Duxton Water Limited
ACN 611 976 517

Notice of Annual General Meeting

Date: 11:00am Adelaide time (ACST) on 30 May 2025
Place: Gilbert Suite, Adelaide Convention Centre, North Terrace, Adelaide SA 5000

Time and Place of Meeting and How to Vote

Venue

The Annual General Meeting of Shareholders of the Company will be held at the Gilbert Suite, Adelaide Convention Centre, North Terrace, Adelaide SA 5000 on Friday, 30 May 2025 at 11:00am (ACST).

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. See map of the Adelaide Convention Centre highlighting Gilbert Suite below.

Voting by Proxy

To record a valid vote, a Shareholder will need to take the following steps:

- Cast the Shareholder's vote online by visiting www.investorvote.com.au and entering the Shareholder's Control Number, SRN/HIN and PIN, which are shown on the first page of the enclosed proxy form; or

- Complete and lodge the manual proxy form at the share registry of the Company, Computershare Investor Services Pty Limited:

a) by post at the following address:

   Computershare Investor Services Pty Limited
   GPO Box 242
   MELBOURNE VIC 3001

   OR

b) by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or

c) for Intermediary Online subscribers only (custodians), cast the Shareholder's vote online by visiting www.intermediaryonline.com,

so that it is received not later than 48 hours before the Annual General Meeting, being 11:00am (Adelaide time) on Wednesday, 28 May 2025.

Please note that if the chair of the meeting is your proxy (or becomes your proxy by default), you expressly authorise the chair to exercise your proxy on Resolution 1, 5 and 6 even though it is directly or indirectly connected with the remuneration of a member of the Key Management Personnel for the Company, which includes the chair. If you appoint the chair as your proxy you can direct the chair to vote for or against or abstain from voting on Resolution 1, 5 and 6 by marking the appropriate box on the proxy form.

The chair intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the chair may change his or her voting intention on any resolution, in which case an ASX announcement will be made.

NOTICE OF MEETING

DUXTON WATER LIMITED
ACN 611 976 517
("**Company**")

Notice of Annual General Meeting

The Annual General Meeting of Shareholders of the Company will be held at the Gilbert Suite, Adelaide Convention Centre, North Terrace, Adelaide SA 5000 on Friday, 30 May 2025 at 11:00am (ACST).

Attendance

If you are attending the AGM, please bring your personalised shareholding form to allow the Share Registry to promptly register your attendance at the meeting. The registration desk will be open from 10:30am.

If you are unable to attend in person, you may wish to appoint a proxy to attend and vote at the meeting in your place. Please refer to the Notice and proxy form regarding the appointment of a proxy.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form both form part of this Notice of Meeting.

Pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 6.30pm (Adelaide time) on Wednesday, 28 May 2025.

The terms and abbreviations used in this Notice and Explanatory Statement are defined in the Glossary.

Items of business

Consideration of Financial Reports of the Directors and Auditors

To receive and consider the Financial Report together with the Directors' Report and the Auditor's Report for the Company and its controlled entities for the year ended 31 December 2024.

Shareholders will be given reasonable opportunity to ask questions about or make comments on the management of the Company.

Resolution 1 – Adoption of Remuneration Report

To consider, and if thought fit, to pass the following resolution as a **non-binding ordinary resolution**:

"To adopt the Remuneration Report as contained in the Company's Annual Financial Report for the financial year ended 31 December 2024."

Pursuant to section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Directors or the Company.

Resolution 2 – Re-Election of Director – Dennis Mutton

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"Pursuant to Clause 17.3 of the Company's Constitution and Listing Rule 14.4 and for all other purposes, Dennis Mutton, who retires by rotation and offers himself for re-election, is re-elected as a Director of the Company."

Resolution 3 – Re-Election of Director – Brendan Rinaldi

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"Pursuant to Clause 17.3 of the Company's Constitution and Listing Rule 14.4 and for all other purposes, Brendan Rinaldi, who retires by rotation and offers himself for re-election, is re-elected as a Director of the Company."

Resolution 4 – Approval of issue of Equity Securities for the purpose of ASX Listing Rule 7.1A

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, the issue of Equity Securities up to 10% of the fully paid ordinary issued capital of the Company (at the time of the issue) calculated in accordance with the prescribed formula in Listing Rule 7.1A.2, be approved on the terms set out in the Explanatory Statement."

Resolution 5 – Approval of termination of Investment Management Agreement, payment of termination fee and approval of fees payable under Transitional Services Agreement

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That:

1. *the Investment Management Agreement be terminated and, for the purposes of section 208 of the Corporations Act, and for all other purposes, approval is given for the Investment Management Agreement to be terminated and for the Company to pay Duxton Capital (Australia) Pty Ltd the Termination Fee; and*

2. *for the purposes of section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to pay Duxton Capital (Australia) Pty Ltd the Service Fee under the Transitional Services Agreement; and*

3. *for the purposes of section 208 of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue Duxton Capital (Australia) Pty Ltd (or its nominee/s) 3,000,000 Performance Rights under the Transitional Services Agreement,*

on the terms and conditions set out in the Explanatory Statement."

Short Explanation: The Company and DCA have executed a Deed of Termination and Release pursuant to which the Company and DCA have agreed to terminate the Investment Management Agreement, release each other from claims arising under the Investment Management Agreement and for the Company to pay DCA the Termination Fee, subject to satisfaction (or waiver) of certain conditions. Contemporaneously with executing the Deed of Termination and Release, the Company and DCA have executed a Transitional Services Agreement which sets out the terms upon which DCA will provide certain services to DCA from the Effective Date until the Transition Date in order for the Company to internalise the management function currently undertaken by DCA, and the Company will remunerate DCA by paying the Service Fee and issuing DCA the Performance Rights, subject to satisfaction (or waiver) of certain conditions. The payment of the Termination Fee and the Service Fee to DCA, as well as the issue of the Performance Rights to DCA, constitute the giving of a financial benefit to a related party of the Company, therefore the Company is seeking the approval of Shareholders pursuant to section 208 of the Corporations Act to make the payments and issue the Performance Rights to DCA. In addition, the issue of the Performance Rights requires the approval of Shareholders pursuant to Listing Rule 10.11 as DCA is a related party of the Company.

Independent Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert commissioned by the Independent Directors. There is no statutory requirement for the Independent Directors of the Company to commission an independent expert's report in relation to the Proposed Transaction. However, the Independent Directors have required that it is a condition of each of the Deed of Termination and Release and the Transitional Services Agreement that an independent expert expresses an opinion that the terms of the Proposed Transaction are fair and reasonable. As such the Independent Directors have requested that the Independent Expert prepare the Independent Expert's Report stating whether, in the Independent Expert's opinion, the Proposed Transaction is fair and reasonable, and the reasons for that opinion. The Independent Expert has determined that the transaction is fair and reasonable to the non-associated Shareholders in the Company.

Resolution 6 – Increase in total aggregate remuneration for Non-Executive Directors

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of clause 17.6.2 of the Constitution, Listing Rule 10.17 and for all other purposes, Shareholders approve an increase of the total aggregate amount of fees payable to non-executive Directors from $250,000 per annum to $350,000 per annum in accordance with the terms and conditions set out in the Explanatory Statement."

Voting Prohibition Statements

Resolution 1 – Adoption of Remuneration Report	• In accordance with section 250R of the Corporations act, a vote on this resolution must not be cast (in any capacity) by or on behalf of the following persons: a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or b) a Closely Related Party of such a member. However, a person described above may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either: a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or b) the person is the chair of the meeting and the appointment of the chair as proxy: 1. does not specify the way the proxy is to vote on the resolution; and 2. expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or, if the Company is part of a consolidated entity, for the entity.
Resolution 5 – Approval of Termination of Investment Management Agreement, Payment of Termination Fee and Approval of Fees Payable under Transitional Services Agreement	• In accordance with section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given, or an associate of such a related party (**Resolution 5 Excluded Party**). However, the above prohibition does not apply if the vote is cast by a person as proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of a Resolution 5 Excluded Party. • In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if: (a) the proxy is either: a member of the Key Management Personnel; or a Closely Related Party of such a member; and (b) the appointment does not specify the way the proxy is to vote on this Resolution. • Provided the Chair is not a Resolution 5 Excluded Party, the above prohibition does not apply if: (a) the proxy is the Chair; and (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.
Resolution 6 – Increase in Total Aggregate Remuneration for Non-Executive Directors	• A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if: (a) the proxy is either: a member of the Key Management Personnel; or a Closely Related Party of such a member; and (b) the appointment does not specify the way the proxy is to vote on this Resolution. • However, the above prohibition does not apply if: (a) the proxy is the Chair; and (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolution set out below by or on behalf of the following persons:

Resolution 4 - Approval of issue of Equity Securities for the purpose of ASX Listing Rule 7.1A	As at the date of this Notice, the Company does not yet know, nor has it formed an intention in relation to how it will decide, which parties it may approach to participate in any issue that may ultimately be made. Therefore, no Shareholders will be excluded from voting on Resolution 4 as no Shareholder has an interest in the outcome of the Resolution that is potentially different from that of any other Shareholder.
Resolution 5 – Approval of Termination of Investment Management Agreement, Payment of Termination Fee and Approval of Fees Payable under Transitional Services Agreement	Duxton Capital (Australia) Pty Ltd (or their nominee/s) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
Resolution 6 – Increase in Total Aggregate Remuneration for Non-Executive Directors	A Director or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

- the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by Proxy

The Corporations Act places certain restrictions on the ability of KMP and their Closely Related Parties to vote on resolutions connected directly or indirectly with the remuneration of the Company's KMP. For those reasons, Shareholders who intend to vote by proxy should carefully consider the identity of their proxy and consider appointing someone other than one of the Company's KMP as such proxies may not be able to vote undirected proxies.

If you appoint the Chairman as your proxy by marking the box at **STEP 1** on the Proxy Form, then you are providing express authorisation for the Chairman to exercise the proxy on all Resolutions in accordance with his intentions as set out in this Notice and the Proxy Form (except where you have indicated a different voting intention by marking the voting boxes at **STEP 2** on the Proxy Form).

This express authorisation acknowledges that the Chairman may exercise your proxy in relation to Resolutions 1, 5 and 6 even though it is connected with the remuneration of a member of KMP and is a Resolution in respect of which the Chairman of the meeting has an interest.

Votes cast by the Chairman on Resolution 1, 5 and 6 other than as an authorised proxy holder will be disregarded because of his interest in the outcome of the resolutions.

The Chairman intends to vote available proxies **in favour** of all resolutions.

DATED this 23rd day of April 2025

By order of the Board

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Katelyn Adams
Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting of the Company to be held at the Gilbert Suite, Adelaide Convention Centre, North Terrace, Adelaide SA 5000 on Friday, 30 May 2025 at 11:00am (ACST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Consideration of Reports

The Corporations Act requires the Company to place its Financial Report, Directors' Report and Auditor's Report for the last financial year before the Annual General Meeting. No resolution is required for this item, but Shareholders will be given a reasonable opportunity to ask questions and to make comments on the reports and the management and performance of the Company.

The Company's Auditor will also be present at the meeting and Shareholders will be given a reasonable opportunity to ask the Auditor questions about the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company and the independence of the Auditor.

The Company's 2024 Annual Report has previously been sent where requested to Shareholders and is available on the Company's website at https://www.duxtonwater.com.au/.

Resolution 1 – Adoption of Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Board is presenting the Company's Remuneration Report to shareholders for consideration and adoption by a non-binding vote.

The Remuneration Report is contained in the Company's 2024 Annual Report and has been available on the Company's website since then. The Remuneration Report includes all of the information required by Section 300A of the *Corporations Act*, including:

(i) board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of Directors, secretaries and senior managers of the Company;
(ii) discussion of the relationship between such policy and the Company's performance; and
(iii) the prescribed details in relation to the remuneration of each Director and certain executives.

Under the Corporations Act, the vote on this Resolution is advisory only and does not bind the Board or the Company. However, the Board will consider the outcome of the vote when considering future remuneration for Directors and KMP. Shareholders should note that if 25% or more of the votes cast on this Resolution are against adoption of the Remuneration Report, then the first element in the Board spill provisions under the Corporations Act (known generally as the "two strikes rule") will be triggered. This would require a Resolution on whether to hold a further meeting to spill the Board ("spill resolution") to be put to Shareholders at the 2026 Annual General Meeting if a "second strike" were to occur at the 2026 Annual General Meeting.

The Remuneration Report forms part of the Directors' Report which has unanimously been adopted by resolution of the Board. An opportunity will be provided for discussion of the Remuneration Report at the meeting. In relation to the approval of the Remuneration Report of the Company for 2024, less than 25% of the votes cast on that resolution were against it.

A voting prohibition statement is set out on page 6 of the Notice of Meeting.

The Chairman intends to vote all available proxies in favour of Resolution 1.

Directors' Recommendation

The Directors recommend that Shareholders vote **in favour** of the adoption of the Remuneration Report.

Resolution 2 – Re-Election of Director – Dennis Mutton

Resolution 3 seeks Shareholder approval for the re-election of Dennis Mutton as a Director of the Company.

Mr Mutton retires by rotation in accordance with Listing Rule 14.4 and clause 17.3 of the Company's Constitution. Mr Mutton is eligible for re-election and offers himself for re-election as a Director of the Company.

Biography of Mr Mutton

Dennis Mutton is an independent consultant in the fields of natural resource management, primary industries, regional growth initiatives, leadership development and Government business relationships. He also holds a range of board Directorships in government, business and not for profit organisations at State and National levels.

His full time work career included executive management roles in both the private and public sectors culminating in 15 years as CEO of a number of South Australian State Government agencies including the Department of Environment, Water and Natural Resources and the Department of Primary Industries and Regions. Dennis also held roles as Commissioner and Deputy President of the Murray Darling Basin Commission and Chair of the SA Natural Resources Management Council.

Dennis is an Independent Non-Executive Director of the Company.

The Chairman intends to vote all available proxies in favour of Resolution 2.

Directors' Recommendation

The Directors (other than Mr Mutton who abstains given his personal interest in the resolution) recommend that Shareholders vote **in favour** of the re-election of Mr Mutton as a Director of the Company.

Resolution 3 – Re-Election of Director – Mr Brendan Rinaldi

Resolution 3 seeks Shareholder approval for the re-election of Brendan Rinaldi as a Director of the Company.

Mr Rinaldi retires by rotation in accordance with Listing Rule 14.4 and clause 17.3 of the Company's Constitution. Mr Rinaldi is eligible for re-election and offers himself for re-election as a Director of the Company.

Biography of Mr Rinaldi

Brendan Rinaldi has 20 years' experience in the finance and agribusiness sectors and is the Elders Ltd General Manager for Victoria and Riverina. Brendan held various leadership roles in risk, agribusiness and commercial lending and was previously the State General Manager for Business Banking in South Australia, Northern Territory and Western Australia. Brendan is of a mixed farming and irrigation background in the Murray region of NSW.

His leadership roles in Agribusiness include the State Director for ANZ Corporate Agribusiness for Victoria and Tasmania, and the Head of Agribusiness in risk. Brendan holds a Bachelor of Commerce from Latrobe University (Melbourne), is a Chartered Accountant, and also completed the ARITA Education Program (Advanced Insolvency Law).

Brendan is an Independent Non-Executive Director of the Company.

The Chairman intends to vote all available proxies in favour of Resolution 3.

Directors' Recommendation

The Directors (other than Mr Rinaldi who abstains given his personal interest in the resolution) recommend that Shareholders vote **in favour** of the re-election of Mr Rinaldi as a Director of the Company.

Resolution 4 – Approval of issue of Equity Securities for the purpose of ASX Listing Rule 7.1A

Resolution seeks Shareholder approval by way of special resolution for the Company to have the ability to issue Equity Securities pursuant to the 10% Placement Capacity available under ASX Listing Rule 7.1A.

Overview

Listing Rule 7.1A allows mid to small cap listed entities to seek Shareholder approval to issue Equity Securities equivalent to an additional 10% of the number of ordinary securities on issue by way of placements over a 12-month period (**10% Placement Capacity**). This is in addition to the 15% permitted under listing rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of $300 million or less at the time of the Annual General Meeting. The Company is currently an eligible entity for the purpose of Listing Rule 7.1A. The Board expects that the Company will be an eligible entity as at the date of the Annual General Meeting. However, if the Company is not eligible, Resolution 4 will be withdrawn.

Shareholder Approval

The ability to issue Equity Securities under Listing Rule 7.1A is subject to Shareholder approval by way of special resolution at Annual General Meeting. Approval cannot be sought at any other Shareholder's meeting.

If Resolution 4 is not passed, the Company will not be able to access the additional 10% Placement Capacity and will remain subject to the 15% limit on issuing Equity Securities without approval set out in ASX Listing Rule 7.1.

Equity Securities

Any Equity Securities issued by the Company under the 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company.

As at the date of the Notice the Company has only one class of quoted Equity Securities on issue being ordinary Shares.

Formula for calculating the 10% Placement Capacity

The Company may issue Equity Securities during the 12-month period after the date of approval calculated in accordance with the following formula as contained in ASX Listing Rule 7.1A.2:

(A x D) – E

A is the number of fully paid ordinary Shares on issue 12 months before the date of issue or agreement to issue ("**Relevant Period**"):

- plus the number of fully ordinary Shares issued in the relevant period under an exception in Listing Rule 7.2 other than exception 9, 16 or 17;
- plus the number of fully paid ordinary shares issued in the Relevant Period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
    - the convertible securities were issued or agreed to be issued before the commencement of the Relevant Period; or
    - the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;

- plus the number of fully paid ordinary shares issued in the relevant period under an agreement to issue shares within Listing Rule 7.2 exception 16 where:
    - the agreement was entered into before the commencement of the Relevant Period; or
    - the agreement or issue was approved or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4
- plus the number of partly paid ordinary Shares that became fully paid in the Relevant Period;
- plus any other fully paid ordinary Shares issued in the relevant period with approval of Shareholders under Listing Rule 7.1 or 7.4;
- less the number of fully paid ordinary Shares cancelled in the Relevant Period

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the Relevant Period where the issue or agreement has not been subsequently approved by Shareholders under Listing Rule 7.4.

