DUXTON WATER LIMITED
ACQUISITION & CAPITAL RAISE
PRESENTATION

PROUDLY SUPPORTING AUSTRALIAN IRRIGATORS AND FARMERS

Duxton Water Limited | Acquisition & Capital Raise

DUXTON WATER

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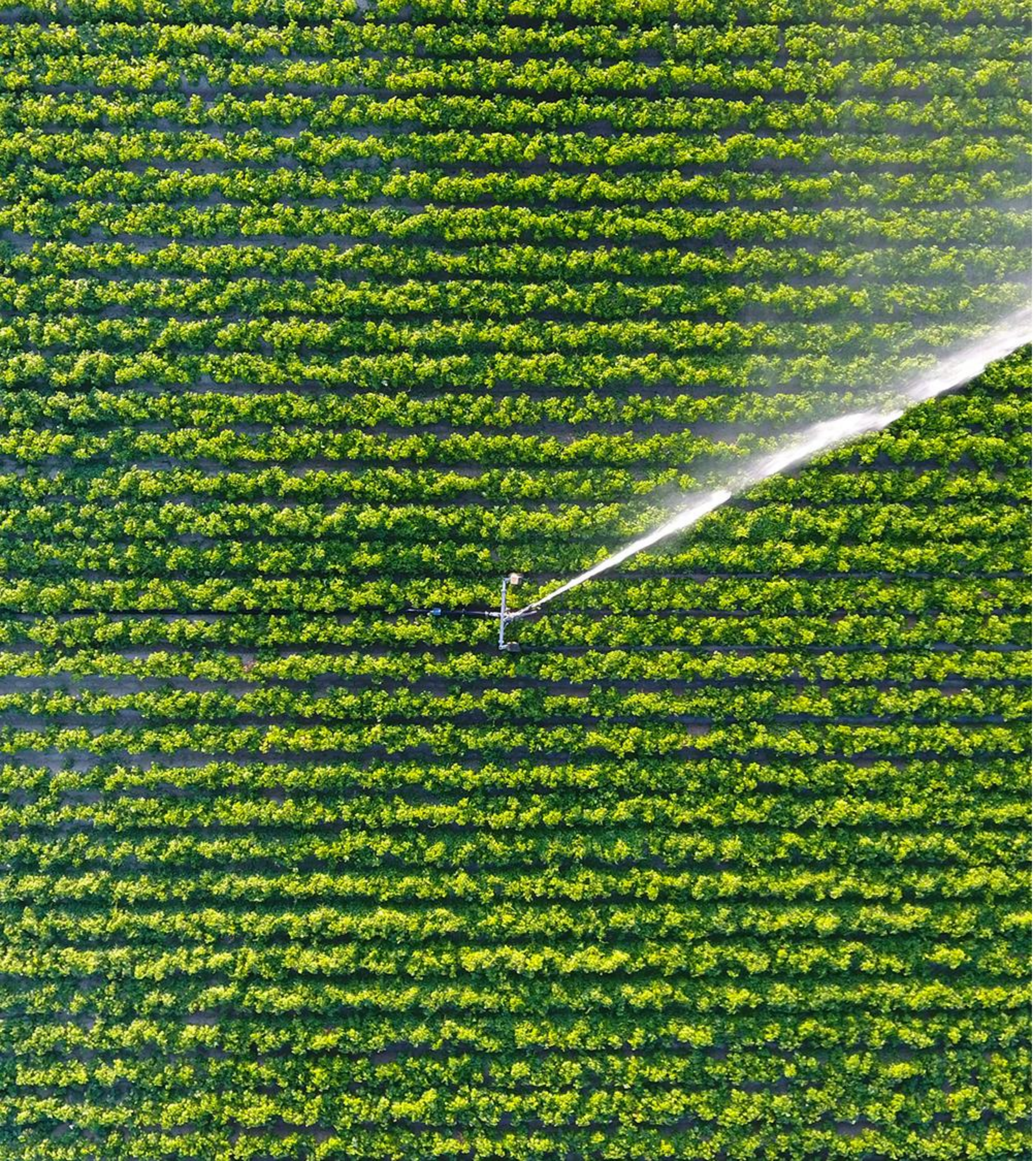
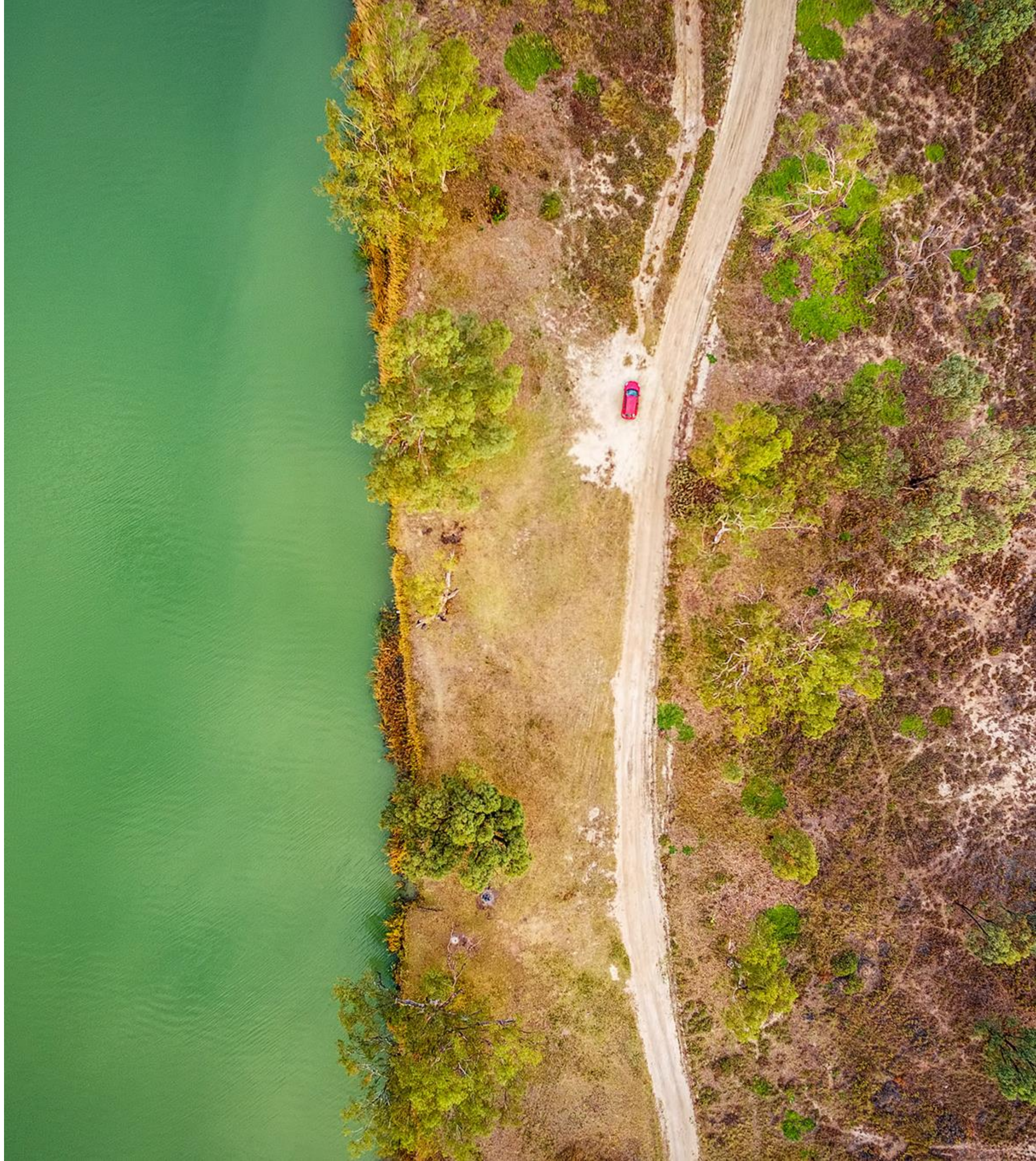


Contents

Highlights

1. Duxton Water ("D2O" or "the Company") has agreed to acquire Australian water entitlements from Treasury Wine Estates ("TWE").
2. Total acquisition size of $39.1 million.
3. A partially underwritten 1:4 Non-Renounceable Entitlement Offer (of up to $44.2 million) to existing eligible shareholders to fund the acquisition of water entitlements from TWE.
4. D2O successfully completes a $7.25 million Underwritten Institutional Placement.
5. A free 1:4 Bonus Option Issue to existing Eligible Shareholders.



