



PROSPECTUS

2016 | Duxton Water Limited

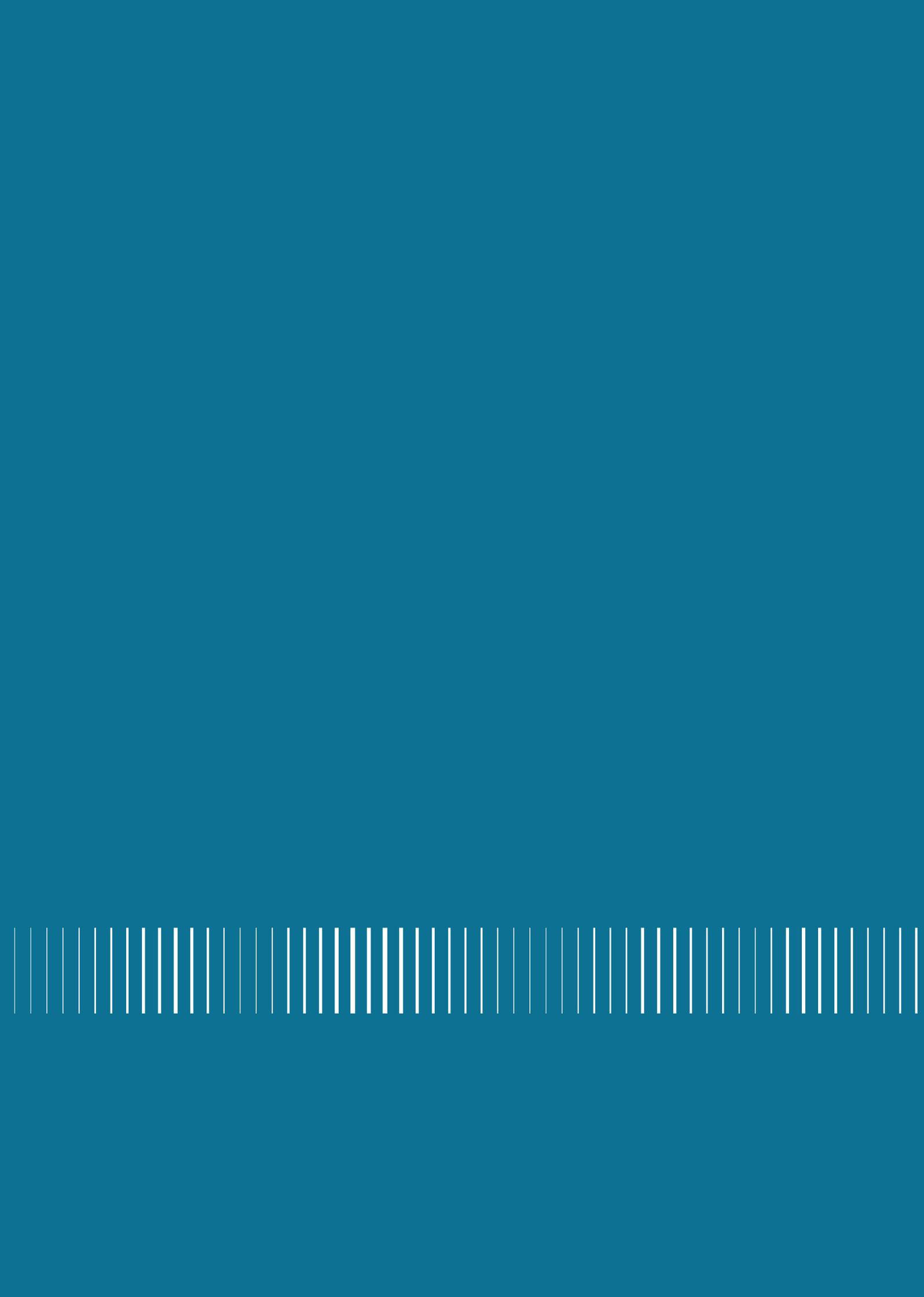
An offer of Shares together with an entitlement to one Option for every one Share issued under the Offer to raise a minimum of \$22 million, a maximum of \$99 million with oversubscriptions to raise up to a total of \$149.6 million.



TAYLOR COLLISON

Sharebrokers and Investment Advisers
www.taylorcollison.com.au

IN ALLIANCE WITH
Morgans  **CIMB**



IMPORTANT NOTICES

Offer

The Offer contained in this Prospectus is an invitation to acquire new fully paid ordinary shares (**Shares**) and attaching options (**Options**) in Duxton Water Limited (ACN 611 976 517) (**Company**). For every one Share issued under the Offer, Applicants will receive an entitlement to one Option. Each Option is exercisable at \$1.10 at any time until 5pm ACST on or before 31 May 2018. This Prospectus is issued by the Company for the purpose of chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**).

Lodgement and listing

This Prospectus is dated 28 July 2016 (**Prospectus Date**) and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

The Company will apply to ASX Limited (**ASX**) within seven days after the Prospectus Date for admission of the Company to the official list of ASX and quotation of its Shares and Options. None of ASIC, ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Offer Securities (other than Shares to be issued on the exercise of Options) will be issued or sold on the basis of this Prospectus after its expiry date, being the date 13 months after the Prospectus Date.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Offer Securities.

Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances. No person named in this Prospectus, nor any other person, guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus.

No offering where offering would be illegal

This Prospectus does 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. No action has been taken to register or qualify the Offer Securities or the Offer, or to otherwise permit a public offering of the Offer Securities in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Offer Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an Offer or invitation.

For details of selling restrictions that apply to the Offer Securities in certain jurisdictions outside of Australia and New Zealand, please refer to Section 11.13.

Important notice to New Zealand Investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities offerings—Australia) Regulations 2008. This Offer and the content of the Offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporations Regulations set out how the offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser. The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars. If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Financial information presentation

Section 7 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 7.6.

All financial amounts contained in this Prospectus are expressed in Australian dollars. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward looking statements which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties.

Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and management. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, the discussion of the Pro Forma Statement of Financial Position in Section 7.2, risk factors as set out in Section 5, specific assumptions as set out in Section 7.6 and other information in this Prospectus.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in the Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. The Company has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

Authorised Intermediary

The issuer of the Prospectus is the Company. Offers of Offer Securities under this Prospectus will be made under an arrangement between the Company and Taylor Collison Limited (**Authorised Intermediary**), as a holder of an Australian Financial Services Licence, under section 911A(2)(b) of the Corporations Act. The Company has authorised the Authorised Intermediary to make offers to arrange for the issue of the Shares and Options under the Prospectus and the Company will only issue the Offer Securities in accordance with those offers and no others.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

The Company, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Offer Securities before receiving their holding statement.

This disclaimer does not purport to disclaim any warranties or liability which cannot be disclaimed by law.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven day period after the date of Prospectus lodgement (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

No cooling off rights

Cooling off rights do not apply to an investment in Offer Securities issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Obtaining a copy of this Prospectus

A paper copy of the Prospectus is available free of charge to any person in Australia and New Zealand by calling the Duxton Water Ltd Offer Information Line on 1300 640 947 (within Australia) or +61 3 9415 4075 (outside Australia) from 9.00am until 5.00pm ACST Monday to Friday during the Offer Period.

This Prospectus is also available to Australian and New Zealand resident investors in electronic form at the Offer website, www.duxtonwater.com.au. The Offer constituted by this Prospectus in electronic form is available only to Australian or New Zealand residents accessing the website within Australia or New Zealand. It is not available to persons in other jurisdictions (including the United States). Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for Shares and Options may only be made on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.duxtonwater.com.au. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Photographs and Diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Company Website

Any references to documents included on the Company's website at www.duxtonwater.com.au are for convenience only, and none of the documents or other information available on the Company's website is incorporated herein by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in the Glossary. Unless otherwise stated or implied, references to times in this Prospectus are to ACST.

Privacy

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a holder of Offer Securities, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares and Options you hold) to be included in the Company's public register. The information must continue to be included in the Company's public register if you cease to be a security holder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- The Share Registry for ongoing administration of the Shareholder and Optionholder register;
- The Lead Manager in order to assess your Application;
- Printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- Market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and Options and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry or the Company. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder and Optionholder register will be accessible by members of the public.

Lead and Co Manager

The Lead Manager is Taylor Collison (AFSL: 247083) and the Co Manager is Morgans (AFSL: 235407). The Lead Manager and Co Manager will together manage the Offer on behalf of the Company. The Lead Manager's and the Co Manager's functions should not be considered to be an endorsement of the Offer or a recommendation of the suitability of the Offer for any investor. The Lead Manager and the Co Manager do not guarantee the success or performance of the Company or the returns (if any) to be received by investors. Neither the Lead Manager, the Co Manager nor any other licensee is responsible for, or has caused the issue of this Prospectus.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY.

KEY OFFER INFORMATION

KEY DATES

Lodgement Date	28 July 2016
Offer Opening Date	11 August 2016
Closing Date For Applications (5.00pm)	31 August 2016
Issue and allotment of Offer Securities	7 September 2016
Expected despatch of holding statements	14 September 2016
Expected date of quotation of Offer Securities on the ASX	21 September 2016
Expiry date of Options	31 May 2018

Note: This timetable is indicative only. Unless otherwise indicated, all times are in ACST. The Company and the Lead Manager reserve the right to vary the dates and times of the Offer, including to close the Offer early or to accept late Applications, either generally or in particular cases without notification. Investors are encouraged to submit their Applications as soon as possible.

KEY OFFER STATISTICS

Company Name	Duxton Water Limited (ACN: 611 976 517)
Proposed ASX Code	D2O (Shares) D2OO (Options)
Securities Offered	New Shares and one Option for every Share issued
Issue Price per Offer Security	\$1.10 per Share No additional amount is payable for Options
Exercise Price per Option	\$1.10 per Option
Minimum number of Offer Securities available under the Offer	20,000,000 Shares 20,000,000 Options
Gross proceeds from the Offer ¹ based on the Minimum Subscription being raised (and before exercise of any Options)	\$22,000,000
Total number of Shares and Options on issue at Completion of the Offer ² based on Minimum Subscription	46,056,680 Shares 46,056,680 Options
Total number of Offer Securities available under the Offer based on the Maximum Subscription being raised and before acceptance of Oversubscriptions	90,000,000 Shares 90,000,000 Options
Gross proceeds from the Offer ¹ based on the Maximum Subscription being raised and before acceptance of Oversubscriptions	\$99,000,000
Total number of Shares and Options on issue at Completion of the Offer ² based on the Maximum Subscription and before acceptance of Oversubscriptions	116,056,680 Shares 116,056,680 Options
Total number of Offer Securities available under the Offer based on the Maximum Subscription being raised and acceptance of all Oversubscriptions	136,000,000 Shares 136,000,000 Options

KEY OFFER STATISTICS

Gross proceeds from the Offer ¹ based on the Maximum Subscription being raised and acceptance of all Oversubscriptions	\$149,600,000
Total number of Shares and Options on issue at Completion of the Offer ² based on the Maximum Subscription and acceptance of all Oversubscriptions	162,056,680 Shares 162,056,680 Options
Pro forma net asset backing value per Share ³ at Minimum Subscription	\$1.083 per Share
Pro forma net asset backing value per Share ³ at Maximum Subscription and before acceptance of Oversubscriptions	\$1.076 per Share
Pro forma net asset backing value per Share ³ at Maximum Subscription and acceptance of all Oversubscriptions	\$1.075 per Share

¹ Equal to the number of Shares issued under the Offer (at the relevant subscription level) multiplied by the Offer Price

² Equal to the number of Shares issued under this Offer (at the relevant subscription level) plus 26,056,679 Vendor Shares and Options to be issued to the Vendor Shareholders by Completion of the Offer and the existing Share issued at incorporation

³ Based on the unaudited pro forma statement of financial position in Section 7

How to Invest

Applications for Offer Securities can only be made by completing and lodging the Application Form included in or accompanying this Prospectus.

Instructions on how to apply for Offer Securities are set out in Section 2.8 of this Prospectus.

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CHAIRMAN'S LETTER

28 July 2016

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to become a Shareholder and Optionholder in Duxton Water Limited.

Duxton Water Limited ("Duxton Water" or the "Company") presents an opportunity to invest in Australian Water Entitlements (also known as water licenses or water rights) – perpetual rights to Australia's limited fresh water supply- a key production input into a number of agricultural industries.

Water scarcity is a growing issue. Access to fresh water is a key limiting factor of production in Australian agriculture, which currently makes up approximately 60% of Australia's total water consumption. Moreover, future water availability is likely to be further constrained by a growing global population, impacts of climate change and government buybacks of water entitlements for environmental purposes. The increasing scarcity of water, coupled with the rising demand for it is likely to be a key economic driver underpinning the water market.

The majority of Duxton Water's returns are expected to be generated via Water Entitlement leases with primary producers. These leases are structured in a similar manner to commercial leases where the asset title is held by the lessor and fixed annual rent is paid by the lessee. As such, Duxton Water presents investors with an asset that produces regular and predictable revenue streams and demonstrates low correlation with traditional asset classes. The Water Entitlements may potentially generate capital appreciation as they are held over a long term horizon.

Once listed, Duxton Water presents investors with the following advantages:

- Access to an investment with an underlying asset that provides a high direct exposure to Australian agriculture without the cost of investing directly into this sector.
- An investment providing visible revenue streams through a portfolio of long-term lease arrangements entered into with primary producers.
- Dividend payout will be as high as prudently possible and franked to 100% or the maximum extent possible.
- On listing, is expected to be the only ASX listed vehicle of its type in Australia providing its investors with direct exposure to water.
- A Company targeting no long-term financial debt.
- A Company with a highly competitive management fee structure.
- An existing portfolio of water assets being acquired for A\$38 million (A\$34.8 million are being purchased from related parties based on independent valuation by CBRE, with the remaining A\$3.2 million being purchased on market).
- A leased portfolio which will generate a weighted average gross initial yield of 5.9% diversified across agricultural enterprises. The average current yield for these Water Entitlements in the market is 5.6%.
- Scope for capital growth resulting from the appreciation in value of Water Entitlements.
- An underlying asset with low correlation to conventional asset classes which enables increased diversification within investment portfolios.

The Offer provides an opportunity for you to share in our exciting future.

This Prospectus contains detailed information about Duxton Water, the industry in which Duxton Water operates, the Company's Investment Manager, its initial water asset portfolio and the Offer.

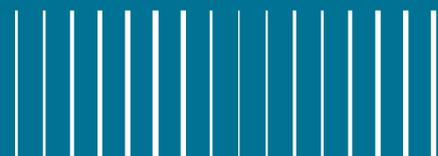
An investment in Duxton Water is subject to a range of risks which are detailed fully in Section 5. These include (but are not limited to) risks of water price volatility impacting the value of the portfolio, Government water buyback programs impacting the price of water, risks of negligible or zero annual water allocations, liquidity risk associated with investing in Water Entitlements and Water Allocations and the reliance upon Duxton Capital (Australia) as the Investment Manager of the Company. I encourage you to read this document carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder and Optionholder.

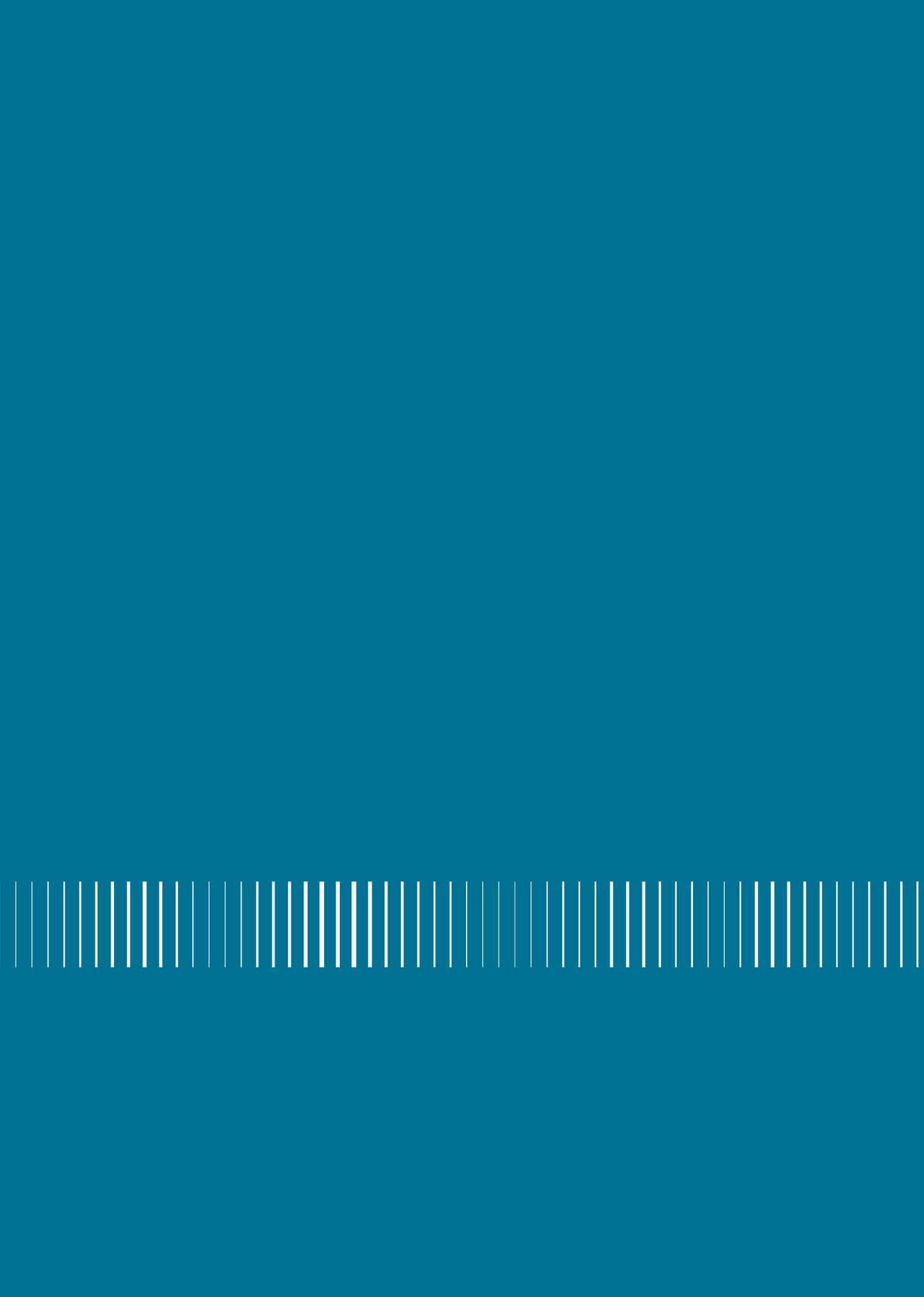
Yours sincerely,



Ed Peter
Chairman, Duxton Water Limited



1 INVESTMENT OVERVIEW



1. INVESTMENT OVERVIEW

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information elsewhere in this Prospectus. In deciding whether to apply for Shares and Options under the Offer, you should read this Prospectus carefully and in its entirety and consult your professional advisers.

Figure 1: Investment overview



QUESTION	ANSWER	MORE INFORMATION
A. INTRODUCTION AND OVERVIEW OF THE COMPANY'S BUSINESS		
What is the business of the Company?	<p>Upon Completion of the Offer, the Company will continue to invest solely in Australian Water Entitlements. An investment in the Company is intended to provide investors with the opportunity to realise financial returns whilst gaining access to a key agricultural production input, exhibiting a historically low correlation with traditional asset classes.</p> <p>The majority of the Company's returns are expected to be generated via Water Entitlement leases entered into with primary producers. These leases are structured in a similar manner to commercial leases where the asset title is held by the lessor and fixed annual rent is paid by the lessee. Revenue from long term lease arrangements will be supplemented with the sale of annual Water Allocations. There is also potential for returns to be generated through capital appreciation of the Water Entitlements held in the portfolio long term.</p>	Section 3.1 and 3.2
What are Water Entitlements?	<p>In the Australian water market there are two main types of ownership rights in relation to water:</p> <ol style="list-style-type: none"> Water Entitlement: the perpetual entitlement to exclusive access to a share of water from a specified pool of water set aside by Government for consumption. Water Allocation: the specific volume of water allocated to a Water Entitlement in a given season. This can fluctuate annually, based on seasonal availability. 	Section 3.5

QUESTION	ANSWER	MORE INFORMATION																								
<p>What is the Company's existing portfolio?</p>	<p>The Company has entered into a number of contracts to acquire Water Entitlements and is to enter into corresponding lease back arrangements with primary producers in respect of a significant majority of those Water Entitlements, summarised below. Those contracts will settle prior to or upon Completion of the Offer, when the leases will also be entered into.</p> <p>The value of that initial Water Entitlement portfolio as set out in the unaudited pro forma statement of financial position is approximately \$38 million.</p> <p>Of this portfolio:</p> <ul style="list-style-type: none"> • \$34.8 million is based on an independent valuation by CBRE as at 30 June 2016 and is being acquired in accordance with five Water Purchase Contracts with related party vendors. • \$3.2 million is being acquired by way of on market purchases. • 88.58% of the Water Entitlements will be leased back at settlement on a long term basis. • 11.42% of the Water Entitlements will not be leased and will be available to generate income through the sale of their annual Water Allocations. <p>The initial leased portfolio will have a gross initial yield of 5.9%* based on the terms of the leases. The average current yield for these Water Entitlements in the market is 5.6%**.</p> <p>The following table shows the initial leased Water Entitlement portfolio:</p> <table border="1" data-bbox="368 1043 1177 1576"> <thead> <tr> <th data-bbox="368 1043 560 1133">VENDOR/ LESSEE ENTITY</th> <th data-bbox="560 1043 775 1133">DUXTON VITICULTURE</th> <th data-bbox="775 1043 970 1133">HATHOR DAIRIES</th> <th data-bbox="970 1043 1177 1133">MERRIMENT</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 1133 560 1211">VOLUME TO BE LEASED(ML)</td> <td data-bbox="560 1133 775 1211">8,554.56</td> <td data-bbox="775 1133 970 1211">604.90</td> <td data-bbox="970 1133 1177 1211">6798.00</td> </tr> <tr> <td data-bbox="368 1211 560 1375">PURCHASE PRICE OF ENTITLEMENTS TO BE LEASED (\$)</td> <td data-bbox="560 1211 775 1375">\$28,662,347</td> <td data-bbox="775 1211 970 1375">\$1,602,985</td> <td data-bbox="970 1211 1177 1375">\$3,399,000</td> </tr> <tr> <td data-bbox="368 1375 560 1453">INITIAL RENT (PA)</td> <td data-bbox="560 1375 775 1453">\$1,719,741</td> <td data-bbox="775 1375 970 1453">\$92,172</td> <td data-bbox="970 1375 1177 1453">\$186,945</td> </tr> <tr> <td data-bbox="368 1453 560 1503">LEASE TERM</td> <td data-bbox="560 1453 775 1503">7 years</td> <td data-bbox="775 1453 970 1503">7 years</td> <td data-bbox="970 1453 1177 1503">7 years</td> </tr> <tr> <td data-bbox="368 1503 560 1576">INITIAL RENT (YIELD)</td> <td data-bbox="560 1503 775 1576">6.00%</td> <td data-bbox="775 1503 970 1576">5.75%</td> <td data-bbox="970 1503 1177 1576">5.50%</td> </tr> </tbody> </table> <p>Details of the contracts and the initial gross yield calculations are provided in Section 11.2.</p> <p><i>*Weighted average gross initial yield. Please refer to Section 11.2.1 for details of this calculation.</i></p> <p><i>**Average current yield across Zone 6, Zone 7 Hr, Zone HS and Zone 11 HS, calculated by the Investment Manager. Please refer to Section 3.6.2.</i></p>	VENDOR/ LESSEE ENTITY	DUXTON VITICULTURE	HATHOR DAIRIES	MERRIMENT	VOLUME TO BE LEASED(ML)	8,554.56	604.90	6798.00	PURCHASE PRICE OF ENTITLEMENTS TO BE LEASED (\$)	\$28,662,347	\$1,602,985	\$3,399,000	INITIAL RENT (PA)	\$1,719,741	\$92,172	\$186,945	LEASE TERM	7 years	7 years	7 years	INITIAL RENT (YIELD)	6.00%	5.75%	5.50%	<p>Sections 3.3, 6, 7, 8 and 11.2</p>
VENDOR/ LESSEE ENTITY	DUXTON VITICULTURE	HATHOR DAIRIES	MERRIMENT																							
VOLUME TO BE LEASED(ML)	8,554.56	604.90	6798.00																							
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LEASE TERM	7 years	7 years	7 years																							
INITIAL RENT (YIELD)	6.00%	5.75%	5.50%																							
<p>What are the Company's investment objectives and strategy?</p>	<p>The Company's investment objectives are to:</p> <ul style="list-style-type: none"> • Generate an income stream for investors from the yield of the portfolio in the form of fully franked dividends; • Provide capital growth over the medium to long term; and • Preserve the invested capital in the portfolio. <p>The Company plans to invest its available funds raised under the Offer by purchasing Australian Water Entitlements. The Company's assets and implementation of its investment strategy will be managed by the Investment Manager.</p>	<p>Section 3.2 and 4.4</p>																								

QUESTION	ANSWER	MORE INFORMATION
What are the key highlights of the Offer?	<p>Taking up this Offer will provide investors with access to:</p> <ol style="list-style-type: none"> 1. The Australian Water Entitlement market, an asset class historically not generally available to retail investors. 2. Clear visibility of revenue streams with a dividend payout as high as prudently possible, franked to the maximum extent possible – the portfolio will aim to provide a consistent and growing income stream. 3. Transparency with monthly NAV reported by the Investment Manager to the ASX and based on readily ascertainable values of water assets by respective water registries. 4. A low management fee structure achieved through the Company's Investment Management Agreement with Duxton Capital (Australia) Pty Ltd. 5. A highly experienced Board and Investment Manager with experience and expertise in Water Entitlement asset management. 6. A closed-end ASX listed company, providing investors with a closed pool of capital. 	Section 3
What is the financial position of the Company?	The financial position of the Company is set out in the unaudited pro-forma statement of financial position, which includes the initial Water Entitlement portfolio value of \$38 million.	Section 7
Will the Company hold cash?	The Company intends to be fully invested, holding cash only for working capital and the payment of dividends.	Section 4.4.1
What is the Company's dividend policy?	<p>The Company intends to place high importance on dividend yield.</p> <p>The Company intends to pay dividends to Shareholders that are:</p> <ul style="list-style-type: none"> • As high as prudently possible, and • Are franked to 100% or the maximum extent possible. <p>The Company intends to pay dividends to Shareholders twice yearly, with one dividend declared within the first 12 months of listing.</p> <p>The ability to pay a dividend is dependent on the Company's ability to generate a profit.</p>	Section 3.4

QUESTION	ANSWER	MORE INFORMATION
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B. KEY INFORMATION ABOUT THE INVESTMENT MANAGER AND INVESTMENT MANAGEMENT AGREEMENT

Who manages the investment portfolio?

Duxton Capital (Australia) has been appointed as the Investment Manager of the Company. The Investment Manager is a wholly owned subsidiary of Duxton Capital Pte Ltd, an alternative asset management firm focused on global agricultural land and securities as well as Asian emerging markets.

The Duxton Group of companies was founded in 2009 following a spin-out from the Deutsche Bank Complex Assets team. The Duxton Group is majority owned by the Company's Chairman, Ed Peter and Non-Executive Director Stephen Duerden. The Investment Manager has the ability to use the resources of the Duxton Group of companies.

The table below summarises the historical performance returns, since inception, achieved by funds that the Duxton Group have been responsible for managing.

The Duxton Pagoda Fund is an open-ended, unlisted Singaporean domiciled fund. The primary objective of the Duxton Pagoda Fund is to seek long-term capital appreciation of its assets by investing in a portfolio of Vietnamese and ASEAN related market securities.

The Duxton Agricultural Land Fund is a closed-ended, unlisted Cayman domiciled fund. The primary objective of the Duxton Agricultural Land Fund is to invest in a diversified portfolio of land-rich agricultural investments. The portfolio is diversified across commodities as well as geographically.

Returns since inception are unrealised pre-tax returns in Australian Dollars to investors net of all fees. Actual returns may vary significantly from the unrealised returns at the point at which the underlying investments are sold.

Whilst the historical returns generated by funds managed by the Duxton Group are relevant to your investment decision on the basis that the Investment Manager will be managing the Company's assets, those returns should not be relied upon as an indication of the future performance of your investment in the Company. The Company will be a listed Australian public company and is structurally a different type of investment to an investment in funds managed or advised by the Duxton Group. Past performance of a Duxton Group entity as a manager is not a reliable indicator of future performance. Accordingly, the actual returns of the Company could differ materially from the historical returns of the funds managed by the Duxton Group.

Section 4

FUND	RETURN PERIOD	RETURN ⁴ IN LAST 1 YEAR	RETURN ⁴ IN LAST 3 YEARS*	RETURN ⁴ IN LAST 5 YEARS*	TOTAL RETURNS SINCE INCEPTION
Duxton Pagoda Fund**	9 th February 2011 to 30 th June 2016	14.69%	19.21%	19.76%	113.67%
Duxton Agricultural Land Fund	1 st April 2011 to 30 th June 2016	-2.21%	0.08%	1.58%	3.55%

** Lead Series

⁴ The performance of the funds are unaudited and reported in USD and converted to AUD using end of month exchange rates on Bloomberg. For example, assuming DALF has a NAV of US\$10,000 at 31 May 2016, the NAV for the fund in AUD would be \$13,823.61 using an AUD/USD of 0.7234 (<http://www.bloomberg.com/quote/AUDUSD:CUR>).

** The Lead Series of shares in the Duxton Pagoda fund is the series of shares issued at inception of the fund.

QUESTION	ANSWER	MORE INFORMATION
<p>What is the term of the Investment Management Agreement?</p>	<p>The Investment Management Agreement is for an initial term of ten (10) years, unless ASX determines that the initial term should be for a shorter period. After the initial term, the agreement will be renewed for further new terms of five (5) years, unless terminated by the Company or the Investment Manager.</p> <p>Other than where the Company is in default, the Investment Manager may terminate the Investment Management Agreement with six months notice any time after the expiry of 10 years. Other than where the Investment Manager is in default, the Company may also terminate the Investment Management Agreement with six months notice after the expiry of 10 years with Shareholder approval.</p>	<p>Section 4</p>

QUESTION	ANSWER	MORE INFORMATION																	
<p>What fees will the Investment Manager receive?</p>	<p>In return for the performance of its duties the Investment Manager is entitled to be paid a Management Fee equal to 0.85% (plus GST) of the Net Asset Value of the portfolio payable monthly. As a worked example, assuming an initial portfolio value of \$127,662,348 at 1 January 2017 (being based on the net asset value of the Company in its pro-forma financial position detailed in Section 7.2), and nil performance return on the portfolio, the Management Fee for the period 1 January 2017 to 31 January 2017 would be \$92,162 (plus GST).</p> <p>The Management Fee is to be paid to the Investment Manager regardless of the performance of the Company. Management Fees would increase if the portfolio value increases, and decrease if the portfolio value decreases, over the period.</p> <p>In addition, the Investment Manager is entitled to be paid an annual Performance Fee of 5% of the excess of the investment return of the Company above a hurdle return of 8% per annum up to 12% p.a.; plus if the investment return is greater than 12% per annum then the Investment Manager will receive 10% of the remaining investment return above 12%. A high water mark also applies. The table below demonstrates worked examples of the potential Performance Fee payable to the Investment Manager based on a number of hypothetical scenarios and assuming the opening Portfolio Net Asset Value (PNAV) is \$125,000,000.</p> <table border="1" data-bbox="368 958 1169 1406"> <thead> <tr> <th></th> <th>ADJUSTED ENDING PNAV OF \$138 MILLION WITH NO CAPITAL RAISINGS</th> <th>ADJUSTED ENDING PNAV OF \$175 MILLION WITH NO CAPITAL RAISINGS</th> </tr> </thead> <tbody> <tr> <td>METHOD OF CALCULATION</td> <td>5% x (((\$138m - \$125m - \$0) - 8% x \$125m) = \$150,000</td> <td>5% x (12% x \$125m - 8% x 125m) = \$250,000 PLUS 10% x [(\$175m - \$125m - \$0) - (12% x \$125m)] = \$3,500,000</td> </tr> <tr> <td>PERFORMANCE FEE</td> <td>\$150,000</td> <td>\$3,750,000</td> </tr> </tbody> </table> <p>A termination fee is payable by the Company to the Investment Manager if the Investment Management Agreement is terminated within the first ten years of the Agreement, unless the Company has terminated the Investment Management Agreement for default by the Investment Manager (being 'for cause' as set out in Section 4.8). The termination fee is equal to 5% of the Portfolio Net Asset Value of the Company, reduced by 1/60th for each calendar month elapsed after the first five years since commencement of the Investment Management Agreement up to the date of termination.</p> <p>A worked example of the termination fee is as follows, assuming the Investment Management Agreement is terminated after 7 years (and not by the Company for cause):</p> <table border="1" data-bbox="368 1787 1169 2016"> <tbody> <tr> <td>PNAV (after 7 years)</td> <td>= \$138 million</td> </tr> <tr> <td>Number of months elapsed after the first 5 years</td> <td>= 24</td> </tr> <tr> <td>Termination fee</td> <td>= 5% of \$138 million x (1-24/60)</td> </tr> <tr> <td></td> <td>= \$4,140,000</td> </tr> </tbody> </table>		ADJUSTED ENDING PNAV OF \$138 MILLION WITH NO CAPITAL RAISINGS	ADJUSTED ENDING PNAV OF \$175 MILLION WITH NO CAPITAL RAISINGS	METHOD OF CALCULATION	5% x (((\$138m - \$125m - \$0) - 8% x \$125m) = \$150,000	5% x (12% x \$125m - 8% x 125m) = \$250,000 PLUS 10% x [(\$175m - \$125m - \$0) - (12% x \$125m)] = \$3,500,000	PERFORMANCE FEE	\$150,000	\$3,750,000	PNAV (after 7 years)	= \$138 million	Number of months elapsed after the first 5 years	= 24	Termination fee	= 5% of \$138 million x (1-24/60)		= \$4,140,000	<p>Section 4.5</p>
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	= \$4,140,000																		

QUESTION	ANSWER	MORE INFORMATION
Does the Board approve investments?	<p>The Board has established Investment Guidelines under the Investment Management Agreement. Board approval is not required for investments undertaken by the Investment Manager that are in accordance with the Company's guidelines. Any other investments require approval from the Board.</p> <p>The Investment Manager will be responsible for deploying capital and managing the Company's investment portfolio in accordance with the investment strategy set out in Section 4.4 to maximise the income generated from the Company's leasing portfolio and sale of Water Allocations.</p> <p>The Investment Guidelines only permit investments in Australian Water Entitlements (other than cash), and limit the Company's exposure to 50% (by dollar value) of any one trading zone other than during the initial investment period by the Company. 20%-80% of the Company's Water Entitlements are to be subject to long term leases, greater than 3 years duration. Annual Water Allocations available for sale (and not leasing) must form 20%-40% of the Company's Water Entitlement portfolio.</p> <p>Water Entitlements must be sold for cash and no short selling is permitted.</p>	Section 4.4.1
Who is responsible for the administration of the Company?	The day to day administration of the Company will be delegated to the Investment Manager.	Section 4
Are there any restrictions on the Investment Manager?	The Investment Manager cannot be the adviser or manager for certain other businesses which may be in competition with the Company. In addition, Mr Ed Peter, as the Chief Investment Officer of the Investment Manager, must devote such time as reasonably necessary for the Investment Manager to carry out its investment activities. If Mr Peter does not do so and a replacement person is not procured by the Investment Manager who is acceptable to the Company, the Company may terminate the Investment Management Agreement.	Section 4.7
Does the Company have any other material contracts?	<p>In addition to the Investment Management Agreement, the Company has entered into an Offer Management Agreement with the Lead Manager with respect to the Offer.</p> <p>For the purchase and lease back of its initial portfolio, the Company has entered into material Water Purchase Contracts with Duxton Vineyards, Duxton Vineyards Water, Hathor, Merriment (who are all related parties of the Company) and Yelta.</p> <p>Pursuant to the Water Purchase Contracts, the Company will also enter into long term leases with Duxton Viticulture (also a related party of the Company), Hathor and Merriment.</p> <p>Settlement of all Water Purchase Contracts is to occur prior to or upon completion of the Offer. All of the leases will be entered into at settlement of those contracts.</p>	<p>Section 1.1</p> <p>Sections 1.5, 10, 11</p>

1.1. DIRECTORS AND KEY MANAGEMENT

TOPIC	SUMMARY	FOR MORE INFORMATION
<p>Who are the directors of the Company and what is their experience?</p>	<p>The Board is comprised of four directors including two independent directors. The Board is highly experienced in the agriculture industry, holding a combined 72 years of experience. The Board has a combined 47 years of experience in the Australian water market.</p> <p>The Directors are as follows:</p> <ol style="list-style-type: none"> 1. Ed Peter- Chairman 2. Stephen Duerden – Director 3. Dirk Wiedmann – Independent Director 4. Peter Michell – Independent Director <p>See Section 10.1 for more information on the Company’s Directors and their experience.</p> <p>The Company has appointed Donald Stephens as the Company Secretary.</p>	<p>Section 10.1</p>
<p>Who is on the investment management team of the Company and what is their expertise?</p>	<p>The Company does not have an internal management team. The Company has outsourced its investment management and day to day administration to the Investment Manager. The key investment management team of the Investment Manager is:</p> <p>ED PETER, LEAD PORTFOLIO MANAGER</p> <p>Ed Peter is the co-founder of Duxton Capital Pte Ltd (Duxton), the parent company of the Investment Manager. Prior to forming Duxton in 2009, Ed was Head of Deutsche Asset Management Asia Pacific, Middle East and North Africa. Mr Peter has 30 years of experience in financial markets. Ed’s industry experience ranges from listed equities, emerging markets, complex assets, alternatives and private equity. Ed has been exposed to Australia’s water markets since 1999. Within his private equity experience, Mr Peter has been developing and executing agricultural investment strategies for clients since 2006.</p> <p>NICOLE DUDZINSKI, CHIEF FINANCIAL OFFICER</p> <p>Nicole is a Chartered Accountant with over 7 years of experience. Prior to joining the Investment Manager she was a Senior Manager at Deloitte, working with a variety of businesses across a wide range of accounting, taxation and business advisory matters. While the majority of Nicole’s career has been spent in Adelaide, she has also spent time with Deloitte in Canberra and London. Nicole holds a bachelor degree in Health Sciences and a master’s degree in Accounting.</p> <p>MAX TOOVEY, PORTFOLIO MANAGER</p> <p>Max Toovey joined the Investment Manager at the start of 2014 and is responsible for sourcing and monitoring private equity investments in agriculture. Prior to joining the Investment Manager, Max worked at KPMG Australia within financial audit.</p> <p>The management team have had exposure to managing water through Duxton Asset Management’s direct agriculture portfolio, which comprises of 64 gigalitres of permanent water across 24 trading zones in the Australian water market.</p> <p>The Investment Manager will be supported by the Duxton Group’s investment team in Singapore, the Company’s finance team in Australia and the Board.</p> <p>See Section 4.2 for more information on the investment management team and their experience.</p>	<p>Section 4.2</p>

1.2. OVERVIEW OF THE OFFER

TOPIC	SUMMARY	FOR MORE INFORMATION																				
Who is the issuer of this Prospectus?	Duxton Water Limited ACN: 611 976 517.	Section 2.1																				
What is the Offer?	<p>An offer of new Shares together with an entitlement to one Option for every new Share issued under the Offer at an Offer Price of \$1.10 per Offer Security to raise a minimum of \$22 million, a maximum of \$99 million with Oversubscriptions to raise up to a total of \$149.6 million.</p> <p>For details relating to the rights and liabilities of the Shares, refer to Section 11.9. For details relating to the terms and conditions of the Options, refer to Section 11.10 and the Appendix.</p>	Sections 1.1 and 2.1																				
What happens if the minimum subscription is not achieved?	The Minimum Subscription for the Offer to proceed is \$22 million. If the Minimum Subscription is not obtained within 4 months after the date of this Prospectus (or any longer period permitted by law), the Company will repay all Application Monies in full without interest as soon as practicable or issue a supplementary or replacement prospectus to allow applicants one month to withdraw their Applications and be repaid their Application Monies in full without interest.																					
What is the Company's Capital Structure on Completion of the Offer?	<p>The Company's indicative capital structure at the various levels of subscriptions will be:</p> <table border="1"> <thead> <tr> <th></th> <th>MINIMUM SUBSCRIPTION \$22 MILLION</th> <th>MAXIMUM SUBSCRIPTION \$99 MILLION</th> <th>MAXIMUM SUBSCRIPTION WITH OVER-SUBSCRIPTIONS \$149.6 MILLION</th> </tr> </thead> <tbody> <tr> <td>Number of Shares on issue at incorporation</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Vendor Shares issued on acquisition of initial Water Entitlement portfolio</td> <td>26,056,679</td> <td>26,056,679</td> <td>26,056,679</td> </tr> <tr> <td>Total Shares on issue at the Completion of the Offer</td> <td>46,056,680</td> <td>116,056,680</td> <td>162,056,680</td> </tr> <tr> <td>Total Options at Completion of the Offer</td> <td>46,056,680</td> <td>116,056,680</td> <td>162,056,680</td> </tr> </tbody> </table> <p>Investors will receive an attached Option for every 1 Share issued under the Offer, exercisable at \$1.10 on or before 31 May 2018. Also, Duxton Vineyards and Duxton Vineyards Water, the Vendor Shareholders will also receive one Option for each Share held prior to completion of the Offer. The Vendor Shares are being issued for \$1.10 per Share.</p>		MINIMUM SUBSCRIPTION \$22 MILLION	MAXIMUM SUBSCRIPTION \$99 MILLION	MAXIMUM SUBSCRIPTION WITH OVER-SUBSCRIPTIONS \$149.6 MILLION	Number of Shares on issue at incorporation	1	1	1	Vendor Shares issued on acquisition of initial Water Entitlement portfolio	26,056,679	26,056,679	26,056,679	Total Shares on issue at the Completion of the Offer	46,056,680	116,056,680	162,056,680	Total Options at Completion of the Offer	46,056,680	116,056,680	162,056,680	Sections 2.1, 2.4, 11.9 and 11.10 (Shares and Options) and the Appendix
	MINIMUM SUBSCRIPTION \$22 MILLION	MAXIMUM SUBSCRIPTION \$99 MILLION	MAXIMUM SUBSCRIPTION WITH OVER-SUBSCRIPTIONS \$149.6 MILLION																			
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What is the proposed use of proceeds received in connection of with the Offer?	The Company's primary use of funds will be to acquire Water Entitlements, including completing the contracts to purchase Water Entitlements from Hathor and Merriment. Proceeds of the Offer will also be used to pay off the Company's existing debt facility and pay the costs of the Offer and listing on the ASX.	Section 2.3																				
How is the Offer structured?	<p>The Offer presented in this Prospectus is open to investors who have a registered address in Australia and New Zealand. The Offer is also open to certain "wholesale" or "professional" investors in Hong Kong, Singapore or Switzerland.</p> <p>The rights attached to the Offer are detailed in Section 11.9</p>	Sections 2.7, and 11.8, 11.13																				
Is the Offer underwritten?	The Offer will not be underwritten.	Section 2.7																				

TOPIC	SUMMARY	FOR MORE INFORMATION
Who is the Lead Manager?	Taylor Collison Limited has been appointed as the Lead Manager.	Section 10.3.1
What fees and costs are payable to the Lead Manager?	The Company will pay the Lead Manager a fee equal to 1.5% of the total proceeds raised under the Offer for its role in managing the Offer. In addition, the Company will pay the Lead Manager a selling fee of 2.0% of the total funds raised from institutional and retail investors.	Section 2.7
When will the Offer Securities be quoted?	<p>The Company will apply to ASX within seven days of the date of the Prospectus, for its admission to the Official List and quotation of Shares and Options on the ASX. The Shares are expected to be quoted under the code D2O, and the Options under the code D2OO. Quotation of the Offer Securities is expected to occur on 21 September 2016.</p> <p>Completion of the Offer is conditional on ASX approving the Company's listing application and the Offer Securities being admitted to quotation by ASX. If the Offer Securities are not admitted to quotation within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 2.7
Are there any restrictions on the disposal of Shares or Options?	<p>Upon Completion of the Offer and subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, the Shares and Options issued under the Prospectus will not be subject to any restrictions on disposal.</p> <p>The majority of the Vendor Shares will be subject to voluntary escrow. The Options to be issued to the Vendor Shareholders will be subject to a 3 month on-sale restriction under the Corporations Act.</p>	Section 2.5
What is the allocation policy?	The allocation of Shares (and consequently the attaching Options) will be determined by the Lead Manager and the Company.	Section 2.7
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares and Options under the Offer.	Section 2.7
What are the tax implications of investing in the Offer Securities?	<p>The taxation consequences of an investment in the Offer Securities will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.</p> <p>A summary of the Australian taxation implications of investing in the Company is set out in Section 11.11 and is based on current tax law and Australian Taxation Office rulings. The information in Section 11.11 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.</p>	Section 11.11
How can I apply?	<p>Applications for Shares and attaching Options can only be made by completing the Application Form attached to this Prospectus and must be for a minimum of 2,000 Shares (\$2,200) and thereafter in multiples of 500 Shares (\$550).</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p> <p>See Section 2.8 for further information on how to apply.</p>	Section 2.8
When will I receive confirmation that my Application is successful?	The Company expects that holding statements confirming Applicants' allocations under the Offer will be sent to successful Applicants by regular post on or around 14 September 2016.	Section 2.7

TOPIC	SUMMARY	FOR MORE INFORMATION
When are the Shares and Options expected to commence trading?	<p>It is expected that shares will commence trading on the ASX on a normal settlement basis on or about 21 September 2016.</p> <p>After quotation, Shareholders, Optionholders and other investors may buy or sell Shares and Options at the prevailing market price. There may or may not be a liquid market for Shares or Options, and the Shares may trade above or below the Offer price.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading. Applicants who sell any Offer securities before they receive an initial holding statement do so at their own risk.</p>	Section 2.7
Can the Offer be withdrawn?	<p>Yes. The Company reserves the right not to proceed with the Offer at any time before the issue of Offer Securities to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Section 2.7
Is there a cooling off period?	No.	Section 11.7
Where can I find more information about this Prospectus or the Offer?	<p>If you would like more information or have any questions relating to the Offer, please call the Duxton Water Ltd Offer Information Line on 1300 640 947 (within Australia) or +61 3 9415 4075 (outside Australia).</p> <p>An electronic copy of the Prospectus can be downloaded at www.duxtonwater.com.au.</p> <p>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial advisor, accountant, lawyer or other professional adviser.</p>	Section 2.7

1.3. KEY STRENGTHS

KEY STRENGTHS OF THE COMPANY		
TOPIC	SUMMARY	FOR MORE INFORMATION
An investment providing long-term yield	<p>Through lease arrangements with primary producers ranging from 3 years to 10 years, the Company expects to provide investors with access to a reliable long-term yield.</p> <p>The Company intends to place greater focus on Water Entitlements in NSW Murray below Barmah Choke (NSW Murray Zone 11 High Security), NSW Murray above Barmah Choke (Zone 10 High Security), VIC Murray from Barmah Choke to South Australia's border (Zone 7, High Reliability) and VIC Murray Dart to Barmah Choke (Zone 6, High Reliability). Historically, annual yields in these four zones have averaged 6.62%.⁵</p>	Section 3.6.2 and Section 4.4
Investment in perpetual rights to Australian water	The Company presents an opportunity to invest in a company that holds a portfolio of Australian Water Entitlements - perpetual rights to Australia's limited water supply - a vital production input to Australian agriculture. As a result, the Company's investment portfolio will provide broad exposure to diverse Australian agricultural enterprises.	Section 3.1
Access to a long duration asset that can generate long term capital growth	<p>Water Entitlements represent a perpetual or ongoing right to a Water Allocation. The Water Entitlements within the Company's portfolio have the potential to provide investors with long-term capital growth.</p> <p>Over the previous 5 years Australian Water Entitlements have delivered annual average capital growth of 12% per annum.⁶</p>	Section 3.6.2

KEY STRENGTHS OF THE COMPANY

TOPIC	SUMMARY	FOR MORE INFORMATION
A highly experienced investment team with a strong track record	The Duxton Group is an international manager of agricultural investments, with a global direct investment footprint and track record. The investment team and its principals, as former employees of the Deutsche Bank Group, have been developing and executing agricultural and alternative assets strategies as a team since 2007.	Section 4.1

⁵ Average annual yields between August 2012 and April 2016 on water assets in Zone 11 HS, Zone 10 HS, Zone 7 HR and Zone 6 HR.

⁶ Waterfind, 2016. Data provided by Waterfind, calculations undertaken by the Investment Manager. Average median annual growth between January 2005 – December 2015.

⁷ Water as an investment has exhibited a correlation with global stocks of less than one and a negative correlation with international bonds over the period 2004 - 2012. The correlation between water and its beta demonstrates that water investments act as a quality hedge during down market conditions and catches the gains from recovering and booming markets. Jin, Roca and Wong, 2015, 'Sprinkle your investment portfolio with water!', International Journal of Water.