Additional Disclosure

For the purpose of Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Capacity:

- **Validity**

  The approval under Listing Rule 7.1A will be valid from the date of the AGM until the earlier of 12 months from the AGM (30 May 2025), the time and date of the Company's next AGM or the time and date of approval by Shareholders for a transaction under Listing Rule 11.1.2 or 11.2.

- **Minimum issue price**

  The Equity Securities must be issued for a cash consideration per security which is not less than 75% of the VWAP for the Company's Equity Securities calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

    - the date on which the price and at which the Equity Securities are to be issued is agreed between the Company and the recipient of the Equity Securities; or
    - if the Equity Securities are not issued within 10 Trading Days of the date above, the date on which the Equity Securities are issued.

- **Risk of dilution**

  If the Company issues Equity Securities under the 10% Placement Capacity, there is a risk that the economic and voting power of existing Shareholders will be diluted.

  There is also a risk that:
    - the market price for the Company's Equity Securities may be significantly lower on the issue date than the date of approval at the Annual General Meeting; and
    - the Equity Securities may be issued at a price that is at a discount to the market price for those Equity Securities on the issue date.

  The below table shows the risk of dilution to existing Shareholders if the Company issues Equity Securities under the 10% Placement Capacity on the basis of:
    - the current market price of Shares and the current number of Shares calculated in accordance with Listing Rule 7.1A(2) variable "A";
    - a 50% decrease in the current market price of Shares and a 50% increase in the current number of Shares calculated in accordance with Listing Rule 7.1A(2) variable "A"; and
    - a 100% increase in the current market price of Shares and a 100% increase in the current number of Shares calculated in accordance with Listing Rule 7.1A(2) variable "A".

Variable "A" in Listing Rule 7.1A.2		Dilution / Effect		
		$0.72 50% decrease in Issue Price	**$1.44 Issue Price**	**$2.88 100% increase in Issue Price**
Current Variable A *156,403,151 Shares*	Shares Issued under LR 7.1A (10%)	15,640,315	15,640,315	15,640,315
	Funds Raised	$11,261,027	$22,522,054	$45,044,107
50% increase in current Variable A *234,604,726 Shares*	Shares Issued under LR 7.1A (10%)	23,460,472	23,460,472	23,460,472
	Funds Raised	$16,891,540	$33,783,080	$67,566,159
100% increase in current Variable A *312,806,302 Shares*	Shares Issued under LR 7.1A (10%)	31,280,630	31,280,630	31,280,630
	Funds Raised	$22,522,054	$45,044,107	$90,088,214

The table has been prepared on the following assumptions:

- The Company issues the maximum number of Equity Securities available under the 10% Placement Capacity.
- The table does not show any examples of the dilution that may be caused to a specific Shareholder based on that Shareholder's holding at the date of the Annual General Meeting.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The table only shows the effect of issues under Listing Rule 7.1A and does not consider the effect of any issues under the 15% placement capacity under Listing Rule 7.1 during the 12-month period or any other issues.
- The Issue Price of the Shares is $1.44, being the closing price of the Shares on ASX on 3 April 2025.

- **Purpose of the issue**

  The Company may seek to issue the Equity Securities for the following purposes:

  - cash consideration to be applied to the acquisition of new assets or investments, expenditure associated with the Company's operations.

- **Allocation policy**

  The Company's allocation policy for the issue of Equity Securities pursuant to the 10% Placement Capacity is largely dependent on the prevailing market conditions and the circumstances of the Company at the time of any proposed issue. The time frame over the 12-month period which the Company expects to make placements under Resolution 4 approval therefore cannot yet be accurately determined.

  As at the date of the Notice the Company has not formed an intention to issue securities under a placement pursuant to Listing Rule 7.1A to any particular party. The Company may approach existing Shareholders, a class or group of existing Shareholders, or new investors who have not previously been Shareholders to participate in a placement of Equity Securities.

  When determining to issue the 10% Placement Capacity securities the Company will have regard to a range of factors including but not limited to:

  - the effect of the issue of Equity Securities on the control of the Company;
  - the financial circumstances of the Company;
  - whether the raising of funds could be carried out by means of a pro-rata entitlements offer or other similar issue to allow existing Shareholders to participate;
  - advice from the Company's corporate, financial and professional advisors.

- **Preceding 12 months**

  The Company obtained shareholder approval under ASX Listing Rule 7.1A at its 2024 Annual General Meeting. It has not issued or agreed to issue any Equity Securities under Listing Rule 7.1A.2 in the 12 months preceding the date of this Meeting.

Voting exclusion statement

As at the date of this Notice, the Company does not yet know, nor has it formed an intention in relation to how it will decide, which parties it may approach to participate in any issue that may ultimately be made. Therefore, no Shareholders will be excluded from voting on Resolution 4 as no Shareholder has an interest in the outcome of the Resolution that is potentially different from that of any other Shareholder.

The Chairman intends to vote all available proxies in favour of Resolution 4.

Directors' Recommendation:

The Directors unanimously recommend that Shareholders vote **in favour** of the 10% Placement Capacity.

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1. RESOLUTION 5 – APPROVAL TERMINATION OF INVESTMENT MANAGEMENT AGREEMENT, PAYMENT OF TERMINATION FEE AND APPROVAL OF FEES UNDER TRANSITIONAL SERVICES AGREEMENT

1.1 Background to the Resolution

(a) **Review of the Investment Management Agreement**

The Company listed on the ASX in September 2016 and is externally managed by DCA under the Investment Management Agreement, which has an initial term of 10 years, due to expire on 25 July 2026. With the initial term of the Investment Management Agreement due to expire next year, the Independent Directors of the Company have been working on future operational and management structures for the Company, consistent with the maturity of the Company.

DCA's management of the Company's portfolio has played a key role in best managing the Company's risks during its formative years and has been instrumental in supporting its growth and success to date. While DCA as the investment manager has been pivotal in building a stable foundation for the business, the Board believes that at this stage of the Company's business cycle, an internalised management structure will deliver further benefits to the Company and its shareholders going forward.

With the Investment Management Agreement expiring in July 2026, the Independent Directors have conducted a thorough due-diligence process over the past 12 months. This has involved meeting with and seeking feedback from several shareholders, along with seeking views and advice from investment banks, stockbrokers, legal and accounting firms. As a result of this, the Company and DCA are of the view it is in the best interest of shareholders moving forward to internalise the management of the Company.

(b) **Deed of Termination and Release and Transitional Services Agreement**

As announced on 4 April 2025, the Company has entered into a Deed of Termination and Release and Transitional Services Agreement with Duxton Capital (Australia) Pty Ltd in relation to the Investment Management Agreement that has been in place since the Company listed on ASX in September 2016.

The effect of the Deed of Termination and Release is that, subject to certain conditions precedent (including approval of this Resolution), and payment of the Termination Fee, the Company and DCA will terminate the Investment Management Agreement and release each other from claims, obligations and undertakings arising under the Investment Management Agreement.

The termination fee is set out in the Investment Management Agreement and means a payment equal to 5% of the portfolio net asset value (**PNAV**) at the end of the month preceding the date of termination, reduced by one sixtieth for each calendar month elapsed after the five years from the date of the Investment Management Agreement in accordance with the following formula:

$$\textbf{Termination Fee} = 5\% \text{ of PNAV} \times \left(1 - \frac{CME}{60}\right)$$

Where **CME** = calendar months elapsed after the first five years of the Investment Management Agreement.

The Company currently estimates the Termination Fee payable will be approximately $3.2 - $3.3 million (based on the calculation being based on the month of May 2025).

Contemporaneously with executing the Deed of Termination and Release, the Company and DCA have executed the Transitional Services Agreement pursuant to which, subject to certain conditions precedent (including this Resolution), DCA will provide Services to the Company for an 18-month term such that, at the end of the transition period, the management function previously provided under the Investment Manager Agreement will be internalised by the Company. It is proposed that DCA will be paid a service fee of $230,000 (plus GST) per month and be issued 3,000,000 Performance Rights which will vest and become convertible into Shares upon Internalisation occurring. If Internalisation occurs prior to the Transition Date, the Company will pay DCA the remaining Service Fee multiplied by a factor of 1.2 times in one final cash payment

The operational provisions of the Deed of Termination and Release and Transitional Services Agreement are subject to satisfaction (or waiver by the Company and DCA) of certain conditions precedent, including the Company obtaining all Shareholder approvals required to undertake the matters set out in the Deed of Termination and Release and the Transitional Services Agreement, being the approvals the subject of this Resolution.

A summary of the key terms and conditions of the Deed of Termination and Release is set out in Schedule 1 and a summary of the key terms and conditions of the Transitional Services Agreement is set out in Schedule 2.

(c) **Expected benefits for Shareholders**

The Independent Directors consider the Internalisation provides:

(i) Improved overall corporate governance and shareholder alignment consistent with market expectations of ASX-listed companies, to enable continued growth and investment.

(ii) Enhanced control over the Company's operations including more direct oversight of the management team, and an ability to develop remuneration plans to retain and incentivise key management personnel.

(iii) Removal of the need to pay on-going management fees and uncapped performance fees. Instead, the Company will employ its own management team to run the business and its operations.

(iv) Greater certainty around the future of the Company's operating structure as the Company no longer needs to seek Shareholder approval for renewal of the Investment Manager Agreement each 5-year period.

The Independent Directors believe the Internalisation is in the best interests of the Company and its shareholders at this stage of the Company's lifecycle.

(d) **Changes in Management**

As announced on 4 April 2025, Mr Brendan Rinaldi will step into the role of Chairman, effective from 1 June 2025. Mr Rinaldi will succeed Mr Edouard Peter who has been the Company's Chairman since 2016. Mr Rinaldi, an Independent Non-Executive Director, has served on the Board since April 2022 and brings a wealth of industry and governance experience to the role.

Subject to Shareholders approving Resolution 5, Lachlan Campbell (Portfolio Manager) and Lachlan Beech (Portfolio Manager) as the senior management team currently responsible for managing the Company will be employed directly by the Company from 1 June 2025 continuing their roles as Portfolio Managers.

(e) **What are the Company's intentions if Resolution 5 is not approved?**

If Shareholders do not approve Resolution 5, it is the Company's present intention that the IMA will continue to operate in its current form, with the Board continuing to assess its options with respect to the IMA, ahead of the Company's 2026 annual general meeting.

1.2 General

Resolution 5 seeks Shareholder approval:

(a) for the Investment Management Agreement to be terminated and, for the purposes of section 208 of the Corporations Act, for the Company to DCA the Termination Fee;

(b) for the purposes of section 208 of the Corporations Act, for the Company to pay DCA the Service Fee under the Transitional Services Agreement; and

(c) for the purposes of section 208 of the Corporations Act and Listing Rule 10.11, for the Company to issue 3,000,000 Performance Rights to DCA (or its nominee/s),

on the terms and conditions set out below.

1.3 Independent Expert's Report

There is no statutory requirement for the Independent Directors of the Company to commission an independent expert's report in relation to the Proposed Transaction. However, the Independent Directors have required that it is a condition of each of the Deed of Termination and Release and the Transitional Services Agreement that an independent expert expresses an opinion that the terms of the Proposed Transaction are fair and reasonable. As such the Independent Directors have requested that the Independent Expert prepare the Independent Expert's Report stating whether, in the Independent Expert's opinion, the Proposed Transaction is fair and reasonable, and the reasons for that opinion.

The Independent Expert's Report prepared by BDO Corporate Finance Australia Pty Ltd (a copy of which is attached as Annexure A to this Notice) sets out a detailed independent examination of the Deed of Termination and Release and Transitional Services Agreement to enable non-associated Shareholders to assess the merits and assist with their decision whether to approve Resolution 5.

The Independent Expert has concluded that the Proposed Transaction the subject of Resolution 5 is fair and reasonable to the non-associated Shareholders.

The Independent Expert notes that the key advantages of the Proposed Transaction to the Company and existing Shareholders are as follows:

(a) the Proposed Transaction is fair. As noted in ASIC Regulatory Guide 112: Independence of Experts, an offer is reasonable if it is fair; and

(b) following Shareholder approval of the Proposed Transaction, the Company will have direct control over the management of its operations. This will allow the Company to pursue its own strategic direction and will provide the Company with flexibility in its decision making.

The key disadvantages noted by the Independent Expert are as follows:

(a) there is a risk that the Company may not be able to execute the management of its day-to-day activities as effectively as DCA; and

(b) if the Proposed Transaction is successful, the Performance Rights may vest and convert into Shares, diluting Shareholders equity (it is noted that based on the Company's current capital structure, the dilution would be1.88% on an undiluted basis). In addition, payment of the Termination Fee will result in a reduction in cash reserves.

Shareholders are urged to carefully read the Independent Expert's Report in full to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

1.4 Directors' Recommendations

(a) The Independent Directors, being Brendan Rinaldi, Vivienne Brand, Dirk Weidmann and Dennis Mutton, recommend that Shareholders vote in favour of the Resolution for the reasons set out in Sections 1.1(c), 1.3 and 1.8. In forming their recommendation, the Independent Directors considered:

(i) with respect to termination of the Investment Management Agreement payment of the Termination Fee under the Deed of Termination and Release, the terms of the Investment Manager Agreement;

(ii) with respect to the Service Fee under the Transitional Services Agreement, the experience of DCA; the Services to be provided by DCA; the benefits in transitioning the management function to an internal function under DCA's guidance; and the benefits of engaging DCA to provide the Services to encourage an orderly transition of the management function;

(i) with respect to the issue of the Performance Rights under the Transitional Services Agreement, the experience of DCA; the current market price of Shares; the current market standards and practices when determining the number of Performance Rights to be issued to DCA; as well as the milestone and expiry date of those Performance Rights.

(b) Edouard Peter and Stephen Duerden, the two Executive Directors of the Company, each have a material personal interest in the outcome of Resolution 5 on the basis that:

(i) Mr Peter is a director of, and controls, DCA and is a shareholder and director of Duxton Capital Holdings Pty Ltd (DCA's parent company), as such, Mr Peter may receive remuneration from DCA for services provided to DCA; and

(ii) Mr Duerden is a shareholder and director of DCA and is a shareholder and director of DCH, as such, Mr Duerden may receive remuneration from DCA for services provided to DCA.

As it is proposed that DCA will receive the financial benefits contemplated by the Deed of Termination and Release and Transitional Services Agreement if this Resolution is approved, Edouard Peter and Stephen Duerden do not believe that it is appropriate for them to make a recommendation in relation to Resolution 5.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to approve Resolution 5.

1.5 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The proposed payment of the Termination Fee and the Service Fee, and the proposed issue of the Performance Rights, constitutes giving a financial benefit and the proposed recipient, DCA, is a related party of the Company by virtue of DCA being controlled by Director, Edouard Peter.

Although there is a quorum of Directors (being the Independent Directors) to consider whether one of the exceptions set out in sections 210 to 216 of the Corporations Act applies to the proposed payments and the proposed issue of Performance Rights, the Independent Directors consider it is best corporate governance to seek Shareholder approval for the matters set out in Resolution 5 and have commissioned the Independent Expert's Report to assist Shareholders in evaluating the merits and decide whether to approved Resolution 5.

Accordingly, Shareholder approval for the proposed payments and the proposed issue of Performance Rights to DCA is sought in accordance with Chapter 2E of the Corporations Act.

1.6 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

10.11.1 a related party;

10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;

10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;

10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or

10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The proposed issue of Performance Rights to DCA issue falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

1.7 Technical information required by Listing Rule 14.1A

If this Resolution is passed, the Company will be able to proceed with the issue of the Performance Rights within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules). As approval pursuant to Listing Rule 7.1 is not required for the issue (because approval is being obtained under Listing Rule 10.11), the issue of the Performance Rights will not use up any of the Company's 15% annual placement capacity.

If the Resolution is not passed, the Company will not be able to proceed with the issue of the Performance Rights.