Water Market Update: Weather

Forecast warmer and drier conditions for the Southern Murray Darling Basin

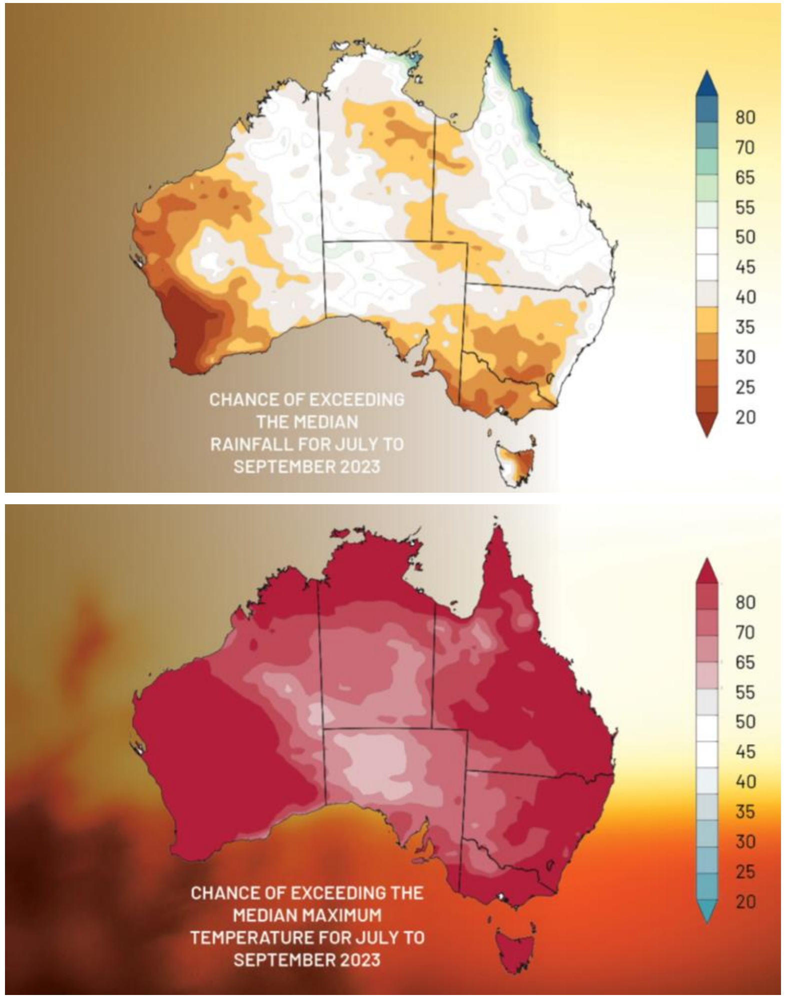
- The Bureau of Meteorology ("BOM") is forecasting drier and warmer than average conditions for the southern Murray Darling Basin over the next three months.[1]
- Warmer than average temperatures are also expected across most of Australia.[1]
- The BOM has issued an "El Niño Alert", elevating the chances of El Niño forming in 2023 to 70%. The BOM is forecasting an El Niño to occur during winter 2023.[2]
- The National Oceanic and Atmospheric Administration ("NOAA"), the weather authority in the United States, declared an El Niño event on 9 June 2023.[3]
- All major global weather models forecasting a positive Indian Ocean Dipole ("IOD") event to develop during winter 2023.[4]
- Both El Niño and positive IOD typically bring warmer and drier than average conditions to the eastern half of Australia (i.e. southern Murray Darling Basin).

Please note that this is a forecast only, and its accuracy may vary.

Increased demand for water security

- The prospect of a drier outlook has resulted in more irrigators seeking to improve their longer-term water security through water leases and forward allocation supply for next season.[5]
- D2O continues to see opportunities to deploy capital into the entitlement market at scale, and at attractive valuations.

Bureau of Meteorology – chance of exceeding median forecast maps – issued 29 June 2023.



1. Bureau of Meteorology – 29 June 2023
2,4 . http://www.bom.gov.au/climate/enso/#tabs=Pacific-Ocean – issued 20 June 2023
3. https://www.climate.gov/enso – issued 9 June 2023
5. This statement is based on the Company's observation of market trends and activity.

Water Market Update: Buybacks

The Australian Government remains committed to delivering the Murray Darling Basin Plan in full.

What are Government water buybacks?

- Government buybacks are a mechanism through which the Government purchases water licences from the market and transfers them to the Commonwealth Environmental Water Holder.
- By doing so, these licences are taken out of the volume of water available for agricultural use and allocated to environmental projects, where they are expected to remain in perpetuity.
- Water buybacks reduce the volume of water available for agricultural use.

More Government buybacks?

- On 19 May 2023, Government closed a strategic water buyback tender for **44,300 megalitres** of water entitlements across 6 catchments.[1]
- Expected shortfalls in the water recovery targets of the Murray Darling Basin Plan are likely by the **30 June 2024 deadline[2],** increasing the likelihood of more voluntary water entitlement buybacks.
- The Federal Government has reiterated its commitment to deliver all targets of the Murray Darling Basin Plan by its original 30 June 2024 deadline and has expressed that all options are on the table[3], including changes to legislation to allow further water entitlement buybacks.
- **We are anticipating an update from the Government in relation to finalising the 450 GL target when the MDB Ministerial Council (MINCO) meets again later in 2023.**

1. Strategic water purchasing – Bridging the Gap 2023 – DCCEEW
2. Basin-plan-annual-report-2021-22
3. Murray–Darling Basin Ministerial Council Communique | Murray–Darling Basin Authority (mdba.gov.au)

Summary

Acquisition & Capital Raise

This transaction represents a significant growth opportunity for D20, as it looks to scale its portfolio to support the needs of the Australian farming community.

The acquisition of these water assets (4.8 gigalitres) will increase the Company's exposure to two premium high security water entitlement types (below choke Murray).

D20 has confidence in its ability to maximise the strategic and economic value of these water entitlements as we move through the climatic cycle.

Water Entitlement Acquisition from Treasury Wine Estates

This type of transaction enables Australian farming businesses to release capital from their balance sheets, providing flexibility to invest in land and production assets, while maintaining access to water security over the long-term.

Water Entitlement Acquisition Details

Acquisition of **4,770** megalitres of Australian Water Entitlements for consideration of **$39.1 million**:[1]

- **2,799 ML** - NSW Murray Zone 11 (High Security)
- **1,971 ML** - VIC Murray Zone 7 (High Reliability)

Additional Commentary

- The acquisition of these premium high security water entitlements will increase the Company's total water portfolio by 4,770 megalitres (a 6% increase by portfolio size).
- D2O intends to fund this acquisition via the capital raising activities outlined within this presentation. Sale proceeds from the disposal of other water entitlements, or debt, will be used as a secondary source of funding, only if required.
- D2O's costs associated with the acquisition of the water entitlements are not expected to be material.

1. Further details on the Water Entitlement Acquisition can be found in the appendices section of this presentation.

Leaseback & Call Option of High Security Water Entitlements

This long-term water lease will increase the Company's annualised leasing revenue stream by $1.4 million from 1 July 2023 (once settled).

Water Entitlement Lease & Call Option

Leaseback of **3,815** megalitres (or 80%) of the acquired high-security water entitlements, including a call option to TWE, on the following terms:

Lease Volume [1]	3,815 megalitres
State and Water Zones	NSW Zone 11, VIC Zone 7
Commencement Date	1 July 2023 (subject to settlement occurring)
Lease Rate (Year 1) [1]	4.5% of entitlement value (purchase price)
Duration	5 year lease + lessee option for additional 5 years
Price Reset	4.5% of entitlement value after 5 years
Indexation	Yes
Lease Security	Yes
Call Option [1]	TWE has informed D2O that its current intention is to sell the vineyards associated with these water entitlements. This transaction includes the ability for TWE to buy the water entitlements back from D2O at market price (subject to a price cap and collar) should a binding sale agreement for the associated vineyards not be signed by 30 September 2023, or completed by 14 June 2024, in which case TWE has the ability to cancel the lease. Upon the successful sale of the vineyards associated with these water entitlements, the lease may either be assigned to the purchaser or cancelled.

