

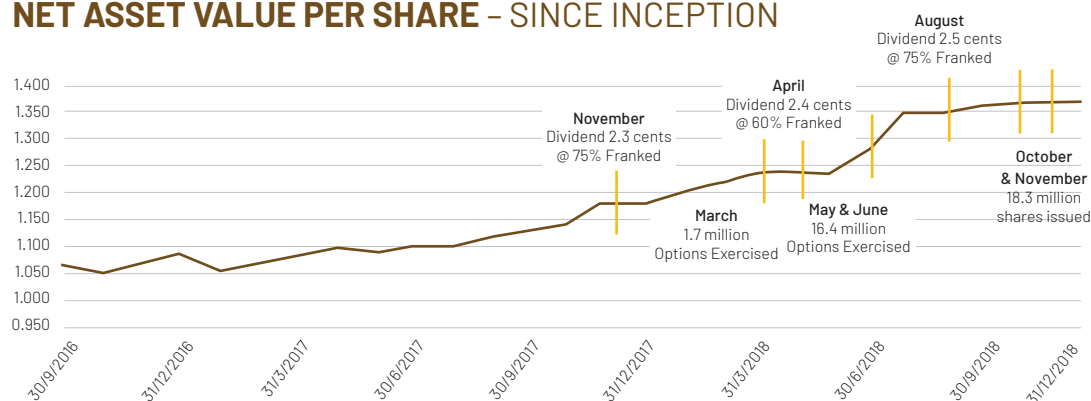
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

NET ASSET VALUE PER SHARE

Duxton Water's NAV as at 31 December 2018 was \$1.37 per share.

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*

1 Month	3 Months	6 Months	12 Months	Inception
0.40%	0.85%	9.40%	21.64%	36.97%

*These figures are based on NAV movements and include franked dividends for the period.

INVESTMENT UPDATE

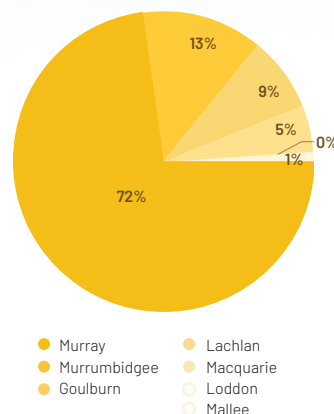
At 31 December 2018, Duxton Water Ltd is invested in approximately ~\$194.4 million of water assets and holds net assets of ~\$158.7 million. The Company currently has ~\$15.1 million water entitlements in its acquisition pipeline at 31 December 2018.

In December, rainfall throughout the basin varied greatly from north to south. The northern basins receiving below average rainfall and some areas of the southern basins (particularly the Ovens catchment) receiving above average rainfall. Despite the Ovens catchment receiving above average rainfall, total inflows into the River Murray system during December were 234GL, which is ~48% below the long-term average of 450GL. The volume of available water in active storages within the total Murray Goulburn Systems is 30% lower than the same time last year and ~40% lower than December 2016.

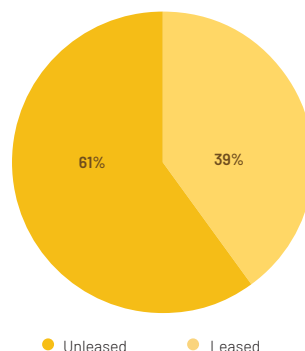
The MDBA's drawdown of Dartmouth has continued through December. Dartmouth dam which acts as the Murray's reserve storage, has had a further ~158GL of water released to support peak summer irrigation demand, while the Hume reservoir has reduced by a further ~127GL over the course of the month and is now at 39% capacity. No allocations have been made to NSW Murray general security entitlements, marking the first time since the 2007-08 water year that these entitlements have received no allocation by the end of December, highlighting the severity of this year's dry conditions.

