

DUXTON WATER LIMITED
ACN 611 976 517
(Duxton or Company)

RETAIL OFFER BOOKLET

Accelerated Non-Renounceable Pro-Rata Entitlement Offer

1 New Share for every 2 Shares held at an Issue Price of \$1.30 to raise approximately \$58.7 million

Last date for acceptance and payment:

5pm (AEDT) on Friday, 16 November 2018

This is an important document. Please consider it carefully and contact your professional adviser if you have any queries. This document is not a prospectus and does not contain all of the information that a prospective investor would find in a prospectus or which may be required to make a decision regarding an application for New Shares offered by this document.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

CONTENTS

Table of contents

CHAIRMAN'S LETTER.....	4
SUMMARY OF THE RETAIL ENTITLEMENT OFFER	6
KEY DATES.....	6
CAPITAL STRUCTURE.....	7
SECTION 1 - OPTIONS AVAILABLE TO YOU	8
SECTION 2 - HOW TO APPLY	10
SECTION 3 - ASX ANNOUNCEMENT AND INVESTOR PRESENTATION	14
SECTION 4 - KEY RISKS.....	15
SECTION 5 - SHAREHOLDER INFORMATION.....	20
SECTION 6 - PRO FORMA BALANCE SHEET	27
SECTION 7 - AUSTRALIAN TAXATION CONSEQUENCES	29
SECTION 8 - GLOSSARY OF TERMS	32
CORPORATE DIRECTORY	35

IMPORTANT NOTICES

This Retail Offer Booklet and enclosed personalised Entitlement and Acceptance Form have been prepared by the Company. The information contained in this document (other than the Investor Presentation referred to in SECTION 3) is dated Friday, 19 October 2018.

No party other than the Company has authorised or caused the issue of the information in this document, or takes any responsibility for, or makes, any statements, representations or undertakings about the information in this document.

You should read the information in this document carefully and in its entirety before deciding whether to invest in New Shares. In particular, you should consider the risk factors outlined in SECTION 4. You should also consider the Company's other periodic and continuous disclosure announcements, annual reports and full year statutory accounts, current and historical share price, and any other Company announcements. This information may be obtained from sources including the Company's website at www.duxtonwater.com.au or the ASX website at www.asx.com.au.

Not investment advice

This document is not a prospectus, or any other document regulated, under the Corporations Act and has not been (and is not required to be) lodged with ASIC. The information in this document does not constitute financial product advice and has been prepared without taking into account your particular investment objectives, financial circumstances or needs. The Company is not licensed to provide financial product advice in respect of the New Shares. The information in this document does not purport to contain all the information that you may require to evaluate a possible Application.

Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you, in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the information in this document, you have any questions about the Retail Entitlement Offer, you should contact your stockbroker, accountant or other independent professional adviser.

Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Retail Entitlement Offer that is not contained in this document. Any information or representation that is not in this document may not be relied on as having been authorised by the Company in connection with the Retail Entitlement Offer. Except as required by law, and only to the extent so required, neither the Company, nor any other

person, warrants or guarantees the future performance of the Company or any return on any investment made pursuant to the information in this document.

Taxation

There will be tax implications associated with participating in the Retail Entitlement Offer and receiving New Shares. SECTION 7 provides for a general guide to the Australian income tax, goods and services tax and stamp duty implications of the Retail Entitlement Offer for Eligible Retail Shareholders. The guide does not take account of the individual circumstances of particular Eligible Retail Shareholders and does not constitute tax advice. The Company recommends that you consult your professional tax adviser in connection with the Retail Entitlement Offer.

Information availability

Eligible Retail Shareholders in Australia and New Zealand can obtain a copy of the information in this document during the period of the Retail Entitlement Offer on the Duxton website at www.duxtonwater.com.au, or by contacting the Company on (+61 8 8130 9500). Persons who access the electronic version of this document should ensure that they download and read the entire document. The electronic version of this document on the Company's website will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by contacting the Company or Share Registry.

Past Performance

Investors should note that the Company's past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) the Company's future performance including the Company's future financial position or share price performance.

Future performance

Neither the Company nor any other person associated with or representing the Company warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to the Retail Entitlement Offer. Forward looking statements, opinions and estimates provided in the information in this document are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements are provided as a general guide only and should not be relied upon

as an indication or guarantee of future performance. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this document.

Governing law

This document, the Retail Entitlement Offer and the contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the laws applicable in South Australia, Australia. Each Applicant submits to the non-exclusive jurisdiction of the courts of South Australia, Australia.

Foreign jurisdictions

This Retail Offer Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. This Retail Offer Booklet does not constitute an offer to Ineligible Retail Shareholders.

This Retail Offer Booklet is not to be distributed in, and no offer of New Shares is to be made, in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the Retail Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Retail Offer Booklet (including an electronic copy) outside Australia and New Zealand, is restricted by law. If you come into possession of the information in this document, you should observe such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

In particular, the New Shares have not been and will not be, registered under the US Securities Act 1933 (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable securities laws of any state or other jurisdiction in the United States.

New Zealand

The New Shares are not being offered or sold to any retail investors within New Zealand other than to existing retail Shareholders with registered addresses in New Zealand. To these shareholders the offer of New Shares is being made in reliance on the Financial Markets

Conduct (Incidental Offers) Exemption Notice 2016 under the Financial Markets Conduct Act 2013 (New Zealand) (**FMC Act**).

In addition to the Entitlement Offer to existing retail Shareholders with registered addresses in New Zealand, New Shares may only be offered or sold in New Zealand to persons who are eligible investors within the meaning of clause 41 of Schedule 1 of the FMC Act

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and does not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

It is a term of the Retail Entitlement Offer that the offer of New Shares is made in compliance with the law of the country, state, territory, or province in which ASX is situated and any code, rules, or other requirements relating to the Retail Entitlement Offer that may apply in that country, state, territory, or province.

Notice to nominees and custodians

Nominees and custodians that hold Shares should note that the Retail Entitlement Offer is available only to Eligible Retail Shareholders. Accordingly, only nominees and custodians with registered addresses in Australia or New Zealand (or who contact or are contacted by the Company and can demonstrate to the satisfaction of the Company that their participation in the Retail Entitlement Offer would not constitute a violation of securities laws in their jurisdiction) will be entitled to participate. Persons acting as nominees for other persons must not purchase New Shares on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States, or any person that is acting for the account or benefit of a person in the United States.

Risks

An investment in Duxton involves general risks associated with an investment in securities quoted on a share market or securities exchange. Refer to the 'Key Risks' in SECTION 4 of this Retail Offer Booklet for a summary of the general and specific risk factors before deciding to invest in Duxton.

Quotation and trading of New Shares

The Company has applied for the grant by ASX of official quotation of the New Shares. It is expected that normal trading of the New Shares will commence on Monday, 26 November 2018.

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New

Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by the Company or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

Investors should consider these factors carefully and if they are in any doubt, should obtain their own professional advice.

CHAIRMAN'S LETTER

Dear Shareholder

RE: Accelerated Non-Renounceable Rights Issue

On 17 October 2018, Duxton Water Limited (ACN 611 976 517) ("the Company") announced an accelerated non-renounceable 1 for 2 Rights Issue, priced at \$1.30 per share, to issue a maximum of 45,140,141 new Ordinary shares, raising a maximum of \$58.7 million, before costs.