1. Further details on the Water Entitlement Lease and Call Option can be found in the appendices section of this presentation.

Non-Renounceable Entitlement Offer (Partially Underwritten)

The Company is pleased to invite existing Eligible Shareholders to participate in a 1:4 Non-Renounceable Entitlement Offer. Funds raised from the Entitlement Offer will be used to finance (partially or in full) the $39.1 million acquisition of water entitlements from TWE.

Details of the Entitlement Offer

- **Record Date:** Thursday, 6 July 2023.
- **Eligible Shareholders:** Shareholders who hold shares in the Company on the Record Date and do not have a registered address in the United States of America.
- **Entitlement Offer ratio:** 1:4 basis, one (1) entitlement for (4) shares held at the Record Date.
- **Entitlements Issued:** 29.5 million
- **Offer Price:** $1.50 per share
- **Maximum Raise:** $44.2 million
- **Underwritten Amount:** $25 million of the shortfall
- **Oversubscriptions:** Where an Eligible Shareholder has applied for their full entitlement, they can also apply for additional shares up to an additional 100% of their entitlement. Oversubscriptions to existing Eligible Shareholders will be done so prior to the Underwriter being allocated any remaining shortfall.
- **Use of Funds:** Funds raised will be used to finance the water entitlement acquisitions from TWE. Any surplus funds will be used to expand the Company's water entitlement portfolio or reduce debt.

Indicative Timetable

Details	Date
Announcement of Non-Renounceable Entitlement Offer, release of booklet and cleansing notice with ASX	Monday, 3 July 2023
Shares commence trading on the ASX on an "ex-entitlement basis"	Wednesday, 5 July 2023
Record Date for the Entitlement Offer	Thursday, 6 July 2023
Entitlement Offer opens, booklet dispatched	Tuesday, 11 July 2023
Entitlement Offer closes	Tuesday, 1 August 2023
Shares quoted on a deferred settlement basis	Wednesday, 2 August 2023
ASX notified of under subscriptions	Thursday, 3 August 2023
Issue date	Tuesday, 8 August 2023

^The above timetable is indicative only and subject to change. The Company reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. The quotation of the new shares is subject to confirmation from ASX. The Company reserves the right to withdraw or amend the terms of the Entitlement Offer without notice or consultation to shareholders.

Further details on the Non-Renounceable Entitlement Offer can be found in the Offer Booklet, lodged with the ASX on 3 July 2023.

D2O Successfully Completes a $7.25 Million Underwritten Institutional Placement

The Company is pleased to have received firm commitments from a range of institutional and sophisticated investors seeking to gain investment exposure to a defensive and alternative asset class.

Institutional placement ("Placement")

- The Company has successfully completed a **$7.25 million** underwritten Placement to institutional and sophisticated investors.
- Under the Placement, D2O will issue **4.8 million** new fully paid ordinary shares at an issue price of **$1.50** per new share.
- New shares to be issued in connection with the Placement will be issued under the Company's placement capacity in accordance with ASX Listing Rule 7.1.

Details of the Placement

- **Placement Amount:** $7.25 Million (before costs)
- **Offer Price:** A$1.50 per share (11% discount to 10-day VWAP of the Company's shares to 30 June 2023)
- **New Shares Issued:** 4.8 million shares
- **Targeted Shareholders:** Institutional and Sophisticated investors
- **Use of Funds:** Funds raised will be used towards financing the water entitlement acquisitions from TWE

Further details on the Institutional Placement can be found in the Company's ASX Announcements, lodged 3 July 2023.

Bonus Option Issue to all Eligible Shareholders

All Eligible Shareholders to receive a free Bonus Option (1:4), expiry of 10 May 2025, strike price of $1.92.

Bonus Option holders will have an ability to purchase additional shares in the Company at **$1.92 per share**, until the Bonus Option Expiry date on 10 May 2025. This is an exciting opportunity for the Company to efficiently grow its asset base, while also rewarding existing Eligible Shareholders for holding shares in the Company.

Details of the Bonus Option Issue

- **Ratio:** 1:4 (Eligible Shareholders receive (1) Bonus Option for every (4) Ordinary Shares held in the Company at the record date)
- **Issue Price:** $nil (Bonus Options issued to shareholders at zero cost)
- **Eligible Shareholders:** Shareholders of all jurisdictions, excluding the USA (subject to a review of the share register closer to the record date)
- **Record Date:** Friday, 3 November 2023
- **Exercise Price:** $1.92 per share (AUD)
- **Bonus Option Expiry:** 10 May 2025 (18 months from the date of issue)
- **Quotation Terms:** Bonus Options to be quoted on the ASX and tradeable under ASX ticker code D2OO (subject to meeting ASX Listing Rule requirements)
- **Use of Funds:** To expand the Company's water entitlement portfolio, or to reduce debt

Details[1]	Date
Announcement of Offer	Monday, 3 July 2023
Release of Appendix 3B to ASX	Wednesday, 9 August 2023
Lodgement of Prospectus with ASIC	Friday, 27 October 2023
Lodgement of Prospectus with ASX	Friday, 27 October 2023
Ex-date	Thursday, 2 November 2023
Record Date for the Offer	Friday, 3 November 2023
Issue date and lodgement of Appendix 2A with ASX applying for quotation of the Bonus Options	Thursday, 9 November 2023
Quotation of Bonus Options issued under the Offer	Friday, 10 November 2023

^The above timetable is indicative only and subject to change. The Company reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. The quotation of the new shares is subject to confirmation from ASX. The Company reserves the right to withdraw or amend the terms of the Bonus Option Issue without notice to shareholders.

1. Further details on the Company's Bonus Option Issue will be outlined in the Bonus Option Issue Prospectus, which is expected to be released on the ASX no later than Friday, 27 October 2023.

Proforma Balance Sheet

Period[1]	Pre-Transaction 31 May 2023 *(unaudited)* $	Acquisition, Entitlement Offer, & Placement[2] $	Post-Transaction 31 May 2023 *(unaudited)* $
Cash and cash equivalents	642,776	-	642,776
Trade and other receivables	1,243,006	-	1,243,006
Total current assets	**1,885,782**	**-**	**1,885,782**
Water entitlements	371,639,635	41,108,850	412,748,485
Total non-current assets	**371,639,635**	**41,108,850**	**412,748,485**
Total assets	**373,525,417**	**41,108,850**	**414,634,267**
Trade and other payables	1,070,852	-	1,070,852
Other liabilities	1,805,165	-	1,805,165
Total current liabilities	**2,876,017**	**-**	**2,876,017**
Term debt[3]	127,500,000	(10,861,105)	116,638,895
Deferred tax liability	30,689,306	594,270	31,283,576
Total non-current liabilities	**158,189,306**	**(10,254,836)**	**147,922,471**
Total liabilities	**161,065,322**	**(10,254,836)**	**150,798,487**

Period[1]	Pre-Transaction 31 May 2023 *(unaudited)* $	Acquisition, Entitlement Offer, & Placement[2] $	Post-Transaction 31 May 2023 *(unaudited)* $
Net assets	**212,460,095**	**51,375,685**	**263,835,780**
Issued capital	134,464,441	49,989,055	184,453,496
Reserves	72,815,320	1,980,900	74,796,220
Retained earnings	5,180,334	(594,270)	4,586,064
Total equity	**212,460,095**	**51,375,685**	**263,835,780**
LVR (gearing)	**34%**	**(6%)**	**28%**
NAV per share	**$1.80**	**($0.07)**	**$1.73**

1. Unaudited non-statutory balance sheet – water entitlements recorded at fair market value at 31 May 2023
2. Underwritten Institutional Placement of $7.25m, and assuming a 100% take-up for the Non-Renounceable Entitlements Offer ($44.2m).
3. Total cash, cash equivalents, and term debt will vary depending on subscriptions received for the Entitlement Offer.
4. It should be noted that an increase in issued capital will lead to an increase in Management Fees paid to the Investment Manager (0.85% p.a.).

