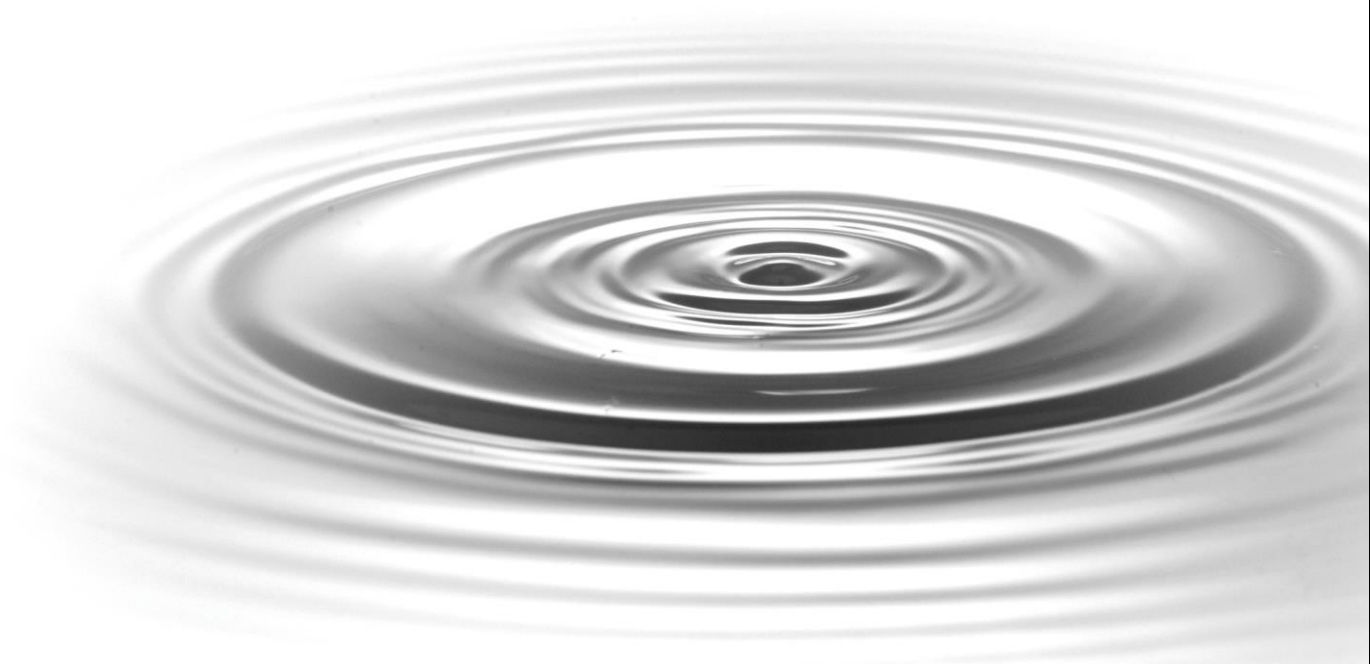




DUXTON
WATER



DUXTONWATER^{LTD}

APRIL 2019

Global Ag Investing Presentation

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Duxton Capital (Australia) is part of the Duxton Group, as a wholly owned subsidiary of Duxton Capital Pte Ltd. The Group manages and advises **over A\$1.2 billion in assets** (at 31 December 2018). Collectively, the Duxton Group manages a range of different agricultural commodities.



DIRECT INVESTMENT PROJECTS

| | |
|-------------|----------------------|
| Australia | Mixed Farming |
| | Broadacre Farming |
| | Dairy |
| | Dried Fruit |
| | Wine Grape Vineyards |
| | Applies |
| | Livestock |
| India | Cotton |
| | Water Entitlements |
| | Tea |
| | Sugar |
| | Grains and Livestock |
| | Rice |
| | Feed and Supplements |
| Vietnam | Mixed Farming |
| | Cotton(advice only) |
| New Zealand | Lamb |
| | Dairy |

The members of the Duxton Group have been **exposed to Australian water markets since 1999**. Duxton Capital (Australia) is the Investment Manager for Duxton Water Limited (ASX: D20), Australia’s only listed entity with a pure exposure to the Australian water market. The Duxton Group is fully owned by Ed Peter, Stephen Duerden, and Scott Jaffray.

GLOBAL INVESTMENT IN WATER

There a multitude of ways to invest in the valuable and limited resource that is water, including;



Services/Utilities

Services include Companies that operate water treatment and supply infrastructure, provide potable water or the treatment of water for industrial, residential, utility and agricultural users. The value of Australian urban water assets is estimated to be **A\$160 billion** at 1 July 2015.¹



Infrastructure

Investments into Companies that provide water infrastructure can include the manufacture of pipes, meters and services that enhance water infrastructure systems. The global water and wastewater treatment market is expected to reach **USD\$675 billion** by 2025.²



Raw resource

Investment can also be made directly or indirectly in the raw water resource. Duxton Water provides a unique opportunity to invest directly into the raw resource in Australia. The Australian water entitlement (perpetual right to the resource) market is estimated to be valued at **~A\$50 billion**.³

