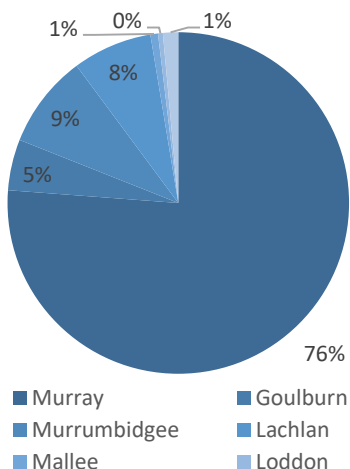


DUXTON WATER

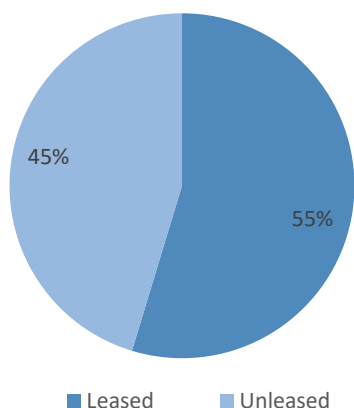
ASX Code (Shares) D2O

Shares on Issue 86,125,006

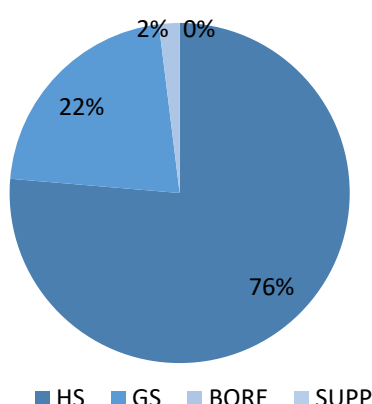
ENTITLEMENT PORTFOLIO VALUE BY REGION



WATER PORTFOLIO DIVERSIFICATION



WATER SECURITY BREAKDOWN



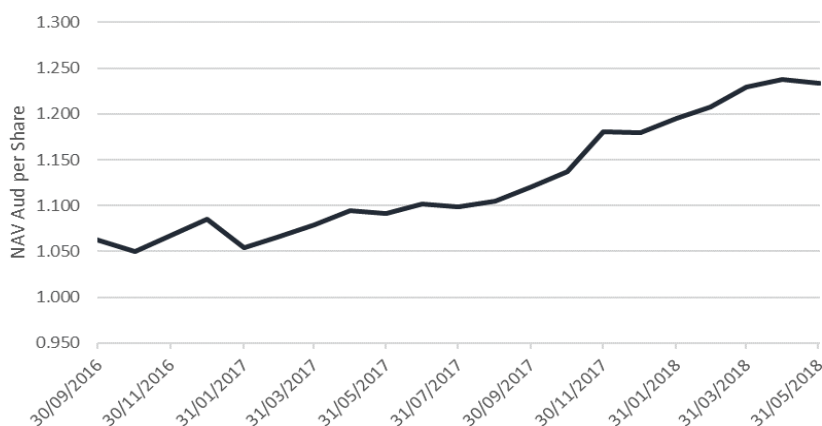
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

NET ASSET VALUE PER SHARE

Duxton Water's NAV as at **31 May 2018** was **\$1.23** per share.

The 31st May NAV is reflective of 13,030,723 Shares issued upon the excise of \$1.10 Options in May. Further shares were issued in early June which will be reflected in the June Monthly Update. In all approximately 28% of issued Options were excised prior to their expiry on the 31st of May. The after tax NAV 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. NAV is calculated based on an independent monthly portfolio valuation performed by Aither Pty Ltd ("Aither").

NET ASSET VALUE PER SHARE – SINCE INCEPTION



PERFORMANCE

GAIN/LOSS

1 Month*	-0.35%
3 Months	2.17%
6 Months	4.45%
12 Months	13.07%
Inception	15.28%
Inception (+ franked distributions Nov & April)	20.56%

*Exercised of ~ 13m Options at \$1.10 resulted in a dilution of Net Asset Value per Share from April's \$1.24/share

MARKET UPDATE

Market Summary

Storage levels of major dams within the Murray Darling Basin (MDB) increased by just 0.43% through May. Total MDB storage levels are 19% lower than they were at the end of May 2017.

As we move towards the 18/19 Water Season the lower storage volumes and drier forecast conditions are pointing towards significantly lower water availability than seen throughout the 17/18 Water Season.

High Security Entitlements in South Australia Murray, NSW Murray and Murrumbidgee have had their opening allocations confirmed at 100%, 97%, & 95% respectively. Victorian High Security Entitlements may open lower based on current conditions. Victorian Murray and Goulburn High Security Entitlements will open at least 40% and 20% respectively with resource improvements occurring as further water becomes available.

