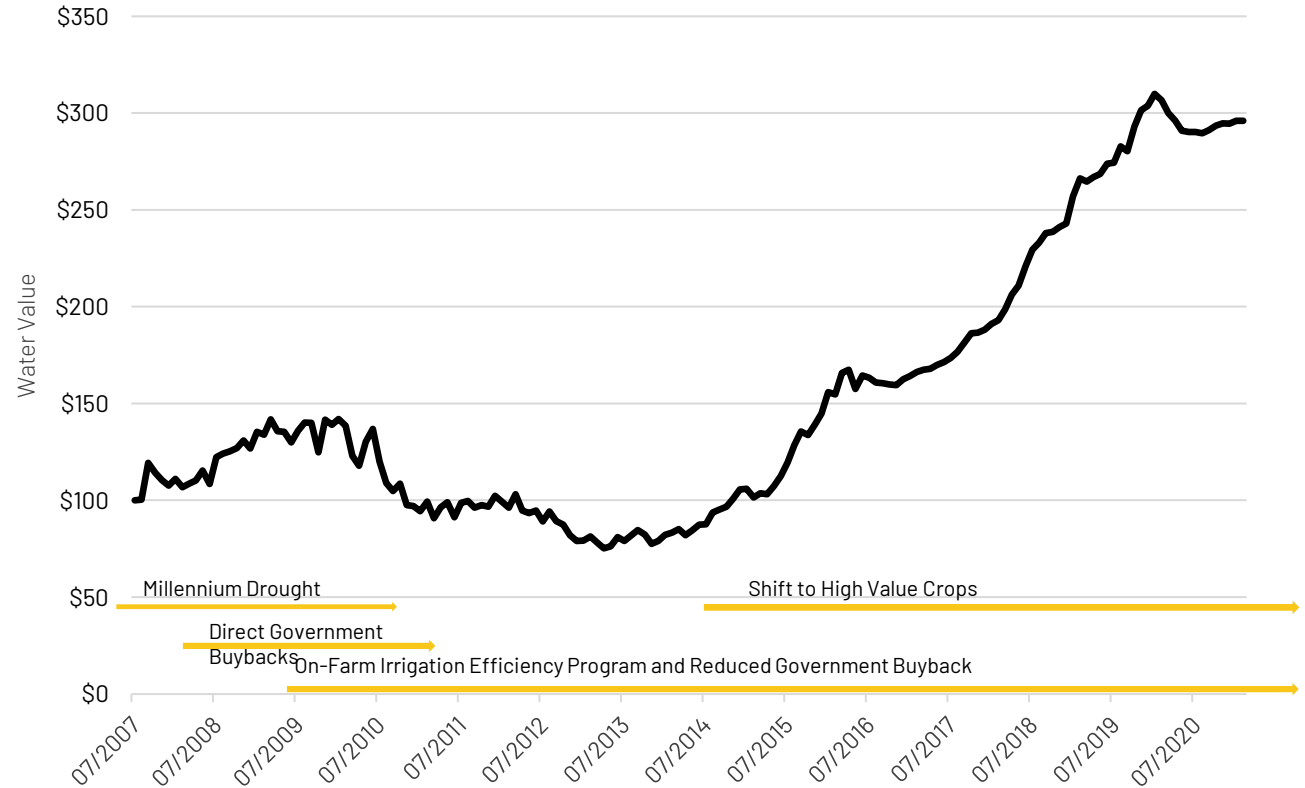
This graph shows the Aither Entitlement Index over the period from July 2008 to February 2021.

The Aither Entitlement Index tracks the weighted change in entitlement values 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 14% over the past five years. Since the inception of the Index (10 years), an 8% CAGR has been observed.