TOPIC	SUMMARY	FOR MORE INFORMATION
Reliance on the Investment Manager	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.	Section 5.2.9
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.	Section 5.2.13
Vendor Shareholder control	At Minimum Subscription the Vendor Shareholders will have a controlling relevant interest of 56.58% of the Shares. The majority of those Vendor Shares will also be subject to voluntary escrow for up to 12 months. This may adversely impact on liquidity of the Shares.	Section 5.2.14
Security over Vendor Shares	The Vendor Shares are likely to be mortgaged to the Vendor's financier, NAB, including those subject to voluntary escrow. If the NAB enforces its rights under the share mortgage, some or all of the Vendor Shares may be sold. At Minimum Subscription the Vendor Shares represent a controlling relevant interest in the Company. Therefore any forced sale of those Shares is likely to affect control of the Company.	Section 2.5 and 5.2.15

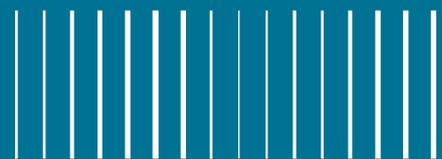
8. Ruralco Water, 2016

1.5. SIGNIFICANT INTERESTS OF KEY PEOPLE

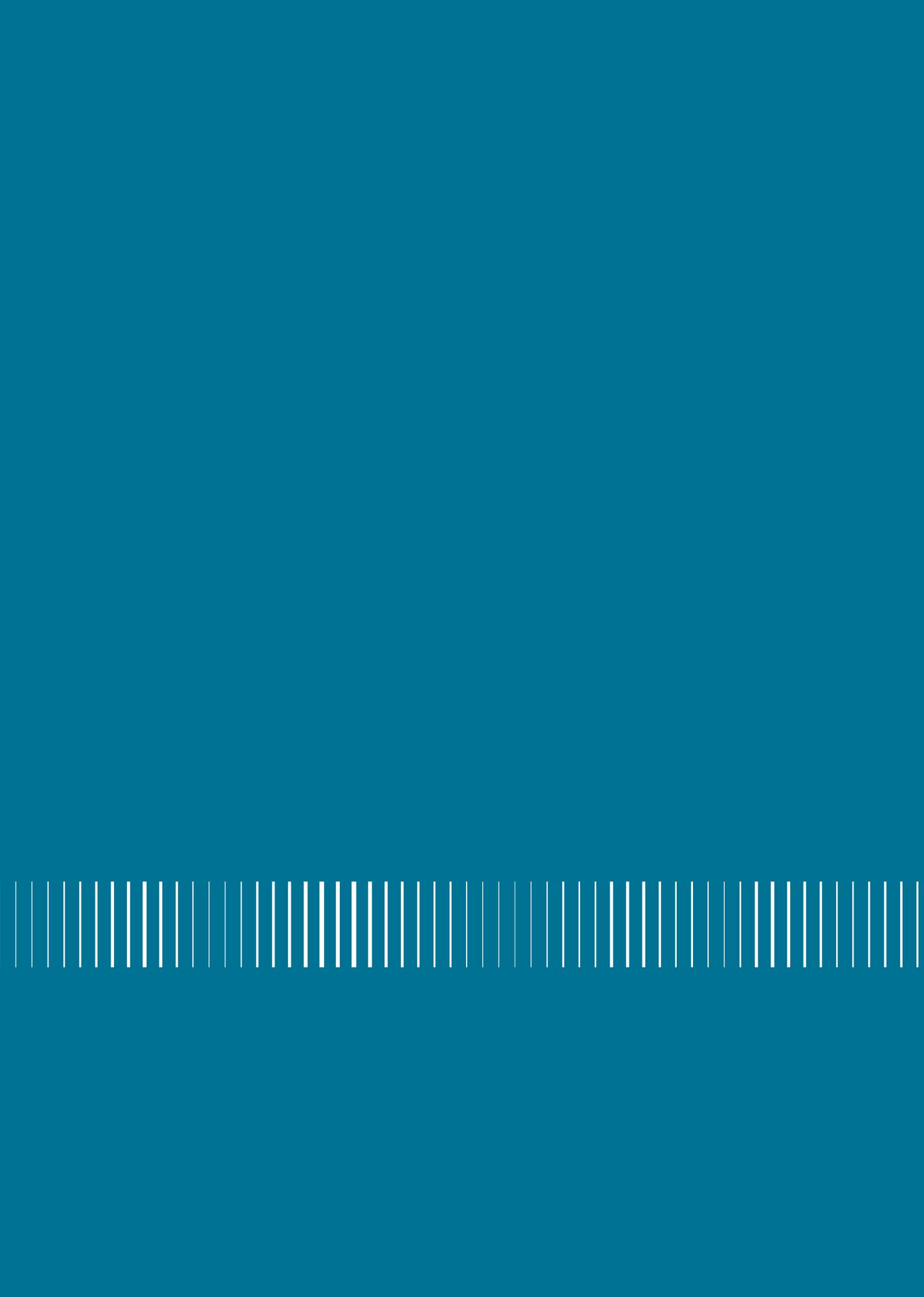
TOPIC	SUMMARY	FOR MORE INFORMATION																								
Who are the existing Shareholders and what will be their interest at listing on ASX?	<p>As at the Prospectus Date, the Company has one existing shareholder- Duxton Vineyards Water. Duxton Vineyards owns 100% of the shares in Duxton Vineyards Water, who holds 1 Share in the Company.</p> <p>At settlement of the Water Purchase Contracts with Duxton Vineyards Water and Duxton Vineyards, the capital structure of the Company will be as follows:</p> <table border="1"> <thead> <tr> <th>ENTITY</th> <th>VENDOR SHARES AND OPTIONS HELD</th> <th>% OWNERSHIP AT CLOSE OF OFFER</th> <th>% OWNERSHIP AT MINIMUM SUBSCRIPTION</th> <th>% OWNERSHIP AT MAXIMUM SUBSCRIPTION</th> <th>% OWNERSHIP AT MAXIMUM SUBSCRIPTION WITH OVERSUBSCRIPTIONS</th> </tr> </thead> <tbody> <tr> <td>Duxton Vineyards Water</td> <td>22,691,119</td> <td>87.08%</td> <td>49.27%</td> <td>19.55%</td> <td>14.00%</td> </tr> <tr> <td>Duxton Vineyards</td> <td>3,365,561</td> <td>12.92%</td> <td>7.31%</td> <td>2.90%</td> <td>2.08%</td> </tr> <tr> <td>Total</td> <td>26,056,680</td> <td>100.00%</td> <td>56.58%</td> <td>22.45%</td> <td>16.08%</td> </tr> </tbody> </table> <p>The Company will issue Options to Duxton Vineyards and Duxton Vineyards Water on the basis of one Option for one Share held prior to or at Completion of the Offer.</p>	ENTITY	VENDOR SHARES AND OPTIONS HELD	% OWNERSHIP AT CLOSE OF OFFER	% OWNERSHIP AT MINIMUM SUBSCRIPTION	% OWNERSHIP AT MAXIMUM SUBSCRIPTION	% OWNERSHIP AT MAXIMUM SUBSCRIPTION WITH OVERSUBSCRIPTIONS	Duxton Vineyards Water	22,691,119	87.08%	49.27%	19.55%	14.00%	Duxton Vineyards	3,365,561	12.92%	7.31%	2.90%	2.08%	Total	26,056,680	100.00%	56.58%	22.45%	16.08%	Section 2.4 and 10.2
ENTITY	VENDOR SHARES AND OPTIONS HELD	% OWNERSHIP AT CLOSE OF OFFER	% OWNERSHIP AT MINIMUM SUBSCRIPTION	% OWNERSHIP AT MAXIMUM SUBSCRIPTION	% OWNERSHIP AT MAXIMUM SUBSCRIPTION WITH OVERSUBSCRIPTIONS																					
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Total	26,056,680	100.00%	56.58%	22.45%	16.08%																					

TOPIC	SUMMARY	FOR MORE INFORMATION
<p>What significant benefits are payable to Directors and the other persons connected with the Company or the Offer?</p>	<p>Company Directors Mr Ed Peter and Mr Stephen Duerden are directors of the parent company of the Investment Manager and will not be remunerated for their services as Directors of the Company. The independent Directors of the Company will be paid a director's fee of \$35,000 per annum (including statutory superannuation entitlements). Directors are also entitled to be reimbursed for travelling and other expenses reasonably incurred in attending to the business of the Company.</p> <p>The Investment Manager is entitled to certain fees for their services to the Company in accordance with the terms of the Investment Management Agreement.</p>	<p>Section 4.5 and 10.3</p>





2 DETAILS OF THE OFFER



2. DETAILS OF THE OFFER

2.1 INTRODUCTION

This Prospectus relates to an initial public offering of Offer Securities by the Company at the Offer Price. The Company's indicative capital structure at the various levels of subscriptions is noted below:

	MINIMUM SUBSCRIPTION \$22 MILLION	MAXIMUM SUBSCRIPTION \$99 MILLION	MAXIMUM SUBSCRIPTION WITH OVER- SUBSCRIPTIONS \$149.6 MILLION
Number of Shares on issue at incorporation	1	1	1
Vendor Shares to be issued on acquisition of initial Water Entitlement portfolio	26,056,679	26,056,679	26,056,679
Shares issued under this Prospectus	20,000,000	90,000,000	136,000,000
Total Shares on issue at the completion of the Offer	46,056,680	116,056,680	162,056,680
Total Options on issue at completion of the Offer	46,056,680	116,056,680	162,056,680

Investors will receive an attached Option for every 1 Share subscribed for, exercisable at \$1.10 on or before 31 May 2018.

Duxton Vineyards and Duxton Vineyards Water, as the Vendor Shareholders of the Company prior to Completion of the Offer will also receive 1 Option for each Share held. Therefore on Completion of the Offer, 26,056,680 Shares and 26,056,680 Options will be held by the Vendor Shareholders. 85% of those Vendor Shares will be subject to certain voluntary escrow arrangements described in Section 2.5.

All Shares will rank equally with each other. A summary of the rights attaching to the Shares and Options are set out in Sections 11.9 and 11.10.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

2.2 STRUCTURE OF THE OFFER

An Application for Shares and Options under the Offer can only be made by completing and lodging the Offer Application Form at the back of this prospectus. Detailed instructions on completing the Application Form can be found on the back of the Application Form.

Application Monies and completed Applications to participate in the Offer must be received by the Share Registry prior to 5.00 pm (Adelaide time) on the Closing Date. The Directors reserve the right to allocate any lesser number of Shares and Options than those for which an Applicant has applied. Where the number of Shares and Options allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest. A binding contract to issue Shares and Options will only be formed at the time Shares are allotted and Options granted to Applicants.

2.3 PURPOSE OF THE OFFER AND USE OF PROCEEDS

AT MAXIMUM SUBSCRIPTION WITH OVER-SUBSCRIPTIONS			
TOTAL FUNDS RAISED UNDER THE OFFER		\$149,600,000	
	YEAR 1 SPEND	YEAR 2 SPEND	TOTAL SPEND
PURCHASE OF WATER ENTITLEMENTS	\$73,333,330	\$60,552,142	\$133,885,472
WORKING CAPITAL	\$289,000	\$321,000	\$610,000
REPAYMENT OF BANK DEBT	\$3,582,207	-	\$3,582,207
PURCHASE OF INITIAL WATER ENTITLEMENT PORTFOLIO SETTLED IN CASH	\$5,777,085	-	\$5,777,085
EXPENSES OF THE OFFER	\$5,745,236	-	\$5,745,236
TOTAL FUNDS APPLIED	\$88,726,858	\$60,873,142	\$149,600,000
AT MAXIMUM SUBSCRIPTION			
TOTAL FUNDS RAISED UNDER THE OFFER		\$99,000,000	
	YEAR 1 SPEND	YEAR 2 SPEND	TOTAL SPEND
PURCHASE OF WATER ENTITLEMENTS	\$66,666,670	\$18,456,341	\$85,123,011
WORKING CAPITAL	\$289,000	\$321,000	\$610,000
REPAYMENT OF BANK DEBT	\$3,582,207	-	\$3,582,207
PURCHASE OF INITIAL WATER ENTITLEMENT PORTFOLIO SETTLED IN CASH	\$5,777,085	-	\$5,777,085
EXPENSES OF THE OFFER	\$3,907,697	-	\$3,907,697
TOTAL FUNDS APPLIED	\$80,222,659	\$18,777,341	\$99,000,000
AT MINIMUM SUBSCRIPTION			
TOTAL FUNDS RAISED UNDER THE OFFER		\$22,000,000	
	YEAR 1 SPEND	YEAR 2 SPEND	TOTAL SPEND
PURCHASE OF WATER ENTITLEMENTS	\$10,930,353	-	\$10,930,353
WORKING CAPITAL	\$289,000	\$321,000	\$610,000
REPAYMENT OF BANK DEBT	\$3,582,207	-	\$3,582,207
PURCHASE OF INITIAL WATER ENTITLEMENT PORTFOLIO SETTLED IN CASH	\$5,777,085	-	\$5,777,085
EXPENSES OF THE OFFER	\$1,100,355	-	\$1,100,355
TOTAL FUNDS APPLIED	\$21,679,000	\$321,000	\$22,000,000

The Company intends to deploy all equity capital raised prior to the conclusion of calendar year ended 31 December 2017. If the Company raises less than the Maximum Subscription, funds are expected to be allocated to the stated activities in accordance with the Investment Guidelines set out in Section 4.4.1.

All debt will be repaid following the Completion of the Offer using the proceeds from the Offer.

The use of proceeds listed above is an estimate only, based on financial modelling prepared by the Company.

2.3.1 EXPENSES OF THE OFFER

The estimated expenses of the Offer (net GST), at the Minimum and Maximum Subscription (and based on the assumptions in Section 7.6), are set out in the table below.

	MINIMUM SUBSCRIPTION \$22 MILLION	MAXIMUM SUBSCRIPTION \$99 MILLION	MAXIMUM SUBSCRIPTION WITH OVER SUBSCRIPTIONS \$149.6 MILLION
FEES PAID TO THE LEAD MANAGER	\$770,000	\$3,465,000	\$5,236,000
ASX LISTING FEES	\$104,868	\$145,747	\$165,987
LEGAL FEES	\$100,000	\$100,000	\$100,000
INVESTIGATING ACCOUNTANT'S REPORT	\$35,000	\$35,000	\$35,000
VALUATION REPORT CBRE	\$30,000	\$30,000	\$30,000
OTHER EXPENSES	\$15,000	\$15,000	\$15,000
NON-CLAIMABLE GST ON THE ABOVE EXPENSES	\$45,487	\$116,950	\$163,249
TOTAL EXPENSES OF THE OFFER (NET OF CLAIMABLE GST)	\$1,100,355	\$3,907,697	\$5,745,236

The Company will be required to reimburse the Investment Manager for all expenses paid on its behalf, to the extent that the Investment Manager pays some or all of the above expenses on behalf of the Company, once the Shares and Options have been issued pursuant to the Offer.

2.4 VENDOR SHAREHOLDING STRUCTURE

The Company currently has one existing shareholder- Duxton Vineyards Water. Duxton Vineyards owns 100% of the shares in Duxton Vineyards Water.

The Company has agreed to issue the 26,056,679 Vendor Shares to the Vendor Shareholders prior to close of the Offer. Those Vendor Shares will be issued upon settlement of the Water Purchase Contracts for the acquisition of the Water Entitlements from those Vendor Shareholders.

The details of the ownership of Vendor Shares at close of the Offer and on Completion of the Offer are set out below.

ENTITY	VENDOR SHARES	% OWNERSHIP AT CLOSE OF OFFER	% OWNERSHIP AT MINIMUM SUBSCRIPTION	% OWNERSHIP AT MAXIMUM SUBSCRIPTION	% OWNERSHIP AT MAXIMUM SUBSCRIPTION WITH OVER-SUBSCRIPTIONS
DUXTON VINEYARDS WATER	22,691,119	87.08%	49.27%	19.55%	14.00%
DUXTON VINEYARDS	3,365,561	12.92%	7.31%	2.90%	2.08%
TOTAL	26,056,680	100.00%	56.58%	22.45%	16.08%

At Minimum Subscription the Vendor Shareholders will have a controlling interest in the Company. The details of ownership assume all Water Purchase Contracts settle prior to the Offer closing. Refer to Section 11.2 for further detail. Prior to Completion of the Offer, the Vendor Shareholders will also be issued with the same number of Options.

2.5 ESCROW ARRANGEMENTS

The Company has obtained in principle advice from ASX that the Water Entitlements are assets which have a readily ascertainable value, and as a result ASX is not expected to apply mandatory escrow to any Shares.

Provided no ASX mandatory escrow is applied by ASX, Duxton Vineyards and Duxton Vineyards Water as the Vendor Shareholders will enter into voluntary escrow deeds with the Company in relation to their respective Vendor Shares when those Vendor Shares are issued (and for the existing Share issued on incorporation). The key terms of the voluntary escrow deeds are as follows:

The escrow period is for the period commencing on the date of issue of those Vendor Shares and ending:

- 8 months from the date of quotation of the Shares on the ASX for 35% of the respective Shares held; and
- 12 months from the date of quotation of the Shares on the ASX for 50% of the respective Shares held. After expiry of the first 8 month escrow period, 35% of the respective Vendor Shares will be released from escrow.

The remaining 15% of the Vendor Shares held will not be subject to voluntary escrow.

The Vendor Shares subject to escrow may not be sold, transferred or encumbered without the consent of the Company during the voluntary escrow period, other than to allow the Vendors to accept a takeover bid or participate in a scheme of arrangement under the Corporations Act. As a result, the Company will have a relevant interest in those escrowed Vendor Shares, which will arise prior to close of the Offer and before the Company is admitted to Official List.

Upon entry into the voluntary escrow deeds, the Company will allow Duxton Vineyards and Duxton Vineyards Water to give a share mortgage to the NAB over their Vendor Shares to secure financial accommodation granted by NAB to them. In the event NAB enforces its rights under the share mortgage, NAB may cause some or all of those Vendor Shares to be sold during the voluntary escrow period. Particularly at Minimum Subscription, a forced sale by NAB of some or all of those Vendor Shares could affect control of the Company.

No voluntary escrow applies to the Options to be issued to Duxton Vineyards or Duxton Vineyards Water.

2.6 CORPORATE, FINANCIAL AND OTHER INFORMATION ABOUT DUXTON WATER

Duxton Water is an Australian registered company.

The Company's unaudited pro forma balance sheet as at 20 April 2016, including details of the pro forma adjustments, is set out in Section 7.

The Company's unaudited pro forma capitalisation and indebtedness, before and following Completion of the Offer, is set out in Section 7.3.

The Company will have a 31 December financial year end.

The Company will be taxed as an Australian resident public company for the purpose of Australian income tax law.

The Directors believe that, on Completion of the Offer, the Company will have sufficient working capital available to carry out its stated business objectives.

2.7 TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY
What is the type of security being offered?	Shares (being new fully paid ordinary shares in the Company) and attaching Options.
What are the rights and liabilities attached to the Offer Securities?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 11.9. The terms and conditions of the Options is set out in Section 11.10 and the Appendix.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$1.10 per Share. No additional amount is payable for the attached Option..
What is the Offer period?	<p>The key dates, including details of the Offer Period relating to each component of the Offer, are set out on page 1.</p> <p>The timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Australian Central Standard time.</p> <p>The Company and the Lead Manager may vary the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or any Applicants).</p> <p>If the Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.</p>
What happens if the Minimum Subscription is not received?	The Minimum Subscription for the Offer to proceed is \$22 million. If the Minimum Subscription is not obtained within 4 months after the date of this Prospectus, the Company will repay all Application Monies in full without interest as soon as practicable or issue a supplementary or replacement prospectus to allow applicants one month to withdraw their Applications and be repaid their Application Monies in full without interest.
Who is eligible to apply?	The Offer is open to all investors who have a registered address in Australia or New Zealand, and are not residents of the United States. For details about selling restrictions that apply to investors outside Australia and New Zealand please refer to Section 11.13.
What are the cash proceeds to be raised?	\$99,000,000 in gross proceeds is expected to be raised under the Offer assuming the Maximum Subscription, with the ability to accept Oversubscriptions of a further \$50,600,000.
Is the Offer underwritten?	No.
What is the minimum and maximum Application size under the Offer?	The minimum Application under the Offer is \$2,200 (2,000 Shares) and there is no maximum value of Offer Securities that may be applied for under the Offer
What is the allocation policy?	The allocation of Shares and Options will be determined by the Lead Manager and the Company.
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be dispatched by post on or about 14 September 2016.</p> <p>Refunds to Applicants under the Offer who make an Application and are scaled back will be made as soon as possible following the close of the Offer, which is expected to occur on or about 31 August 2016.</p> <p>The Company reserves the right to decline any Application without giving any reason.</p>

TOPIC	SUMMARY
Will the Offer Securities be quoted?	<p>The Company will apply to ASX within seven days of the date of the Prospectus, for its admission to the Official List and quotation of Shares and Options on ASX. The Shares are expected to be quoted under the code D20, Options are expected to be quoted under D200.</p> <p>Completion of the Offer is conditional on ASX approving the listing application and the Offer Securities being admitted to quotation on ASX. If the Offer Securities are not admitted to quotation on ASX within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Offer Securities offered for subscription.</p>
When are the Shares and Option expected to commence trading?	<p>It is expected that trading of the Shares and Options on ASX will commence on or about 21 September 2016 on a normal settlement basis.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in the Shares or Options. Applicants who sell Shares or Options before they receive an initial holding statements do so at their own risk.</p> <p>The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares or Options before receiving their initial holding statements.</p> <p>It is expected that the dispatch of holding statements will occur on or about 14 September 2016.</p>
Are there any escrow arrangements?	Yes. Details are provided in Section 2.5.
Have any ASIC relief or ASX waivers been granted?	As part of its listing application, the Company is applying to ASX for a waiver from Listing Rule 10.1 so that the entry into the leases with Duxton Viticulture, Hathor and Merriment do not constitute a deemed disposal of a substantial asset of the Company to a related party that requires further Shareholder approval, under Listing Rule 10.1.
Are there any tax considerations?	The tax consequences will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest. A general overview of tax consequences is outlined in Section 11.11 of this Prospectus.
Is there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares and Options under the Offer.</p> <p>Investors who buy or sell Shares and/or Options on ASX may be subject to brokerage and other transaction costs. Under current legislation, there is no stamp duty payable on the sale or purchase of Shares and/or Options on ASX.</p> <p>See Section 10.3.1 for details of various fees payable by the Company to the Lead Manager and by the Lead Manager.</p>
What are the restrictions on distribution of the Prospectus?	This Prospectus may be distributed in Australia and New Zealand. Overseas distribution of this Prospectus is limited to wholesale or professional investors in Hong Kong, Singapore and Switzerland. This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States. For details of selling restrictions that apply to the Offer Securities in Hong Kong, Singapore and Switzerland, please refer to Section 11.13.
How can I apply?	<p>You may apply for Shares and Options by completing a valid Application Form attached to or accompanying this Prospectus.</p> <p>To the extent permitted by law, an application by an Applicant under the Offer is irrevocable.</p>

TOPIC	SUMMARY
Can the Offer be withdrawn?	<p>Yes. The Company reserves the right not to proceed with the Offer at any time before the issue of Shares and Options to successful applicants.</p> <p>If the Offer does not proceed, Application monies will be refunded.</p> <p>No interest will be paid on any Application monies refunded as a result of the withdrawal of the Offer.</p>
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Duxton Water Offer Information Line 1300 640 947 (within Australia) or +61 3 9415 4075 (outside Australia) between 9.00am and 5.00pm (ACST) Monday to Friday.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

2.8 HOW TO APPLY

Applications for Shares and Options can only be made by completing the Application Form attached to this Prospectus and must be for a minimum of 2,000 Offer Securities (\$2,200) and thereafter in multiples of 500 Offer Securities (\$550).

Your Application Form must be accompanied by a cheque for the full amount of your Application. Cheques are to be drawn in Australian dollars and made payable to “Duxton Water Ltd – Share Offer” and crossed “Not Negotiable”. Cheques must be drawn from an Australian bank. Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn.

Cash will not be accepted.

The Company reserves the right to reject any Application or to allocate fewer Offer Securities than the number applied for by any investor.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, the Company may still accept the Application. The Company’s decision as to whether to accept the Application or how to construe, amend or complete it will be final, but no Applicant will be treated as having offered to purchase more Offer Securities than indicated by the amount of the cheque (or other form of payment) for the Application Monies.

2.9 WHEN TO APPLY

Applications may be lodged at any time after the issue of this Prospectus. However, as set out in the Prospectus, Applications received during the ASIC exposure period will not be processed until after the expiry of that period.

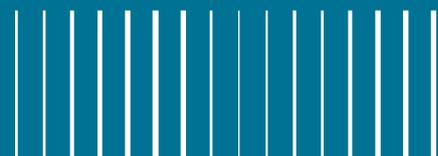
The Offer will remain open until 5:00pm (ACST) on 31 August 2016, unless the Company elects to close the Offer earlier or extend the Offer, in each case without prior notice.

Early lodgement of your Application is recommended as the Offer may be closed early.

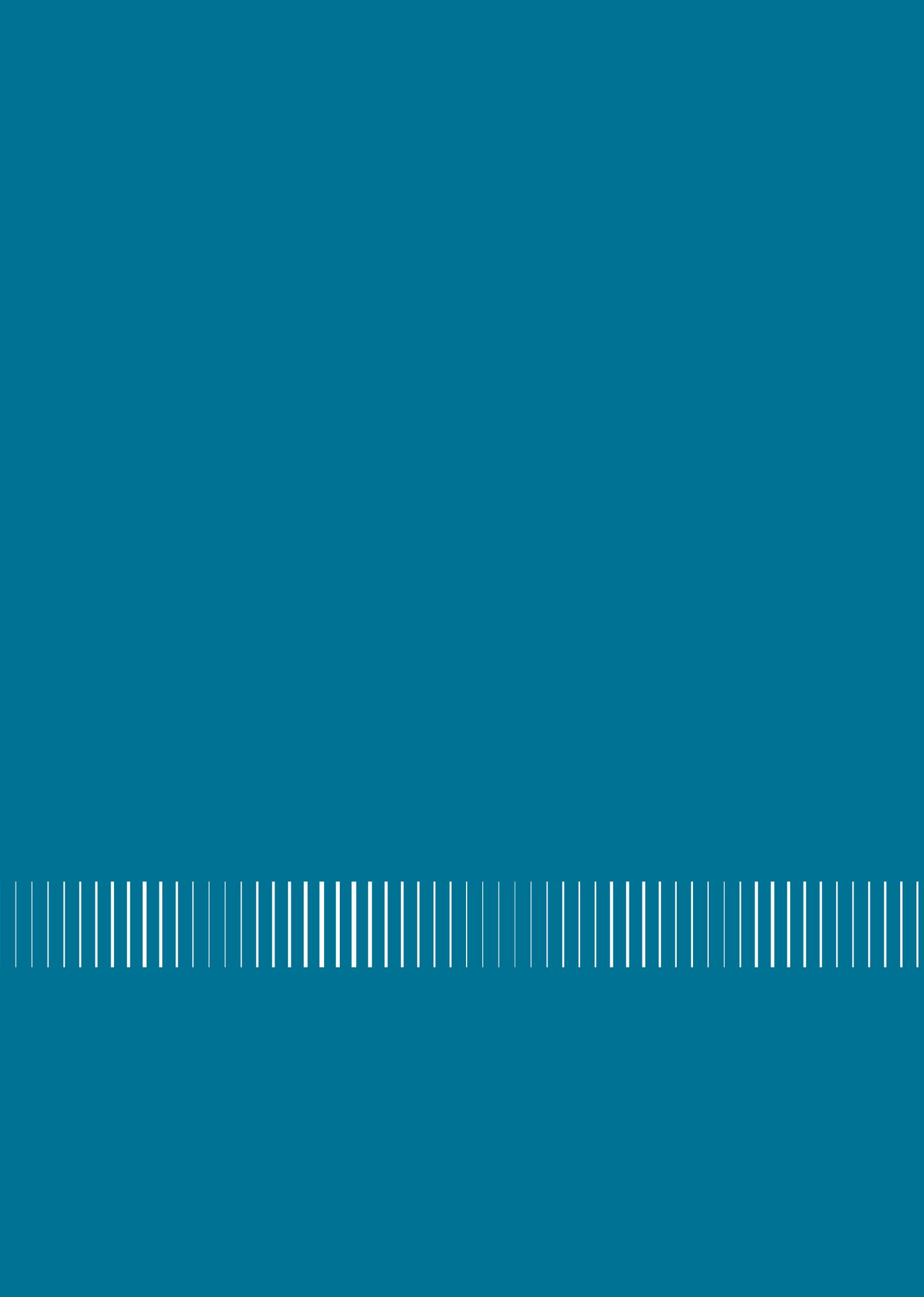
2.10 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before Completion. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Lead Manager and the Company also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or (subject to the terms of any guaranteed allocations referred to in this Prospectus) allocate to any Applicant or bidder fewer Shares than applied or bid for.



3 OVERVIEW OF THE COMPANY AND AUSTRALIAN WATER MARKET



3. OVERVIEW OF THE COMPANY AND AUSTRALIAN WATER MARKET

3.1 COMPANY OVERVIEW

The Company was incorporated on the 20th of April 2016 with the purpose of becoming an accessible investment vehicle while servicing the water requirements of various Australian primary production enterprises.

The Company seeks to capitalise on the increasing demand for scarce water resources as a vital input to agriculture, mining, urban consumption and water trading activity following the implementation of the Murray Darling Basin Plan. The Company intends to provide a new source of capital to assist in the development of Australia's water markets, further allowing water to be appropriately valued and traded to its highest economic use.

At the date of this Prospectus, the Company expects to be the only company listed on the ASX that intends to only invest in Australian Water Entitlements.

The Company presents the opportunities for water users to buy and lease water, as well as the opportunity for investors to gain exposure to the Australian water market.

3.2. THE COMPANY'S OBJECTIVES AND BUSINESS MODEL

The Company's objectives are to provide a return to investors in the form of regular dividends, with the potential for capital appreciation over the longer term, and to preserve invested capital. The Company's dividend policy is detailed in Section 3.4 and places high importance on dividend yield.

The Company's business model is to generate revenue in the following ways:

- The majority of the Company's income is intended to be derived from purchasing Water Entitlements and entering into long term lease arrangements with primary producers who will pay the Company to access those Water Entitlements over the term of the lease.
- Supplementary income may be derived from the sale of annual Water Allocations.
- Water Entitlements may ultimately be sold by the Company. However the Board does not expect that Water Entitlements will be acquired with the intention of being held for re-sale.

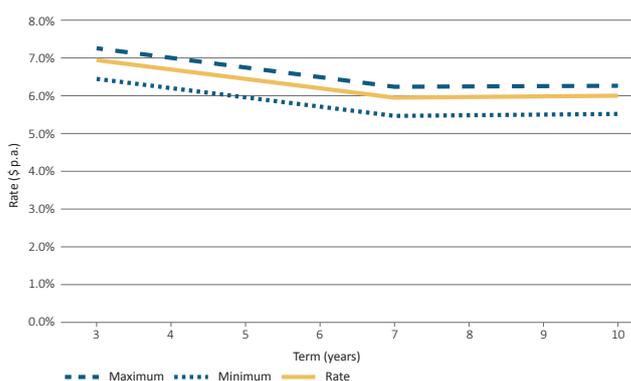
Water Entitlement leases are one of the core products the Company will use to achieve its objectives. These leases between irrigators (as lessee) and the Company (as lessor) are structured in a similar manner to commercial leases, where the asset title is held by the lessor and rent is paid by the lessee.

Lease terms will be determined and negotiated on a case-by-case basis, in order to meet the requirements of each individual lessee and the portfolio objectives. The terms of the leases will range from 3 years to 10 years and may include roll-over and renewal options.

The Company's lease contracts will be priced based on market prices and hence intend to provide security and certainty around water prices for the irrigators and provide visible revenue streams for the investors.

As with other commercial leases, there exists an inverse relationship between rate and term of lease contracts in the water market. As shown in the graph below, as the lease term increases, the rental yield decreases.

Figure 2: Indicative Yield and Term Relationship



These leases also provide irrigators with a tool to access the equity tied up in their water assets.

3.3 INITIAL ASSET PORTFOLIO

The Company has entered into a number of contracts to purchase Water Entitlements and corresponding leaseback arrangements. All of those contracts are to settle prior to or upon Completion of the Offer, and represent the initial Water Entitlement portfolio of the Company. Details of all of those Water Purchase Contracts are set out in Section 11.2. The majority of the Water Purchase Contracts are with related parties of the Company.

The value of the Company's initial Water Entitlement portfolio as set out in the unaudited pro forma statement of financial position in Section 7 is \$38 million. \$34.8 million of this initial portfolio is based on independent valuation by CBRE as at 30 June 2016 (see Section 6) and represents the Water Entitlements being purchased from the related parties of the Company. The remaining \$3.2 million is the subject of on market purchases with unrelated parties.

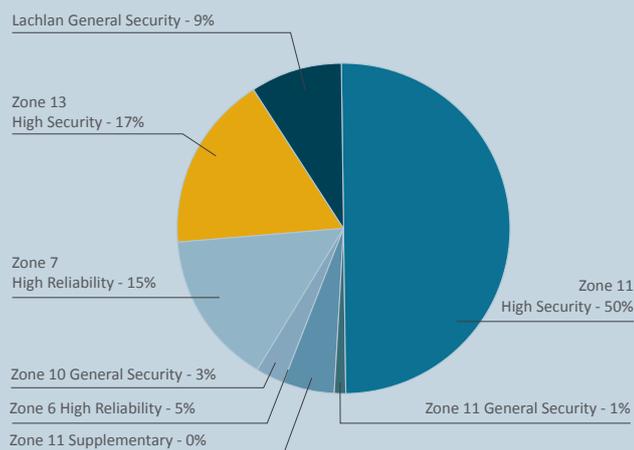
Of this portfolio, 88.58% of the Water Entitlements are to be subject to long term lease arrangements to primary producers, generating a gross initial yield of 5.9%.

These initial Water Entitlements are summarised by region in the table below.

REGION	CLASS	VALUE
VIC Murray Regulated River – Zone 6	High Reliability	\$2,024,198
VIC Murray Regulated River – Zone 7	High Reliability	\$5,777,902
NSW Murray Regulated River – Zone 11	High Security	\$18,918,025
	General Security	\$277,692
	Supplementary	\$21,580
NSW Murray Regulated River - Zone 10	General Security	\$1,115,000
Lachlan	General Security	\$3,399,000
NSW Murrumbidgee Regulated River – Zone 13	High Security	\$6,471,450
TOTAL		\$38,004,847

The chart below provides an indication of the asset allocation of the Company with respect to water value as at 30 June 2016. The breakdowns were selected to deliver optimal and reliable returns to investors.

Figure 3: Portfolio Diversification



3.4. DIVIDEND POLICY

The Company intends to place high importance on dividend yield. It is the Company’s intent to pay dividends to Shareholders that are:

- As high as prudently possible, and
- Are franked to 100% or the maximum extent possible.

The Company intends to pay dividends to Shareholders twice yearly, with one dividend declared within the first 12 months of listing.

The amount of the dividend will be at the discretion of the Board and will depend on a number of factors, however the Company will aim to pay out the majority of its operating profit, after costs, to Shareholders.

3.5 WHAT ARE WATER ENTITLEMENTS?

In the Australian water market there are two main types of property rights assigned to water:

1. **Water Entitlement:** the perpetual entitlement to exclusive access to a share of water from a specified consumptive pool. The various characteristics of entitlements are detailed below. The perpetual nature and other rights of Water Entitlements arises under state legislation, including the Water Management Act 2000 (NSW) (known as Water Access Licences), Natural Resources Management Act 2004 (SA) as amended (known as Water Licences) and the Water Act 1989 (Vic) (known as Water Shares).
2. **Water Allocation:** the specific volume of water allocated to a Water Access Entitlement in a given season. This can fluctuate annually, based on seasonal availability.

The difference and interaction between these two property rights is best explained by the following example. Suppose a farmer holds a Water Access Entitlement of 100 megalitres (ML). With this right, the farmer is not guaranteed to have 100 ML provided each year. Rather, the 100 ML will only be available when there is a Water Allocation of 100%. For example, when resource availability is 80%, the Water Entitlement would only provide the farmer with 80 ML that year.

As determined by the relevant water authorities, annual Water Allocations are made to High Security/High Reliability Water Entitlements before General Security/Low Reliability Water Entitlements. Whilst General Security/Low Reliability water holds more risk, the owner of the Water Entitlement may be compensated by a higher yield. For example, between November 2014 and August 2015, the yield generated by High Security water in Zone 11 ranged between 5.8%- 6.8%. In comparison, the Zone 11 General Security water generated a yield between 6.3%- 10.4% over the same period.

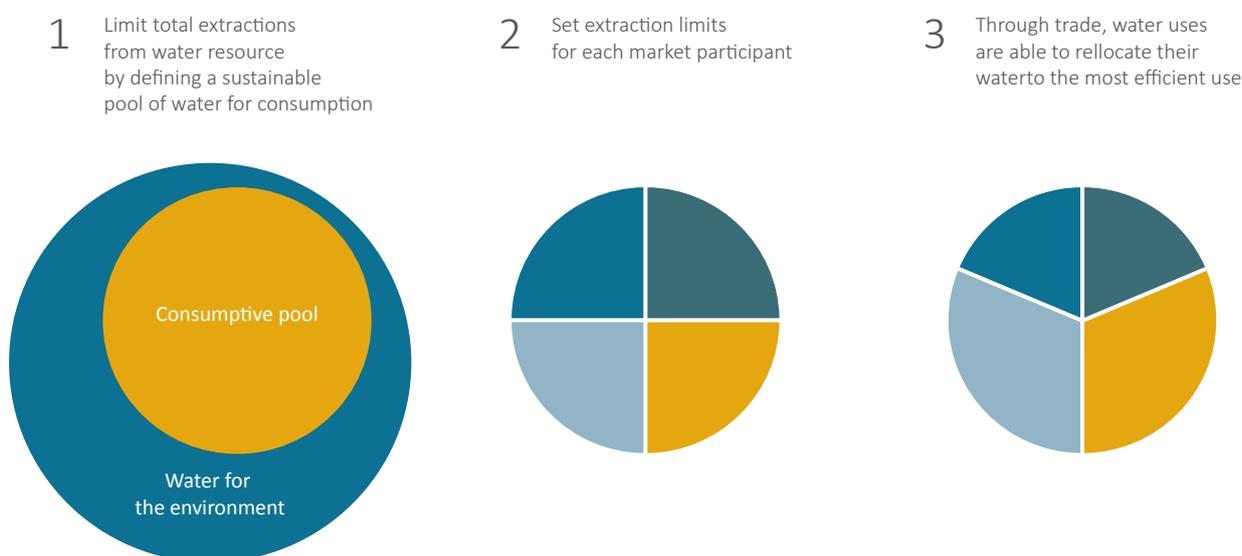
Water Entitlements and Water Allocations have the following characteristics:

WATER ASSET FEATURE	EXPLANATION
TRANSFERABLE	Water Entitlements and annual Water Allocations can be bought, sold and leased within the geographically defined water markets. Water Entitlements and Water Allocations can be transferred via brokers, exchanges and private transactions.
FUNGIBLE	Water Entitlements can be amalgamated or subdivided within their specified consumptive pool of water.
READILY ASCERTAINABLE VALUE	The value of traded Water Entitlements and Water Allocations can be regularly obtained from relevant water authorities subsequent to registration. Market participants including water brokers also facilitate access to current market trading of Water Entitlements and Water Allocations.
TRANSPARENCY	Determination of seasonal allocations to Water Entitlements are governed by defined, published processes and calculations based on measurable water availability conditions.
CLASSIFIED BY RELIABILITY	Water Entitlements are assigned different levels of reliability, defined as the frequency with which water allocated under an entitlement can be supplied in full. For example, annual Water Allocations are made to High Security/High Reliability Water Entitlements before General Security/Low Reliability Water Entitlements.

3.5.1 CAP AND TRADE SYSTEM

The Australian water market is based on an unbundled ‘cap and trade’ system. Under this regime, there is an explicit total pool of water resources available for consumption, which represents the cap, and water users are provided with entitlements to a share of the total consumptive pool. These entitlements are issued in perpetuity and defined as such that all water consumers, including aspiring ones, can only increase their share of a water resource pool by purchasing entitlements from an existing shareholder. The price charged for the water is determined in the market by the value placed on water by the market participants⁹.

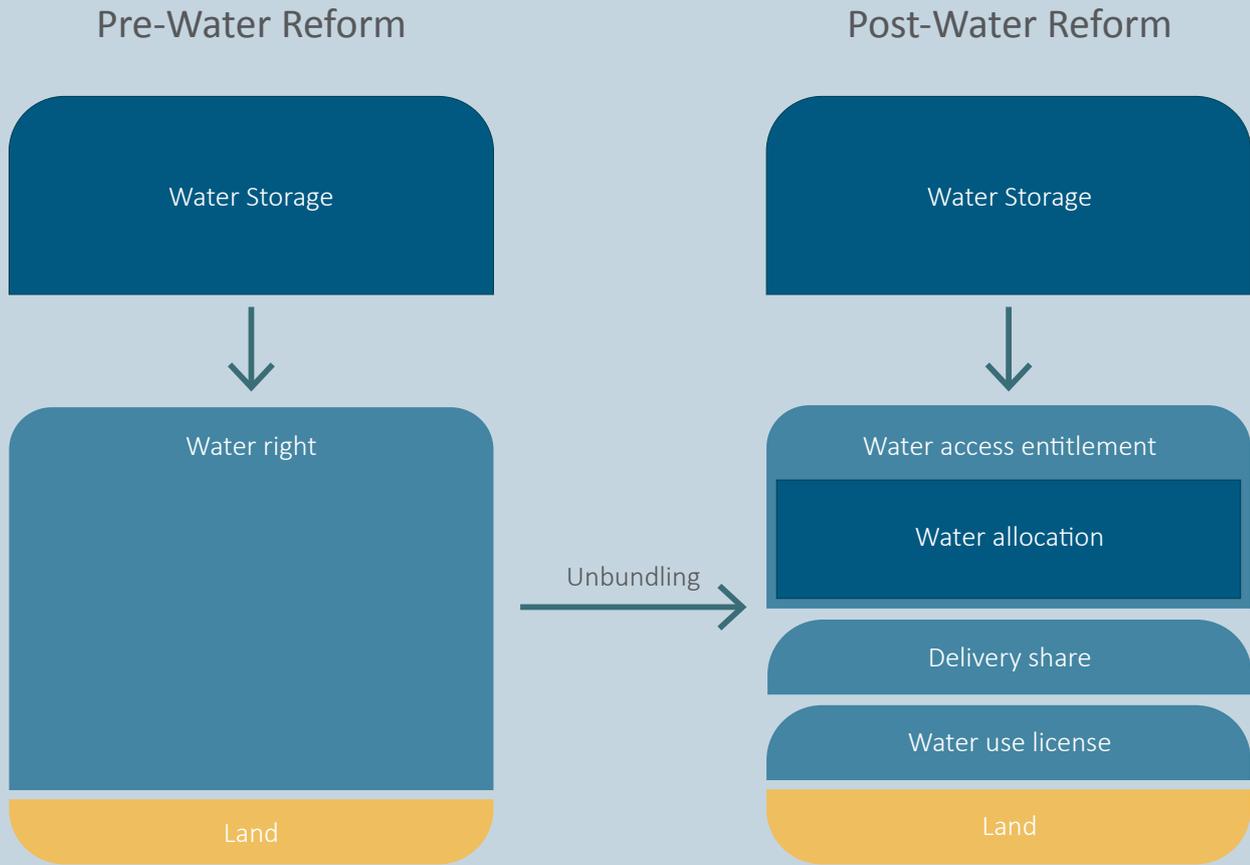
Figure 4: The Cap and Trade approach to establishing water markets – Source: National Water Commission, 2011



The different colours in the 2nd (middle) and 3rd (right) circles above represent theoretical market participants. As shown by the 2nd circle, market participants are allocated a set Water Entitlement. Participants are then able to engage in trade with each other such that water is reallocated to the most efficient use. However, as shown in the 3rd circle, the explicit total pool of water available for consumption remains the same.

⁹ National Water Commission, 2011

Figure 5: Simplified example of an unbundled entitlement system – Source: National Water Commission, 2011



3.5.2 WATER PRICES

Water prices and the volume of water traded are driven by a number of factors, as detailed in the table below. There is a strong, inverse relationship between water prices and the availability of water; water prices have steadily increased over periods where the availability of water decreased (such as droughts).

Independent analysts expect Water Allocation prices to increase by 7% - 10% per annum over the next five years.¹⁰ The Investment Manager believes water prices have strong demand characteristics over the long term as a result of a number of emerging trends in the market pushing up the demand for water. In order to meet growing demand, underpinned by population growth, water consumption from global irrigated farming will have to increase by 19% over the next 20 years.¹¹

¹⁰ Aither, 2016

¹¹ UNESCO, 2012

Key drivers of price and volume in the Australian water market include:

KEY DRIVER	DESCRIPTION OF KEY DRIVER
WEATHER	Weather is one of the most significant drivers of price movement in agriculture. Significant adverse weather patterns impact the availability of water. For example, droughts reduce the amount of water available for trade which drives up the price of water in the market.
ENVIRONMENTAL PROGRAMS	<p>The Murray-Darling Basin (MDB) Plan involves an AUD \$3.1 billion water buy-back program in order to address the environmental sustainability of the Basin. This buy-back program involves the Commonwealth Government purchasing Water Entitlements from willing sellers in the MDB, directing this purchased water to environmental flows.</p> <p>Further buy-backs by the Government would result in less Water Entitlements on issue, increasing the scarcity of such assets and impacting their price. The participation of the Government in the market may also distort market fundamentals temporarily and reduce opportunities for the Company to acquire Water Entitlements at appropriate values.</p>
GOVERNMENT PROGRAMS	In line with environmental programs, the Government is prioritizing water infrastructure programs in order to reach water sustainability targets. Through increased infrastructure investment funding can be provided to deliver new on-farm infrastructure and water efficiency programmes to farms. Commonwealth Government activity in the market can impact prices.
COMMODITY PRICES	Water prices are influenced by product market factors such as commodity prices. For example, when agricultural commodity prices are high, farmers may decide to produce more of a certain crop, as their opportunity cost of water is higher. As a result, irrigators increase their demand for water, with the effect of pushing up the price of water in the market.
ONGOING INVESTMENTS IN HIGHER VALUE IRRIGATED AGRICULTURE	Investment in exotic nuts (almonds, hazelnuts) and olive production is expected to rise. Furthermore, the Australian cotton industry has shifted production south. It is expected that these shifts will increase water use for these sectors, over the next five years by 18% and 65% respectively. ¹² If there is another severe drought such as the 1997 - 2009 'millennium drought', these shifts in production could result in extremely high water prices.
INCREASED DEMAND FOR ENTITLEMENTS THROUGH INNOVATION	As more irrigators explore innovative water products in order to mitigate price risk and complement their core farming activities, the demand for Water Entitlements should increase. As such, the price of Water Entitlements may respond by increasing.
MARKET CONSOLIDATION	As the dairy market consolidates and potentially places greater focus on export markets, dairy product demand could grow. As a result, the demand for water from this industry could increase, pushing up water prices.
MACROECONOMIC FACTORS	Macroeconomic factors, such as the value of the Australian dollar, impact the cost of inputs and the value of exports. For example, the depreciation of the AUD has produced a favourable trading environment for the country's commodity exports. The increase in demand from the export market has resulted in an increase in Water Entitlement prices in the permanent water market.

¹² Aither, 2016

3.6 SIZE AND LIQUIDITY OF THE AUSTRALIAN WATER MARKET

The Australian water market can be categorised into three distinct geographical markets which vary in size, activity and inter-connectivity.

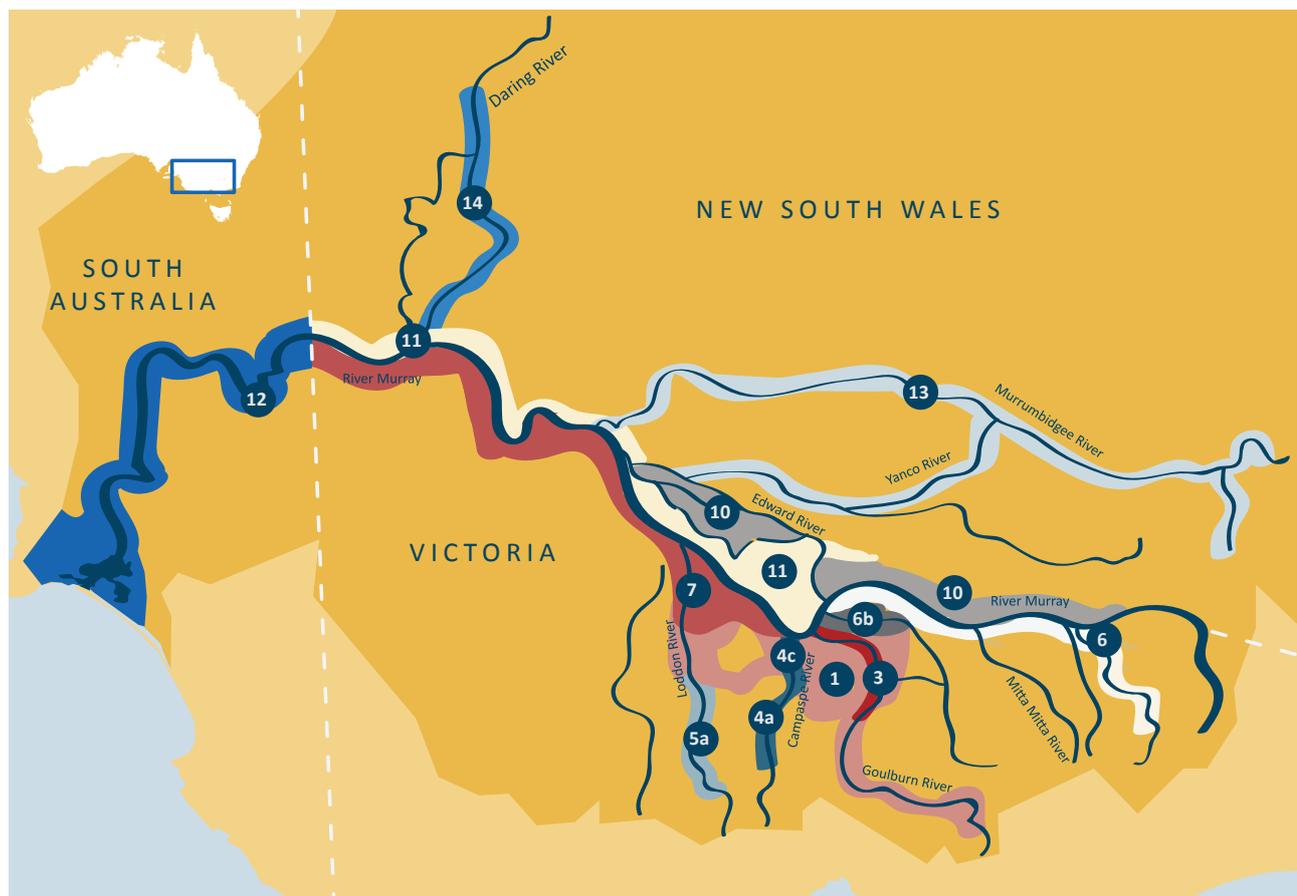
- **The Southern Connected Murray Darling Basin (MDB)** – Australia’s largest irrigated agricultural area, accounting for approximately 39% of the country’s gross value of irrigated agricultural production¹³ – which is operated as a connected resource comprising 14 distinct water trading zones
- **The Northern MDB**, which is characterised by unregulated rivers or rivers regulated by single storages
- **Outside the MDB** in Victoria, New South Wales, Queensland, Tasmania, Western Australia and the Northern Territory.

The Murray-Darling Basin is commonly referred to as Australia’s food bowl. Although the region only accounts for 14% of Australia’s total land area, it is Australia’s most important agriculture region, generating approximately 39% of the country’s gross value of irrigated agricultural production. Agricultural exports sourced from the Murray Darling Basin earn approximately \$9 billion a year.

The total area of crops and pastures irrigated in the Murray Darling Basin is approximately 1.5 million hectares, or 71% of the total area of irrigated crops and pastures in Australia. As a result, the Murray Darling Basin region produces sufficient food to feed around 20 million people.

During 2014-15, the Murray Darling Basin accounted for 66% of Australia’s total water used for irrigation. Agricultural businesses in the region used approximately 6 million megalitres of water to irrigate 1.4 million hectares of crops and pastures.