The Offer has two components:

- An accelerated Institutional Entitlement Offer, where offers have been made to qualified institutional Shareholders to apply for their pro-rata entitlement ("Institutional Entitlement Offer"); and
- A retail offer, where offers will be made to qualifying Shareholders to apply for their pro-rata entitlement ("Retail Entitlement Offer");

(together, the "Entitlement Offer" or "Rights Issue").

The Company has completed the Institutional Entitlement Offer which raised approximately \$9.8 million. The Directors of the Company are pleased to invite you to participate in the Retail Entitlement Offer.

The proceeds of the Rights Issue, in conjunction with the existing cash reserves of the Company, are intended to be used for acquiring further Water Entitlement assets, repaying the debt facility utilised to get ahead of this Rights Issue, and for working capital. To the extent that the Rights Issue is not fully subscribed, the Company may apply the proceeds of the Rights Issue for acquiring further Water Entitlement assets and for working capital only.

It is the view of the Company that the Australian water market, particularly in the Southern Murray Darling Basin where the portfolio is currently focused, is still mis-priced. The industry and production shifts toward higher-margin annual crops, and increased permanent planting, which indicates greater price inelasticity, and an increase in the volume of demand for this limited resource. As such, the Company looks to continue to acquire Water Entitlement assets, engage in new long-term leases at favourable terms for Shareholders, and to actively manage Water Allocations to optimise returns.

The intention of the Company is to grow its capital base through this injection rather than through retained earnings as we see a big opportunity for our Shareholders in the current market.

The Directors are pleased to provide support for the Rights Issue and confirm their intention to participate in the Rights Issue. I personally, Ed Peter, note my intention to participate in the Rights Issue for my full Entitlement from our family trust.

The Rights Issue is on the basis of 1 New Share for every 2 existing Shares held on the Record Date (see timetable in page 6) by Shareholders with a registered address in Australia or New Zealand ("Eligible Shareholders") at an Issue Price of \$1.30 per New Share.

This Offer Booklet for the Rights Issue has been announced on the ASX on 17 October 2018 and is also available on our website www.duxtonwater.com.au.

The Company will mail the Retail Offer Booklet and accompanying personalised Entitlement and Acceptance Form to Eligible Retail Shareholders following the Record Date.


The Company has decided not to extend the Rights Issue offer to Shareholders with a registered address outside Australia or New Zealand as at the Record Date ("Ineligible Shareholder"). No offer is being made to Ineligible Shareholders and this offer document will not be sent to Ineligible Shareholders.

Eligible Shareholders should consider the offer document in deciding whether to acquire New Shares under the Rights Issue and will need to complete the Entitlement and Acceptance Form to take up their Entitlement.

New Shares to be issued under the Rights Issue will rank equally with existing Shares. The Company has applied to ASX for the New Shares to be quoted. Fractional Entitlements will be rounded up to the nearest whole number. Eligible Shareholders can apply for any number of New Shares. There is a maximum number of total New Shares to be issued. It is at the Company's discretion to issue over-subscriptions.

On behalf of the Company and my fellow Directors, I thank you for your on-going support and interest in Duxton Water Ltd and invite you to participate in this Entitlement Offer.

Kind regards,

A handwritten signature in dark ink, appearing to be 'Ed Peter', with a large, stylized initial 'E' and a long horizontal stroke extending to the right.

Ed Peter

Chairman

SUMMARY OF THE RETAIL ENTITLEMENT OFFER

Ratio	1 New Share for every 2 Shares held by Eligible Retail Shareholders on the Record Date
Issue price	\$1.30 per New Share
Size	Issue of up to 26,618,096 New Shares
Gross Proceeds	\$34.6 million maximum

KEY DATES

Event	Date
Announcement of Entitlement Offer	Wednesday, 17 October
Record Date	Friday, 19 October
Settlement of New Shares under Institutional Entitlement Offer	Tuesday, 23 October
Issue and Quotation of New Shares under Institutional Entitlement Offer	Wednesday, 24 October
Retail Entitlement Offer opens	Wednesday, 24 October
Last day to extend Retail Entitlement Offer Closing Date	Tuesday, 13 November
Retail Entitlement Offer closes (5pm AEDT)	Friday, 16 November
Announce results of Retail Entitlement Offer	Wednesday, 21 November
Issue of New Shares under Retail Entitlement Offer and Retail Shortfall Offer	Friday, 23 November
Quotation of New Shares under Entitlement Offer	Monday, 26 November
Dispatch holding statement for New Shares under Retail Entitlement Offer	Tuesday, 27 November

This timetable is indicative only and subject to change. The Company may vary these dates subject to the ASX Listing Rules and in particular, the Company reserves the right to extend the Closing Date of the Retail Entitlement Offer, to accept late Applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw the Retail Entitlement Offer without prior notice. An extension of the Retail Entitlement Offer Closing Date will delay the anticipated date for issue of the New Shares.

The Company also reserves the right not to proceed with the whole or part of the Retail Entitlement Offer any time prior to the issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to the Applicants.

CAPITAL STRUCTURE

The capital structure of the Company following the issue of New Shares would be as follows assuming all New Shares were issued.

Shares on issue as at announcement of Entitlement Offer	90,280,281
New Shares issued as part of Institutional Entitlement Offer	7,501,693
New Shares to be issued as part of Retail Entitlement Offer	26,618,096
Remaining Institutional Shortfall available for placement	11,020,352
Shares on issue after the Entitlement Offer	Maximum of 135,420,422

Enquiries

If you have any queries, please call Duxton Water Ltd (+61 8 8130 9500), or consult your stockbroker, accountant or other independent professional adviser.

SECTION 1 - OPTIONS AVAILABLE TO YOU

If you are an Eligible Retail Shareholder, you may take one of the following actions in response to the Retail Entitlement Offer:

- Take up all of your Entitlement.
- Take up all of your Entitlement and also apply for additional New Shares under the Retail Shortfall Offer.
- Take up part of your Entitlement and allow the balance to lapse.
- Do nothing and let your full Entitlement lapse.

If you are a retail Shareholder that is not an Eligible Retail Shareholder, you are an **"Ineligible Retail Shareholder"**. Ineligible Retail Shareholders are not entitled to participate in the Entitlement Offer.

Option available to Eligible Retail Shareholders	Key Consideration
Take up all of your Entitlement	<p>You may elect to take up all of your Entitlement (See SECTION 2 "How to Apply" for instructions on how to take up your Entitlement).</p> <p>The New Shares will rank equally in all respects with existing Shares (including rights to dividends and distributions).</p>
Take up all of your Entitlement and also apply for additional New Shares under the Retail Shortfall Offer	<p>You may elect to take up all of your Entitlement and apply for additional New Shares under the Retail Shortfall Offer (See SECTION 2 "How to Apply" for instructions on how to take up your Entitlement and how to apply for additional New Shares under the Retail Shortfall Offer). Additional New Shares under the Retail Shortfall Offer will be allocated as the Board so determines in its absolute discretion (See Section 5.4 for more information on the Retail Shortfall Offer).</p> <p>The New Shares will rank equally in all respects with existing Shares (including rights to dividends and distributions).</p>
Take up part of your Entitlement and allow the balance to lapse	<p>If you only take up part of your Entitlement, the balance of the Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up that part of your Entitlement.</p> <p>By taking up part of your Entitlement, your percentage holding in the Company may be reduced as a result of dilution by the New Shares issued under the Entitlement Offer.</p>

Option available to Eligible Retail Shareholders	Key Consideration
<p>Do nothing, in which case your Entitlement will lapse, and you will receive no value for those lapsed Entitlements</p>	<p>If you do not take up your Entitlement, you will not be allocated New Shares and your Entitlements will lapse.</p> <p>Your Entitlement to participate in the Retail Entitlement Offer is non-renounceable, which means it is non-transferrable and cannot be sold, traded on the ASX or any other exchange, nor can they be privately transferred.</p> <p>If you do not take up your Entitlement, you will forfeit any potential benefit to be gained from the Entitlements. Your percentage holding in the Company will also be diluted.</p>

SECTION 2 - HOW TO APPLY

1. Overview of Entitlement Offer

Duxton proposes to raise approximately \$58.7 million at a maximum, under the Entitlement Offer. Under the Entitlement Offer, Duxton is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 2 Shares held on Friday, 19 October 2018, at the Issue Price of \$1.30 per New Share.

