



10 September 2019  
ASX Announcement

## RESPONSE TO MEDIA ARTICLE

Duxton Water Limited (ASX: D2O) ('Duxton Water' or 'the Company') is aware of media reports published on 9 September 2019 in The Australian which are relevant to the Company's operations.

Duxton water is a long-term investor of Australian permanent water entitlements. In line with our stated objectives, the purpose of Duxton Water is to build a portfolio of permanent water entitlements and provide flexible water supply solutions to our Australian farming partners. It is the Company's intention to have 70-80% of the portfolio leased with the balance of the portfolio actively managed and deployed through the provision of other water supply solutions. At 31 August 2019, 79% of the Company's high security entitlements, by value, are already leased to our farming partners. 63% of our total permanent water portfolio, by value, is leased with the inclusion of our general and Low security water entitlements. Water entitlement not currently leased are used to supply irrigators through other water supply offering such as forward allocation contracts and spot allocation trade.

The Company utilises its carry over capability to bring forward unused water from one water year to the next. Duxton Water actively manages its allocation position under the rules that guide and govern all entitlement holders, be they irrigators or environmental water users. Duxton Water, along with all other owners of permanent water entitlements, has the same capability to carry water as defined by the permanent entitlements held. This assists the Company in meeting its contractual obligations to its irrigator partners through the delivery of water supply solutions. Duxton Water refutes any claim it is hoarding water. Within the regions that Duxton Water holds permanent water entitlements, there are approximately 9,500,000 megalitres of permanent water entitlements on issue. Duxton Water has built a portfolio of permanent water entitlements which at the end of July 2019 was approximately 75,150 megalitres. This equates to less than 1% of entitlements on issue. Furthermore, 53% (by volume) of entitlements owned by the Company are lower tier (general security) entitlements which have provided the Company, and all other holders of these entitlements, little to no available water allocation due to the continued dry conditions.

To put the Company's permanent water entitlement holding into perspective, this year Australia's two largest almond growers will require approximately 270,000 – 290,000 megalitres of usable water to irrigate their crops. Similarly, this year Australia's largest olive producer will require 50,000 – 55,000 megalitres of water. The volume of requirement for these three irrigators alone, is likely to be 8-10 times the amount of water Duxton Water is likely to receive across its permanent water portfolio this year.

Significant investment in large-scale permanent crop development across the Southern Murray Darling Basin has changed the dynamic of the Australian water market. The persistent dry conditions, not seen since the millennial drought, and the removal of a further 20-23% of permanent water entitlements for environmental purposes by the Government, has placed further supply strain on the market.

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Since January 2018, in the regions where Duxton Water holds permanent water entitlements (predominantly the SMDB system), all permanent water entitlement owners, the vast majority of whom are farmers, have collectively benefited from approximately \$9 billion of value uplift. Duxton Water is by no means the largest private holder of permanent water entitlements, with there being a number of farming entities both public and private with permanent holdings that dwarf and far surpass Duxton Water's exposure.

Natural resource managers and the Bureau of Meteorology have continued to provide irrigators with ongoing forecasts and commentary around challenging and evolving climatic conditions. The Murray Darling Basin has experienced below average rainfall since January 2017 and many irrigators have responded by preparing for the emerging dry outlook. Duxton Water is committed to providing our farming partners with mechanisms to best risk manage their water supply solutions in current and future water years.

Duxton Water welcomes and is supportive of the further investigation by the ACCC into the Southern Murray Darling Basin water market, as an extension to the existing role that they've performed in monitoring and reporting of the market development since 2012.

For further enquiries please contact Duxton Water (08) 8130 9500.



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