Aither Water Entitlement Index

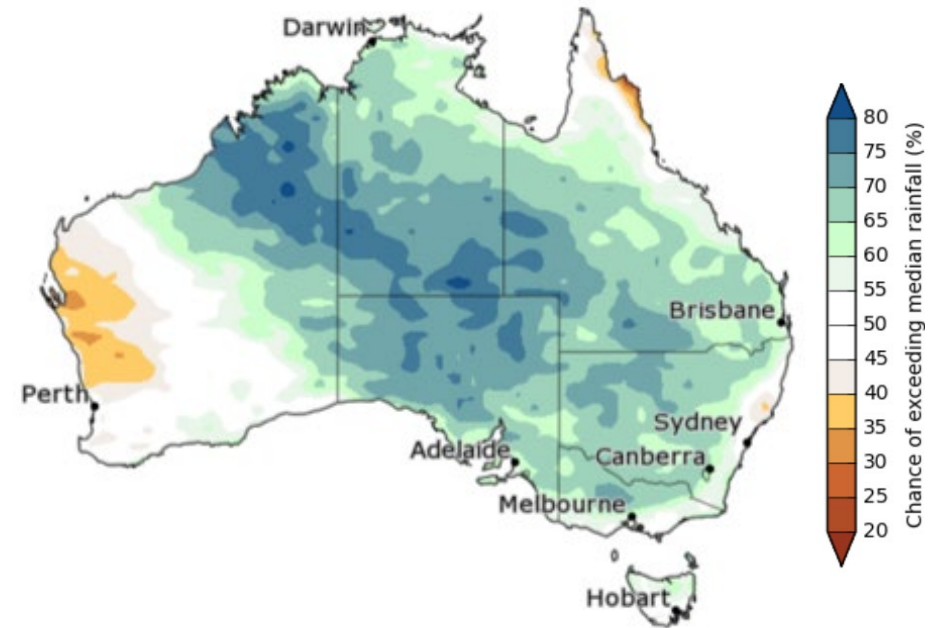


The Bureau of Meteorology (“BOM”) has indicated that warmer winter sea surface temperatures to the north of Australia are likely to result in a wetter than average winter for inland Australia.

Stream flows are expected to be high to near-median at some locations over the coming 3 months. Day-time temperatures are likely to be warmer than average in the north and south of the country, remaining average across the MDB area. However, night-time temperatures are expected to be warmer than average across the country.

Rainfall for the MDB during April was 82% below the long-term average. In the northern and southern MDB, storages are now at 49% and 51%, compared to 18% and 35% this time last year.

Chance of Above-Average Rainfall
June – August 2021



On 26 March 2021, the Australian Competition and Consumer Commission released its 700 page enquiry into the Australian water market.

The Final Report has identified opportunities to improve the governance, regulatory and operational frameworks that support the Australian water market.

We believe that a consistent and committed focus in these areas will benefit all stakeholders.



Investors provide benefits to water markets. They provide new sources of capital to irrigated agriculture, increase water market liquidity and provide a range of water products which help irrigators to manage water supply risks.



The ACCC Final Report into the Australian water market has identified opportunities to improve the governance, regulatory and operational frameworks that support all stakeholders.

The Australian water market has grown and matured over the last 20+ years, the ACCC found that the water market of today has significantly outgrown the frameworks that were once sufficient.

The ACCC notes that it does not ***...consider it a viable option to entirely or substantially dismantle existing water markets, or to make them more restricted.***

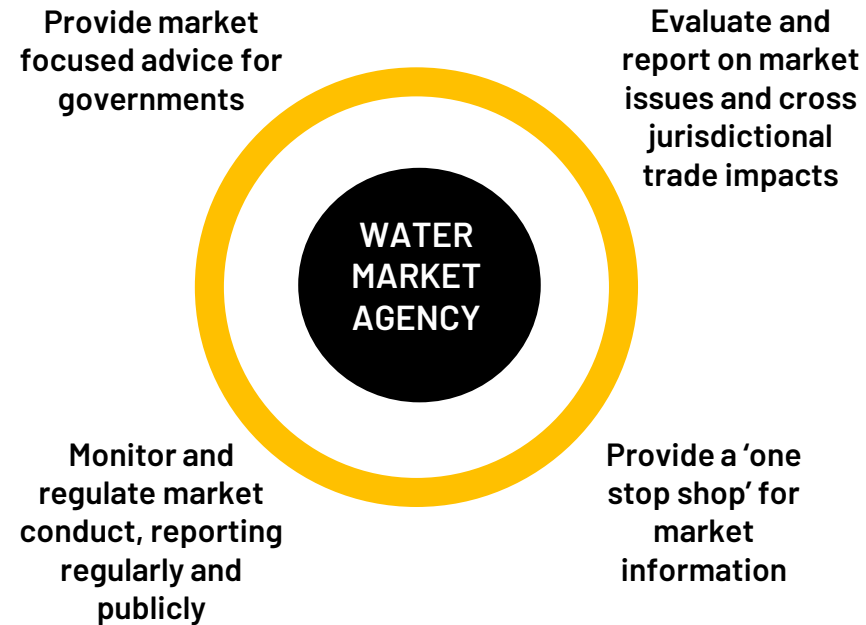
ACCC Findings

- There is a lack of quality, timely and accessible information and that lack of market transparency contributes to misconceptions and misinformation about the conduct of market participants.
- There are scant rules governing the conduct of the market participants, and no particulate body to oversee trading.
- Differences in governance between states furthers the unnecessary complexity of the Basin’s market.
- The water market allows irrigators to supplement their water supply in the short and long term, expand production or free up capital that can be invested elsewhere in their businesses.