The Entitlement Offer comprises two parts:

- **Institutional Entitlement Offer** – under which Eligible Institutional Shareholders were invited to take up all or part of their Entitlement and a process to sell New Shares in respect of the Entitlements not taken up by Eligible Institutional Shareholders (as well as New Shares in respect of Entitlements of Ineligible Institutional Shareholders) to certain Institutional Investors at the Issue Price was carried out.
- **Retail Entitlement Offer** – under which Eligible Retail Shareholders are being sent this Retail Offer Booklet, together with a personalised Entitlement and Acceptance Form, and are being invited to take up all or part of their Entitlement. In addition, Eligible Retail Shareholders (other than Related Parties of the Company) who take up their full Entitlement may also participate in the Retail Shortfall Offer by applying for additional New Shares in excess of their Entitlement at the Issue Price.

Both the Institutional Entitlement Offer and the Retail Entitlement Offer are non-renounceable.

The Entitlement Offer is not underwritten.

The proceeds of the Entitlement Offer, in conjunction with the existing cash reserves of the Company, are intended to be used for acquiring further Water Entitlement assets, repaying the debt facility utilised to get ahead of the Entitlement Offer, and for working capital. To the extent that the Entitlement Offer is not fully subscribed, the Company may apply the proceeds of the Rights Issue for acquiring further Water Entitlement assets and for working capital only.

Please refer to the ASX Announcement and the Investor Presentation available on the Company's website and referred to in SECTION 3 of this Offer Booklet for information on Duxton's business, performance and strategy. You should also consider other publicly available information about Duxton, including information available at www.asx.com.au and www.duxtonwater.com.au.

2. Institutional Entitlement Offer

The Institutional Entitlement Offer was conducted between Wednesday, 17 October 2018 and Thursday, 18 October 2018 (inclusive), and issue of New Shares for the Institutional Entitlement Offer is expected to occur on Wednesday, 24 October 2018.

3. Retail Entitlement Offer

The Retail Entitlement Offer opens on Wednesday, 24 October 2018. The Retail Offer Booklet will be dispatched by Wednesday, 24 October 2018, along with a personalised Entitlement and Acceptance Form, to Eligible Retail Shareholders. The Retail Entitlement Offer is expected to close at 5pm (AEDT) on Friday, 16 November 2018.

Under the Retail Entitlement Offer, Eligible Retail Shareholders are offered the opportunity to subscribe for 1 New Share for every 2 Shares held at 7pm (AEDT) on the Record Date at the Issue Price of \$1.30 per New Share to issue a maximum of 45,140,141 New Shares.

The Retail Entitlement Offer is non-renounceable which means that the Entitlements do not trade on the ASX, nor can they be sold, transferred or otherwise disposed of.

The Entitlement Offer is being made pursuant section 708AA of the Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84) which allows entitlement offers to be offered without a prospectus, provided certain conditions are satisfied. As a result, it is important for Eligible Retail Shareholders to read and understand the information on Duxton and the Retail Entitlement Offer made publicly available, prior to taking up all or part of their Entitlement. In particular, please refer to this document, Duxton's half year and annual reports and other announcements made available at www.duxtonwater.com.au and www.asx.com.au.

4. Your Entitlement

Your Entitlement is set out on the accompanying Entitlement and Acceptance Form and has been calculated as 1 New Share for every 2 Shares you hold as at the Record Date, rounded up to the nearest whole New Share. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each separate holding. New Shares issued under the Retail Entitlement Offer will rank equally with issued Shares.

5. Options available to you

The number of New Shares to which Eligible Retail Shareholders are entitled is shown on the Entitlement and Acceptance Form that will accompany this Retail Offer Booklet when it is dispatched to you.

In response to the Retail Entitlement Offer, you may:

- Take up all of you Entitlement.
- Take up all of your Entitlement and also apply for additional New Shares under the Retail Shortfall Offer.
- Take up part of your Entitlement and allow the balance to lapse.
- Do nothing, in which case your Entitlement will lapse and you will receive no value for those lapsed Entitlements.

Refer to SECTION 1 for the key considerations applicable to each option available to you.

If you are an Eligible Retail Shareholder and wish to accept all or part of your Entitlement:

- carefully read this Retail Offer Booklet in its entirety;
- consider the risks associated with an investment in the Company in light of your personal circumstances (refer to SECTION 4);
- complete the relevant personalised Entitlement and Acceptance Form in accordance with the instructions in this Retail Offer Booklet and detailed on the form; and
- return the completed personalised Entitlement and Acceptance Form together with Application Monies using the reply paid or self-addressed envelope provided with this document, by mail, which must be received by the Share Registry no later than 5pm (AEDT) on the Closing Date.

- You must also pay your Application Monies by BPAY® by following the instructions on the personalised Entitlement and Acceptance Form.

If you apply to take up all of your Entitlement, you may also apply for additional New Shares under the Retail Shortfall Offer. The Issue Price for the additional New Shares is \$1.30, being the same as the Issue Price under the Retail Entitlement Offer.

If you apply for additional New Shares under the Retail Shortfall Offer, insert the number of additional New Shares you want to apply for in the appropriate section on your Entitlement and Acceptance Form. If you apply for additional New Shares under the Retail Shortfall Offer, your Application Monies must include payment for as many additional New Shares as you are applying for.

Any Application Monies received for more than your final allocation of New Shares will be refunded by the Company in accordance with the Corporations Act where applicable. No interest will be paid to Applicants on any Application Monies received or refunded.

Payment by BPAY®

Please follow the instructions on the personalised Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the declarations on that Entitlement and Acceptance Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5pm (AEDT) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

If payment is made by BPAY® the Entitlement and Acceptance Form is not required to be completed as the payment of the Application Money is deemed to be acceptance by the Shareholder. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your Entitlement and Acceptance Form in accordance with the instructions on the Form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payment to Duxton Water Limited Entitlements Issue Account and cross "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to the Issue Price multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlement and Acceptance Form, you will be taken to have

applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your Application will not be accepted.

Cash payments will not be accepted. Receipts for payment will not be issued.

6. Delivery

To participate, your payment must be received no later than the close of the Retail Entitlement Offer, on 5pm (AEDT) on the Closing Date. Shareholders who make payment via cheque, bank draft or money order should mail their completed personalised Entitlement and Acceptance Form together with Application Monies using the reply paid or self-addressed envelope provided with this document, or mail to:

Computershare Investor Services Pty Limited
GPO Box 2987
Adelaide SA 5001

7. Entitlement and Acceptance Form is binding

Returning a completed Entitlement and Acceptance form or paying any Application Monies for New Shares via BPAY® will be taken to constitute a representation by the Eligible Retail Shareholder that they:

- have received a copy of this Retail Offer Booklet accompanying the Entitlement and Acceptance Form and have read them in their entirety;
- have made the Eligible Retail Shareholder declarations set out in section 5.18 of this Retail Offer Booklet; and
- acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the Application may not be varied or withdrawn except as required by law.