1.8 Technical Information required by Listing Rule 10.13 and section 219 of the Corporations Act

REQUIRED INFORMATION	DETAILS
Name of the persons to whom Securities will be issued / financial benefits given	Duxton Capital (Australia) Pty Ltd (or its nominee/s).
Nature of the financial benefits	The financial benefits proposed to be given to DCA take the form of: (a) Cash in the form of the Termination Fee to terminate the Investment Management Agreement (estimated at $3.2 - $3.3 million); (b) Cash in the form of the Service Fee payable under the Transitional Services Agreement ($230,000 (plus GST) per month for 18 months from the Effective Date); and (c) Securities in the form of the 3,000,000 Performance Rights to be issued under the Transitional Services Agreement.
Categorisation under Listing Rule 10.11	DCA falls within the category set out in Listing Rule 10.11.1 as it is a related party of the Company by virtue of being controlled by a Director, Edouard Peter. Any nominee/s of the proposed recipient who receive Securities may constitute 'associates' for the purposes of Listing Rule 10.11.4.
Number of Securities and class to be issued	The maximum number of Performance Rights to be issued is 3,000,000.
Terms of Securities	The Performance Rights will be issued on the terms and conditions set out in Schedule 3.
Date(s) on or by which the Securities will be issued	The Company expects to issue the Performance Rights within 5 Business Days of the Meeting. In any event, the Company will not issue any Performance Rights later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
Price or other consideration the Company will receive for the Securities	The Performance Rights will be issued at a nil issue price.
Purpose of the issue, including the intended use of any funds raised by the issue	The purpose of the issue is to provide a performance linked incentive component in the fees package for DCA under the Transitional Services Agreement to align the interests of DCA with those of Shareholders; to motivate and reward the performance of DCA in its role as a service provider to the Company under the Transitional Services Agreement; and to provide a cost effective way for the Company to partially remunerate DCA for the Services, which will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to DCA.
Consideration of type of Security to be issued	The Company has agreed to issue the Performance Rights for the following reasons: (a) the issue of the Performance Rights has no immediate dilutionary impact on Shareholders; (b) the issue to DCA will align the interests of the recipient with those of Shareholders; (c) the issue is a reasonable and appropriate method to provide cost effective partial remuneration as the non-

REQUIRED INFORMATION	DETAILS
	cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to DCA; and (d) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Performance Rights on the terms proposed.
Consideration of quantum of Securities to be issued and fees to be paid	The Termination Fee will be calculated in accordance with the formula set out in the Investment Management Agreement, which is on arms-length commercial terms and was approved by the Non-Executive Directors. The Service Fee has been determined based upon consideration of: (a) the Services to be provided; and (b) the level of skill, experience and knowledge that DCA has to provide the Services; and (c) the benefits of engaging DCA to provide the Services to encourage an orderly transition of the management function . The number of Performance Rights to be issued has been determined based upon a consideration of: (a) current market standards and/or practices of other ASX listed companies of a similar size and stage of development to the Company; (b) the Service Fee also to be paid to DCA; and (c) incentives to retain the services of DCA, which has appropriate knowledge and expertise to provide the Services, while maintaining the Company's cash reserves. The Company does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in paying the Termination Fee and Service Fee, and issuing the Performance Rights, upon the terms proposed.
Remuneration	The total fees paid to DCA for the previous financial year (ended 31 December 2024) were $2,231,745, constituting the management fee under the Investment Management Agreement. Neither Edouard Peter or Stephen Duerden receive Directors' fees or any other remuneration from the Company. Messrs Peter and Duerden may receive remuneration from DCA for services provided to DCA.
Valuation	The value of the Performance Rights and the pricing methodology is set out in Schedule 4.
Summary of material terms of agreement to issue	The Performance Rights are being issued under the Transitional Services Agreement, a summary of the material terms of which is set out in Schedule 2. The Termination Fee will be paid under the Deed of Termination and Release, a summary of the material terms of which is set out in Schedule 1. The Service Fee will be paid under the Transitional Services Agreement, a summary of the material terms of which is set out in Schedule 2.

<table>
<tr><th>REQUIRED INFORMATION</th><th>DETAILS</th></tr>
<tr><td>Interest in Securities</td><td>The relevant interests of DCA and its associates in Securities as at the date of this Notice and following completion of the issue are set out below:

As at the date of this Notice
<table>
<tr><th>RELATED PARTY</th><th>SHARES[1]</th><th>OPTIONS[2]</th><th>PERFORMANCE RIGHTS</th><th>UNDILUTED</th><th>FULLY DILUTED</th></tr>
<tr><td>DCA</td><td>Nil</td><td>Nil</td><td>Nil</td><td>0%</td><td>0%</td></tr>
<tr><td>Edouard Peter</td><td>5,824,677</td><td>1,456,169</td><td>Nil</td><td>3.72%</td><td>3.74%</td></tr>
<tr><td>Stephen Duerden</td><td>120,695</td><td>28,616</td><td>Nil</td><td>0.08%</td><td>0.07%</td></tr>
<tr><td>Duxton Capital Investments Pty Ltd[3]</td><td>2,154,845</td><td>538,712</td><td>Nil</td><td>1.38%</td><td>1.38%</td></tr>
</table>
Post issue
<table>
<tr><th>RELATED PARTY</th><th>SHARES[1]</th><th>OPTIONS[2]</th><th>PERFORMANCE RIGHTS</th></tr>
<tr><td>DCA</td><td>Nil</td><td>Nil</td><td>3,000,000</td></tr>
<tr><td>Edouard Peter</td><td>5,824,677</td><td>1,456,169</td><td>Nil</td></tr>
<tr><td>Stephen Duerden</td><td>120,695</td><td>28,616</td><td>Nil</td></tr>
<tr><td>Duxton Capital Investments Pty Ltd[3]</td><td>2,154,845</td><td>538,712</td><td>Nil</td></tr>
</table>
Notes:
1 Fully paid ordinary shares in the capital of the Company (ASX: D2O).
2 Quoted Options exercisable at $1.92 each on or before 10 May 2026 (ASX: D2OA).
3 DCH (DCA's parent company) is the sole shareholder of Duxton Capital Investments Pty Ltd.</td></tr>
<tr><td>Dilution</td><td>If the Performance Rights issued under this Resolution is exercised, a total of 3,000,000 Shares would be issued. This will increase the number of Shares on issue from 156,403,151 (being the total number of Shares on issue as at the date of this Notice) to 159,403,151 (assuming that no Shares are issued and no other convertible securities vest or are exercised) with the effect that the shareholding of existing Shareholders would be diluted by 1.88%.</td></tr>
<tr><td>Trading history</td><td>The trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:
<table>
<tr><th></th><th>PRICE</th><th>DATE</th></tr>
<tr><td>Highest</td><td>$1.535</td><td>10 April 2024</td></tr>
<tr><td>Lowest</td><td>$1.270</td><td>13 August 2024</td></tr>
<tr><td>Last</td><td>$1.475</td><td>22 April 2025</td></tr>
</table></td></tr>
<tr><td>Other information</td><td>The Board is not aware of any other information that is reasonably required by Shareholders to allow them to decide whether it is in the best interests of the Company to pass this Resolution.</td></tr>
<tr><td>Voting exclusion statements</td><td>A voting exclusion statement applies to this Resolution.</td></tr>
<tr><td>Voting prohibition statements</td><td>A voting prohibition statement applies to this Resolution.</td></tr>
</table>

2. RESOLUTION 6 – INCREASE IN TOTAL AGGREGATE REMUNERATION FOR NON-EXECUTIVE DIRECTORS

2.1 General

This Resolution seeks Shareholder approval for the purposes of clause 17.6.2 of the Constitution and Listing Rule 10.17 to increase the total aggregate amount of fees payable to non-executive Directors from $250,000 to $350,000.

Listing Rule 10.17 provides that an entity must not increase the total aggregate amount of directors' fees payable to all of its non-executive directors without the approval of holders of its ordinary securities.

Directors' fees include all fees payable by the entity or any of its child entities to a non-executive director for acting as a director of the entity or any of its child entities (including attending and participating in any board committee meetings), superannuation contributions for the benefit of a non-executive director and any fees which a non-executive director agrees to sacrifice for other benefits. It does not include reimbursement of genuine out of pocket expenses, genuine "special exertion" fees paid in accordance with an entity's constitution, or securities issued to a non-executive director under Listing Rules 10.11 or 10.14 with the approval of the holders of its ordinary securities.

Clause 17.6.2 of the Constitution provides that the total amount or value of remuneration paid to the non-executive Directors in any year may not exceed an amount fixed by the Company in general meeting.

2.2 Technical information required by Listing Rule 14.1A

If this Resolution is passed, the maximum aggregate amount of fees payable to the non-executive Directors will increase by $100,000 to $350,000.

If this Resolution is not passed, the maximum aggregate amount of fees payable to non-executive Directors will remain at $250,000. This may inhibit the ability of the Company to remunerate, attract and retain appropriately skilled non-executive directors.

2.3 Technical information required by Listing Rule 10.17

REQUIRED INFORMATION	DETAILS
Maximum aggregate amount of director's fees	This Resolution seeks to increase the maximum aggregate amount of fees payable to the non-executive Directors by an amount of $100,000 to $350,000. This amount has been determined after a review of the current maximum aggregate, which has not been increased since 2017, and the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies. Whilst it is not envisaged that the maximum amount sought will be utilised immediately, the increase to maximum aggregate amount of fees payable may enable the Company to: (a) fairly remunerate both existing and any new non-executive directors joining the Board; (b) remunerate its non-executive Directors appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates; and (c) have the ability to attract and retain non-executive directors whose skills and qualifications are appropriate for a company of the size and nature of the Company.
Securities issued to non-executive Directors	In the past three years, the Company has not issued any Securities to non-executive Directors pursuant to Listing Rules 10.11 and 10.14.

REQUIRED INFORMATION	DETAILS
Voting exclusion statement	A voting exclusion statement applies to this Resolution
Voting prohibition statement	A voting prohibition statement applies to this Resolution

2.4 Board Recommendation

Given the interest of the non-executive Directors in this Resolution, the Board makes no recommendation to Shareholders regarding this Resolution.

GLOSSARY

$ means Australian dollars.

AGM, **General Meeting** or **Meeting** means the Annual General Meeting of Shareholders convened for the purposes of considering the Resolutions.

Annual Report means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2024.

Associate has the same meaning as in the Corporations Act.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Auditor means the auditor of the Company.

Auditor's Report means the auditor's report on the Financial Report.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Duxton Water Limited (ACN 611 976 517).

Constitution means the Company's constitution.

Control has the same meaning as in the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

DCA or **the Investment Manager** means Duxton Capital (Australia) Pty Ltd (ACN 164 225 647).

DCH means Duxton Capital Holdings Pty Ltd (ACN 646 494 297).

Deed of Termination and Release means the deed of termination and release between the Company and the Investment Manager dated 4 April 2025.

Directors means the current directors of the Company.

Directors' Report means the annual Directors' report.

Effective Date means 1 June 2025.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement accompanying the Notice.

Financial Report means the annual financial report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.

Independent Directors means Brendan Rinaldi, Vivienne Brand, Dirk Wiedmann and Dennis Mutton.

Independent Expert means BDO Corporate Finance Australia Pty Ltd.

Independent Expert's Report means the report prepared by BDO attached to this Notice at Annexure A.

Internalisation means the Company operating in a manner consistent with the scale and operations of the Company in the 12 months prior to the date of the Transitional Services Agreement with the following functionality and resources determined to be in place in accordance with the Transitional Services Agreement:

(a) tenure over office premises fixtures and fittings reasonably required to run the Company's business;

(b) reasonably adequate information technology software and hardware per existing systems (or equivalent) to support portfolio management and accounting;

(c) reasonable investment management capability of the Company's water portfolio (including trading, leasing and valuation);

(d) access to accounting function for the Company's business including the ability to produce internal monthly management accounts, board reporting and required external regulatory reporting;

(e) access to audit and tax services per existing service providers (currently Grant Thornton for audit services and PwC for tax services) or reasonable replacements;

(f) continuance of existing, or reasonable replacement, corporate secretarial;

(g) suitable arrangements for outsourced access to the following functions on a fee for service basis:

    (i) human resources function;

    (ii) legal services;

    (iii) information technology support;

(h) sufficient books and records relating to the affairs of the Company transferred to/held by the Company.

Investment Management Agreement means the Investment Management Agreement between DCA and the Company dated 25 July 2016 as amended by an amendment agreement dated 21 December 2022.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

Meeting means the meeting convened by the Notice.

Notice means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Performance Right means a right to acquire a Share on the terms and conditions set out in Schedule 3.

Proposed Transaction means the matters contemplated by the Deed of Termination and Release and the Transitional Services Agreement.

Proxy Form means the proxy form accompanying the Notice.

Related Body Corporate has the meaning given to that term in section 50 of the Corporations Act.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 31 December 2024.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Security means a Share, Option or Performance Right (as applicable).

Service Fee means $230,000 per month (plus GST).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Termination Fee has the meaning given in Section 1.1(b).

Transitional Services Agreement means the transitional services agreement between the Company and DCA dated 4 April 2025.

SCHEDULE 1 – DEED OF TERMINATION AND RELEASE

Parties	Duxton Water Limited (ACN 611 976 517) (**Company**) Duxton Capital (Australia) Pty Ltd (ACN 164 225 647) (**Investment Manager**)
Termination of Investment Management Agreement	The Company and DCA agree that, subject to the terms of the Deed of Termination and Release, with effect from the Effective Date and subject to payment of the amounts set out below: (a) the Investment Management Agreement is terminated and of no further force or effect and the Parties shall cease to have any further obligations under the Investment Management Agreement; and (b) the execution of the Deed of Termination and Release by the Parties shall be deemed to have: (i) satisfied any and all obligations of either Party required to terminate the Investment Management Agreement; and (ii) confirmed that no funds or obligations are outstanding from either Party under the Investment Management Agreement.
Payment of Termination Fee and Outstanding Amounts	Within 30 days of satisfaction (or waiver in writing by the Parties) of the last of the Conditions Precedent, the Company must: (a) pay the Termination Fee; and (b) pay the Management Fee and any administration fees accrued and owing prior to the Effective Date, payable in accordance with the terms of the Investment Management Agreement, and any other amounts due to the Investment Manager but unpaid.
Conditions Precedent	The operational provisions of the Deed of Termination and Release are subject to and conditional upon satisfaction or waiver of the following conditions precedent (**Conditions Precedent**): (a) the Company obtaining all Shareholder approvals required to undertake the matters set out in the Deed of Termination and Release and the Transitional Services Agreement the, including approval pursuant to section 208 of the Corporations Act to pay DCA the Termination Fee; (b) the Parties consulting with each other on the form and content of notices and announcements required in respect of any of the Conditions; (c) the Parties obtaining all necessary regulatory approvals or waivers pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the Parties to lawfully complete the matters set out in the Transitional Services Agreement; (d) the independent expert engaged by the Company opining that the transactions contemplated by the Transitional Services Agreement and the Deed of Termination and Release are "fair and reasonable" to unrelated Shareholders; (e) the Parties executing the Transitional Services Agreement; and (f) the Parties obtaining all necessary third-party approvals, consents and waivers to lawfully undertake the matters set out in this Agreement and the Deed of Termination and Release, by 5:00pm (Adelaide time) on 31 May 2025 (**End Date**). The Conditions Precedent are for the benefit of the Company and the Investment Manager and may only be waived by written agreement between the Parties. If the Conditions Precedent are not satisfied (or waived by the Parties) on or before the End Date (or such other date agreed in writing by the

	Parties), any Party may terminate the Deed of Termination and Release by notice in writing to the other Party in which case, the agreement constituted by the Deed of Termination and Release will be at end and the Parties will be released from their obligations under the Deed of Termination and Release (other than in respect of any breaches that occurred prior to termination.
Mutual releases	Subject to payment of the amounts set out above, each Party unconditionally and irrevocably releases and discharges the other Party from all future obligations and claims under, in relation to or in connection with: (a) the negotiation and execution of the Investment Management Agreement, the performance (or non-performance) of the Parties obligations pursuant to the Investment Management Agreement, the exercise (or non-exercise) of the Parties rights pursuant to the Investment Management Agreement and any other matters under or in connection with, or touching upon, the Investment Management Agreement; (b) any relationship between the Parties created by or arising out of or in connection with or as a result of entry into or performance of the Investment Management Agreement; and/or (c) any claim which was known to the Parties (or any of them) as at the date of this Deed arising out of or in any way connected with or incidental to the matters referred to above.
Bar to action	The Deed of Termination and Release may be pleaded by any Party as an absolute bar and defence to any claim commenced or continued by any other Party in breach of the terms of the Deed of Termination and Release.

SCHEDULE 2 – TRANSITIONAL SERVICES AGREEMENT

Parties	Duxton Water Limited (ACN 611 976 517) (**Company**) Duxton Capital (Australia) Pty Ltd (ACN 164 225 647) (**DCA**)
Services	The following services to be provided consistent with scope and scale of services provided by DCA to the Company under the Investment Management Agreement during the 12-month period immediately prior to the date of this Agreement, acknowledging that investment management will be insourced, and the Key Management Personnel (Lachlan Campbell and Lachlan Beech) will be employed by the Company rather than DCA: (a) Provision of data, financial models, and information system access. (b) Facilitating access to accounting, tax, legal, human resources and financial support. (c) Administrative and office support, including payment of rent, and analytical support. (d) Facilitating access to compliance, audit, tax and risk management support. (e) Any payment of the Company director fees to Edouard Peter and Stephen Duerden. (f) Assistance with any fundraising support required by the Company either via debt arrangements with a banking partner or capital raising. To avoid doubt, DCA has no obligation to provide financial accommodation or support to the Company. (g) Engagement of appropriate staff and preparation, review and/or negotiation of contracts to accomplish internalisation including the matters set out above. (h) Supervision of the Company's investment managers. (together, the **Services**).
Term	Subject to satisfaction of the Conditions Precedent, the provision of the Services will commence on 1 June 2025 (**Effective Date**) and will end on the date that is 18 months from the Effective Date or such earlier date as agreed by the Company and DCA (**Transition Date**), unless terminated earlier in accordance with the termination provisions.
Fees	In consideration for DCA providing the Services to the Company, the Company agrees to: (a) pay a service fee of $230,000 per month (plus GST) to DCA; and (b) issue DCA with 3,000,000 Performance Rights on 1 June 2025 (the **Effective Date**). If Internalisation has occurred prior to the Transition Date, the Company will pay DCA the remaining Service Fee multiplied by a factor of 1.2 times in one final cash payment.
Conditions Precedent	The operational provisions of the Transitional Services Agreement are subject to and conditional upon satisfaction or waiver of the following conditions precedent (**Conditions Precedent**): (a) the Company obtaining all Shareholder approvals required to undertake the matters set out in the Transitional Services Agreement and the Deed of Termination and Release, including approval pursuant to ASX Listing Rule 10.11 to issue the Performance Rights to DCA and section 208 of the Corporations Act to pay DCA the Service Fee; (b) the Parties obtaining all necessary regulatory approvals or waivers pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the parties to lawfully complete the matters set out in the Transitional Services Agreement;