Refer to Offer Document for notes to the Proforma.

Material Transaction: June 2023
The Company recently entered into a contract to dispose of a $9.3 million parcel of water entitlements. The Company received an attractive valuation on the disposal of this asset. This transaction will generate a before-tax accounting profit of $5.7 million. Sale proceeds will be used to fund the TWE acquisition (if needed), acquire additional water entitlements, or to reduce debt.

Proforma Water Portfolio Changes

The addition of these assets will add value and complement D20's existing water entitlement portfolio.

- Increase water entitlement portfolio size by **$41 million** (11% increase by value) through this transaction. Increase leasing revenue stream by **$1.4 million** from 1 July 2023 (upon settlement).
- Increase the Company's exposure to high security water entitlements ahead of forecast drier conditions.
- This transaction aligns with the Company's long-term strategy of acquiring a diverse portfolio of water entitlements, while targeting returns to shareholders in the form of cash dividends and capital growth in the underlying assets.
- The Company has confidence in its ability to maximise the strategic and economic value of these water entitlements ahead of anticipated drier conditions.

Portfolio Statistics *31 May 2023*	**Pre-Transaction**	**Post-Transaction**	**Difference**
Total Portfolio Value	$372 million	$413 million	**+ $41 million**
NAV ($) per share	$1.80	$1.73	**- $0.07**
Water Owned (GL)	85.0 GL	89.8 GL	**+ 4.8 GL**
Market Capitalisation	$197 million	$247 million	**+ $50 million[2]**
Lease %[1]	57%	59%	**+ 2%**

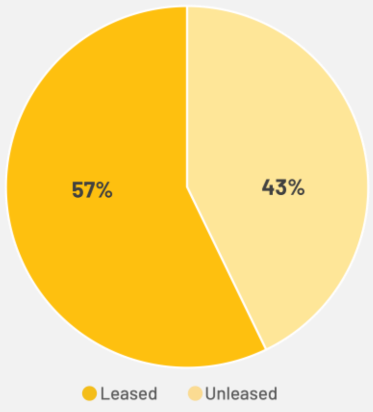
1. Changes to water lease % (by value) shown as a proforma to the 31 May 2023 lease portfolio. Note the new water leases with TWE commence on 1 July 2023, and once settlement of the water entitlement acquisitions has taken place (expected August 2023).
2. Assuming 100% subscription of the Non-Renounceable Entitlements Offer ($44.2 million), and $7.25 million Institutional Placement (net of fees).

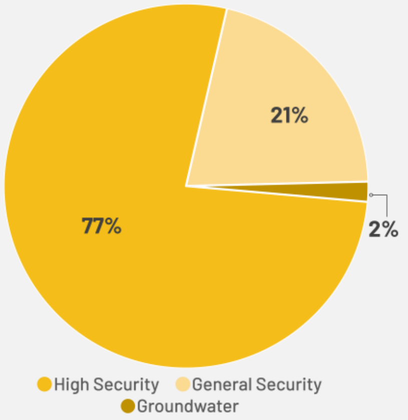
Proforma Water Portfolio Changes

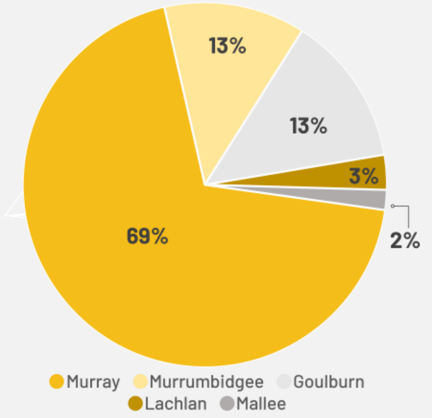
	WATER PORTFOLIO DIVERSIFICATION	WATER SECURITY BREAKDOWN	ENTITLEMENT VALUE BY REGION

Portfolio Statistics Pre-Transaction

31 May 2023

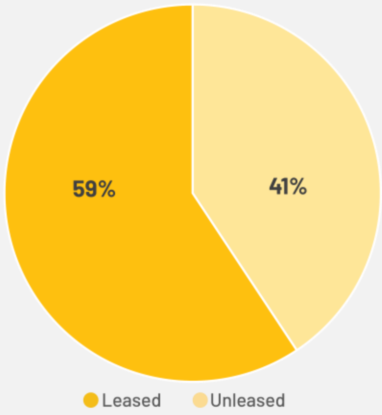


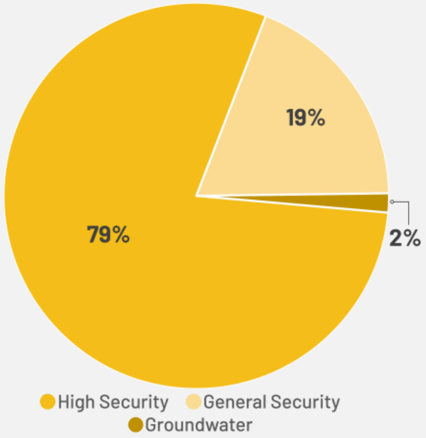


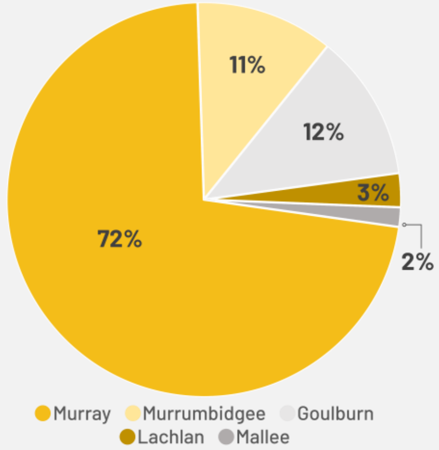


Portfolio Statistics Post-Transaction[1]

31 May 2023







1. Changes to water lease % (by value) shown as a proforma to the 31 May 2023 lease portfolio. Note the new water leases with TWE commence on 1 July 2023, and once settlement of the water entitlement acquisitions has taken place (expected August 2023).

Summary

1. This acquisition represents a significant growth opportunity for Duxton Water Limited as it looks to scale its portfolio to support the needs of the Australian farming community.

2. This type of transaction enables Australian farming businesses to release capital from their balance sheets, providing flexibility to invest in land and production assets, while maintaining access to water security over the long-term.

3. This transaction increases the Company's exposure to high security entitlements (high security, below choke Murray), that will further support the Company's long-term strategy of helping its customers to risk manage their annual water requirements.

4. The Company has confidence in its ability to maximise the strategic and economic value of these water entitlements as we move through the climatic cycle.

5. The Company is pleased to announce capital raising activities to raise up to a maximum of $51.5 million (via a $44.2 million partially underwritten Non-Renounceable Entitlement Offer and a successfully completed $7.25 million underwritten Institutional Placement) to fund this acquisition.

6. A free Bonus Option to be issued to all Eligible Shareholders of the Company at the Bonus Option Issue record date of Friday, 3 November 2023.