Figure 6: Interstate Water Trading Zones – Source: Murray Darling Basin Authority, 2006, Permanent Interstate Water Trading, Murray-Darling Basin Commission

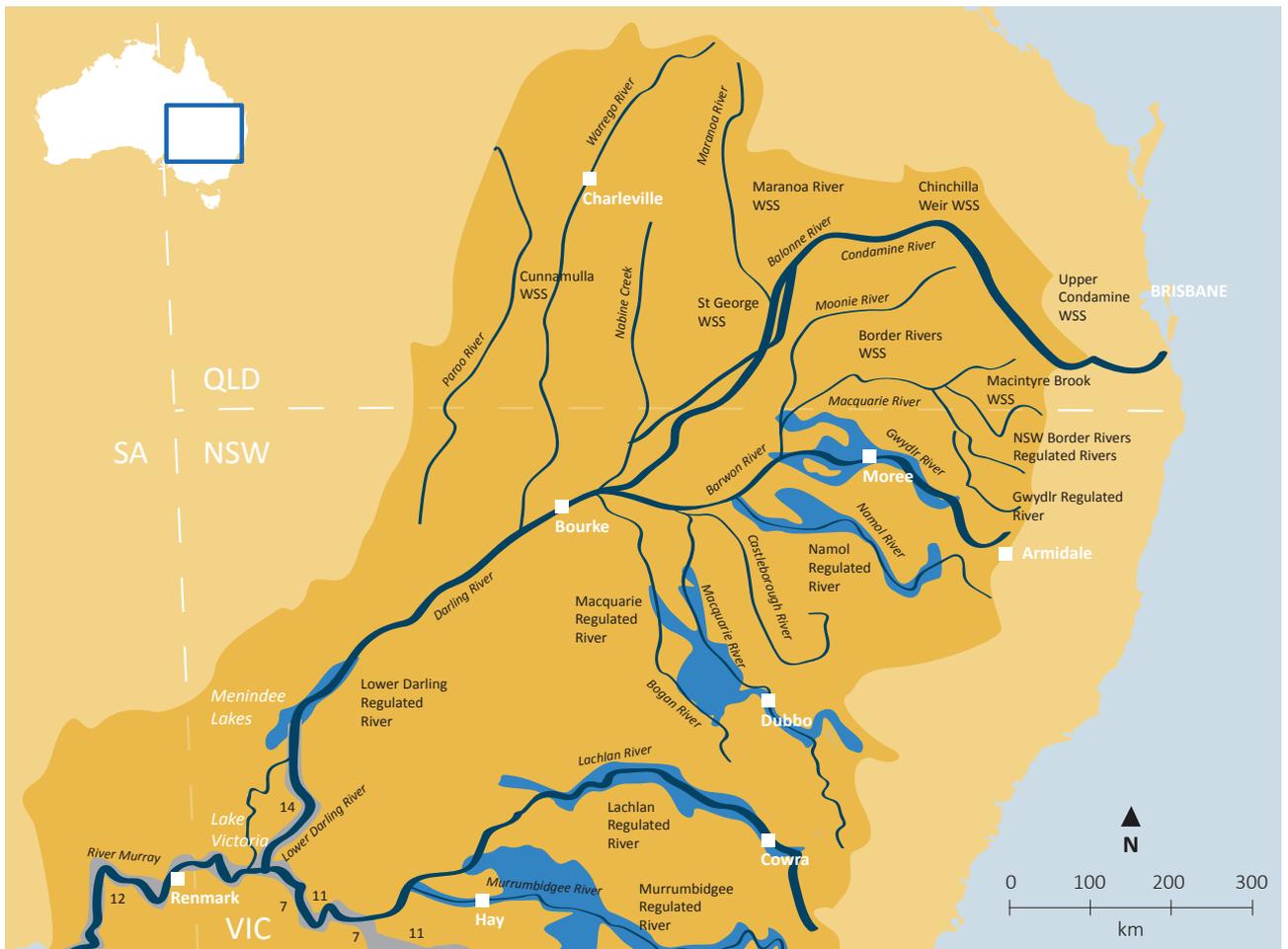


Interstate Water Trading Zones

1 – Greater Goulburn	5a – Part Loddon	10 – NSW Murray above Barmah Choke	14 – Lower Darling
3 – Lower Goulburn	6 – Vic Murray above Barmah Choke	11 – NSW Murray below Barmah Choke	Murray Darling Basin
4a – Part Campaspe	6b – Lower Broken Creek	12 – South Australia Murray	River
4c – Lower Campaspe	7 – Vic Murray from Barmah Choke to SA Border	13 – Murrumbidgee	

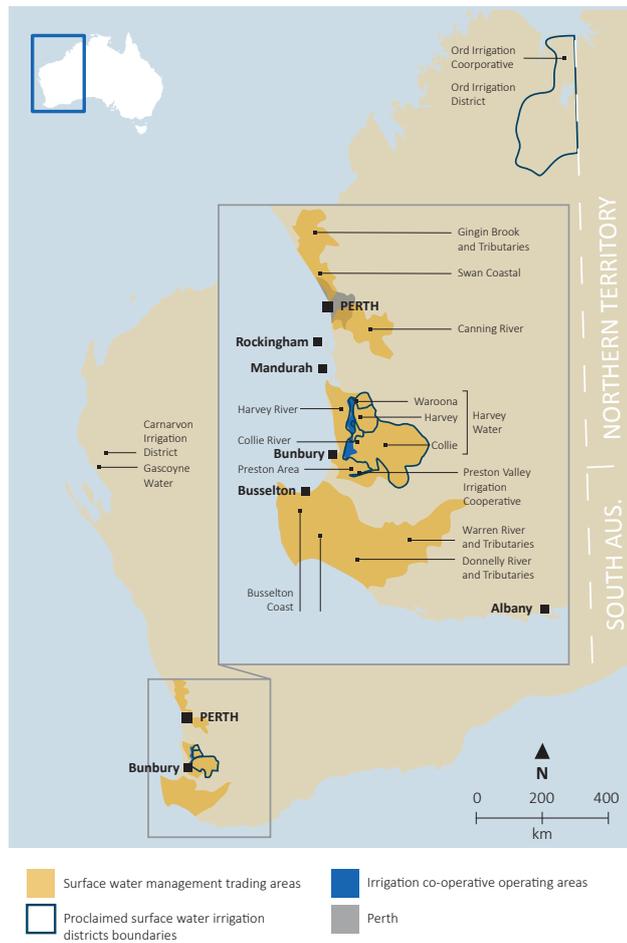
¹³ Australian Bureau of Statistics, 2013

Figure 7: Northern Murray Darling Basin



Northern MDB water trading zones are shown as coloured areas, labelled with their zone names.
 Southern MDB water trading zones are shown in grey and labelled with their zone numbers.
 Murray-Darling Basin
 River

Figure 8: Outside the Murray Darling Basin- Western Australia: Surface water areas where trade has occurred



The Company values the Australian Water Entitlement trade market at approximately \$11 billion. Approximately 80% of Australia’s water market trading activity occurs in the Southern Connected Murray Darling Basin (MDB) region.¹⁴ Total water availability in this region is circa 7,700 gigalitres.¹⁵ As a result of water availability and interconnectedness of the southern MDB region, the Company is intending to place greater focus on this region.

¹⁴ National Water Commission, 2011

¹⁵ Ruralco Water, 2016, Excludes supplementary water

Figure 9: Outside the Murray Darling Basin- Tasmanian water management regions

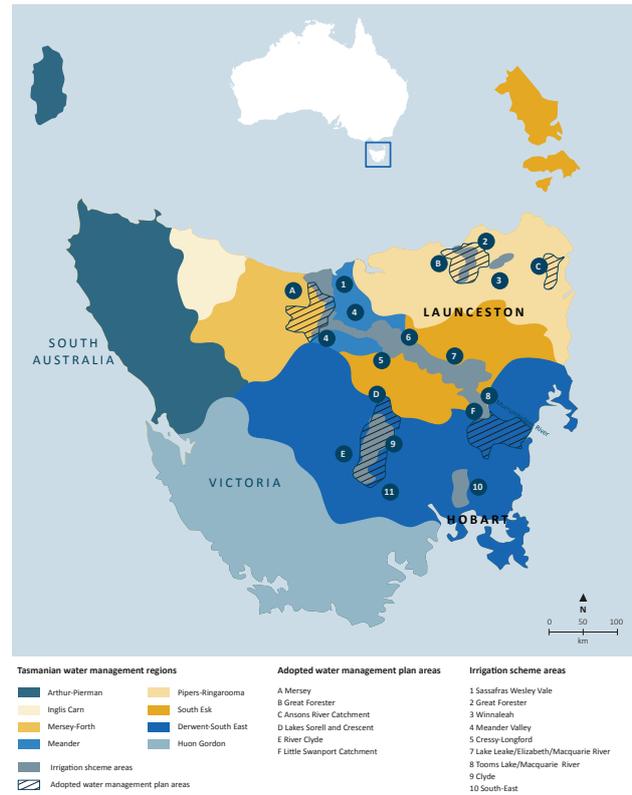
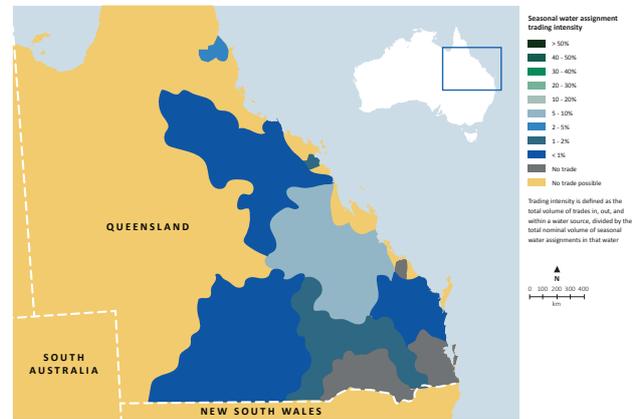


Figure 10: Outside the Murray Darling Basin- Queensland



Water Availability in the Southern Connected Basin Water Market

WATER MARKET	HIGH SECURITY	GENERAL SECURITY	SUPPLEMENTARY
SA Murray	548 GL		
NSW Murrumbidgee	381 GL	1,892 GL	199 GL
NSW Murray	192 GL	1,672 GL	253 GL
VIC Murray	1,200 GL	305 GL	
VIC Goulburn	1,009 GL	444 GL	
TOTAL	3,330 GL	4,313 GL	452 GL

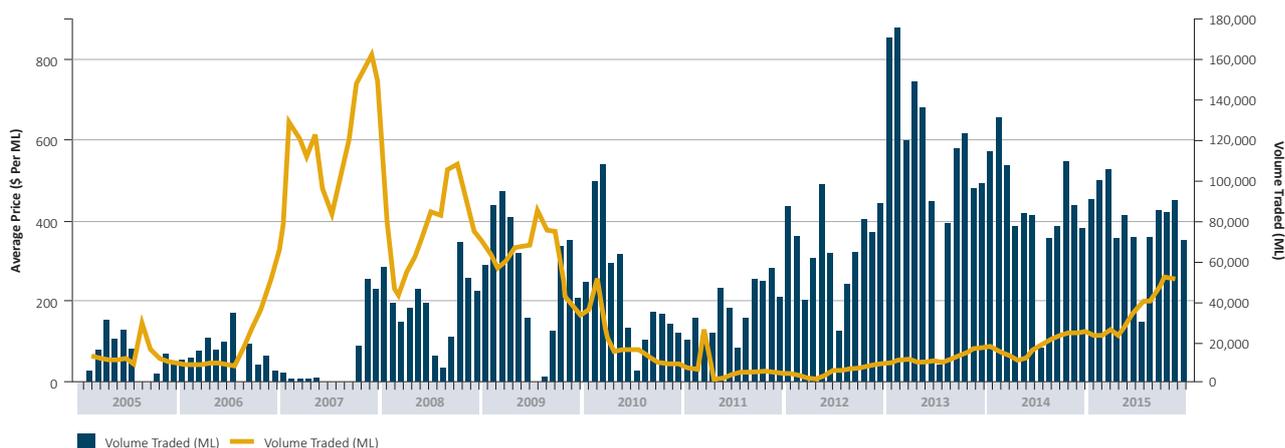
Source: Ruralco Water, 2016

3.6.1 WATER TRADING ACTIVITY

Since the introduction of the water markets in Australia, the volume of Water Entitlement and Water Allocation trade has significantly increased. The graph below demonstrates the increase in Water Allocation trade volume of high security water pricing in the Southern Connected Murray Darling Basin between 2005 and 2015 and the inverse relationship between volume traded and price.

Trade in water assets within Australia occurs in a well-established market where prices are underpinned by fundamental supply and demand dynamics. We believe the Australian water market is sufficiently liquid for the continuous deployment and divestment of capital at a scale necessary to accommodate the Company. Annual market turnover for the entire Australian water market in FY2007 comprised of approximately 921 GL in Water Entitlement trade and approximately 1,594 GL in Water Allocations trade.¹⁶ In comparison, the annual market turnover for Water Entitlements in FY2014 was approximately 2,002 GL and approximately 5,550 GL in Water Allocations trade.¹⁷ Based on the maximum funds raised under this Offer, deploying A\$150 million would purchase approximately 15 GL of Water Entitlements (or 0.75% of the entire Entitlement market).

Figure 11: Temporary Contracted Trades of High Security Water Pricing in the Southern Connected Murray Darling Basin (2005-2015)



3.6.2 HISTORICAL YIELDS

The Company intends to place greater focus on Water Entitlements in NSW Murray below Barmah Choke (NSW Murray Zone 11 High Security), NSW Murray above Barmah Choke (Zone 10 High Security), VIC Murray from Barmah Choke to South Australia's border (Zone 7, High Reliability) and VIC Murray Dart to Barmah Choke (Zone 6, High Reliability). The table below demonstrates the current, minimum, median and maximum annual yields achieved by four alternative water zones over the previous four years. These yields range from 1.33% to 11.60% and have averaged 6.62%.¹⁸

Annual Yield

	CURRENT YIELD	MIN YIELD	MEDIAN YIELD	MAX YIELD
Zone 11 HS	5.09%	1.33%	5.17%	7.23%
Zone 10 HS	5.40%	1.43%	5.46%	7.78%
Zone 7 HR	5.54%	2.07%	6.22%	8.84%
Zone 6 HR	6.46%	2.33%	7.15%	11.60%

Source: Waterfind, 2016. Data provided by Waterfind, calculations undertaken by the Investment Manager.

¹⁶ National Water Commission, 2008

¹⁷ Bureau of Meteorology, 2016

¹⁸ These yields are calculated as the Temporary Price divided by the Permanent Price

Figure 12: Yields (August 2012 – April 2016) – Source: Waterfind, 2016¹⁹. Data provided by Waterfind, calculations undertaken by the Investment Manager.



The table below outlines the historic performance of Zone 6 High Reliability Water Entitlements over the previous three years. Yields on temporary Water Allocations in this zone have averaged 6.2% throughout this period.

Zone 6 HR Historical Data – Source: Waterfind, 2016²⁰

ZONE 6 HR HISTORICAL DATA					
PERIOD	TEMPORARY WATER PRICE	PERMANENT WATER PRICE	ALLOCATION	YIELD	PERMANENT GROWTH SINCE FEB 13
Feb-13	57.84	1,158.50	100.00%	4.99%	0.00%
May-13	48.84	1,298.26	100.00%	4.46%	12.15%
Aug-13	56.08	1,150.43	57.00%	2.78%	-0.70%
Nov-13	80.94	1,182.13	100.00%	5.65%	2.05%
Feb-14	80.32	1,141.45	100.00%	5.85%	-1.48%
May-14	56.67	1,376.85	100.00%	4.85%	18.99%
Aug-14	89.82	1,354.18	90.00%	5.97%	17.02%
Nov-14	121.95	1,426.78	100.00%	6.52%	23.33%
Feb-15	118.96	1,353.23	100.00%	6.87%	16.93%
May-15	133.37	1,402.58	100.00%	6.63%	21.22%
Aug-15	196.10	1,977.40	50.00%	4.96%	71.21%
Nov-15	265.23	2,196.13	90.00%	9.30%	73.30%
Feb-16	198.72	2,526.71	100.00%	8.87%	118.97%
May-16	232.46	2,550.92	100.00%	8.78%	121.08%

¹⁹ Data provided by Waterfind, calculations undertaken by the Investment Manager.

²⁰ Data provided by Waterfind, calculations undertaken by the Investment Manager.

Figure 13: Zone 6 HR Price and Yield – Source: Waterfind, 2016²¹. Data provided by Waterfind, calculations undertaken by the Investment Manager.



The above chart illustrates the relationship between permanent water prices, temporary water prices and yield for Zone 6 High Reliability water for the previous three years.

3.6.3 SUMMARY OF THE KEY DEMAND AND SUPPLY DRIVERS OF THE AUSTRALIAN WATER MARKET

DEMAND SIDE	SUPPLY SIDE
Growing global demand for food, fibre and energy requires an increased access to water as a key – finite – production input.	Increased stakeholder involvement, such as the buy-back of Water Entitlements in the Murray-Darling Basin for environmental purposes.
Increasing demand for water for alternative, non-food, non-energy uses such as urban consumption.	Escalating impact of climate change on seasonal drivers of agricultural activity such as temperatures, rainfall, runoff, evaporation and the sustainable yields of water resources.
Improvement in farm productivity and profitability through the adoption of technology has increased commodity market competitiveness, serviced from Australia.	Increased investment in water infrastructure to increase the efficiency of both off-farm and on-farm water use.
Efficient use of water as water is transferred from users who place low economic value on their water to users who place a high economic value on their water.	Increased investment in alternative water sources, such as desalination plants and recycled water on both a large and small scale.
Developing deregulation, transparency and promotion of water trading by Governments.	Evolving standardisation of the water market through the Murray-Darling Basin Plan.

²¹ Data provided by Waterfind, calculations undertaken by the Investment Manager.

3.7 WATER MARKET PARTICIPANTS

The Australian water market is one of the most sophisticated in the world, with a number of trading platforms, water products and participants. The development of the Australian water market has provided widely accessible price and market information, reduced transaction costs and facilitated a deeper market.

The common participants in the Australian water market, include, but is not limited to, the following²²:

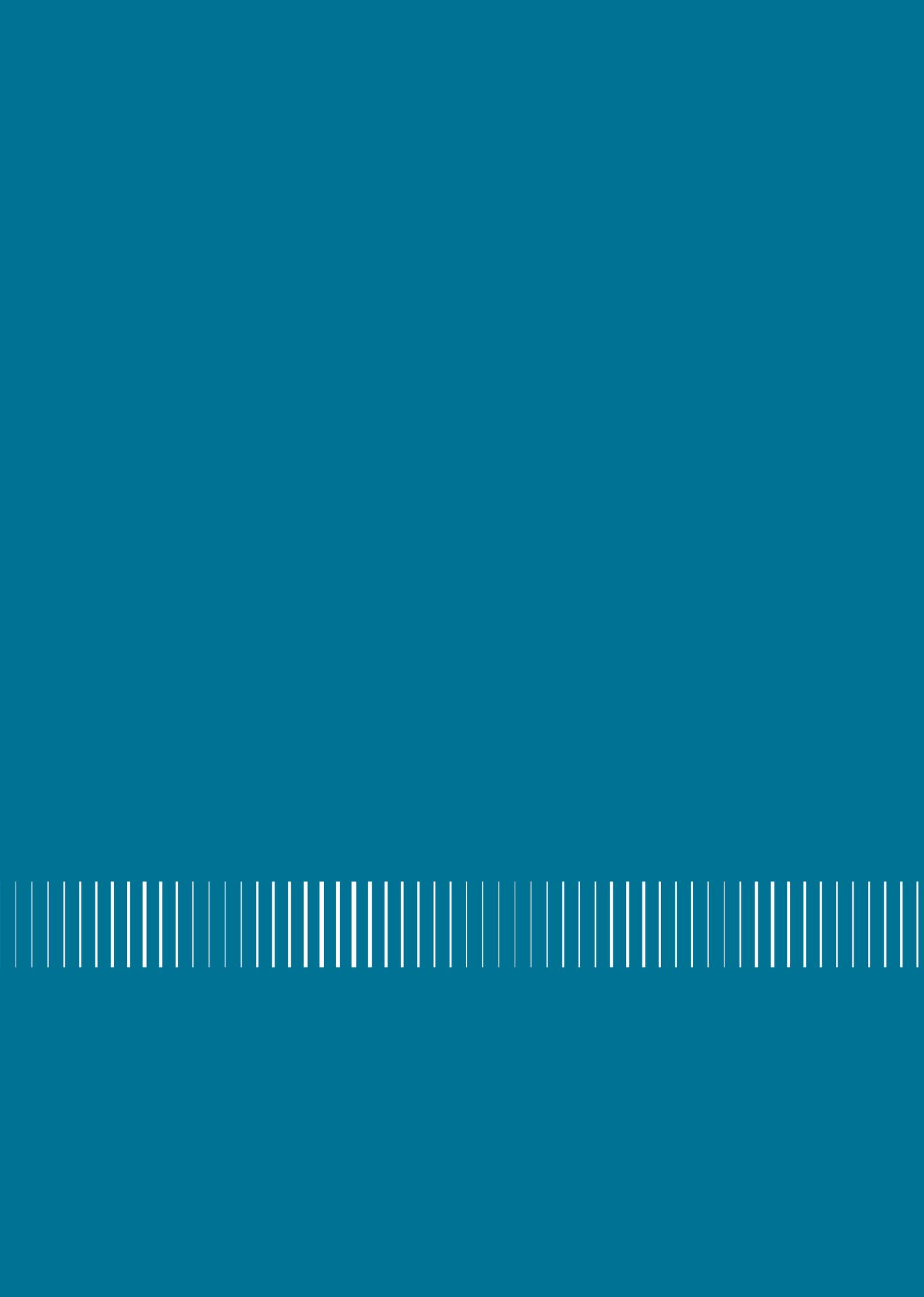
- Ruralco Water
- Waterfind Australia
- Wilks Water
- National Water Brokers
- Water Trading Australia
- Tri – State Water Brokers
- Paul Smith Water Sales

The brokers implement water trades on behalf of their clients through electronic trading platforms. All brokers offer full service brokerage including entitlement, allocation, leases, forwards and consultancy, with brokers spread across different regions of Australia.

²² With the exception of Ruralco Water and Waterfind Australia, the brokers named in this Section are listed only for reference. The Company has not obtained consent from the respective brokers to be named in this Prospectus. Consents from Ruralco Water and Waterfind Australia are in Section 11.12. Duxton Water may deal with brokers other than those listed above.



4 ABOUT THE INVESTMENT MANAGER



4. ABOUT THE INVESTMENT MANAGER

The Company has entered into an Investment Management Agreement with Duxton Capital (Australia) (**Investment Manager**), which holds Australian Financial Service License 450218, to manage the Company's assets. The Investment Manager is a subsidiary of Duxton Capital Pte Ltd.

The Investment Management Agreement is for an initial term of ten (10) years unless ASX determines that the initial term should be for a lesser period. After the initial term the Investment Management Agreement will be renewed for further new terms of five (5) years ("Renewed Term") unless terminated by the Company or the Investment Manager.

At the date of this Prospectus, Duxton Asset Management (also a wholly owned subsidiary of Duxton Capital Pte Ltd) has in excess of A\$870 million in assets under management or advice, of which A\$540 million comprises agricultural investments. Duxton Asset Management's agricultural assets are diversified across 20 operations spanning 540,000 hectares of farmland over 30 commodities and 5 continents. The Duxton Group has 37 employees in offices in Adelaide, Singapore and Germany.

Under the Investment Management Agreement, the Investment Manager will be responsible for the day-to-day management of the Company and management of the investment portfolio in accordance with the Investment Guidelines, which are summarised at Section 4.4.1. Services provided by the Investment Manager include, but are not limited to, the selection, determination, structuring, investment, reinvestment, leasing and management of the Company's assets.

4.1. THE INVESTMENT MANAGER'S EXPERIENCE

The Duxton Group is highly experienced in the alternative assets investment sphere. The senior investment team has an average of 25 years of industry experience and has been successfully implementing the Duxton Group's alternatives strategy for clients since 2007. Members of the Duxton Group have been exposed to water markets via its direct agriculture portfolio since 2008.

Led by Mr Ed Peter, former Head of Deutsche Asset Management Asia Pacific, Middle East and North Africa, the Investment Manager's investment team comprises of a team of three agricultural analysts. The Investment Manager's investment team has had exposure to the Australian water market through the Duxton Group's direct agriculture portfolio, which comprises of 64 GL of water across 24 trading zones in the Australian water market.

In addition to key management within the Investment Manager, Mr Peter will be supported by the Duxton Group's investment team in Singapore. This team comprises of 13 members, with an average of 11 years of industry experience. This team has diverse experience encompassing agricultural investments and emerging market private equity and listed equities. The investment team has a combined 63 years of experience and an average of 16 years of experience in listed equities.

Mr Peter and the key investment management team will also be supported by an experienced finance, operating and compliance team at the Investment Manager. The team has an average of 5 years of experience in the investment industry and will assist in trade monitoring, compliance and back office duties.

4.2 MANAGEMENT TEAM

Ed Peter, Lead Portfolio Manager

Ed Peter, is the co-founder and Chairman of Duxton Asset Management. Prior to forming the Duxton Group in 2009, Ed was Head of Deutsche Asset Management Asia Pacific, Middle East and North Africa. He was also a member of the Deutsche Bank's Group Equity Operating Committee and Asset Management Operating Committee.

Ed joined Deutsche Bank in 1999 as Head of Equities and Branch Manager of Deutsche Bank Switzerland. In March 2001, Ed moved to Hong Kong with Deutsche Bank and was appointed Head of Global Equities for Asia and Australia, becoming responsible for all of Global Emerging Markets Equities in the beginning of 2003. In November 2004, Ed became Head of Asian and Emerging Market Equities for the new Global Markets Division.

Mr Peter holds a Bachelor's Degree in English Literature from Carleton College in Northfield, Minnesota. Ed's first foray into agricultural investing was in 1999 and he remains passionately interested in agriculture today. He is on the University of Adelaide's Agribusiness advisory board, the University of Adelaide's Wine Advisory board, and the board of Wine Australia.

Total returns since inception by fund (AUD)²³

FUND	RETURN PERIOD	TOTAL RETURN SINCE INCEPTION
DUXTON PAGODA FUND*	9 th February 2011 to 30 th June 2016	113.67%
DUXTON AGRICULTURAL LAND FUND	1 st April 2011 to 30 th June 2016	3.55%

*Lead Series, being the securities issued at incorporation of the fund

Annualised returns since inception by fund (AUD)

FUND	RETURN PERIOD	ANNUALISED RETURNS SINCE INCEPTION
DUXTON PAGODA FUND	9 th February 2011 to 30 th June 2016	16.38%
DUXTON AGRICULTURAL LAND FUND	1 st April 2011 to 30 th June 2016	0.70%

²³ The performance of the funds are unaudited and reported in USD and converted to AUD using end of month exchange rates on Bloomberg. For example, assuming DALF has a NAV of US\$10,000 at 31 May 2016, the NAV for the fund in AUD would be \$13,823.61 using an AUD/USD of 0.7234 (<http://www.bloomberg.com/quote/AUDUSD:CUR>).

4.3.1 DUXTON PAGODA FUND

The Duxton Pagoda Fund is an open-ended, unlisted Singaporean domiciled fund. The primary objective of the Duxton Pagoda Fund is to seek long-term capital appreciation of its assets by investing in a portfolio of Vietnamese and ASEAN related market securities. The table below summarises the historical returns in AUD achieved by the Duxton Pagoda Fund (Lead Series) between the 9th of February 2011 and the 30th June 2016. For the reasons outlined above, it is important to note that past performance of these investments should not be relied on as an indicator of future performance of the Company.

TIME PERIOD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
ANNUAL RETURNS	14.69%	19.21%	19.76%	16.38%

*Shares issued at the incorporation of the Pagoda Fund

4.3.1 DUXTON AGRICULTURAL LAND FUND

The Duxton Agricultural Land Fund is a closed-ended, unlisted Cayman domiciled fund. The primary objective of the Duxton Agricultural Land Fund is to invest in a diversified portfolio of land-rich agricultural investments. The portfolio is diversified across commodities as well as geographically. The table below summarises the historical returns in AUD achieved by the Duxton Agricultural Land Fund between the 1st of April 2011 and the 30th June 2016. For the reasons outlined above, it is important to note that past performance of these investments should not be relied on as an indicator of future performance of the Company.

TIME PERIOD	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
ANNUAL RETURNS	-2.21%	0.08%	1.58%	0.07%

4.3.2 FURTHER INFORMATION ON HISTORICAL PERFORMANCE OF FUNDS MANAGED BY THE DUXTON GROUP

- The returns included in the preceding tables reflect past performance which is not a reliable indicator of the future performance of the funds, or of the Company.
- A number of the Duxton Group managed funds have been excluded on the basis that they have either not been active for the past five years, or they are no longer active.
- The returns are after management fees and operating costs.
- The returns are unrealised as both funds have not distributed dividends to fund investors.

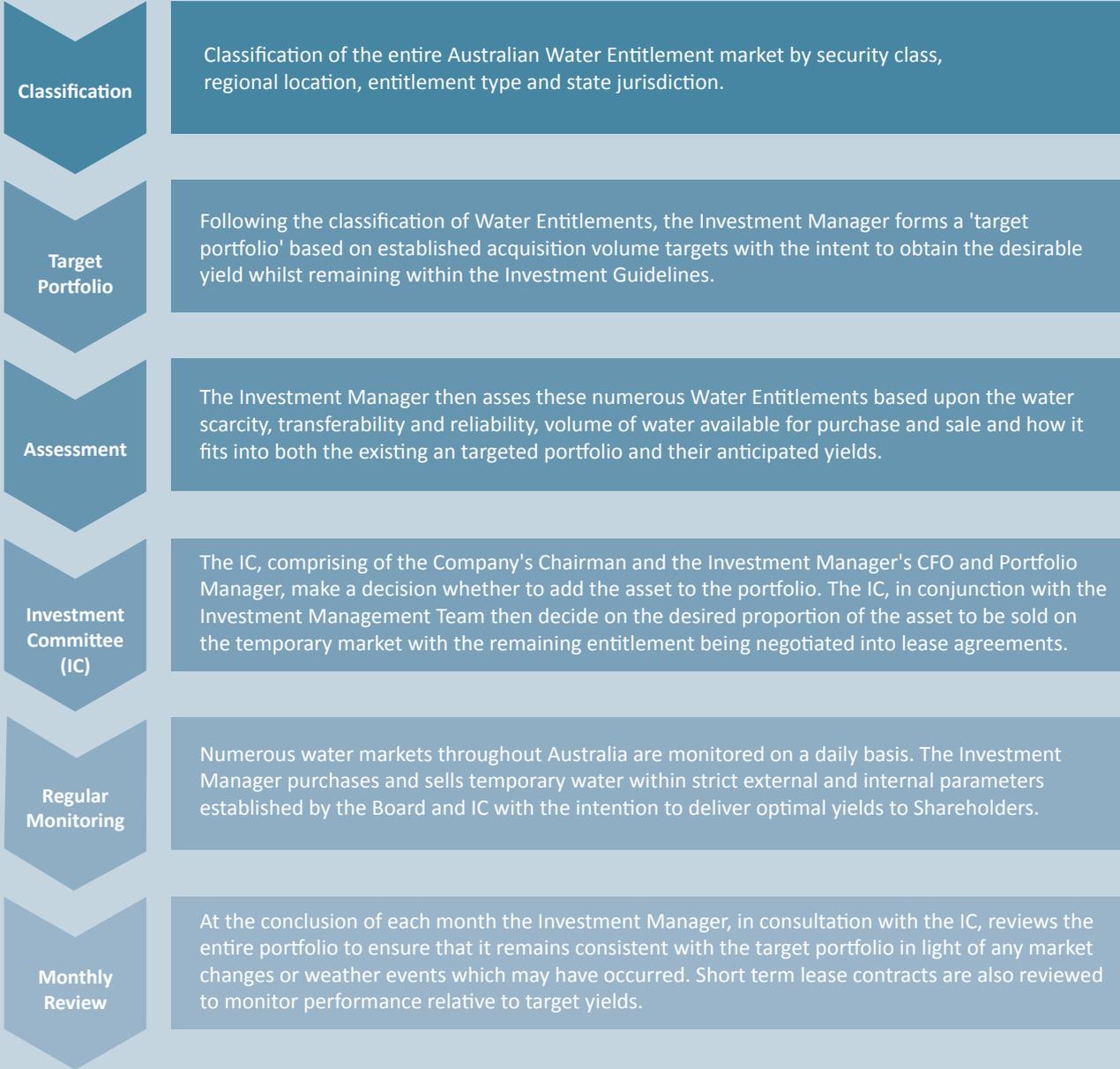
4.4. INVESTMENT STRATEGY

The Investment Manager's investment strategy is governed by a disciplined process influenced by the Company's existing water portfolio position along with analysis of regional markets. The strategy establishes yield targets and volume of water available for sale and purchase in the market based on Water Allocation announcements, demand and supply drivers, climate forecasts and storage along with the degree of risk involved.

The key objectives driving the construction and management of the Company's portfolio are:

- Providing visible revenue streams and dividend streams as high as prudently possible and franked to 100% or the maximum extent possible;
- Delivering investors with optimal long terms gains on their invested principal;
- Achieving reliable yields on behalf of investors;
- Establishing a portfolio which is diversified across Water Entitlement types, security classes and geographical regions within the MDB;
- Maintenance of principal invested; and
- A long term buy and hold strategy with the purchase and sale of assets as required to ensure that the portfolio is positioned to capitalise on growth opportunities.

The following steps outline our processes for selecting Water Entitlements:



4.4.4 COMPLIANCE AND PORTFOLIO MONITORING PROTOCOL

The Investment Manager has established a compliance protocol with a defined policy to monitor investments. The compliance policy includes a control mechanism to reconcile the purchases and sales of water and confirm that management of the water portfolio is in line with the Investment Guidelines.

4.5. FEES

4.5.1 MANAGEMENT FEE

In return for the performance of its duties, the Investment Manager is entitled to be paid an annual Management Fee equal to 0.85% (plus GST) of the Portfolio Net Asset Value (calculated prior to any deduction of performance fees payable to the Investment Manager, accrued on the last day of each month and paid monthly in arrears).

The Management Fee for the period from the first calendar month from the Closing Date (as defined below) to the final calendar month in which the Company is wound up or the Investment Management Agreement is terminated will be calculated using the following formula:

$$\text{Monthly Management Fee} = \frac{(\text{Days in Operation}) \times 0.85\%}{365} \times \text{Portfolio Net Asset Value on the relevant Valuation Day}$$

“Days in Operation” means the number of days in that calendar month in which the Company incurs liabilities or debts and/or generates revenue or owns assets.

“Closing Date” means the Listing Date of the Company on the ASX.

“Portfolio Net Asset Value (PNAV)” means the total assets of the Company including water assets (which for the purpose of this Section, will be valued at fair market value based upon independent valuation or the average mid price as at the relevant Valuation Day, received from at least one broker), less; the total liabilities of the Company excluding provisions for tax payable and Performance Fee. Where no mid price is available from a broker for a water asset as at Valuation Day the mid price from the nearest preceding Business Day may be used.

“Valuation Day” means the last day in each month, unless the Directors resolve otherwise, and such other days as the Directors may determine, each being a day on which the Portfolio Net Asset Value is calculated.

Worked Example of the Management Fee

As a worked example, assuming an initial Portfolio Net Asset Value of \$127,662,348 at 1 January 2017, and nil performance return on the Portfolio for the month of January 2017, the Management Fee payable on the Portfolio value for the period 1 January 2017 to 31 January 2017 would be \$92,162 (plus GST).

The Management Fee is to be paid to the Investment Manager regardless of the performance of the Company. Management Fees would increase if the Portfolio value increases, and decrease if the Portfolio value decreases, over the period.

4.5.2 PERFORMANCE FEE

In addition to the monthly Management Fee, the Investment Manager is entitled to be paid a Performance Fee at the end of each financial year from the Company. The Performance Fee is split over two hurdles and is calculated as:

- 5% of the outperformance of the Investment Return of the Company above a hurdle return of 8% per annum up to 12% per annum, plus
- if the Investment Return is above 12% for the year then the Performance Fee will include 10% of the remaining outperformance of the Investment Return over the hurdle of 12% per annum.

The Performance Fee will be subject to a High Water Mark and will be accrued monthly and paid annually. The terms of the Performance Fee are outlined below:

The Performance Fee will be calculated by reference to the audited accounts of the Company (“Audited Accounts”) adjusted to reflect the value of water assets as determined by independent valuation, and the Company will pay the Performance Fee to the Investment Manager in arrears within 30 days from the completion of the Audited Accounts. The Performance Fee will be payable if the Company outperforms either of the First Benchmark Hurdle or the Second Benchmark Hurdle (as defined below) during any Calculation Period. The formula for calculating the Performance Fee payable to the Investment Manager for any Calculation Period is as follows:

A. If the Investment Return of the Company between the Start Date and the Calculation Date is less than the First Benchmark Return Hurdle (8%) then no Performance Fee is payable.

B. If the Investment Return of the Company between the Start Date and the Calculation Date is greater than the First Benchmark Hurdle (8%) but less than the Second Benchmark Hurdle (12%) then the Performance Fee will be:

$$5\% \times ((\text{Adjusted Ending PNAV} - \text{Opening PNAV} - \text{Capital Raisings}) - \text{First Benchmark Return Hurdle})$$

C. If the Investment Return of the Company between the Start Date and the Calculation Date is greater than the Second Benchmark Hurdle (12%) then the Performance Fee will consist of two components as follows:

$$\text{Component A} = 5\% \times (\text{Second Benchmark Return Hurdle} - \text{First Benchmark Return Hurdle})$$

Plus

$$\text{Component B} = 10\% \times ((\text{Adjusted Ending PNAV} - \text{Opening PNAV} - \text{Capital Raisings}) - \text{Second Benchmark Return Hurdle})$$

Where:

“Investment Return” means the percentage by which the Adjusted Ending Portfolio Net Asset Value exceeds the Opening Portfolio Net Asset Value at the Calculation Date; excluding any additions or reductions in the equity of the Company including distributions paid or provided for, dividend reinvestments, new issues, the exercise of share options, share buy-backs and the provision or payment of tax made since the previous Calculation Date.

“Adjusted Ending PNAV” means the PNAV at the Calculation Date, adjusted by adding back to the Ending PNAV:

- Any Distributions or reductions in capital paid or provided for during such Calculation Period; and
- Any relevant taxes paid or provided for during such Calculation Period.

“First Benchmark Return Hurdle” means an amount equal to:

8% per annum of the Opening PNAV;

- Plus 8% per annum on Capital Raisings during the Calculation Period, calculated on a time weighted basis;
- Minus 8% per annum on the amount of any Distributions paid during the Calculation Period, calculated on a time weighted basis.

“Second Benchmark Return Hurdle” means an amount equal to:

12% per annum of the Opening PNAV;

- Plus 12% per annum on Capital Raisings during the Calculation Period, calculated on a time weighted basis;
- Minus 12% per annum on the amount of any Distributions paid during the Calculation Period, calculated on a time weighted basis.

“Ending PNAV” means the Portfolio Net Asset Value of the Company at the end of the relevant Calculation Period.

“Opening PNAV” means the higher of Portfolio Net Asset Value of the Company at relevant Start Date for the Calculation Period or the highest Ending PNAV since inception of the Company on which a performance fee has been paid.

“High Water Mark” means the highest Adjusted Portfolio Net Asset Value at which a Performance Fee has been paid to the Investment Manager.

“Commencement Date” means the first Business Day immediately following the Listing Date (including such extended period(s) where applicable).

“Calculation Period” commences from a “Start Date” and ends on a “Calculation Date”.

“Start Date” means 1st of January of each year except for the first Calculation Period which will start on the first Business Day immediately following the Listing Date (ie. Commencement Date).

“Calculation Date” means the 31st December of each year, except for the year in which the Company is wound up or the Investment Management Agreement is terminated, in which case the Calculation Date will be the last Business Day before the termination of the Company or the Investment Management Agreement (as applicable).

“Business Day” means a day on which banks are open in South Australia, excluding weekends and public holidays in South Australia.

The Company will pay the Performance Fee (plus any applicable GST) to the Investment Manager in arrears within 30 days from the completion of the Audited Accounts.

Worked examples of the Performance Fee

The table below demonstrates worked examples of the potential Performance Fee payable to the Investment Manager based on a number of hypothetical scenarios and assuming the Opening PNAV is \$125,000,000.

	ADJUSTED ENDING PNAV OF \$138 MILLION WITH NO CAPITAL RAISINGS	ADJUSTED ENDING PNAV OF \$175 MILLION WITH NO CAPITAL RAISINGS	ADJUSTED ENDING PNAV OF \$175 MILLION INCLUDING \$20 MILLION CAPITAL RAISE ON THE 1 ST OF JAN.
METHOD OF CALCULATION	$5\% \times ((\$138\text{m} - \$125\text{m} - \$0) - 8\% \times \$125\text{m})$ = \$150,000	$5\% \times (12\% \times \$125\text{m} - 8\% \times 125\text{m})$ = \$250,000 PLUS $10\% \times [(\$175\text{m} - \$125\text{m} - \$0) - (12\% \times \$125\text{m})]$ = \$3,500,000	$5\% \times [(12\% \times (\$125\text{m} + \$20\text{m})) - (8\% \times (\$125\text{m} + \$20\text{m}))]$ $= 5\% \times (\$17.4\text{m} - \$11.6\text{m})$ = \$290,000 PLUS $10\% \times [(\$175\text{m} - \$125\text{m} - \$20\text{m}) - (12\% \times (\$125\text{m} + \$20\text{m}))]$ $= 10\% \times (\$30\text{m} - \$17.4\text{m})$ = \$1,260,000
PERFORMANCE FEE	\$150,000	\$3,750,000	\$1,550,000

4.5.3 TERMINATION FEE

A termination fee is payable by the Company to the Investment Manager if the Investment Management Agreement is terminated within the first ten years of the Investment Management Agreement, unless the Company has terminated the Investment Management Agreement for default by the Investment Manager (being 'for cause' as set out in section 4.8). The termination fee is equal to 5% of the PNAV of the Company, reduced by 1/60th for each calendar month elapsed after the first five years since commencement of the Investment Management Agreement up to the date of termination. A worked example of the termination fee is as follows, assuming the Investment Management Agreement is terminated after 7 years (and not by the Company for cause):

PNAV	= \$138 million
Number of months elapsed after the 5 years	= 24
Termination fee	= 5% of \$138 million x (1-24/60)
	= \$4,140,000

4.5.4 EXPENSES

The Company will be responsible for all costs and expenses incurred by the Company and all costs and expenses incurred by the Investment Manager and any sub managers in providing services under this Investment Management Agreement, which will include the costs and expenses incurred in conducting due diligence on potential investments and other out of pocket expenses reasonably incurred by the Investment Manager and sub managers which are directly attributable to the Company. For the avoidance of doubt, the costs and expenses incurred by the Investment Manager and any sub manager in conducting due diligence on potential investments (including without limitation the leasing of water licences owned by the Company) will include those due diligence fees, costs and expenses incurred prior to the date of this Investment Management Agreement which are carried out with a view to making Investments on behalf of the Company once this Investment Management Agreement is concluded.

The Company will also pay all expenses relating to the Company's business, including:

- All expenses relating to the administration of the Company;
- The costs of maintaining the Company's investments; and
- The costs of investments, leases or divestments by the Company, including any legal fees, leasing fees, consulting fees, commissions, transfer fees, registration fees, insurance costs, taxes; and

- Reasonable out-of-pocket expenses of the Investment Manager, including but not limited to travel, and other related expenses in connection with conducting due diligence and concluding and monitoring all Investments, subject to obtaining prior approval of the Company where such expenses exceed an agreed budget or limits set by the Board.

The Investment Manager will to pay the fees of any sub managers appointed by it and ensure that all decisions with respect to investments comply with the Investment Guidelines.

The Investment Manager is entitled to be reimbursed by the Company for any costs it incurs from time to time for the purposes of communications with the Shareholders on behalf of the Company, including the publication and distribution of reports to Shareholders.

4.6. INDEMNITIES AND INSURANCE

The Investment Manager is responsible for effecting and maintaining professional indemnity insurance, fraud and other insurance as are reasonable having regard to the nature and extent of the Investment Manager's obligations under the Investment Management Agreement.

Provided that the Investment Manager has complied with the Investment Management Agreement, it will not be liable for any losses incurred by the Company in relation to the investment portfolio. The Investment Manager has agreed to indemnify the Company for all liabilities and losses incurred by the Company by reason of the Investment Manager's wilful default, bad faith, negligence, fraud in performance of its obligations under the Investment Management Agreement or a material breach of the Investment Management Agreement.

Provided that the Investment Manager has complied with the Investment Management Agreement in all material respects, it is entitled to be indemnified by the Company in carrying out its obligations and performing its services under the Investment Management Agreement.

4.7. RESTRICTIONS ON THE INVESTMENT MANAGER

The Investment Manager must not sell any assets to or purchase any assets from the Company, without Board approval.

The Investment Manager will not act as investment manager for any other ASX listed entities which operate a competing business of the Company, being a business which is the same or substantially the same as that operated by the Company as described in this Prospectus.

In addition, the Investment Manager cannot act for or advise any such competing business (even if not listed), while the Investment Manager is deploying the funds raised from the issue of Shares (but excluding any funds raised from the exercise of Options). A business which buys or sells Water Entitlements for the whole or predominant purpose of using that water for consumption or for use as an input in that business (and not for leasing) would not be a competing business of the Company in that regard.

Otherwise the Investment Manager may manage other funds and clients involved in the water market, provided it complies with applicable laws and company policies. Mr Ed Peter, as Chief Investment Officer of the Investment Manager, must also devote such time as reasonably necessary for the Investment Manager to conduct its investment activities on behalf of the Company under the Investment Management Agreement. If Mr Peter does not do so, the Investment Manager must find a suitable replacement for Mr Peter within three months, otherwise the Company may terminate the Investment Management Agreement. If a replacement for Mr Peter proposed by the Investment Manager is not suitable to the Company acting reasonably, then the Company may also terminate the Investment Management Agreement.

4.8. TERMINATION

Duxton Water may terminate the Investment Management Agreement 'for cause' at any time where the Investment Manager commits a material breach of any terms and conditions of the Investment Management Agreement, enters into liquidation, enters into an arrangement with its creditors or is deemed to be insolvent, where it fails to maintain its necessary regulatory licence or where the Investment Management Agreement is required to be terminated by law. The Company may also terminate the Investment Management Agreement after the Initial Term with six (6) months' notice where an ordinary resolution of the Shareholders is passed to the effect that the Investment Management Agreement be terminated. No termination fee is payable by the Company in these circumstances.

The Investment Manager may terminate the Investment Management Agreement with six months written notice any time after the expiry of the initial 10 year term (with no termination fee payable by the Company). The Investment Manager may also terminate the agreement at any time where the Company commits a material breach of the agreement, enters into liquidation, enters into an arrangement with its creditors or is deemed to be insolvent.

4.9. OTHER TERMS

The Investment Manager may delegate all or part of its functions, powers, discretions, privileges and duties under this agreement to any other party on such terms and conditions as it thinks fit, provided it continues to comply with the Investment Management Agreement. The Investment Manager may appoint sub managers on behalf of the company, at the expense of the Investment Manager, but are not required to act on their advice.

The Investment Manager must comply with the Investment Guidelines when considering changes in the Portfolio and will adopt such internal measures as are necessary to ensure that the Investment Manager does not cause the Company to breach any restrictions provided in the Investment Guidelines.

In the event of any breach by the Investment Manager of any restriction in the Investment Guidelines, the Investment Manager will take immediate corrective action as soon as it becomes aware of such breach. If directed by the Board, Shareholders will be advised by the Company by written notice specifying the Investment Manager's recommendations in relation to such breach.

A dispute resolution policy and procedure is set out under the Investment Management Agreement, in the case where a dispute arises. Despite the existence of a dispute, each Party must continue to perform its obligations under this Investment Management Agreement.

4.10. RELATED PARTY DISCLOSURE

Mr Ed Peter, Chairman of the Company, controls the Investment Manager and is a shareholder and director of the Investment Manager's parent company Duxton Capital Pte Ltd and as such, may receive remuneration from the Investment Manager for services provided to the Investment Manager.

Company Director, Mr Stephen Duerden, is also a shareholder and director of the Investment Manager's parent company and as such, may receive remuneration from the Investment Manager for services provided to the Investment Manager.

As a consequence, the Investment Manager and the Company are related parties as at the date of this Prospectus. Under the terms of the Investment Management Agreement, the Investment Manager is entitled to be paid certain fees by the Company. Details of the fee's payable to the Investment Manager are detailed in Section 4.5.

As shareholders of the Investment Manager, Mr Peter and Mr Duerden may receive a financial benefit from the Company as a result of payment of fees by the Company to the Investment Manager. The precise dollar value of this financial benefit is presently unquantifiable as it is subject to a number of variables linked to the calculation of the Management Fee and Performance Fee (and any termination fee) payable to the Investment Manager under the terms of the Investment Management Agreement.

The Investment Management Agreement is on arms-length commercial terms and was approved by the independent Directors of the Company. Neither Mr Ed Peter nor Mr Stephen Duerden will receive directorship fees from the Company.

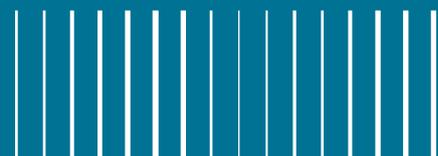
4.11 CONFLICT MANAGEMENT POLICIES

To avoid or minimise conflicts of interest, the Investment Manager has adopted a Conflict of Interest policy. Directors and the Investment Manager employees who provide services or who receive information in connection with these services must disregard any other relationship arrangement or interest that is likely to influence their decisions or advice. Each Director and Investment Manager employee must ensure that their decisions are taken independently of any other client.

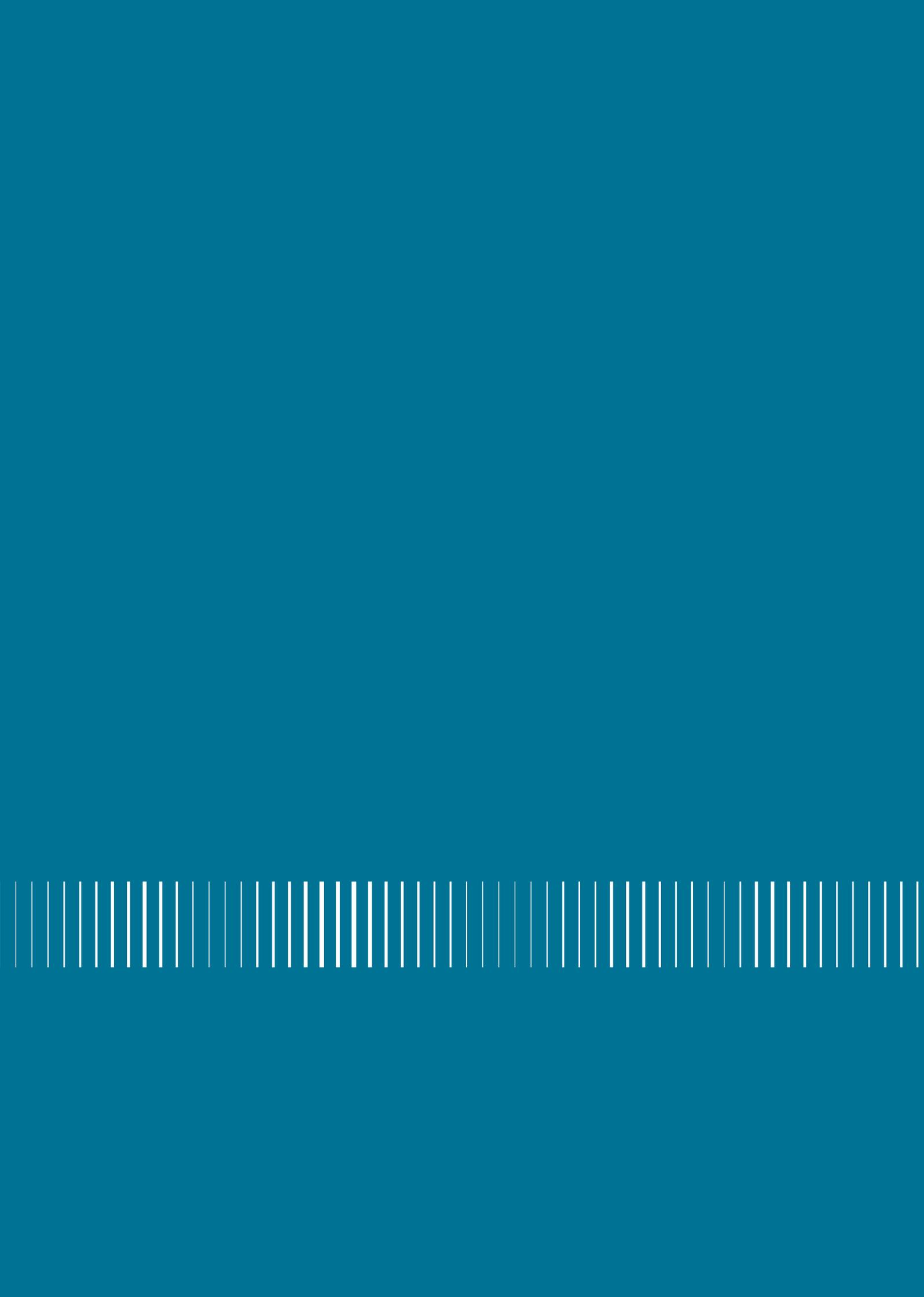
In order to avoid potential conflicts of interest, the Investment Manager maintains clear segregation of responsibilities and procedures to control information flow and protect against abuse or unauthorized disclosure.

All actual and apparent material conflicts of interest must be brought immediately to the attention of the Investment Manager's compliance officer and board. A separate register of conflicts is maintained by the Compliance Officer.

The Board of the Company has also adopted a Related Party Transaction policy, which also applies to the Investment Manager. The Investment Manager must also comply with any other applicable policies adopted by the Board.



5 RISKS



5. 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.

Risks that the Directors believe are key risks are described in Section 5.1 below. The key risks are the risks that the Investment Manager and the Directors focus on when managing the business of the Company and have the potential, if they occurred, to result in very significant consequences for the Company and an investment in it. The balance of the other risks are regarded by the Directors as potentially material and are described in Section 5.2.

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 Prospectus. Investors should also note that the occurrence or consequences of some of the risks described in this section of the Prospectus 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 or that any forward looking statements contained in this Prospectus will be realised or otherwise eventuate.

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.

5.1. RISKS ASSOCIATED WITH INVESTING IN WATER ASSETS

5.1.1 GOVERNMENT BUY-BACKS

The Commonwealth Government Murray-Darling Basin (MDB) Plan involves an AUD \$3.1 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 from willing sellers in the MDB and directing this purchased water to environmental flows. The Basin Plan also incorporates an AUD \$5.8 billion program to improve water infrastructure to reduce transmission and evaporation losses through investment. As at 30 April 2016, 1,960 gigalitres of Water Entitlements had been purchased under the MDB Plan, with 791 gigalitres of buy-backs still remaining. Further buy-backs by the Commonwealth Government (for instance, following an upgrade of 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 appropriate values.