SECTION 3 - ASX ANNOUNCEMENT AND INVESTOR PRESENTATION

Please refer to the Company's ASX announcement of Wednesday, 17 October 2018 and the Investor Presentations released on 21 September 2018 and 17 October 2018, which can be found on the Company's website at www.duxtonwater.com.au or the ASX website at www.asx.com.au.

SECTION 4 - KEY RISKS

An investment in the Company will be exposed to a number of risks, which may either individually or in combination, materially and adversely affect the future operating and financial performance of the Company, its investment returns and the value of an investment in its Shares.

This Section provides a description of the key risks associated with an investment in the Company.

Prospective investors should be aware that this is not an exhaustive list of the risks associated with an investment in the Company and they should be considered in conjunction with the other information disclosed in this Retail Offer Booklet. Investors should also note that the occurrence or consequences of some of the risks described in this section of the Retail Offer Booklet are partially or completely outside the control of the Company, its Directors and the Investment Manager. There can be no guarantee that the Company will achieve its stated objectives.

Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional adviser before deciding whether or not to invest.

The risk register is categorised according to 6 themes:

1. Market and operational
2. Related Party
3. Regulatory
4. Controls
5. Reputation
6. Manager and key person
7. Entitlement Offer specific

RISK	COMMENTARY
MARKET & OPERATIONAL	
Government Water Buy-Back Programs	The Commonwealth Government Murray-Darling Basin (MDB) Plan provides for a AUD \$13 billion water buy-back program in order to address the environmental sustainability of the MDB. This buy-back program involves the Commonwealth Government purchasing Water Entitlements directly and indirectly from willing sellers in the MDB and directing this purchased water to environmental flows. Indirect purchases occurred through the On-Farm Irrigation Efficiency Program which saw water savings through infrastructure improvements returned to the environment. As at 31 July 2018, 2,117.5 gigalitres of Water Entitlements had been purchased as part of the buy-back plan with 653 gigalitres still planned to be purchased. Although the majority of buy-backs are complete, any further buy-backs by the Commonwealth Government (including as a result of any change to the MDB Plan) will result in less Water Entitlements on issue, increasing the scarcity of such assets and impacting their price. The participation of the Commonwealth Government in

RISK	COMMENTARY
	the market may also distort market fundamentals temporarily and reduce opportunities for the Company to acquire Water Entitlements at acceptable values.
	Government (including as a result of any change to the MDB Plan) will result in less Water Entitlements on issue, increasing the scarcity of such assets and impacting their price. The participation of the Commonwealth Government in the market may also distort market fundamentals temporarily and reduce opportunities for the Company to acquire Water Entitlements at acceptable values.
Diversification	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 in 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.
Annual Water Allocation Risk	Water Allocations are determined by a relevant water authority. As a result of water availability in any given region and for any given security class, annual Water Allocations may be negligible or zero. This would impact the Company's ability to derive income from unleased Water Entitlements.
Weather	The market price of Water Entitlements and Water Allocations is subject to market fluctuations due to weather. For example, too much rain and flooding would significantly increase the supply of water, driving down prices. As such, negative price movements may adversely impact the ability to generate revenue from new leases for the Company's Water Entitlement portfolio or the portfolio value itself.
Market Size and Liquidity	The turnover of Water Entitlements is relatively small when compared to the aggregate Water Entitlement market, with an average annual turnover of approximately 213 gigalitres (approximately 3% of the entire Water Entitlements market) valued close to \$442 million, during the 2017-18 season. Average annual turnover in Water Allocations over the same period was 1,851 gigalitres. With limited market activity, the small market size poses a liquidity risk for the Company, creating pricing and capacity considerations.
Other Market Risk	Macroeconomic risks such as movements in interest rates, commodities prices and inflation have the potential to adversely impact on the value of assets. Significant fluctuations in macroeconomic factors may cause volatility in the value of Water Entitlements and Water Allocations resulting in unfavourable returns.
Leverage Risk	The Company has the right to employ the use of leverage in order to manage short term cash flow. This has the ability to magnify losses to the Water Entitlements portfolio. With the

RISK	COMMENTARY
	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.
Risk of Shares trading below NAV	The Shares of the Company may trade on the ASX at a discount to the NAV of the Company on a per Share basis and the performance of the Shares may not be correlated with the performance of Water Entitlements portfolio.
Risk of being unable to deploy funds	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.
Key Lessee and Other Lessee Risk Contractual Risk	<p>From close of the Retail Entitlement Offer until further leases are entered into, the Company will have approximately 78% of its lease revenue being paid by one lessee, Duxton Viticulture. If that lessee defaults, this could adversely affect the revenue generated by the Company.</p> <p>The Company also anticipates that many of its Water Entitlements will be subject to long-term lease arrangements. If the leaseholder were to default on its obligations, this could result in a loss of revenue for the Company.</p> <p>The financial performance of the Company is subject to the Company and its counterparties continuing to perform their respective obligations under various contracts. If the Company or one of the counterparties fails to adequately perform their contractual obligations, this may result in a loss of earnings, termination of the particular contract, disputes and or litigation. For example, the Company anticipates many of its Water Entitlements will be subject to long-term lease arrangements. If the leaseholder were to default on their obligations, this could result in a loss of revenue for the Company.</p>
Decline in water prices	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. As such, there exists the risk that Water Entitlements may reduce in value over the investment period.
RELATED PARTY	
Management of conflicts of interest	<p>The Company has in place all appropriate and necessary policies and procedures regarding insider trading, conflicts of interest, and related parties.</p> <p>The Company continues to rely on Independent Directors and legal counsel and governance advice (Company Secretary) to ensure compliance with ASX regulations.</p>
Reliance on Related Parties	As the portfolio continues to grow and be further diversified, any reliance on related parties is reduced. The intention is to grow the number of lessees as new capital is introduced.

RISK	COMMENTARY
REGULATORY	
Government policies and regulations, and ASX/ASIC relation compliance	<p>The Company continues to rely on legal counsel and governance advice (Company Secretary) to ensure compliance with ASX and ASIC regulations.</p> <p>The Company is proactive in monitoring changes in Government policies and regulations.</p>
Legal, tax and other regulatory risks	<p>Regulatory change implemented through the MDB Plan and through State and Federal water reforms may impact the liquidity, transferability and value of Australian Water Entitlements. Historically, governments have allowed transitional periods in order for the market to respond to any changes in regulations.</p> <p>The regulatory 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.</p>
CONTROLS	
Internal controls	<p>The Company is aware of various internal control risks including distribution of authority, separation of duties and powers, review processes, communication with Board and others, counterparty risks, credit risks and bank related risks (digital hacking or email/organised fraud).</p> <p>The Risk Committee and the Board have completed a full risk assessment and keep a live risk register of these items. The reviews conducted found no internal control risk deficiencies. The Company undertakes ongoing reviews of internal controls and ensures auditor engagement includes a review of controls. There are policies in place, reviewed regularly, concerning counterparty risks and "know your customer" programs. Staff training is conducted regarding fraud and hacking risks, and professional assistance is obtained to identify mitigation responses and disaster response planning.</p>
REPUTATION	
Water market communications	<p>The Company provides monthly updates and ASX announcements, with Board approval.</p>
MANAGER AND KEY PERSON	
Key person and succession planning	<p>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 with the Investment Manager and a key term of reference with each Director, but this does not guarantee continued involvement of Board members or employment of key personnel. The loss of key employees could cause material disruption to the business and operations of the Company and have a material adverse effect on future financial performance.</p>

RISK	COMMENTARY
Investment Manager assessment and reliance on the Investment Manager	<p>The Company proposes to have a management assessment committee (pending Board approval) to ensure the Company is best assessing the performance of the Investment Manager. This committee would include the Independent Directors only and would meet periodically.</p> <p>The investment decisions made by the Investment Manager will be key to achieving the Company's investment objectives. Failure to develop and implement adequate strategies may adversely impact the performance of the Company.</p>
ENTITLEMENT OFFER SPECIFIC	
Ability to deploy funds	Refer to risk under "Market" category.