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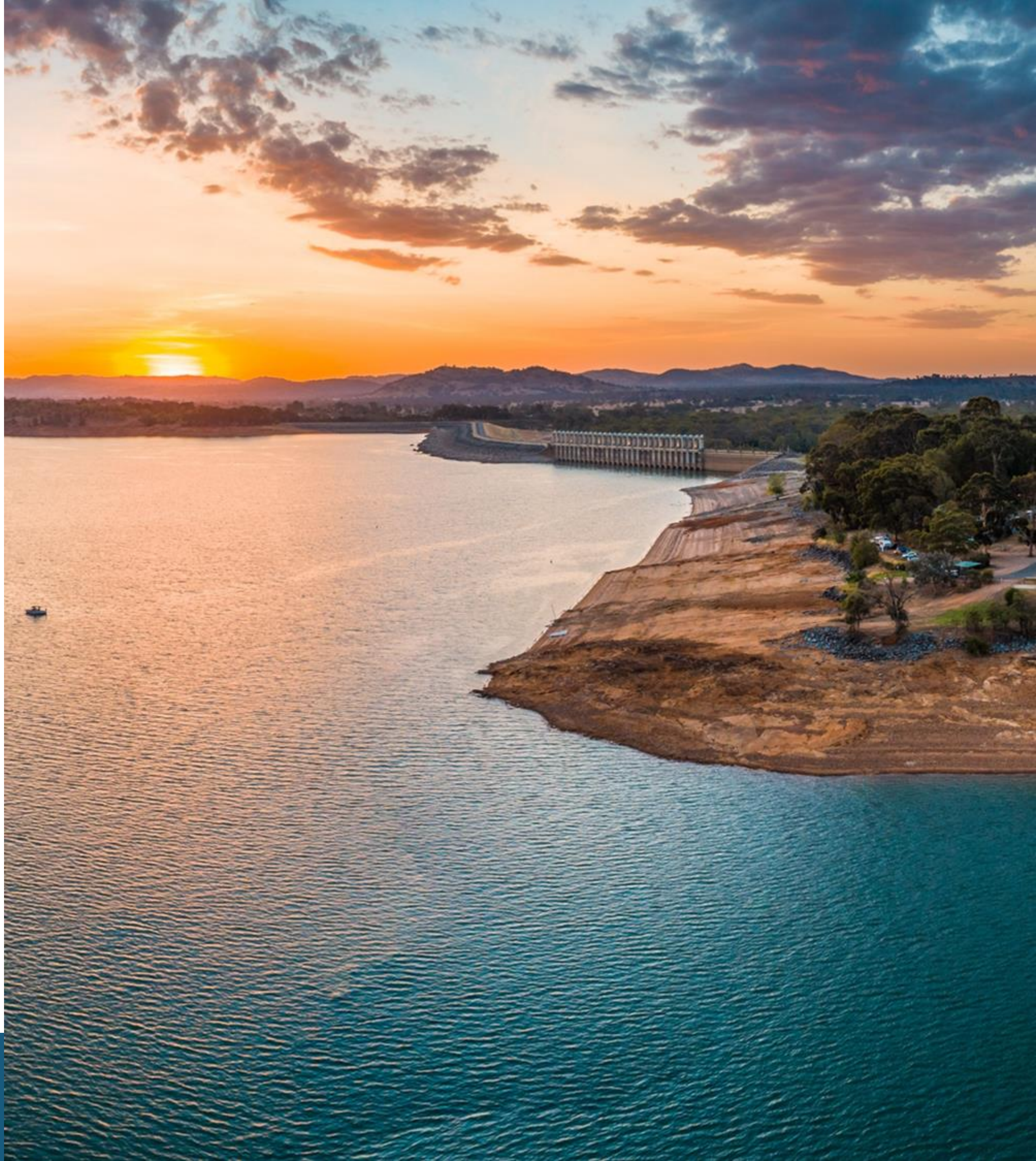

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Key Terms of the Acquisition, Leaseback & Call Option with TWE

Purchase Terms	**Acquisition of 4,770 megalitres of high-security water entitlements for total consideration of $39.1 million:** • NSW Zone 11 High Security – 2,799 megalitres (below choke Murray) • VIC Zone 7 High Reliability – 1,971 megalitres (below choke Murray) • Entitlements purchased on a WET basis for the upcoming water year. • Purchase subject to conditions relating to Ministerial approval for the transfer and a condition in relation to debt financier consents. Assuming satisfaction of these conditions, D2O expects that settlement of the purchaser will occur during August 2023.
Lease-back Terms	**Leaseback of 3,815 megalitres of high security water entitlements, equalling 80% of water entitlements acquired by D2O:** • Lease effective once the settlement of the water entitlement transaction has taken place. The lease is backdated to commence 1 July 2023. • Lease rate of 4.5% of the respective entitlement price of each zone (subject to annual CPI adjustments). • 5 years + option for Lessee to renew for additional 5 years. • Lease price reset to 4.5% of market value of the entitlements at lease renewal. • Lease terminates upon the Call Option (see below) being exercised and is cancellable in the event TWE sells the associated vineyards but does not assign the lease to the purchaser.

Call Option	**A Call Option ("Option") for TWE to buy water entitlements back from D2O at market value (subject to a price cap & collar) that expires on 30 June 2024:**
	• TWE has an Option that can be exercised to buy all, or a portion, of the water entitlements back from D2O at market price (subject to a price cap and collar).
	• <u>TWE can exercise the Call Option in the following scenarios:</u>
	    • If a binding sale contract for the land associated with the water entitlements has not been signed by 30 September 2023, TWE can exercise the Call Option at any time between 1 October 2023 and 30 June 2024.
	    • If a binding sale contract for the land associated with the water entitlements has been signed by 30 September 2023, TWE can exercise the Call Option at any time between 14 June 2024 (or earlier should the binding sale contract be terminated prior to 14 June 2024) and 30 June 2024, provided that settlement of the land sale has not occurred by 14 June 2024.
	• The Option exercise price will be the market value of the water entitlements on the date that the Call Option is exercised, subject to a cap and collar of ±10% of the initial purchase price.
	• The Option is not transferrable outside of TWE's corporate group.

Additional Commentary	**Additional Commentary:** • The Company has entered into this transaction with the understanding that it is TWE's intention to also sell the vineyards associated with these water entitlements. The transaction includes the ability for TWE to buy back the water entitlements from D2O at market price (subject to a price cap and collar) should a binding sale agreement for the associated vineyards not be signed by 30 September 2023, or completed by 14 June 2024. • This type of transaction provides D2O with a platform to scale its portfolio by providing shareholders with an exposure to a large parcel of attractively priced high security water entitlements, ahead of anticipated changing weather conditions. • D2O has confidence in its ability to maximise the strategic and economic value of these water entitlements as we move through the climatic cycle. • Should D2O sell these entitlements back to TWE before 30 June 2024, proceeds from the sale would be used to redeploy into water entitlements, with surplus funds in the interim being offset against the company's debt facilities.

Key Risks

Company Specific Risks

Potential for dilution	In addition to potential control impacts set out in Section 3.9, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 20% (as compared to their holdings and number of Shares on issue as at the date of this Offer Document). It is not possible to predict what the value of the Company's Shares will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters. The last trading price of Shares on ASX prior to the date of this Offer Document of $1.695 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer.
Risk of Shares trading below Net Asset Value (NAV)	The Shares of the Company may trade on the ASX at a discount to the NAV of the Water Entitlements portfolio on a per Share basis, and the performance of the Shares may not be correlated with the performance of Water Entitlements portfolio.
Deployment risk	The ability of the Company to generate attractive yields for investors is dependent on its capacity to deploy funds in the water market. For example, if at a certain point in time the Investment Manager did not believe that the purchase of any Water Entitlements in the market would provide attractive yields to investors, the Investment Manager would not invest.
Market risk	Macroeconomic risks such as movements in interest rates, commodities prices and inflation have the potential to adversely impact the value of assets. Significant fluctuations in macroeconomic factors may cause volatility in the value of Water Entitlements and Water Allocations, resulting in poor returns.
Diversification Risk	The Company's key strategy in active investment is diversification to mitigate risk. However, whilst the Company will target portfolio diversification across security classes, Water Entitlement types and geographical regions, due to the timing of deployment of funds, the Company may be concentrated on certain Water Entitlements. Consequently, a lack of diversification during periods when capital is yet to be invested may adversely impact the performance of the Company.
Leverage risk	The Company has the right to use leverage in order to enhance shareholder returns. This has the ability to magnify losses to the portfolio. With the use of debt, the Company is exposed to changes in interest rates. An increase in interest rates if debt were utilised could have an adverse effect on future financial performance.
Reliance on the Investment Manager	The investment decisions made by the Investment Manager of the Company are key to achieving the investment objectives. Failure to develop and implement adequate strategies may adversely impact the performance of the Company.