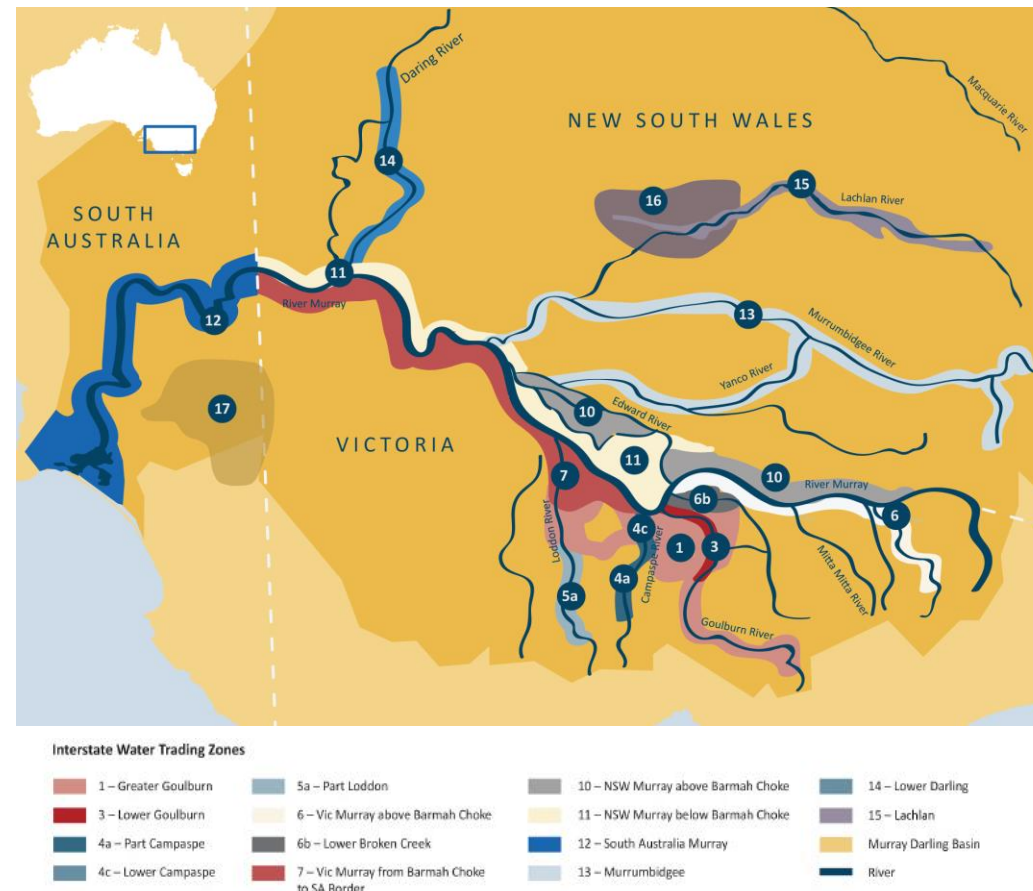
1: Infrastructure Partnerships Australia, 'Doing the important, as well as the urgent: Reforming the urban water sector', November 2015

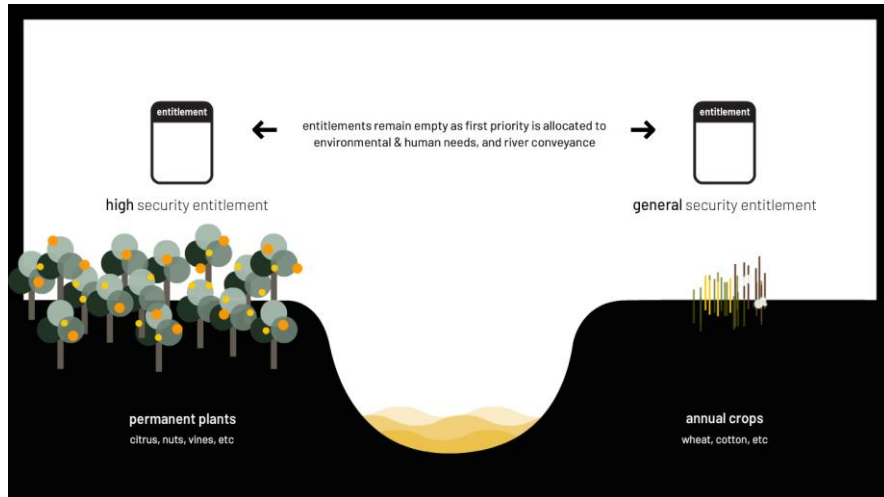
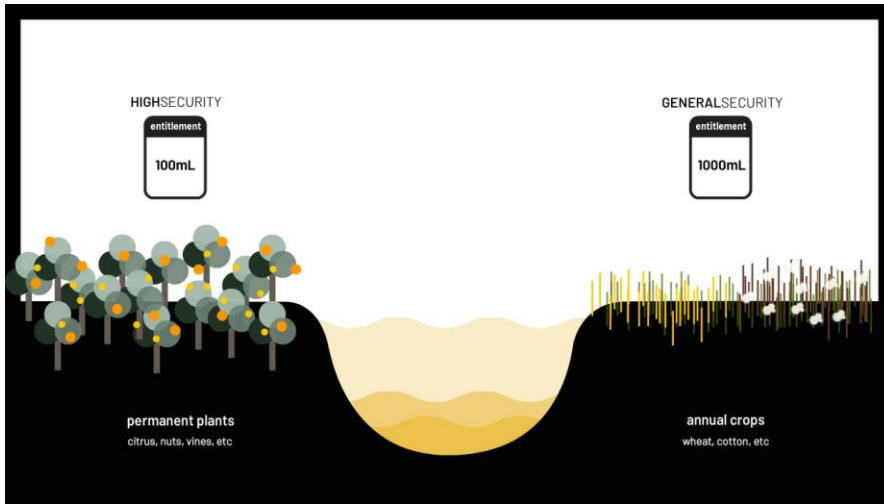
2: Hexaresearch, 'Water and Wastewater Treatment Market Size and Forecast, By Type (Chemicals, Treatment Technologies, Equipment & Services), By End Use (Municipal, Industrial) and Trend Analysis, 2014-2025'.