SECTION 5 - SHAREHOLDER INFORMATION

5.1 Overview of the Retail Entitlement Offer

Eligible Retail Shareholders are entitled to apply for 1 New Share for every 2 Shares held on the Record Date at a price of \$1.30 per New Share, subject to the terms of this Retail Offer Booklet. There is no minimum subscription for the Retail Entitlement Offer. Eligible Retail Shareholders (other than Related Parties of the Company) who apply for their full Entitlement may also apply for additional New Shares under the Retail Shortfall Offer.

This Retail Entitlement Offer is non-renounceable which means that the Entitlements cannot be traded or otherwise transferred on the ASX.

5.2 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been accepted.

5.3 Eligibility of Shareholders

The Retail Entitlement Offer is being offered to Eligible Retail Shareholders only. Eligible Retail Shareholders are Shareholders who:

- are registered as holders of existing Shares in the Company at 7pm (AEDT time) on the Record Date;
- have a registered address on the Company's share register in Australia or New Zealand as at 7pm (AEDT time) on the Record Date (or are a Shareholder not in Australia or New Zealand that the Company has otherwise determined is eligible to participate);
- are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States;
- were not invited to participate in the Institutional Entitlement Offer and were not treated as an Ineligible Institutional Shareholder under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

The Company reserves the right to determine whether a Shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

By returning a completed personalised Entitlement and Acceptance Form or making a payment by BPAY®, cheque, bank draft or money order you will be taken to have represented and warranted to the Company that you satisfy each of the Eligible Retail Shareholder criteria. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

The Company has determined that it is unreasonable to extend the Retail Entitlement Offer to Shareholders who have a registered address outside of Australia or New Zealand because of the small number of such Shareholders, the number and value of New Shares that they would be offered and the cost of complying with the relevant legal and regulatory requirements in those places. The Company reserves the right (in its absolute discretion) to extend the Retail Entitlement Offer to Shareholders who have registered addresses outside Australia or New Zealand (subject to compliance with relevant laws).

All retail Shareholders who are not Eligible Retail Shareholders are Ineligible Retail Shareholders. Ineligible Retail Shareholders will not be entitled to participate in the Retail Entitlement Offer and their Entitlement will form part of the shortfall.

5.4 Retail Shortfall Offer

If any Eligible Retail Shareholders do not take up their Entitlement, the New Shares not taken up will form the shortfall. These New Shares are made available to Eligible Retail Shareholders (excluding Directors and all other Related Parties of the Company) who apply for their full Entitlement under the Retail Shortfall Offer.

If you apply for additional New Shares under the Retail Shortfall Offer and if your Application is successful (in whole or in part), your additional New Shares will be issued to you at the same time as the New Shares issued pursuant to the Retail Entitlement Offer. Additional New Shares will only be allocated to Eligible Retail Shareholders if available. If you apply for additional New Shares, there is no guarantee that you will receive any or all of the additional New Shares applied for under the Retail Shortfall Offer. Additional New Shares under the Retail Shortfall Offer will be allocated as the Board so determines in its absolute discretion. If your Application Monies include an excess amount for additional New Shares which you are not ultimately allocated, you will be refunded in respect of those additional New Shares that you included payment for but were not allocated. Refunded amounts, if any, will be paid in Australian dollars by cheque sent by ordinary post to your address as recorded on the share register.

Subject to the Corporations Act and ASX Listing Rules, the Directors reserve the right to place any Shares not subscribed for by Eligible Retail Shareholders at their discretion within three months of the Closing Date. The Directors also reserve the right to place any shares not subscribed for under the Institutional Offer at their discretion within three months of the closing date of the Institutional Entitlement Offer.

5.5 Ranking of New Shares

The New Shares issued will rank equally with the existing Shares on issue. The rights and liabilities attaching to the New Shares are set out in the Company's Constitution and in the Corporations Act.

5.6 Issue of New Shares, quotation and trading

The Company has applied for quotation of the New Shares on ASX in accordance with Listing Rule requirements. If the ASX does not grant quotation of the New Shares, the Company will repay all Application Monies (without interest).

It is expected that trading of New Shares will, subject to ASX approval, commence trading on Monday, 26 November 2018. It is expected that issue of the New Shares under the Retail Entitlement Offer will take place on Friday, 23 November 2018. Application Monies will be held by the Company on trust for Applicants until the New Shares are issued. No interest will be paid on Application Monies.

It is the responsibility of Applicants to determine the number of New Shares issued to them prior to trading in the New Shares. The sale by an Applicant of New Shares prior to receiving their holding statement is at the Applicant's own risk.

5.7 Capital Structure

After the issue of New Shares under the Retail Entitlement Offer, the capital structure of the Company would be as follows assuming all New Shares were issued (subject to the rounding of fractional Entitlements):

Shares on issue as at announcement of Entitlement Offer	90,280,281
New Shares issued as part of Institutional Entitlement Offer	7,501,693
New Shares to be issued as part of Retail Entitlement Offer	26,618,096
Remaining Institutional Shortfall available for placement	11,020,352
Shares on issue after the Entitlement Offer	Maximum of 135,420,422

5.8 Control

The Company's largest Shareholder, Duxton Vineyards and its associate, Duxton Vineyards Water, have advised that they will not be participating in the Entitlement Offer by taking up their Entitlement. Together, Duxton Vineyards and Duxton Vineyards Water currently hold 38% of the issued capital of the Company. Accordingly, upon close of the Retail Entitlement Offer and after all New Shares have been issued, the Company anticipates that the interests of Duxton Vineyards and Duxton Vineyards Water in the Company will be diluted. The maximum extent of the dilution of Duxton Vineyards and Duxton Vineyards Water is set out in the following table Which assumes all new Shares are issued under the Offer.

Shareholders	Pre-Entitlement Offer	Post Entitlement Offer*
Duxton Vineyards / Duxton Vineyards Water	34,413,856	34,413,856
	38%	25%

**Assuming Duxton Vineyards do not apply for any New Shares, and assuming maximum Offer application (i.e. for the full 45,140,141).*

Other than as set out above, the issue of New Shares under the Entitlement Offer is not expected to have a material impact on the control of the Company.

5.9 Potential Dilution

You should note that if you do not participate in the Retail Entitlement Offer, the proportion your Shares represent to the total number of Shares on issue as at the date of this Retail Offer Booklet will be diluted.

5.10 Reconciliation

In any Entitlement Offer, investors may believe that they own more existing Shares on the Record Date than they ultimately do. This may result in a need for reconciliation to ensure all Eligible Retail Shareholders have the opportunity to receive their full Entitlement.