Key Risks

Company Specific Risks (cont.)

Key lessee risks and other lessee risks	The Company's financial performance is subject to counterparties continuing to fulfil their obligations under various contracts. The Company anticipates many of its Water Entitlements will be subject to long-term lease arrangements. If a lessee defaults, this could adversely effect the revenue generated by the Company. If the Company or one of its counter-parties fails to adequately perform their contractual obligations, this may result in a loss of earnings, termination of the particular contract, disputes and or litigation. The Company aims to minimise key lessee risk by leasing Water Entitlements to a diverse range of counterparties that differ geographically by river system, lease size, Water Entitlement type, as well as through commodity exposure.
Other clients of the Investment Manager	From time to time, the Investment Manager and its related parties advise others regarding Australian Water Entitlements in the future. The potential for oversight when managing multiple clients may expose the Investment Manager to conflicts of interest. Furthermore, the Investment Manager or its related parties may have other investments which may represent a conflict of interest.
Key person risk	The success of the Company depends on the ability to retain the members of the Board and for the Investment Manager to retain as well as attract talented personnel. The Company has executed an Investment Management Agreement and a key term of reference with each Director, but this does not guarantee continued involvement of Board members or employment of key personnel of the Investment Manager. The loss of key employees of the Investment Manager could cause material disruption to the business and operations of the Company and have a material adverse effect on future financial performance.
Capital depreciation risk	Water Entitlements have historically generated capital growth. However, past performance of Water Entitlements is not a reliable indicator of the future performance of Water Entitlements. Water Entitlements are classified as intangible assets and accounted for under AASB 138 Intangible Assets. Under the current interpretation, Water Entitlements are deemed to have an indefinite useful life, and as such, they are not subject to depreciation or amortisation.
Option to acquire water entitlements	The Under the terms of the lease(s)with Duxton Farms Ltd and Treasury Treasury Wine Estates Limited, includes an option to purchase from the Company, the applicable Water Entitlements associated with the lease. The purchase price payable by the lessee is to be the current market value as determined by the Company & Lessee, or with the assistance of an independent valuation. If water entitlement values are lower at the conclusion of the lease, and the lessee exercises its option, the Company may be required to sell applicable Water Entitlements at a time when it is not commercially favourable to the Company and in the process may crystallise as a capital loss. More information and details on the lease arrangements can be found in the Company's ASX announcements.
Leverage risk	The Company has the right to use leverage in order to enhance shareholder returns. This has the ability to magnify losses to the portfolio. With the use of debt, the Company is exposed to changes in interest rates. An increase in interest rates if debt were utilised could have an adverse effect on future financial performance.
Reliance on the Investment Manager	The investment decisions made by the Investment Manager of the Company are key to achieving the investment objectives. Failure to develop and implement adequate strategies may adversely impact the performance of the Company.

Key Risks

Industry Specific Risks

Government buy-back	The Australian Government's Murray-Darling Basin (MDB) Plan (MDB Plan) involves a water buy-back program in order to address the environmental sustainability of the MDB. This buy-back program involves the Australian Government purchasing Water Entitlements from willing sellers in the MDB and allocating this water to environmental flows. The MDB Plan also incorporates an $5.8 billion program to improve water infrastructure to reduce transmission and evaporation losses through investment. Buy-backs by the Australian Government (for instance, following an upgrade of the MDB Plan) will result in less Water Entitlements being on issue and available for consumption, increasing the scarcity of such assets and impacting their price. The participation of the Australian Government in the market may also temporarily distort market fundamentals and reduce opportunities for the Fund to acquire Water Entitlements at appropriate values.
Legal, political, tax and regulatory risks	Water Entitlements are conferred by or under state law. Changes in laws, regulations and Government policy may affect the Company's core business of acquiring and leasing Water Entitlements and Water Allocations. This includes regulatory changes to the Murray-Darling Basin Plan, as well as changes to environmental water and sharing plans at both state and federal levels. These changes may affect the liquidity, transferability, and value of Australian Water Entitlements and Water Allocations. Historically, governments have allowed transitional periods in order for the market to adapt to any changes in regulations. The regulatory and political environment, such as the tax and legal structure surrounding Water Entitlements and the investment vehicle, is subject to change. Such change has the potential to adversely impact the Company's performance and the return on investment to Shareholders.
Commonwealth environmental water holder	The Commonwealth Environmental Water Holder (CEWH) is responsible for the control and management of the Government's water portfolio. The CEWH is the single largest holder of Water Entitlements in the MDB. CEWH is only permitted to sell water to the market in limited circumstance. In particular, the CEWH may sell annual Water Allocations and Water Entitlements if they are not required to meet environmental objectives and if the water cannot be carried over to the next water year. Annual Water Allocations and Water Entitlements may also be sold if the proceeds are used to acquire other water that will improve the capacity to protect and restore the environment. As a result of these legislative requirements, the Company anticipates CEWH's role as a seller in the water market will be relatively limited, particularly in times of drought reduced water supply. As the largest holder of Water Entitlements in Australia, the CEWH could sell large volumes of Water Allocations once the environmental requirements are met. This could place downward pressure on the price of Water Entitlements, lowering the Company's NAV.
Allocation risk	The size of Water Allocations is dependent on water availability which is influenced by factors including timing, location and magnitude of rainfall and the extent to which allocations have been utilised in the previous financial year. The Company is dependent on Water Allocations being made available by the relevant authorities in order to lease or sell the Company's water assets for income purposes. A prolonged period of lower than average rainfall, resulting in low or zero Water Allocations may significantly impair the Company's ability to sell/lease the Water Allocations for financial gain, and have a negative impact on financial performance. Water Allocations may also be adversely affected by changes to water management or water sharing plans.
Water allocation and entitlement price fluctuations	The Company derives a significant portion of its income from the lease of Water Allocations to counter-parties, which is subject to market fluctuations. Negative price movements may adversely impact the revenue generated from the Company's Water Entitlement portfolio and therefore the financial performance of the Company.
Extreme weather events risk	The supply and demand of water is significantly influenced by extreme weather conditions. For example, too much rain and flooding would significantly increase the supply of water, driving down prices. In the case of a drought, the supply of water is significantly reduced, driving up water prices. As such, extreme weather events may impact the value of the Water Entitlements held in the Company's portfolio.

Key Risks

Industry Specific Risks (cont.)

Australian agriculture and foreign exchange risk	The demand for water is significantly dependent on the water use of the Australian agricultural industry. The Company's performance is exposed to a number of underlying agricultural commodity prices. Any adverse commodity price movements may make production by irrigators uneconomic and therefore impact on the demand for the Company's water or the ability to pay the prevailing rate for water. The agricultural industry is also driven, in part, by the demand and supply dynamics of export markets. As such, if the Australian dollar was to significantly change in value, the demand for Australian agriculture would also shift dramatically. Consequently, the production of agriculture would shift (either between industries or between countries) and the demand for water would respond accordingly, impacting water prices and the value of the Company's portfolio.
Settlement and title risk	Water Allocation or Water Entitlements transactions may not reach settlement for a number of reasons, including counter-party default due to adverse changes in economic conditions, water conditions, and the legal and regulatory environment or settlements may be delayed. This may impact the returns generated on the Company's assets. Titles issued by relevant water authorities are also not guaranteed by the water authority which may lead to a dispute over correct ownership.
Cyclical risk	The demand for water, as an essential input to agricultural, industrial and mining operations, is impacted by economic and commodity cycles. As such cyclical lows may place downward pressure on the price of Water Allocations and/ or Water Entitlements, impacting the Company by reducing either the yield of the portfolio or the net asset value of the Company.
Technology risk	Advances in technology, such as desalination plants and water transfer infrastructure, may increase the supply of water. If this was to occur, downward pressure would be placed on water prices, which would impact on the net asset value of the portfolio.
Structural risk	As irrigators become more water-efficient (e.g., through technological adoption and crop modification), water demand may decrease, impacting the price of water in the market. This could adversely impact the financial performance of the Company.
Climate change	Advancing variability in climate and weather patterns may have an impact on water quality and water availability. The demand and supply of water available for consumptive use will respond to these changes, accordingly, impacting the price of water. There is a risk that climate change could mean the Company is unable to benefit from rainfall and reliable water sources, which could have an adverse effect on the future financial performance of the Company.
Thinly-traded assets and liquidity risk	In some regions, Water Entitlements and Water Allocations are thinly traded, increasing the difficulty in obtaining a fair and accurate valuation of the asset. As a consequence, the realisable value of the Water Entitlements may be less than the apparent value or it may take a long period of time before the investment is able to be realised at market value.
Water market competition risk	An increase in water market participants may impact the price of Water Entitlements and Water Allocations. This would likely impact the value of the Company's portfolio.