Southern Basin

The Hume and Dartmouth reservoirs closed the month at 36% and 89% of capacity respectively. Entitlement demand remained strong. NSW Murrumbidgee HS (8.06% of portfolio) and GS (0.77% of portfolio) increased by 8.5% and 5.3% through May.

Temporary water continued to increase as irrigators purchased to cover overuse and for carryover. Prices in both the Murray and Murrumbidgee have increased to \$200/ML at the end of May (season peak). Forward allocation prices for 18/19 are at \$215/ML in the Murray and \$250/ML in the Murrumbidgee.

Northern Basin

A further 6.3% increase in Lachlan General Security Entitlement Values was achieved on top of last months uplift of 7% (6.3% of portfolio).

INVESTMENT UPDATE

Permanent Water Acquisitions and Divestments

At 31 May 2018, Duxton Water is invested in approximately \$105.3 million of water entitlements with the remainder of the portfolio held in cash and net current assets. As previously advised the company has used a debt facility to acquire entitlement, preempting the capital inflow expected from Option take up. As a result of this it expects little to no income dilution from the capital injection. Duxton Water holds contracts over a further \$11 million of water entitlements at the 31 May 2018.

Temporary Water Sales

Duxton Water presently holds approximately 5.5GL of unleased water allocations. The Company has sold down water allocations as the temporary water market strengthened toward the end of the water year. The Company has positioned its allocation holding to take advantage of stronger pricing into the new water year. The allocation sales to date for 2018 amount to 33,033 ML.

Leases

No new leases were entered into in May.

55% of the Company's portfolio is leased with a weighted average yield of 6.20% and a weighted average lease duration of 5.10 years.

Dividends

In line with the company's goals of paying a dividend to shareholders biannually, on the 18th April 2018 the company paid its second dividend to its shareholders of 2.4 cents per share payable in Australian dollars. The dividend was franked to 60% for Australian taxation purposes.

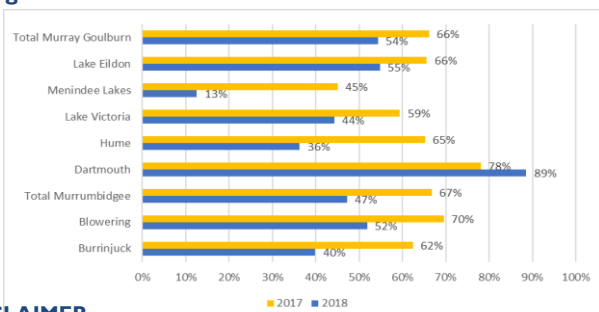
Valuation Methodology

Aither undertake a monthly valuation of the Duxton Water portfolio. Total assets of the company are valued based on an assessment of fair market value. Aither has adopted the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement definition of fair value. Further information can be found on www.duxtonwater.com.au.

MARKET OUTLOOK

The latest Bureau of Meteorology outlooks continue to suggest a drier winter with a below-average chance of median rainfall over the next quarter along with high probability of above average temperatures within the Southern Murray Darling Basin (see chart below). Coupled with the lower inflows observed through the 2017/2018 water year (chart to the right) water availability may be significantly lower than this time last year. At this stage market indications are for high temporary water prices through the 2018/2019 water year than seen through the current year.

Storage Levels



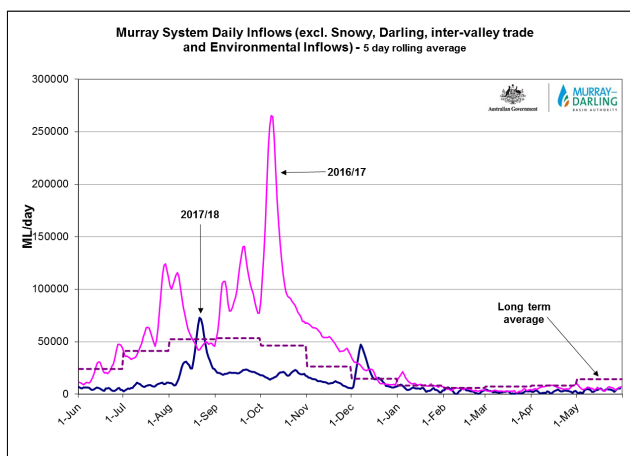
DISCLAIMER

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DUXTON WATER PORTFOLIO – SMDB EXPOSURE



INFLOWS TO THE MDB



The chance of above-median rainfall for June – August 2018