3: Estimation based on value of market per ABARES estimate in 2013, extrapolated out to 2018 with reference to increase in values observed in the SMDB.

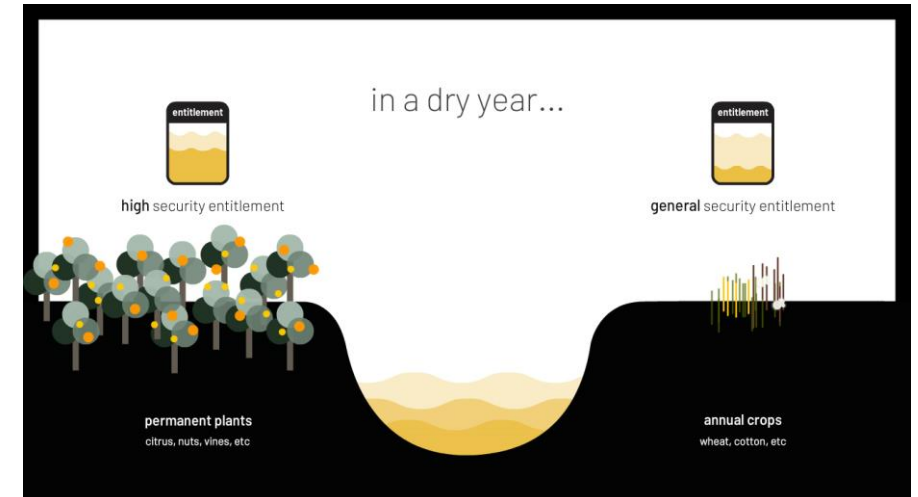
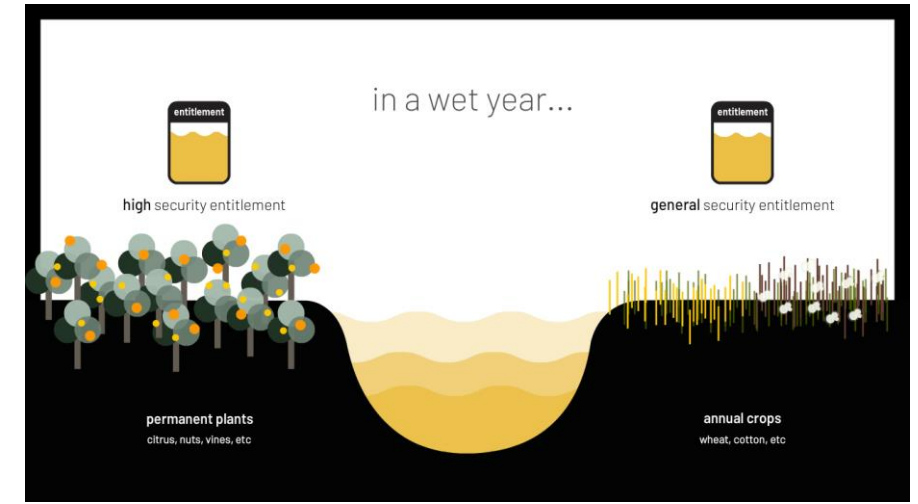
A UNIQUE APPROACH TO WATER OWNERSHIP, INVESTMENT AND MANAGEMENT

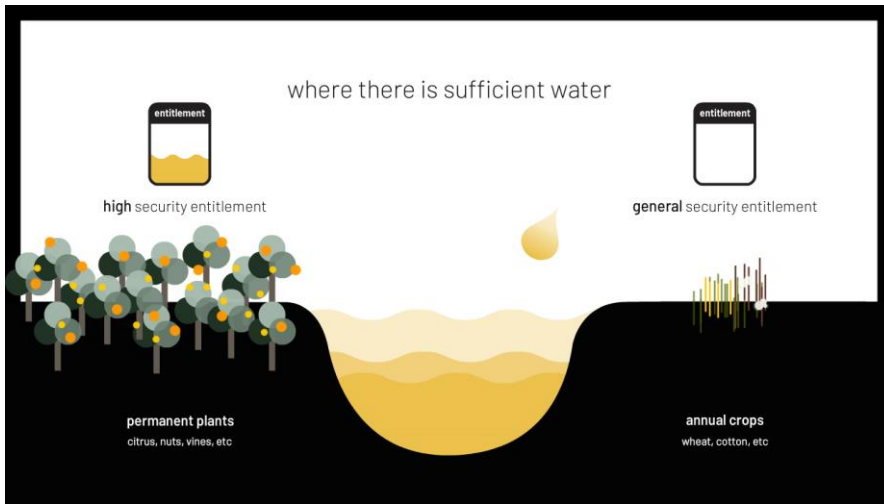
- Australia is a continent with varied climates, geographies, and water resource availability. There is **~A\$50 billion** worth of water in Australia.
- **A\$20 billion** of this is located in the **Southern Murray Darling Basin** system, crossing South Australia, Victoria and New South Wales.
 - 28% of rights on issue are now owned by State and Commonwealth Government
 - Of the remaining 72%, Duxton Water accounts for ~1%
- Around 66% of Australia's total agricultural production takes place in this region.