Key Risks

Industry Specific Risks (cont.)

Loss of carryover	The Investment Manager may elect that Water Allocations, which have not been leased, be carried over from one year to the next where permissible based on the jurisdiction and Water Entitlement class. This strategy may be implemented during times that Water Allocation prices are depressed. For example, during times of excessive oversupply during flooding this strategy may be implemented. This strategy is subject to the risk that carryover Water Allocations may be cancelled if the water storage associated with that Water Entitlement overflows due to flooding.
Breach of water entitlement conditions	Water Entitlements can be cancelled by a relevant water authority if there is a breach of conditions of a Water Entitlement. Those conditions vary depending on the jurisdiction and type of Water Entitlement but generally include cancellation due to over-use. Cancellation of a Water Entitlement would negatively affect the value of the Company's portfolio.
Market size and liquidity risk	Estimated value of Australian Water Entitlements on issue within the Southern Murray Darling Based of $30 million (AUD) as of 30 June 2022. The turnover of Australian Water Entitlements is relatively small when compared to the aggregate market, with an approximate average annual turnover of 4%. During the 2021-2022 season, entitlements turnover was 213 GL valued close to $812 million. The average annual turnover in Water Allocations over the same period was 7,506 GL. With limited market activity, the small market size poses a liquidity risk for the Company, creating pricing and capacity considerations.

Key Risks

General Risks

Additional requirements for capital	The Company's capital requirements depend on numerous factors. The Company may require further financing in addition to the amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. There is, however, no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.
Market conditions	Share market conditions may affect the value of the Company's Shares and Bonus Options regardless of the Company's operating performance. Share market conditions are affected by many factors such as: (a) general economic outlook; (b) introduction of tax reform or other new legislation; (c) interest rates and inflation rates; (d) changes in investor sentiment toward particular market sectors; (e) the demand for, and supply of, capital; and (f) terrorism or other hostilities. The market price of Shares and Options can fall as well as rise and may be subject to varied and unpredictable influences on the market. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company. Applicants should be aware that there are risks associated with any securities listed on the stock market. These factors may materially affect the market price of the Company's Shares and Bonus Options regardless of the Company's performance.
Insurance	The Company intends to ensure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance coverage. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance of all risks is not always available, and where available, the costs can be prohibitive.
Force Majeure	The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Key Risks

General Risks (cont.)

Taxation	The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of the allotment of Shares under this Offer Document.
Litigation Risks	The Company is exposed to possible litigation risks including, environmental claims, occupational health and safety claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, reputation, financial performance and financial position. The Company is not currently engaged in any litigation.
Pandemics	The impact of COVID-19 or any future pandemic is not able to be predicted. However, there is a risk that economic conditions and government restrictions in relation to a pandemic may adversely impact the Company, including the value of any of its investments or the Company's ability to generate income and pay dividends.
Cyber security	The Company stores data in its own systems and networks and also with a variety of third party service providers. Exploitation or hacking of any of the Company's systems or networks could lead to corruption, theft or loss of the data which could have a material adverse effect on the Company's business, financial condition and results. Further, if the Company's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers. The Company adopts security measures considered appropriate for the nature of the data that it stores and is constantly reviewing its cyber security arrangements.

About Duxton Water (ASX:D20)

Australia's only ASX listed pure water investment opportunity.

Duxton Water Limited provides investors with a direct and pure exposure to Australian water markets.

The primary business activity is to build a diversified portfolio of water entitlements and through active management, generate a return by offering a range of water supply products to Australian farming businesses.

Key Metrics	31 May 2023
Share Price	$1.67
Market Capitalisation	$197 million
Shares on Issue	117,948,814
Company Inception	16 September 2016

Portfolio Statistics (NAV)	31 May 2023
Total Portfolio Value	$372 million
NAV Per Share (After-tax)[1]	$1.80 per share
NAV Per Share (Before-tax)[1]	$2.06 per share
Net Debt/LVR	$127m/34%
Returns (After-tax)[2]	**11.9% p.a.**
Returns (Before-tax)[3]	**13.3% p.a.**

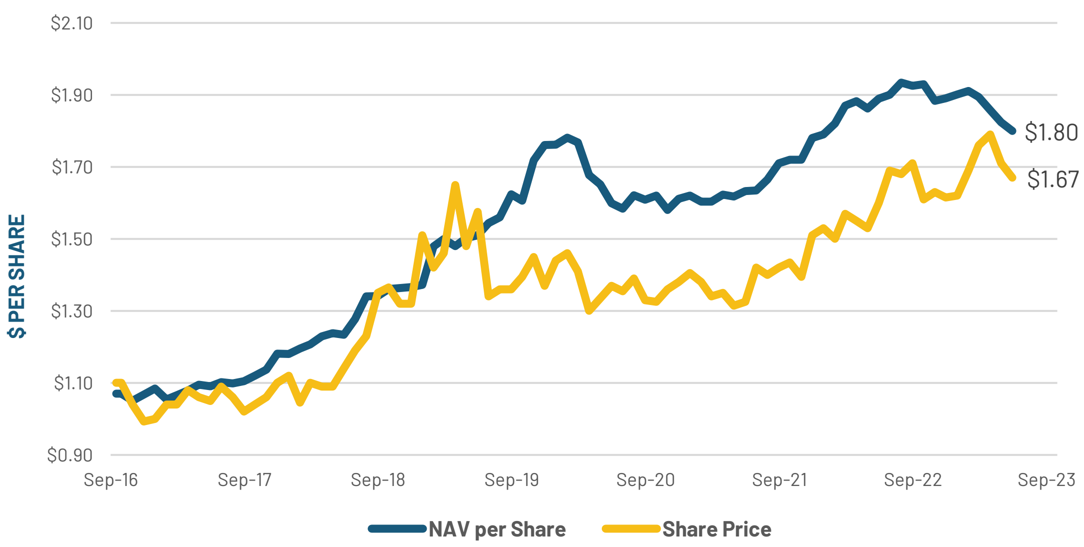
1. Non-Statutory Net Asset Value – Includes water assets held at fair value at 31 May 2023.
2. After taxes, after fees and including dividends paid (inc. franking) from 16 September 2016 to 31 May 2023.
3. Before taxes, after fees and including dividends paid (inc. franking) from 16 September 2016 to 31 May 2023

D2O Performance Since Inception

Water is a defensive asset class with a proven track record of strong performance, even in tough economic conditions.