	(c) the independent expert engaged by the Company opining that the transactions contemplated by the Transitional Services Agreement and the Deed of Termination and Release are "fair and reasonable" to unrelated Shareholders; (d) the Parties executing the Deed of Termination and Release; and (e) the Parties obtaining all necessary third-party approvals, consents and waivers to lawfully undertake the matters set out in the Transitional Services Agreement and the Deed of Termination and Release, by 5:00pm (Adelaide time) on 31 May 2025 (**End Date**). The Conditions Precedent 1are for the benefit of the Company and DCA and may only be waived by written agreement between the Parties. If the Conditions Precedent are not satisfied (or waived by the party with the benefit of the Condition Precedent) on or before the End Date (or such other date agreed in writing by the parties), any party may terminate the Transitional Services Agreement by notice in writing to the other party in which case, the agreement constituted by the Transitional Services Agreement will be at end and the parties will be released from their obligations under the Transitional Services Agreement (other than in respect of any breaches that occurred prior to termination.
Internalisation	(a) DCA must use its best endeavours to achieve Internalisation on or before the Transition Date. (b) The Company must, to the extent reasonable, facilitate Internalisation. (c) When DCA considers that Internalisation has been achieved it may give written notice (**Internalisation Notice**) to the Company. An Internalisation Notice must set out the basis upon which DCA considers Internalisation to have been achieved and provide reasonable supporting information. (d) If the Company gives notice that it agrees Internalisation has been achieved, then: (i) if the Internalisation Notice was given prior to the Transition Date, the Company must within 5 Business Days pay DCA the remaining Service Fee multiplied by a factor of 1.2 times in one final cash payment; (ii) if the Internalisation Notice was given on the Transition Date, the Company must within 5 Business Days pay DCA any due but unpaid Service Fee. (e) If the Company gives notice that it does not agree Internalisation has been achieved (**Non Satisfaction Notice**) then it must at the same time give to DCA written reasons for why Internalisation has not been achieved and specify with particularity any deficiencies and provide reasonable supporting information on what it considers is needed to achieve Internalisation. (g) If DCA disputes the Company's Non Satisfaction Notice then it must issue written notice to the Company advising of the dispute. Within 5 Business Days after the notice is given, DCA and the Company, each represented by a senior executive or other person with authority to bind the Party, must confer in good faith to resolve the dispute. (h) If the dispute is not resolved within 10 Business Days after the notice is given, the dispute shall be settled by expert determination. (i) The expert must be an audit partner of at least 10 years standing of the audit firm of the Company (currently Grant Thornton) and nominated by that firm (**Expert**).
Restraints on DCA	(a) DCA agrees and will ensure Edouard Peter and Stephen Duerden (the **Key Persons**) and will use its best endeavours to ensure that

	any Related Bodies Corporate agree, that during the Restraint Period, within the Restraint Area except with the prior written consent of the Company, it will not, subject to specific exceptions to the restraints, either directly or indirectly, in any capacity: (i) carry on, advise, provide services to or be engaged, concerned or interested in or associated, whether directly or indirectly, with any ASX-listed entity whose principal activities are that of acquiring and managing portfolio/s of Australian water entitlements tradable on a recognised exchange; (ii) solicit, entice away, interfere with, or endeavour to solicit, entice away, or interfere with, any person, firm, corporation or entity which was or is a client or customer of the Company; (iii) canvass, solicit, or entice, or endeavour to canvas, solicit or entice, any person who was or is an employee of the Company, to leave that employment; or (iv) interfere to the detriment of the Company with the relationship between the Company and any of its clients, customers, employees or suppliers. (b) **Restraint Area** means: (i) Australia; or if that area is held to be invalid, (ii) South Australia; or if that area is held to be invalid, (iii) the metropolitan area of Adelaide; or if that area is held to be invalid, (iv) within 20 kilometres of the Company registered office. (c) **Restraint Period** means the period commencing on the Effective Date and ending 18 months after the Effective Date.
Termination	The Company may immediately terminate the Transitional Services Agreement by written notice to DCA if: (a) an insolvency event occurs in relation to DCA; or (b) DCA is in material breach of the Transitional Services Agreement and, if the breach is capable of remedy, the breach is not remedied within 15 Business Days after the Company gives DCA written notice of the breach; or (c) DCA ceases to hold its Australian Financial Services Licence, unless it is appointed as an authorised representative of any AFSL holder which is authorised to provide services of the nature of the Services within 60 days of such cessation. In the event that the Company terminates the Transitional Services Agreement for one of the reasons set out above, the Company will pay DCA any accrued but unpaid Service Fee within 5 Business Days of receipt of the notice. DCA may immediately terminate the Transitional Services Agreement by written notice to the Company if: (a) an Insolvency Event occurs in relation to the Company; or (b) the Company is in material breach of this Agreement and, if the breach is capable of remedy, the breach is not remedied within 15 Business Days after DCA gives the Company written notice of the breach; or (c) a Prescribed Event occurs. In the event that DCA terminates the Transitional Services Agreement due to material breach by three Company or a Prescribed Event, the Company must pay DCA the balance of the Service Fee for the Term within 5 Business days of receipt of the notice and the Performance Rights will convert into

	Shares in accordance with paragraph 10 of Schedule 3 (if a Prescribed Event occurs) or, if the Performance Rights cannot convert into Shares, the Company will make a cash payment to DCA equal to 3,000,000 multiplied by the 5-day volume weighted average market price of trading in Shares on the ASX market as at the date of termination. **Prescribed Event** means: (a) a bona fide takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and; (i) having received acceptances for not less than 50.1% of the Company's Shares on issue; and (ii) a court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or (b) a court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies.

SCHEDULE 3 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

1.	**Entitlement**	Each Performance Right entitles the holder to subscribe for one Share upon conversion of the Performance Right.
2.	**Consideration**	The Performance Rights will be issued on the Effective Date in consideration for the provision of the Services and no further consideration will be payable by the holder upon the conversion of the Performance Rights into Shares.
3.	**Milestones**	The Performance Rights shall vest if Internalisation occurs on or before the Transition Date (**Milestone**).
4.	**Expiry Date**	If the Milestone has not been achieved by 5:00 pm (Adelaide time) on the Transition Date (**Expiry Date**), the Performance Rights will automatically lapse at that time. Any vested but unconverted Performance Rights will automatically lapse on the date that is 15 Business Days after the date of the notice referred to in paragraph 5 (Notice of vesting).
5.	**Notice of vesting**	The Company must immediately notify the holder in writing when the Milestone has been satisfied.
6.	**Quotation of Performance Rights**	The Performance Rights will not be quoted on ASX.
7.	**Conversion**	Subject to paragraph 16, upon vesting, each Performance Right will automatically, and without the requirement for the holder to give notice, convert into one Share, unless prior to the vesting the holder gives notice to the Company that it does not wish any or all of the Performance Rights to convert.
8.	**Timing of issue of Shares on conversion**	Within five Business Days of conversion of the Performance Rights, the Company will: (a) issue to the holder the number of Shares required under these terms and conditions in respect of the number of Performance Rights converted; (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and (c) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the conversion of the Performance Rights. If a notice delivered under 8(b) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
9.	**Shares issued on exercise**	Shares issued on exercise of the Performance Rights rank equally with the then issued shares of the Company.

10.	**Change of Control**	Subject to paragraph 16, upon: (a) a bona fide takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and: (i) having received acceptances for not less than 50.1% of the Company's Shares on issue; and (ii) having been declared unconditional by the bidder; or (b) a court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, then, to the extent Performance Rights have not converted into Shares, the Performance Rights will automatically vest and convert into Shares on a one-for-one basis.
11.	**Participation in new issues**	There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to the Company's existing shareholders during the currency of the Performance Rights without converting the Performance Rights.
12.	**Adjustment for bonus issues**	If the Company makes a bonus issue of Shares or other securities to the Company's existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares or other securities which must be issued on the conversion of a Performance Right will be increased by the number of Shares or other securities which the holder would have received if the holder had converted the Performance Right before the record date for the bonus issue.
13.	**Reorganisation**	If at any time the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of Performance Rights will be changed in a manner consistent with the applicable ASX Listing Rules and the Corporations Act at the time of reorganisation.
14.	**Dividend and voting rights**	The Performance Rights do not confer on the holder an entitlement to vote (except as otherwise required by law) or receive dividends.
15.	**Transferability**	The Performance Rights are not transferable.
16.	**Deferral of conversion if resulting in a prohibited acquisition of Shares**	If the conversion of a Performance Right under paragraphs 7 or 10 would result in any person being in contravention of section 606(1) of the Corporations Act (**General Prohibition**) then the conversion of that Performance Right shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition: (a) holders may give written notification to the Company if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition; and (b) the Company may (but is not obliged to) by written notice to a holder request a holder to provide the written notice referred to in paragraph (a) within 7 days if the Company considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

17.	**No rights to return of capital**	A Performance Right does not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
18.	**Rights on winding up**	A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up.
19.	**ASX Listing Rule compliance**	The Board reserves the right to amend any term of the Performance Rights to ensure compliance with the ASX Listing Rules and the Board shall notify the holder of the Performance Rights in writing prior to making any such amendment.
20.	**No other rights**	A Performance Right gives the holder no rights other than those expressly provided by these terms and conditions and those provided at law where such rights at law cannot be excluded by these terms.

SCHEDULE 4 – VALUATION OF PERFORMANCE RIGHTS

The Performance Rights to be issued pursuant to Resolution 5 have been valued by internal management.

Using the Black & Scholes option modeland based on the assumptions set out below, the Performance Rights were ascribed the following value:

ASSUMPTIONS:	
Valuation date	1 April 2025
Market price of Shares	$1.445
Commencement of performance/vesting period	1 June 2025
Performance measurement date	1 December 2026
Expiry date (length of time from issue)	1 December 2026
Risk free interest rate	3.67%
Volatility (discount)	25%
Indicative value per Performance Right	$1.305
Total Value of Performance Rights	$3,915,000
- Duxton Capital (Australia) Pty Ltd (Resolution 5)	$3,195,000

IDEAS | PEOPLE | TRUST

Duxton Water Limited

Independent Expert's Report

7 April 2025

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FINANCIAL SERVICES GUIDE

Dated: 7 April 2025

This Financial Services Guide (**FSG**) helps you decide whether to use any of the financial services offered by BDO Corporate Finance Australia Pty Ltd (**BDO Corporate Finance, we, us, our**).

The FSG includes information about:

- Who we are and how we can be contacted
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts, and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us $50,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees, or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

We are committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the **BDO Complaints Policy** available on our website.

BDO Corporate Finance is a member of AFCA (Member Number 11843). Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to the Australian Financial Complaints Authority (**AFCA**) using the below contact details:

Australian Financial Complaints Authority
GPO Box 3, Melbourne VIC 3001
Email: info@afca.org.au
Phone: 1800 931 678
Fax: (03) 9613 6399
Interpreter service: 131 450
Website: http://www.afca.org.au

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au

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Appendix 1 – Glossary and copyright notice

Appendix 2 – Valuation Methodologies

Appendix 3 – Discount Rate

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7 April 2025

The Independent Directors
Duxton Water Limited
7 Pomona Road
Stirling SA 5152

Dear Independent Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 25 July 2016, Duxton Water Limited ('**D2O**' or '**the Company**') entered into an Investment Management Agreement ('**IMA**') with Duxton Capital (Australia) Pty Ltd ('**DCA**'). Under the IMA, the day-to-day management of D2O and D2O's assets and investments ('**the Portfolio**') is performed by DCA. D2O pays DCA a monthly management fee, admin fees and performance fees based on the performance of the Portfolio. The IMA has a term of ten years and is automatically renewed for a further five-year term, other than in certain prescribed circumstances.

D2O intends to bring the management activities that are currently undertaken under the IMA in-house. On 4 April 2025, D2O announced it had entered into a Deed of Termination and Release Agreement with DCA, pertaining to the termination of the IMA ('**the Termination Agreement**'). As per the terms of the IMA and the Termination Agreement, D2O is to pay DCA a termination fee, if the IMA is terminated prior to the 10th anniversary of the IMA, calculated by a formula defined in Section 4 ('**Termination Fee**').

Contemporaneously with terminating the IMA, D2O also entered into a Transitional Services Agreement ('**Transitional Services Agreement**') with DCA, for DCA to provide services to the Company for an 18-month period (or sooner) to assist the Company in bringing the management activities that are currently undertaken under the IMA in-house. Under the Transitional Services Agreement, it is proposed that D2O will pay DCA a service fee of $230,000 per month ('**Service Fee**') and D2O will issue DCA 3,000,000 performance rights in the Company ('**Consideration Rights**').

We refer to the Service Fee and the Consideration Rights collectively as the ('**Transition Consideration**').

We refer to the Termination Fee and the Transition Consideration collectively as ('**the Consideration**').

We refer to the Termination Agreement and the Transitional Services Agreement collectively as ('**the Proposed Transaction**').

A condition precedent in the Termination Agreement and the Transitional Services Agreement is that an independent expert opines that the Proposed Transaction is 'fair and reasonable' to non-associated shareholders of D2O ('**Shareholders**').

We note Mr Edouard Peter is the Chairman of D2O and is a director and controller of DCA and Mr Stephen Duerden is a director of D2O and the Chief Executive Officer of DCA.

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Further details on the Proposed Transaction can be found in Section 4 of our Report.

All figures in our Report are quoted in Australian dollars (**'AUD'** or **'$'**) unless otherwise stated.

2. Summary and opinion

2.1 Requirement for the report

The Independent Directors of D2O have requested that BDO Corporate Finance Australia Pty Ltd (**'BDO'**) prepare an independent expert's report (**'our Report'**) to express an opinion as to whether the Proposed Transaction is fair and reasonable to Shareholders.

This Report is to accompany the Notice of Meeting (**'Transaction Document'**) required to be provided to the Shareholders of D2O entitled to vote on the Proposed Transaction and will be prepared to assist Shareholders in their considerations of whether to approve the Proposed Transaction.

Our Report is pursuant to the conditions precedent in the Termination Agreement and the Transitional Services Agreement, which require an independent expert to express an opinion that the Proposed Transaction is 'fair and reasonable' to Shareholders.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 111 'Content of expert reports' (**'RG 111'**), Regulatory Guide 112 'Independence of experts' (**'RG 112'**), and Regulatory Guide 170 'Prospective financial information' (**'RG 170'**).

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this Report. We have considered the following:

- How the cost to D2O if the IMA is terminated and the Transitional Services Agreement is entered into (to bring management in-house) (**'Scenario 1'**) i.e. the Proposed Transaction is approved, compares to the cost D2O would incur if it continued operating under the IMA (**'Scenario 2'**) i.e. if the Proposed Transaction is not approved.
- Other factors which we consider to be relevant to Shareholders in their assessment of the Proposed Transaction.
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this Report and have concluded that, in the absence of a superior scenario, the Proposed Transaction is fair and reasonable to Shareholders.

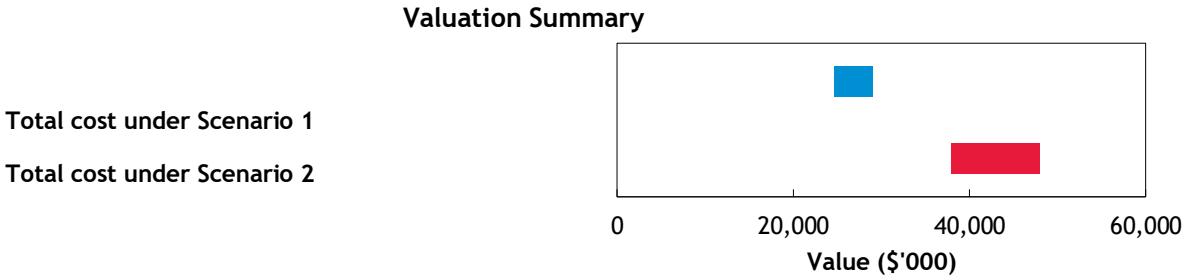
2.4 Fairness

In Section 12, we compared Scenario 1 and Scenario 2 as detailed below.

	Ref.	Low $'000	High $'000
Scenario 1 (cost to terminate the IMA)	10.1.	24,672	29,092
Scenario 2 (cost to continue operating under the IMA)	11.1.	38,000	48,000

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above costs indicate that, in the absence of any other relevant information, the Proposed Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 13 of this Report, in terms of the following:

- Advantages and disadvantages of the Proposed Transaction.
- Other considerations, including the position of Shareholders if the Proposed Transaction does not proceed.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of a superior proposal we consider that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1.	The Proposed Transaction is fair.	13.2.1.	Risk that D2O will not be able to execute the management of its day-to-day activities as effectively as DCA.
13.1.2.	D2O will have direct control over the management of its operations	13.2.2.	The vesting of the Consideration Rights will dilute Shareholders' equity and the Termination Payment will reduce cash reserves.

Other key matters we have considered include:

Section	Description
13.3.	Alternative proposal
13.4.	Position of Shareholders if the Proposed Transaction is not approved
13.5.	Other considerations

3. Scope of the Report

3.1 Purpose of the Report

There is no requirement under ASX Listing Rules, or Corporations Act or Regulations, for D2O to engage an independent expert in relation to the Proposed Transaction.

Notwithstanding the above, D2O engaged BDO to prepare this Report to express an opinion as to whether the Proposed Transaction is fair and reasonable to Shareholders, due to the condition precedent present in the Termination Agreement and the Transitional Services Agreement, which requires an independent expert to express an opinion that the Proposed Transaction is 'fair and reasonable' to Shareholders.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111 which provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Proposed Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Proposed Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 suggests that the main purpose of an independent expert's report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the transaction.

Having regard to RG 111, we have completed our Report as follows:

- How Scenario 1 (cost to terminate the IMA) compares to Scenario 2 (cost to continue operating under the IMA) (fairness – see Section 12 'is the Proposed Transaction fair?').
- An investigation into the advantages and disadvantages of the Proposed Transaction, and an analysis of any other issues that could be reasonable anticipated to concern Shareholders as a result of the Proposed Transaction (reasonableness – see Section 13 'Is the Proposed Transaction reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

On 25 July 2016, D2O entered into the IMA with DCA. Under the IMA, the day-to-day management of D2O's Portfolio is performed by DCA. D2O pays DCA a monthly management fee, admin fees and performance fees based on performance of the Portfolio. The IMA has a term of ten years and is automatically renewed for a further five-year term other than in certain prescribed circumstances.

D2O intends to bring the management activities that are currently undertaken under the IMA in-house. On 4 April 2025, D2O announced it had entered into a Termination Agreement with DCA, pertaining to the termination of the IMA.

