



DUXTON
WATER LTD

Duxton Water Limited Monthly Update

28 February 2017

Net Asset Value per Share

\$1.07

Duxton Water	
ASX Code (Shares)	D2O
ASX Code (Options)	D200
Shares on Issue	63,965,406
Options Outstanding	63,965,406
Options Exercise Price	\$1.10
Options Expiry	31 May 2018

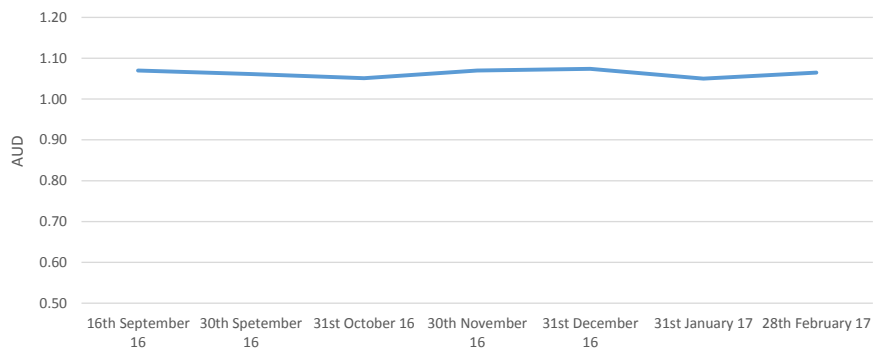
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

Net Asset Value per Share

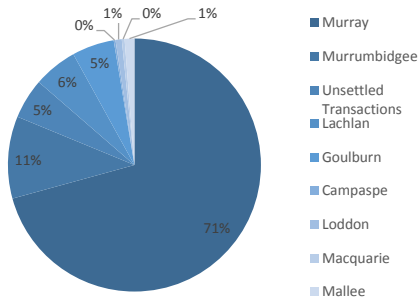
Duxton Water's NAV as at 28 February 2017 was \$1.07 per share.

These figures are not adjusted for any dilution due to the outstanding options which are exercisable at \$1.10. The after tax figure takes into account the provision for deferred tax on set-up costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date.

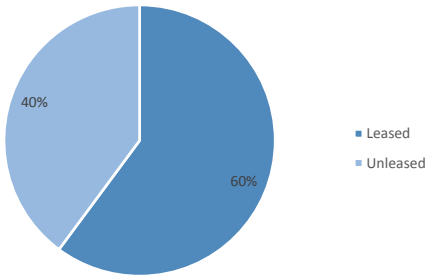
Net Asset Value per Share - Since Inception



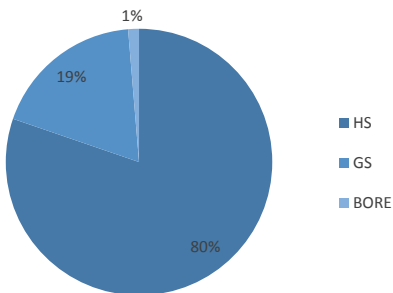
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



Performance	Gain/Loss
1 Month	1.43%
3 Months	-0.47%
6 Months	N/A
12 Months	N/A
Inception	-0.47%

Market Update

Market Summary

Major storages within the Murray Darling Basin (MDB) decreased 5% over the past month, however the total MDB storage is still 34% higher than February 2016 and 1,000GL above the long-term average. During the month, the Resource Manager for northern Victoria declared a low risk of spill in the Murray system. This means that the risk of dams 'spilling' was now below a 10% chance. The Resource Manager also announced a 5% allocation determination for Victoria Murray Low Reliability water entitlements.

The brief opening of the Murrumbidgee Inter-Valley Trade (IVT) in February allowed the transfer of approximately 15 GL of allocation out of the Murrumbidgee Valley to New South Wales (NSW) Murray. This 15 GL combined with the VIC Resource Manager's determination announcement of 5% to Victoria Murray Low Reliability water entitlements has increased supply outside of the Murrumbidgee by a total of approximately 30 GL.

Murray System

Total inflows into the Murray system were 130GL, compared to the 10 year average of 304GL. The Hume and Dartmouth reservoirs remain at high storage levels of 76% and 77%, respectively. The Hume Reservoir received total rainfall of 18.6mm, compared to the long-term average of 43mm.

The opening of the Murrumbidgee/Murray IVT was the catalyst for the temporary price decline in the Murray water systems. Although temporary prices for zones 1A, 6 and 7 continued to fall, the overall impact on the portfolio was mitigated through the fixed long-term leases.