The Company may need to issue a small quantity of additional New Shares to ensure all Eligible Retail Shareholders have the opportunity to receive their appropriate allocation of New Shares. The price at which these New Shares would be issued, if required, is the same as the Issue Price.

The Company also reserves the right to reduce the number of New Shares allocated to Eligible Retail Shareholders or persons claiming to be Eligible Retail Shareholders, if their Entitlement claims prove to be overstated, if they or their nominees fail to provide information requested to substantiate their Entitlement claims, or if they are not Eligible Retail Shareholders.

5.11 Directors' Interests and Participation

The Directors (and their respective Associates) may acquire New Shares under the Retail Entitlement Offer to the extent they are Eligible Retail Shareholders. Holdings of Shares are subject to the ASX Listing Rules. Details of the directors' holdings in the Company as at the date of this Retail Offer Booklet are set out in the below table.

The Directors have stated that they intend to participate in the Entitlement Offer.

Director	Relevant Interest	
Ed Peter	10,064,169 Shares	11.15%
Stephen Duerden	93,534 Shares	0.10%
Peter Michell	1,279,318 Shares	1.42%
Dennis Mutton	21,299 Shares	0.02%
Dirk Wiedmann	1,471,793 Shares	1.63%

5.12 Continuous Disclosure

The Company is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half-yearly reports.

The Company is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to markets conducted by the ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately if there is, or it becomes aware of, any information which a reasonable person would expect to have a material effect on the price or value of the Shares. That information is available to the public from the ASX.

5.13 Risk factors

Please refer to the 'Key Risks' set out at SECTION 4 of this Retail Offer Booklet for details of the key risks factors associated with participating in the Retail Entitlement Offer. You should consider these risk factors carefully in light of your personal circumstances, including financial and taxation issues, before making an investment decision to participate in the Retail Entitlement Offer.

5.14 Not investment advice

The Company recommends that you consult your professional adviser before deciding to invest. The information provided in this Retail Offer Booklet and the accompanying personalised Entitlement and Acceptance Form does not constitute financial product advice and has been prepared without taking into account your individual investment objectives, financial circumstances or particular needs. The information should not be considered to comprise all the information which a Shareholder may require in order to determine whether or not to subscribe for New Shares under the Retail Entitlement Offer.

5.15 **Withdrawal of the Retail Entitlement Offer**

The Company reserves the right to withdraw the Retail Entitlement Offer at any time, in which case the Company will refund any Application Monies already received in accordance with the Corporations Act and will do so without interest.

5.16 **Consents**

None of the parties referred to in the Corporate Directory of this Retail Offer Booklet (other than the Company), have made or authorised the making of any statement that is included in this Retail Offer Booklet or any statement on which a statement in this Retail Offer Booklet is based. To the maximum extent permitted by law, each of these parties expressly disclaims and takes no responsibility for any statements in or omissions from this Retail Offer Booklet other than references to its name or a statement or report included in this document with the consent of that party as specified above.

5.17 **Privacy Statement**

If you complete an Application, you will be providing personal information to the Company (directly or to the Share Registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the ATO, authorised securities brokers, print service providers, mail houses and the Share Registry. You can access, correct and update the personal information that is held about you. If you wish to do so contact the Share Registry at the relevant contact details set out in this Retail Offer Booklet.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended). You should note that if the information required on the Application for New Shares is not provided, Duxton may not be able to accept or process your Application.

5.18 **Eligible Retail Shareholder Declarations**

If you participate in the Retail Entitlement Offer, you will be taken to make the following declarations to the Company:

- you acknowledge that you have read and understand each of this Retail Offer Booklet and your personalised Entitlement and Acceptance Form in their entirety;
- you agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Booklet and the Company's Constitution;
- you authorise the Company to register you as the holder(s) of New Shares issued to you;
- you declare that all details and statements in the personalised Entitlement and Acceptance Form are complete and accurate;
- you declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlement and Acceptance Form;
- you acknowledge that once the Company receives your Application or any payment of Application Monies, you may not withdraw your Application or funds provided except as allowed by law;

- you agree to apply for and be issued up to the number of New Shares specified in your Application, or for which you have submitted payment of any Application Monies, at the Issue Price per New Share;
- you authorise the Company, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contract details set out in your personalised Entitlement and Acceptance Form;
- you declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlement and Acceptance Form as being held by you on the Record Date;
- you acknowledge that the information contained in this Retail Offer Booklet and your personalised Entitlement and Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or particular needs;
- you acknowledge that this Retail Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to the ASX;
- you acknowledge (and have read) the statement of risks in the "Key Risks" section included in SECTION 4 of this Retail Offer Booklet, and that investments in the Company are subject to risk;
- you acknowledge that neither the Company nor its respective related bodies corporate and affiliates and their respective Directors, Officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of the Company, nor do they guarantee the repayment of any capital;
- you agree to provide (or direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- you authorise the Company to correct any errors in your personalised Entitlement and Acceptance Form or other form provided by you;
- you represent and warrant for the benefit of the Company and their respective related bodies corporate and affiliates) that you are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- you represent and warrant that the law of any place does not prohibit you from being given this Retail Offer Booklet and the personalised Entitlement and Acceptance Form, nor does it prohibit you from making an Application and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- you are an Eligible Retail Shareholder and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Retail Entitlement Offer;
- you acknowledge that the New Shares have not been, and will not be, registered under the Securities Act or under the laws of any other jurisdiction outside Australia;
- you have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States; and

- you agree that if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in transactions where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or who is acting for the account or benefit of a person in the United States.

SECTION 6 - PRO FORMA BALANCE SHEET

The following balance sheet is based on a price of \$1.30 per share for this Entitlement Offer.

PERIOD	Note	As at 30 June 2018	As at 30 September 2018	Impact of the Offer - Pro Forma 30/09/2018 ¹
Assets				
Total Cash and cash equivalents	1	1,354,112	1,679,000	29,088,298
Total trade and other receivables	2	481,931	3,336,994	3,336,994
Total Other current assets	3	1,841	168,418	168,418
Total Intangible assets	4	122,123,173	161,480,836	161,480,836
Deferred tax assets		(6,971,464)	(10,160,644)	(10,160,644)
Total Assets		116,989,593	156,504,603	183,913,901
Liabilities				
NAB Facility		1,500,000	29,833,427	-
Total Trade and other payables (excl. facility)	5	1,165,744	3,850,058	3,747,961
Total Liabilities		2,665,744	33,683,484	3,747,961
Net Assets		114,323,849	122,821,119	180,165,940
Total Equity		114,323,849	122,821,119	180,165,940
Shares on issue		89,529,624	90,280,281	135,420,422

1. Assumes maximum subscription level including placement of any shortfall
2. Total cash, cash equivalent and the debt pay-down facility will vary depending on the final outcome of the Entitlement Offer.