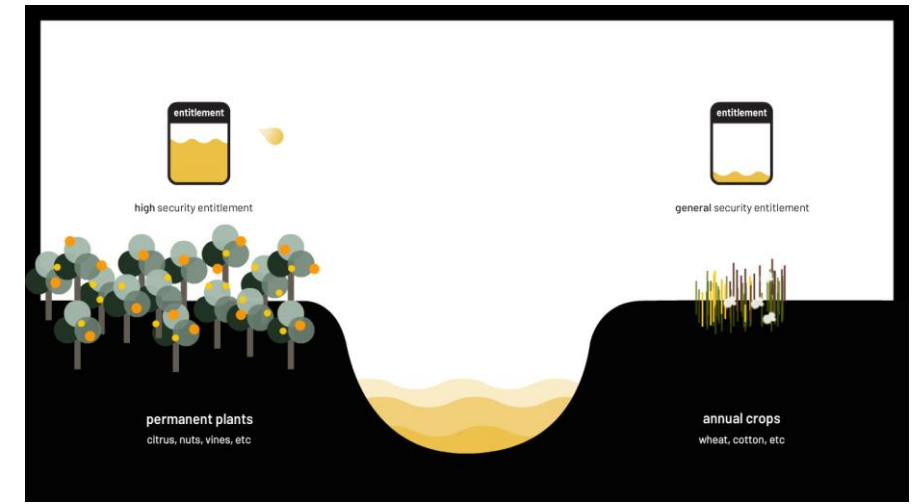
- Farmers plant both **permanent and annual crops**. Historically, they were given a right to the resource based on their production (i.e. **High Security**, lower volume, or **General Security**, but higher volume).
- In a **wet year**, most entitlements perform well; they receive most of their **allocation** (being the usable water in that year).
- In a **dry year** high security perform better than general.
- First priority of allocation is always given to environmental, human, and conveyance needs.



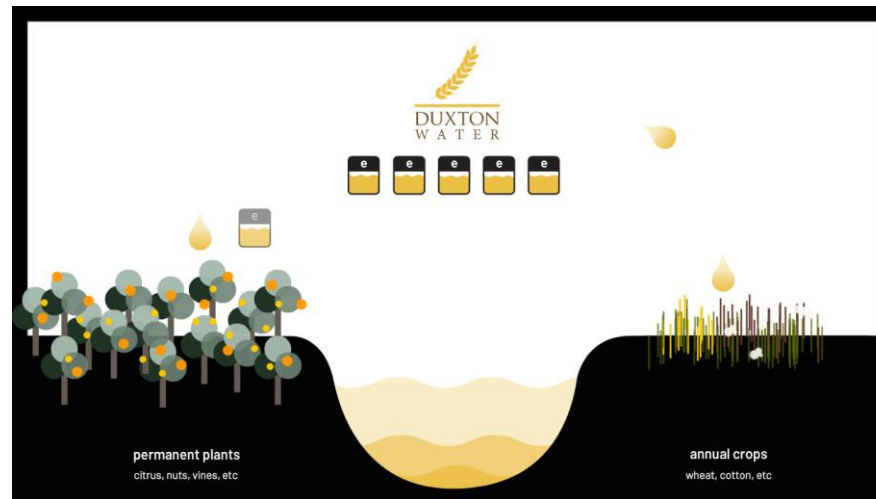


- Duxton Water continues to acquire water entitlements, growing its **diversified and actively managed portfolio**, allowing it to better provide water solutions back to irrigators.
- Duxton Water receives revenue through **long-term leases**, and through **trade of allocation**.

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



- There is a **cap** on the further issuance of entitlements (so a cap on volume of permanent rights to the resource).
- There is an active market enabling the **trade** of both the entitlements, and of the annual allocation (the usable water in any year).



WATER PRODUCTS AND RISK MANAGEMENT – FOR IRRIGATORS

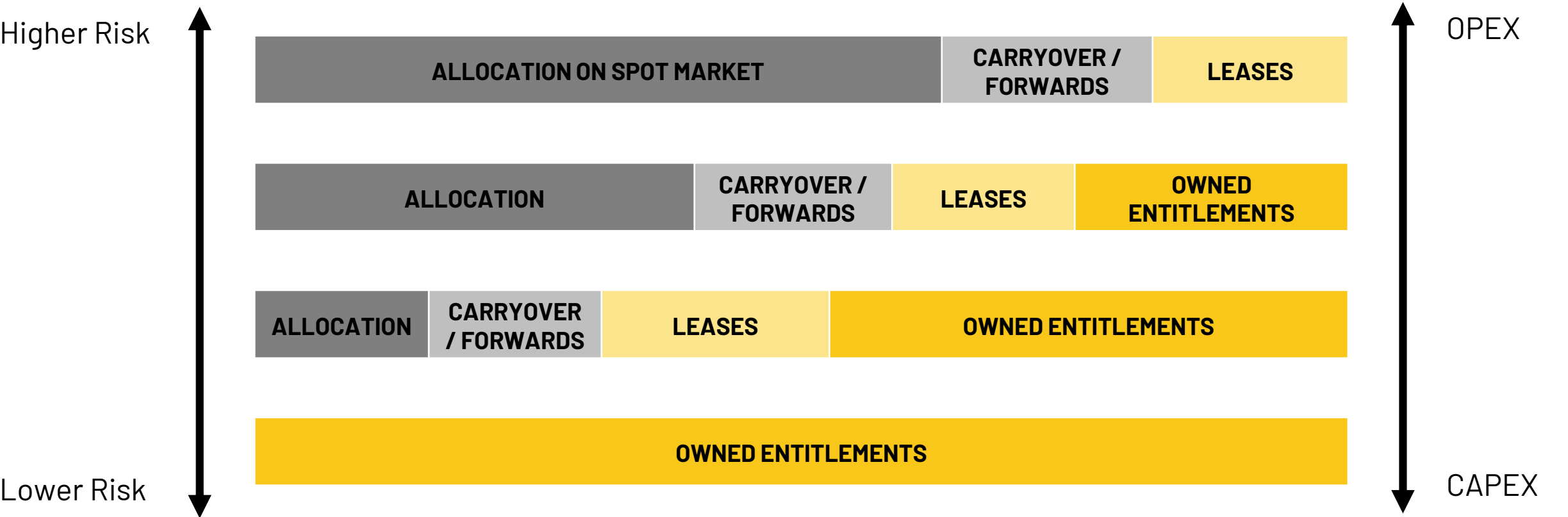
It is vital for agricultural producers to properly manage their key water resource to meet their short-term requirements and to mitigate risk over the long term.