As per the terms of the IMA and the Termination Agreement, D2O is to pay DCA the Termination Fee, if the IMA is terminated prior to the 10th anniversary of the IMA, calculated by the following formula:

Termination Fee = 5% of PNAV * (1-(CME/60)) ('**Termination Fee Formula**').

Where:

- PNAV = Portfolio net asset value, being the total assets of the Company including water assets (valued at fair market value based upon an independent valuation or the average mid-price as at the relevant valuation day), less the total liabilities of the Company excluding provisions for tax payable and a performance fee ('**PNAV**').
- CME = Calendar months elapsed after the first five years of the IMA ('**CME**').

Contemporaneously with terminating the IMA, D2O entered into a Transitional Services Agreement with DCA, for DCA to provide services to the Company for an 18-month period (or sooner) to assist the Company in bringing the management activities that are currently undertaken under the IMA in-house. Under the Transitional Services Agreement, it is proposed that D2O will pay DCA a $230,000 Service Fee per month and D2O will issue DCA 3,000,000 Consideration Rights in the Company.

The Consideration Rights have nil exercise price and have an effective expiry date of 1 December 2026 (or earlier as agreed by the Company) ('**Transition Date**'). Each Consideration Right entitles the holder to one share in the Company, which will vest upon the Proposed Transaction being successful and the Company taking activities currently undertaken under the IMA in-house, operating as a complete and standalone business.

We consider the key conditions precedent of the Termination Agreement and the Transitional Services Agreement to be:

- The Company obtaining all shareholder approvals.
- The parties obtaining all necessary regulatory approvals or waivers.
- The independent expert opining that the Proposed Transaction is 'fair and reasonable' to Shareholders.

While not a condition precedent of the Proposed Transaction, the Proposed Transaction will involve Mr Edouard Peter resigning as Chair of the Company, but remaining as a director, and Mr Brendan Rinaldi being appointed as Company Chair.

We note, Mr Edouard Peter is the Chairman of D2O and is a director of DCA and Mr Stephen Duerden is a director of D2O and the Chief Executive Officer of DCA.

5. Profile of D2O

5.1 Overview

D2O is an ASX listed investment firm based in Stirling, South Australia, focused on acquiring and managing a portfolio of water entitlements in southeastern Australia, particularly in the southern Murray Darling Basin ('**SMDB**'). The Company was incorporated and listed on the ASX in 2016.

The current directors of D2O are:

- Mr Edouard Peter – Executive Director and Chairman (DCA representative)
- Mr Stephen Duerden – Executive Director (DCA representative)
- Mr Dirk Wiedmann – Independent Non-Executive Director
- Mr Dennis Mutton – Independent Non-Executive Director
- Dr Vivienne Brand – Independent Non-Executive Director
- Mr Brendan Rinaldi - Independent Non-Executive Director.

Under the IMA, DCA manages D2O's portfolio and executes its investment strategy. The Company has no employees, with all day-to-day activities handled by DCA. D2O pays DCA a monthly management fee, admin fees and performance fees based on portfolio performance.

5.2 Portfolio

D2O operates an investment model focused on acquiring and managing a range of water entitlements. The Company generates revenue by providing water supply solutions in the form of long-term lease arrangements and the sale of temporary water allocations to customers in the agricultural sector. The portfolio is concentrated in the SMDB region, which is a key agricultural region covering parts of Victoria, New South Wales and South Australia.

D2O's historical portfolio value, total water owned, and percentage of portfolio leased is shown in the table below:

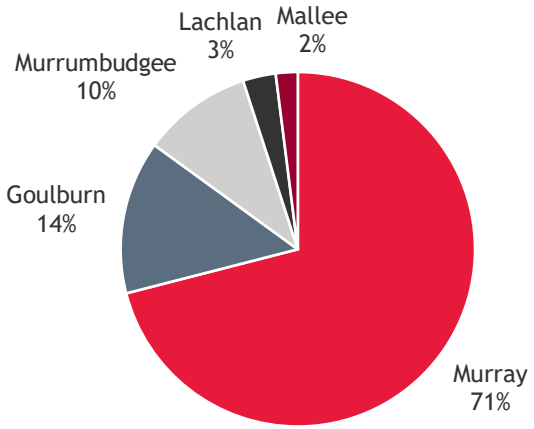
Portfolio item	31-Dec-22	31-Dec-23	31-Dec-24	28-Feb-25
Portfolio value ($m)*	377	390	392	385
Total water owned (gigalitres)	84	91	92	90
Percentage of portfolio leased	54%	60%	37%	40%
Percentage of portfolio unleased	46%	40%	63%	60%

Source: D2O's annual financial statements for the years ended 31 December 2022, 31 December 2023, 31 December 2024 and monthly update for February 2025

*We note that Portfolio value above is non-statutory value. This includes permanent water entitlement acquisitions that are contracted but not yet settled.

D2O's water entitlement value by region in Australia as at 28 February 2025 is outlined in the chart below:

D2O's water entitlement value by SMDB region (February 2025)



Source: D2O's monthly update for February 2025

The performance of the Portfolio is primarily influenced by natural weather conditions in the SMDB, as rainfall levels determine supply. In early 2024, the region experienced wetter-than-average conditions, however, more recent drought-like conditions, particularly in South Australia and Victoria, led to dam storages declining to their lowest levels since 2020.

Lower dam storages driven by the recent drier conditions have contributed to higher demand for water allocation, higher prices, and improved lease yields on high security water assets, compared to the past two to three years. Additionally, the Australian Government commenced entitlement buybacks in July 2024 as part of its efforts to return water to the environment (detailed further in Section 8). Despite these factors, the Portfolio's performance remained resilient throughout 2024.

In its February 2025 update, D2O reported that dam storages remain at their lowest levels for this time of the year since February 2021, sustaining high allocation prices driving demand for leases beginning in July 2025.

On 6 March 2025, D2O announced it had entered into an agreement with the Australian Government for the sale of 30,614 megalitres of water entitlements for $121.3 million. As at the date of our Report, the transaction has not settled.

5.3 Historical Statements of Financial Position

Statement of Financial Position	Audited as at 31-Dec-24 $'000	Audited as at 31-Dec-23 $'000	Audited as at 31-Dec-22 $'000
CURRENT ASSETS			
Cash and cash equivalents	825	1,832	1,246
Trade and other receivables	458	9,941	9,568
Temporary water allocations	5	-	26
Other current assets	151	223	434
Income tax refund receivable	118	-	-
TOTAL CURRENT ASSETS	**1,557**	**11,996**	**11,274**
NON-CURRENT ASSETS			
Permanent water entitlements	308,573	311,101	262,756
Deposits paid on water entitlements	1,950	-	11
Deferred tax assets	1,323	1,546	2,609
TOTAL NON-CURRENT ASSETS	**311,846**	**312,647**	**265,376**
TOTAL ASSETS	**313,403**	**324,643**	**276,650**
CURRENT LIABILITIES			
Trade and other payables	294	13,156	3,275
Contract liabilities	1,349	884	1,411
Income tax payable	-	1,514	2,100
TOTAL CURRENT LIABILITIES	**1,643**	**15,554**	**6,786**
NON-CURRENT LIABILITIES			
Borrowings	116,000	116,500	125,000
TOTAL NON-CURRENT LIABILITIES	**116,000**	**116,500**	**125,000**
TOTAL LIABILITIES	**117,643**	**132,054**	**131,786**
NET ASSETS	**195,760**	**192,589**	**144,864**
EQUITY			
Issued capital	190,360	185,252	134,526
Retained earnings	5,400	7,337	10,338
TOTAL EQUITY	**195,760**	**192,589**	**144,864**

Source: D2O's annual financial statements for the years ended 31 December 2022, 31 December 2023 and 31 December 2024

Commentary on Historical Statements of Financial Position

- Cash and cash equivalents decreased from $1.83 million as at 31 December 2023 to $0.83 million as at 31 December 2024, which was primarily the result of purchase of water entitlements of $27.82 million, repayment of borrowings of $24.5 million, payment of dividends of $9.56 million, interest paid of $6.81 million, income tax paid of $5.13 million and payments to suppliers of $5.03 million, partially offset by proceeds from disposal of water entitlements of $40.62 million, proceeds from borrowings of $24.5 million and receipts from customers of $9.88 million.
- In accordance with the Australian Accounting Standards, permanent water entitlements are valued at cost less accumulated impairments, and subsequent to initial recognition, fair market value increments are not included in the amounts recognised in the financial statements. Permanent water entitlements of $308.57 million as at 31 December 2024 is measured as $309.91 million at cost less $1.34 million in accumulated impairment.
- Borrowings relate entirely to a $130 million debt facility with National Australia Bank Limited, with $116 million drawn down as at 31 December 2024. The facility is secured by mortgages on approximately 72 GL of permanent water entitlements and is due for expiry 31 March 2026.

5.4 Historical Statements of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 31-Dec-24 $'000	Audited for the year ended 31-Dec-23 $'000	Audited for the year ended 31-Dec-22 $'000
Revenue	10,042	9,566	11,955
Gain on entitlement sales	14,950	11,379	8,026
Total revenue	**24,992**	**20,945**	**19,981**
Cost of sales and leasing	(419)	(396)	(1,020)
Management fees	(2,232)	(2,219)	(2,212)
Performance fees	-	-	(2,458)
Legal and professional fees	(248)	(185)	(109)
Other expenses	(1,690)	(1,772)	(1,373)
(Impairment)/impairment reversal of permanent water entitlements	(422)	(915)	171
Impairment reversal of temporary water allocations	-	-	255
Total expenses	**(5,011)**	**(5,487)**	**(6,746)**
Profit before net finance (cost)/income	**19,981**	**15,458**	**13,235**
Net finance (expense)/income	(6,652)	(6,462)	771
Profit before income tax	**13,329**	**8,996**	**14,006**
Income tax expense	(3,995)	(2,665)	(3,999)
Profit for the year attributable to shareholders of D2O	**9,334**	**6,331**	**10,007**
Other comprehensive income	-	-	-
Total comprehensive income for the year attributable to the shareholders of D2O	**9,334**	**6,331**	**10,007**

Source: D2O's annual financial statements for the years ended 31 December 2022, 31 December 2023 and 31 December 2024

Commentary on Historical Statements of Profit or Loss and Other Comprehensive Income

- Revenue almost entirely relates to lease income from water entitlements and the sale of temporary water allocations. A breakdown of revenue by type for the above periods is illustrated below:

Revenue type	Audited for the year ended 31-Dec-24 $'000	Audited for the year ended 31-Dec-23 $'000	Audited for the year ended 31-Dec-22 $'000
Lease income from water entitlements	6,999	7,875	8,195
Sale of temporary water allocations	2,894	1,501	3,718
Other income	149	190	42
Total	**10,042**	**9,566**	**11,955**

Source: D2O's annual financial statements for the years ended 31 December 2022, 31 December 2023 and 31 December 2024

- Gain on entitlement sales represents profit realised from selling permanent water entitlement assets, rather than leasing them or trading their temporary allocations.
- Management fees relate to the monthly management fee paid to DCA for managing the Company's Portfolio and carrying out its day-to-day operations, as appointed under the IMA.

- Performance fees of $2.46 million for the year ended 31 December 2022 are fees paid to DCA, which (under the IMA) are to be paid if the investment return of the Company outperforms a minimum hurdle of 8% per annum. Performance fees were nil for the years ended 31 December 2023 and 31 December 2024, as the Company didn't outperform the minimum hurdle.
- Net finance expense for the years ended 31 December 2024 and 31 December 2023 is almost entirely interest paid on debt.

5.5 Capital structure

The share structure of D2O as at 31 January 2025 is outlined below:

	Number
Total ordinary shares on issue	156,403,151
Top 20 shareholders	74,671,836
Top 20 shareholders - % of shares on issue	47.74%

Source: D2O's annual report for the year ended 31 December 2024

The range of shares held in D2O as at 31 January 2025 is as follows:

Range of shares held	No. of ordinary shareholders	No. of ordinary shares	Percentage of issued shares (%)
1 - 1,000	871	445,839	0.29%
1,001 - 5,000	896	2,316,216	1.48%
5,001 - 10,000	416	3,160,696	2.02%
10,001 - 100,000	1,174	37,238,233	23.81%
100,001 - and over	170	113,242,167	72.40%
TOTAL	**3,527**	**156,403,151**	**100.00%**

Source: D2O's annual report for the year ended 31 December 2024

The ordinary shares held by Mr Edouard Peter, Mr Stephen Duerden and DCA at the date of our Report are detailed below:

Name	No. of ordinary shares	Percentage of issued shares (%)
Mr. Edouard Peter	5,824,677	3.72%
Mr. Stephen Duerden	120,695	0.08%
Duxton Capital Investments Pty Ltd	2,154,845	1.38%

Source: Transaction Document

The options on issue in D2O as at 31 January 2025 are outlined below:

Description	No. of Options/Rights	Exercise price ($)	Expiry date
Bonus options issued to all shareholders expiring 10-May-26	38,165,498	1.92	10-May-26
Total number of options on issue	**38,165,498**		
Cash raised if options are exercised ($)	**73,277,756**		

Source: D2O's annual report for the year ended 31 December 2024

6. Profile of DCA

6.1 History

DCA is a private investment firm specialising in agricultural investments and water asset management. Established in 2013 as the Australian arm of the Duxton Group, DCA employs over 60 staff and is headquartered in Stirling, South Australia.

Between 2016 and 2022, DCA launched the following businesses:

- D2O (ASX listed)
- Duxton Farms Limited (ASX listed)
- Duxton Pubs Limited
- Duxton Viticulture Pty Ltd
- Duxton Bees Pty Ltd
- Duxton Diversified Agriculture Fund
- Duxton Water Fund.

DCA is D2O's investment manager. Under the IMA, DCA manages the Company's Portfolio and its day-to-day operations. In return, D2O pays DCA management fees, admin fees and performance fees.

7. Economic analysis

D2O and DCA are primarily exposed to the risks and opportunities of the Australian market through the location of their operations and through D2O's ASX listing. Therefore, we have presented an analysis on the Australian economy, to the extent that it relates to our assessment.

Overview

At the April 2025 Monetary Policy Decision meeting, the Reserve Bank of Australia (**'RBA'**) left the cash rate unchanged at 4.10%. This follows the February rate cut, which marked the first reduction since the November 2023 meeting. The current monetary policy is aimed at sustainably returning inflation to the RBA's target of 2-3% within a reasonable timeframe. The Monetary Policy Board notes both upside and downside risks, remaining cautious about the outlook. The trimmed mean inflation eased to 3.2% over 2024, and as of February 2025 it reduced to an annual 2.7% to sit within the RBA's target band.

The RBA notes significant uncertainties surrounding the outlook for domestic economic activity and inflation. The central forecast anticipates continued growth in household consumption, driven by rising income levels.

Economic recovery appears to be slower than estimated, headlined by disruptions to the economic position of Australia's main trading partners. In China, property woes have led to weaker consumption and commodity prices such as iron ore. Public authorities in China have responded to the weak outlook for economic activity by implementing more expansionary policies, although the impact of these measures remains to be seen. In the USA, economic growth has been robust, however, there remains uncertainty about the inflation and growth outlook following Donald Trump's recent victory in the USA presidential election and the Trump Administration's recent introduction of tariffs on other major economies, including China, Canada and Mexico.

Based on the most recent data, household and public consumption led to a strengthening of domestic demand, although the net effect of import growth and softer exports have had a negative effect on gross domestic product (**'GDP'**) growth. According to the Australian Bureau of Statistics (**'ABS'**), over the twelve months to December 2024, GDP growth was 1.3%, slightly higher than the 0.8% for the twelve months to September 2024, which outside of the COVID-19 pandemic, was the slowest pace of growth since the early 1990s.

Since late 2022, equity prices in Australia have continued to increase, following suit from the USA equity market. The rise in equity prices has largely been driven by increased expectations of future earnings growth, most notably in the technology sector, although recently, markets have seen significant pullbacks due to lower-than-expected earnings of some large technology companies and scepticism over the ability to convert investment in artificial intelligence into earnings. More recently, global equities rose despite tariff concerns and geopolitical risks, particularly in the United Kingdom, Europe, and Japan, as currency depreciation boosted local earnings for export-focused companies and multinationals' offshore operations.

Outlook

While headline inflation has declined in recent years, the RBA still considers underlying inflation, which is more indicative of inflation momentum, to be high despite easing more quickly than expected through the end of 2024. Services price inflation remains high, as observed overseas, but is expected to gradually decline as domestic inflationary pressures moderate and growth in labour and non-labour costs ease.

The RBA's central projection is for growth in household consumption to increase as income growth rises, following on from the recovery in household spending in late 2024. However, there is a risk that any

increase in consumption is slower than expected, resulting in continued subdued output growth and a greater deterioration in the labour market than currently projected.

Considering that economic growth of Australia's trading partners has been slower than expected, domestic growth expectations have been pushed out. However, there remains a high level of uncertainty around the global economic outlook due to new trade policies and international tensions. The introduction of tariffs between the USA and other major economies, including China, Canada and Mexico, poses challenges to the global outlook, although the scale of these impacts remain highly uncertain.

Source: www.rba.gov.au Statement by the Reserve Bank Board: Monetary Policy Decision dated 1 April 2025 and prior periods, Statement on Monetary Policy 18 February 2025 and prior periods, Minutes of the Monetary Policy Meeting of the Reserve Bank Board 18 February 2025 and prior periods, the Australian Bureau of Statistics media release 5 March 2025 and prior periods.

8. Industry analysis

D2O operates as an investment firm in the water supply industry, focused on acquiring and managing a portfolio of water entitlements in southeastern Australia. As such, we have presented an overview of the broader Australian water supply industry and the Australian water entitlement industry.