The ACCC Final Report into the Australian water market makes recommendations about how the State and Federal governments may go about amending market regulation to increase transparency.

The ACCC has recommended that governance of the water markets needs more transparent architecture, designed to greater enhance market confidence.

The report’s recommendations centre primarily on the establishment of a new, independent, Basin-wide, **Water Market Agency**.



Duxton Water already possesses key internal structures for observing trades and the water market mechanics. As such, further market transparency will only further support and validate D20's operational systems.

Duxton Water supports the further clarification of water mechanics and trading rules.

Greater market transparency gives irrigators confidence in the water supply products provided by Duxton Water.

A more transparent and centralised water market will enable market participants (D20 included) to make more informed decisions and reduce friction when transacting.



The Duxton Water Board



Ed Peter

Chairman



Dirk Wiedmann

Independent Non-Executive Director & Deputy Chairman



Dennis Mutton

Independent Non-Executive Director



Dr Vivienne Brand

Independent Non-Executive Director

Duxton Capital Water Team



Lachlan Campbell

Finance Manager



Lachlan Beech

Analyst



Stephen Deurden

Non-Executive Director



Peter Michell

Independent Non-Executive Director



Katelyn Adams

Company Secretary



Carolyn James

Portfolio Administrator



Claire Wilde

Group Financial Controller



Sharon Ball

Finance Officer

The Board of Duxton Water

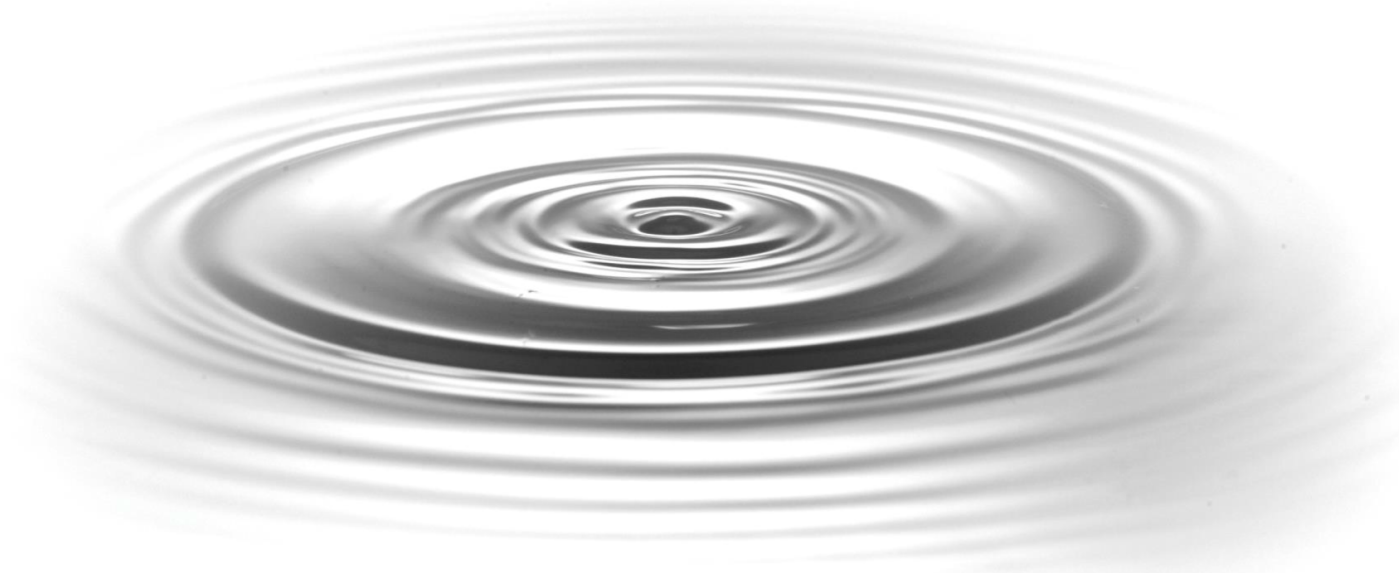
have 135 years of combined Corporate + Agri Experience



Bridget Johnson
Duxton Capital (Australia)
Business Development
Bridget.johnson@duxtonam.com
+61 475 045 434
+61 8 8130 9500



Jordy Kitschke
Duxton Capital (Australia)
Business Development
Jordy.kitschke@duxtonam.com
+61 427 075 138
+61 8 8130 9533



Duxton Capital (Australia) Pty Ltd
Duxton House, 7 Pomona Road, Stirling SA 5152
Ph: +61 8130 9538 / www.duxtonam.com / enquiries@duxtonam.com