5.1.2 COMMONWEALTH ENVIRONMENTAL WATER HOLDER

The Commonwealth Environmental Water Holder (CEWH) is responsible for the control and management of the Government's water buy-back portfolio. The CEWH is the single largest holder of Water Entitlements in the MDB. CEWH is only permitted to sell water to the market in limited circumstance. In particular, CEWH may sell annual Water Allocations and Water Entitlements if they are not required to meet environmental objective and if the water cannot be carried over to the next water year. Annual Water Allocations and Water Entitlements may also be sold if the proceeds are used to acquire other water that will improve the capacity to protect and restore the environment. As a result of these legislative requirements, The Company anticipates CEWH's role as a seller in the water market will be relatively limited, particularly in times of drought reduced water supply.

5.1.3 ALLOCATION RISK

The size of Water Allocations is dependent on water availability which is influenced by factors including timing, location and magnitude of rainfall and the extent to which allocations have been utilised in the previous financial year. The Company is dependent on Water Allocations being made available by the relevant authorities in order to lease or sell the Company's water assets for income purposes. A prolonged period of lower than average rainfall, resulting in low or zero Water Allocations may significantly impair the Company's ability to sell/lease the Water Allocations for financial gain, and have a negative impact on financial performance.

Water Allocations may also be adversely affected by changes to water management or water sharing plans.

5.1.4 WATER ALLOCATION AND ENTITLEMENT PRICE FLUCTUATIONS

The Company derives a significant portion of its income from the lease of Water Allocations to counterparties, which is subject to market fluctuations. Negative price movements may adversely impact the revenue generated from the Company's Water Entitlement portfolio and therefore the financial performance of the Company.

5.1.5 EXTREME WEATHER EVENTS RISK

The supply and demand of water is significantly influenced by extreme weather conditions. For example too much rain and flooding would significantly increase the supply of water, driving down prices. In the case of a drought, the supply of water is significantly reduced, driving up water prices. As such, extreme weather events may impact the value of the Water Entitlements held in the Company's portfolio.

5.1.6 AUSTRALIAN AGRICULTURE COMPETITION RISK

The demand for water is significantly dependent on the water use of the Australian agricultural industry. This industry is driven, in part, by the demand and supply dynamics of export markets. As such, if the Australian dollar was to significantly change in value, the demand for Australian agriculture would also shift dramatically. Consequently, the production of agriculture would shift (either between industries or between countries) and the demand for water would respond accordingly, impacting water prices and the value of the Company's portfolio.

5.1.7 SETTLEMENT AND TITLE RISK

Water Allocation or Water Entitlements transactions may not reach settlement for a number of reasons, including counterparty default due to adverse changes in economic conditions, water conditions, and the legal and regulatory environment or settlements may be delayed. This may impact the returns generated on the Company's assets. Titles issued by relevant water authorities are also not guaranteed by the water authority which may lead to a dispute over correct ownership.

5.1.8 CYCLICAL RISK

The demand for water, as an essential input to agricultural, industrial and mining operations, is impacted by economic and commodity cycles. As such cyclical lows may place downward pressure on the price of Water Allocations and/or Water Entitlements, impacting the Company by reducing either the yield of the portfolio or the net asset value of the Company.

5.1.9 TECHNOLOGY RISK

Advances in technology, such as desalination plants and water transfer infrastructure, may increase the supply of water. If this was to occur, downward pressure would be placed on water prices, which would impact on the net asset value of the portfolio.

5.1.10 STRUCTURAL RISK

As irrigators become more water-efficient (e.g. through technological adoption and crop modification), water demand may decrease, impacting the price of water in the market. This could adversely impact on the financial performance of the Company.

5.1.11 CLIMATE CHANGE

Advancing variability in climate and weather patterns may have an impact on water quality and water availability. The demand and supply of water available for consumptive use will respond to these changes accordingly, impacting the price of water. There is a risk that climate change could mean the Company is unable to benefit from rainfall and reliable water sources which could have an adverse effect on the future financial performance of the Company.

5.1.12 THINLY-TRADED ASSETS AND LIQUIDITY RISK

In some regions, Water Entitlements and Water Allocations are thinly traded, increasing the difficulty in obtaining a fair and accurate valuation of the asset. As a consequence, the realisable value of the Water Entitlements may be less than the apparent value or it may take a long period of time before the investment is able to be realised at market value.

5.1.13 WATER MARKET COMPETITION RISK

An increase in water market participants may impact the price of Water Entitlements and Water Allocations. This would impact the value of the Company's portfolio.

5.1.14 LOSS OF CARRYOVER

The Investment Manager may elect that Water Allocations, which have not been leased, be carried over from one year to the next where permissible based on the jurisdiction and Water Entitlement class. This strategy may be implemented during times that Water Allocation prices are depressed. For example during times of excessive oversupply during flooding this strategy may be implemented. This strategy is subject to the risk that carryover Water Allocations may be cancelled if the water storage associated with that Water Entitlement overflows due to flooding.

5.1.15 BREACH OF WATER ENTITLEMENT CONDITIONS

Water Entitlements can be cancelled by a relevant water authority if there is a breach of conditions of a Water Entitlement. Those conditions vary depending on the jurisdiction and type of Water Entitlement. Cancellation of a Water Entitlement would negatively affect the value of the Company's portfolio.

5.2. RISKS ASSOCIATED IN INVESTING IN THE COMPANY

5.2.1 MARKET SIZE AND LIQUIDITY RISK

The turnover of Australian Water Entitlements is relatively small when compared to the aggregate Australian Water Entitlement market, with approximately an average annual turnover of 311 GL (approximately 4% of the entire Entitlements market) valued close to \$400 million during the 2014-15 season.²⁸ Average annual turnover in Water Allocations over the same period was 5,550 GL. With limited market activity, the small market size poses a liquidity risk for the Company, creating pricing and capacity considerations. This may be of concern as the Company, and the aggregate assets managed by the Company across multiple client accounts, grows in size, if the market as a whole does not increase at the same pace.

²⁸ Ruralco Water, 2016

5.2.2 RISK OF SHARES TRADING BELOW NET ASSET VALUE (NAV) AND OPTIONS HAVING NO VALUE

The Shares of the Company may trade on the ASX at a discount to the NAV of the Water Entitlements portfolio on a per Share basis and the performance of the Shares may not be correlated with the performance of Water Entitlements portfolio. The Options may also have no value, particularly if the Shares trade below the exercise price of \$1.10 per Share.

5.2.3 DEPLOYMENT RISK

The ability of the Company to generate attractive yields for investors is dependent on its capacity to deploy funds in the water market. For example, if at a certain point in time the Investment Manager did not believe that the purchase of any Water Entitlements in the market would provide attractive yields to investors, the Investment Manager would not invest.

5.2.4 MARKET RISK

Macroeconomic risks such as movements in interest rates, commodities prices and inflation have the potential to adversely impact the value of assets. Significant fluctuations in macroeconomic factors may cause volatility in the value of Water Entitlements and Allocations resulting in poor returns.

5.2.5 DIVERSIFICATION RISK

The Company's key strategy in active investment is diversification to mitigate risk. However, whilst the Company will target portfolio diversification across security classes, Water Entitlement types and geographical regions, due to the timing of deployment of funds, the Company may be concentrated 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.

5.2.6 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 portfolio. With the use of debt, the Company is exposed to changes in interest rates. An increase in interest rates if debt were utilised could have an adverse effect on future financial performance.

5.2.7 LEGAL, TAX AND REGULATORY RISKS

Regulatory change implemented through the Murray-Darling Basin Plan, changes to environmental water plans or water sharing plans and through state and federal water reforms may impact the liquidity, transferability and value of Australian Water Entitlements and Water Allocations. Historically, governments have allowed transitional periods in order for the market to adapt to any changes in regulations.

The regulatory 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.

5.2.8 FUND SIZE RISK

There is no assurance that the Company will raise additional capital beyond \$22 million (being the Minimum Subscription amount). If The Company was not able to raise capital beyond \$22 million, this could impact upon the target returns for the Company, as it would have a lower scale than anticipated.

5.2.9 RELIANCE ON THE INVESTMENT MANAGER

The investment decisions made by the Investment Manager of the the Company are key to achieving the investment objectives. Failure to develop and implement adequate strategies may adversely impact the performance of the Company.

5.2.10 KEY LESSEE RISKS AND OTHER LESSEE RISK

From Completion of the Offer until further leases are entered into, the Company will have approximately 86% of its lease revenue being paid by one lessee, Duxton Viticulture. If that lessee defaults, this could adversely effect the revenue generated by the Company. The financial performance of the Company is subject to it and its counterparties continuing to perform their respective obligations under various contracts. If the Company or one of its 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 lack of revenue for the Company.

5.2.11 OTHER CLIENTS OF THE INVESTMENT MANAGER

The Investment Manager and its related parties may advise others regarding Australian Water Entitlements in the future. The potential for oversight when managing multiple clients may expose the Investment Manager to conflicts of interest. Furthermore the Investment Manager or its related parties may have other investments which may represent a conflict of interest.

5.2.12 KEY PERSON RISK

The success of the Company depends on the ability to retain the members of the Board and for the Investment Manager to retain as well as attract talented personnel. The Company has executed an Investment Management Agreement and a key terms of reference with each Director, but this does not guarantee continued involvement of Board members or employment of key personnel of the Investment Manager. The loss of key employees of the Investment Manger could cause material disruption to the business and operations of the Company and have a material adverse effect on future financial performance.

5.2.13 CAPITAL DEPRECIATION RISK

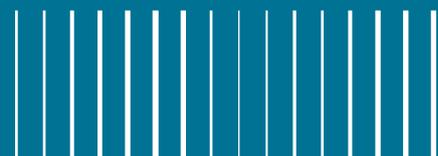
Water Entitlements have historically generated capital growth. However, past performance of Water Entitlements is not a reliable indicator of the future performance of Water Entitlements. As such, there exists the risk that Water Entitlements may depreciate in value over the investment period. For example, severe wet conditions were experienced throughout 2010 to 2012. Consequently, the amount of water available for annual Water Allocations was greater than in previous dry irrigation seasons. As a result, the greater supply of water reduced its scarcity and hence reduced the price of water.

5.2.14 VENDOR SHAREHOLDER CONTROL

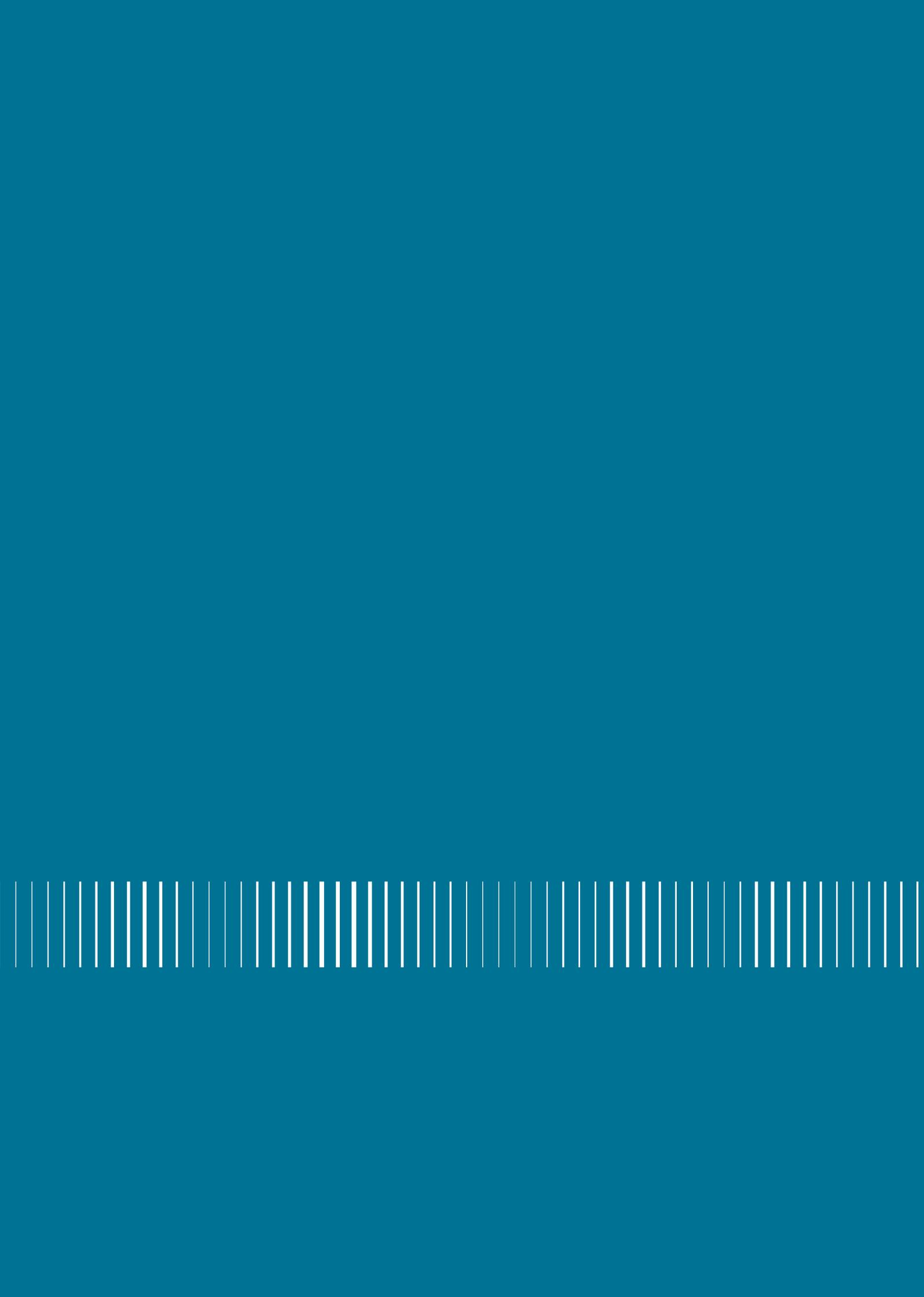
At Minimum Subscription the Vendor Shareholders will have a controlling relevant interest of 56.58% of the Shares. The majority of those Vendor Shares are also being placed into voluntary escrow. This may adversely impact on liquidity of the Shares.

5.2.15 SECURITY OVER VENDOR SHARES

The Vendor Shares are likely to be mortgaged to the Vendor's financier, NAB, including those subject to voluntary escrow. If the NAB enforces its rights under the share mortgage, some of all of the Vendor Shares may be sold. At Minimum Subscription the Vendor Shares represent a controlling relevant interest in the Company. Therefore any forced sale of those Shares is likely to affect control of the Company.



6 CBRE VALUATION REPORT



AGRIBUSINESS – VALUATION REPORT

"Duxton Water Portfolio"

Duxton Water Limited

Date of Valuation: 30 June 2016

CBRE

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1 Executive Summary

INSTRUCTIONS / RELIANCE

Instructing Party	Mr Max Toovey, Director, Duxton Capital Australia Pty Ltd.
Instruction Date	11 July 2016.
	<p>CBRE Valuations Pty Limited ("CBRE") accepted instructions dated 11 July 2016 to prepare a Market Valuation for the interest in the water entitlement portfolio described herein.</p> <p>The Valuation is to be relied upon for Prospectus purposes only and is specifically addressed for use and reliance upon by the parties named above. The Valuation is prepared in accordance with the Australian Property Institute Australia and New Zealand Valuation and Property Standards January 2012, having regard to ANZVGN 8, Valuations for use in Offer Documents. The instructions specifically request us to provide our opinion of the market value of the water entitlements as at 30 June 2016 on the following basis:</p> <ul style="list-style-type: none"> - Market Value – As Is – Vacant Possession <p>We have also been instructed us to confirm or otherwise comment on the appropriateness of the initial yields adopted within the proposed lease agreements.</p>
Important Disclosure	<p>We have been informed by Duxton Capital Australia Pty Ltd that due to the length of our Valuation Report only an abbreviated version will be included in the prospectus.</p> <p>The Abbreviated version shown in the prospectus does NOT contain the appendices to the valuation.</p> <p>As commercial investments of this nature are inherently complex it is considered prudent to consider the entire contents of our Valuation Report, including appendices which contain important information which is referenced within the main body of the Report. We strongly recommend that this Abbreviated Report is to be read and considered together with the full Valuation Report (with all appendices) before relying on this valuation for any investment decision.</p> <p>We accept no responsibility for reliance upon the Abbreviated Report only. Caution is advised in this regard.</p> <p>We refer the reader to enquires@duxttonwater.com.au to obtain a full copy of our Valuation Report with all appendices.</p>
Reliant Party/Purpose	Duxton Water Ltd for Initial Public Offering purposes only.

PROPERTY PARTICULARS

Asset Description	Large irrigation water entitlement portfolio held in the Southern-Connected Murray-Darling Basin and the Lachlan Regulated River.
Title Details	Refer to body of report.

ASSESSMENT

Valuation Approaches Direct Comparison – Summation;
 Date of Report 14 July 2016
 Date of Valuation 30 June 2016

ADOPTED VALUE Market Value - As Is - Vacant Possession
Water Rights Sale Agreement 1
\$10,424,780
(Ten Million, Four Hundred and Twenty Four Thousand, Seven Hundred and Eighty Dollars)

Water Rights Sale Agreement 2
\$2,717,985
(Two Million, Seven Hundred and Seventeen Thousand, Nine Hundred and Eighty Five Dollars)

Water Rights Sale Agreement 3
\$3,702,117
(Three Million, Seven Hundred and Two Thousand, One Hundred and Seventeen Dollars)

Water Rights Sale Agreement 4
\$3,399,000
(Three Million, Three Hundred and Ninety Nine Thousand Dollars)

Water Rights Sale Agreement 5
\$14,535,450
(Fourteen Million, Five Hundred and Thirty Five Thousand, Four Hundred and Fifty Dollars)

This valuation is exclusive of GST.

Principal Valuer

Michael Mobilio
 Certified Practising Valuer / API Accredited Specialist Water Valuer
 Associate Director - Agribusiness
 Property Inspection - Yes

Secondary Valuer

Ben Grice
 Valuer - Agribusiness
 Valuation & Advisory Services
 Property Inspection - No | Job Involvement - Valuation & Analysis Assistance

Cosignatory *

Tim McKinnon
 Senior Director - Agribusiness
 Property Inspection - No | Job Involvement - Co-Signatory in capacity of Director

** The Co-Signing Director/Peer or Quality Assurance Reviewer confirms having reviewed the valuation methodology and calculations, however the opinion of the value expressed has been arrived at by the Principal Valuer alone/Principal Valuers jointly.*

Conditional Terms

This summary must not be read independently of the valuation report in its entirety. This valuation is subject to all content, assumptions, disclaimers, qualifications and recommendations throughout the report. The report is prepared for the use of and reliance by the Reliant Party only and limited only to the Purpose specifically stated. No responsibility is accepted or assumed to any third party for the whole or any part of the report.

Liability limited by a scheme approved under Professional Standards Legislation.

2 Valuation Synopsis

2.1 Brief Description

- Brief Description**
- The subject water portfolio is partly under contract via five separate Water Rights Sale Agreements (refer to section 2.4 for further details). For practical valuation purposes we have summarised the portfolio by contract and provide a summary below.
 - Water Rights Sale Agreement 1 comprises:
 - 2,900 megalitres of NSW Murray Regulated River Zone 11 High Security water entitlements.
 - 211 megalitres of NSW Murray Regulated River Zone 11 General Security water entitlements.
 - 83 megalitres of NSW Murray Regulated River Zone 11 Supplementary water entitlements.
 - Water Rights Sale Agreement 2 comprises:
 - 604 megalitres of Victorian Murray Regulated River Zone 6 High Reliability water shares.
 - 892 megalitres of NSW Murray Regulated River Zone 10 General Security water entitlements.
 - Water Rights Sale Agreement 3 comprises:
 - 1,062 megalitres of Victorian Murray Regulated River Zone 7 High Reliability water shares.
 - 201.15 megalitres of Pomona Irrigation Trust Regulated River (High Security) (underlying water entitlement being NSW Murray Regulated River Zone 11 High Security).
 - 20.41 megalitres of Pomona Irrigation Trust Regulated River (General Security) (underlying water entitlement being NSW Murray Regulated River Zone 11 General Security).
 - Water Rights Sale Agreement 4 comprises:
 - 2,660 megalitres of Jemalong Irrigation Limited Class C Water Entitlements (underlying NSW Lachlan River General Security).
 - 4,138 megalitres of NSW Lachlan River General Security water entitlements.
 - Water Rights Sale Agreement 5 comprises:
 - 2,304 megalitres of Western Murray High Security Water Entitlements (underlying water entitlement being NSW Murray Regulated River Zone 11 High Security).
 - 1,773 megalitres of Murrumbidgee Irrigation Ltd Category 3 (underlying water entitlement being NSW Murrumbidgee Regulated River Zone 13 High Security).

2.2 Reliance & Liability

- Liability**
- Liability limited by a scheme approved under Professional Standards Legislation.
 - (a) CBRE is not operating under an Australian Financial Services Licence when providing the full Valuation Report and those documents do not constitute financial product advice. Investors should consider obtaining independent advice from their financial advisor before making any decision to invest Duxton Water Limited.
 - (b) CBRE disclaims any liability to any person in the event of an omission from, or false and misleading statements included in the Prospectus, other than in respect to this full Valuation Report.
 - (c) The Valuation Report are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the Prospectus. Without limitation to the above, no liability is accepted for any loss, harm, cost or damage (including special, consequential or economic harm or loss) suffered as a consequence of fluctuations in the market subsequent to the date of valuation.
 - (d) CBRE has prepared the full Valuation Report relying on and referring to information provided by third parties in including financial and market information ("Information"). CBRE assumes that the Information is accurate, reliable and complete and it has not tested the information in that respect.
 - (e) The full Valuation Report may be reproduced in whole or in part without prior written approval of CBRE.
 - (f) CBRE charges a professional fee for producing valuation reports, and the fee paid by Duxton Water Limited for the Valuation Report Letter was \$33,000 inclusive of GST.

- (g) We confirm that the valuers do not have a pecuniary interest that would conflict with a proper valuation of the interest in the property.
- (h) This document is for the sole use of persons directly provided with it by CBRE. Use by, or reliance upon this document by anyone other than those parties named above is not authorised by CBRE and CBRE is not liable for any loss arising from such unauthorised use or reliance.

Reliance	<ul style="list-style-type: none"> ▪ This valuation is strictly and only for the use of the Reliant Party and for the Purpose specifically stated in the Instructions section.
Valuation Date	<ul style="list-style-type: none"> ▪ The water portfolio is valued for initial public offering as at 30 June 2016.
Consent:	<ul style="list-style-type: none"> ▪ CBRE provides its consent for the inclusion of this Valuation Report within the Prospectus for Duxton Water Limited making recipients of the Prospectus aware of the following liability disclaimers.
Transmission	<ul style="list-style-type: none"> ▪ Only an original valuation report received by the Reliant Party directly from CBRE or through a Panel Management System authorised by the client can be relied upon.
Restricted	<ul style="list-style-type: none"> ▪ No responsibility is accepted or assumed to any third party who may use or rely on the whole or any part of the content of this valuation.
Copyright	<ul style="list-style-type: none"> ▪ As between CBRE, the Instructing Party and the Reliant Party, all intellectual property rights in this valuation report are owned by CBRE. Neither the whole nor any part of the content of this valuation may be published in any document, statement, circular or otherwise by any party other than CBRE, nor in any communication with any third party, without the prior written approval from CBRE, and subject to any conditions determined by CBRE, including the form and context in which it is to appear.
Value Subject To Change	<ul style="list-style-type: none"> ▪ This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movement or factors specific to the particular property). For the avoidance of doubt, this may include global financial crises or force majeure events. We do not accept liability for losses arising from such subsequent changes in value.
Reliance Period	<ul style="list-style-type: none"> ▪ We do not assume any responsibility or accept any liability in circumstances where this valuation is relied upon after the expiration of 90 days from the date of valuation, or such earlier date if the Reliant Party becomes aware of any factors that have any effect on the valuation.
Disclosure	<ul style="list-style-type: none"> ▪ CBRE must be advised in the event that the Reliant Party becomes aware of any changes relating to the information and advice provided by the Instructing/Reliant Party during the Reliance Period. This includes, without limitation, any changes to information and advice provided in relation to encumbrances, registered/unregistered interests, title, and land area/dimensions. In any such event, this valuation must not be relied upon without consulting CBRE first to reassess any effect on the valuation.
Valuer's Interest	<ul style="list-style-type: none"> ▪ We hereby certify that the Principal Valuer is suitably qualified and authorised to practise as a valuer; does not have a pecuniary interest, financial or otherwise, that could conflict with the proper valuation of the property; and accepts instructions to value the property only from the Responsible Entity/Instructing Party.

2.3 Market Value Definitions

- Market Value Definition** ■ In accordance with the International Valuation Standard, the definition of market value is:
- "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion."
- Highest & Best Use** ■ In accordance with the Australian Property Institute Valuation and Property Standards, the definition of highest and best use is:
- "The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued."
- Highest & Best Use Comment** ■ When determining the highest and best use, there are a number of factors which must be considered including:
- Existing use.
 - Profitability and marketability.
 - Financial and social constraints.
 - Legal constraints and regulatory controls.
 - Physical and functional limitations.
 - Zoning provisions.
- The highest and best use of the "Water Portfolio" is deemed to be the current use.

2.4 Transaction History

- | | |
|-----------------------------|--|
| Previous Sale | <ul style="list-style-type: none"> ▪ According to our enquiries, the portfolio has not sold within the last 3 years. |
| Water Rights Sale Agreement | <ul style="list-style-type: none"> ▪ We understand the water portfolio is part of a proposed Initial Public Offering by Duxton Water Limited. ▪ Furthermore, we understand the majority of the water entitlements will be leased back to the vendor, with the consideration being shares in Duxton Water Ltd Entitlements equal to the Market Value – As Is – Vacant Possession of the water entitlements (as assessed). |

2.5 Marketability

- | | |
|------------------------------------|---|
| Buyer Demand/
Purchaser Profile | <ul style="list-style-type: none"> ▪ In the current market: <ul style="list-style-type: none"> – Anticipated buyer demand/liquidity: moderate. – Likely purchaser profile comprises: high net worth investors, overseas investors, owner operators, private investors. – Estimated selling period (with a professional marketing campaign) is: 3 months. |
|------------------------------------|---|

2.6 Risk Critical Assumptions

Our valuation is subject to the following critical assumptions:

- | | |
|------------------------------------|---|
| Title | <ul style="list-style-type: none"> ▪ The water entitlements are not subject to any encroachments or restrictions on title. |
| Irrigation Corporation /
Trusts | <ul style="list-style-type: none"> ▪ We note that various water entitlements are held within irrigation trusts and companies. To transfer such water entitlements, various rules within each irrigation trust / company must be adhered to. It is an express assumption that these water entitlements are transferable / transformable. ▪ Irrigation Corporations/Trusts in which the subject water entitlements are held include: <ul style="list-style-type: none"> – Murrumbidgee Irrigation Limited – Western Murray Irrigation Limited – Pomona Irrigation Trust – Jemalong Irrigation Limited ▪ We note that various water entitlements within this portfolio are located within Irrigation Corporations which typically require security for the delivery of water and for irrigation infrastructure maintenance and upgrades to maintain water supply. ▪ This is typically required by way of: <ol style="list-style-type: none"> 1. Interest in the tradable water component. Typically, a ratio of one permanent water entitlement to 5 water delivery entitlements. 2. Bank guarantee. 3. By agreement with the relevant irrigation trust corporation. ▪ The above security amount by the irrigation corporations, is required at call to retire delivery entitlements by the irrigation trust, with the cost varying from each irrigation corporations specific rules. ▪ We have been advised, and it is an express assumption that to the extent there is a liability for the security requirement by the irrigation corporation, such liability would be at the expense / responsibility of the land owner and that such water entitlements are transformable to Water Access Licences within each respective trading zone and each entitlement's corresponding security. |
| Market Movement | <ul style="list-style-type: none"> ▪ This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular water entitlement). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of 90 days from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation. However, it should be recognised that the 90 day reliance |

period does not guarantee the value for that period; it always remains a valuation at the date of valuation only.

- | | |
|-------------------------------|---|
| Transferability | <ul style="list-style-type: none"> ▪ Our valuation assumes that the water entitlements are able to be transferred within the Regulated River Water Source in which the water entitlements are located. |
| Unencumbered Entitlements | <ul style="list-style-type: none"> ▪ This valuation assumes that the water entitlements referred to in this report are unencumbered. |
| Accuracy of Information | <ul style="list-style-type: none"> ▪ We advise that any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified and experienced valuer, reflecting due skill, care and diligence. However, we have not independently verified third party information, adopted it as our own, or accepted its reliability. If any of the information provided by others and referred to in the valuation report is incorrect, it may have an impact on the valuation. The valuation is provided on the proviso that the reliant party accepts this risk. |
| Jemalong Irrigation | <ul style="list-style-type: none"> ▪ We have requested formal Certificates of Water Entitlement/Shares held in the Jemalong Irrigation Ltd, however these were not provided, we have however been provided with a letter from Mr Neil Toole, General Manager, Jemalong Irrigation Ltd, stipulating the current volume of water held by Merrimont Rural Investments Pty Ltd. |
| Water Rights Sale Agreement 2 | <ul style="list-style-type: none"> ▪ With respect to WAL4529/37452 we have been instructed to assume that 300 megalitres has been sold to the government and therefore have adopted a volume of 892 megalitres. |

2.7 Recommendations

Prior to relying on the report, the Reliant Party is to obtain the following information/additional advice:

- | | |
|---------------------------------|---|
| Irrigation Corporations/Trusts: | <ul style="list-style-type: none"> ▪ We recommend that further due diligence be undertaken on the potential transformation of water entitlements held within Irrigation Corporations/Trusts to the relevant trading zone and each entitlement's corresponding security. |
| Important Disclosure | <ul style="list-style-type: none"> ▪ We have been informed by Duxton Capital Australia Pty Ltd that due to the length of our Valuation Report only an abbreviated version will be included in the prospectus. ▪ The Abbreviated version shown in the prospectus does NOT contain the appendices to the Valuation Report. ▪ As commercial investments of this nature are inherently complex it is considered prudent to consider the entire contents of our Valuation Report, including appendices which contain important information which is referenced within the main body of the report. We strongly recommend that this Abbreviated Report is to be read and considered together with the full Valuation Report (with all appendices) before relying on this Valuation for any investment decision. ▪ We accept no responsibility for reliance upon the Abbreviated Report Only. Caution is advised in this regard. ▪ We refer the reader to enquires@duxttonwater.com.au to obtain a full copy of our Valuation Report with all appendices. |

3 Water Details

Registered / Unregistered Interests: We have assumed that there are no registered or unregistered interests which may affect market value. In the event that the Reliant Party becomes aware of any current or pending, encumbrances or unregistered interests, this valuation must not be relied upon before first consulting CBRE to reassess any effect on the valuation.

3.1 Water Shares, Licences & Entitlements

3.1.1 Water Rights Sale Agreement 1

Summary:
 ■ We have been provided with an executed Water Rights Sale Agreement comprising the following water entitlements. The water entitlements have been searched between the 3 June 2016 and 1 July 2016 and provided by the reliant party. We have relied on the list of Water Shares, Entitlements and Licences register provided to us by the Reliant Party.

Water Rights Sale Agreement 1 Duxton Vineyards Water Pty Ltd to Duxton Water Ltd	
Reference	Holder/s
WAL4949	Duxton Water Pty Ltd
WAL5015	Duxton Water Pty Ltd
WAL5232	Duxton Water Pty Ltd
WAL9315	Duxton Water Pty Ltd
WAL37145	Duxton Water Pty Ltd
WAL5016	Duxton Water Pty Ltd
WAL9316	Duxton Water Pty Ltd
WAL5017	Duxton Water Pty Ltd

Water Rights Sale Agreement 1 Duxton Vineyards Water Pty Ltd to Duxton Water Ltd				
Reference	Source	Zone	Category	MI
WAL4949	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	176.00
WAL5015	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	340.00
WAL5232	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	164.00
WAL9315	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	1,950.00
WAL37145	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	270.00
Subtotal				2,900.00
WAL5016	NSW Murray Regulated River	11 - Below Barmah Choke	General Security	210.00
WAL9316	NSW Murray Regulated River	11 - Below Barmah Choke	General Security	1.00
Subtotal				211.00
WAL5017	NSW Murray Regulated River	11 - Below Barmah Choke	Supplementary	83.00
Subtotal				83.00
Total				3,194.00

3.1.2 Water Rights Sale Agreement 2

Summary:

- We have been provided with an unexecuted Water Rights Sale Agreement comprising the following water entitlements. The water entitlements have been searched between the 26 May 2016 and 28 June 2016 and provided by the reliant party. We have relied on the list of Water Shares, Certificates and Licences provided to us by the Reliant Party.

Water Rights Sale Agreement 2 Hathor Daires Pty Ltd to Duxton Water Ltd

Reference	Holder/s
WEE006027	Hathor Dairies Pty Ltd
WEE001374	Hathor Dairies Pty Ltd
WAL4529	Hathor Dairies Pty Ltd
WAL37452	Hathor Dairies Pty Ltd

Water Rights Sale Agreement 2 Hathor Daires Pty Ltd to Duxton Water Ltd

Reference	Source	Zone	Category	MI
WEE006027	Victorian Murray Regulated River	6 - Dartmouth to Barmah	High Reliability	103.00
WEE001374	Victorian Murray Regulated River	6 - Dartmouth to Barmah	High Reliability	501.90
Subtotal				604.90
*WAL4529	NSW Murray Regulated River	10 - Above Barmah Choke	General Security	306.00
*WAL37452	NSW Murray Regulated River	10 - Above Barmah Choke	General Security	586.00
Subtotal				892.00
TOTAL				1,496.90

*We have been instructed to assume the volumes outlined in the Water Rights Sale Agreement, refer to Critical Assumption.

3.1.3 Water Rights Sale Agreement 3

- Summary:
- We have been provided with an executed Water Rights Sale Agreement comprising the following water entitlements. The water entitlement search dates of between 1 April 2016 and 06 May 2016 were provided by the reliant party. We have relied on the list of Water Shares, Entitlements and Licences register provided to us by the Reliant Party.

Water Rights Sale Agreement 3 Duxton Vineyards Pty Ltd to Duxton Water Ltd

Reference	Holder/s
WEE035396	Duxton Vineyards Pty Ltd
014cDuxHS	Duxton Vineyards Pty Ltd
114cDuxGS	Duxton Vineyards Pty Ltd

Water Rights Sale Agreement 3 Duxton Vineyards Pty Ltd to Duxton Water Ltd

Reference	Source	Zone	Category	Irrigation Trust	MI
WEE035396	Victorian Murray Regulated River	7 - Barmah to SA	High Reliability	N/A	1,062.00
Subtotal					1,062.00
*014cDuxHS	NSW Murray Regulated River	11 - Murray	High Security	Pomona Irrigation Trust	201.15
Subtotal					201.15
*114cDuxGS	NSW Murray Regulated River	11 - Murray	General Security	Pamona Irrigation Trust	20.41
Subtotal					20.41
TOTAL					1,283.56

*We note that the Water Rights Sale Agreement refers to these entitlements as being sourced from the Murrumbidgee River, which appears to be incorrectly described and should be the NSW Murray Regulated River; we have assumed this when assessing value.

3.1.4 Water Rights Sale Agreement 4

- Summary:
- We have been provided with an unexecuted Water Rights Sale Agreement comprising the following water entitlements. The water entitlement searches were completed on 12 July 2016 by the reliant party and CBRE in part. We have requested formal Certificates of Water Entitlement/Shares held in the Jemalong Irrigation Ltd, however these were not provided, we have however been provided with a letter from Mr Neil Toole, General Manager, Jemalong Irrigation Ltd, stipulating the current volume of water held by Merriment Rural Investments Pty Ltd (refer to critical assumptions for further details).

Water Rights Sale Agreement 4 Merriment Rural Investments Pty Ltd to Duxton Water Ltd

Reference	Holder/s
No.332	Merriment Rural Investments Pty Ltd
No.363	Merriment Rural Investments Pty Ltd
No.331	Merriment Rural Investments Pty Ltd
No.306	Merriment Rural Investments Pty Ltd
No.307	Merriment Rural Investments Pty Ltd
WAL1995	Merriment Rural Investments Pty Ltd

Water Rights Sale Agreement 4 Merriment Rural Investments Pty Ltd to Duxton Water Ltd

Reference	Source	Category	Irrigation Corporation	Volume (MI)
No.332	NSW Lachlan Regulated River	Clas C / General Security	Jemalong Irrigation Ltd	597.00
No.363	NSW Lachlan Regulated River	Clas C / General Security	Jemalong Irrigation Ltd	226.00
No.331	NSW Lachlan Regulated River	Clas C / General Security	Jemalong Irrigation Ltd	157.00
No.306	NSW Lachlan Regulated River	Clas C / General Security	Jemalong Irrigation Ltd	1,180.00
No. 307	NSW Lachlan Regulated River	Clas C / General Security	Jemalong Irrigation Ltd	500.00
WAL1995	NSW Lachlan Regulated River	General Security	N/A	4,138.00
TOTAL				6,798.00

3.1.5 Water Rights Sale Agreement 5

Summary:

- We have been provided with an executed Water Rights Sale Agreement comprising the following water entitlements. The water entitlement searches dated 15 April 2016 and 23 May 2016 and were provided by the reliant party. We have relied on the list of Water Shares, Entitlements and Licences register provided to us by the Reliant Party.

Water Rights Sale Agreement 5

Duxton Vineyards Water Pty Ltd to Duxton Water Ltd

Reference	Holder/s
1292W	Duxton Vineyards Water Pty Ltd
1291W	Duxton Vineyards Water Pty Ltd
1293W	Duxton Vineyards Water Pty Ltd
1294W	Duxton Vineyards Water Pty Ltd
1295W	Duxton Vineyards Water Pty Ltd
1296W	Duxton Vineyards Water Pty Ltd
1298W	Duxton Vineyards Water Pty Ltd
N/A (Murrumbidgee Irrigation Limited)	*Duxton Vineyards Water Pty Ltd

*We have sighted the above Entitlement Certificate associated with the Murrumbidgee Irrigation Limited water and note that the certificate states the owner to be Duxton Water Pty Ltd, we are however advised by the reliant party that the current owner of this entitlement is Duxton Vineyards Water Pty Ltd. It is an express assumption that Duxton Vineyards Water Pty Ltd is the owner of the said water entitlement and that is available for transfer.

Water Rights Sale Agreement 5

Duxton Vineyards Water Pty Ltd to Duxton Water Ltd

Reference	Source	Zone	Category	Irrigation Corporation	Volume (ML)
1292W	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	Western Murray Irrigation Limited	822.00
1291W	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	Western Murray Irrigation Limited	37.00
1293W	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	Western Murray Irrigation Limited	651.00
1294W	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	Western Murray Irrigation Limited	103.00
1295W	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	Western Murray Irrigation Limited	116.00
1296W	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	Western Murray Irrigation Limited	236.00
1298W	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	Western Murray Irrigation Limited	112.00
1297W	NSW Murray Regulated River	11 - Below Barmah Choke	High Security	Western Murray Irrigation Limited	227.00
Subtotal					2,304.00
N/A	NSW Murrumbidgee Regulated River	13 - Murrumbidgee	Cat 3 / High Security	Murrumbidgee Irrigation Limited	1,773.00
Subtotal					1,773.00
TOTAL					4,077.00

4 Market Commentary

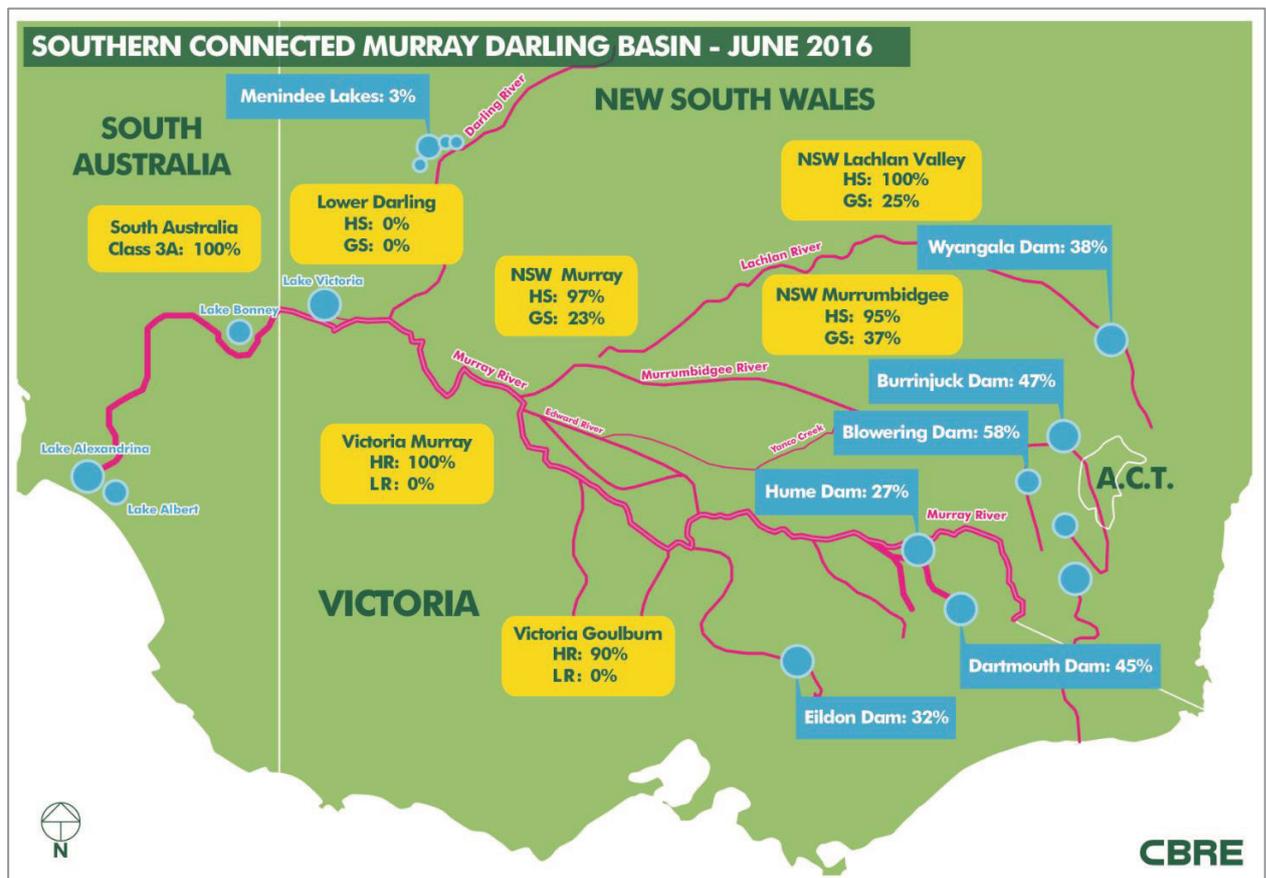
4.1 Subject Market

Murray Darling Basin

- The water entitlements being valued are within the Murray Darling Basin (MDB).
- The MDB comprises 6% of Australia’s surface water runoff, however, its contribution to the Australian irrigation industry is much more substantial with over 70% of the irrigation development being located within this catchment.
- In the early stages of development within the irrigation industry, the value of properties was closely related to the cost of land acquisition and the subsequent cost of development. A potential irrigator could buy a property, apply for a licence or buy an allocation at a nominal value, which then gave the irrigator rights to access water.
- In the current climate, there are no new licences being issued, with the Federal Government actually actively buying back water through various plans, via tender processes. The options that now exist, due to water reform, comprise:
 - Purchasing permanent water entitlements.
 - Purchasing allocation (temporary water)
 - Limited Term Transfer (LTT).

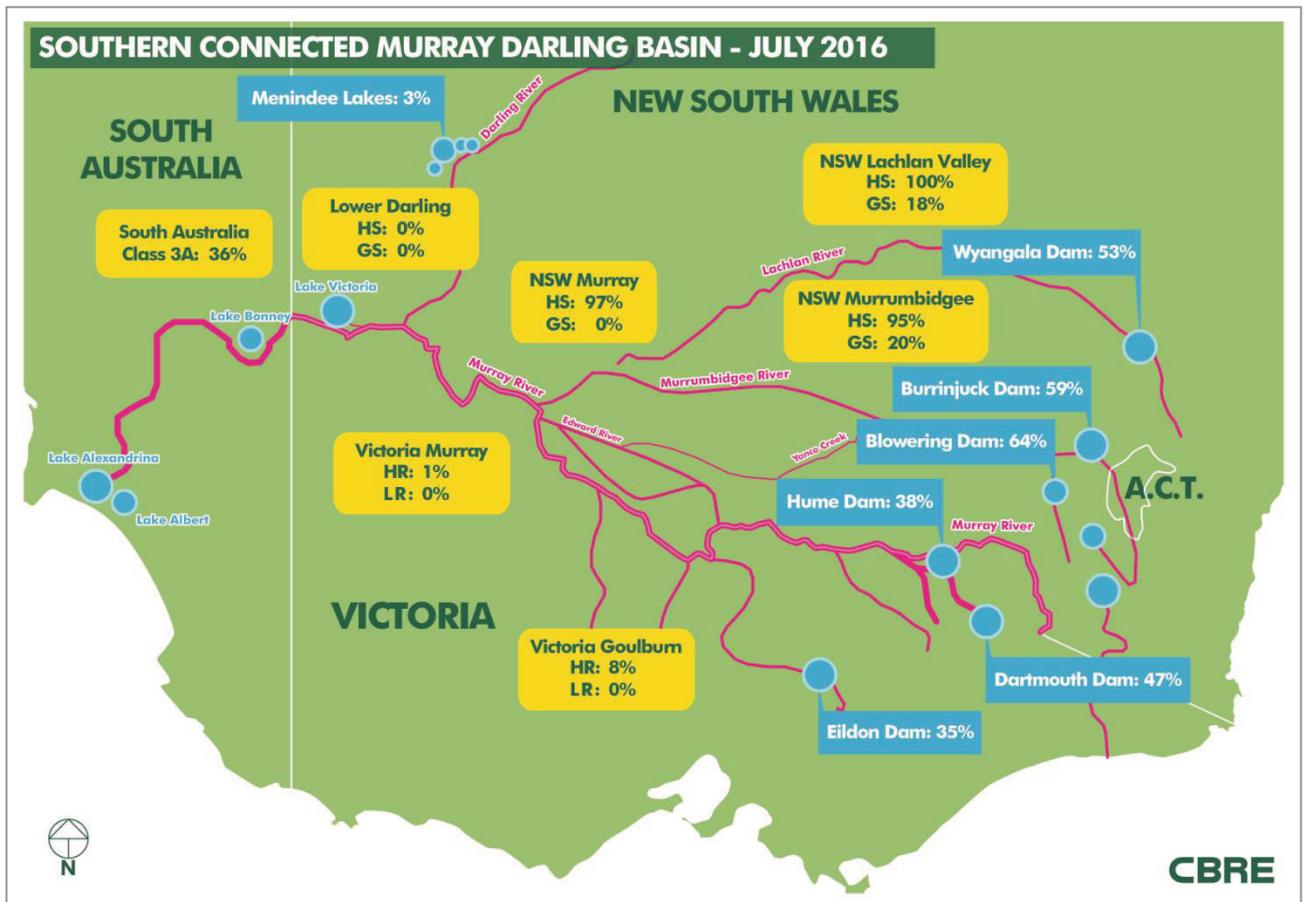
Southern Connected System

- The Southern Connected Murray Darling Basin is a connected resource comprising 13 interstate water trading zones covering parts of South Australia, New South Wales and Victoria. Inter-valley and interstate trade in the southern-connected Basin is possible because of the connected nature of the system. The establishment of irrigation schemes and the building of infrastructure have led to the southern-connected Murray–Darling Basin becoming one of the most mature water markets in the world.
- The map provided below demonstrates the Southern Connected Murray Darling Basin, displaying water allocations and dam capacities for the end of the 2015/16 water year.



Source: Victorian Water Register

- Noting the above, we have displayed the opening water and allocation levels for the 2016/17 water year. The total active Murray Darling Basin Storage levels opened at 38% (3,182 gigalitres) capacity which is down on last year’s opening capacity of 4,033 gigalitres or 48%. Notwithstanding a lower opening storage capacity, improved rainfall over the months of May and June have seen system inflows return to their long term average in the shared Murray River which is further complemented by the Bureau of Meteorology forecasting likely average or above average rainfall throughout the Murray Darling Basin for July to September.
- The map provided below demonstrates opening water allocations and storage levels for the Southern Connected Murray Darling Basin for the opening of the 2016/17 water year.



Source: Victorian Water Register

State Variances

- New South Wales water entitlements are called Water Access Licences (WAL), Victorian water entitlements are called Water Entitlement Extracts (WEE) and South Australian water entitlements are called Water Licences.
- Water entitlements throughout New South Wales, Victoria and South Australia (in part) have traditionally been affiliated with land, however water reforms occurring within the last 10 years, has resulted in large volumes of irrigation water becoming unbundled from land, making them a tradable asset which can be permanently sold (without land), temporally sold (on an allocation basis) and mortgaged separately.
- The status and description of each States water management systems is described below.

Land & Water Separation (Victoria)

- Water entitlements were separated from land within Northern Victoria on 1 July 2007. The unbundling of the entitlements occurred in conjunction with the irrigation systems becoming Declared Water Systems under the Water Act 1989. The “unbundling” process describes the water entitlement reform used in declared water systems which involves the separation of traditional entitlements of water rights in districts and take and use licences on waterways into:
 - Water Share: Described as an ongoing entitlement to a share of the water available in your water system. It gives you a right to a share of water in the dams in terms of a volume of water, the type

of reliability (high or low) and its subject water system (Goulburn, Murray or Macalister).

- Delivery Share: A delivery share is an entitlement to have water delivered to land in an irrigation area. The delivery share is tied to the land and stays with the property if it is bought or sold. A delivery Share is only needed if the land is situated in an irrigation area.
- Water-Use Licence: A water-use licence is an entitlement to irrigate a specific parcel or parcels of land. The licence sets out the conditions for use, such as how much water you can use on your land in a single irrigation season.
- The introduction of "Water Share(s)" has created water entitlements known as High and Low Reliability Water Shares. Allocations are made to high-reliability water shares before low-reliability shares. The Water Shares(s) can be held, mortgaged or leased without the land.
- The annual allocation affiliated with the "Water Share" can be traded on an annual or temporary basis.
- The water that is actually in the dam in any given year is allocated against water shares.
- The seasonal allocation is the percentage of a water share volume available under current resource conditions, as determined by the resource manager.
- For example, in a dry year a 50% allocation to your 100 ML water share gives you 50 ML of water available to use or trade. A 100% allocation means that you have your full water share volume available.
- The water entitlements in Victoria included in this valuation are known as "Water Share (s)".
- Water entitlements, diversion licences, water rights on regulated water systems in New South Wales were unbundled under the Water Management Act 2000. The "unbundling" process describes the separation of land and water.
- NSW water entitlements are known as "Water Access Licence(s)" (WAL). The Water Access Licence (s) can be held, mortgaged or leased without the land.
- The introduction of "Water Access Licence(s)" (WAL) has created water entitlements known as High Security Water, General Security Water or Supplementary Water. Allocations are made to Regulated River High Security Water before Regulated River General Security Water and then Supplementary Water. Supplementary Water was formerly known as off-allocation water and is effectively surplus flow that cannot be conserved.
- A Water Access Licence (WAL) specifies:
 - The shares in the available water within a particular water management area or water source (the share component), and
 - The times, rates or circumstances from specified areas or locations (the extraction component).
 - A clearly defined entitlement listed on a public Water Access Licence Register that is separate from land ownership.
 - A clearly defined right to a share of the available water in a particular water source
- It is important to note that a WAL does not confer a right on any person to use water for a particular purpose or to construct or use a water supply work. Water can only be taken under a WAL by a nominated water supply work. Use of water on land also generally requires a current Water Use Approval, as described below;
 - Water Supply Work Approval: A water supply work approval authorises its holder to construct and use a specified water supply work at a specified location. Approvals cannot be traded to another property or location.
 - Water Use Approval: A water use approval authorises its holder to use water for a particular purpose, such as irrigation, at a particular location. It may also authorise the use within NSW of water taken from a water source outside NSW. Approvals cannot be traded to another property or location.
- WALs may be granted to access the available water governed by a Water Sharing plan under the *Water Management Act 2000*.
- Water Sharing Plan establish rules for sharing water between the environmental needs of the river or aquifer and water users, and also between different types of water use such as town supply, rural domestic supply, stock watering, industry and irrigation.