8.1 Water supply industry in Australia

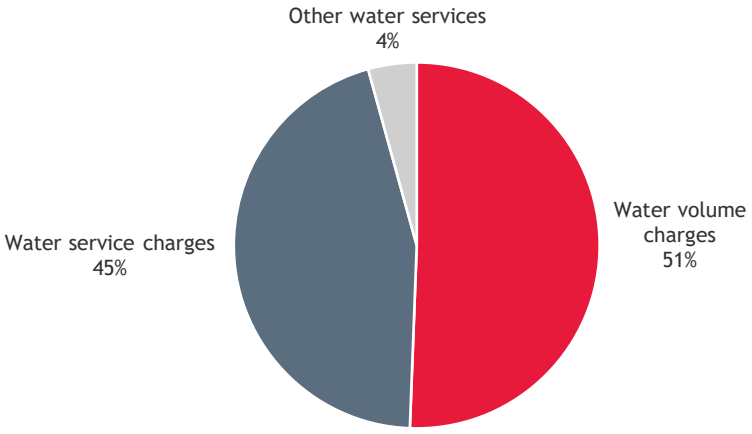
Overview and industry performance

Water suppliers are integral to supporting Australia's growing population. Despite a temporary decline in demand during the pandemic, driven by border closures and reduced migration, the need for water services remains steady, particularly in farming regions. High fixed costs and rising depreciation have led to a 1.4% annual revenue decline over the past five years, but growth is expected with increasing demand driven by both population expansion and the ongoing need for reliable agricultural water supply.

The industry is adapting to resource scarcity by expanding beyond traditional rain-fed sources, incorporating desalination plants and alternative technologies to meet agricultural needs. In 2024–2025, industry revenue is projected to rise by 1.8%, driven by population growth and substantial investments in infrastructure renewal to ensure long-term water security for farms and businesses.

A breakdown of 2024 water supply industry revenue by key product and service is shown below.

Water supply industry revenue for 2024 by key product



Source: IBISWorld 'Water Supply in Australia' published January 2025

Competition and barriers to entry

The Australian water supply industry is highly regulated and geographically segmented, with state-owned entities primarily serving specific regions. Competition is minimal in water supply, especially for large-scale providers catering to critical needs such as farming. While private suppliers like D2O are emerging, the industry remains dominated by government entities. The barriers to entry for potential competitors are significant, including high capital expenditures for water infrastructure and strict regulatory compliance. These factors create a challenging environment for new entrants, particularly those aiming to serve the agricultural sector, which requires reliable and large-scale water distribution systems.

Outlook

The water supply industry faces growing challenges from climate change, population growth, and ageing infrastructure. For farms, this presents an urgent need for sustainable water solutions. As climate change reduces water availability, especially in rural areas, substantial capital investment in water infrastructure, including desalination plants, is necessary to secure future supplies. Increased investment in water networks is expected, with capital spending on infrastructure set to more than double by 2026–2027. As a result, water prices will rise, reflecting both increased costs and the need for more sustainable water management. For companies supplying water entitlements to farms, this will create opportunities and challenges in maintaining supply while managing rising operational costs. Industry revenue is projected to grow at an annualised rate of 1.1% over the next five years, reaching $17.3 billion, with strategic price adjustments required to balance cost recovery and public trust in water utilities.

Source: IBISWorld 'Water Supply in Australia' published January 2025

8.2 Water entitlement market in Australia

Overview and industry performance

A water entitlement is a legal or equitable right owned by an entity that relates to water, including groundwater. These rights can include the ability to receive water, take water from a resource, have water delivered, or deliver water. Examples of water entitlements are water allocations, water use licences, rights related to the conveyance of water, irrigation rights, contractual rights against third parties like operators, statutory licences issued by state or territory governments, shares in companies with water-related rights, and interests in trusts or partnerships that come with water-related rights.

In Australia, water entitlement trading operates as a dynamic and highly regulated system. Permanent trades involve the transfer of water entitlements, while temporary trades concern annual water allocations, adjusted seasonally according to rainfall, inflows, and storage levels. Prices fluctuate with supply and demand, varying by region and right type, while the Murray–Darling Basin Authority ensures fair and transparent trading across the SMDB. Irrigation infrastructure operators and state governments enforce localised rules, with oversight from various bodies like the Inspector-General of Water Compliance and the Australian Competition and Consumer Commission, which regulate compliance, pricing transparency, and market competitiveness under the Water Act 2007. This system balances individual business decisions with sustainable water management across diverse climatic conditions.

The Australian water entitlement market experienced significant changes throughout 2024, driven by shifting seasonal supply and demand dynamics. The year began with improved water availability, supported by substantial rainfall and high storage levels carried over from the previous year. However, as 2024 progressed, conditions deteriorated, culminating in reduced dam storage levels by year-end.

Spot water prices at the close of 2024 for the SMDB were as follows:

- $145–$150/megalitre (**'ML'**) in the lower Murray
- $120–$130/ML in the upper Murray
- $105–$110/ML in the Goulburn
- $200–$235/ML in the Murrumbidgee.

Notably, the Murrumbidgee region continued to command a significant price premium over other zones. In December 2024 alone, Murrumbidgee allocation prices increasedby 80%, driven by lower general security allocations and increased summer plantings.

Rising allocation prices typically correlate with increased demand for long-term water leases, as observed toward the end of the year. This trend was reinforced by irrigators seeking stability in response to volatile weather patterns and market fluctuations. Forward contracts for the 2024/2025 season gained popularity among irrigators during early 2024, reflecting an increasing focus on securing water supplies and locking in costs to reduce market uncertainty. The growing demand for such arrangements highlights a strategic shift among agricultural stakeholders, aimed at mitigating water-related risks over extended timeframes.

Government buybacks

Water buybacks by the Australian Government are set to impact the water entitlement industry in the coming years. Under the Restoring Our Rivers Act, the Government aims to recover 450 gigalitres (**'GL'**) of additional environmental water by December 2027. In July 2024, it announced its first buyback of 70 GL of water entitlements through an open tender process, receiving over 1,000 submissions.

In September 2024, the Australian Government opened two expressions of interest (**'EOI'**), to assess market willingness to sell water entitlements in 2025. The first EOI targeted entitlement owners ineligible for the July 2024 tender, while the second targeted portfolio volumes of 20 GL or greater, which D2O's Portfolio falls under.

The Australian Government's increased focus on environmental water recovery highlights the need for flexible and cost-effective water access solutions in the agricultural sector, which D2O facilitates.

Outlook

The government's ongoing acquisition of water entitlements for environmental purposes is likely to continue shaping water markets in the years ahead as climatic variability remains a key factor influencing market dynamics. Although recent years have been characterised by wetter conditions, the return to more typical weather patterns highlights the critical importance of water security for Australian agriculture.

Source: Duxton Water Limited Annual Report 2024, Murray-Darling Basin Authority

9. Valuation approach adopted to assess fairness

As detailed in Section 4 of our Report, in considering whether the Proposed Transaction is fair to Shareholders, we have assessed the cost to D2O if the IMA is terminated, a Transitional Services Agreement is entered into and management activities that are currently undertaken under the IMA are brought in-house (Scenario 1) and we have compared this to the cost D2O would incur if it continued under the IMA (Scenario 2).

The independent directors of D2O (**'D2O Directors'**) have provided us with a financial model (**'Model'**) that calculates the forecast costs under Scenario 1 and Scenario 2. These cash flows are most appropriately valued using a discounted cash flow (**'DCF'**) approach. We consider there to be sufficient reasonable grounds for a DCF valuation of the costs under Scenario 1 and Scenario 2. We have considered the guidance contained in RG 170 to inform our assessment of whether there are sufficient reasonable grounds for a DCF valuation of the costs under each scenario. We have reviewed the Model and material assumptions that underpin it and have made certain adjustments to the Model where it was considered appropriate to arrive at an adjusted model (**'Adjusted Model'**). Details of the material assumptions underpinning our analysis are set out in Section 10 and Section 11 of our Report.

We have considered the cash flows under each scenario for an initial period of five years and have then applied a terminal value which has been calculated utilising a perpetuity growth model. The terminal value represents the value of all future cash flows beyond an initial five-year period. We note that under the IMA, it will automatically be renewed for another five-year term, unless it has been terminated. As we have no reasonable grounds to assume what the termination terms would be at the end of the next five-year period, or subsequent five-year periods, or if shareholders would approve those terms, we have only considered a scenario in which the IMA is renewed into perpetuity.

9.1 Cost under Scenario 1

In our assessment of the cost to D2O under Scenario 1 we have considered:

- the cost to terminate the IMA – being calculated with reference to the formula set out in the IMA;
- the costs to be incurred under the Transitional Services Agreement – being the present value of the monthly payments to DCA over 18 months as set out in the Transitional Services Agreement, and the value of the 3,000,000 Consideration Rights to be issued to DCA for their services. Given the milestones attached to each tranche of the Consideration Rights all relate to the successful completion of the handover of the day-to-day management of D2O, for the purposes of our analysis we have assumed these Consideration Rights will vest at the end of the 18 month - transition period. For full terms of the Consideration Rights see Section 4 of our Report. We have used the Quoted Market Price (**'QMP'**) methodology prior to the announcement of the Transaction (in the absence of available market data following the announcement of the Proposed Transaction), to determine the value of the ordinary shares to be issued to DCA on vesting of the Consideration Rights; and
- the cost of bringing management activities that are currently undertaken under the IMA in-house – being the present value of management estimates of one-off costs to be borne by D2O as a result of bringing the services in house, in addition to salaries and costs. The present value of the costs under Scenario 1 has been calculated with reference to the Adjusted Model.

9.2 Cost under Scenario 2

In our assessment of the cost to D2O under Scenario 2 we have considered the expected costs to be incurred under the current IMA, being the present value of expected management fees, performance fees and administration fees charged by DCA to D2O. The present value of the costs under Scenario 2 has been calculated with reference to the Adjusted Model.

10. Cost under Scenario 1

In our assessment of the cost to D2O under Scenario 1 we have considered:

- The value of the termination payment;
- The value of the Consideration Rights to be issued to DCA; and
- The present value of the cash flows under Scenario 1 into perpetuity.

10.1 The leave liabilities and sign on bonus of the portfolio managers. Summary

The value of the expected costs under Scenario 1 are set out below.

Costs under Scenario 1	Ref	Low $'000	High $'000
Termination payment	10.1.1	3,200	3,300
Value of the Consideration Rights	10.1.2	4,080	4,380
Present value of cash flows under Scenario 1 into perpetuity	10.1.3	17,000	21,000
Leave liabilities and sign on bonus of the portfolio managers	10.1.4	392	412
Total cost of Scenario 1		**24,672**	**29,092**

Source: BDO analysis

The table above indicates that the value of the costs to be borne by D2O under Scenario 1 range between $24.7 million and $29.1 million..

10.1.1. Termination payment

As set out in the IMA, a termination fee is payable to DCA as the investment manager, at any time prior to the 10th anniversary of the commencement of the IMA. The IMA sets out that the termination fee shall be equal to 5% of the portfolio net asset value at the end of the month preceding the date of termination, reduced by one sixtieth for each calendar month elapsed after the five years from the date of the commencement of the IMA in accordance with the following formula:

$$\text{Termination fee} = 5\% \text{ of PNAV} \times \left(1 - \frac{\text{CME}}{60}\right)$$

In accordance with the IMA, the expected termination fee payable to DCA is between $3.2 million and $3.3 million based on an assumed payment in the month of May 2025.

10.1.2. Value of the Consideration Rights

As set out in Section 4, under the terms of the TSA, D2O will issue DCA with 3,000,000 Consideration Rights, subject to Shareholder approval. The Consideration Rights shall vest upon the Proposed

Transaction being successful and the Company taking activities currently undertaken under the IMA in-house, operating as a complete and standalone business.

The Consideration Rights will be issued for nil consideration and will expire on the Transition Date. Each Consideration Right entitles the holder to subscribe for one share upon conversion of the Consideration Rights.

For the purposes of our assessment, we have assumed the vesting condition will be achieved by the Transition Date(given the only vesting condition relates to the successful completion of Internalisation) and as such the Consideration Rights will convert into 3,000,000 ordinary shares in D2O. We have valued these 3,000,000 shares utilising the QMP of D2O prior to the announcement of the Proposed Transaction (in the absence of post announcement trading data).

QMP valuation

We have assessed the QMP of a D2O share over the six-month period from 2 October 2024 to 2 April 2025. The following chart provides a summary of the closing share price movements and trading volume over this period.

Source: Bloomberg and BDO analysis

The daily price of a D2O share over the period from 2 October 2024 to 2 April 2025 ranged from a low of $1.285 on 5 March 2025 to a high of $1.480 on 27 March 2025. The largest single day of trading over the assessed period was 6 March 2025, when 1,185,006 shares were traded.

In our analysis of the QMP of D2O shares, we have considered the volume-weighted average price (**'VWAP'**) for 10, 30, 60 and 90-day periods to 2 April 2025.

Share price per unit	02-Apr-25	10 days	30 days	60 days	90 days
Closing price	$1.460				
Volume-weighted average price (VWAP)		$1.449	$1.372	$1.359	$1.356

Source: Bloomberg and BDO analysis

An analysis of the volume of trading in D2O shares for the six months to 2 April 2025 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of issued capital
1 day	$1.430	$1.460	92,384	0.06%
10 days	$1.420	$1.485	684,561	0.44%
30 days	$1.285	$1.485	3,504,272	2.24%
60 days	$1.285	$1.485	5,030,248	3.22%
90 days	$1.280	$1.485	6,989,920	4.47%
120 days	$1.280	$1.485	8,876,282	5.68%

Source: Bloomberg and BDO analysis

This table indicates that D2O's shares display a low level of liquidity, with 5.68% of the Company's issued capital being traded in a 120-trading-day period. RG 111.86 states that for the QMP methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale.

We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities.
- Approximately 1% of a company's securities are traded on a weekly basis.
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company.
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of D2O, we consider the shares to display a low level of liquidity, on the basis that less than 1% of securities have been traded weekly on average. Of the 27 weeks in which our analysis is based on, there were no weeks where more than 1% of the Company's securities were traded.

We note that while there a low level of liquidity for D2O's shares, the share price has broadly tracked the NAV per share (post tax), albeit at a slight discount. We note its generally not uncommon for investment companies to trade at a discount to NAV. Given this, our assessment is that a range of values for a D2O share based on market pricing is between $1.360 and $1.460.

Valuation conclusion

Based on our analysis, we have assessed the value of the Consideration Rights as follows:

Consideration Rights Valuation	Ref	Low	High
Number of shares to convert on vesting of Consideration Rights	10.1.2	3,000,000	3,000,000
QMP value per share ($ per share)	10.1.2.1	$1.360	$1.460
Total value of the Consideration Rights ($'000's)		4,080	4,380

We have determined that the Consideration Rights have a value of between $4.08 million and $4.38 million.

10.1.3. Present value of cash flows under Scenario 1 into perpetuity

We have considered the cost of bringing management activities, that are currently undertaken by DCA under the IMA, in-house. These costs include monthly support costs under the TSA over an 18-month transition period, one-off set up costs, executive salaries and increased director costs.

D2O's Independent Directors have provided a cash flow model for both of these scenarios. We have reviewed the Model and the material assumptions that underpin it. BDO has undertaken an analysis of the Model which has involved:

- analysing the Model to confirm its integrity and mathematical accuracy;
- reviewing the reasonableness of the assumptions adopted by D2O;
- calculating appropriate discount rates; and
- preparing our own Adjusted Model.

We have not undertaken a review of the cash flow forecast in accordance with the Standards on Assurance Engagement ASAE 3450 'Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information' and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Model has been based have not been prepared on a reasonable basis.

10.1.3.1. Cost Assumptions

Monthly payments under the TSA

Under the terms of the TSA, DCA will provide the following services for an 18-month transition period:

- Provision of data, financial models, and information system access
- Internal accounting, tax, legal, human resources and financial support
- Administrative and office support, including payment of rent, and analytical support
- Compliance, audit and risk management support
- Any payment of the Company director fees to the DCA Directors
- Assistance with any funding support required by the Company either via debt arrangements with a banking partner or capital raising

Per the TSA, these support services will be charged at a fee of $230,000 per month for 18 months. If D2O resolves (acting reasonably) that internalisation has occurred prior to the end of the 18 months, the Company must advise DCA of such in writing and pay DCA the remaining service fee multiplied by a factor of 1.2 times in one final cash payment. We have assumed that these costs will continue for the duration of the 18-month transition period.

Executive salaries

As part of the internalisation process, it is intended that two DCA employees, Lachlan Campbell and Lachlan Beech, both of whom are the current portfolio managers of D2O, will commence directly working for D2O, rather than DCA. As such, the salaries of Lachlan Campbell and Lachlan Beech will be borne by D2O. The Independent Directors advise their salaries are expected to be approximately $230,000 per annum ('**p.a.**') (including superannuation). We understand that there will also be a sign-on bonus of 100,000 shares per employee (50% vesting after 12 months, and 50% vesting after 24 months). We understand that D2O is also taking on the existing leave liabilities of Lachlan Campbell and Lachlan Beech.

We have not dealt with the leave liabilities or sign on bonus in our cash flow analysis and instead this has been considered as a separate component of the valuation in Section 10.1.4.

Other salaries

The Independent Directors have forecast that two additional analysts will be needed to support the portfolio managers, in addition to a portfolio administrator and finance manager/bookkeeper. Total salaries for these additional roles are forecast to be $335,000 p. a. We understand these roles are yet to be filled or advertised and as such these are estimates. Nothing has come to our attention to suggest these estimates are not reasonable.

One-off costs

The Independent Directors have included an estimate of $250,000 for one off startup costs associated with bringing operational management of the Company in-house. Given the early stage of the internalisation process, this is a provisional sum, however nothing has come to our attention to suggest this is not a reasonable estimate

Director Fees

The Independent Directors have forecast an increase in director fees given the increasing role of the board as day-to-day management is brought in-house. In the Company's Notice of AGM, D2O is seeking to increase the non-executive director ('**NED**') fee pool from $250,000 to $350,000. The Company does not intend on remunerating the NEDs up to this capacity but is doing so for flexibility in the future. The Model assumes that director costs will increase to approximately $300,000 p.a which is the midpoint of the approval range.