Entitlement prices were flat throughout February, with the exception of zones 1A and 6. Zone 1A declined 8% and zone 6 increased 7.5%. We are comfortable with the zone 1A decline as there are bids 10%-20% higher than our valuation which would offset the monthly decline once reached.

Central and Northern NSW (Murrumbidgee and Lachlan Valley)

The central and northern NSW water assets held firm in February, although this was due to the illiquidity of the assets. As discussed previously, there still remains significant demand for Lachlan Valley entitlements at a 20% premium to our weighted average price. These transactions will eventually be filled and reflected in our Lachlan Valley valuations.



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Investment Update

Permanent Water Acquisitions and Divestments

As at 28 February 2017, Duxton Water is invested in approximately \$57 million of water entitlements, equating to 84% of the portfolio, with the remainder of the portfolio held in cash and net current assets. Duxton Water has additionally entered into contracts, agreed terms for contracts or has pending offers for contracts on an additional \$3 million worth of water entitlements. These additional contracts will result in 88% of the portfolio being invested, down from 96% last month due to some offers not being accepted.

Temporary Water Sales

In February, 3,620ML of allocations were sold. This comprised of water allocations in zones 1A, 3, 5, 6, 7 and 10. YTD allocation sales amount to 9,281ML.

Lease Yield

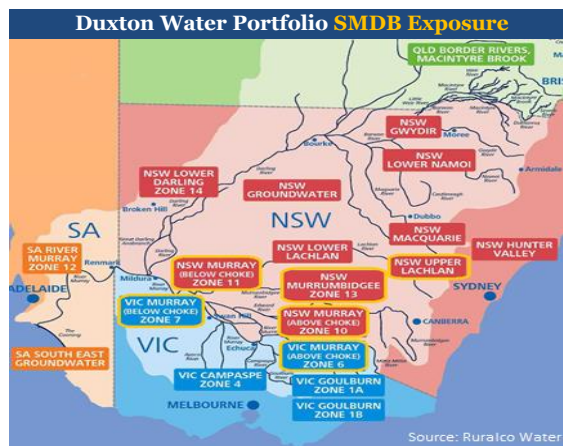
No new leases were entered into in February. The weighted average yield for long-term leases remains at 6.0%.

Total Yield

The combined (temporary sales plus lease) annualised yield YTD is 4.92%.

Dividends

The Company intends to pay dividends twice yearly. We currently anticipate the first dividend will be paid to Shareholders in August 2017.



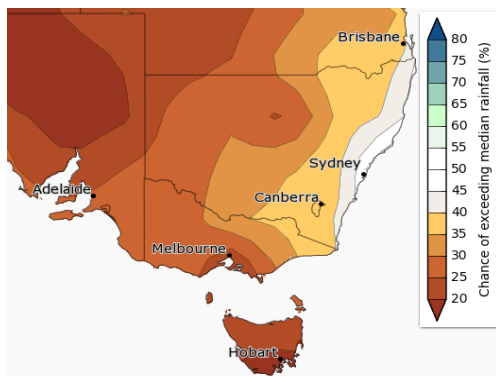
Valuation Methodology

Total assets of the Company are valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from the respective state register, excluding outliers. Outliers are defined as a trade with greater than 10.0% variance from the last weighted average price and transactions that are less than 10ML (unless there are no applicable transactions greater than 10ML) less the total liabilities of the Company.

Market Outlook

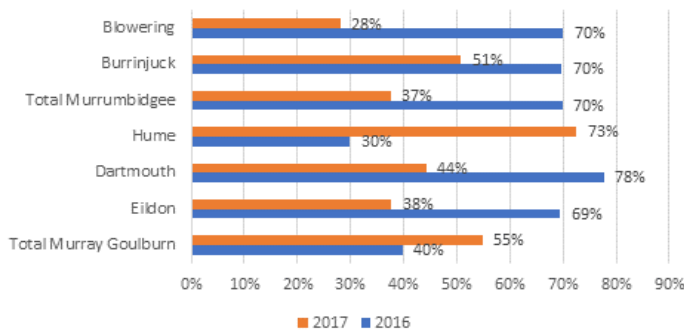
The latest Bureau of Meteorology outlooks are suggestive of further hot and dry conditions over the next two months for the Murray Darling Basin. Models are forecasting a 65%-80% chance of below average rainfall across the Southern Connected Basin (see chart below).

The chance of above median rainfall for March



Source: Bureau of Meteorology

Storage levels



Disclaimer

This factsheet is prepared by Duxton Capital (Australia) Pty Ltd [ACN: 164 225 647; AFSL no. 450218] ("Duxton Capital (Australia)"). Duxton Capital (Australia) is the Investment Manager of Duxton Water Limited [ACN 611 976 517] ("Duxton Water").

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