Land & Water Separation (New South Wales)

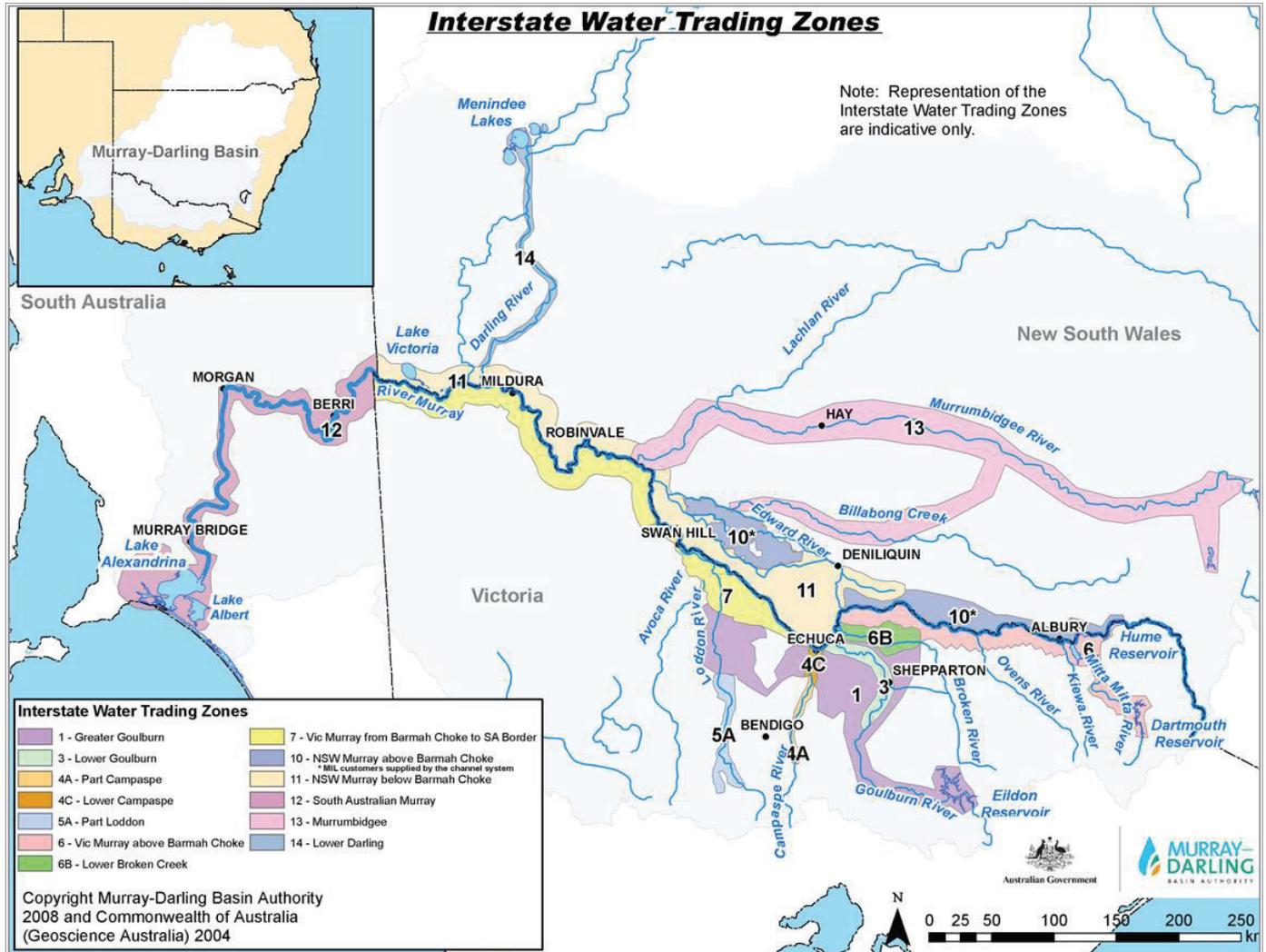
Land & Water Separation
(South Australia)

- The tenure of Water Access Licences is described below:
 - The reference to "tenure" on a water access licence certificate indicates the duration of the licence. An access licence ceases to be in force on the date that the cancellation of the licence is recorded in the Access Register.
 - A "continuing" water access licence is granted in perpetuity, which means it does not need to be renewed. It is typically used for a commercial purpose (such as irrigation or industrial use). "Continuing" water access licences include supplementary water access licences issued for regulated rivers.
 - A specific purpose water access licence (eg for town water or domestic and stock purposes) must be cancelled when the purpose for which the licence was issued ceases.
 - Irrespective of the type of tenure, a water access licence can be suspended or cancelled if there is a breach of the licence conditions or other non-compliance.
- New South Wales water entitlements included in this valuation are known as "Water Access Licence(s)" (WAL).
- The unbundling of irrigation water began in 1 June 2009 post an amendment to the Natural Resources Management Act 2004 (NRM Act) came into effect.
- Some existing water entitlements have been unbundled land and separated into four authorisations, as listed and described below.
 - Water Access Entitlement (Water Licence): The ongoing right to a specified share of the water resource expressed in unit shares. It is an asset that can be sold or transferred permanently or for a limited period.
 - Water Allocation: The actual volume of water you are able to take in a water use year. Allocation may vary from year to year depending on how much water is available. It will be represented on a Water Account. The allocation can be temporarily sold or transferred.
 - Water Resource Works: This is permission to construct, operate and maintain works (such as a pump meter, well or dam) to take water in a particular location in a particular way.
 - Site Use Approval: This permission is a permission to use the water in a particular location in particular way. This permission is not transferable to another location.
- Water is managed through Prescribed Water Resources to secure sustainable management and support water dependent ecosystems.
- The annual water allocation can be temporarily sold or transferred on an annual basis.
- The introduction of this system has begun to make water entitlements easier to trade. Water within The River Murray Prescribed Watercourse is now fully unbundled and can be held, mortgaged or leased without the land.
- South Australian water entitlements included in this valuation are known as "Water Licence(s)".

4.2 Southern Connected Murray Darling Basin Water Trading Zones

Summary

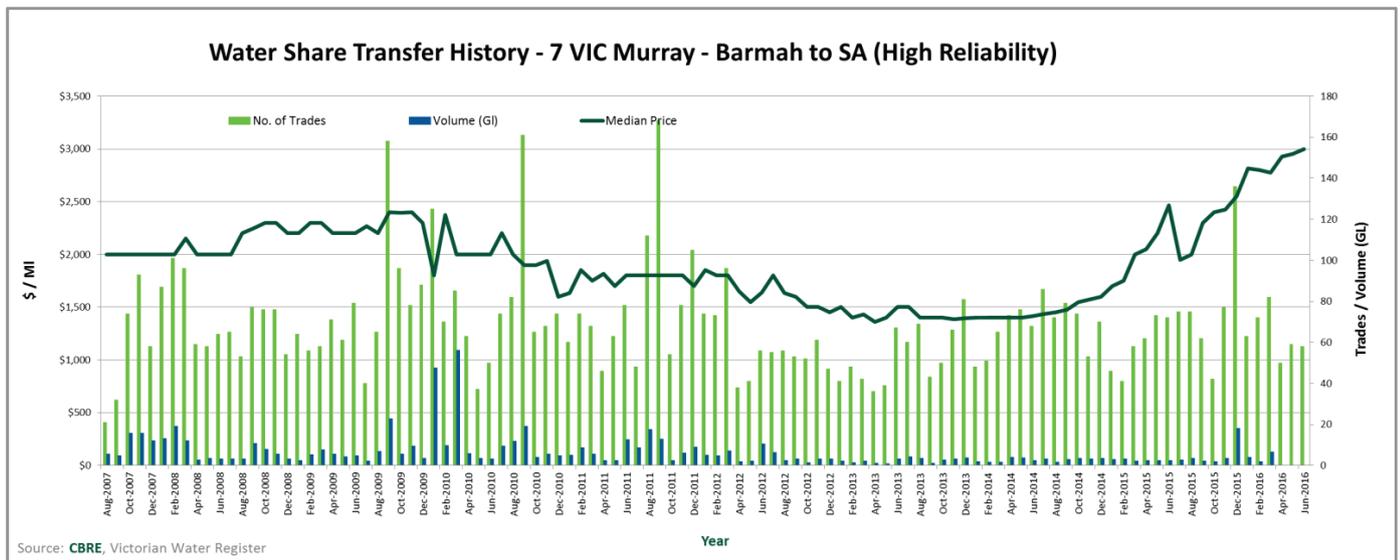
- Water entitlement trading within the Interconnected Murray Darling Basin is monitored via various trading zones. The map below demonstrates the geographical location of each trading zone.

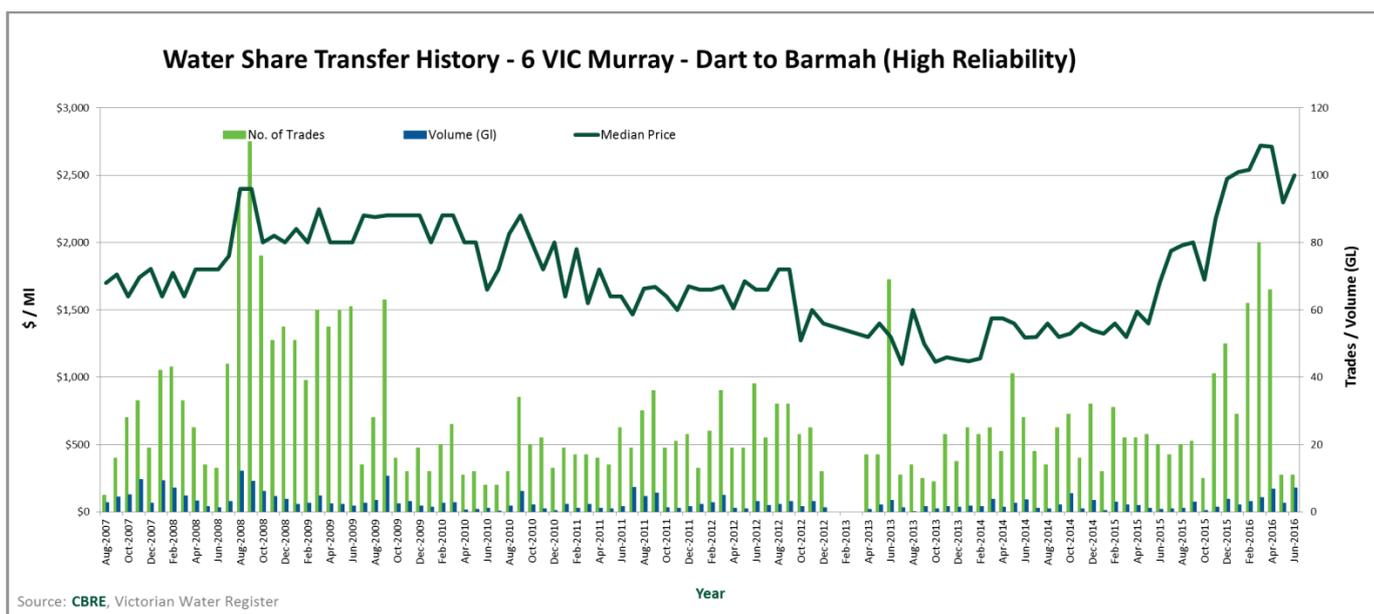


Source: Murray Darling Basin Authority 2015.

4.2.1 Victorian Murray River Regulated Water Source – VIC Murray

- Summary**
- There are 1,200,402 megalitres of High Reliability Water Shares and 305,003 megalitres of Low Reliability Water Shares on issue. The Water Shares are allocated over 3 trading zones, Zone 6, Zone 6B and Zone 7.
- Allocation Trading Rules**
- Trade may occur from Vic Murray above the Barmah Choke (Zone 6) to the following interstate zones:
 - New South Wales Murray above Barmah Choke.
 - Back trade (according to rules set by New South Wales and the MDBA) may occur from Vic Murray above the Barmah Choke (Zone 6) to the following interstate zones:
 - New South Wales Murray below the Barmah Choke; South Australian Murray, Murrumbidgee, Lower-Darling.
 - Trade may occur from Lower Broken Creek (Zone 6B) and Vic Murray - Barmah Choke to SA Border (Zone 7) to the following interstate zones:
 - New South Wales Murray above Barmah Choke; New South Wales Murray below the Barmah Choke; South Australian Murray.
 - Back trade (according to rules set by New South Wales and the MDBA) may occur from Lower Broken Creek (Zone 6B) and Vic Murray - Barmah Choke to SA Border (Zone 7) to the following interstate zones:
 - Murrumbidgee, Lower-Darling.
- Allocation History**
- Historic allocation percentages have been 100% from 2009-10 to 2015/16.
 - Low Reliability historic allocation percentages have been 0% from 2009-10 to 2015/16.
 - 2016/17 opening water allocations are detailed in the Southern Connected Murray Darling Basin System Map at section 4.1.
- High Reliability Pricing History**
- Victorian Murray River Regulated Water Source – VIC Murray High Reliability Zone 7 & 6 trading history is detailed below. The analysis shows pricing trends in conjunction with volume traded and the number of associated trades.





4.2.2 New South Wales – NSW Murray Regulated River

Summary

- There are approximately 191,637 megalitres of High Security and approximately 1,672,097 megalitres of General Security water entitlements available annually.
- The NSW Murray Regulated River Valley is the Murray River downstream of Hume Dam to the South Australian border (including Wentworth Weir pool on the Lower Darling River; and Lower Darling River downstream of Lake Wetherell to the Wentworth Weir Pool).

Allocation Trading Rules

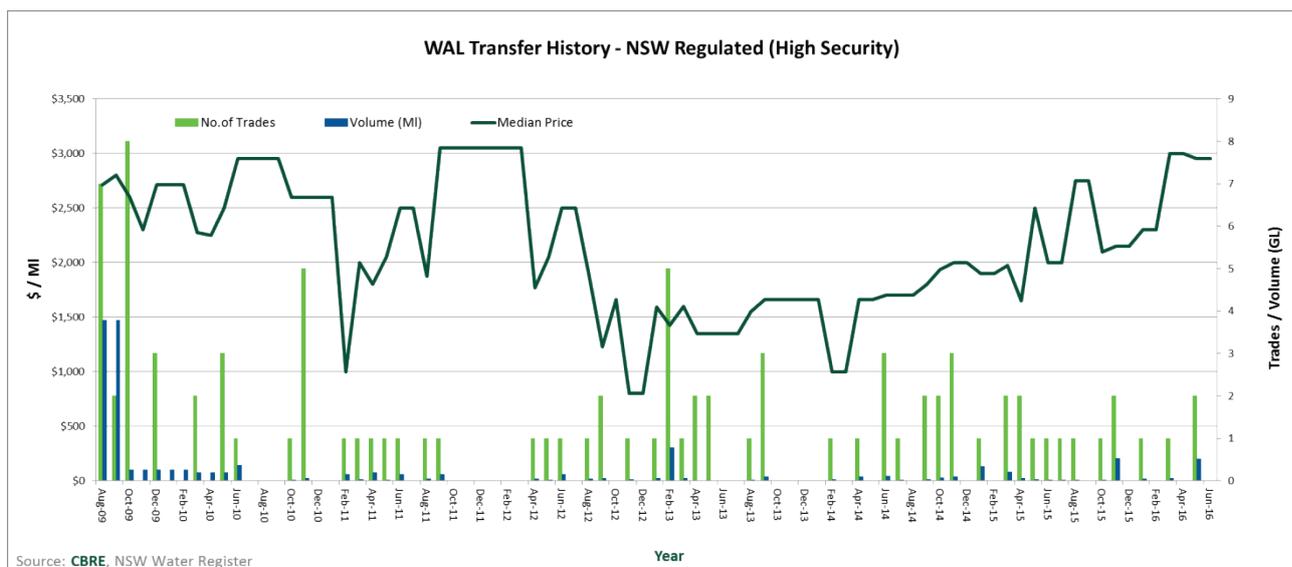
- Trade may occur from NSW Murray to:
 - Vic Murray above the Choke; Vic Murray from Barmah Choke to SA Border; NSW Murray above Barmah Choke; NSW Murray below the Barmah Choke; South Australian Murray.
- Back trade allowed from NSW Murray:
 - Greater Goulburn; Lower Goulburn, Part Campaspe, Lower Campaspe, Part Loddon; Lower Broken Creek; Murrumbidgee; Lower Darling.

Allocation History

- High Security historic allocation percentages have been 100%, 100%, 100%, 100%, 97% and 97% from 2009-10 to 2015-16 respectively.
- General Security historic allocation percentages have been 38%, 100%, 100%, 100%, 100%, 91% and 23% from 2009-10 to 2015-16 respectively.
- 2016-17 opening water allocations are detailed in the Southern Connected System Map at section 4.1.

High Security Pricing History

- The NSW Murray Regulated River trading history is detailed overleaf. The analysis shows pricing trends in conjunction with volume traded and the number of associated trades.



General Security Pricing History ■ We have sourced NSW Murray Regulated River trading history for General Security Water however; note the data set is not complete. This is due to a large amount of water held by private irrigation schemes such as Western Murray Irrigation and Murray Irrigation.

4.2.3 New South Wales - Murrumbidgee Regulated River

- Summary**
 - There are approximately 380,830 megalitres of Murrumbidgee Regulated River – High Security water and approximately 1,891,000 megalitres of Murrumbidgee Regulated River – General Security water entitlement on issue.
 - The Murrumbidgee Regulated River Valley is the Murrumbidgee River downstream of Burrinjuck and Blowering Dams to the junction of the Murrumbidgee River with the Murray River and the junction of the Billabong system with the Edward-Wakool system
- Allocation Trading Rules**
 - Trade may occur from Murrumbidgee to
 - Vic Murray Above the Choke; Vic Murray from Barmah Choke to SA Border; NSW Murray above Barmah Choke; NSW Murray below the Barmah Choke; South Australian Murray.
 - Back trade allowed from Murrumbidgee to:
 - Greater Goulburn; Lower Goulburn, Part Campaspe, Lower Campaspe, Part Loddon; Lower Broken Creek; Murrumbidgee; Lower Darling.
- Allocation History**
 - High Security historic allocation percentages have been 95%, 100%, 100%, 100% , 100% and 95% from 2009-10 to 2015-16 respectively.
 - General Security historic allocation percentages have been 37%, 100%, 100%, 100%, 81% and 37% from 2009-10 to 2015-16 respectively.
 - 2016-17 water allocations are detailed in the Southern Connected System Map at section 4.1.
- High Security Pricing History**
 - We have sourced NSW Murrumbidgee Irrigation Regulated River trading history for High Security Water, however note the data set is not complete. This is due to a large amount of water held by private irrigation schemes such as Murrumbidgee Irrigation.

4.2.4 New South Wales – Lachlan River

Overview	<ul style="list-style-type: none"> ▪ The Lachlan River has the following entitlement volume: <ul style="list-style-type: none"> – High Security Irrigation - 26,472 MI – General Security Irrigation - 592,847 MI ▪ The Lachlan Regulated River travels approximately 1,500 kilometres to the Great Cumbung Swamp. Nearly 1,300 kilometres of its length is regulated. Very little water from the Lachlan River catchment reaches the Murrumbidgee or contributes to flows in the Murray, except during major floods. Most is taken up by water users or provides inflows to the wetlands in the lower Lachlan, particularly the Great Cumbung Swamp.
Allocation Trading Rules	<ul style="list-style-type: none"> ▪ Trade is limited to the Lachlan River. Water allocation accounts of access licences in this water source may not be assigned to the water allocation accounts of access licences in other water sources and water allocation accounts of access licences in other water sources may not be assigned to the water allocation accounts of access licences in Lachlan River water source.
Allocation History	<ul style="list-style-type: none"> ▪ High Security historic allocation percentages have been 10%, 100%, 100%, 100%, 99.9%, 100% and 100% respectively from 2009-10 to 2015-16 respectively. ▪ General Security historic allocation percentages have been 5.3%, 100%, 100%, 100%, 81.4%, 49.8% and 25% from 2009-10 to 2015-16 respectively.
High Security Pricing History	<ul style="list-style-type: none"> ▪ We have sourced NSW Lachlan Regulated River trading history for High Security Water, however note the data set is not complete.

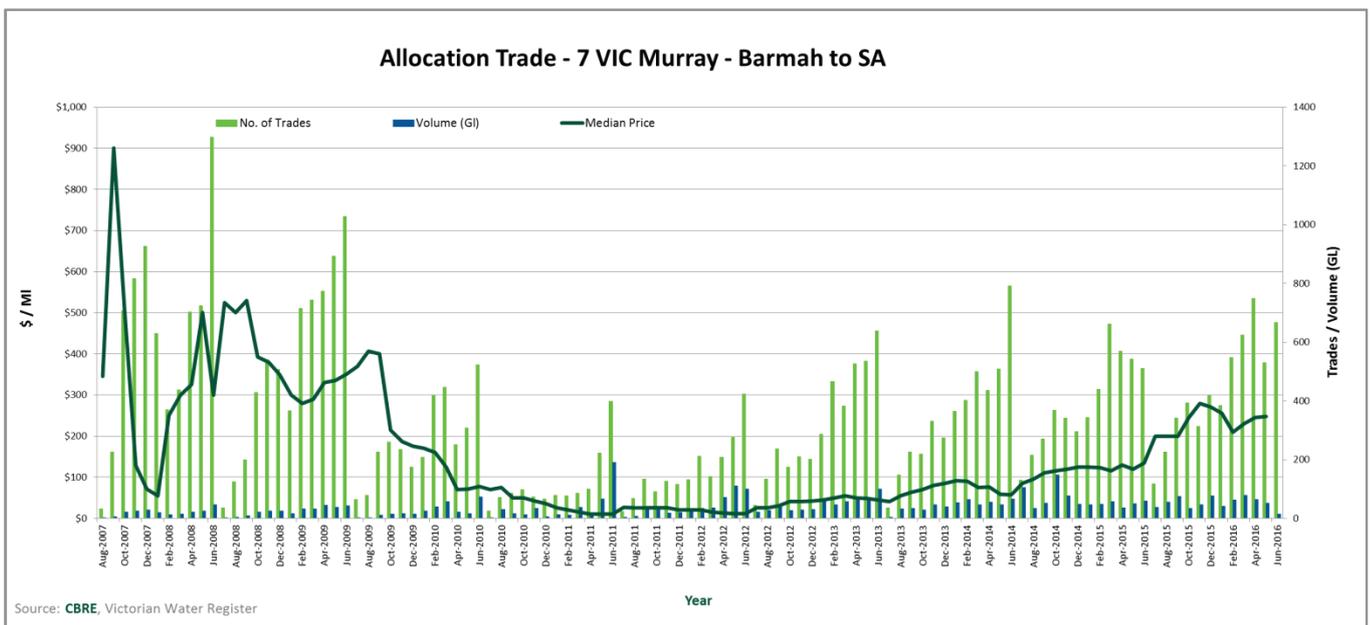
4.2.5 Allocation (Temporary) Trade Water Market

Summary:

- Allocation trade involves transferring a volume of water allocation from a seller to a buyer. Allocation trade is only permitted when the volume of unused allocation available in the seller's allocation account is greater than or equal to the volume of the trade.
- Holder of water allocation are able to make an application to their water corporation to trade it. The water corporation will approve the application if it is complete and meets local trading rules.
- Temporary water can be traded within the authorised trading zones of each water source.

Pricing History

- Generally speaking allocation trade prices throughout the Southern Connected Murray Darling Basin are highly correlated.
- Water allocation prices are relatively correlated across the trading zones.
- We have displayed the allocation trading history of Murray River Regulated Water Source – VIC Murray Allocation - Trade Zone 7. The analysis shows pricing trends in conjunction with volume traded and the number of associated trades.



4.2.6 Overview of Current Allocation Trade Restrictions

Overview

Source: RuralCo Water

- Murrumbidgee Inter Valley trade out of the Murrumbidgee River is closed as of the date of valuation and has subsequently remained closed in the beginning of the 2016/17 water year. Inter valley trade from the NSW Murray, Vic Goulburn and SA Murray into the Murrumbidgee is closed as of the date of valuation however has since opened for the beginning of the 2016/17 water season.
- Trade within New South Wales Irrigation Corporations, NSW Wales Rivers and SA Rivers closed in June prior to the beginning of the new water year.
- Subsequent to the beginning of the new water year, the Barmah Choke rule on the VIC Murray and NSW Murray has been reset and at this stage will only allow a net 26 gigalitres of trade downstream;
 - Trade between upstream NSW Murray (zone 10) and downstream NSW Murray (zone 11) (and/or SA Murray) remains possible subject to there being room in the Barmah Choke rule;
 - Trade between upstream VIC Murray (zone 6) and downstream VIC Murray (zone 7) (and/or SA Murray) remains possible subject to there being room in the Barmah Choke rule;
- Victoria's 200 gigalitres allowance rule of allocation coming from NSW into VIC has been reset and at this stage shall only allow a net 200 gigalitres from NSW trade into the Victorian Murray and Goulburn; and

- Victoria’s Goulburn Inter Valley Trade (IVT) account has been reset and at this stage shall only allow a further 125 gigalitres of trade from the Goulburn, Campaspe and Loddon systems into the VIC Murray and/or NSW or SA Murray.

4.2.7 Irrigation Corporations

Overview

- There are five irrigation corporations listed in Schedule 1 of the *Water Management Act 2000*:
 - Coleambally Irrigation Cooperative Ltd
 - Jemalong Irrigation Ltd
 - Murray Irrigation Ltd
 - Murrumbidgee Irrigation Ltd
 - Western Murray Irrigation Ltd
- In NSW, irrigation corporations are private companies holding bulk water entitlements on behalf of their shareholders. Together, the five corporations represent thousands of individual water users who have contractual arrangements with their respective corporation for water delivery. Bulk access licences issued to the five corporations represent some 3,555 gigalitres of water entitlements, which is about 70 per cent of the share of regulated river resource held in New South Wales.
- The subject portfolio holds irrigation water entitlements in Murrumbidgee Irrigation Ltd, Western Murray Irrigation Ltd and Jemalong Irrigation Ltd and Pomona, noting Pomona is a Private Irrigation Trust however is governed the *Water Management Act 2000*, a summary of each is provided below.

4.2.7.1 Jemalong Irrigation Limited

Overview

- Jemalong Irrigation Limited is an unlisted public company controlled by a board of directors. The company diverts on average, more than 40,000 megalitres of water from the Lachlan River each year to 119 shareholders within the district. The district comprises more than 96,000 hectares of farming land of varying soil types capable of supporting a wide range of cropping and livestock enterprises.

Water Classes

- There are 3 categories of water issued within Jemalong irrigation;
 - Class A Water Entitlements – Domestic & Stock Entitlement
 - Class B Water Entitlement – High Security Water Entitlement
 - Class C Water Entitlement – General Security Water Entitlements
- Subject to the Jemalong Irrigation Limited rules, these entitlements may be transformed to Water Access Licenses within the Lachlan Regulated River Water Source (refer to Critical Assumptions).
- A summary of the water entitlements held Jemalong Irrigation are summarised below.

Jemalong Irrigation Ltd.	
Lachlan Regulated River	
Category	
Domestic and stock	1,756
Regulated river (high security)	200
Regulated river (general security)	79,220
Conveyance	17,911

Source: NSW Office of Water

4.2.7.2 Western Murray Irrigation Limited

- Overview
- Western Murray Irrigation Ltd serviced a number of landholdings which predominately support permanent horticultural plantings.
 - Subject to the Western Murray Irrigation Limited rules, these entitlements may be transformed to Water Access Licenses within the Murray Regulated River Water Source (refer to Critical Assumptions).
 - A summary of the entitlements held in Western Murray Irrigation Limited are displayed below.

Western Murray Irrigation Ltd.	
NSW Murray Regulated River	
Category	Volume (ML)
Domestic and stock	490
Domestic and stock (domestic)	34
Regulated river (high security)	47,459
Regulated river (general security)	64

Source: NSW Office of Water

4.2.7.3 Murrumbidgee Irrigation Limited

- Overview
- Murrumbidgee Irrigation Limited services 3,000 landholdings and is owned by over 2,500 customers within an area of 660,000 hectares. The irrigation water and drainage services provided by Murrumbidgee Irrigation Ltd create the productive agricultural region known as the Murrumbidgee Irrigation Area (MIA).
- Water Classes
- Subject to the Murrumbidgee Irrigation Limited rules, these entitlements may be transformed to Water Access Licenses within the Murrumbidgee Regulated River Water Source (refer to Critical Assumptions).
 - A summary of the entitlements held in Murrumbidgee Irrigation Limited are displayed below.

Murrumbidgee Irrigation Ltd	
Murrumbidgee Regulated River	
Category	Volume (ML)
Town water supply (high security)	19,699
Regulated river (high security)	297,223
Regulated river (general security)	647,140
Supplementary Water	36,814
Domestic and stock	7,345
Conveyance	221,200

Source: NSW Office of Water

4.2.7.4 Pomona Irrigation Trust

Overview

- Pomona Irrigation Trust is an irrigation settlement of approximately 750 hectares, 15 kilometres north of Wentworth, NSW and sourced irrigation water from the Murray River.
- Pomona Irrigation Trust is currently governed by the NSW Water Management Act 2000 No. 92 & Water Management (General) Regulation 2011, Private Irrigation Trusts and the Water Act 2007 Water Market Rules 2009.
- Subject to the Pomona Irrigation Trust rules, these entitlements may be transformed to Water Access Licenses within the Murray Regulated River Water Source (refer to Critical Assumptions).

4.3 Potential Volatility of Water Values

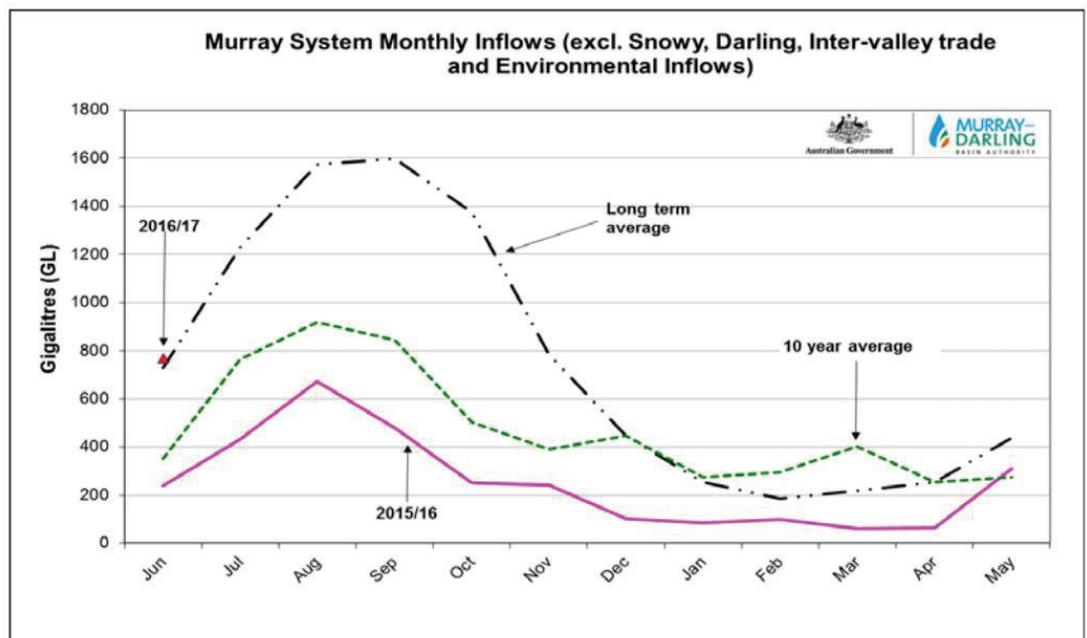
Overview

- The water entitlements included in this valuation are able to be traded separately from the land on an allocation/temporary basis.
- There are a number of factors which impact the value of water entitlements. These include;
 - The proportion of water available in the market and the prevailing demand at the time of sale.
 - Seasonal conditions impact on the expectations of water availability and allocation water prices. The movement in water allocation can have an influence on allocation prices in the short term.
 - Catchment dam storage volumes and long term expectations of water security.
 - Affordability of permanent water entitlements at any given point in time.
 - Pricing of commodities grown within the Murray Darling Basin. For example, the increased revenue associated with pricing of commodities grown in the specific region encourages growers to increase water use to improve yields and consequently can lead to increased prices due to increased demand.

Murray Darling Basin Inflow Volumes

Source: Murray Darling Basin Authority 2016.

- Murray River system inflows during 2015-16 water year were around 3,050 gigalitres putting 2015-16 in the driest 9 per cent of years on record. By comparison, inflows in 2014-15 totalled 4,400 gigalitres, 2013-14 totalled 5,700 gigalitres with 7,400 gigalitres in 2012-13 and the long-term average is around 9,100 gigalitres.
- A summary is provided below.



Source: Murray Darling Basin Authority 2016.

Murray Darling Basin Authority Storage Levels

- Murray Darling Basin Storage Levels increased by 218 GL for the week ending 29 June 2016. The active storage is currently 3,182 GL (38% of capacity). Active storage levels are described as the portion of water that can be utilised for power production, navigation and downstream release.

- Active storage levels have been trending downward since 2012 and are currently below the long term average for June.

4.4 Overview of Price Trends

Long Term Pricing Trends

- The value of water entitlements can fluctuate significantly in relatively short periods of time. Seasonal conditions (extreme wet or extreme dry) impact on expectations of water availability and consequently water allocation prices. The movement (both up and down) in annual allocations and water allocation prices has some influence on water entitlements value in the short term. The volatile nature of commodity prices from irrigated production such as horticulture, vineyards, rice, cotton, cereal crops, pasture, etc, also has an impact on prices. This volatility impacts on return on investment for irrigators and the propensity to increase investment in production assets and water entitlements. In the past the value and security of tenure of water entitlements has been significantly affected by changes in the Government policy in relation to irrigation issues. With the introduction of the National Water Initiative, this risk has been reduced; however, changes in Government policy could still affect the tenure and value of water entitlements.
- Prices for water entitlements in different basins follow similar trends however are quite different in terms of value.
- One of the key factors which increased water prices was the introduction of the CAP in 1995 which limited the total volume of water that can be diverted. This was done to address the concern of water scarcity.
- The CAP is described differently for the various States. A definition of the CAP is provided below and is an extract from the Murray Darling Basin Authority website.
 - *For New South Wales and Victoria, the CAP was defined as "The volume of water that would have been diverted under 1993–94 levels of development,". The annual CAP for a valley is not the volume of water that was used in 1993–94 rather the volume that would have been used with the infrastructure/management rules existing in 1993–94 and climatic conditions experienced during the year in question. South Australia, Queensland and the Australian Capital Territory have agreed to different levels of development as their CAP.*

Source: MDBA 2015.
- Although water trade was permitted prior to the CAP (primarily between farmers within the same irrigation district), there was little incentive to trade because increased demands for water were largely met through increased allocations.
- The discrepancy in water prices between basins is due, in part to such trade barriers. As permanent trade volumes have increased, regional limits against water trading, designed to maintain regional production have been reached in some instances. These are in addition to physical constraints such as the Barmah Choke. The evolving regulatory structure of the trading system is also likely to be influencing trading patterns. The Barmah Choke is a relatively level narrow section of the Murray River through Barmah-Millewa Forest. The limited capacity of the Barmah Choke contributes to several operational and policy challenges related to transferring water from upstream and downstream of the Barmah Choke.
- There has been a shift in irrigation water use over the past decade. The areas of higher value horticulture crops such as almonds, nectarines and cherries have increased significantly as did broad hectare cotton production whilst there has been a reduction in less valuable crops such as pasture, fodder and wine grapes.
- There has been a relative shift away from lower value pasture production to horticulture activities, however the areas devoted to these crops are still much higher overall and total area under all horticulture related activities remains small (i.e. about 10% of total irrigated area).

5 Sales Evidence

5.1 Victorian Murray River – Zone 7 – High Reliability

Water Broker Sales Data

- Victorian Murray River – Zone 7 - High Reliability sales data sourced from various water brokers is detailed below.
- Victorian Murray River – Zone 7 – High Reliability Water Shares have been trading between \$2,870 and \$3,150 per megalitre from May to June with the latest analysed sale transacting at \$2,900 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/MI)
50.00 MI Vic Murray High Reliability - Zone 7	Jun-16	\$2,900
22.50 MI Vic Murray High Reliability - Zone 7	Jun-16	\$2,800
50.00 MI Vic Murray High Reliability - Zone 7	Jun-16	\$2,900
43.60 MI Vic Murray High Reliability - Zone 7	Jun-16	\$2,870
16.00 MI Vic Murray High Reliability - Zone 7	May-16	\$3,150

5.2 Victorian Murray River – Zone 6 – High Reliability

Water Broker Sales Data

- Victorian Murray River – Zone 6 - High Reliability sales data sourced from various water brokers is detailed below.
- Victorian Murray River – Zone 6 – High Reliability Water Shares have been trading between \$2,625 and \$2,800 per megalitre from January to June with the latest analysed sale transacting at \$2,700 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/MI)
70.10 MI Vic Murray High Reliability - Zone 6	Jun-16	\$2,700
100.00 MI Vic Murray High Reliability - Zone 6	May-16	\$2,650
79.40 MI Vic Murray High Reliability - Zone 6	Mar-16	\$2,650
500.00 MI Vic Murray High Reliability - Zone 6	Feb-16	\$2,625
50.00 MI Vic Murray High Reliability - Zone 6	Jan-16	\$2,800

5.3 New South Wales - Murrumbidgee River – Zone 13 - High Security

Water Broker Sales Data

- New South Wales Murrumbidgee – Zone 13 - High Security sales data sourced from various water brokers is detailed below.
- New South Wales Murrumbidgee – Zone 13 - High Security entitlements have been trading between \$3,350 and \$3,700 per megalitre from February to June with the latest analysed sale transacting at \$3,700 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/MI)
5.00 MI NSW Murrumbidgee High Security - Zone 13	May-16	\$3,700
60.00 MI NSW Murrumbidgee High Security - Zone 13	Apr-16	\$3,500
120.00 MI NSW Murrumbidgee High Security - Zone 13	Mar-16	\$3,650
10.00 MI NSW Murrumbidgee High Security - Zone 13	Mar-16	\$3,500
20.00 MI NSW Murrumbidgee High Security - Zone 13	Feb-16	\$3,350

5.4 South Wales - Murrumbidgee River – Zone 13 - General Security

Water Broker Sales Data

- New South Wales Murrumbidgee – Zone 13 – General Security sales data sourced from various water brokers is detailed below.
- New South Wales Murrumbidgee – Zone 13 - General Security entitlements have been trading between \$1,475 and \$1,500 per megalitre from February to June with the latest analysed sale transacting at \$1,475 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/MI)
1,000.00 MI NSW Murrumbidgee General Security - Zone 13	May-16	\$1,475
800.00 MI NSW Murrumbidgee General Security - Zone 13	Feb-16	\$1,500
201.00 MI NSW Murrumbidgee General Security - Zone 13	Feb-16	\$1,500

5.5 New South Wales – Murray River – Zone 11 - High Security

Water Broker Sales Data

- New South Wales Murray River – Zone 11 - High Security sales data sourced from various water brokers is detailed below.
- New South Wales Murray River – Zone 11 - High Security entitlements have been trading between \$3,125 and \$3,600 per megalitre from March to June with the latest analysed sale transacting at \$3,600 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/MI)
11.00 MI NSW Murray High Security - Zone 11	May-16	\$3,600
34.58 MI NSW Murray High Security - Zone 11	May-16	\$3,575
30.00 MI NSW Murray High Security - Zone 11	Mar-16	\$3,400
30.00 MI NSW Murray High Security - Zone 11	Mar-16	\$3,300
110.00 MI NSW Murray High Security - Zone 11	Mar-16	\$3,125

5.6 New South Wales - Murray River - Zone 11 - General Security

Water Broker Sales Data

- New South Wales Murray River – Zone 11 - General Security sales data sourced from various water brokers is detailed below.
- New South Wales Murray River – Zone 11 – General Security entitlements have been trading between \$1,175 and \$1,255 per megalitre from April to June with the latest analysed sale transacting at \$1,175 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/MI)
61.00 MI NSW Murray General Security - Zone 11	Jun-16	\$1,175
36.00 MI NSW Murray General Security - Zone 11	May-16	\$1,250
60.00 MI NSW Murray General Security - Zone 11	May-16	\$1,255
10.00 MI NSW Murray General Security - Zone 11	Apr-16	\$1,175
27.47 MI NSW Murray General Security - Zone 11	Apr-16	\$1,175

5.7 NSW Murray Regulated River - Zone 11 - Supplementary

Water Broker Sales Data

- New South Wales Murray Zone 11 Supplementary water is rarely traded due to the water source having minimal supplementary flow events when compared to the Murrumbidgee River.
- Notwithstanding the above we have sourced some supplementary sales data sourced from various water brokers which is detailed below.
- The latest trades that we are aware of show \$260 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/ML)
220.00 ML NSW Murray Supplementary - Zone 11	Dec-15	\$260
200.00 ML NSW Murray Supplementary - Zone 11	Dec-15	\$260
200.00 ML NSW Murray Supplementary - Zone 11	Dec-15	\$260

5.8 New South Wales – Murray River - Zone 10 - General Security

Water Broker Sales Data

- New South Wales Murray River – Zone 10 – General Security sales data sourced from various water brokers is detailed below.
- New South Wales Murray River – Zone 10 – General Security entitlements have been trading between \$1,175 and \$1,250 per megalitre from May to June with the latest analysed sale transacting at \$1,175 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/MI)
400.00 MI NSW Murray General Security - Zone 10	29/06/2016	\$1,175
500.00 MI NSW Murray General Security - Zone 10	23/06/2016	\$1,175
74.00 MI NSW Murray General Security - Zone 10	11/05/2016	\$1,250
256.00 MI NSW Murray General Security - Zone 10	11/05/2016	\$1,250
380.00 MI NSW Murray General Security - Zone 10	11/05/2016	\$1,250

5.9 New South Wales – Lachlan River - General Security

Water Broker Sales Data

- New South Wales Lachlan River General Security sales data sourced from various water brokers is detailed below.
- New South Wales Lachlan River General Security entitlements have been trading between \$485 and \$500 per megalitre from May to June with the latest analysed sale transacting at \$500 per megalitre.

Water Broker Exchanges		
Parcel	Sale Date	Sale Price (\$/MI)
500.00 MI NSW Lachlan General Security	17/06/2016	\$500
300.00 MI NSW Lachlan General Security	7/06/2016	\$485
679.00 MI NSW Lachlan General Security	3/06/2016	\$485
40.00 MI NSW Lachlan General Security	7/04/2016	\$500

5.10 Large Scale Water Parcel Transactions

Large Water Transactions:

- We also summarise the various large scale water transaction which have occurred since 2008 below:
 - **Advenco Water (October 2015)** - 4,000 megalitres of Victorian Murray High Reliability Water Shares for circa \$11,700,000.
 - **Summit Water Portfolio (October 2015)** – 46,000 megalitres of water entitlements for circa \$93,000,000.
 - **Tandou Limited to Websters Limited** (June 2015) - Takeover offer made to Tandou shareholders of 1 Websters share per 2.25 Tandou fully paid shares, which at the date of the offer, valued Tandou at \$114 million being notionally \$88 million for 85,370 megalitres of various entitlements. Water Entitlements comprising the Tandou Portfolio are as follows;
 - Vic Murray - 6,797 megalitres.
 - Vic Goulburn - 5,554 megalitres.
 - NSW Murray - 4,713 megalitres.
 - Murrumbidgee General - 46,147 megalitres.
 - Lower Darling - 22,159 megalitres.
 - Total - 85,370 megalitres.
 - **AgReserves to Walnuts Australia** (Webster's Limited) (November 2014) – 94,418 megalitres of mixed water entitlements, including Murrumbidgee River Regulated water, Lachlan River Regulated water, Murrumbidgee Groundwater and numerous unregulated water sources, forming part of the sale of the "Kooba" portfolio which included the properties known as "Kooba", "Bringagee/Benerembah" and "Booberoi". The water portion reflected approximately \$70,000,000 out of a total transaction of \$116,000,000.
 - **Tandou to Westchester** (December 2012) – 16,000 megalitres of Regulated Murrumbidgee River water entitlements for \$17,300,000.
 - **TPIF Almond Portfolio** (November 2009) – sale of 48,260.1 megalitres of High Reliability Victorian Murray River Water Entitlements reflecting \$2,000 per megalitre (\$96,520,200). Formed part of the sale of an almond orchard portfolio of 3,849 planted hectares.
 - **Timbercorp Limited Almond Portfolio** (September 2009) sale of 40,872.9 megalitres of High Reliability Victorian Murray River Water Entitlements reflecting \$2,000 per megalitre (\$81,745,800). Formed part of the sale of an almond orchard portfolio of 8,097 planted hectares.
 - **Boundary Bend Limited to VicSuper** (October 2009) – sale (in 3 tranches) of 15,438.6 megalitres of High Reliability Goulburn River Water Entitlements and 10,731.8 megalitres of High Reliability Murray River Water Entitlements reflecting \$1,882 per megalitre (\$49,253,000). This transaction was a sale and leaseback with varying terms years at an 8% initial yield.

6 Valuation Methodology

- Overview**
- In arriving at our opinion of value, we have considered relevant general and economic factors and in particular have investigated recent sales of comparable entitlements (as previously detailed).
- Valuation Approach**
- Direct Comparison.
- Methodology**
- The market evidence detailed in this report, amongst other evidence, has been compared with the subject property in order to assess a market based valuation. This valuation methodology is commonly known as the "Direct Comparison Approach".
 - We have not solely relied on water sales evidence derived from the relevant authority's water register for the following reasons:
 - The prices on water registers are for transfers approved by relevant authorities, which may be several months after contracts have been exchanged or when the water sale agreement was first struck. Prices recorded on the relevant registers include inter-entity transactions and related party transactions which often do not reflect market value. When transacted with property it is also common for water to be booked at higher or lower than market conditions for stamp duty calculations.
 - Water trades recorded on the relevant registers do not include transfers that have occurred within Private Irrigation Schemes such as Murrumbidgee Irrigation Limited, Coleambally Irrigation Limited, Murray Irrigation Limited, and Western Murray Irrigation Limited.
 - In order to gauge current prevailing market prices, we have relied on recent sales sourced from various water broking firms (namely *Ruralco Water* and *Waterfind*) to determine current prevailing market conditions. We have also spoken to various water brokers trading within the Southern Connected Murray Darling Basin to gauge trading conditions.
- Key Comparability Factors**
- Given that the comparability of each of the analysed sales is likely to vary, a high degree of value judgement is required by the valuer. The valuer has considered a range of variables which may include:
 - The depth of the market.
 - Potential users.
 - Delivery risk and cost.
 - Various land uses to which it can be applied.
 - Market maturity.
 - The circumstances of the vendor or purchaser.
 - Water source.
 - Having regard to the various water broker exchanges as well as sales data sourced from the relevant water registers, we have adopted the rates described overleaf:

6.1.1 Water Rights Sale Agreement 1

SUMMATION BASIS				
Water	MI		Rate \$/MI	Value
NSW Murray Regulated River - Zone 11 - High Security	2,900.00	@	\$3,500	\$10,150,000
NSW Murray Regulated River - Zone 11 - General Security	211.00	@	\$1,200	\$253,200
NSW Murray Regulated River - Zone 11 - Supplementary	83.00	@	\$260	\$21,580
TOTAL				\$10,424,780

6.1.2 Water Rights Sale Agreement 2

SUMMATION BASIS				
Water	MI		Rate \$/MI	Value
Victorian Murray Regulated River - Zone 6 - High Reliability	604.90	@	\$2,650	\$1,602,985
NSW Murray Regulated River - Zone 10 - General Security	892.00	@	\$1,250	\$1,115,000
TOTAL				\$2,717,985

6.1.3 Water Rights Sale Agreement 3

SUMMATION BASIS				
Water	MI		Rate \$/MI	Value
Victorian Murray Regulated - Zone 7 - High Reliability	1,062.00	@	\$2,800	\$2,973,600
Pomona Irrigation Trust - High Security (NSW Murray Zone 11)	201.15	@	\$3,500	\$704,025
Pomona Irrigation Trust - General Security (NSW Murray Zone 11)	20.41	@	\$1,200	\$24,492
TOTAL				\$3,702,117

6.1.4 Water Rights Sale Agreement 4

SUMMATION BASIS				
Water	MI		Rate \$/MI	Value
Jemalong Irrigation Limited - Class C Water Entitlement (Lachlan Regulated River General Security)	2,660.00	@	\$500	\$1,330,000
Lachlan Regulated River - General Security	4,138.00	@	\$500	\$2,069,000
TOTAL				\$3,399,000

6.1.5 Water Rights Sale Agreement 5

SUMMATION BASIS				
Water	MI		Rate \$/MI	Value
Western Murray Irrigation Limited - High Security (NSW Murray Zone 11)	2,304.00	@	\$3,500	\$8,064,000
Murrumbidgee Irrigation Limited - Category 3 (NSW Murrumbidgee Zone 13 High Security)	1,773.00	@	\$3,650	\$6,471,450
TOTAL				\$14,535,450

Important Disclosure	<ul style="list-style-type: none"> ▪ We have been informed by Duxton Capital Australia Pty Ltd that due to the length of our Valuation Report only an abbreviated version will be included in the prospectus. ▪ The Abbreviated version shown in the prospectus does NOT contain the appendices to the Valuation Report. ▪ As commercial investments of this nature are inherently complex it is considered prudent to consider the entire contents of our Valuation Report, including appendices which contain important information which is referenced within the main body of the report. We strongly recommend that this Abbreviated Report is to be read and considered together with the full Valuation Report (with all appendices) before relying on this Valuation for any investment decision. ▪ We accept no responsibility for reliance upon the Abbreviated Report Only. Caution is advised in this regard. ▪ We refer the reader to enquires@duxtonwater.com.au to obtain a full copy of our Valuation Report with all appendices.
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6.2 Treatment of GST

Treatment of GST

- Our valuation is expressed exclusive of GST.

We are not tax experts and have not been provided with tax or legal advice. The Reliant Party must make its own enquiries if they consider that GST applies.

7 Additional Reporting

7.1 Proposed Water Leases

Overview ■ A summary of the 5 Water Leases is provided below:

Schedule Summary	Lease 1	Lease 2	Lease 3	Lease 4	Lease 5
Lessor:	Duxton Water Ltd (ACN 611 976 517)	Duxton Water Ltd (ACN 611 976 517)	Duxton Water Ltd (ACN 611 976 517)	Duxton Water Ltd (ACN 611 976 517)	Duxton Water Ltd (ACN 611 976 517)
Lessee:	Duxton Viticulture Pty Ltd (ACN 609 424 704)	Hathor Dairies (ACN 602 459 638)	Duxton Viticulture Pty Ltd (ACN 609 424 704)	Merriment Rural Investments (ACN 129 249 243)	Duxton Viticulture Pty Ltd (ACN 609 424 704)
Guarantor:	Duxton Vineyards Pty Ltd as trustee of the Duxton Vineyards Unit Trust ACN 608 763 515)	Nil.	Duxton Vineyards Pty Ltd as trustee of the Duxton Vineyards Unit Trust ACN 608 763 515)	Nil.	Duxton Vineyards Pty Ltd as trustee of the Duxton Vineyards Unit Trust ACN 608 763 515)
Commencement Date:	On Settlement of sale agreement entered into between the parties in July 2016 for the sale of the Water Entitlements (as that term is defined in the sale agreement)	On Settlement of sale agreement entered into between the parties in July 2016 for the sale of the Water Entitlements (as that term is defined in the sale agreement)	On Settlement of sale agreement entered into between the parties in July 2016 for the sale of the Water Entitlements (as that term is defined in the sale agreement)	30 September 2016	On Settlement of sale agreement entered into between the parties in July 2016 for the sale of the Water Entitlements (as that term is defined in the sale agreement)
Expiry Date:	30 June 2023	30 June 2023	30 June 2023	30 June 2023	30 June 2023
Rent:	\$625,486.80 p.a.	\$92,171.64 p.a.	\$224,274.18 p.a.	\$186,945.00 p.a.	\$872,127.00 p.a.
Payment Period:	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Bank Guarantee:	Nil.	Nil.	Nil.	Nil.	Nil.
Water Entitlements:	Refer to Rights Sale Agreement 1	*Refer to Rights Sale Agreement 2	Refer to Rights Sale Agreement 3	Refer to Rights Sale Agreement 4	Refer to Rights Sale Agreement 5
Option Term:	5 years 3 options of 3 years each	5 years	5 years	5 years	5 years
Percentage:	6.00% of Current Market Value	5.75% of Current Market Value	6.00% of Current Market Value	5.50% of Current Market Value	6.00% of Current Market Value
Territory:	New South Wales and Victoria	New South Wales and Victoria	New South Wales and Victoria	New South Wales	New South Wales and Victoria

Conditions ■ The below conditions are common throughout the abovementioned leases:

- Outgoings:** ■ All costs or fees associated with the registration or revocation of any Term Transfers of the Water Entitlements, or the assignment or transfer of any Water Allocations, which are required or authorized by this Lease.
- Use of Water:** ■ The Lessor and the Lessee acknowledge that the performance of this Lease and the rights and obligations under this Lease are governed by, and subject to, the following:
- The Water Regulations; and
 - The conditions on the Water Entitlements
- Assignment by the Lessee:** ■ Not without the Lessor's consent, which the Lessor may withhold at its absolute discretion.
- Assignment by the Lessor:** ■ The Lessor may assign its rights and obligations under the Lease to any person.
- Carryover Water:** ■ Lessor to retain carryover water with all fees payable to Authorities relating to the transfer of these Water Allocation to the Lessor are to be borne by the Lessor.
- Option to extend the Term:** ■ If the Lessee wishes to exercise its option to extend the Term, it must notify the Lessor in writing no more than six and no less than four months before the Expiry Date that it wishes the Lessor to determine the Current Market Rent.
- Current Market Rent means an amount per annum equal to the Option Percentage (refer to above summary outlining percentage) of the Current Market Value of the Water Entitlements determines in accordance with the Current Market Value Review.
- Option to Purchase:** ■ The Lessor grants the Lessee the option to purchase the Water Entitlements free from encumbrances.
- If the Lessee wishes to exercise its option to purchase the Water Entitlements, it must notify the Lessor in writing no more than six and no less than four months before the Expiry Date that it wishes the Lessor to

determine the Current Market Value.