Other operating expenses

Operating expenses that would likely be the same under both scenarios have been excluded from our analysis. These include, but are not limited to, audit fees, ASIC fees, listing costs, insurance, professional fees, share registry costs etc.

10.1.3.2. Economic Assumptions

Inflation

We note that all cash flows contained in the Model were calculated on a real basis. We have therefore applied the forecast inflation rate to the costs in the Adjusted Model (where relevant) to convert them to nominal cash flows.

The Model forecasts operating costs in Australian Dollars, therefore we consider the Australian inflation rate to be the most appropriate inflation rate to apply to the cash flows in the Adjusted Model. In forming our assessment of the forecast inflation rate, we have had regard to consensus views of forecast inflation and wage growth as sourced from Bloomberg, as well as consideration of the recent trend of inflation in Australia. We have adopted an inflation rate of 3% p.a over the five-year forecast period, consistent with the Reserve Bank of Australia's long-term inflation target of between 2% to 3%.

Discount rate

In our assessment of an appropriate discount rate to apply to the cash flows, we consider the most appropriate discount rate to be D2O's WACC. We have selected a nominal pre-tax WACC in the range of 9.5% to 10.5% per annum to discount the cash flows associated with Scenario 1. We have used a rounded discount rate of 10.0% across our low and high valuations.

In selecting this range of discount rates, we have considered the following:

- the rate of return for comparable ASX listed water and investment companies; and
- the risk profile of D2O as compared to the comparable companies identified.

A detailed consideration of how we arrived at our adopted discount rate range is shown in Appendix 3.

Terminal Value

We have considered the cash flows for the costs associated with Scenario 1 over a five-year period. At the end of that period, we have applied a terminal value. The terminal value has been calculated utilising a perpetual growth calculation. Terminal value is calculated by dividing the last cash flow forecast by the difference between the discount and terminal growth rates. The terminal value calculation estimates the present value of the incremental costs associated with Scenario 1 and Scenario 2 after the forecast period.

Assuming that cash flows will grow at a constant rate forever, the formula to calculate a firm's terminal value is:

Free cash flow / (discount rate – terminal growth rate)

The terminal growth rate is the constant rate at which a company is expected to grow into perpetuity and is usually in line with the long-term inflation rate. In our assessment of the terminal growth rate, we have adopted 3%, which is in line with the adopted inflation assumptions and consistent with the Reserve Bank of Australia's long-term inflation target of between 2% to 3%.

10.1.3.3. Sensitivity analysis

We have analysed the key assumptions to the Adjusted Model and have prepared sensitivities on the NPV. These sensitivities have been prepared to assist Shareholders in considering the potential effects to the value of the expected costs if our assumptions change.

Sensitivity analysis of the cash flows under Scenario 1			
Absolute flex	**Discount Rate ($'000)**	**Inflation ($'000)**	**Terminal Growth Rate ($'000)**
+3%	14,025	20,306	27,365
+2%	15,257	19,775	23,346
+1%	16,790	19,257	20,667
-	**18,754**	**18,754**	**18,754**
-1%	21,363	18,264	17,319
-2%	25,006	17,788	16,202
-3%	30,457	17,324	15,309

Source: BDO analysis

On the basis of the assumptions set in Section 10.1.3.1 and 10.1.3.2, and the sensitivities set out above, we conclude that the present value of the costs associated with Scenario 1 is between $17 million and $21 million.

10.1.4. Leave liabilities and sign on bonus

We understand that D2O is also taking on the existing leave liabilities of Lachlan Campbell and Lachlan Beech. We have not dealt with the leave liabilities in our cash flow analysis. These leave liabilities have been estimated by the Independent Directors to be approximately $120,000.

Additionally, we have considered the value of the sign on bonus to be included as part of the remuneration package for each of the incoming portfolio managers. We have valued the 200,000

performance rights to be issued to the portfolio managers at between $272,000 and $292,000, based on our adopted QMP valuation of a D2O share, set out in Section 10.1.2. We note the value of the leave liabilities and sign on bonus is not material to the overall Proposed Transaction.

11. Cost under Scenario 2

In our assessment of the cost under Scenario 2 we have calculated the present value of cash flows into perpetuity which considers:

- The cost of ongoing management fees under the IMA;
- The cost of ongoing administration fees under the IMA;
- The cost of ongoing performance fees under the IMA; and
- Director fees at current cost.

11.1 Summary

The value of the expected costs under Scenario 2 are set out below.

Costs under Scenario 2	Ref	Low $'000	High $'000
Present value of cash flows under Scenario 2 into perpetuity	11.1.1	38,000	48,000
Total cost of Scenario 2		**38,000**	**48,000**

Source: BDO analysis

The table above indicates that the value of the costs to be borne by D2O under Scenario 2 range between $38.0 million and $48.0 million.

11.1.1. Present value of cash flows under Scenario 2 into perpetuity

We have considered the cost of continuing the Company's operations under the existing IMA with DCA.

As noted in Section 10.1.3, The Independent Directors have provided a cash flow model for both of the scenarios. We have reviewed the Model and the material assumptions that underpin it. BDO has undertaken an analysis of the Model which has involved:

- analysing the Model to confirm its integrity and mathematical accuracy;
- reviewing the reasonableness of the assumptions adopted;
- calculating appropriate discount rates; and
- preparing our own Adjusted Model.

We have not undertaken a review of the cash flow forecast in accordance with the Standards on Assurance Engagement ASAE 3450 'Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information' and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the Model has been based have not been prepared on a reasonable basis.

11.1.1.1. Cost Assumptions

Management fee

Under the terms of the IMA, D2O pay DCA a monthly management fee equal to 0.85% per annum of the total PNAV at the end of each month (calculated prior to any deduction of performance fees payable to

DCA) (**'Management Fee'**). The Management Fee is calculated and accrued on the last day of each month and paid monthly in arrears.

Compound annual growth rate (**'CAGR'**) of PNAV

In order to forecast the management fee to be paid monthly over a five-year period, we have assessed an appropriate forecast CAGR of the PNAV. We note that in the Annual Results Presentation released on 26 March 2025, the annualised return of the portfolio from inception (2016) is 8.9%. Similarly, the Ricardo Water Entitlement Price Index has increased 9% p.a since 2016. Based on this data, we have adopted a CAGR of 9.0% p.a. As one of the material assumptions, we have undertaken sensitivity analysis on the CAGR applied to PNAV and our findings are set out in Section 11.1.2.

Administration fee

We understand that some DCA staff provide support services to D2O. DCA calculates the 'total employment cost' associated with these staff (including salary, superannuation, rent, technology etc), and support cost, plus an additional 10% is then charged to D2O on a monthly basis. The Independent Directors have modelled the administration fee as a percentage of PNAV, utilising historical administration fee costs as a percentage of PNAV as the basis for the selected percentage. The Independent Directors have adopted a rate of 0.01% of PNAV per month, which we consider to be reasonable based on historical administrative costs.

Performance fee

Under the terms of the IMA, D2O is required to pay a performance fee to DCA (**'Performance Fee'**). The performance fee is payable if the investment return of D2O outperforms either of the first benchmark return hurdle (being 8%) or the second benchmark return hurdle (being 12%) during the calculation period. The Performance Fee is subject to a high-water mark and is accrued monthly and paid annually.

If the investment return of the Company is greater than the first benchmark return hurdle, but less than the second benchmark return hurdle, the performance fee will be:

5% x (portfolio return – 8%)

If the investment return of the Company is greater than the second benchmark return hurdle the performance fee will be:

5% x (12% - 8%) plus 10% x (portfolio return -12%)

The performance fee has been modelled based on the above terms and is driven by the forecast PNAV of the portfolio each month. We note the performance fee generated over the forecast period is not material.

Dividend Ratio

In order to forecast the portfolio return, we have considered what an appropriate dividend amount will be each year. The Independent Directors have assumed dividends will be paid twice yearly (based on historical dividend payments made by the Company) and for simplicity purposes have utilised a dividend amount based on a percentage of PNAV. The Independent Directors have adopted a dividend amount as a percentage of PNAV of 3.52% based on the average dividend to PNAV ratio from 2020 through until 2024 half year. We have reviewed the workings and consider this to be a reasonable estimate of dividends going forward.

Director Fees

Under Scenario 2, Director fees are expected to remain broadly consistent with what they have been historically (noting that under Scenario 1 director fees will increase). Annual director fees of $160,000 have been assumed in the model (based on current director fees), with inflation then applied over the forecast period.

Other operating expenses

Operating expenses that would likely be the same under both scenarios have been excluded from our analysis. These include, but are not limited to, audit fees, ASIC fees, listing costs, professional fees, share registry costs etc.

11.1.1.2. Economic Assumptions

Inflation

We have adopted an inflation rate of 3% p.a over the five-year forecast period, consistent with the Reserve Bank of Australia's long-term inflation target of between 2% to 3%. In forming our assessment of the forecast inflation rate, we have had regard to consensus views of forecast inflation and wage growth as sourced from Bloomberg, as well as consideration of the recent trend of inflation in Australia. We have not applied inflation to management or performance fees owing to DCA as these fees are calculated based on the PNAV and return of the portfolio.

Discount rate

We have selected a nominal pre-tax WACC of 10%, being the midpoint of our assessed range of 9.5% to 10.5% p.a. to discount the cash flows associated with Scenario 2. A detailed consideration of how we arrived at our adopted discount rate range is shown in Appendix 3.

Terminal Value

We have considered the cash flows for the costs associated with Scenario 2 over a five-year period. At the end of that period, we have applied a terminal value. In our assessment of the terminal growth rate, we have adopted 3%, which is in line with the adopted inflation assumptions and consistent with the Reserve Bank of Australia's long-term inflation target of between 2% to 3%.

11.1.2. Sensitivity analysis

We have analysed the key assumptions to the Adjusted Model and have prepared sensitivities on the NPV. These sensitivities have been prepared to assist Shareholders in considering the potential effects to the value of the expected costs if our assumptions change.

Sensitivity analysis of the cash flows under Scenario 2				
Absolute flex	**Discount Rate**	**Inflation**	**Terminal Growth Rate**	**CAGR of PNAV**
+3%	29,400	43,246	66,873	47,288
+2%	32,792	42,990	55,498	45,641
+1%	37,037	42,741	47,915	44,045
-	**42,499**	**42,499**	**42,499**	42,499
-1%	49,787	42,263	38,436	41,002
-2%	59,999	42,033	35,276	39,552
-3%	75,328	41,810	32,749	38,150

Source: BDO analysis

On the basis of the assumptions set in Section 11.1.1.1 and 11.1.1.2, and the sensitivities set out above, we conclude that the present value of the costs associated with Scenario 2 is between $38 million and $48 million.

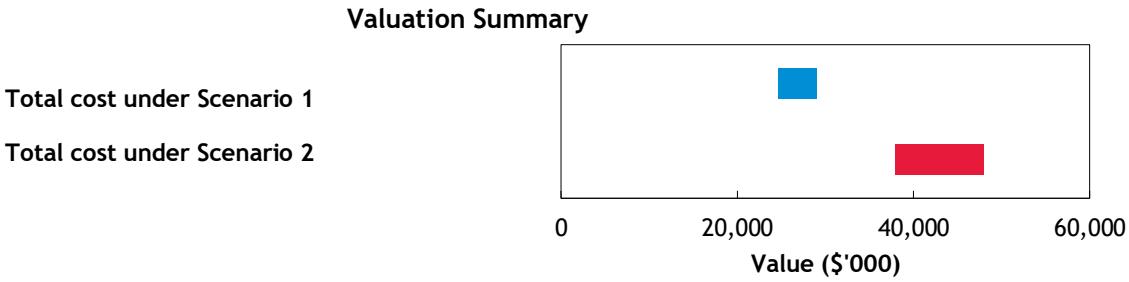
12. Is the Proposed Transaction fair?

The cost of Scenario 1 and Scenario 2 is compared below:

Fairness assessment	Ref	Low $'000	High $'000
Total cost under Scenario 1	10.1.1	24,672	29,092
Total cost under Scenario 2	11.1.1	38,000	48,000

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Proposed Transaction is fair for Shareholders as the Cost under Scenario 2, being continuation of the IMA, is higher than the cost under Scenario 1, being terminating the IMA and bringing day-to-day operational activities of D2O in-house.

13. Is the Proposed Transaction reasonable?

We have considered the analysis below, in terms of the following:

- Advantages and disadvantages of the Proposed Transaction.
- Other considerations, including the position of Shareholders if the Proposed Transaction does not proceed.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of a superior proposal we consider that the Proposed Transaction is reasonable for Shareholders.

13.1 Advantages of approving the Proposed Transaction

We have considered the following advantages in our assessment of whether the Proposed Transaction is reasonable.

13.1.1. The Proposed Transaction is fair

As set out in Section 12, the Proposed Transaction is fair. RG 111.12 states that an offer is reasonable if it is fair.

13.1.2. D2O will have direct control over the management of its operations

Following approval of the Proposed Transaction, D2O will have direct control over the management of its operations. This will allow the Company to pursue its own strategic direction and will provide the Company with flexibility in its decision making.

13.2 Disadvantages of approving the Proposed Transaction

We have considered the following disadvantages in our assessment of whether the Proposed Transaction is reasonable.

13.2.1. Risk that D2O will not be able to execute the management of its day-to-day activities as effectively as DCA

Under the IMA, the day-to-day management of D2O is performed by DCA. Following the Proposed Transaction, this will be brought in-house. There is a risk that D2O will not be execute the management of its day-to-day as effectively as DCA.

13.2.2. The vesting of the Consideration Rights will dilute Shareholders equity and the Termination Payment will reduce cash reserves

If the Proposed Transaction is successful, the Consideration Rights may vest and convert into shares, diluting Shareholders equity. Additionally, for the Proposed Transaction to be effected, the Company must pay DCA the Termination Fee, which will result in a reduction in cash reserves.

13.3 Alternative proposal

D2O has considered the option of allowing the IMA to terminate (subject to shareholder approval) at the end of its term in July 2026. Under this option D2O would be required to consider rolling the current IMA for a further five years pursuant to the terms of the existing IMA, find an alternative external manager or consider internalisation at that time. Having regard to the risks, timeline and the financial and operational

uncertainty with that course of action D2O considers this option unfeasible particularly when compared to the outcome achieved under the current agreed path with DCA.

We are unaware of any alternative proposal that might offer the Shareholders of D2O a superior scenario than the result of the Proposed Transaction.

13.4 Position of Shareholders if the Proposed Transaction is not approved

If Shareholders do not approve the Proposed Transaction, the Independent Directors of D2O will need to re-assess the Company's options ahead of the Annual General Meeting in 2026 and the expiry of the IMA. This may result in the IMA being renewed and D2O will continue operating as it has for a further five-year term.

At the end of this five-year term, Shareholders may have another opportunity to terminate the IMA, however, the terms of a future termination option are unknown and may be less favourable than those under the Proposed Transaction. We note, however, that Shareholders are unlikely to approve a future termination that is not value accretive.

13.5 Other considerations

Lachlan Campbell and Lachlan Beech have managed D2O's Portfolio externally as employees of DCA. As part of the Proposed Transaction, they will transition to employees of D2O, assuming internal management of the portfolio. This ensures continuity of experienced leadership, with Lachlan Campbell and Lachlan Beech continuing to oversee the portfolio, while integrating as in-house employees.

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this Report and have concluded that, in the absence of a superior scenario, the Proposed Transaction is fair and reasonable to Shareholders.

15. Sources of information

This report has been based on the following information:

- Draft Notice of Meeting on or about the date of this Report
- The IMA
- The Termination Agreement
- The Transitional Services Agreement
- The Model, in addition to supporting information provided for material assumptions
- Annual reports including financial statements of D2O for the years ended 31 December 2024, 31 December 2023, and 31 December 2022
- Reserve Bank of Australia – Monetary Policy Decision dated 1 April 2025 and prior periods, Statement on Monetary Policy 18 February 2025 and prior periods, Minutes of the Monetary Policy Meeting of the Reserve Bank Board 18 February 2025
- Australian Bureau of Statistics media release 5 March 2025 and prior periods
- IBISWorld – Water Supply Industry in Australia
- The Murray-Darling Basin Authority
- Financial data sourced from S&P Capital IQ, Bloomberg, Consensus Economics
- Share registry information of D2O

- Announcements made by D2O including monthly updates for February 2025 and March 2025
- Information in the public domain
- Discussions with D2O Directors.

16. Independence

BDO Corporate Finance Australia Pty Ltd is entitled to receive a fee of $50,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance Australia Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance Australia Pty Ltd has been indemnified by D2O in respect of any claim arising from BDO Corporate Finance Australia Pty Ltd's reliance on information provided by D2O, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance Australia Pty Ltd has considered its independence with respect to D2O, DCA and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance Australia Pty Ltd's opinion it is independent of D2O, DCA, and their respective associates.

A draft of this report was provided to D2O and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance Australia Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance Australia Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Ashton Lombardo of BDO Corporate Finance Australia Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 35 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 750 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Ashton Lombardo is a member of the Australian Institute of Chartered Accountants, is a CA BV Specialist and is member of the committee established to develop and maintain the VALMIN Code. Ashton has over thirteen years of experience in Corporate Finance and has facilitated the preparation of numerous independent expert's reports and valuations. Ashton has a Bachelor of Economics and a Bachelor of Commerce from the University of Western Australia and has completed a Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

18. Disclaimers and consents

This report has been prepared at the request of D2O for inclusion in the Notice of Meeting which will be sent to all D2O shareholders. D2O engaged BDO Corporate Finance Australia Pty Ltd to prepare an independent expert's report to consider D2O's intention to bring the management activities currently undertaken by DCA under the IMA in-house, as well as the Termination Agreement and Transitional Services Agreement.

BDO Corporate Finance Australia Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement, or letter without the prior written consent of BDO Corporate Finance Australia Pty Ltd.

BDO Corporate Finance Australia Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance Australia Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company.