1. **Water is a unique asset class that exhibits low to negative correlation to all other asset classes.**
2. **It works in a way that is similar to property or infrastructure, except the assets do not depreciate, or attract any CAPEX and maintenance costs.**
3. **Water licences are owned into perpetuity and have an increasing inelastic demand, driven by Australia's permanent cropping industries.**

NAV VS SHARE PRICE (TO 31 MAY 2023)



PORTFOLIO PERFORMANCE (NAV)[1]	6 Months	12 Months	Inception	Annualised
Returns (Post-tax)[2]	-1.9%	0.4%	113.1%	11.9%
Returns (Pre-tax)[3]	-3.3%	-0.8%	130.9%	13.3%

1. Non-Statutory Net Asset Value – Includes water assets held at fair value at 31 May 2023.
2. After taxes, after fees and including dividends paid (inc. franking) from 16 September 2016 to 31 May 2023.
3. Before taxes, after fees and including dividends paid (inc. franking) from 16 September 2016 to 31 May 2023

Macro Driver 1: Increasing Demand for Water

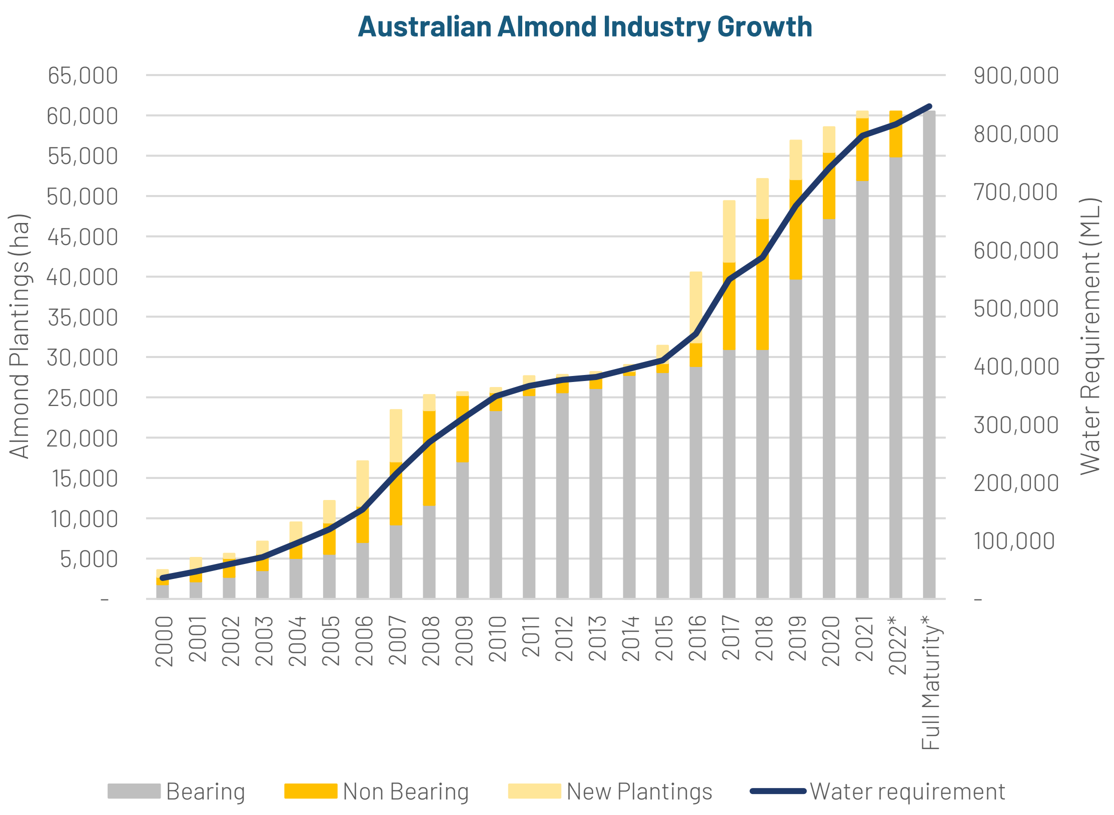
Permanent crops continue to be planted in the Murray Darling Basin, adding to the long-term demand for Australian water assets.

Permanent Crops

- Any crop that is harvested from a plant or tree that lasts for multiple years.
- Industry shift from annual crops (short-term) to permanent crops (long-term) backed by institutional investment.
- Permanent crops have an inelastic demand for water.

Industry Case Study: Almonds

- Australia's bearing almond orchard size has grown 17x since 2000. [1]
- There are over 60,000 hectares of almond trees in Australia (over 17 million trees).
- Almond trees use 4-5 times more water at maturity than at planting stage. [3]
- At full maturity, water requirement from the almond industry alone is expected to be c.850 GL of water per year.



*Forecast

1,2 Almond Insights 2021/22, Australian Almonds – Almond Board of Australia

3 NSW Government, Department of Primary Industries.

Macro Driver 2: Decreasing Supply of Water

The Australian Government is committed to delivering the Basin Plan in full.

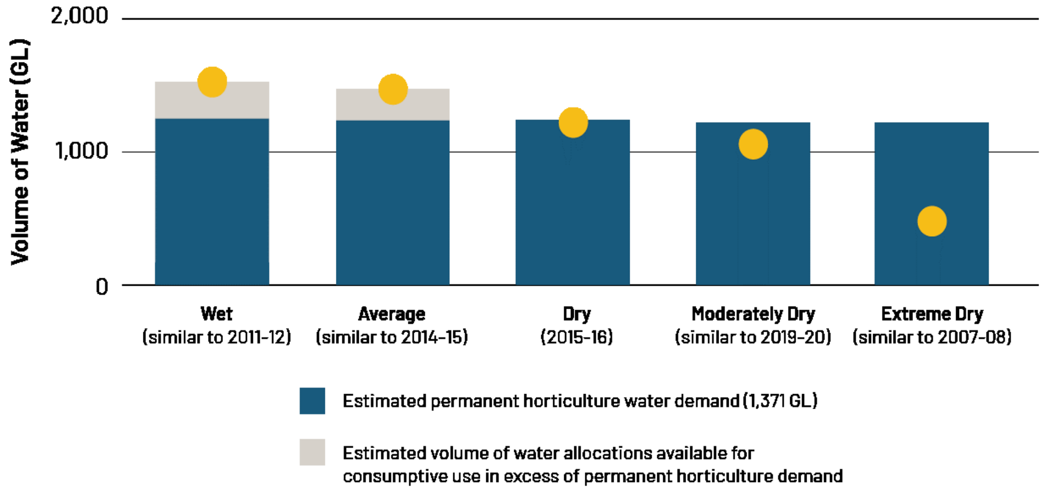
Government Buybacks

- Water licences on issue are capped.
- Water licences on issue for agricultural use has been reducing since 2008.
- Equivalent to c.30% of entitlements (ML) has been recovered by the Commonwealth for the environment.[1]

Low Availability

- Permanent crops in the Lower Murray Region will use ~1,371 GL per year at full maturity.[2]
- Under an extreme dry scenario, water availability in this region may only meet approx. 30% of the demand from permanent crops alone.[3]
- Under a moderate dry scenario, similar to 2019-2020, water availability in this region may meet approx. 85% of the demand.

Water Requirements of Permanent Horticulture in the Lower Murray Region[2]



1 Murray Darling Basin Plan Evaluation reports

2, 3 Water supply and horticulture demand in the southern Basin - 2022 Update - Water Register.

Low Correlation to Traditional Asset Classes

Long-term correlation matrix (10+ years)[1]

Market Indices Correlation		Water Index (AEI)	D20 Shares
Aus Equities	ASX 200	-0.13	0.11
	All Ords	-0.13	0.12
US Equities	S&P 500	-0.09	-0.09
	Dow Jones	-0.10	-0.13
	NASDAQ	-0.08	-0.08
Other Global Equities	Japan Nikkei	-0.16	-0.06
	China Shanghai	-0.20	-0.01
	Hang Seng	-0.26	-0.10
	UK FTSE 100	-0.13	-0.03
	German DAX	-0.19	-0.14
Commodity Prices	Gold	-0.02	-0.10
	Oil	-0.07	-0.01
	Iron Ore	-0.18	-0.09
Equity based indices	Commodity Producers Agribusiness	-0.14	-0.14
	Global Agribusiness	-0.12	-0.09
	Oil & Gas Exploration Producers	-0.09	0.01
Other Indices	Ausbonds 0+	0.03	0.15
	Cash TRI	-0.18	-0.02
	Real State A-REIT	-0.02	0.20
	Commodities Index	-0.14	-0.12
	S&P Bitcoin Index	-0.06	-0.06
	Top 10 cryptocurrencies	0.01	-0.02

Correlation	Positive	Negative
High	0.7-1	(0.7) -(1.0)
Moderate	0.4-0.7	(0.4)-(0.7)
Low	0.0-0.4	(0.0)-(0.4)

Water returns, measured by the Aither Entitlement Index has low correlation when compared to other major indices

Low to negative correlation with equities, commodities and REITs

Water is a defensive and alternative asset class that provides diversification and an inflation hedge to an investment portfolio

1 *Bloomberg. Returns from 2011 to May 2023*