	As at 30 June 2018	As at 30 September 2018	Impact of the Offer - Pro Forma 30/09/2018 ¹
1			
Total Cash and cash equivalents			
Cash at Bank	1,354,112	1,679,000	29,088,298
	1,354,112	1,679,000	29,088,298
2			
Total Trade and other receivables			
Trade debtors	70,141	1,810,721	1,810,721
Deposits paid	411,791	1,526,272	1,526,272
	481,931	3,336,994	3,336,994
3			
Other current expenses			
Prepaid expenses	1,841	168,418	168,418
	1,841	168,418	168,418

	As at 30 June 2018	As at 30 September 2018	Impact of the Offer - Pro Forma 30/09/2018 ¹
4			
Total Intangible assets			
Water licences at cost	95,244,200	115,560,538	115,560,538
Water licences – revaluation	24,627,431	33,885,995	33,885,995
Temporary water allocation	2,649,965	11,159,769	11,159,769
Temporary water allocation – revaluation	(398,423)	874,534	874,534
	122,123,173	161,480,836	161,480,836
5			
Trade and other payables (excl. facility)			
Current expenses	10,806	886	886
Accrued expenses	613,126	2,241,736	2,095,884
Trade creditors	(134,834)	(75,248)	(75,248)
Unearned revenue	706,662	706,662	706,662
GST	(55,975)	(72,306)	(72,306)
Tax payable	25,959	1,048,348	1,092,103
	1,165,744	3,850,58	3,747,961

1. Assumes maximum subscription level including placement of any shortfall

2. Total cash, cash equivalent and the debt pay-down facility will vary depending on the final outcome of the Entitlement Offer

EVENT	DATE (2018)
Announcement of accelerated non-renounceable entitlement offer	Wednesday 17 October
Trading halt announced and Company conducts Institutional offer	Wednesday 17 October – Thursday 18 October
Announcement of results of Institutional offer Trading halt lifted Trading resumes on an ex-entitlement basis	Friday 19 October
Record date to identify security holders entitled to participate	Friday 19 October
Quotation of securities issued under institutional offer	Tuesday 23 October
Last date for retail offer to open	Wednesday 24 October
Retail offer closes	Friday 16 November
Allotment of New Shares under retail offer	Friday 23 November
New Shares issued under retail offer	Monday 26 November
Holding statements sent to retail holders	Tuesday 27 November

1. Assumes maximum subscription level including placement of any shortfall

2. Total cash, cash equivalent and the debt pay-down facility will vary depending on the final outcome of the Entitlement Offer

All dates are indicative and are subject to change without notice.

SECTION 7 - AUSTRALIAN TAXATION CONSEQUENCES

Below is a general guide to the Australian taxation consequences of the Retail Entitlement Offer for Eligible Retail Shareholders that hold their New Shares acquired on capital account.

The guide does not consider the Australian tax consequences for Eligible Retail Shareholders that:

- hold their Shares as assets used in carrying on a business or who may carry on the business of share trading, banking or investment; or
- hold their Shares through an employee share scheme or whose Shares are held as revenue assets or trading stock; or
- may be subject to special tax rules, such as trusts, superannuation funds, partnerships, tax exempt organisations and insurance companies; or
- are subject to the 'taxation of financial arrangements' provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to their holding of Shares, New Shares or Entitlements; or
- are tax residents of any jurisdiction (including New Zealand) other than Australia.

The guide does not take account of the individual circumstances of particular Eligible Retail Shareholders and does not constitute tax advice. It does not purport to be a complete analysis of the potential tax consequences of the Retail Entitlement Offer and is intended as a general guide to the Australian tax implications. Eligible Retail Shareholders should seek advice from an appropriate professional advisor in relation to the tax implications of the Retail Entitlement Offer based on their own individual circumstances.

7.1 Taxation considerations

There will be tax implications associated with participating in the Retail Entitlement Offer and receiving any New Shares. The information outlined in this Section is simply of a general nature and does not purport to constitute legal or tax advice. Investors should be aware that due to the complexity of taxation laws the interpretation of such laws may be subject to change during the period of investment in the Company. This general information pertaining to the taxation of Shareholders participating in this Retail Entitlement Offer is based on current tax law and ATO Rulings at the time this Retail Offer Booklet was issued.

Investors should also note that this Retail Offer Booklet is unable to address every taxation issue that could be of relevance to a particular Eligible Retail Shareholder.

As the taxation circumstances of each investor may be different, Eligible Retail Shareholders must not rely on the information provided in this summary. Prospective investors must obtain independent professional taxation advice on the implications applicable to their situation. The information in this Section is not, nor is it intended to be, a substitute for investors obtaining independent tax advice in relation to their personal circumstances. The Company strongly recommends you seek independent tax advice that takes into account your own personal circumstances.

7.2 Introduction

The tax implications provided below only relate to Australian Shareholders who hold their Shares on capital account. Different tax implications apply to non-resident Shareholders or Shareholders who hold their Shares on revenue account.

The comments in this Section are general in nature on the basis that the tax implications for each Shareholder may vary depending on their particular circumstances. Accordingly, it is recommended

that each Eligible Retail Shareholder seek their own professional advice regarding the taxation implications associated with the Retail Entitlement Offer.

The comments in this Section are based on the *Income Tax Assessment Act 1936*, *Income Tax Assessment Act 1997*, *A New Tax System (Goods and Services Tax) Act 1999* and the relevant stamp duties legislation as at the date of this Retail Offer Booklet. This Section provides a general overview of the Australian income tax implications of investing in the Company, based on current tax law. As such, it is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances. It is strongly recommended you should seek independent tax advice.

7.3 Stamp duty

Eligible Retail Shareholders should not be liable to stamp duty in Australia in respect of the acquisition of New Shares under the Retail Entitlement Offer.

7.4 Income tax position of Australian resident Shareholders

A general outline of the tax implications associated with the Retail Entitlement Offer for Australian resident Shareholders who hold their Shares on capital account is set out below.

7.5 Issue of Entitlement

The issue of the Entitlement should not in itself result in any amount being included as assessable income of an Eligible Retail Shareholder.

7.6 Exercise of Entitlement

New Shares will be acquired where an Eligible Retail Shareholder exercises all or part of their Entitlement under the Retail Entitlement Offer.

An Eligible Retail Shareholder should not derive any assessable income, or make any capital gain or capital loss, at the time of exercising (ie taking up) their Entitlement under the Retail Entitlement Offer.

For Australian capital gains tax (CGT) purpose, the cost base of each New Share acquired under the Retail Entitlement Offer will be equal to the Issue Price payable for each new Share plus certain non-deductible incidental costs the Eligible Retail Shareholder incurs in acquiring, and subsequently holding or disposing of the New Shares.

7.7 Lapse of Entitlement

If an Eligible Retail Shareholder does not accept all or part of their Entitlement in accordance with the Retail Entitlement Offer, then the Entitlement will lapse, and the Eligible Retail Shareholder will not receive any consideration for their Entitlement that is not taken up. There should be no tax implications (either by way of assessable income or allowable deductions) for an Eligible Retail Shareholder from the lapse of all or part of the Entitlement.

7.8 Disposal of Shares

The disposal of New Shares will constitute a disposal for CGT purposes and hence shall be a taxing event for Eligible Retail Shareholders.

Eligible Retail Shareholders should derive a taxable capital gain where the capital proceeds that are received as a result of the disposal of New Shares exceed the cost base of the New Shares. Likewise, Eligible Retail Shareholders should generally incur a capital loss where the reduced cost base of the New Shares exceeds the capital proceeds.

Generally, the capital proceeds that are received as a result of the disposal of the New Shares will be equal to the consideration received on disposal. The cost base of the New Shares will generally

be equal to the amount paid in respect of the acquisition of the New Shares plus any non-deductible incidental costs of acquisition holding or disposal.

Provided Eligible Retail Shareholders (other than corporate Eligible Retail Shareholders) have held their New Shares for 12 months prior to the disposal, the CGT discount concession may be available in relation to any capital gain arising as a result of the disposal.