- Current Market Value means the current market value of the water entitlements determined by an independent review conducted by a registered value appointed by the Lessor to determine the fair value in dollars per ML basis of the Water Entitlements.

Conditions	<ul style="list-style-type: none"> The below condition is common Lease 1, Lease 3, Lease 4 and Lease 5 only:
Right of First Refusal:	<ul style="list-style-type: none"> Should the Lessee have not have exercised their option to renew and/or their option to purchase under (1) Option to extend the (2) Term or Option to Purchase, then the Lessor covenants with the Lessee not to sell or lease or agree to sell or lease the Water Entitlements to any person other than the Lessee unless the Lessor has offered in writing to the Lessee to sell or lease the Water Entitlements on terms not less favourable to the Lessee than the terms upon which the said Water Entitlements are actually sold or leased, or the Lessee has not accepted that offer within 14 days after receipt of that offer.

7.2 Appropriateness of Adopted Initial Yields

7.2.1 Instructions

- Overview:**
- We have been instructed to confirm or otherwise comment on the appropriateness of the initial yields adopted within the proposed lease agreements. Given the dearth of investment transactions, we have sought to reconcile on the following bases:
 - Investment or Sale/Leaseback transactions.
 - Rental evidence.
 - Historical allocation price relative to permanent water price.

7.2.2 Sales/Rental Evidence

- Overview**
- These sales, amongst others, demonstrate investment activity during the last 6 years. Not all of the sales are considered to be directly comparable, however they do provide a range of evidence and set the parameters upon which we have based our assessment of value of the subject water portfolio.
 - In our efforts to provide the most recent sales data, there may be occasions where we utilise sales that have not settled, have delayed settlement, or are not registered on third party databases. Separate enquiries are made of the parties to the transaction or their agents to verify this data.
 - In situations where there is a lack of comparable sales data in a particular locality, we draw upon sales evidence from other agricultural regions and make necessary adjustments for comparability considerations.
 - Third party databases do not specify transactions as GST inclusive or exclusive, and where we have been unable to verify the GST status we have assumed the sale price is GST exclusive. Should further enquiries reveal the status to be incorrect, we reserve the right to adjust our analysis and if necessary our valuation.

Sales Evidence: A summary of investment transactions (sale/leaseback) is provided below:

Investment Sales Evidence							
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
Vendor/Lessee:	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential
Purchaser/Lessor:	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential	Confidential
Sale Price:	\$11,733,400	\$3,123,900	\$2,653,500	\$768,770	\$13,895,100	\$13,895,100	\$21,463,600
Sale Date:	Nov-15	Aug-15	Jul-15	Jul-14	Oct-09	Oct-09	Oct-09
Water Source:	7 Vic Murray	NSW Lachlan	1A Goulburn	1A Goulburn	1A Goulburn	1A Goulburn	7 Vic Murray
Reliability:	High Reliability	High Security	High Reliability	High Reliability	High Reliability	High Reliability	High Reliability
Volume:	4,049 MI	2,402 MI	1,500 MI	590 MI	7,719 MI	7,719 MI	10,732 MI
Rental:	\$676,183	\$187,356	\$172,500	\$50,852	\$1,222,769	\$1,222,769	\$1,888,797
Term:	5 years	4 years, 7 months	5 years	5 years	3.5 years	5.5 years	4.5 years
Option:	2 further terms of 5 years each	2 further terms of 5 years each	Nil.	Nil.	1.0 years + 5.0 years + 5.0 years	1.0 years + 5.0 years + 5.0 years	1.0 years + 5.0 years + 5.0 years
Analysis							
Rental:	\$167/MI	\$78/MI	\$115/MI	\$86/MI	\$158/MI	\$158/MI	\$176/MI
Initial Yield	5.76%	6.00%	6.50%	6.61%	8.80%	8.80%	8.80%

- Commentary:**
- We make the following observations:
 - Leases ranging from 3.5 to 5.5 years.
 - Lease volumes ranging from 590 megalitres to 10,732 megalitres.
 - Commencing rates ranging from \$78 to \$176 per megalitre.

Analysis: ■ Initial yields ranging from 5.70% to 8.80%.

Rental Evidence: ■ A summary of rental evidence is provided below:

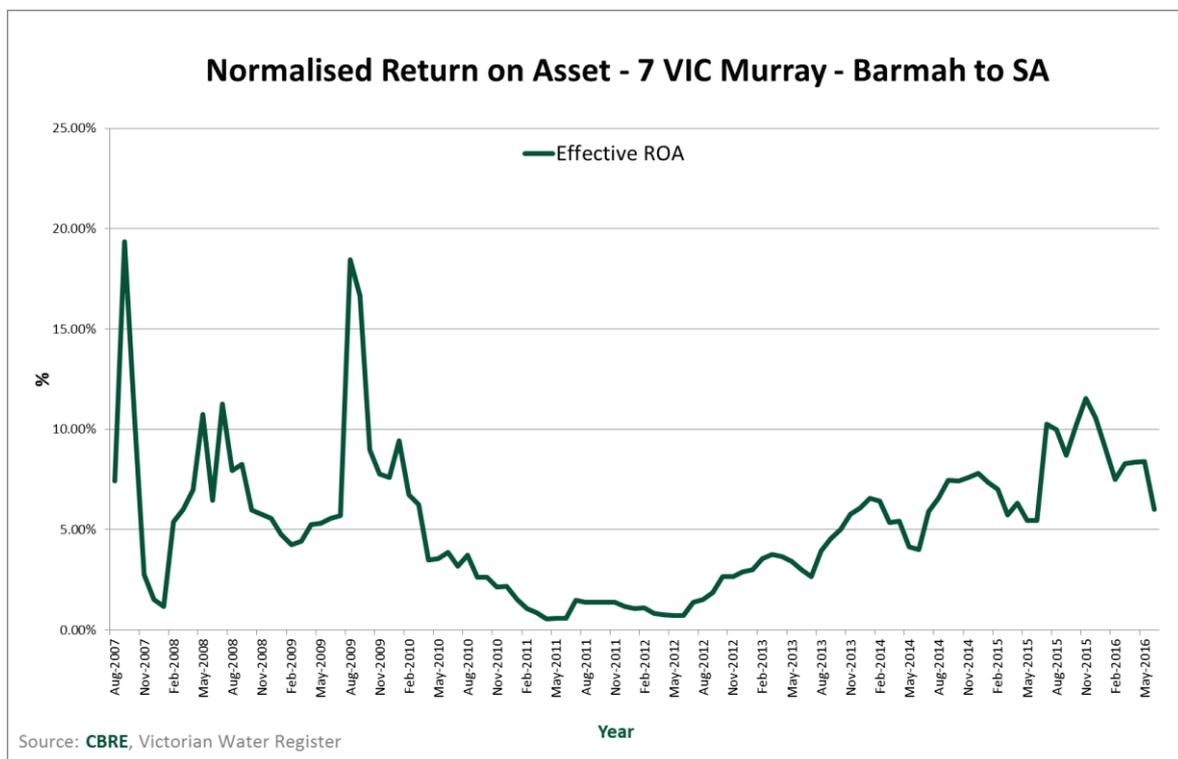
Water Source	Reliability	Commencing Date:	Term:	Option/s:	Volume Leased:	Commencing Rent	Reviews:	Permanent Water Price (\$/Ml)	Reversionary Yield
Murrumbidgee Irrigation Limited	Class A	1 July 2013	3 years	Nil.	440 Ml	\$100/Ml	N/A	\$1,600/Ml	6.25%
Murrumbidgee Irrigation Limited	Class A	1 July 2013	3 years	Nil.	160 Ml	\$100/Ml	N/A	\$1,600/Ml	6.25%
Murrumbidgee Irrigation Limited	Class A	1 July 2013	3 years	Nil.	300 Ml	\$100/Ml	N/A	\$1,600/Ml	6.25%
Murrumbidgee Irrigation Limited	Class A	1 July 2013	3 years	Nil.	200 Ml	\$100/Ml	N/A	\$1,600/Ml	6.25%
Murrumbidgee Irrigation Limited	Class A	1 July 2013	3 years	Nil.	400 Ml	\$100/Ml	N/A	\$1,600/Ml	6.25%
Murrumbidgee Irrigation Limited	Class A	1 July 2013	3 years	Nil.	300 Ml	\$100/Ml	N/A	\$1,600/Ml	6.25%
Murrumbidgee Irrigation Limited	Class A	1 July 2013	3 years	Nil.	500 Ml	\$100/Ml	N/A	\$1,600/Ml	6.25%
1A Goulburn	High Reliability	1 July 2014	5 years	Nil.	590 Ml	\$86/Ml	Annually	\$1,303/Ml	6.61%
1A Goulburn	High Reliability	1 July 2014	3 years	Nil.	1,000 Ml	\$90/Ml	Annually by CPI	\$1,400/Ml	6.43%
SA Class 3a	High Security	1 July 2014	10 years	Nil.	720 Ml	\$95/Ml	Annually by 2.0%	\$1,700/Ml	5.59%
1A Goulburn	High Reliability	1 July 2015	5 years	Nil.	1,500 Ml	\$115/Ml	Annually	\$1,769/Ml	6.50%
7 VIC Murray	High Reliability	1 July 2015	5 years	Nil.	2,400 Ml	\$141/Ml	N/A	\$2,500/Ml	5.64%
7 VIC Murray	High Reliability	30 June 2016	5 years	1 x 5 years	4,046 Ml	\$167/Ml	N/A	\$2,900/Ml	5.76%
7 VIC Murray	High Reliability	1 July 2016	5 years	Nil.	5,000 Ml	\$210/Ml	N/A	\$3,000/Ml	7.00%
7 VIC Murray	High Reliability	1 July 2016	3 years	Nil.	1,000 Ml	\$200/Ml	N/A	\$3,000/Ml	6.67%
7 VIC Murray	High Reliability	1 July 2016	3 years	Nil.	1,000 Ml	\$221/Ml	N/A	\$3,000/Ml	7.37%
7 VIC Murray	High Reliability	1 July 2016	3 years	Nil.	2,000 Ml	\$221/Ml	N/A	\$3,000/Ml	7.37%
NSW Murray Zone 11	High Security	1 July 2016	3 years	Nil.	2,000 Ml	\$220/Ml	N/A	\$3,500/Ml	6.29%
NSW Murrumbidgee Zone 12	High Security	1 July 2016	3 years	Nil.	2,000 Ml	\$190/Ml	N/A	\$3,000/Ml	6.33%
SA Class 3a	High Security	1 July 2016	3 years	Nil.	1,000 Ml	\$220/Ml	N/A	\$3,500/Ml	6.29%

Commentary: ■ We make the following observations:

- Leases ranging from 3 to 10 years.
- Lease volumes ranging from 160 megalitres to 5,000 megalitres.
- Commencing rates ranging from \$86 to \$221 per megalitre.

Analysis: ■ Reversionary yields ranging from 5.59% to 7.37%.

Allocation Trading: ■ We have also considered the allocation price relative to the permanent water price (Return on Asset), normalised by final season allocation determination. We have adopted the 7 VIC Murray trading zone for the purpose of our analysis which is depicted on the graph below:



Analysis: ■ Average Return on Asset (normalised) since August 2007 of 5.32%.

7.2.3 Conclusion

Discussion:

- As previously mentioned, in considering an appropriate initial yield, the best evidence is that of investment (leased) sales or sale/leaseback of water entitlements. As shown in the above investment sales evidence, there has been a consistent sharpening in initial yields since 2009 to present. By way of example, Sales 5 to 7 in 2009 reflected initial yields of 8.80% and the sale of Sale 1 in November 2015 reflected an initial yield of 5.70%.
- We also note that there has been a significant increase in water leasing in the last 24 months. Our analysis of typical reversionary yields range from 5.59% to 7.37% during this time. Whilst not being comparable to a typical water lease, we have also considered historical allocation trades (normalised by final allocation) within the 7 VIC Murray trading zone relative to permanent water pricing. This reflects an average annual Return on Assets (normalised) of 5.32%.
- We have reviewed the 5 Water Leases and note the commencing rental amounts ranging from 5.50% to 6.0% of the Current Market Value (as assessed).

Conclusion:

- Having considered the aforementioned evidence, we consider the initial yields (percentage) within the proposed leases to be appropriate.

8 Qualifications

The report must be read in accordance with and subject to the following qualifications:

Market Movement	Values vary from time to time in response to changing market circumstances. The valuation is based on available information as at the date of valuation. No warranty can be given as to the maintenance of this value into the future. Therefore, it should be reviewed periodically.
Extent of Investigations	We are not engaged to carry out all possible investigations in relation to the property. Where in our report we identify certain limitations to our investigations, this is to enable the Reliant Party to instruct further investigations where considered appropriate or where we recommend as necessary prior to Reliance. CBRE is not liable for any loss occasioned by a decision not to conduct further investigations.
Assumptions	Assumptions are a necessary part of undertaking valuations. CBRE adopts assumptions for the purpose of providing valuation advice because some matters are not capable of accurate calculation or fall outside the scope of our expertise, or our instructions. Assumptions adopted by CBRE will be formulated on the basis that they could reasonably be expected from a professional and experienced valuer. The Reliant Party accepts that the valuation contains certain specific assumptions, and acknowledges and accepts the risk that if any of the assumptions adopted in the valuation are incorrect, then this may have an effect on the valuation.
Information Supplied By Others	This document contains information which is derived from other sources. Where this information is provided by experts and experienced professionals, we have relied upon the expertise of such experts and by necessity we have relied upon the information provided being accurate, whether prepared specifically for valuation purposes or not. Unless otherwise specifically instructed by you, we have not independently verified that information, nor adopted it as our own. Notwithstanding the above, we have reviewed the provided information to the extent that such a review would be reasonably expected from a professional and experienced valuer having regard to normal industry practice undertaking a similar valuation/consultancy service. The Reliant Party acknowledges that the valuer is not a specialist in the areas from which the expert information is derived and accepts the risk that if any of the information/advice provided by others and referred to in the valuation is incorrect, then this may have an effect on the valuation.
Future Matters	To the extent that the valuation includes any statement as to a future matter, that statement is provided as an estimate and/or opinion based on the information known to CBRE at the date of this document. CBRE does not warrant that such statements are accurate or correct.
Industry Practice	Subject to the assumptions and qualifications detailed within, this valuation report is issued in accordance with the Australian Property Institute Valuation and Property Standards (ISBN 0-9975414-0-1) and International Valuation Standards (ISBN 978-0-9569313-0-6). Where these are at variance, the assumptions and qualifications included within this valuation report will prevail generally, and the International Valuations Standards will prevail over the Australian Property Institute Valuation and Property Standards.

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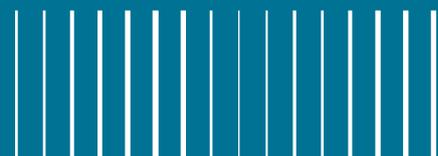
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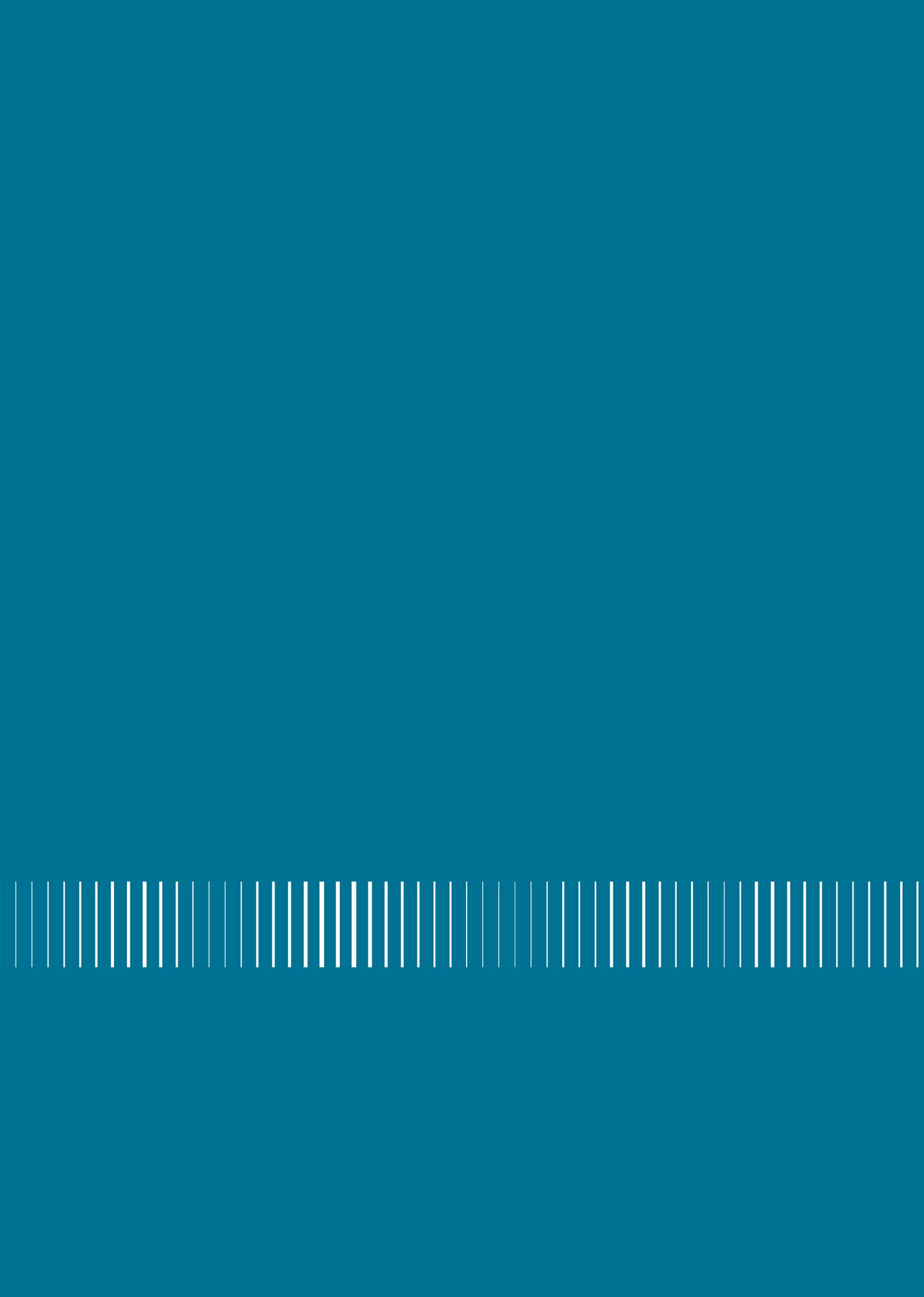
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7 FINANCIAL INFORMATION



7. FINANCIAL INFORMATION

7.1. USE OF PROCEEDS

The Company intends to use the funds raised from the Offer for investment consistent with the objectives, investment strategy and investment parameters as set out in Section 4.4 to settle certain Water Purchase Contracts and to pay the costs of the Offer.

7.2. UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION

The unaudited pro forma statements of financial position set out below have been prepared to illustrate the effects of the pro forma adjustments described below for the different subscription amounts as if they had occurred on 20 April 2016, being the incorporation date of the Company, including:

- Completion of the Offer based on each of the amounts indicated being raised
- The acquisition of the initial Water Entitlement asset portfolio (refer to Section 11.2 for further detail)
- Payment of expenses (which have been deducted from the cash amount) which consists of the Offer related expenses in accordance with Section 2.3.

It is intended to be illustrative only and it neither reflects the actual position of the Company as at the date of this Prospectus nor at the completion of the Offer.

The unaudited pro forma statements of financial position have been prepared on the basis of the assumptions set out in Section 7.6.

	UNAUDITED	PRO-FORMA		
		STATEMENT OF FINANCIAL POSITION		
	AS AT 20 APRIL 2016	MINIMUM SUBSCRIPTION \$22 MILLION	MAXIMUM SUBSCRIPTION \$99 MILLION	MAXIMUM SUBSCRIPTION WITH OVER- SUBSCRIPTIONS \$149.6 MILLION
	\$	\$	\$	\$
CURRENT ASSETS				
Cash assets	1	11,480,354	85,470,887	134,100,523
Receivables	-	60,000	262,125	394,950
	1	11,540,354	85,733,012	134,495,473
NON-CURRENT ASSETS				
Deferred tax asset	-	330,107	1,172,309	1,723,571
Intangible assets – Water Entitlements	-	38,004,847	38,004,847	38,004,847
	-	38,334,954	39,177,156	39,728,418
Total Assets	1	49,875,308	124,910,168	174,223,891
Total Liabilities	-	-	-	-
Net Assets	1	49,875,308	124,910,168	174,223,891
EQUITY				
Issued capital	1	50,662,348	127,662,348	178,262,348
Less: Capitalised costs of the Offer	-	(654,205)	(2,675,303)	(3,972,851)
Accumulated losses	-	(132,835)	(76,877)	(65,606)
Total Equity	1	49,875,308	124,910,168	174,223,891

7.3 CAPITAL STRUCTURE

The anticipated capital structure of the Company on Completion of the Offer is set out below:

	MINIMUM SUBSCRIPTION		MAXIMUM SUBSCRIPTION		MAXIMUM SUBSCRIPTION WITH ADDITIONAL OVER-SUBSCRIPTIONS	
	NO. OF SHARES	\$	NO. OF SHARES	\$	NO. OF SHARES	\$
Number of shares on issue at incorporation	1	1	1	1	1	1
Acquisition of Initial Water Entitlement Portfolio (refer note 7.6.2)	26,056,679	28,662,347	26,056,679	28,662,347	26,056,679	28,662,347
FUNDRAISING:						
Capital Raising	20,000,000	22,000,000	90,000,000	99,000,000	136,000,000	149,600,000
Total at Completion	46,056,680	\$50,662,348	116,056,680	\$127,662,348	162,056,680	\$178,262,348

The anticipated number of Options on issue by the Company on Completion of the Offer is set out below:

	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION WITH ADDITIONAL OVER-SUBSCRIPTIONS
	NO. OF SHARES	NO. OF SHARES	NO. OF SHARES
Number of Options on issue at incorporation	-	-	-
Options issued to Vendor Shareholders and initial subscriber (refer note 7.6)	26,056,680	26,056,680	26,056,680
Options issued in accordance with the Offer on a 1 is for 1 basis	20,000,000	90,000,000	136,000,000
Total Options at Completion	46,056,680	116,056,680	162,056,680

7.4 CASH

A reconciliation of the pro forma statements of financial position for cash is as below:

	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION WITH OVER-SUBSCRIPTIONS
	\$	\$	\$
Initial subscriber Share	1	1	1
Proceeds of the Offer	22,000,000	99,000,000	149,600,000
Expenses of Offer (inc GST)	(1,160,355)	(4,169,822)	(6,140,186)
Initial Water Entitlement portfolio settled in cash	(5,777,085)	(5,777,085)	(5,777,085)
Repayment of NAB Corporate Loan Facility	(3,582,207)	(3,582,207)	(3,582,207)
Total Cash Assets	11,480,354	85,470,887	134,100,523

7.5 INTANGIBLE ASSETS

	AT ALL LEVELS OF SUBSCRIPTION
	\$
Acquisition of initial Water Entitlement portfolio settled by way of issue of Shares	28,662,347
Acquisition of Water Entitlements using loan facility prior to completion of the Offer	3,565,415
Acquisition of initial Water Entitlement portfolio settled using cash at Completion of the Offer	5,777,085
Total Intangible assets	38,004,847

7.6 ASSUMPTIONS

These unaudited pro forma statements of financial position and the information in Sections 7.1 to 7.5 have been prepared on the basis of the following assumptions:

7.6.1 ACCOUNTING POLICIES

Application of the proposed accounting policies and notes to the accounts set out in Section 9.

7.6.2 ACQUISITION OF WATER PORTFOLIO SETTLED BY SHARES

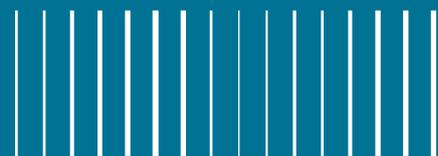
In accordance with various Water Purchase Contracts (refer to Section 11.2 for further details), either prior to or upon Completion of the Offer the Company is to acquire the significant majority of its initial Water Entitlement portfolio from Duxton Vineyards, Duxton Vineyards Water, Merriment and Hathor. The portfolio has been acquired on the basis of an independent valuation prepared by CBRE on 30 June 2016. Based on this valuation, in exchange for the initial Water Portfolio, Duxton Vineyards Pty Ltd and Duxton Vineyards Water Pty Ltd is to receive 26,056,679 Shares at an Offer Price of \$1.10 per Share. For the Water Entitlements acquired from Merriment and Hathor, the fair value of these assets is \$6,116,985 and they are to be settled in cash. In the case of the Merriment acquisition, the initial deposit of \$339,900 will be settled using the NAB loan facility (refer 7.6.3 below), with the remaining consideration due for both Hathor and Merriment being settled with the funds raised from the Offer (totalling \$5,777,085).

7.6.3 PURCHASE OF ADDITIONAL WATER ENTITLEMENTS WITH LOAN FACILITY

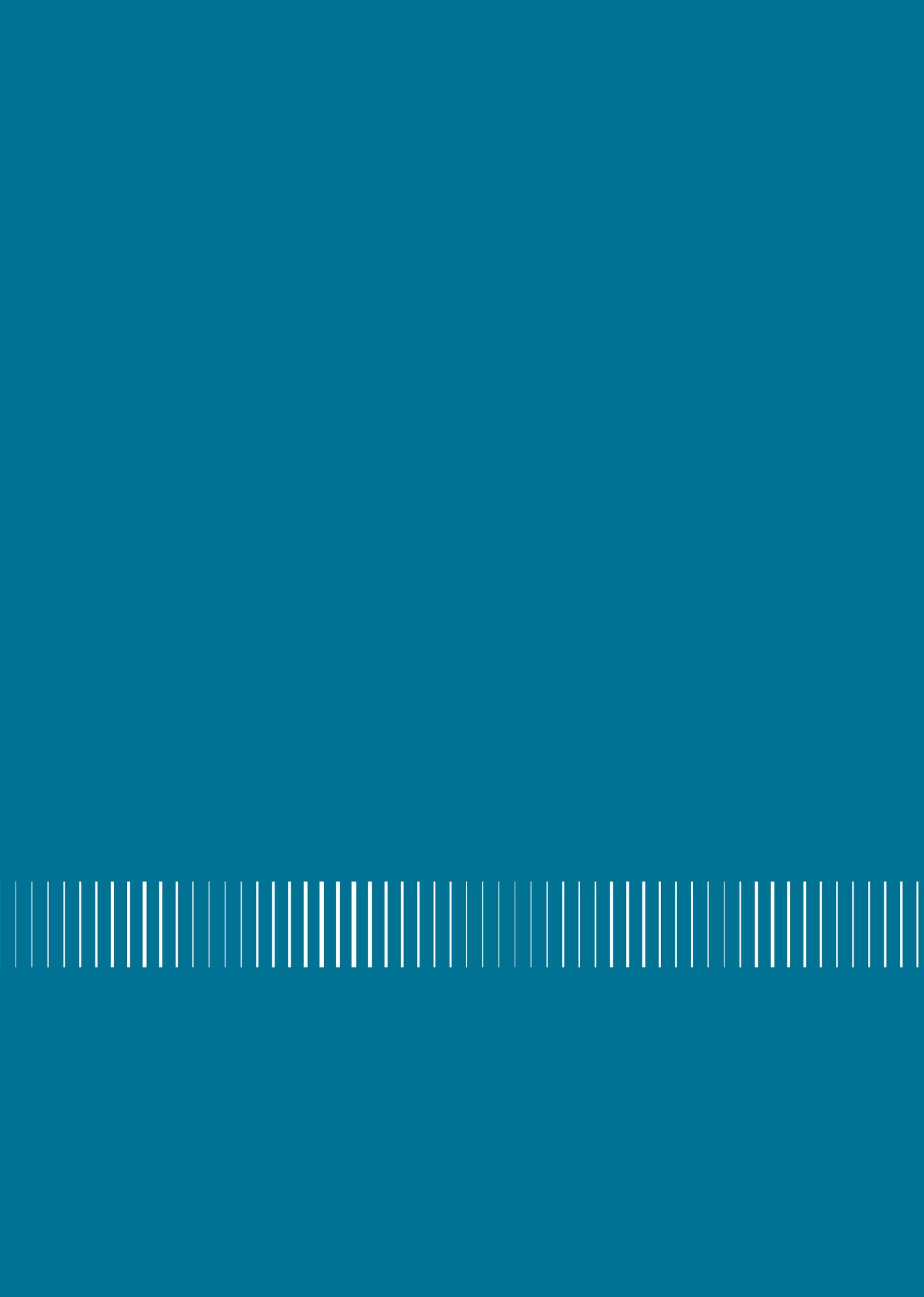
Prior to the Completion of the Offer, the Company has available to it a Corporate Loan Facility with NAB, which it has utilised to acquire Water Entitlements prior to the Completion of the Offer. The limit of this facility is A\$6,000,000. For the purposes of the unaudited pro forma financial statements, it has been assumed that the Company will draw down on this facility to a total of \$3,582,207, which includes \$3,225,515 to purchase Water Entitlements, \$339,900 as the initial deposit for the Merriment portfolio purchase and \$16,792 as the initial drawdown fee. Refer to Section 10.2 for further details in relation to the Merriment Water Purchase Contract.

7.6.4 IMPACT OF THE OFFER AND ASSOCIATED ISSUE COSTS

The Company is offering under this Prospectus 20,000,000 Shares at a price of \$1.10 per Share to raise \$22,000,000, with the ability to accept applications for a further 70,000,000 Shares (for \$77,000,000) as a Maximum Subscription, and with the ability to accept applications for an additional 46,000,000 Shares (for \$50,600,000) by way of Oversubscriptions. In addition to the Shares issued, holders who subscribe for Shares under the Offer and the Vendor Shareholders will receive an attaching Option for every Share issued, having an exercise price of \$1.10, and expiring 31 May 2018. The total costs of the Offer (inclusive of GST) are \$1,160,355 at the minimum subscription, \$4,169,822 at the maximum subscription and \$6,140,186 if the maximum plus Oversubscriptions is received. In accordance with relevant Australian Accounting Standards, to the extent that these costs are directly attributable to issuing new Shares, they can be offset against equity (net of tax and any claimable GST). The total amount eligible for offset against equity totals \$654,205 at the minimum subscription, \$2,675,303 at the maximum subscription and \$3,972,851 if the maximum amount plus Oversubscriptions is received.



8 INDEPENDENT LIMITED ASSURANCE REPORT



22 July 2016

The Directors
Duxton Water Limited
7 Pomona Road
STIRLING SA 5152

Dear Directors

Independent Limited Assurance Report On Duxton Water Limited's Compilation of Pro Forma Historical Financial Information for the Prospectus

We have completed our limited assurance engagement to report on Duxton Water Limited's ("**Duxton Water**") compilation of pro forma financial information. The pro forma financial information consists of the unaudited pro forma statement of financial position as at 20 April 2016 and related notes as set out in Sections 7.2 – 7.6 and 8 (collectively the "**the pro forma financial information**"), to be included in the Prospectus to be issued by Duxton Water on or about 25 July 2016 ("**the Prospectus**").

The applicable criteria on which the Directors of Duxton Water ("**the Directors**") have compiled the pro forma financial information is described in Section 9 of the Prospectus and is in accordance with the recognition and measurement requirements of Australian Accounting Standards and Interpretations (issued by the Australian Accounting Standards Board) and the Corporations Act, as appropriate for for-profit orientated entities, and as modified for inclusion in the Prospectus, including the abbreviation of disclosures.

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence ("**AFSL**") under the *Corporations Act 2001*. Crowe Horwath Corporate Finance (Aust) Ltd ("**Crowe Horwath**") holds the appropriate AFSL. We have attached at Annexure 1 a Financial Services Guide.

Background

Duxton Water has issued the Prospectus in respect of a proposed equity capital raising, whereby Duxton Water intends to issue a minimum of 20 million shares at an issue price of \$1.10 per share to raise \$22 million, with the ability to accept a maximum of 90 million shares to raise \$99 million. Additionally, an oversubscription facility exists for up to an additional 46 million shares, or \$50.6 million dollars. Accordingly, at oversubscription the maximum subscription is for 136 million shares to raise \$149.6 million.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the event(s) and transaction(s) described in Section 7 of the Prospectus on Duxton Water's financial position as at 20 April 2016. As part of this process, information about the company's financial position has been extracted by the Directors from Duxton Water's financial statements on 20 April 2016, on which no audit has been published. The pro forma financial information is presented as at 20 April 2016 as this is when Duxton Water was incorporated.

Directors' Responsibility

The Directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria.

Our Responsibility

Our responsibility is to express a conclusion on whether anything has come to our attention that the pro forma financial information has not been properly compiled, in all material respects, by the Directors on the basis of the applicable criteria, as described in Section 9 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3420 *Assurance Engagements To Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document*, issued by the Auditing and Assurance Standards Board. This standard requires that the assurance practitioner plan and perform procedures to obtain limited assurance about whether anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the Directors have not compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information, or the pro forma financial information itself.

The purpose of the compilation of the pro forma financial information being included in the Prospectus is solely to illustrate the impact of a significant event(s) or transaction(s) on unadjusted financial information of Duxton Water as if the event(s) had occurred or the transaction(s) had been undertaken as at 20 April 2016 for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event(s) or transaction(s) at 20 April 2016 would have been as presented.

A limited assurance engagement to report on whether anything has come to our attention that the pro forma financial information has not been properly compiled, in all material respects, on the basis of the applicable criteria, involves performing limited procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information does not provide a reasonable basis for presenting the significant effects directly attributable to the event(s) or transaction(s), and that the:

- related pro forma adjustments do not give appropriate effect to those criteria; and
- resultant pro forma financial information does not reflect the proper application of those adjustments to the unadjusted financial information.

The procedures we performed were based on professional judgement and included making enquires, primarily of persons responsible for financial and accounting matters, inspection of documents, and applying analytical and other procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the compilation of the pro forma financial information has been prepared, in all material respects, in accordance with the applicable criteria.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Limited Assurance Conclusions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the pro forma financial information is not compiled, in all material respects, by the Directors on the basis of the applicable criteria as described in Section 9 of the Prospectus.

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 7 of the Prospectus, which describes the purpose of the pro forma financial information position being included in the Prospectus. As a result, the unaudited pro forma financial information may not be suitable for use for another purpose.

Responsibility and consents

Crowe Horwath has given consent to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it appears but has not authorised the issue of the Prospectus. At the date of this Report, consent has not been withdrawn.

The Directors have prepared and are responsible for the Prospectus and have authorised its issuance. Crowe Horwath makes no representation regarding, and takes no responsibility for, any other statements, material in, or omissions from, the Prospectus. Crowe Horwath disclaims any responsibility for any reliance on the pro forma financial information for any purpose other than for which they were prepared.

Duxton Water has agreed to indemnify and hold harmless Crowe Horwath and its employees from any claims arising out of misstatement or omission in any material or information supplied by Duxton Water.

Our Independence and Quality Control

Crowe Horwath have complied with relevant ethical requirements related to assurance engagements which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Crowe Horwath applied Australian Standards of Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements.

Crowe Horwath does not have any interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to this matter. Crowe Horwath had no role in the preparation of the underlying financial information.

General advice

The Report has been prepared for inclusion in the Prospectus, to provide its readers with general information only. It does not take account of the objectives, financial situation, or needs of specific shareholders. It is not intended to take the place of professional advice and the readers should not make specific investment decisions based solely on the information contained in the Report. Before acting or relying on any information, the readers should consider whether it is appropriate for their individual circumstances having regard to their objectives, financial situation and needs.

Yours faithfully

CROWE HORWATH CORPORATE FINANCE (AUST) LTD

Crowe Horwath

Annexure 1 – Financial services guide

Date of issue: 22 July 2016

General advice – Investigate Accountant’s Report

This Financial Services Guide is designed to help retail clients make a decision as to their use of the relevant general financial product advice; to ensure that we comply with our obligations as a financial services licensee; and to provide you with information on:

- how we and our associates are paid;
- any potential conflict of interest we may have; and
- our internal and external dispute resolution procedures and how you can access them.

Introduction

Crowe Horwath Corporate Finance (Aust) Ltd, ABN 95 001 508 363 has been engaged to issue general financial product advice in the form of an Investigating Accountant’s Report for inclusion in a disclosure or other document in relation to the issuing of a financial product.

Who is responsible for the financial services provided to me?

Crowe Horwath Corporate Finance (Aust) Ltd holds an Australian Financial Services Licence No. 239170 and is responsible for the financial services provided by it and its Authorised Representatives, including authorising the distribution of this Financial Services Guide.

Crowe Horwath Corporate Finance (Aust) Ltd is wholly owned by Crowe Horwath Australasia Ltd and operates as part of the business advisory and professional accounting practice of Crowe Horwath. Crowe Horwath Australasia Ltd is owned by Findex Australia Pty Ltd.

General Financial Product Advice

In the Investigating Accountant’s Report we provide general financial product advice, not personal financial product advice, because the advice has been prepared without taking into account your personal objectives, financial situation or needs.

You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs.

What kinds of financial services are you authorised to provide to me?

We are authorised to provide advice on, and deal in, the following classes of financial products to wholesale and retail clients:

1. Provide financial product advice for the following classes of financial products:
 - a. derivatives; and
 - b. securities.
2. Deal in a financial product by:
 - a. issuing, applying for, acquiring, varying or disposing of a financial product in respect of the following classes of financial products:
 - i. derivatives; and
 - ii. securities.

Investigating Accountant's Reports

We provide financial product advice by issuing an Investigating Accountant's Report in connection with a financial product of another person or entity. Our Report includes a description of the circumstances of our engagement and identifies the person or entity who has engaged us. You have not engaged us directly but you will be provided with a copy of the Report due to your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

Do you have any relationships or associations with financial product issuers?

Crowe Horwath Corporate Finance (Aust) Ltd and any of its associated entities may at any time provide professional or financial services to financial product issuers in the ordinary course of our business.

How is Crowe Horwath Corporate Finance (Aust) Ltd paid to produce an Investigating Accountant's Report?

We will charge a fee in the vicinity of \$35,000 excluding GST for providing this Investigating Accountant's Report. This fee will be paid by the person or entity which engages us to provide the Report. The fee has not affected the opinion we have expressed in the Report.

Except for this fee, neither Crowe Horwath Corporate Finance (Aust) Ltd, nor any of its principals, employees or related entities, receives any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Does Crowe Horwath Corporate Finance (Aust) Ltd get paid for referring clients to invest in the products associated with your Investigating Accountant's Reports?

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the Investigating Accountant's Report that we are engaged to provide.

We do not receive commissions or any other benefits for referring clients in connection with the underlying financial product and/or financial service that is the subject of the reports we are engaged to provide.

Do I pay for the financial services provided?

You do not pay us a fee for the production of the Investigating Accountant's Report. It is the responsibility of the person or entity which engaged our services to produce the Report to meet this cost.

Who can I complain to if I have a complaint about the financial services provided?

If you have any complaint about the service provided to you, you should take the following steps:

Contact us and tell us about your complaint.



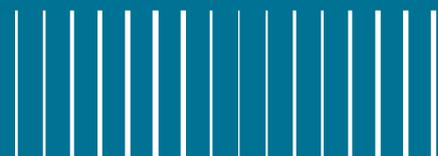
If your complaint is not satisfactorily resolved within three business days, please contact the Complaints Officer on (02) 9262 2155, or put your complaint in writing and send it to us at:

The Complaints Officer
Crowe Horwath Corporate Finance (Aust) Ltd
Level 15, 1 O'Connell St
SYDNEY NSW 2000

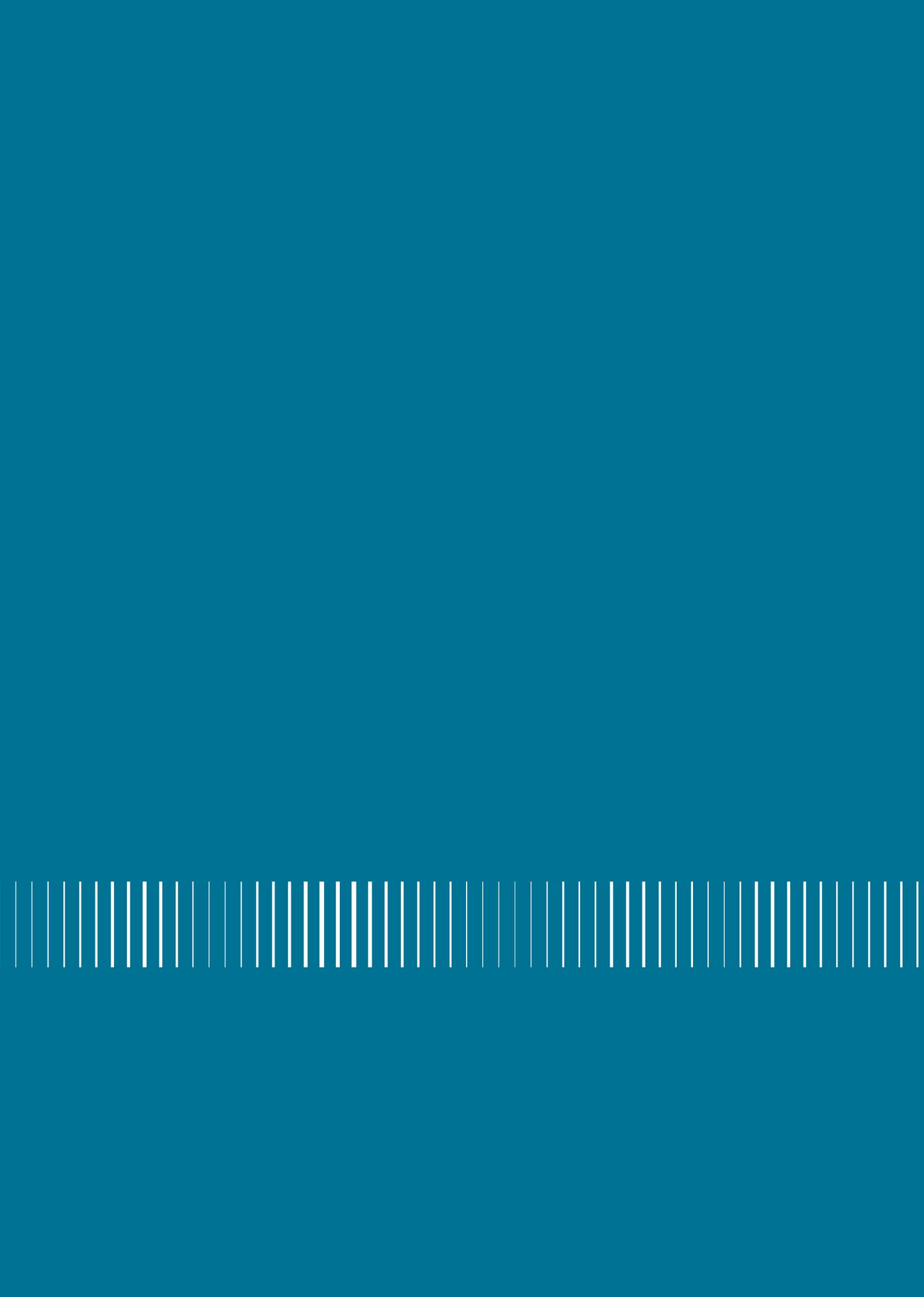
If you still do not get a satisfactory outcome you can contact the Financial Ombudsman Service (FOS) of which Crowe Horwath is a member. FOS can be contacted on 1800 367 287 or you can write to them at GPO Box 3, Melbourne, Victoria 3001.

ASIC has a freecall Infoline on 1300 300 630 which you may also use to make a complaint or obtain information about your rights.

If you have any further questions about the financial services Crowe Horwath Corporate Finance (Aust) Ltd provides, please contact our office on (02) 9262 2155.



9 SIGNIFICANT ACCOUNTING POLICIES



9. SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies that have been adopted in the preparation of the unaudited pro forma statements of financial position set out in Section 7.2 or that will be adopted and applied in preparation of the financial statements of the Company for the period ended 31 December 2016 and subsequent periods is set out as follows:

A) BASIS OF PREPARATION

The pro-forma statement of financial position has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and Interpretations, issued by the Australian Accounting Standards Board (AASB), and the Corporations Act, as appropriate for for-profit oriented entities (as modified for inclusion in the Prospectus).

Australian Accounting Standards and Interpretations, set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The pro forma statements of financial position have been prepared on the basis of assumptions outlined in Section 7.6.

The pro forma statements of financial position have been prepared on an accrual basis and are based on historical costs.

B) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the ATO. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

D) INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

E) REVENUE AND OTHER INCOME

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable after taking into account discounts and rebates.

Lease Income

Lease revenue from the water licence portfolio is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

Sales of Entitlements and Allocations

Revenue is recognised on transfer of entitlements or annual allocations to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over those entitlements or allocations.

Interest revenue

Interest revenue is recognised using the effective interest method.

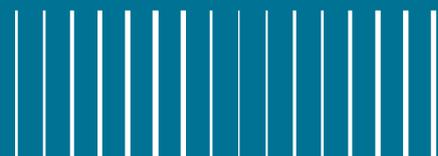
F) INTANGIBLES – WATER ENTITLEMENTS

Permanent water rights and entitlements are recorded at historical cost less accumulated impairment losses. Such rights have an indefinite life, and are not depreciated. The carrying value is tested annually for impairment as well as for possible reversal of impairment. If events or changes in circumstances indicate impairment, or reversal of impairment, the carrying value is adjusted to take account of impairment losses.

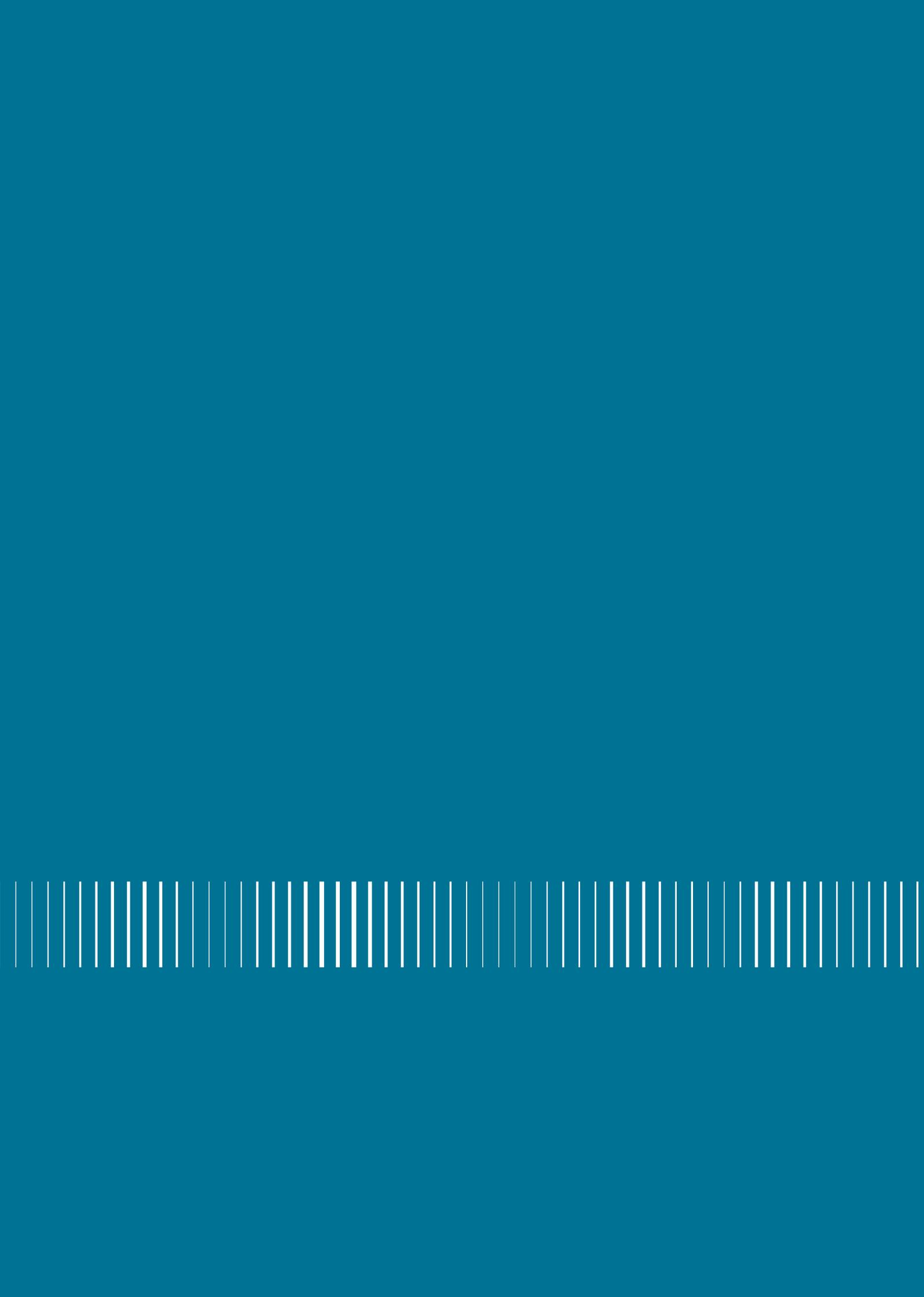
The Company intends following the completion of the Initial Public Offering to consult with the ASIC in relation to measurement basis of the Water Entitlements. Present market practice is to adopt a cost model (which has been specified above). It is however the Company position that Water Entitlement Markets are now sufficiently mature that they would meet the definition of an 'active market', as outlined in AASB 138 'Intangible Assets', which would permit the use of a fair value approach to the recognition and measurement of Water Entitlements.

G) SHARE CAPITAL

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.



10 KEY PEOPLE, INTERESTS AND BENEFITS



10. KEY PEOPLE, INTERESTS AND BENEFITS

10.1 BOARD OF DIRECTORS

The Directors bring to the Board a breadth of expertise and skills. The Board is highly experienced in the agriculture industry, holding a combined 72 years of experience. The Board of Duxton Water has a total of 47 years of experience in the Australian water market.