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

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

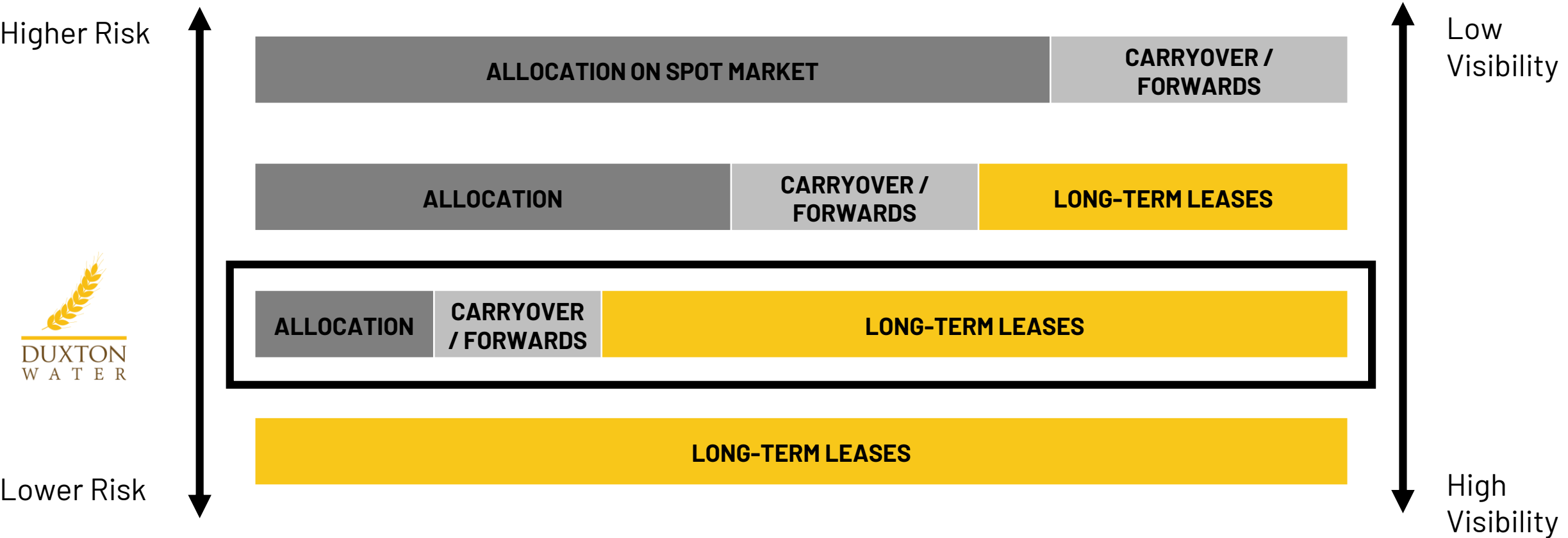
WATER PRODUCTS AND RISK MANAGEMENT – FOR IRRIGATORS

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



WATER PRODUCTS AND RISK MANAGEMENT – FOR WATER INVESTORS

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



- Duxton Water Limited ("Duxton Water" or the "Company") is **the only pure water exposure on the ASX**, giving investors the opportunity to invest in a large and highly diversified portfolio of Australian water entitlements.
- Duxton generates a combination of **uncorrelated capital returns** through the appreciation of its portfolio of entitlements **and income** through:
 - entitlements on long term lease (36% of portfolio);
 - trading the annual allocations attaching to its entitlements (64% of portfolio); and trading purchased allocations
- Since its IPO in September 2016 to 28 February 2019, Duxton Water has:
 - generated **total shareholder returns** of 48.89%²;
 - increased NAV from \$1.07 to \$1.50³; and
 - paid 3 dividends to date.

KEY INFORMATION (AUD\$)

| | |
|--|------------------------------------|
| Current share price (as at 29 March 2019) | \$1.65 per share |
| Current shares on issue | 108,576,017 |
| Current Market Capitalisation | \$179.2 million |
| Weighted Earnings Per Share | 8.5 cents 2018 (3.2 cents 2017) |
| ASX Code | D20 |
| Investment Universe | Australian Water Entitlements |
| Investment Manager | Duxton Capital (Australia) Pty Ltd |

KEY METRICS

28 FEBRUARY 2019 (AUD\$)

| | |
|--|--|
| Total Megalitres ("ML") owned¹ | 66,108 ML |
| % of entitlements leased | 36% leased (target 70-80%, forecast to be 50% by 1 July 2019) |
| Portfolio Value* | \$209.7 million of water assets (\$160 million at cost) |
| NAV per share | \$1.50 per share (\$1.64 excluding tax provisions for unrealised capital gain) |
| 2018 distribution yield[#] | 3.27% (4.21% incl. franking) + Final Dividend of 2.6 cents fully franked paid 27 March 2019. |
| Gearing | < 30% |