The opinion of BDO Corporate Finance Australia Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance Australia Pty Ltd by D2O and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance Australia Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actually be achieved.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the shareholders of D2O, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance Australia Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and the date of the meeting.

Yours faithfully

BDO CORPORATE FINANCE AUSTRALIA PTY LTD

Sherif Andrawes
Director

Ashton Lombardo
Director

Appendix 1 – Glossary of Terms

Reference	Definition
Adjusted Model	The BDO adjusted financial model
AFCA	Australian Financial Complaints Authority
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
AUD or $	Australian dollars
BDO	BDO Corporate Finance Australia Pty Ltd
CAGR	Compound Annual Growth Rate
CME	Calendar months elapsed after the first five years of the IMA
the Consideration	The Termination Fee and the Transition Consideration, collectively
Consideration Rights	The issue of 3,000,000 performance rights in D2O to DCA under the Transitional Services Agreement
CPI	Consumer Price Index
D2O or the Company	Duxton Water Limited
DCA	Duxton Capital (Australia) Pty Ltd
DCF	Discounted Future Cash Flows
EOI	Expression of interest
FME	Future Maintainable Earnings
FSG	Financial Services Guide
GDP	Gross Domestic Product
GL	Gigalitres
IMA	Investment Management Agreement
Management Fee	Monthly management fee paid by D2O to DCA equal to 0.85% per annum of the total PNAV at the end of each month (calculated prior to any deduction of performance fees payable to DCA)
ML	Megalitre
Model	Forecast cash flow model of D2O provided to us by the Company
NAV	Net Asset Value
NED	Non-Executive Director
our Report	This Independent Expert's Report prepared by BDO
p.a.	Per annum
Performance Fee	The performance fee paid by D2O to DCA under the terms of the IMA
PNAV	Portfolio Net Asset Value, being the total assets of the Company including water assets, less the total liabilities of the Company excluding provisions for tax payable and a performance fee
the Proposed Transaction	The Termination Agreement and the Transitional Services Agreement, collectively

Reference	Definition
QMP	Quoted market price
RBA	Reserve Bank of Australia
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RG 170	Prospective financial information (April 2011)
Scenario 1	The cost to D2O if the IMA is terminated and the Transitional Services Agreement is entered into (to bring management in-house)
Scenario 2	The cost D2O would incur if it continued operating under the IMA
Service Fee	A service fee of $230,000 paid by D2O to DCA on a monthly basis, under the Transitional Services Agreement
Shareholders	Shareholders of D2O not associated with DCA
SMDB	Southern Murray Darling Basin
the Termination Agreement	The Deed of Termination and Release Agreement with DCA, pertaining to the termination of the IMA
Termination Fee	The termination fee paid by D2O to DCA, if the IMA is terminated prior to the 10th anniversary of the IMA, calculated by the Termination Fee Formula
Termination Fee Formula	Termination Fee = 5% of PNAV * (1-(CME/60))
The Act	The Corporations Act 2001 Cth
the Portfolio	D2O's assets and investments
Transaction Document	The Notice of Meeting to be provided to the Shareholders, relating to the Proposed Transaction
Transition Consideration	The Service Fee and the Consideration Rights, collectively
VWAP	Volume-Weighted Average Price
Transition Date	The effective expiry date of the Consideration Rights, being 1 December 2026 (or earlier as agreed by the Company)
Transitional Services Agreement	A Transitional Services Agreement between D2O and DCA, for DCA to provide services to the Company for an 18-month period (or sooner) to assist the Company in bringing the management activities that are currently undertaken under the IMA in-house

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Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted market price basis*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax or earnings before interest, tax, depreciation and amortisation. The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market-based assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Discount Rate

Determining an appropriate discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business. In our assessment of the appropriate discount rate to be adopted in the Model, we consider the most appropriate discount rate to be the post-tax WACC.

Our adopted discount rate reflects the WACC of a hypothetical market acquirer of the Company under Scenario 1 and Scenario 2. In our initial assessment of the appropriate discount rate, we have considered comparable ASX-listed investment companies that have exposure to the Australian water entitlement market as well as ASX-listed companies that supply products to Australian irrigators, with market capitalisations ranging from $66.1 million to $3.87 billion as at 1 April 2025.

Cost of equity and CAPM

The capital asset pricing model ('**CAPM**') is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business' WACC, the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk-free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM	
K_e	$= R_f + \beta \times (R_m - R_f)$
Where:	
K_e	= expected equity investment return or cost of equity in nominal terms
R_f	= risk free rate of return
R_m	= expected market return
$R_m - R_f$	= market risk premium
β	= equity beta

The individual components of CAPM are discussed below.

Risk-free rate (R_f)

The risk-free rate is typically approximated by reference to a forecast long term government bond rate with a maturity approximately equivalent to the timeframe over which the returns from the assets are expected to be received.

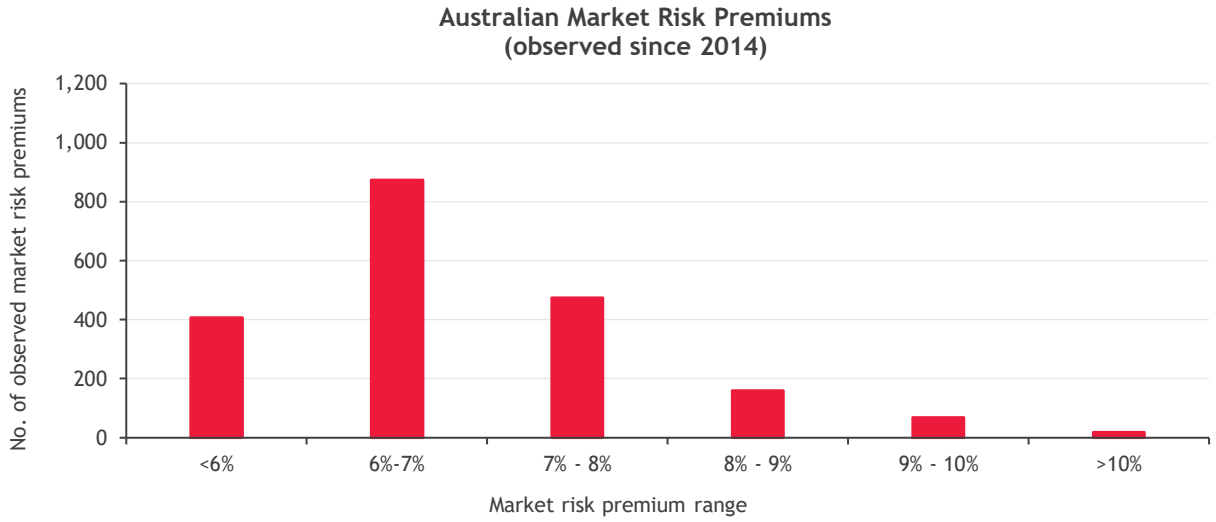
We have considered the ten-year Australian Government bond rate as a proxy for the risk-free rate over the life of the Model as the Model forecasts cash flows generated in Australian Dollar terms. As the Model

assumes D2O will continue operate past the end of any five-year term under the IMA in both Scenario 1 and Scenario 2, we consider the ten-year rate as at 1 April 2025 to be most appropriate in discounting long-term cash flows. Based on our analysis, we have used a risk-free rate of 3.97% in our discount rate assessment.

Market risk premium (R_m - R_f)

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice. In order to determine an appropriate market risk premium in Australia, we have analysed historical data. Our sample of data included the daily historical market risk premiums in Australia over the last ten years.

The market risk premium is derived on the basis of capital weighted average return of all members of the S&P/ASX 200 Index minus the risk free rate, which is dependent on the 10-year Australian Government Bond rate.



Source: Bloomberg and BDO analysis

The graph above illustrates the frequency of observations of the Australian market risk premium over the past ten years. The graph indicates that a high proportion of the sample data for Australian market risk premiums lie in the range of 6% to 8%. This is supported by the long term historical average market risk premium of between 6% and 8%, which is commonly used in practice.

In addition to the above historical analysis, we maintain a database of market risk premiums adopted by other valuation practitioners. This database indicates that 6% is the median market risk premium adopted by reputable valuation practitioners in Australia, with the mean being 6.1%.

Based on the above analysis and our professional judgement, we have used a market risk premium of 6% in our assessment.

Equity beta

Beta is a measure of volatility or systematic risk of an investment relative to the market. A beta greater than one implies that an investment's return will outperform the market's average return in a bullish market and underperform the market's average return in a bearish market. On the other hand, a beta less than one implies that the business will underperform the market's average return in a bullish market and outperform the market's average return in a bearish market.

Equity betas are normally estimated using either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and is hence derived from historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors, which make the operating risk of the company greater or less risky than comparable listed companies.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. It is generally accepted that a more valid analysis of betas can be achieved by 'ungearing' the equity beta to derive an asset beta (βa) by applying the following formula:

Asset beta (β_a)	
β_a	= β / (1+(D/E x (1-t))
Where:	
β_a	= ungeared or asset beta
B	= equity beta
D	= value of debt
E	= value of equity
t	= corporate tax rate

Selected equity beta (β)

In order to assess the appropriate equity beta for D2O, we have had regard to the equity beta of listed entities we consider comparable to D2O. These include ASX-listed investment companies that have exposure to the Australian water entitlement market as well as ASX-listed companies that supply products to Australian irrigators.

The betas below have been assessed over a three-year period using weekly returns, against the S&P/ASX All Ordinaries Index.

The list of comparable companies we selected are set out below:

Company	Market cap. 1-Apr-2025 (A$m)	Geared Beta (β)	Gross Debt/Equity (%)	Ungeared Beta (βa)	R^2
Duxton Water Limited	226.78	0.50	31%	0.35	0.03
WAM Alternative Assets Limited	183.33	0.55	0%	0.55	0.12
Rural Funds Trust	678.12	0.77	74%	0.51	0.14
Regal Partners Limited	776.01	1.24	1%	1.23	0.16
Pinnacle Investment Management Limited	3,981.29	1.73	12%	1.60	0.47
Rubicon Water Limited	66.19	0.75	36%	0.60	0.02
Mean	**1,136.99**	**1.01**	**0.25**	**0.90**	**0.18**
Median	**678.12**	**0.77**	**0.12**	**0.60**	**0.14**

Source: Bloomberg and BDO analysis

As set out in the above table above, the geared beta for the list of comparable companies, based on the five-year period, ranges from 0.35 to 1.60. Descriptions of the identified comparable companies are provided at the end of this appendix.

In selecting an appropriate equity beta for D2O, we have considered the similarities and differences of D2O compared to the set of comparable companies as set out above. The comparable similarities and differences noted are:

- The comparable companies are all exposed to either the water entitlement market or the irrigation supply industry.
- The comparable companies are all listed on the ASX.
- The comparable companies are predominantly operating in Australia.
- Although not all companies in the list have similar metrics across each of the assessed factors, we still consider them to be comparable companies as they have sufficient similarities on an overall basis.

Based on the above, we consider an ungeared equity beta range of 0.50 to 0.60 to be appropriate for D2O.

Gearing

The discount rate assessment requires an assessment of the proportion of funding provided by debt and equity (i.e. gearing ratio) over the forecast period.

The gearing ratio should represent the level of debt that the asset can reasonably sustain (i.e. the higher the expected volatility of cash flows, the lower the debt levels that can be supported). The optimum level of gearing will differentiate between assets and will include:

- The variability in earnings streams.
- Working capital requirements.
- The level of investment in tangible assets.
- The nature and risk profile of tangible assets.

We have assumed a gross debt to equity ratio of 31% having consideration to the comparable companies and the capital structure of D2O. We have regeared our adopted ungeared beta range based on the adopted gearing ratio, which derived a regeared beta range of between 0.61 and 0.73.

Cost of equity

We have assessed the cost of equity of D2O to be in the range of 7.62% to 8.35%.

Input	Value adopted	
	Low	High
Risk-free rate of return	3.97%	3.97%
Equity market risk premium	6.00%	6.00%
Beta (regeared)	0.61	0.73
Cost of equity	**7.62%**	**8.35%**

Source: Bloomberg and BDO analysis

Cost of debt

We have considered D2O's effective cost of borrowings of 5.85% based on its outstanding debt facility with National Australia Bank Limited. Therefore, we consider a cost of debt range of 5.0% to 6.0% to be appropriate.

Tax rate

We have adopted an effective tax rate of 30%, based on the Australian corporate tax rate.

WACC (Post-tax)

The WACC represents the market return required on the assets by debt and equity providers. The WACC is used to assess the appropriate commercial rate of return on the capital invested in the business, acknowledging that normally funds invested consist of a mixture of debt and equity funds. Accordingly, the discount rate should reflect the proportionate levels of debt and equity relative to the level of security and risk attributable to the investment.

The commonly used WACC formula is the post-tax WACC, without adjustment for dividend imputation, which is detailed in the below table:

WACC	
WACC	$= \frac{E}{E+D} Ke + \frac{D}{D+E} Kd (1-t)$
Where:	
Ke	= expected return or discount rate on equity
Kd	= interest rate on debt (pre-tax)
T	= corporate tax rate
E	= market value of equity
D	= market value of debt
(1- t)	= tax adjustment

Using the inputs discussed above results in a post-tax WACC in the range of 8.4% to 9.1%, as set out in the table below.

WACC	Value adopted	
	Low	High
Cost of equity (Ke)	7.62%	8.35%
Cost of debt (Kd) (pre-tax)	5.00%	6.00%
Proportion of equity (E/(E+D)	76.34%	76.34%
Proportion of debt (D/(E+D)	23.66%	23.66%
Post-tax WACC (rounded)	**6.64%**	**7.37%**

Source: Bloomberg, BDO analysis

To calculate a pre-tax discount rate, we divided our post-tax discount rate range by (1 – tax rate). For the purposes of our analysis, we have adopted the Australian corporate tax rate of 30%. This resulted in a pre-tax WACC of between 9.5% and 10.5%. We have adopted a rounded midpoint of 10.0% in our analysis. Cost Sensitivities to changes in the discount rate are set out in Sections 10.1.3.3 and 11.1.2.

Set out below are the company descriptions of the companies we considered in our comparable company analysis.

Company name	Business description
Pinnacle Investment Management Group Limited (ASX:PNI)	Pinnacle Investment Management Group Limited operates as a diversified investment management company in Australia. The company offers third party distribution, and fund infrastructure and support services to its affiliates and various investment managers. It also operates as a corporate trustee and responsible entity for retail and wholesale investment trusts. The company was formerly known as Wilson Group Limited and changed its name to Pinnacle Investment Management Group Limited in August 2016. Pinnacle Investment Management Group Limited was founded in 1895 and is based in Sydney, Australia with additional offices in Brisbane, Australia, Melbourne, Australia, and London, United Kingdom. The company's funds under management (FUM) are approximately 15% real assets. Additionally, the company owns 40% of Riparian Capital Partners, a a specialist water, agriculture and food investment firm focused on investments backed by real assets that are critical to the production of essential goods – water, farmland, agricultural infrastructure and agribusinesses, including water entitlements.
Regal Partners Limited (ASX:RPL)	Regal Partners Limited is an ASX-listed, specialist alternative investment manager providing investors with access to a broad range of strategies covering long/short equities, private markets, real & natural assets and credit & royalties. Regal Partners Limited was founded in 2004 and is based in Sydney, Australia. Regal partners is a large investor in the Australian water entitlement industry - recent acquisitions of Kitler Rural, Merricks Capital and a 40% interest in Argyle Group Holdings have been further expanding Regal Partners' growing capabilities across the water entitlement market, and takes total funds under management across RPL's Real and Natural Assets strategies to $2.2 billion out of $18.0 billion.
Rubicon Water Limited (ASX:RWL)	Rubicon Water Limited aims to sustainably increase global food and fiber production through improved water use efficiency by delivering advanced technology to managers of irrigation networks, enabling them to manage their water resources with efficiency and control. Rubicon designs, manufactures, installs, and maintains irrigation technology to the farming industry in Australia, New Zealand, Asia, and internationally. The company offers network control solutions, such as total channel control, low energy pipeline, site management, and water and energy efficiency solutions; flow, water level, and climate measurement solutions; and operations software solutions. It also provides surface irrigation, irrigation automation, and precise irrigation scheduling solutions. Rubicon Water Limited was founded in 1995 and is headquartered in Melbourne, Australia.
Rural Funds Group (ASX:RFF)	Rural Funds Group is an agricultural fund operating as a ASX listed Real Estate Investment Trust (REIT) that owns, develops and operates farmland and agricultural assets. RFF owns a diversified portfolio of Australian agricultural assets which are leased predominantly to corporate agricultural operators. A significant portion of RFF's portfolio is comprised of water entitlements, which were valued at $359 million as at 31 December 2024.
Wam Alternative Assets Limited (ASX:WMA)	WAM Alternative Assets Ltd specialises in investments in venture capital, private equity, private real estate including infrastructure, commodities, farmland, agricultural water entitlements, and real assets. Approximately 20% of the company's portfolio is comprised of water rights.

Source: S&P Capital IQ and BDO analysis

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DUXTON WATER

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+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00am (ACST) on Wednesday, 28 May 2025.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form: XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

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By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

SAMPLE

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I N D

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Duxton Water Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Duxton Water Limited to be held at Gilbert Suite, Adelaide Convention Centre, North Terrace, Adelaide SA 5000 on Friday, 30 May 2025 at 11:00am (ACST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 5 and 6 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1, 5 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 5 and 6 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Director – Dennis Mutton	☐	☐	☐
Resolution 3	Re-election of Director – Brendan Rinaldi	☐	☐	☐
Resolution 4	Approval of issue of Equity Securities for the purpose of ASX Listing Rule 7.1A	☐	☐	☐
Resolution 5	Approval of termination of Investment Management Agreement, payment of termination fee and approval of fees payable under Transitional Services Agreement	☐	☐	☐
Resolution 6	Increase in total aggregate remuneration for Non-Executive Directors	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

Mobile Number _____

Email Address _____

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

SAMPLE