

3 July 2023

## **D20 Acquires \$39 million of Australian Water Entitlements**

### **Highlights:**

- Duxton Water has agreed to acquire Australian water entitlements from Treasury Wine Estates.
- Combination of NSW High Security and VIC High Reliability permanent water entitlements.
- Total acquisition size of \$39.1 million.
- Demonstrates significant future growth opportunity.

Duxton Water Limited (“the Company” or “D20”) is pleased to announce that it has entered a purchase and leaseback transaction for Australian water entitlements with Treasury Wine Estates Limited (**ASX:TWE**). This transaction involves the acquisition of **4,770 megalitres** of water entitlements for cash consideration of **\$39.1 million**. The acquisition comprises **2,799 megalitres** of High Security and **1,971 megalitres** of High Reliability permanent water entitlements in NSW and Victoria, respectively. Additionally, the Company has also negotiated a long-term leaseback with TWE for **3,816 megalitres** as part of the transaction.

**This acquisition represents a significant growth opportunity for the Company as it looks to scale its portfolio to support the needs of Australian farming businesses as we move through the climatic cycle.** This type of transaction enables Australian farming businesses to unlock their balance sheets, reinvest capital into their land and production assets, all while maintaining access to water security over the long-term. The addition of these assets will add value and complement D20’s existing portfolio.

The acquisition and leaseback of these water entitlements will increase the Company’s total water portfolio by **4,770 megalitres** (a 6% increase), and increase the Company’s annualised leasing revenue stream by **\$1.4 million** per annum from 1 July 2023. The Company intends to fund this acquisition using proceeds received from the Company’s capital raising activities as outlined in the announcements released on the ASX today, with debt funding to be used only if required.

TWE has informed D20 that its current intention is to sell the vineyards associated with these water entitlements. This transaction includes the ability for TWE to buy the water entitlements back from D20 at market price (subject to a price cap and collar) should a binding sale agreement for the associated vineyards not be signed by 30 September 2023, or completed by 14 June 2024, in which case TWE has the ability to cancel the lease. Upon the successful sale of the vineyards associated with these water entitlements, the lease may either be assigned to the purchaser or cancelled.

**Summary of Transaction:**

Type of Entitlements	High Security / Reliability Entitlements
Volume Acquired	4,770 megalitres
Consideration Paid	\$39.1 million
Lease Volume	3,816 megalitres
Lease Rate (Year 1)	4.5% of entitlement value
Lease Duration	5 years + option to extend for 5 years
Indexation	Yes

Further details with regards to the information contained within this announcement can be found in a separate investor presentation to be lodged with the ASX today.

**This announcement has been authorised for release by the Board of Duxton Water Limited.**

**Contact Information**

For further information or if you have any questions, you can call Duxton Water Limited on **(08) 8130 9500** (within Australia) or **+61 8 8130 9500** (outside Australia), from 9:00am to 5.30pm (AEST), Monday to Friday (excluding public holidays).

<https://www.duxtonwater.com.au/>

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

<b>Purchase Terms</b>	<p><b>Acquisition of 4,770 megalitres of high security water entitlements from TWE for a total consideration of \$39.1 million:</b></p> <ul style="list-style-type: none"> <li>• NSW Zone 11 High Security – 2,799 megalitres (below choke Murray)</li> <li>• VIC Zone 7 High Reliability – 1,971 megalitres (below choke Murray)</li> <li>• Entitlements purchased on a WET basis for the upcoming water year.</li> <li>• Acquisition subject to conditions relating to Ministerial approval for the transfer and a condition in relation to debt financier consents. Assuming satisfaction of these conditions, D20 expects that settlement of the acquisition will occur during August 2023.</li> </ul>
<b>Leaseback Terms</b>	<p><b>Leaseback of 3,816 megalitres of high security water entitlements, equalling 80% of water entitlements acquired by D20:</b></p> <ul style="list-style-type: none"> <li>• Lease effective once the settlement of the water entitlement transaction has taken place, as such the lease is backdated to commence 1 July 2023.</li> <li>• Lease rate of 4.5% of the respective entitlement price of each zone (subject to annual CPI adjustments).</li> <li>• 5 years + option for Lessee to renew for additional 5 years.</li> <li>• Lease price reset to 4.5% of market value of the entitlements at lease renewal.</li> <li>• Lease terminates upon the Call Option (see below) being exercised and is cancellable in the event TWE sells the associated vineyards but does not assign the lease to the purchaser.</li> </ul>
<b>Call Option</b>	<p><b>A Call Option (“Option”) for TWE to buy water entitlements back from D20 at market value (subject to a price cap &amp; collar) that expires on 30 June 2024:</b></p> <ul style="list-style-type: none"> <li>• TWE has an Option that can be exercised to buy all, or a portion, of the water entitlements back from D20 at market price (subject to a price cap and collar).</li> <li>• <u>TWE can exercise the Option in the following scenarios:</u> <ul style="list-style-type: none"> <li>○ If a binding sale contract for the land associated with the water entitlements has not been signed by 30 September 2023, TWE can exercise the Call Option at any time between 1 October 2023 and 30 June 2024.</li> <li>○ If a binding sale contract for the land associated with the water entitlements has been signed by 30 September 2023, TWE can exercise the Call Option at any time between 14 June 2024 (or earlier should the binding sale contract be terminated prior to 14 June 2024) and 30 June 2024, provided that settlement of the land sale has not occurred by 14 June 2024.</li> </ul> </li> <li>• The Option exercise price will be the market value of the water entitlements on the date that the Call Option is exercised, subject to a cap and collar of <math>\pm 10\%</math> of the initial purchase price.</li> <li>• The Option is not transferrable outside of TWE’s corporate group.</li> </ul>
<b>Additional Commentary</b>	<p><b>Additional Commentary:</b></p> <ul style="list-style-type: none"> <li>• D20 has entered into this transaction with the understanding that it is TWE’s intention to also sell the vineyards associated with these water entitlements. The transaction includes the ability for TWE to buy back the water entitlements from D20 at market price (subject to a price cap and collar) should a binding sale agreement for the associated vineyards not be signed by 30 September 2023, or completed by 14 June 2024.</li> <li>• This type of transaction provides D20 with a platform to scale its portfolio by providing shareholders with an exposure to a large parcel of attractively priced high security water entitlements, ahead of anticipated changing weather conditions.</li> <li>• D20 has confidence in its ability to maximise the strategic and economic value of these water entitlements as we move through the climatic cycle.</li> <li>• Should D20 sell these entitlements back to TWE before 30 June 2024, proceeds from the sale will be used to acquire additional water entitlements, with surplus funds in the interim being offset against the Company’s debt facilities.</li> </ul>