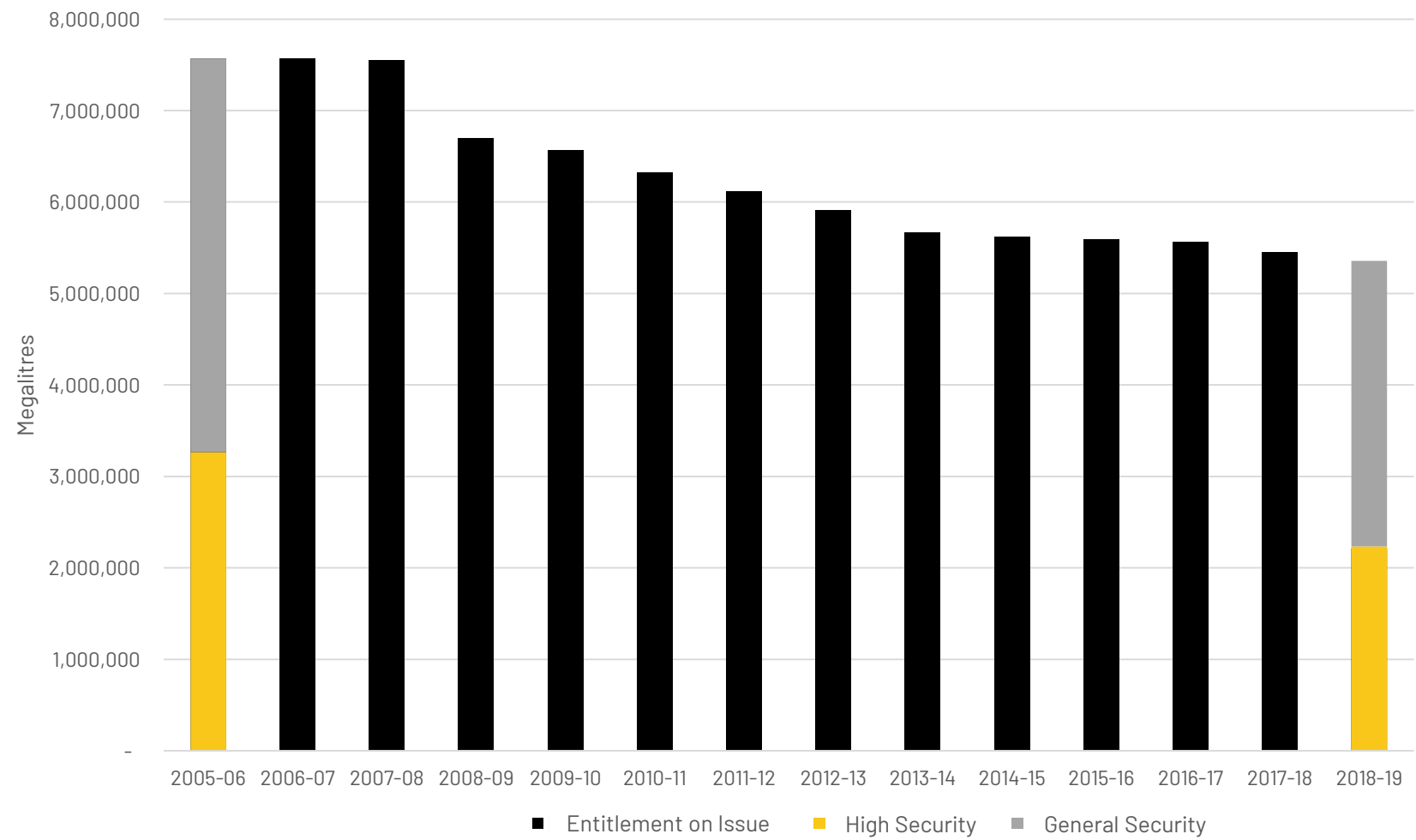
¹ Aither Pty Ltd

² Capital and cash returns

[#] FY18 3.27% dividend yield based on closing price of \$1.51 at 31 December 2018.

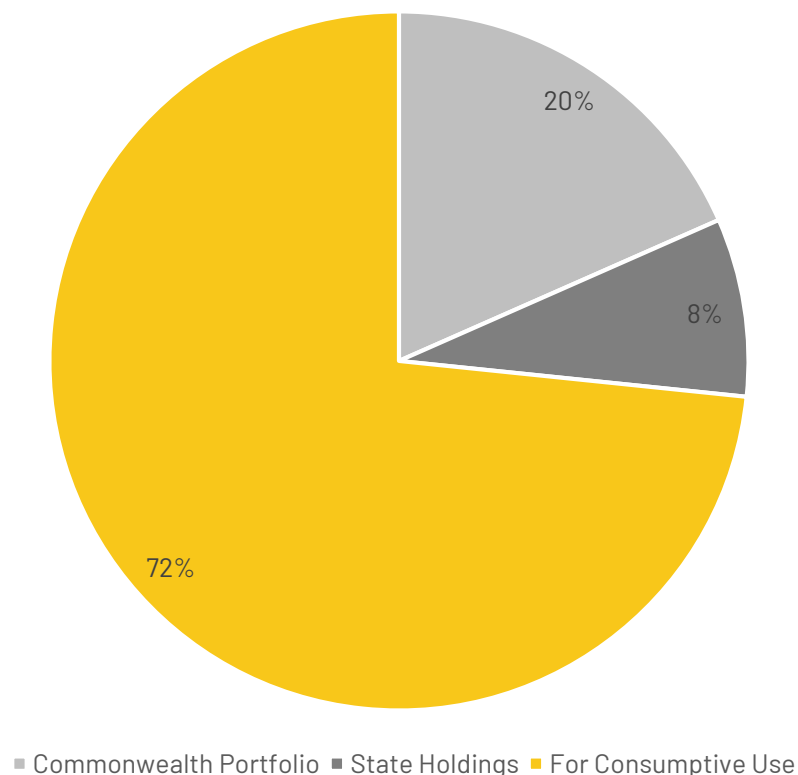
³ Net Asset Value is adjusted for fair market value of water entitlements