NAME & POSITION	DESCRIPTION
	<p>ED PETER, CHAIRMAN</p> <p>Ed Peter, is the co-founder and Chairman of Duxton Asset Management (“Duxton”). Prior to forming Duxton in 2009, Ed was Head of Deutsche Asset Management Asia Pacific (“DeAM Asia”), Middle East & North Africa. He was also a member of the Deutsche Bank’s Group Equity Operating Committee and Asset Management Operating Committee.</p> <p>Ed joined Deutsche Bank in 1999 as Head of Equities and Branch Manager of DB Switzerland. In March 2001, Ed moved to Hong Kong with Deutsche Bank and was appointed Head of Global Equities for Asia and Australia, becoming responsible for all of Global Emerging Markets Equities in the beginning of 2003. In November 2004, Ed became Head of Asian and Emerging Market Equities for the new Global Markets Division.</p> <p>Mr Peter holds a Bachelor’s Degree in English Literature from Carleton College in Northfield, Minnesota. Ed’s first foray into agricultural investing was in 1999 and he remains passionately interested in Agriculture today. He is on the University of Adelaide’s agribusiness advisory board, the University of Adelaide’s Wine Advisory board, and the board of Wine Australia.</p> <p>Ed is appointed to the Board of the Company as a representative of the Investment Manager.</p>
	<p>STEPHEN DUERDEN, DIRECTOR</p> <p>Stephen Duerden is currently the CEO of Duxton Asset Management Pte Ltd. Stephen has over 26 years of experience in investment management and joined Duxton in May 2009. Prior to this, Stephen was the COO and Director for both the Complex Assets Investments Team and the Singapore operation of Deutsche Bank Asset Management Asia. Prior to this Stephen worked with Deutsche in Australia where he was a member of the Australian Executive Committee responsible for the management of the Australian business, with assets under management of approximately AUD \$20 billion, and a member of the Private Equity Investment Committee overseeing the management of over AUD \$2.5 billion in Private Equity and Infrastructure assets.</p> <p>Stephen has had exposure to a broad range of financial products and services during his career. He has been involved in direct property development and management, the listing and administration of REITS, as well as the operation and investment of more traditional asset portfolios. Stephen is currently a Director and Investment Committee member of a number of Cayman-based investment funds managed by the Duxton Group as well as holding Board positions on a number of direct agricultural businesses in Australia.</p> <p>Stephen holds a Bachelor of Commerce in Accounting Finance and Systems with merit from the University of NSW Australia and a Graduate Diploma in Applied Finance and Investments from the Financial Services Institute of Australasia. Stephen is a Fellow of the Financial Services Institute of Australasia and a Certified Practising Accountant.</p> <p>Stephen is appointed to the Board of the Company as a representative of the Investment Manager.</p>

NAME & POSITION

DESCRIPTION



DIRK WIEDMANN, INDEPENDENT DIRECTOR

Dirk Wiedmann has 28 years of experience in the finance industry. Over his career, Dirk has held senior global positions with several Banks, including UBS AG, Bank Julius Baer & Co Ltd and Rothschild Bank AG. Throughout his time in the industry, Mr Wiedmann has gained a vast range of experience covering international equities and derivatives, business sector market development, executive education and strategic marketing. Dirk has been invested in Australian agriculture business, including wine and dairy operations, since 1999.

Until August 2015, Dirk was the Global Head of Investments & Chief Investment Officer at Rothschild Wealth Management and Trust, a Member of the Divisional Board and a member of the Executive Committee of Rothschild Bank AG. Within his role as Global Head of Investments and CIO, Dirk was also responsible for all trading and execution activities and strategic marketing in the Bank.

Mr Wiedmann holds a Diplom Kaufmann (comparable to a MBA) from Johann Wolfgang Goethe University / Frankfurt, Germany. Dirk has also completed the Advanced Management Program at The Wharton School, University of Pennsylvania.

Mr Wiedmann is an independent Director of the Company. As such, Mr Wiedmann is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgment.



PETER MICHELL, INDEPENDENT DIRECTOR

Peter Michell is Executive Director at Michell Wool P/L and was its Managing Director for the decade following 2004. Peter holds a Bachelor of Management BA (Man) from UniSA, is a fellow of the AICD (FAICD), is a fellow of the Governors Leadership Foundation (FGLF2000), and currently sits on the University of Adelaide's Agribusiness Advisory Board.

In 2004 Peter and his brother consolidated shareholding in their 140 year old family agribusiness (100fte) from 40 shareholders to 2. He then oversaw the reengineering and growth of the business; a greenfield wool textile investment in China (150fte), R&D and incubation of a number of start-ups within the wool group, and purchased, developed and then sold two significant wool textile processing business in Malaysia (500fte).

His 30 years in the wool, wool textile and leather industry has seen Peter responsible for commodity trading, global B2B industrial sales and marketing, production management, trade finance, water and waste water management, and strategic leadership. He has made direct investment into Agri businesses including premium wine and water licences and he keeps finding his experiences and skills pulling him toward the Agri and water space.

Mr Michell is an independent Director of the Company. As such, Mr Michell is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgment.



DONALD STEPHENS, COMPANY SECRETARY

Donald Stephens is a Chartered Accountant and corporate adviser with over 20 years of experience in the accounting industry, including 14 years as a partner of HLB Mann Judd Stephens, a firm of Chartered Accountants. Mr Stephens holds a number of positions as a public company director and company secretary. Mr Stephens also provides corporate advisory services to a wide range of organisations.

10.2. RELATED PARTY DISCLOSURE

DUXTON VINEYARDS, DUXTON VINEYARDS WATER AND DUXTON VITICULTURE

As at the date of this Prospectus, Duxton Vineyards Water owns 100% of the Shares in the Company.

Duxton Vineyards owns 100% of the shares in Duxton Vineyards Water. Duxton Vineyards and Duxton Vineyards Water are each a related party of the Company as Duxton Vineyards currently controls the Company and Duxton Vineyards Water. Company Directors, Mr Ed Peter and Mr Dirk Wiedmann are also directors of Duxton Vineyards and Duxton Vineyards Water. At Completion of the Offer, based on the Minimum Subscription, Duxton Vineyards and Duxton Vineyards Water will together hold a total of 26,056,680 Shares, representing a combined interest in 56.58% of the total issued Shares in the Company.

As at the date of this Prospectus, the Company has entered into two Water Purchase Contracts with Duxton Vineyards Water and one Water Purchase Contract with Duxton Vineyards.

Please see Section 11.2 for a summary of the Water Purchase Contracts with Duxton Vineyards and Duxton Vineyards Water, including the purchase price of the Water Entitlements to be acquired. Duxton Vineyards and Duxton Vineyards Water will be issued a total of 26,056,679 Shares in consideration for Water Entitlements the Company will acquire from these entities. The value of the financial benefit to be given to Duxton Vineyards and Duxton Vineyards Water is a total of \$28,662,347, being equivalent to the value independently determined by CBRE as set out in Section 6, of the Water Entitlements to be acquired by the Company from those related parties under the Water Purchase Contracts.

At listing, the Water Entitlements acquired from the Vendor Shareholders will amount to approximately 75.5% of the total Water Entitlements owned by the Company.

Duxton Vineyards and Duxton Vineyards Water will be issued with one Option for nil consideration for each respective Share they hold prior to Completion of the Offer. The Options will be issued to Duxton Vineyards and Duxton Vineyards Water prior to the issue of Shares under the Offer. As such, these Vendor Shareholders will be the only Shareholders of the Company at that time. The Options to be issued to the Vendor Shareholders, as related parties of the Company, are to be issued without Shareholder approval on the basis that they are issued to the Vendor Shareholders in their capacity as the only members of the Company at that time and the issue does not discriminate against other members of the Company, in reliance on section 215 of the Corporations Act.

The Options are being issued to the Vendor Shareholders to place them in the same position as new Shareholders under the Offer, i.e. upon Completion of the Offer, all Shareholders will also hold such number of Options equal to their respective Shareholding in the Company.

ASIC Regulatory Guide 76: Related party transactions (RG76) sets out that investors should be given information about the value of the related party arrangements in dollar terms. RG76 provides guidance in relation to the valuation of options (such as the Options) and states that options must be valued in accordance with Australian Accounting Standards Board (AASB) accounting standard AASB 2 *Share-based payment (AASB 2)*.

AASB 2, paragraph 4 specifies that "...a transaction with an employee (or other party) in his/her capacity as a holder of equity instruments of the entity is not a share-based payment transaction. For example, if an entity grants all holders of a particular class of its equity instruments the right to acquire additional equity instruments of the entity at a price that is less than the fair value of those equity instruments, and an employee receives such a right because he/she is a holder of equity instruments of that particular class, the granting or exercise of that right is not subject to the requirements of this Standard".

In conjunction with the IPO of the Company, all Shareholders are to be issued with Options. This includes the Vendor Shareholders and successful subscribers under the Offer. Therefore, the issue of the Options falls within the scope of paragraph 4 of AASB 2 and no value is required to be ascribed to the Options (including those to be issued to the Vendor Shareholders) under that accounting standard.

The Company will enter into three long term leases with Duxton Viticulture, an entity 100% owned by Duxton Vineyards, for the lease by Duxton Viticulture of water in respect to the Water Entitlements to be owned by the Company. Company Directors, Mr Ed Peter and Mr Dirk Wiedmann, are also directors of Duxton Viticulture. Please see section 11.3 for a summary of the key terms of the leases between the Company and Duxton Viticulture. At the Listing Date, the rent payable to the Company by Duxton Viticulture will amount to approximately 86% of the Company's lease revenue.

Company Chairman, Mr Ed Peter is a shareholder in Duxton Vineyards and unit holder in the unit trust for which Duxton Vineyards is trustee via his family controlled entity. Mr Peter's holding in Duxton Vineyards and the unit trust equates to approximately 17.2% of the total issued shares and units in these entities.

Company Directors, Mr Dirk Wiedmann and Mr Peter Michell, via their respective family controlled entities are shareholders in Duxton Vineyards and unitholders in the unit trust for which it is trustee. Mr Michell's holding in Duxton Vineyards and the unit trust equates to approximately 1.7% of the total issued shares and units in those entities. Mr Wiedmann's holding in Duxton Vineyards and the unit trust equates to approximately 3.5% of the total issued shares and units in those entities.

Mr Peter, Mr Wiedmann and Mr Michell may receive an indirect financial benefit from the Company as a shareholder and unitholder in Duxton Vineyards and the unit trust for which it is trustee as a result of the Water Purchase Contracts with Duxton Vineyards Water and Duxton Vineyards, the Options to be issued to those related parties, and the long term lease of water to Duxton Viticulture. However the value of any indirect financial benefit received cannot be readily quantified.

The Water Purchase Contracts with Duxton Vineyards and Duxton Vineyards Water, and long term lease with Duxton Viticulture are each on arms-length commercial terms and were approved by the sole-Shareholder of the Company on 17 June 2016 and 25 July 2016 respectively.

HATHOR AND MERRIMENT

The Company has entered into contracts for the acquisition of Water Entitlements from Hathor and Merriment, and subsequent long term lease back of water in respect of those Water Entitlements to Hathor and Merriment.

Hathor and Merriment are each a related party of the Company as they are deemed to be controlled by Company Directors Mr Ed Peter and Mr Stephen Duerden. Mr Peter and Mr Duerden control Duxton Asset Management, the sub-investment manager of GALOF. GALOF is the ultimate holding company of Merriment.

Mr Peter controls the Investment Manager. The Investment Manager controls the Board of Hathor as the holder of 100% of the ordinary shares in Hathor. The Investment Manager does not hold any preference shares in Hathor. Hathor and Merriment will each receive a financial benefit from the Company in relation to the acquisition price for the sale of their respective Water Entitlements to the Company and lease-back by the Company. Mr Peter is a director of Hathor and Mr Duerden is a director of Merriment.

Please see Section 11.2 for a summary of the Water Purchase Contracts with Hathor and Merriment including the purchase price payable by the Company for these Water Entitlements. The value of the financial benefit to be given to Hathor and Merriment is \$2,717,985 and \$3,399,000 respectively, being the amount equal to the value independently determined by CBRE as set out in Section 6, of the Water Entitlements acquired from those related parties under the Water Purchase Contracts.

Please see Section 11.2 for a summary of the long-term leases to be entered into with Hathor and Merriment, including the rent payable to the Company by those entities. At the Listing Date, the rent payable to Hathor and Merriment is equal to approximately 14% of the Company's lease revenue.

Company Directors, Mr Ed Peter and Mr Peter Michell are shareholders in GALOF, the ultimate holding company of Merriment. Mr Peter, via his family controlled entities and other interests, holds approximately 13.68% of the total issued share capital of GALOF. Mr Michell, via his family controlled entity, holds approximately 0.2% of the total issued share capital of GALOF. GALOF is a closed ended investment company with a diversified portfolio of agricultural investments in Australia, Africa and South America. Merriment represents approximately 17.4% of the total investment portfolio of GALOF.

Mr Peter and Mr Michell may receive an indirect financial benefit from the Company as a shareholder of GALOF as a result of the acquisition of Water Entitlements from Merriment and subsequent long term lease back of water in respect to those Water Entitlements. However the value of any indirect financial benefits cannot be readily quantified.

Company Directors Mr Ed Peter and Mr Dirk Wiedmann are each shareholders in Hathor. Mr Peter, personally and via a family controlled entity, holds an interest in approximately 21.8% of the total issued preference shares in Hathor. Mr Wiedmann holds approximately 3.9% of the total issued preference shares in Hathor.

As such each of those related parties may receive an indirect financial benefit from the Company as a shareholder of Hathor as a result of the acquisition of Water Entitlements from Hathor and subsequent long term lease back of water in respect of those Water Entitlements. However the value of any indirect financial benefit received cannot be readily quantified.

The Water Purchase Contracts and long term lease back of water to Hathor and Merriment are each on arms-length commercial terms and were approved by the sole-shareholder of the Company on 25 July 2016.

The Company has adopted a Related Party Transaction Policy in relation to the management of transactions with related parties of the Company. This policy is administered by the Board.

10.3 INTERESTS AND BENEFITS

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- Person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- Promoter of the Company; or
- Underwriter to the Offer or financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- The formation or promotion of the Company;
- Property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- The Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

10.3.1 INTERESTS OF ADVISERS

The Company has engaged the following professional advisers:

- Taylor Collison Limited has acted as Lead Manager to the Offer. The Company has paid or agreed to pay Taylor Collison Limited a fee equal to 1.5% of the total proceeds raised under the offer for its role in managing the offer. In addition, the Company will pay the Lead Manager a selling fee of 2.0% of the total funds raised from institutional and retail investors.
- Cowell Clarke Commercial Lawyers has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, \$100,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Cowell Clarke Commercial Lawyers in accordance with its normal time-based charges.
- Crowe Horwath Corporate Finance (Aust) Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to financial due diligence enquiries. The Company has paid, or agreed to pay, approximately \$35,000 (excluding disbursements and GST) for the above services up until the date of this Prospectus.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 2.3.

10.3.2 DIRECTOR INTERESTS & REMUNERATION

10.3.2.1 Directors Remuneration and Expenses

Under the Constitution, the Shareholders decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by Duxton Water in general meeting. This amount has been approved by Duxton Water's current Shareholder at \$250,000. For the remainder of the financial year ending 31 December 2016, it is expected that the fees payable to the current Directors will not exceed \$40,000 in aggregate.

Annual directors' fees are currently \$35,000 to each of the independent Directors, including Statutory Superannuation Entitlements. The remuneration of Directors must not include a commission on, or a percentage of profits or income. In addition Directors are also entitled to be reimbursed for reasonable travel and other expenses incurred in attending to the affairs of the Company, subject to each Director obtaining prior approval of the Chairman (or other Director in the case of the Chairman) for expenses over certain limits.

10.3.2.2 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each Director. Under these deeds, the Company has agreed to provide to each Director access to the books and records of the Company while they are a Director and for a period of seven years from when they cease to be a Director and the Company has also agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as Director.

Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of indemnity, insurance and access, the Company has agreed to obtain and maintain such insurance during each Director's period of office and for the period of seven years after the Director ceases to be a Director.

10.3.2.3 Directors' security holding

Directors are not required under the Constitution to hold any Shares. Each Director, or their respective controlled family entities, intend to apply for the Offer Securities under the Offer. On Completion, the number of such Shares held by Directors are expected to be as follows:

NAME	SHARES	OPTIONS
Ed Peter	10,000	10,000
Stephen Duerden	10,000	10,000
Dirk Wiedmann	10,000	10,000
Peter Michell	10,000	10,000
Total	40,000	40,000

Final Directors' security holdings will be notified to the ASX on Listing. Directors may hold their interests in securities shown above directly, or indirectly through holdings by companies or trusts.

10.3.2.4 Other Information

Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as Director of the Company or a subsidiary. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

10.4 CORPORATE GOVERNANCE

This Section explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting business with these objectives, the Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company are summarised below. In addition, many governance elements are contained in the Constitution. Details of the Company's key policies and practice and the charters for the Board and each of its committees are available now at www.duxtonwater.com.au.

Under ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations of the ASX Corporate Governance Counsel in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

The Company must also provide such a statement as at the date of its admission to the Official List of ASX.

The Board is of the view that the Company complies with the ASX Recommendations, except in respect of Recommendation 2.5 (which recommends that the chair of the Board should be an independent director). The Company Chairman, Mr Ed Peter, controls the Investment Manager and therefore is not an independent Director. However the Board considers that, having regard to his wealth of experience and industry knowledge, Mr Peter is the most suitable person to occupy the position of Chairman of the Company.

The Board also considers, having regard to the relationship between the Company and the Investment Manager, it is in the best interests of the Company to be guided by the leadership of Mr Peter as this will enable the Company to effectively develop and implement its strategic objectives, particularly in the critical short to medium phase of the Company. The Board considers that the presence of Mr Peter on the Board will assist in facilitating these objectives.

10.4.1 BOARD CHARTER

The Board has adopted a written charter to provide a framework for the effective operation of the Board. The charter addresses the following matters and responsibilities of the Board:

- Charting strategy and setting financial targets for the Company
- Monitoring the implementation and execution strategy and performance against financial targets.
- Appoint and oversee the performance of the Investment Manager.
- Take an effective leadership role in relation to the Company.

10.4.2 BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. Standing committees established by the Board is The Audit and Risk Management Committee, a standing committee established by the Board.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

10.4.3 AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

Under its charter, the Audit and Risk Management Committee must have at least three members with two of these members independent Directors. Currently Stephen Duerden, Dirk Wiedmann and Peter Michell are members of this committee.

The primary role of this committee includes:

- Overseeing the process of financial reporting, internal control, financial and non-financial risk management and compliance and external audit
- Monitoring the Company's compliance with laws and regulations and its own policies
- Encouraging effective relationships with, and communication between, the Board, Investment Manager and the Company's external auditor
- Evaluating the adequacy of processes and controls established to identify and manage areas of potential risk.

10.4.4 CODE OF CONDUCT

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to be followed by all directors and officers of the Company and Directors, officers, employees and the Investment Manager. The key aspects of this code are to:

- Provide a benchmark for professional behaviour throughout Duxton Water

- Support Duxton Water's business reputation and corporate image within the community
- Use the Company resources and property properly
- Make Directors and the Investment Manager aware of the consequences if they breach the Code of Conduct.

10.4.5 CONTINUOUS DISCLOSURE POLICY

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under ASX Listing Rules and the Corporations Act. The Company has adopted a policy to take effect from listing on ASX which establishes procedures which are aimed at ensuring that Directors and the Investment Manager are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

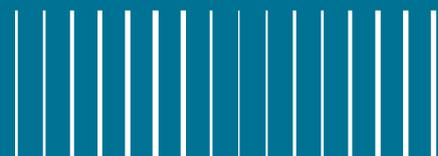
Under the policy, the Board will be responsible for managing the Company's compliance with its continuous disclosure obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and continuous disclosure announcements will be made available on the Company's website at www.duxtonwater.com.au.

10.4.6 SECURITIES TRADING POLICY

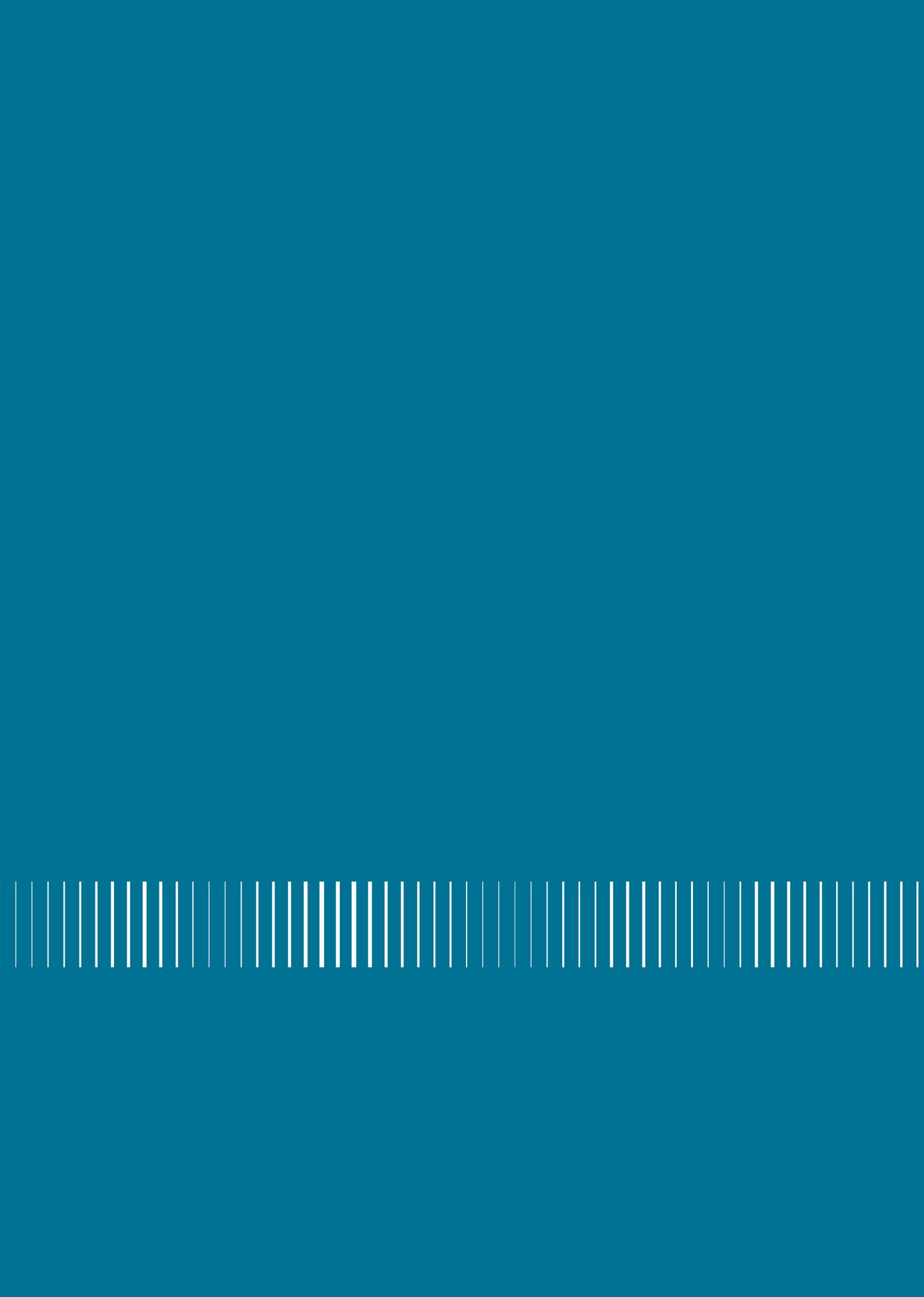
The Company has adopted a Securities Trading Policy which will apply to the Company and the Duxton Group and its Directors, officers, senior executives, employees, contractors and their connected persons (including those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly). The policy is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects the Company and Directors and others against the misuse of unpublished information which could materially affect the value of securities. Subject to certain exceptions, including exceptional financial circumstances, the policy defines certain 'prohibited periods' during which trading in Company securities by the Company's Directors, officers, and senior executives, employees, contractors of the Company and their connected persons is prohibited.

10.4.7 COMMUNICATION WITH SHAREHOLDERS

The Company's aim is to ensure that Shareholders are kept informed of all major developments affecting the state of affairs of the Company. In addition to the Company's continuous disclosure obligations, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time and the Company and the Investment Manager will communicate this information regularly to Shareholders and other stakeholders through a range of forums and publications. All ASX announcements made to the market, including annual and half year financial results, will be posted on the Company's website at www.duxtonwater.com.au as soon as practicable following their release by ASX. The full text of all notices of meetings and explanatory material, the Company's annual report and copies of all investor presentations made to analysts and media briefings will be posted on the Company's website. The website will also contain a facility for the Shareholders to direct queries to the Company.



11 ADDITIONAL INFORMATION



11. ADDITIONAL INFORMATION

11.1. REGISTRATION

The Company was registered in South Australia, Australia on 20 April 2016 as a public company limited by Shares.

11.2. SUMMARY OF MATERIAL CONTRACTS/ARRANGEMENTS

Water Purchase Contracts and Leaseback Arrangements

The Company has entered into legally binding agreements for the purchase of the Water Entitlements as set out in the following table (**Water Purchase Contracts**), with corresponding leaseback arrangements, where stated.

VENDOR ENTITY	DUXTON VINEYARDS AND DUXTON VINEYARDS WATER	HATHOR DAIRIES	MERRIMENT	YELTA	OTHER ENTITIES
Number of Water Purchase Contracts	3	1	1	1	5
Water Entitlement					
Zone	Zone 11 High Security Zone 11 General Security Zone 11 Supplementary Zone 13 High Security Zone 7 High Reliability	Zone 6 High Reliability	Lachlan General Security	Zone 7 High Reliability	Zone 6 High Reliability Zone 7 High Reliability
Purchased Amount (ML)	8,554.56	1,496.90	6,798.00	587	834
Entitlements Leased (ML)	8,554.56	604.90	6,798.00	No lease	No lease
Purchase Price	\$28,662,347	\$2,717,985	\$3,399,000	\$1,686,813	\$1,538,424
Entitlements Leased (\$)	\$28,662,347	\$1,602,985	\$3,399,000	N/A	N/A
Consideration	Shares	Cash	Cash	Cash	Cash
Lease Term	7 years	7 years	7 years	N/A	N/A
Initial Rent (\$)	\$1,721,887	\$92,172	\$186,945	N/A	N/A
Rate	6.00%	5.75%	5.50%	N/A	N/A
Option to Extend	Yes	Yes	Yes	N/A	N/A
Option Term(s)	5 years	3 terms of 3 years each	5 years	N/A	N/A
Buy Back Option	Yes	Yes	Yes	N/A	N/A
First Right of Refusal	Yes	No	Yes	N/A	N/A

The five Water Purchase Contracts with the "Other Entities" are all with separate, unrelated vendors for amounts less than \$1m each. Those purchases, together with the Yelta Water Purchase Contracts, form the \$3.2m "on market" water purchases undertaken by the Company.

11.2.1 CALCULATION OF THE PORTFOLIO'S WEIGHTED AVERAGE INITIAL GROSS YIELD

LESSEE ENTITY	WATER LEASED (ML)	VALUE OF LEASED WATER	RATE	WEIGHTED AVERAGE MULTIPLE	TOTAL
Duxton Viticulture	8,554.56	\$28,662,347	6.00%	0.851	5.108%
Hathor	604.90	\$1,602,985	5.75%	0.048	0.273%
Merriment	6,798.00	\$3,399,000	5.50%	0.101	0.055%
TOTAL		\$33,664,332		1	5.94%

As set out in the above table, there are six material Water Purchase Contracts, five of which are with related parties of the Company. All are summarized in detail below.

11.2.2 SETTLEMENT OF WATER PURCHASE CONTRACTS

Under all of the Water Purchase Contracts, the Company will acquire ownership of the relevant Water Entitlements at settlement. Settlement will occur when all required approvals have been obtained from relevant water authorities for the transfer of the Water Entitlements and all other conditions have been satisfied. The Company also pays the purchase price at settlement. Immediately upon settlement, transfers are lodged with the relevant water authority for registration.

Settlement of all of the Water Purchase Contracts will occur prior to or upon Completion of the Offer. Two Water Purchase Contracts are conditional upon the Company successfully listing on ASX, further details of which are set out below.

11.2.3 WATER PURCHASE CONTRACTS WITH DUXTON VINEYARDS WATER AND DUXTON VINEYARDS

The Company entered into two Water Purchase Contracts with Duxton Vineyards Water and one Water Purchase Contract with Duxton Vineyards on the 17th of June 2016 as varied by deeds of variation dated 25 July 2016. Pursuant to those Contracts, the Company has agreed to purchase a total of 8,554.56ML of Water Entitlements in the Victorian Murray Zone 7, NSW Murray Zone 11 and NSW Murrumbidgee Zone 13.

As Duxton Vineyards Water and Duxton Vineyards are related parties of the Company, the purchase price for those Water Entitlements is to be the market value of the Water Entitlements, as determined by an independent valuer. The Company has obtained an independent valuation of those Water Entitlements from CBRE as at 30 June 2016, valuing those Water Entitlements at \$28,662,347.

The Company expects that settlement of the purchase of these Water Entitlements will occur prior to close of the Offer and settlement is not conditional on the Company being admitted to ASX. Settlement will occur as soon as all of the conditions have been satisfied and the parties are ready to settle. No deposit has been paid by the Company under these three Water Purchase Contracts.

The purchase price payable by the Company to Duxton Vineyards Water and Duxton Vineyards is payable in Shares, which will be issued at the same price as the Shares being Offered under this Prospectus, being \$1.10 per Share.

11.2.4 WATER PURCHASE CONTRACT WITH HATHOR

The Company entered into a Water Purchase Contract with Hathor on 25 July 2016. The Company has agreed to acquire 1,496.90ML of Water Entitlements from Hathor in the Victorian Murray Zone 6 and NSW Murray Zone 10.

The purchase price is payable in cash. The Company intends to pay the purchase price from funds raised under the Offer and settlement is conditional upon the Company completing the Offer. Settlement must occur by 31 October 2016, after which either party may terminate the Water Purchase Contract.

As Hathor Dairies is a related party of the Company, the purchase price for the Water Entitlements is to be the market value as determined by independent valuation. The Company has obtained an independent valuation of those Water Entitlements from CBRE as at 30 June 2016, valuing those Water Entitlements at \$2,717,985.

11.2.5 WATER PURCHASE CONTRACT WITH MERRIMENT

The Company entered into a Water Purchase Contract with Merriment on 25 July 2016 for the purchase of 6,798.00ML of Water Entitlements in Jemalong Irrigation Ltd and NSW Zone 1. Merriment is a related party of the Company. The Company has obtained an independent valuation of those Water Entitlements from CBRE as at 30 June 2016, valuing those Water Entitlements at \$3,399,000.

The purchase price is payable in cash at settlement. The Company intends to use funds raised under the Offer to settle the purchase of this Water Purchase Contract and settlement is conditional upon the Company completing the Offer. If settlement has not occurred by 30 September 2016, either party to the Water Purchase Contract may terminate the contract.

The Company has agreed to pay Merriment a 10% deposit of approximately \$341,000 in cash.

11.2.6 YELTA WATER PURCHASE CONTRACTS

The Company entered into two related Water Purchase Contracts with Yelta on the 8th of July 2016 for the purchase of 587ML of Water Entitlements in Vic Murray Zone 7. The purchase price is \$1,686,813, payable in cash at settlement and is being funded from the Company's existing debt facility with NAB. The Company paid a deposit of \$167,295 on entry into those Contracts. Settlement is expected to occur prior to Completion of the Offer.

11.2.7 OTHER COMMON TERMS AND CONDITIONS

For settlement of each Water Purchase Contract to occur, the Company has to be satisfied that all required approvals from relevant water authorities have been obtained and that there has been no material adverse change to any of the approvals or regulations applying to the Water Entitlements. The Company will pay all registration and transfer fees, stamp duty and any costs associated with obtaining the approvals.

Either party to these Water Purchase Contracts may terminate the contract if the other party becomes insolvent or materially breaches the applicable contract and does not remedy the breach within a minimum period. Each vendor has given the Company warranties regarding title to and ownership of the applicable Water Entitlements.

11.3. LEASEBACK ARRANGEMENTS

At settlement of the Water Purchase Contracts with Duxton Vineyards Water, Duxton Vineyards, Hathor Dairies and Merriment, the Company will enter into long term lease arrangements with the respective vendor (or in the case of Duxton Vineyards Water and Duxton Vineyards, long term leases to their associated entity, Duxton Viticulture). The terms and conditions and final form of all of those leases have been agreed and cannot be changed unless the Company consents. The leases must be entered into prior to or at settlement of each Water Purchase Contract.

The key commercial terms of the leases are set out in the table in Section 11.2 above. Summaries of the other material terms of those leases are set out as follows.

11.3.1 KEY COMMON LEASE TERMS

All of the leases have the following terms and conditions.

- The rent is payable quarterly in advance and is required to be paid regardless of whether or not the lessee actually takes or uses any water available to it under a Water Entitlement or Water Allocation, or whether there is any actual Water Allocation at all.
- In addition to the rent, the lessee is also required to pay all outgoing and related costs associated with the ownership of the Water Entitlement or Water Allocations or taking water under the Water Allocation by the lessee.
- The lessee must comply with all applicable laws and the requirements of relevant water authorities during the lease, and must not do anything that could cause or permit a Water Entitlement to be adversely affected.

- The lessee is not entitled to assign or otherwise dispose of its interest in the lease or the Water Entitlements without the Company's consent, but the lessee may assign or otherwise dispose of its annual Water Allocation to which it is entitled. The lessee must also not allow any change in its controlling ownership without the Company's consent.
- The lessee is not entitled to mortgage or otherwise encumber its interest under the lease or the Water Entitlements without the consent of the Company. The Company can not unreasonably withhold its consent where the mortgage is required as part of a loan to the lessee upon satisfactory terms and conditions to the Company.
- The lessee indemnifies the Company for any liability arising from any act, neglect, default or omission of the lessee (or any other person) in using the water under the Water Entitlements.
- If the lessee does not pay any rent for a period of more than 14 days or is otherwise in default under the lease, the Company may terminate the lease, take back the Water Entitlements and recover any loss from the lessee.
- The lessee has an option to extend the initial term for a further period (as set out in the table at Section 11.2 above), with rent for the extended term to be the current prevailing market rent at the time, determined by an independent valuer on a dollars per megalitre basis for the Water Entitlements. The option to extend must be exercised within 6 months of expiry of the initial term.
- The lessee also has an option to purchase the Water Entitlements at the expiry of the lease (whether that is at the expiry of the initial term if the option is not exercised, or at the expiry of the extended term). The buy back option must be exercised between 4 to 6 months prior to expiry of the lease term. The purchase price payable by the lessee is to be the current market value of the Water Entitlements, determined by an independent valuer (appointed by the Company) on a dollars per megalitre basis. The rent for the extended term is a specified percentage of the current market value as set out in the above table. The Water Entitlements are otherwise to be sold to the lessee on the same terms and conditions as the Company purchase the water entitlements from the lessee (which are set out in the table in Section 11.2 above).
- The Company may sell the Water Entitlements at any time, subject to the leasehold interest granted to the lessee. However, if the lessee has not exercised its option to extend the lease or its option to purchase the Water Entitlements and the Company then wishes to sell the Water Entitlements, it must offer the Water Entitlements to the lessee for sale as a first right of refusal on the same or no less favourable terms for a period of at least 14 days, or unless the Company proceeds to auction the Water Entitlements with prior notice to the lessee.
- Where any Water Allocations are entitled to be carried over to the next water year the Lessee must provide the Company with written notice at least 20 business days before the end of the water year.

11.3.2 DUXTON VINEYARDS CONTRACTS

The Company will enter into a 7 year lease to Duxton Viticulture. This lease will commence on settlement of the Water Purchase Contracts (with Duxton Vineyards and Duxton Vineyards Water) which is expected to occur before close of the Offer. The Water Entitlement leases are: Vic Murray Zone 7, NSW Murray Zone 11, NSW Murrumbidgee Zone 13, being all of the Water Entitlements acquired by the Company from Duxton Vineyards and Duxton Vineyards Water. The obligations of Duxton Viticulture will be guaranteed by Duxton Vineyards.

11.3.3 MERRIMENT

The Company will enter into a 7 year lease to Merriment upon settlement of the Water Purchase Contract with Merriment at Completion of the Offer. The Water Entitlements leased are in the Lachlan Regulated river, being all of the Water Entitlements acquired by the Company from Merriment.

11.3.4 HATHOR

The Company will enter into a 7 year lease to Hathor Dairies upon settlement of the Water Purchase Contract with Hathor at Completion of the Offer. The Water Entitlements leased are in the Victorian Murray Zone 6 region, and represent a portion of the Water Entitlements acquired by the Company from Hathor Dairies.

11.3.5 DEBT FACILITY

The Company currently has a \$6m debt facility with NAB which will be repaid using proceeds from the Offer and terminated on completion of the Offer. The debt facility is being utilised by the Company for purchase of Water Entitlements prior to the date of this Prospectus. The NAB has (or will have) security over those Water Entitlements and the Company, which will be discharged upon termination of the existing facility.

The Company does not intend to have any long term financial debt. The Company may hold short term debt from time to time in order to undertake opportunistic purchases of Water Entitlements. However, borrowings cannot exceed 30% of total assets (excluding accounts payable) under the Investment Guidelines in the Investment Management Agreement.

11.4 OFFER MANAGEMENT AGREEMENT

In addition to the Investment Management Agreement the Company has entered into an Offer Management Agreement with the Lead Managers with respect to the Offer.

The Company and the Lead Manager entered into an Offer Management Agreement on 25 July 2016 ("Offer Management Agreement"). Under that agreement the Company appointed the Lead Manager exclusively to arrange the Offer on reasonable endeavours basis and to lead manage and act as book runner for the Offer. The Lead Manager is also appointed as the Authorised Intermediary for the Offer.

Fees and Expenses

Subject to the Minimum Subscription being received, the Company has agreed to pay the Lead Manager a management fee of 1.5% of the total gross amount raised under the Offer and a selling fee of 2% from proceeds raised from institutional and retail investors (both exclusive of GST), but excluding the Offer of Options to the Vendor Shareholders.

The Company also agreed to pay or reimburse the Lead Manager for all reasonable expenses incurred in connection with the Offer Management Agreement, this Prospectus and the Offer, including reasonable legal fees (up to a maximum of \$15,000 without prior consent of the Company) and marketing, travel, accommodation and other similar expenses and costs. The Company will also pay all costs and expenses in relation to completion of the Offer, including any such costs payable by the Lead Manager to ASX or ASX Settlement.

The Lead Manager is solely responsible for paying all fees payable to co-managers or brokers appointed in relation to the Offer. The Company is not responsible in any way for those costs.

Undertakings and representations

The Company has given the Lead Manager usual representations and warranties regarding its authority and ability to enter into and perform the Offer Management Agreement and in relation to its compliance with the Corporations Act and ASX Listing rules in relation to the Prospectus and the Offer, including that the Prospectus will not contain any untrue, inaccurate, misleading or deceptive statements.

Except as disclosed in the Prospectus, the Company cannot alter its capital structure in any manner without the prior consent of the Lead Manager within the period of 120 days after the Shares are issued pursuant to the Offer, unless the alteration arises from a takeover bid or merger proposal which has been approved by the Directors acting in accordance with their fiduciary duties.

The Company also cannot issue (or agree to issue) any new Shares or other securities within 120 days after the Shares are issued pursuant to the Offer, other than as contemplated in this Prospectus (and including the issue of Shares pursuant to the exercise of Options).

Termination events

The Lead Manager may terminate the Offer Management Agreement prior to issue of the Shares under the Offer in accordance with this Prospectus without liability (other than in respect of any existing breach of the Offer Management Agreement by the Lead Manager), if any of the following occurs:

- The Shares and Options have not been issued in accordance with the Prospectus on or before 30 September 2016.
- The S&P/ASX 200 Index at any time falls to a level which is 90% or less than the level at close of trading on the date of the Offer Management Agreement and remains below that level for a period of 2 consecutive Business Days.
- The Minimum Subscription is not achieved in accordance with the Offer timetable.
- The Company withdraws the Prospectus, any supplementary Prospectus or the Offer or indicates that it intends to do so.
- The Company materially changes the terms of the Offer, except with the prior consent of the Lead Manager.
- The ASX does not grant approval for admission of the Company to the official list and official quotation of the Shares (other than being subject to customary "conditions" imposed by ASX), in accordance with the Offer timetable, or any approval granted by ASX is subsequently withdrawn or qualified before Completion.
- There is a material adverse change, effect or development concerning the general affairs, business operations, assets, liabilities, financial position or performance, profits, losses, prospects, earnings position, shareholders equity or results of the operations of the Company or otherwise (taken as a whole). In addition, if there is such a material adverse change or effect on the liability of the Lead Manager under the Corporations Act or the Offer itself.
- The Company does not provide appropriate confirmation certificates to the Lead Manager confirming the Company's compliance with the Offer Management Agreement in respect of the Offer.
- The Company ceases or threatens to cease to carry on its intended business or disposes of (or agrees to dispose) the whole or a substantial part of its business or property other than as contemplated in this Prospectus without the prior consent of the Lead Manager.
- This Prospectus or any other disclosure document contains misleading or deceptive statements, or any statement in those documents becomes misleading or deceptive in any material way, or any disclosure document does not materially comply with the applicable laws.
- A matter referred to in Section 819 of the Corporations Act occurs in respect of the Prospectus or the due diligence report of the due diligence committee established by the Company in respect of the Offer or any other information supplied to the Lead Manager in relation to the Company and the Offer is untrue in a material manner.

- ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus which is not dismissed or withdrawn before the Closing Date, ASIC gives notice of an intention to hold a hearing in relation to the Prospectus or makes an interim order under Section 839 of the Corporations Act or ASIC otherwise issues or threatens to issue proceedings in relation to the Offer or conduct any enquiry or investigation in relation to the Offer.
- A person (other than the Lead Manager) gives a notice under sections 730 and 733(3) of the Corporations Act in relation to the Prospectus or the Offer.
- Any person (other than the Lead Manager) who consented to inclusion of a statement in, or to be named in, the Prospectus or any supplementary Prospectus withdraws that consent.
- The Lead Manager reasonably forms a view that a supplementary or replacement Prospectus must be lodged with ASIC and the Company does not do so as reasonably required by the Lead Manager.
- The Lead Manager as Authorised Intermediary terminates the Offer Management Agreement and the Company is not able to appoint a replacement Authorised Intermediary to undertake those activities before the termination takes effect.
- An insolvency event (such as receivership, administration or liquidation) occurs with respect to the Company, or the Company cannot pay its debts when due for payment.

Additional termination events subject to materiality

In addition the Lead Manager may terminate the Offer Management Agreement prior to the issue of the Shares and the Options under the Offer, without liability (other than in respect of an existing breach by the Lead Manager) by notifying the Company if any of the following events occurs and the Lead Manager determines that the event has or would have a material adverse effect on the Company and its related bodies corporate (taken as a whole), the Offer or the liability of the Lead Manager under the Corporations Act:

- There is a material breach by the Company of the Offer Management Agreement.
- There is the announcement or introduction by any legislature of Australia in relation to a new government policy or law which does or is likely to prohibit the Offer, capital issues or the taxation treatment of the Shares or regulate or affect the Offer, capital issues or taxation of the Shares in a material adverse fashion.
- There is an adverse change or disruption in the existing financial markets, political or economic conditions of Australia, New Zealand, the United States of America, the United Kingdom or Hong Kong.
- The information supplied by or on behalf of the Company to the Lead Manager in connection with the Offer is or becomes false, misleading or deceptive.

- A general moratorium on commercial banking activities in Australia, New Zealand, the United Kingdom, the United States of America or Hong Kong is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of them.
- Trading in all securities listed on ASX, the London Stock Exchange, the New York Stock Exchange or the Hong Kong Stock Exchange is suspended or limited in a material respect for at least one trading day.
- A material contract or agreement of the Company referred to in this Prospectus is breached by the Company or terminated for any reason without the prior consent of the Lead Manager.
- The Company breaches any material term or condition of the Offer Management Agreement and which is not remedied within five Business Days.
- Other than set out in this Prospectus, the Company charges or agrees to charge the whole or a substantial part of its business or property.
- A Director of the Company is charged with an indictable offence or any government agency commences any public action against the Company or its Directors in that capacity.
- A Director of the Company is disqualified from managing a corporation under the law of any jurisdiction or the Company or a Director engages in any fraudulent conduct or activity.
- Other than as contemplated in this Prospectus, there is a change in the Board of the Company or that is announced, without the consent of the Lead Manager.
- There is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of Australia, New Zealand, the United Kingdom, the United States of America or Hong Kong, or involving any diplomatic military commercial or political establishment of any of those countries elsewhere in the world.

Indemnity

The Company has agreed to indemnify the Lead Manager and certain affiliated parties against liabilities and losses incurred or sustained directly or indirectly in relation to the Offer or the Offer Management Agreement. The Company will not be liable where the Lead Manager has been fraudulent, negligent or engaged in willful misconduct except to the extent that the Lead Manager's loss was induced or contributed to by the acts or omissions of the Company (or its officers or employees) or is caused by the Lead Manager's reliance on information contained in this Prospectus or otherwise provided by or on behalf of the Company to the Lead Manager.

11.5 AUTHORISED INTERMEDIARY

The Lead Manager also acts as an Authorised Intermediary pursuant to the Offer Management Agreement in relation to the Offer.

The Lead Manager has been appointed as Authorised Intermediary of the Company to make Offers in accordance with this Prospectus, to arrange for the issue of the Shares and the Options by the Company, and arrange the issue of those securities by the Company under the Offer.

The fee payable by the Company to the Lead Manager for being the Authorised Intermediary is \$1.00. Under the terms of the Offer Management Agreement:

- The Authorised Intermediary is and must remain the holder of an AFSL under which it is authorised to provide certain financial services in order to allow the Company to conduct and complete the Offer.
- The Lead Manager acknowledges that the Company has not obtained an AFSL and will rely on the statutory exemption under Section 911A(2)(b) of the Corporations Act from the licensing requirement in respect of the Offer.
- The Authorised Intermediary will ensure that the requirements of the Corporations Act are complied with so that the Company is entitled to rely upon the exemption from licensing requirements under the Corporations Act in respect to the Offer.

PART A

FINANCIAL SERVICES GUIDE (FSG)

This FSG provides you with information about Taylor Collison Limited (“Taylor Collison”, “we”, “us” or “our”) to help you decide whether to use the financial services we Offer.

The FSG includes information about:

1. who we are and how we can be contacted
2. the services we Offer
3. how we are remunerated
4. potential or actual conflicts of interest
5. our internal and external complaints handling procedures and how you can access them
6. our privacy statement; and
7. relationships and associations that we have.

This FSG relates only to financial services provided by Financial Services Representatives of Taylor Collison Limited and our Representatives to retail investors.

1. WHO IS TAYLOR COLLISON AND HOW CAN WE BE CONTACTED

Taylor Collison is a holder of an Australian Financial Services Licence (AFSL #247083) and is a Trading Participant of more than one Relevant Exchange, including the Australian Securities Exchange, CHI-X, NSXA and the SIM Venture Securities Exchange.

As a participant of these relevant exchanges, all transactions are subject to the ASIC Market Integrity Rules and the regulatory directions, decisions and requirements of the Relevant Exchanges, collectively the “Regulatory Rules”.

Taylor Collison was established in 1928 and provides a broad range of advisory and execution services to a diverse client base.

Taylor Collison Limited is licensed to provide financial services under the Corporations Act 2001. You should also note that Taylor Collison is obligated under the Anti-Money Laundering and Counter Terrorism Financing Act not to execute any trades for a client unless the client has been properly identified and verified to our satisfaction. Taylor Collison is a Sponsoring Broker in the Clearing House Electronic Sub-Register System (CHES) operated by ASX Settlement Corporation.

Our contact details are as follows:

Taylor Collison Limited,
Level 16, 211 Victoria Square Adelaide SA 5000
Ph: +61 8 8217 3900

2. THE SERVICES WE OFFER

Taylor Collison is a specialist provider of stockbroking services. We provide transactions execution and settlement services, supported by research and other advice:

- Access to fixed interest securities and managed funds
- Access to non-standard and standard margin lending facilities
- Access to short-selling facilities
- Access to IPO’s and other capital raisings
- Portfolio Management Services
- Assistance with deceased estates and off-market transfers
- Portfolio advice and reviews
- Depending on your requirements, advice personalised to your objectives, situation and needs, or general advice based solely on the investment or trading merits of the particular product.
- Direct trading in domestic Equities, warrants and debt securities on ASX
- Direct trading in Equities and warrants on CHI-X
- Direct trading in Equities on the National Stock Exchange of Australia
- Access to trading in international securities traded on recognised overseas exchanges

Our corporate finance division, TC Corporate Pty Ltd (an authorised representative of Taylor Collison), provides advisory services in relation to mergers and acquisitions, business divestments and restructuring, company IPO's, rights issues, placements, financing, capital management and corporate governance.

Taylor Collison is authorised to give advice (both general and personal) and deal in:

- Basic and non-basic deposit products
- Foreign exchange contracts
- Managed investment schemes
- Retirement savings accounts
- Superannuation
- Derivatives (limited)
- Government debentures, stocks and bonds
- Managed investment warrants
- Securities
- Margin lending facilities

Taylor Collison is authorised to deal in foreign exchange contracts in order to facilitate settlement of international transactions, and to provide custodial services. The custodial services however are usually incidental to our dealing services.

2.1 STATEMENT OF ADVICE

In addition to this Guide, you may receive a Statement of Advice (SOA) from us when we provide you with personal advice (unless the advice is Further Advice). Personal advice is advice which takes into account your investment objectives and financial situation. An SOA is a written record of the advice provided by us to you, and includes information about fees, commissions and associations that may have influenced our advice. SOA's are only relevant in the context of personalised advice.

Further Advice is personal advice that is provided on an ongoing basis. If we provide you with Further Advice, we will not give you an SOA, but you can request a copy either verbally or in writing of the Record of Advice (ROA) up to 7 years after the advice was given.

A record of your 'relevant personal circumstances' will be maintained and a SOA, detailing these personal circumstances and any agreed investment strategy and advice, will be provided to new retail clients. Thereafter, a new SOA will only be provided if you advise that your circumstances have changed materially.

2.2 CLIENT RESPONSIBILITIES AND PERSONALISED ADVICE.

You need to provide us with details of your personal objectives, risk profile, current financial situation and any other relevant information, so that we can Offer you the most appropriate advice possible.

You have the right not to provide this information. However, if you choose not to provide any or all of the information requested, the advice you receive from us will be limited accordingly and may not be appropriate to your needs, objectives and financial situation. In these circumstances you should consider the appropriateness of our advice in the light of your own objectives, financial situation or needs prior to making any scaled advice investment decision.

2.3 PRODUCT DISCLOSURE STATEMENT

If we recommend to you a particular financial product (other than listed securities), you may receive a Product Disclosure Statement prepared by the financial product issuer. This document contains significant information necessary for you to make an informed decision about that product.

2.4 PERSONAL FINANCIAL PRODUCT ADVICE

In order to provide you with personal advice you will need to provide us with details of your personal investment objectives and current financial situation. We can then make recommendations that are appropriate for your personal investment profile. The provision of this information is voluntary. Naturally, if you do supply this information, it will be strictly confidential. Should you choose not to provide this information, then you are acknowledging and accepting that any advice you receive will be based on our consideration of the investment opportunity or the financial product alone (general advice) and without reference to its appropriateness to your investment objectives, financial situation and particular needs. Under these circumstances it would become your responsibility to assess the appropriateness of any advice to your particular circumstances before acting upon it.

2.5 WHO IS RESPONSIBLE FOR THE FINANCIAL SERVICES PROVIDED?

Your Adviser will be acting on our behalf. Taylor Collison is responsible for the financial services provided to you.

When providing advisory services, dealing or other services to you, we will be acting on your behalf as your agent. From time to time we may even be acting as agent for another client who is the counterparty to your transaction. Rarely we may act 'as principal' on our own account on the other side of the transaction with you, and in such circumstances we can not charge you brokerage. We may also accumulate and price-average a number of transactions on one Confirmation. We will seek your

consent to these scenarios and may ask you to sign acknowledgments or consents.

When your Adviser or Taylor Collison, its directors and/or employees collectively hold a significant interest in a financial product recommended to you, this interest will be disclosed prior to you entering the transaction.

2.6 LIMITATIONS OF RESEARCH

The research undertaken by stockbrokers is basically the opinion of specialist analysts. It can never be guaranteed, is only valid for a limited time and is often subject to market movements. For example, for short term investors a buy recommendation could turn into a sell recommendation where the market price of a stock appreciated by a small amount. Past performance is not a reliable indication of future performance.

For a prospective longer term investor this market movement may not be significant, although a larger movement might be. The mere fact that a stock is recommended by an analyst as a Buy or Hold does not necessarily mean that the stock is a suitable investment for you and you should consult with your Adviser before acting on any research report.

2.7 BEST EXECUTION

When you trade through Taylor Collison, we will always seek to achieve the best outcome for you when handling and executing your orders. For more information please visit our website, and review the Best Execution Policy.