Where this concession applies, any such capital gain will be reduced (after applying capital losses) by the following percentages:

- 50% for an individual or trust;
- 33.33% for a complying superannuation fund.

The New Shares will be treated for the purposes of the CGT discount as having been acquired at the date when the Entitlement is exercised. Accordingly, in order to be eligible for the CGT discount, the New Shares must be held for at least 12 months after the date the Entitlement is exercised.

If a capital loss is made, it can only be used offset against other capital gains (ie a capital loss cannot be offset against taxable income on revenue account. If the capital loss cannot be used in the year it is incurred it can be carried forward to be used in future income years, subject to certain tests being satisfied.

7.9 Dividends

Any future dividends made in respect of New Shares issued under the Retail Entitlement Offer will be subject to the same tax treatment as dividends paid on existing Shares held in the same circumstances.

Dividends received by Eligible Retail Shareholders should be included in the assessable income of Eligible Retail Shareholders in the income year in which the dividends are paid. Generally, individual Shareholders will be taxed on the dividends at their relevant marginal rate of tax. If the Eligible Retail Shareholder is a company, the Eligible Retail Shareholder will be taxed at the prevailing company tax rate (currently 27.50% for companies that qualify as 'Base Rate entities' and 30% for all others).

Generally, to the extent that the dividends are franked, an amount equal to the franking credits attaching to the dividends will be included in the assessable income of the Eligible Retail Shareholder. Further, Eligible Retail Shareholders will generally be entitled to a refundable tax offset equal to the amount of the franking credits on the dividend (i.e. Eligible Retail Shareholders will effectively get a tax credit for the corporate tax paid in respect of the dividends).

Certain Eligible Retail Shareholders (including individuals and complying superannuation funds) may be entitled to a refund of 'excess franking credits' where their tax offset in respect of the franked dividends exceeds their tax liability.

The income tax rate for complying superannuation funds in accumulation phase is 15%. Complying superannuation funds generally obtain a tax offset from franked dividends against the fund's income tax liability, and any excess franking credits may be fully refunded.

A complying superannuation fund 100% in pension phase would be entitled to a full refund of franking credits, as all income of the fund would be attributable to the fund's liability to pay current pensions, and therefore exempt from income tax.

7.10 Goods and Services Tax

GST should not be payable in regard to the acquisition, disposal, redemption or any distributions paid resulting from the ownership of New Shares issued under the Retail Entitlement Offer. GST may be included in fees charged to you in respect of acquisition or disposal of your New Shares. Eligible Retail Shareholders should seek independent professional taxation advice regarding the applicability and availability of input tax credits resulting from GST payments.

SECTION 8 - GLOSSARY OF TERMS

TERM	DEFINITION
\$ or AUD	Australian dollars
Applicant	An Eligible Retail Shareholder who has submitted a valid Application
Application	An application to subscribe for New Shares under the Retail Entitlement Offer by way of an Entitlement and Acceptance Form
Application Money	The money received from Applicants in respect of their Application
ASIC	Australian Securities and Investments Commission
Associate	An associate for the purpose of Chapter 6 of the Corporations Act
ASX	ASX ACN 008 624 691 or the market known as the Australian Securities Exchange, as applicable
ASX Listing Rules	The official listing rules of ASX, as amended or replaced from time to time
ATO	Australian Taxation Office
Board	The board of directors of the Company
Closing Date	5pm (AEDT) on Friday, 16 November 2018
Company	Duxton Water Ltd (ACN 611 976 517)
Corporations Act	<i>Corporations Act 2001</i> (Cth) (as amended)
Duxton Vineyards	Duxton Vineyards Pty Ltd (ACN 608 763 515) as trustee for the Duxton Vineyards Unit Trust
Duxton Vineyards Water	Duxton Vineyards Water Pty Ltd (ACN 609 424 786) as trustee for the Duxton Water Trust
Duxton Viticulture	Duxton Viticulture Pty Ltd (ACN 609 424 704)
Eligible Institutional Shareholder	<p>A person who:</p> <ul style="list-style-type: none"> • was identified as an Institutional Shareholder by Duxton; • has a registered address in Australia or New Zealand; • is not in the United States and is not acting for the account or benefit of a person in the United States; • is eligible under all applicable securities laws to receive an offer under the Institutional Entitlement Offer; and • who has successfully received an offer under the Institutional Entitlement Offer.

TERM	DEFINITION
Eligible Retail Shareholder	A Shareholder who meets the criteria of an Eligible Retail Shareholder under Section 5.3
Eligible Shareholder	A person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder
Entitlement	For Eligible Shareholders, a right to subscribe for up to 1 New Share for every 2 Shares held on the Record Date at the Issue Price
Entitlement Offer	The Institutional Entitlement Offer and the Retail Entitlement Offer
Entitlement and Acceptance Form	The personalised entitlement and acceptance form attached to this Retail Offer Booklet
Ineligible Institutional Shareholder	An Institutional Shareholder who is not an Eligible Institutional Shareholder
Ineligible Retail Shareholder	A Shareholder who is neither an Institutional Shareholder nor an Eligible Retail Shareholder
Institutional Entitlement Offer	The accelerated non-renounceable pro-rata entitlement offer to Eligible Institutional Shareholders.
Institutional Investor	<p>A person:</p> <ul style="list-style-type: none"> in Australia, to whom an offer of securities in a company may be made in Australia without a disclosure document (as defined in the Corporations Act) on the basis that such a person is an 'exempt investor' as defined in section 9A(5) of the Corporations Act (as inserted by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84); or in selected jurisdictions outside Australia to whom an offer of New Shares may be made without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that foreign jurisdiction (except to the extent to which Duxton, at its absolute discretion, is willing to comply with such requirements)
Institutional Shareholder	A Shareholder who is an Institutional Investor
Independent Directors	Dirk Wiedmann, Peter Michell and Dennis Mutton
Investment Manager	Duxton Capital (Australia) Pty Ltd (ACN 164 225 647) AFSL 450218
Issue Price	\$1.30 per New Share
NAV	Net Asset Value
New Shares	The Shares being offered pursuant to the Entitlement Offer
Record Date	7pm (AEDT) on Friday, 19 October 2018
Retail Entitlement Offer	The offer to all Eligible Retail Shareholders of a non-renounceable right to subscribe for up to 1 New Share for every 2 Shares held on the Record Date at the Issue Price

TERM	DEFINITION
Retail Offer Booklet	This document
Retail Shortfall Offer	The offer to Eligible Retail Shareholders(other than a Related Party of the Company) to subscribe for additional New Share not taken up under the Retail Entitlement Offer, pursuant to the terms set out in this Retail Offer Booklet
Related Party	A related party for the purposes of the Corporations Act
Relevant Interest	Has the same meaning as in the Corporations Act
Risk Committee	The Audit and Risk Committee of the Company
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of Shares
Share Registry	Computershare Investor Services Pty Limited
Water Allocation	The specific volume of water allocated to a Water Entitlement in a given season
Water Entitlements	The perpetual entitlement to exclusive access to a share of water from a specified consumptive pool

CORPORATE DIRECTORY

Company

Duxton Water Limited
7 Pomona Road
Stirling SA 5152

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2987
Adelaide SA 5001

Legal Adviser

Cowell Clarke
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Website

To view annual reports, Shareholder and company information, announcements, information on Duxton see www.duxtonwater.com.au