SMDB ENTITLEMENTS ON ISSUE FOR CONSUMPTIVE USE



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

OWNERSHIP OF ENTITLEMENTS IN SMDB REGION



- Duxton Water has focused entitlement acquisition in the Southern Murray Darling Basin region of Australia. The MDB has a total of **7,549,881 ML** of water entitlements on issue within its interconnected water systems, with an estimated value of **A\$20.2 billion¹**.
- As at 30 June 2018, 20% of this volume (1.5m ML) is held within the Commonwealth Environmental Water Holdings ("CEWH") and is unavailable for irrigative use. A further 8% is held by the respective States.
- **This leaves 72% of the system available to investors and producers;** at present roughly 4%-5% of entitlement holders are 'investor type' and the remainder are primary producers².
- **Duxton's position at 28 February, excluding assets in the pipeline for acquisition, represents just over 1% of the entitlements available for consumptive use.**
- The Company is scalable beyond its current ~1% market share, with an active water market, minimal fixed costs, and the ability to expand the portfolio beyond the Southern Murray Darling Basin into other Australia water regions.

¹ Aither – Water Markets Report 2017-18 review and 2018-19 outlook

² Commonwealth Environmental Water Holding, The Living Murray, New South Wales Office of Environment and Heritage, as at 18 February 2018

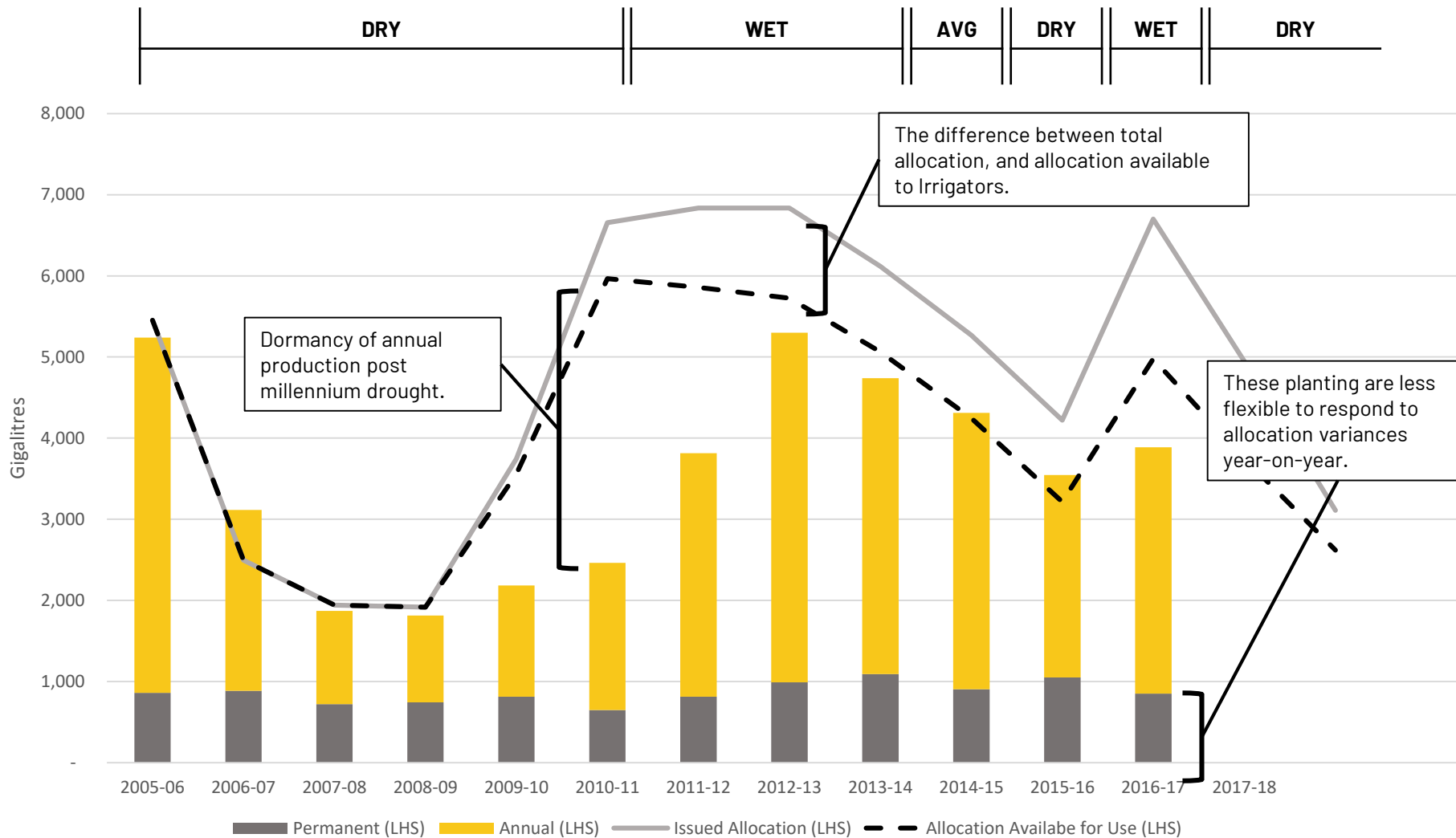
³ <https://www.mdba.gov.au/managing-water/environmental-water/progress-water-recovery>

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

.....while demand continues to increase...