2.8 GENERAL RISK DISCLOSURE

Guidance for investors

We will endeavour to explain to you any significant risks of investments and strategies which we recommend to you. If we do not do so, you should ask us to explain those risks to you.

General investment risks

Generally, there are a number of inherent risks associated with any investment in the stock market. These include, but are not limited to, movements in domestic and international markets, the current and future economic environment, company liquidity, investor sentiment, interest rates and market volatility.

Market traded products in common with all other asset classes (e.g. real property and government bonds) can decline in value as well as appreciate. The measure of this change in value is often referred to as volatility. That is the more the value varies over time, the more volatile the asset is and therefore the more risk involved in investing in it. In general the less volatile an asset is, the less likelihood there is for any significant short term capital gain or loss from investing in that asset.

Market traded products are generally more volatile than other asset classes, however, the markets for other asset classes are not as efficient or transparent as the stock market in terms of the information available to investors and the process for continuously determining and making public the real market value of the particular asset.

For this reason the real volatility of those other assets is often not fully appreciated. In general, the risks of investing in market traded products can be categorised in the following manner. (Please note that the list below does not purport to be complete, as it would not be feasible to list all the possible risks in each category).

a. Overall Market Risks

The risk of loss by reason of movements in the share market generally. These can be caused by any number of factors including political, economic, taxation or legislative factors. Specific examples are changes in interest rates, political changes, changes in taxation or superannuation laws, international crises or natural disasters.

b. Domestic versus International Factors

The vulnerability of a given company to international events or market factors. These would include movements in exchange rates, changes in trade or tariff policies and changes in other stock or bond markets.

c. Sector Specific Factors

These would include demand for the product the company produces, commodity prices, the economic cycle of industry, changes in consumer demands, lifestyle changes and changes in technology.

d. Stock Specific Factors

These would include the company's directors, the strength of the company's management and the significance of any key personnel, the company's profit history, the company's tangible asset base, debt level and fixed cost structure, litigation, profits or losses on particular contracts, drill results, competition from within the sector, and whether the company already has a profitable business or whether it is exploring for resources or is developing a new product.

3. HOW WE ARE REMUNERATED

3.1 BROKERAGE

When securities are bought or sold, brokerage is charged as a percentage of the total consideration. Our brokerage rates are largely dependent on the type and level of service required, and the size and frequency of transactions. Your Adviser will inform you of your brokerage rate. We have a minimum brokerage charge of \$100 (the rates and minimum charge quoted exclude GST). You may also have to pay GST on brokerage. The applicable brokerage rate will be disclosed in your Statement of Advice (SOA), and on your confirmation.

3.2 FIXED INTEREST

We may receive commissions and/or handling fees from financial institutions with whom we place funds. The interest rates quoted to you at the time of dealing are net of those commissions.

3.3 PORTFOLIO MANAGEMENT, ADMINISTRATION & CAPITAL GAINS TAX (CGT) REPORTING SERVICES

Our Portfolio Management, Administration and Capital Gains Tax Reporting services provide a range of administration, tax and investment reporting functions which are designed to ease the workload and enhance overall performance.

Ongoing fees are charged for the above service(s) calculated as a percentage of the worth of your portfolio. For example, if you were using the Portfolio Management Service and agreed a rate of 0.825% (incl GST) with your advisor, the annual fee for a \$600,000 portfolio would be \$4,950 (GST inclusive). Your transactional brokerage rate may be reduced from the standard rate when using one of these services.

There are three levels of services and fees charged will depend on the level of service chosen and the complexity of your portfolio. Minimum annual fees apply to the above services. A one off establishment fee may also apply to new accounts.

3.4 ADVISERS

Our employees and directors may receive salaries, bonuses, commission and other benefits from us. Advisers receive a percentage share of the commission/fees and other benefits earned by Taylor Collison. This percentage varies depending on the nature of the activity and the Financial Product, but typically ranges from 20%-50% of the fees.

3.5 CORPORATE SERVICES

TC Corporate Pty Ltd earns retainers and other payments in relation to the provision of corporate services.

3.6 REFERRALS

Where you have been referred to us by a third party such as a financial planner, accountant or other professional, we may pay an introductory fee or commission rebate in relation to that referral. The fee or commission paid in respect of the referral depends on the particular circumstances of the arrangement with the third party.

3.7 FURTHER INFORMATION

Where we provide you with personal advice (this may be provided orally), the actual amount of commissions or other benefits that would be earned by us or your Adviser, if you act on the advice, will be detailed in the SOA or noted in the ROA.

3.8 ASSOCIATIONS BETWEEN TAYLOR COLLISON AND FINANCIAL PRODUCT ISSUERS

Taylor Collison acts in its own capacity when recommending financial products to clients. Taylor Collison is not owned or controlled by any product issuer, nor is it bound to recommend a certain product over another to you.

3.9 TRUST ACCOUNT

Our Clearing Participant is required by law to maintain a trust account on your behalf in order to hold funds which are to be used for your share trading account. Our Clearing Participant will retain any interest that may be earned on this account.

4. COMPLAINT HANDLING PROCEDURES

Taylor Collison is committed to providing a high standard of client service and to maintaining its reputation for honesty and integrity. If you have a complaint about the service provided to you, you should take the following steps:

1. Firstly, contact your Adviser and discuss your concerns.
2. If your concerns are not resolved to your satisfaction, please contact our Complaints Manager on 08 8217 3900 or put your complaint in writing and send it to our Complaints Manager, Level 16, 211 Victoria Square SA 5000. We will endeavour to resolve your complaint fairly and in a timely fashion.
3. If the complaint is not resolved to your satisfaction, you have the right to refer the matter to the Financial Ombudsman Service (FOS), of which Taylor Collison is a member.

FOS can be contacted on Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399 Website: www.fos.org.au

Email: info@fos.org.au

Mail: GPO Box 3, Melbourne VIC 3001

4.1 COMPENSATION ARRANGEMENTS

Taylor Collison Limited holds a Professional Indemnity Insurance Policy, which satisfies the requirements for compensation arrangements under Section 1012B of the Corporations Act and section D of ASIC Regulatory Guide 126. Subject to the terms and conditions, the Policy provides cover for the provisions of products and services under AFSL 247083 by Taylor Collison Limited and civil liability resulting from third party claims concerning the professional services provided by Taylor Collison and its employees and representatives. This policy continues to provide coverage for past employees and representatives in respect of professional services performed whilst engaged by Taylor Collison, subject to ASIC Regulatory Guidelines regarding time limits. Taylor Collison Limited is also a member of the Financial Ombudsman Service.

5. PRIVACY STATEMENT/POLICY - PRIVACY OF YOUR PERSONAL INFORMATION

Privacy principles

We are bound by the Australian Privacy Principles (APPs) and will provide you with financial services in a secure and confidential manner. This policy applies to information collected by Taylor Collison (and its related bodies). In it we advise how we collect and use personal information provided by you in accordance with the Privacy Act.

Personal Information

We will only collect and use personal information about you:

- To provide you with products, services or information that you might request or reasonably expect
- To manage our rights and obligations under applicable laws and regulations
- To conduct research, planning, product development, risk assessment and marketing
- For other purposes required or authorised by law.

Failure to provide the personal information referred to above may expose you to higher risks in respect of the recommendations made to you and may affect the adequacy or appropriateness of advice given. It may also prevent or restrict our ability to provide particular services to you.

Collection Policies

We will not collect any personal information about you except when you have knowingly provided that information or authorised a third party to provide that information to us.

Generally your personal information will be collected in either a face-to-face interview, over the telephone, or by way of a client engagement form. From time to time, additional and/or updated personal information may be collected through one or more of those methods.

We will only collect, maintain and use personal information in order to provide the services you have requested, including:

- making securities and investment recommendations;
- portfolio services;
- advice in relation to options, warrants and other derivative products;
- equity financing (margin lending);
- reviewing securities and investment recommendations.

Any Law that Requires the Particular Information to be collected

We are required by law to collect certain information in order to open accounts (e.g.: AUSTRAC AML/CTF Act 2006, Corporations Act, 2001 and the operating rules of the ASX Group).

Disclosure Policies

We will not use or disclose Personal Information collected by us for any purpose other than:

- the purposes for which it was provided or secondary related purposes in circumstances where you would reasonably expect such use or disclosure; or,
- where you have consented to such disclosure; or,
- where the National Privacy Principles authorise use or disclosure where required or authorised under law, in circumstances relating to public health and safety and in connection with certain operations by or on behalf of an enforcement body.

We are required under the Rules and Regulations of the Relevant Exchanges to make certain information available for inspection to ensure ongoing compliance. This may involve the disclosure of your personal information. We are also obliged, pursuant to the Corporations Act 2001, to maintain certain transaction records and make those records available for inspection by the Australian Securities and Investments Commission (ASIC) and AUSTRAC.

We may use the personal information collected from you for the purpose of providing you with material such as articles that may be of interest to you, however you may request not to receive such information and we will comply with that request.

Document Storage and Security Policies and Practices

Your personal information is generally held in your client file or a computer database. We will at all times seek to ensure that the personal information collected and held by us is protected from misuse, loss, unauthorised access, modification or disclosure. At all times your personal information is treated as confidential and any sensitive information is treated as highly confidential. All computer-based information is protected through the use of access passwords on each computer. Data is backed up each evening and stored securely off-site.

In the event you cease to be a client of this organisation, any personal information which we hold will be maintained in a secure storage facility for a period of seven years in order to comply with legislative and professional requirements, following which time hardcopy information will be destroyed.

Gaining Access to Your Personal Information

You may at any time, by contacting us by any of the methods detailed below, request access to your personal information and we will provide you with access to that information either by providing you with copies of the information requested, allowing you to inspect the information requested or providing you with an accurate summary of the information held. We will, prior to providing access in accordance with this policy, require you to provide evidence of your identity. If particular circumstances apply, we are permitted by the Privacy Act to deny your request for access, or limit the access we provide. (In the event we refuse you access to your personal information, we will provide you with an explanation for that refusal.)

Information Access and Correction Policies and Procedures

We will endeavour to ensure that, at all times, the personal information we hold is up to date and accurate. In the event that you become aware, or believe, that any personal information which we hold is inaccurate, incomplete or outdated, you may contact us by any of the methods detailed below and provide to us evidence of the inaccuracy or incompleteness. If we agree that the information requires correcting, we will take all reasonable steps to correct the information.

If we do not agree that your personal information requires correcting, we must, if you request, take reasonable steps to ensure that whenever your personal information is accessed or handled in the future, it is apparent that you are not satisfied as to the accuracy or completeness of that information.

We will endeavour to respond to any request for access within 14-28 days depending on the complexity of the information and/or the request. If your request is urgent, please make this clear to us.

Our website — Cookies

A cookie is a small file placed on your computer that contains information about your visit to our website. A cookie identifies your computer to our web server when you visit the site. We do not use the cookie to collect or store personal information about you. If you do not wish to use cookies, you can adjust the settings on your browser to reject cookies or notify you when they are being used. Our site may contain links to other websites and Taylor Collison is not responsible for the privacy practices or the content of these websites.

How You Can Make a Privacy Complaint

If you wish to complain about any breach or potential breach of this privacy policy or the National Privacy Principles, you should contact us by any of the methods detailed below and request that your complaint be directed to the Privacy Officer. Your complaint will be considered within seven days and responded to. It is our intention to use our best endeavours to resolve any complaint to your satisfaction; however, if you are unhappy with our response, you are entitled to contact the Office of the Privacy Commissioner who may investigate your complaint further.

Contact Details: Privacy Officer

Address: Level 16, 211 Victoria Square Adelaide SA 5000

Email: broker@taylorcollison.com.au

Telephone: (08) 8217 3900

Facsimile: (08) 8231 3506

6. RELATIONSHIPS AND ASSOCIATIONS

Taylor Collison's Group of Companies includes;

- Taylor Collison Limited
- TC Corporate Pty Ltd
- Taycol Nominees Pty Ltd
- Tayscrip Nominees Pty Ltd

6.1 TAYLOR COLLISON AND PERSHING

Taylor Collison has entered into an agreement with Pershing Securities Australia Pty Ltd AFS Licence 338264 and ABN 60 136 184 962 ("Pershing") to settle and clear all traded transactions executed by Taylor Collison.

Together with this FSG you will have received the FSG of Pershing. Refer Part F. You should read both this FSG and the Pershing FSG before deciding whether to use the services we provide.

11.6. LEGAL PROCEEDINGS

To the knowledge of the Directors, there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved.

11.7. ACKNOWLEDGEMENTS

Each Applicant under the Offer will be deemed to have:

- Agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer
- Acknowledged having personally received a copy of the Prospectus accompanying the Application Form and having read them in full
- Declared that all details and statements in their Application Form is complete and accurate
- Declared that the Applicant is over 18 years of age (if natural person)
- Acknowledged that once the Company receives an Application Form it may not be withdrawn
- Applied for the number of Shares and attaching Options at the Australian dollar amount shown on the front of the Application Form
- Agreed to being allocated and issued the number of Shares and Options applied for (or a lower number as described in this Prospectus), or no Shares and Options at all
- Authorised the Company and their respective officers or agents to do anything on behalf of the Applicant necessary for Shares and Options to be allocated to the Applicant
- Acknowledged that the Company may not pay dividends in some instances
- Acknowledged that the information contained in this Prospectus is not financial product advice or that the Shares are suitable to the client based on their objectives, financial situation and needs
- Declared that the Applicant is a resident of Australia.

11.8. CHESS AND ISSUER SPONSORED HOLDINGS

The Company will apply to participate in ASX's Clearing House Electronic Sub-register System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares and Options become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register.

All other Shares will be registered on the issuer sponsored sub-register.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number ("HIN") for CHESS holders or, where applicable, the Securityholder Reference Number ("SRN") of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Holding statements will also be sent out in the same manner for Optionholders.

Shareholders and Optionholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

11.9. SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held by the Shareholder.

Polls

At any time or place as decided by the Chairman, any poll may be taken. Any poll taken on any question of adjournment is to be taken immediately at the meeting. The result of a poll may be announced at the discretion of the Chairman. Subject to the Listing Rules, in the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote.

Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

Except as permitted by the Corporations Act, general meetings must be called on at least the minimum number of days' notice required by the Corporations Act (which at the date of this Prospectus is 28 days) and otherwise in accordance with the procedures set out in the Corporations Act.

Dividends

The Company currently anticipates to pay a twice yearly dividend to Shareholders, with one dividend being declared within the first 12 months of listing.

The amount of the dividend will be at the discretion of the Board and will depend on a number of factors (including, the time it takes the Investment Manager to deploy capital, future earnings, capital requirements, financial conditions, future prospects and other factors that the Board deem relevant) however, it is the intent of the Company to payout a dividend as high as prudentially possible.

It is expected that all dividends paid to Shareholders will be franked to 100% or to the maximum extent possible. For further information in respect of the Company's proposed dividend policy, see Section 3.4.

Transfer of Shares and/or Options

Subject to the Constitution, Shares and/or Options may be transferred by a proper transfer effected in accordance with the ASX Listing Rules or the ASX Settlement Operating Rules. Subject to compliance with the ASX Listing Rules and the ASX Settlement Operating Rules, Shares and/or Options may be transferred by a written instrument of transfer in any usual form or by any other form approved by the Directors.

The Board may, in its absolute discretion, refuse to register a transfer of Shares and/or Options in any of the circumstances permitted by the ASX Listing Rules. The Board must refuse to register a transfer of Shares and/or Options when required to do so by the Listing Rules.

Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules, and the Constitution, the Company may issue and allot, or dispose, of Shares on terms determined from time to time by the Directors at an issue price that the Directors determine from time to time and to Shareholders whether in proportion to their existing shareholdings or otherwise, or to such other persons as the Directors may determine from time to time.

The Directors' power under the Constitution includes the power to grant options to acquire Shares and issue and allot Shares with any preferential, deferred or special rights, privileges or conditions; with any restrictions in regard to dividend, voting, return of capital or otherwise; which are liable to be redeemed or converted; or which are bonus Shares for whose issue no consideration is payable to the Company.

Winding up

Without prejudice to the rights of the holders of Shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind all or any of the Company's assets; and for that purpose, determine how it will carry out the division between the different classes of Shareholders, but the liquidator may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

Non-marketable parcels

Where the Company complies with the relevant procedure outlined in the Constitution, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy Shares on terms and at times determined by the Board.

Variation of class rights

As of the Offer, the Company's only class of Shares on issue will be ordinary Shares. The rights attached to any class of Shares may be varied in accordance with the Corporations Act.

Dividend reinvestment plan

The Directors may establish a plan under which Shareholders may elect to reinvest cash dividends paid or payable by the Company, by acquiring by way of issue or transfer (or both) Shares. The Directors have no current intention to establish a dividend reinvestment plan.

Directors – appointment and rotation

Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the managing director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or 3 years, whichever is longer. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the Listing Rules, in the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote.

Directors – remuneration

The Directors, other than an executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum for fees for non-Executive Directors is \$250,000 with the initial remuneration of these Directors set out in Section 10.3.2.1. Any change to that maximum aggregate sum needs to be approved by Shareholders. Pursuant to the Constitution, non-executive Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Indemnities

The Company, to the extent permitted by law, indemnifies every person who is or has been a Director or secretary of the Company against any liability incurred by that person as an officer of the Company (including liabilities incurred by the officer as a director or secretary of a subsidiary of the Company where the Company requested the officer to accept that appointment), and reasonable legal costs incurred or allegedly incurred by that person as an officer of the Company (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment). The Company, to the extent permitted by law, may advance to an officer an amount which it might otherwise be liable to pay to the officer in respect of legal costs under the terms of the indemnity outlined above. The Company may enter into a deed with any officer of the Company to give effect to those matters outline in this paragraph.

The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by that person as a Director.

ASX Listing Rules

At all times while the Company is admitted to the Official List of ASX, then despite anything in the Constitution:

- if the ASX Listing Rules prohibit an act being done, the act must not be done;
- nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be);
- if the ASX Listing Rules require the Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be); and
- if a provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

11.10. OPTIONS

The rights and liabilities attaching to the Options are summarised as follows:

Issue of Options

Options will be issued by the Company so that there will be one Option for each Share held by each Shareholder on the day the Shares are admitted to quotation on ASX. The Company will apply to ASX for quotation of the Options at the same time as it applies to ASX for quotation of the Shares (being within 7 days of the date of this Prospectus). The Options are likely to commence quotation on ASX at the same time as quotation of the Shares.

No amount is payable for the issue of the Options. Each Option will entitle the holder to exercise the Option and apply for one Share at an exercise price of \$1.10 per Share until the Expiry Date, being 31 May 2018.

Register

The Company will maintain a register of holders of Options in the same manner as it maintains a register of Shareholders and as required by the Corporations Act. The Company expects to issue holding statements for the Options at the same time as it issues holding statements for the Shares.

Exercise

A Option may be exercised by delivery to the Company of a properly completed Notice of Exercise of Option, the form of which will be specified by the Company upon issue of the Options, together with payment in full for the number of Options being exercised at \$1.10 per Option.

Options must be exercised by 5pm ACST on 31 May 2018, after which they will lapse and be cancelled. The Option will be deemed to be validly exercised upon the day on which the Company receives the properly completed Notice of Exercise of Option and payment in cleared funds.

Upon valid exercise of an Option, the Company will issue the Shares within 10 business days and will apply to ASX for quotation of the Shares.

No Dividend Entitlement

Options do not entitle the Holder to be eligible for or receive any dividends. Upon the valid exercise of Options, all Shares issued will rank equally with all other Shares then on issue and will be entitled to dividends paid on and from this date where the record date for dividends occurs after the date of the issue of those Shares.

Participation Rights

An Optionholder may only participate in new issues of securities by the Company if the Option has been validly exercised and the Shares are allotted in respect of the Option before the relevant record date.

The Company must give the minimum notice period to Option holders required by the ASX Listing Rules of any new issue of securities before the relevant record date for determining entitlements to that new issue.

If between the date of issue and the date of exercise of an Option, the Company makes one or more pro rata issues of Shares (which is not a bonus issue) in accordance with the ASX Listing Rules, the exercise price for each Option must be reduced in accordance with ASX Listing Rules in accordance with the following formula for each rights issue:

- $NE = OE - (E(P - (S + D)) / (N + 1))$
- Where:
- NE is the new exercise price of the Option
- OE is the old exercise price of the Option
- E is the number of underlying Shares into which one Option is exercisable
- P is the average closing sale price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex-rights date or entitlements date (excluding special crossings and overnight sales)
- S is the subscription price for a Share under the rights issue
- D is the dividend due but not yet paid on each Share at the relevant time
- N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue

If there is a bonus issue to the holders of Shares, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the relevant record date for the bonus issue.

Reorganisation of Capital

If the Company undertakes any reconstruction, consolidation or other form of reorganization of its share capital, the terms of the outstanding Options including the exercise price must be amended in accordance with the ASX Listing Rules.

The full terms and conditions of the Options are contained in the Appendix to this Prospectus.

11.11. TAXATION CONSIDERATIONS

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. Information pertaining to the taxation of Australian tax residents holding Shares or Options in the Company is based on current tax law and Australian Taxation Office Rulings at the time this Prospectus was issued.

Since investors are able to acquire and dispose of Shares or Options in the Company at different points in time a risk exists that the respective liabilities will be different for each investor. Investors should also note that this Prospectus is unable to address every taxation issue that could be of relevance to a particular Shareholder.

As the taxation circumstances of each investor may be different, 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. We strongly recommend you seek independent tax advice that takes into account your own personal circumstances.

Introduction

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

The comments in this Section are general in nature on the basis that the tax implications for each Shareholder or Optionholder may vary depending on their particular circumstances. Accordingly, it is recommended that each Shareholder or Optionholder seek their own professional advice regarding the taxation implications associated with the Offer.

The comments in this Section are based on the Income Tax Assessment Act 1936, and the 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 Prospectus. 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.

Tax File Numbers and Australian Business Numbers

Shareholders are under no compulsory obligation to quote their Tax File Number, Australian Business Number or any exemption details. If Shareholders elect not to disclose this information the Company is required by law to deduct tax from any distributions at the maximum personal rate (including the Medicare levy). The collection of Tax File Numbers is permissible under taxation and privacy legislation.

Stamp duty

Shareholders should not be liable to stamp duty in Australia in respect of the acquisition of Securities under the Offer.

Income tax position of the Company

The Company will be taxed as a company at the prevailing company tax rate which is currently 30% for businesses with an aggregate turnover of more than \$2,000,000. The Company will maintain a franking account and may declare franked dividends to Shareholders. The Directors intend to frank dividends at 100%, or to the maximum extent possible.

Income tax position of Australian resident Shareholders

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

Issue of Shares and Options

The Offer comprises the issue of Shares and attached Options in the Company. To determine the Capital Gains Tax (CGT) cost base of each asset, an investor's subscription price may need to be apportioned between the Shares and Option based on their respective value.

The issue of Shares and the Option involves the acquisition of two CGT assets, a Share and a Option (excluding incidental costs) but should not give rise to a taxing event at the time of issue for Shareholders.

Fees incurred for brokerage, and other incidental acquisition costs borne by investors, will be included in the tax cost base of the relevant Shares, and Options issued. Accordingly, these expenses will be included in the tax cost base of those Shares, and Options and will decrease (or increase) any subsequent gain (or loss) realised for capital gains tax purposes upon the event of any disposal of those Shares, or Options at a later date.

Disposal of Shares

The disposal of Shares will be a taxing event for Shareholders. Shareholders should derive a taxable capital gain where the capital proceeds that are received as a result of the disposal exceed the cost base of the Shares. Likewise, Shareholders should generally incur a capital loss where the reduced cost base of the Shares exceeds the capital proceeds.

Generally, the capital proceeds that are received as a result of the disposal of the Shares will be equal to the consideration received on disposal. The cost base of the Shares will generally be equal to the amount paid in respect of the acquisition of the Shares plus any incidental costs of acquisition or disposal.

Provided Shareholders (other than corporate Shareholders) have held their 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:

1. 50% for an individual or trust
2. 33.33% for a complying superannuation fund.

Exercise of Options

The exercise of a Option should not give rise to a tax liability for the Optionholder. The cost base of the Shares acquired by the Optionholders on exercising their Options, granted under the Offer, will have a cost base equal to the consideration paid to exercise the Options plus any incidental costs.

Disposal of Options

Where an Option held in the Company lapses or expires, a capital loss may arise equal to the cost base of the Option at the time of lapsing or expiration.

The disposal of the Options will give rise to a taxing event. A Optionholder should derive a capital gain where the capital proceeds that are received as a result of the disposal exceed the cost base of the Options. Likewise, a Optionholder should generally incur a capital loss where the reduced cost base of the Options exceeds the capital proceeds.

Provided a Optionholder (other than a corporate Option Holder) has held their Options 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 discount percentages:

1. 50% for an individual or trust; or
2. 33.33% for a complying superannuation fund.

Dividends

Dividends received by Shareholders should be included in the assessable income of Shareholders. Generally, Shareholders will be taxed on the dividends at their relevant marginal rate. If the Shareholder is a company, the Shareholder will be taxed at the prevailing company tax rate (currently 30% for companies with an annual turnover of \$2,000,000).

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 Shareholder. Further, Shareholders will generally be entitled to a refundable tax offset equal to the amount of the franking credits on the dividend (i.e. Shareholders will effectively get a tax credit for the corporate tax paid in respect of the dividends).

Certain 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.

Part IVA

The potential impact of Australia's anti-avoidance tax laws upon Shareholders should be discussed with a taxation professional. Part IVA may be relevant to any taxation benefit received through a scheme whereby any party to the scheme has become involved with the dominant purpose of allowing a taxpayer to receive a tax benefit in connection with the scheme.

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 Shares. GST may be included in fees charged to you in respect of acquisition or disposal of your Securities. Shareholders should seek independent professional taxation advice regarding the applicability and availability of input tax credits resulting from GST payments.

11.12. CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- **Taylor Collison Limited**

Taylor Collison Limited has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus as Lead Manager to the Company in the form and context in which they appear in this Prospectus.

- **Morgans Financial Limited**

Morgans Financial Limited (Morgans) has consented to being named as Co Manager of the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Morgans.

- **Cowell Clarke Commercial Lawyers**

Cowell Clarke Commercial Lawyers has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Australian Legal Advisor to the Company in the form and context in which it is so named.

- **Crowe Horwath Corporate Finance (Aust) Ltd**

Crowe Horwath Corporate Finance (Aust) Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and content in which it is named and to the inclusion in this Prospectus of its Independent Limited Assurance Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they appear in this Prospectus.

- **Computershare Investor Services Pty Limited**

Computershare Investor Services Pty Limited has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry to the Company in the form and context in which it is so named.

- **Duxton Capital (Australia) Pty Ltd**

Duxton Capital (Australia) Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Investment Manager to the Company in the form and context in which it is so named.

- **Management of Duxton Capital (Australia) Pty Ltd**

The management team of Duxton Capital (Australia) Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which they are so named.

- **Ruralco Water Brokers Pty Ltd**

Ruralco Water Brokers Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is so named.

- **Waterfind Australia**

Waterfind Australia has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is so named.

- **CBRE Valuations Pty Ltd**

CBRE has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is so named.

11.13. INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an Offer of Offer Securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and Offer Securities may not be Offered or sold, in any country outside Australia and New Zealand except to the extent permitted below.

11.13.1 HONG KONG

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Offer Securities have not been and will not be Offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Offer Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Offer Securities may sell, or Offer to sell, such securities in circumstances that amount to an Offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

11.13.2 SINGAPORE

This document and any other materials relating to the Offer Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the Offer or sale, or invitation for subscription or purchase, of Offer Securities, may not be issued, circulated or distributed, nor may the Offer Securities be Offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any Offer is not made to you with a view to the Offer Securities being subsequently Offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Offer Securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

11.13.3 SWITZERLAND

The Offer Securities may not be publicly Offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other Offering or marketing material relating to the Offer Securities may be publicly distributed or otherwise made publicly available in Switzerland. The Offer Securities will only be Offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other Offering or marketing material relating to the Offer Securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the Offer of Offer Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

11.14. CONTRACT SUMMARIES

Summaries of contracts set out in this Prospectus are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

11.15. PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

11.16. GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in South Australia and each applicant and bidder submits to the exclusive jurisdiction of the courts of South Australia.

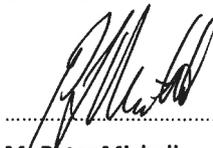
11.17. STATEMENT OF DIRECTORS

Other than set out in this Prospectus, the Directors report that after due diligence enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses of the Company, other than disclosed in this Prospectus.

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus and issue of this Prospectus and has not withdrawn that consent.

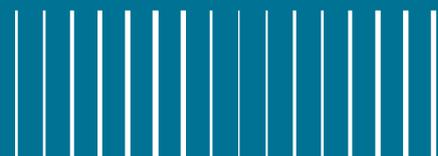
11.18. SIGNING BY DIRECTOR

This Prospectus is signed by Director Mr Peter Michell in accordance with section 351 of the Corporation Act.

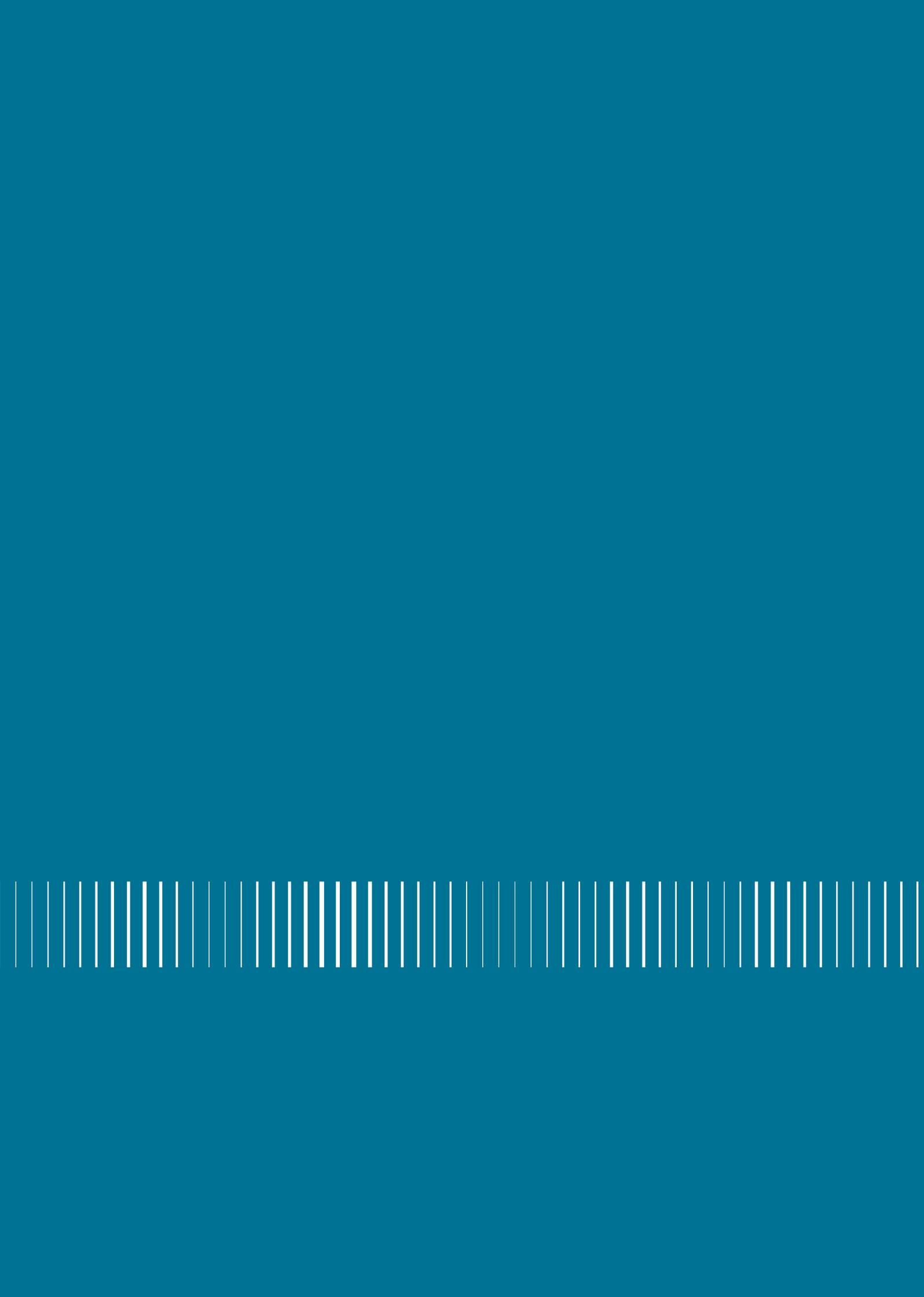


Mr Peter Michell

Director, Duxton Water Limited



GLOSSARY



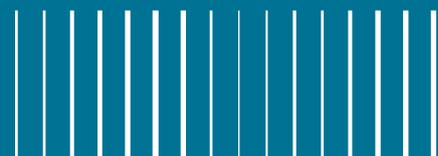
GLOSSARY

TERM	DEFINITION
\$ or A\$ or AUD	Australian dollars
ACST	Australian Central Standard Time
AFSL	Australian Financial Services Licence
Applicant	A person who submits an Application
Application	An application made to subscribe for Offer Securities offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus
Application Monies	The funds accompanying an Application Form submitted by an investor to acquire Offer Securities
ASEAN	Association of Southeast Asian Nations
ASIC	Australian Securities and Investment Commission
ASX	ASX ACN 008 624 691 or the market known as the Australian Securities Exchange, as applicable
ASX Listing Rules	The listing rules of ASX
ASX Settlement Operating Rules	The rules of ASX Settlement Pty Limited ACN 008 504 532
ATO	Australian Tax Office
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations
Board or Board of Directors	The board of directors of the Company
CBRE	CBRE Valuations Pty Limited (ACN 008 912 641)
CEO	Chief executive officer
CEWH	Commonwealth Environmental Water Holder
CFO	Chief financial officer
CGT	Capital Gains Tax
Chairman	Chairman of the Board of Directors
CHESS	Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act
Closing Date	The date by which Applications must be lodged for the Offer, being 31 August 2016. This date may be varied by the Company and the Lead Manager, without prior notice
Co Manager	Morgans Financial Limited
Company	Duxton Water Limited (ACN 611 976 517)
Completion	The completion of the Offer, being the issue and quotation of the Offer Securities
Constitution	The constitution of the Company
Corporate Directory	The Corporate Directory at the back of this Prospectus
Corporations Act	Corporations Act 2001 (Cth)

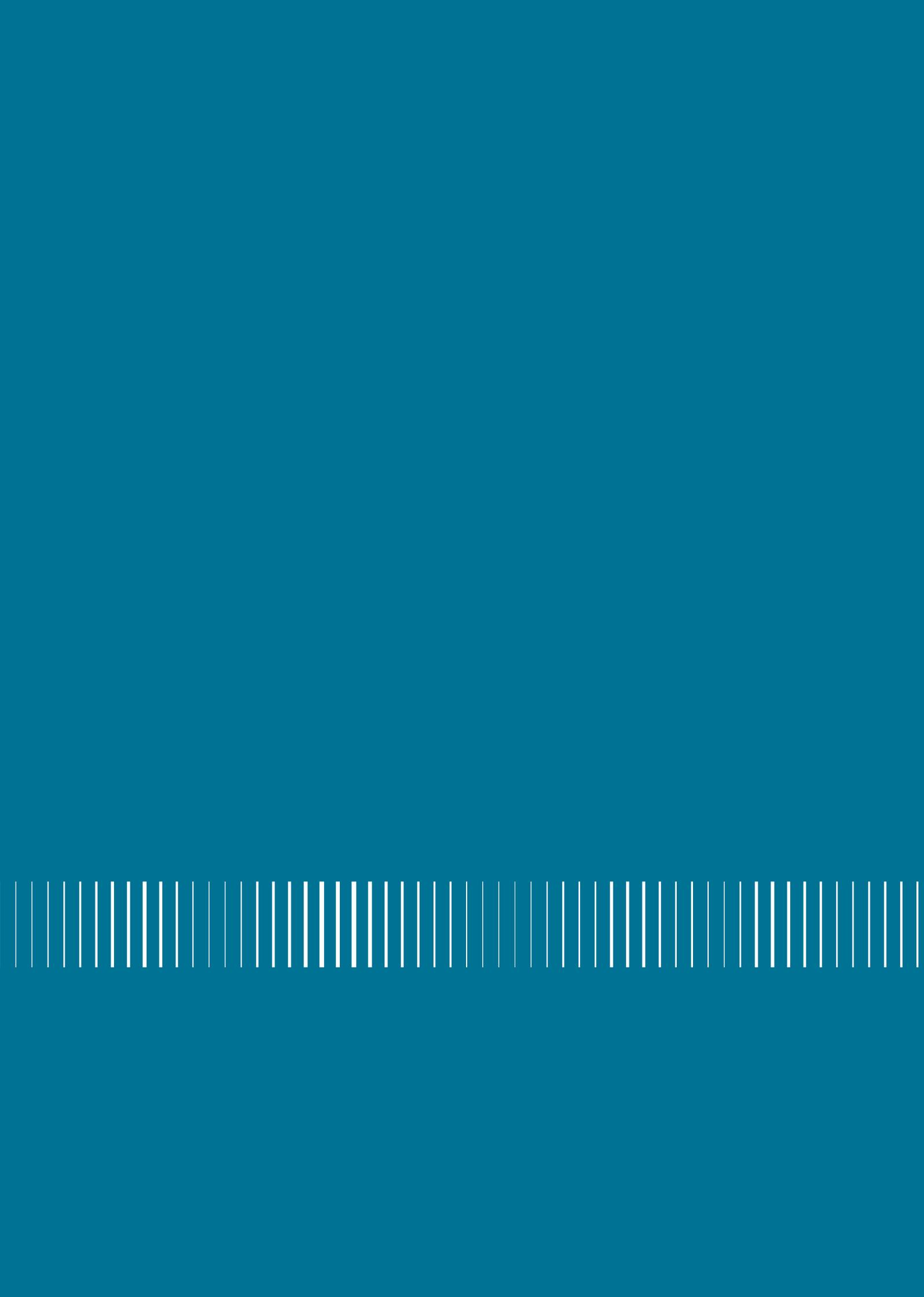
TERM	DEFINITION
Director	A director of the Company
Duxton Asset Management	Duxton Asset Management Pte Ltd (a company incorporated in Singapore)
Duxton Capital (Australia)	Duxton Capital (Australia) Pty Ltd (ACN 164 225 647) AFSL 450218, the Investment Manager
Duxton Group	Duxton Capital Pte Ltd (a company incorporated in Singapore) and its subsidiaries, which includes Duxton Asset Management and the Investment Manager
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 Unit Trust (formerly Duxton Water Pty Ltd)
Duxton Viticulture	Duxton Viticulture Pty Ltd (ACN: 609 424 704)
Duxton Water	Duxton Water Limited (ACN 611 976 517)- The Company
Financial Information	Has the same meaning given to that term in Section 7
GALOF	DWS Global Agricultural Land & Opportunities Fund Limited
Gearing	Net debt/Shareholders' equity
General Security	A form of Water Entitlement, hence Water Allocation, pertaining to a Regulated Stream for which water orders are accepted subject to storage / demand circumstances
GL	Gigalitre
GST	Goods and services or similar tax imposed in Australia
Hathor or Hathor Dairies	Hathor Dairies Pty Ltd (ACN 602 459 638)
High Reliability	Legally recognised, secure entitlement to a defined share of water. Water Allocations are made to high-reliability Water Entitlements before low-reliability Water Entitlements
High Security	A form of Water Entitlement, hence Water Allocation, pertaining to a Regulated Stream for which the supply of water is guaranteed irrespective of circumstances
IPO	Initial Public Offering
Investigating Accountant	Crowe Horwath Corporate Finance (Aust) Ltd (ACN 006 466 351)
Investment Guidelines	Guidelines defined in Section 4.4.1
Investment Manager	Duxton Capital (Australia)
KPMG	KPMG (ACN 008 644 728)
Lead Manager	Taylor Collison Limited (ACN 008 172 450)
Listing Date	The date on which the Company is admitted to the Official List of ASX and quotation of the Shares commences
Low Reliability	A Water Entitlement with a relatively low reliability of supply. Water Allocations are made to high-reliability Water Entitlements before low-reliability Water Entitlements
Management Fee	The management fee payable to the Investment Manager under the Investment Management Agreement
Maximum Subscription	The maximum subscription amount being sought by the Company under the Offer, before Oversubscriptions, being \$99,000,000
MDB	Murray Darling Basin
Merriment	Merriment Rural Investments Pty Ltd (ACN 129 249 243)
ML	Megalitre

TERM	DEFINITION
Morgans	Morgans Financial Limited ABN 32 010 539 607 (AFSL 235407)
Minimum Subscription	The minimum subscription amount being sought by the Company under the Offer, being \$22,000,000
Murray Darling Basin Authority	An independent expertise-based statutory agency responsible for planning the Basin's water resources, with all planning decisions made in the interest of the Basin as a whole
Murray Darling Basin Plan or MDB Plan	The Murray Darling Basin Plan guides governments, regional authorities and communities to sustainably manage and use the waters of the Basin. The Plan came into effect in November 2012, and it will be reviewed and revised throughout a 7 year implementation phase
NAB	National Australia Bank Limited (ACN 004 044 937)
NAV	Net Asset Value
Offer	The Offer under this Prospectus of Offer Securities for issue by the Company
Offer Period	The period from the date on which the Offer opens on 11 August 2016 until the Closing Date
Offer Price	\$1.10 per Offer Security
Offer Securities	The new Shares and attaching Options offered under the Prospectus
Official List	The official list of ASX
Option	An option to acquire 1 Share, exercisable at \$1.10 per Option on or before 31 May 2018 and subject to the Terms and Conditions
Optionholder	A holder of Options
Performance Fee	The performance fee payable to the Investment Manager under the Investment Management Agreement
Oversubscriptions	The additional subscription amounts under the Offer the Company reserves the right to accept, for up to an additional 46,000,000 Shares (together with an attaching Option for each Share), to raise up to \$50,600,000 in excess of the Maximum Subscription
PNAV	Portfolio Net Asset Value
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being 28 July 2016
Security Class	The frequency with which water allocated under a water access entitlement is able to be supplied in full
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of Shares
Share Registry	Computershare Investor Services Pty Limited (ACN 078 279 277)
SRN	Securityholder Reference Number
Terms and Conditions	Terms and conditions of the Options set out in the Appendix to this Prospectus
Trading Region or Trading Zone or Zone	Zones established to simplify administration of a trade by setting out the known supply source or management arrangements and the physical realities of relevant supply systems within the zone
Vendor Shareholders	Duxton Vineyards and Duxton Vineyards Water
Vendor Shares	The Shares to be issued to the Vendor Shareholders prior to completion of the Offer
Water Entitlement	The perpetual entitlement to exclusive access to a share of water from a specified consumptive pool

TERM	DEFINITION
Water Allocation	The specific volume of water allocated to a Water Entitlement in a given season
Water Purchase Contract	A contract to acquire Water Entitlements
Yelta	Yelta Vineyard Pty Ltd (ACN 122 716 205)



APPENDIX



APPENDIX

TERMS AND CONDITIONS OF OPTIONS

1. Each Option is issued by Duxton Water Ltd (**the Company**) in accordance with these terms and conditions (**Option**).
2. Each Option entitles the person who is the registered holder (**Option Holder**) to subscribe for one (1) fully paid ordinary share in the Company (**Share**) in accordance with these terms.
3. The Company will apply to ASX for quotation of the Options at the same time as it first applies to ASX for quotation of its Shares.
4. No amount is payable on the issue of the Options.
5. The Company will maintain a register of Option Holders in accordance with the Corporations Act and will give each Option Holder a holding statement for their Options.

Exercise of Options

6. Each Option is exercisable by the Option Holder at any time during the Exercise Period, being the period beginning on the issue of the Options and expiring at 5.00pm ACST on 31 May 2018 (**Expiry Date**).
7. An Option may only be exercised by the Option Holder paying the sum of \$1.10 (**Exercise Price**) to the Company and giving notice to the Company in accordance with these terms. Options not validly exercised on or before the Expiry Date will automatically lapse and be cancelled.
8. Method of Exercise of Options:
 - (a) The Company will provide to an Option Holder a notice that is to be completed when exercising the Options (**Notice of Exercise of Options**).
 - (b) Options may be exercised by the Option Holder validly completing the Notice of Exercise of Options and delivering it to the Company to be received prior to the Expiry Date. Once delivered, a valid Notice of Exercise of Options cannot be withdrawn.
 - (c) The Notice of Exercise of Options must state the number of Options to be exercised, which number of Options must be a multiple of 1,000 if only part of the Option Holder's total Options are exercised (unless the Option Holder exercises all Options held).
 - (d) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full of the Exercise Price by cheque in Australian dollars for all Options being exercised.
 - (e) An Option will be deemed to have been exercised on the date the Company receives a valid Notice of Exercise of Option and full payment in cleared funds of the Exercise Price.

9. Subject to Clause 9(c), the exercise of less than all of the Option Holder's Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement.

Issue & Quotation of Shares

10. Upon receiving a valid Notice of Exercise of Options, the Company will allot and issue the applicable Shares within 10 business days.
11. Within 2 business days of the issue of Shares upon the exercise of Options, the Company will apply for quotation by ASX of those Shares.
12. All Shares issued upon valid exercise of Options will, subject to the Constitution of the Company, rank equally in all respects with the existing Shares on issue at the date of allotment.

Information, Voting & Dividend Rights

13. An Option:
 - 13.1. entitles the Option Holder to receive all reports given to Shareholders,
 - 13.2. does not entitle the Option Holder to vote at any meeting of Shareholders or other security holders (as an Option Holder only), and
 - 13.3. does not confer any dividend rights on the Option Holder.

Reorganisation

14. In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.

Bonus and Other Pro Rata Issues

15. If the Company makes a bonus issue of Shares to existing Shareholders (other than an issue in satisfaction of a dividend or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining the entitlements of the new issue, the number of underlying Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the option would have received if the Option had been exercised before the relevant record date for the bonus issue.

16. If the Company makes a pro rata issue of Shares (other than a bonus issue) to existing Shareholders (other than an issue in satisfaction of a dividend or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining the entitlements to the new issue, the Exercise Price for each Option is reduced in accordance with the ASX Listing Rules.

New issues

17. An Option does not entitle the Option Holder to participate in any new pro rata issues of capital which may be made or offered by the Company to its security holders from time to time prior to the Expiry Date, unless the Option is exercised prior to the record date for establishing eligibility to participate in any new issue.

18. During the Exercise Period, in respect of any new pro-rata issue of securities in respect of which a Shareholder may be eligible to participate, in accordance with the ASX Listing Rules the Company will notify all Option Holders of:

18.1. the right (if any) to exercise any Options, and

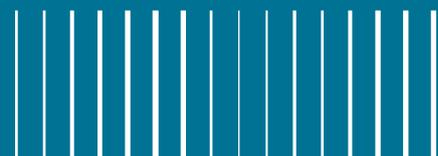
18.2. the proposed terms of the new pro-rata issue, including the record date for the purposes of determining entitlements to that new pro-rata issue, which will be at least 4 business days after such new issues are announced (or such other longer date if required under the ASX Listing Rules).

General

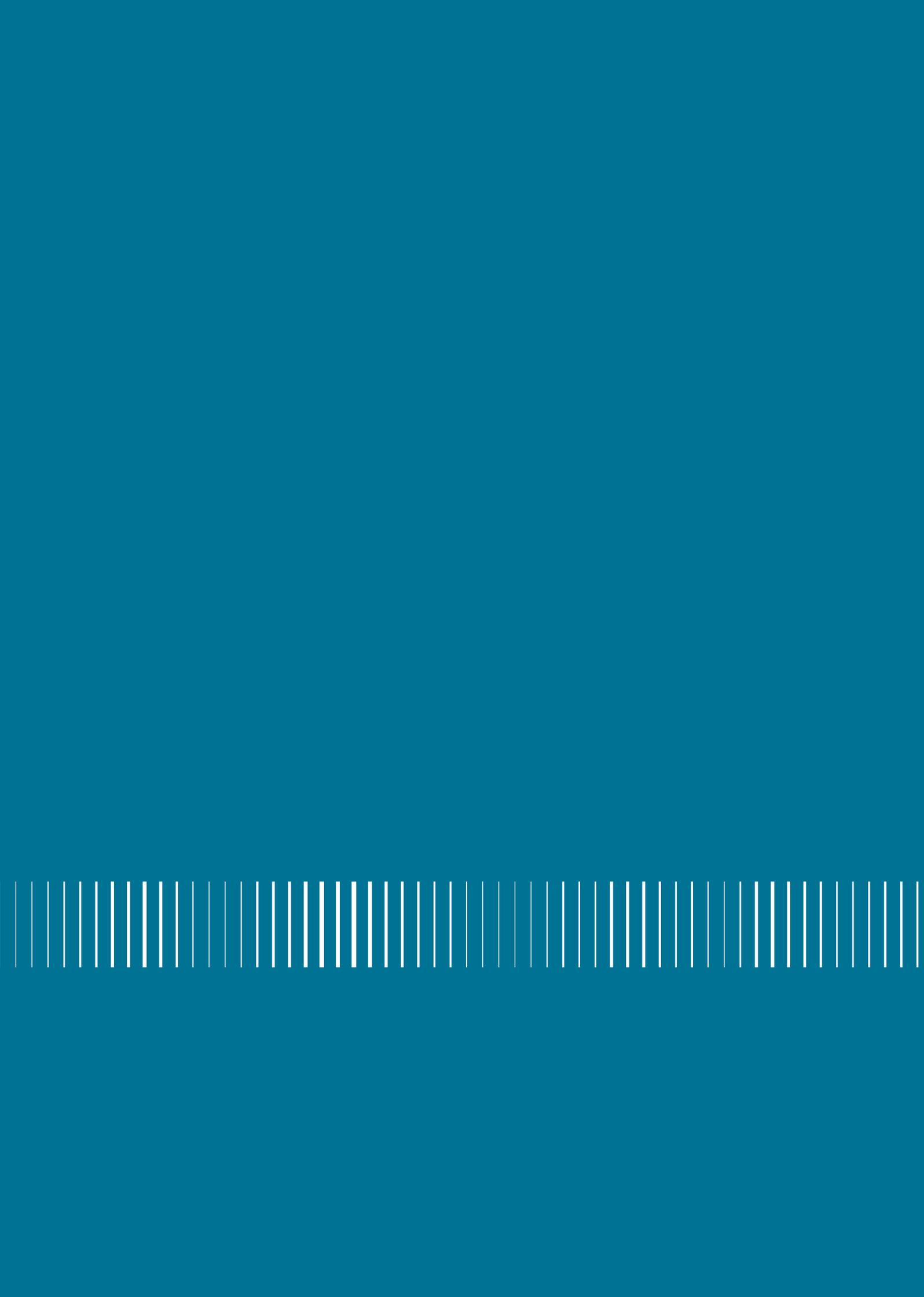
19. The Board will make any calculations which are required for the purposes of these terms which, in the absence of manifest error, will be binding on the Company and the Option Holder.

20. The Company will notify the Option Holder of any changes required to be made to the terms of the Options within a reasonable period after the change has been made.

21. These terms and the rights of the Option Holders are governed by the laws of South Australia. Each Option Holder submits to the jurisdiction of the courts of that state.



**CORPORATE
DIRECTORY**



CORPORATE DIRECTORY

COMPANY	Duxton Water Limited 7 Pomona Road Stirling SA 5152
COMPANY SECRETARY	Donald Stephens
INVESTMENT MANAGER	Duxton Capital (Australia) Pty Ltd 7 Pomona Road Stirling SA 5152
LEAD MANAGER	Taylor Collison Limited Level 16, 211 Victoria Square Adelaide SA 5000
CO-MANAGER	Morgans Financial Limited Level 29, 123 Eagle Street Riverside Centre, Brisbane QLD 4000
AUSTRALIAN LEGAL ADVISER	Cowell Clarke Commercial Lawyers Level 5, 63 Pirie Street, Adelaide SA 5000
INVESTIGATING ACCOUNTANT	Crowe Horwath Corporate Finance (Aust) Ltd Level 15 1 O'Connell Street Sydney NSW 2000
AUDITOR	KPMG 151 Pirie Street Adelaide SA 5000
SHARE REGISTRY	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street Adelaide SA 5000
DUXTON WATER LTD OFFER INFORMATION LINE	Number 1300 640 947 (toll free within Australia) or +61 3 9415 4075 (outside Australia) Hours of operation 9.00am to 5.00pm Australian Central Standard Time Monday to Friday (Business Days only)