STRONG UNDERLYING TRENDS

ALLOCATION AND USAGE BY INDUSTRY IN SMDB REGION

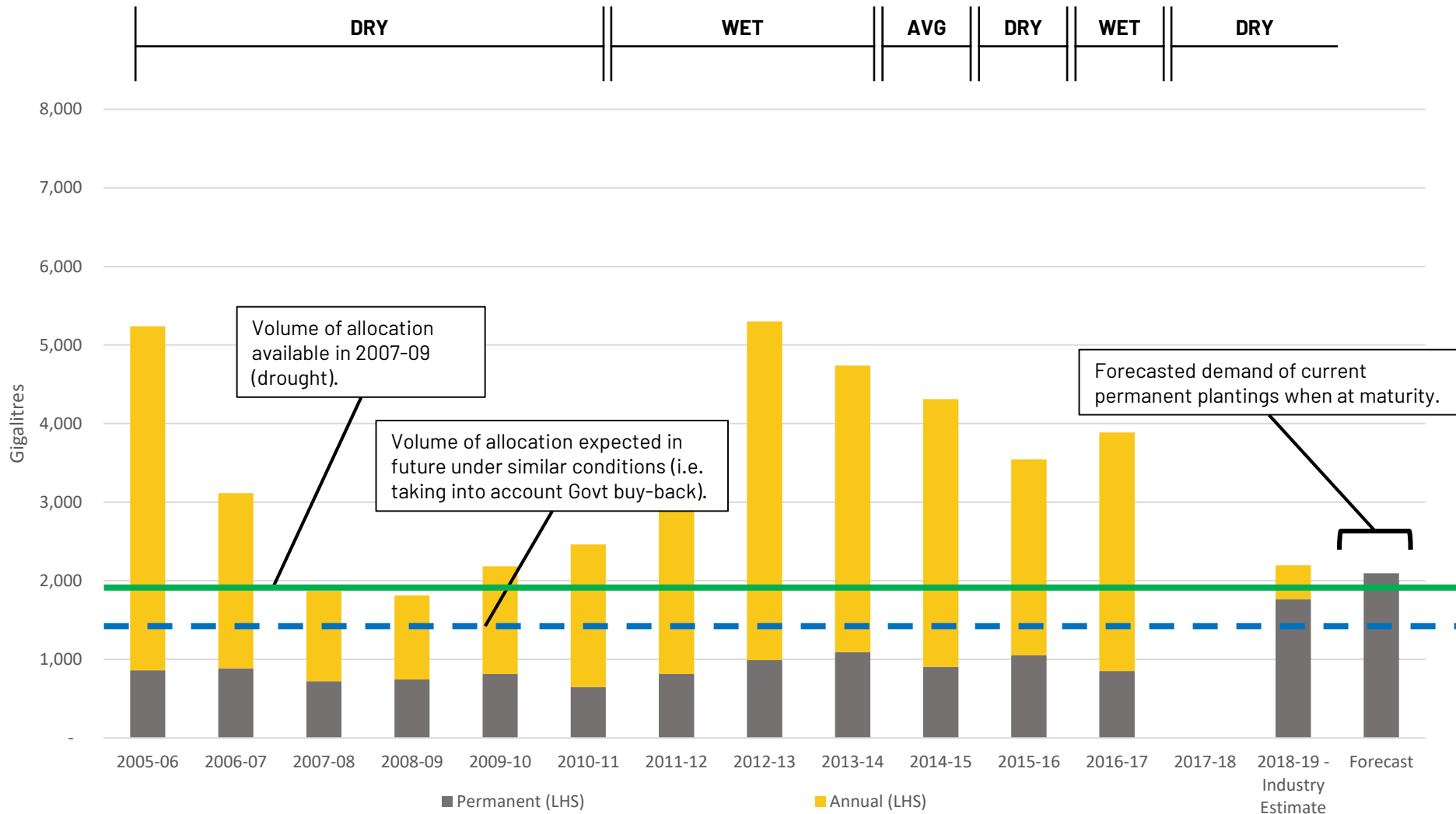


- Demand (usage) trends are shifting towards more permanent crops (grapes, fruit and nuts).
- Such crops require more water as they mature but are higher value and can therefore afford to pay more for water.
- This shift to higher margin, permanent plantings, together with the intensification of agriculture is steadily driving up entitlement values.

.....while demand continues to increase...

STRONG UNDERLYING TRENDS

ALLOCATION AND USAGE BY INDUSTRY IN SMDB REGION



- Industry estimates and forecasts indicate a significant increase in permanent plantings with inelastic demand.
- The graph now shows the future demand expected from the plantings in the ground now, when they reach full maturity over the next 5-7 years.
- If the region experiences drought conditions similar to those in 2007-2009, there is expected to be even less available water since the Government has bought back entitlements (the allocation on these rights is no longer in the market and available for irrigative use).



1

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

2

Strong underlying trends supporting future growth in water prices

3

Multiple sources of return, a proxy and hedge to agriculture

4

A unique asset class with uncorrelated returns

5

Growth opportunities in a large market with largely fixed costs

6

Experienced management team and investment in resources for global growth

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