Duxton Water Ltd is well positioned entering the peak irrigation period due to its portfolio composition and exposure to high security entitlements, as well as its strategic allocation position which was established at the start of the water year.

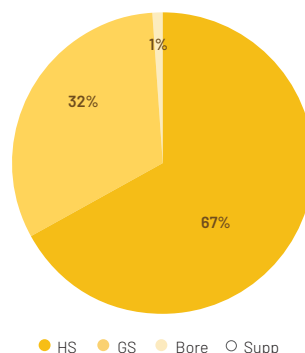
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



ENTITLEMENT MARKET

Duxton Water Ltd is engaged in building a targeted portfolio of water entitlements predominantly across the Southern Murray Darling Basin in both surface and ground water assets. As of the 31 December 2018, the Company holds ~61,100 GL of entitlement across 21 different asset types and classes.

The value of Duxton Water's portfolio, based on the Company's independent valuation, has remained relatively stable through December. However, demand has remained strong and observed pricing through market intermediaries and platforms has continued to show a firming trend.

SOUTHERN BASIN & NORTHERN BASIN

Whilst there was no material change in entitlement value through December, the Company was well positioned to benefit from a strengthening allocation market.

ALLOCATION MARKET

Allocation markets across the southern basin steadily increased through December from \$410/ML at the start of the month to \$420 - \$430/ML in the Murray and \$450 - \$460/ML in the Murrumbidgee to close the month. Peak summer irrigation is expected to increase allocation demand, with higher than average maximum temperatures placing further strain on water reserves.

Allocation pricing into January has been influenced by an extended hot weather event.

Higher demand and limited volume availability have seen pricing increase to \$430-\$440/ML in the Murray and \$550-\$580/ML in the Murrumbidgee.

Allocation pricing within the Lachlan Valley remains relatively steady at \$300 to 330/ML.

Duxton Water Ltd utilised its entitlement carry over capability to take allocation into the 2018/19 water year. This has enabled the Company to position itself ahead of stronger allocation pricing and to assist our irrigator customers through drier forecast conditions for the year ahead.

LEASES

Currently, 39% of the Company's portfolio is leased, with a Weighted Average Length of Expiry of 4.6 years remaining. The Company maintains its intention to move towards a higher proportion of its portfolio under lease. Increased allocation pricing has resulted in stronger interest for longer term water supply solutions and the Company has executed further lease agreements with irrigators that are to commence in the next water year. These yields align with the Company's targets against the back drop of increased water entitlement values.

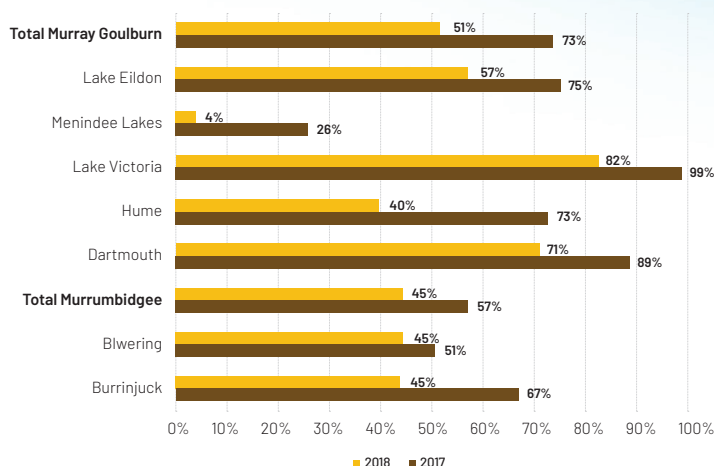
DIVIDENDS

The Company advised in December that it is targeting a fully franked dividend of 2.6 cents with an ex-dividend date of March 2019 and a proposed payment date early in April 2019. This will deliver to Shareholders a 4th dividend since listing in September 2016 which continues the Director's intention to deliver bi-annual dividends. Full details of this update can be found on the ASX.

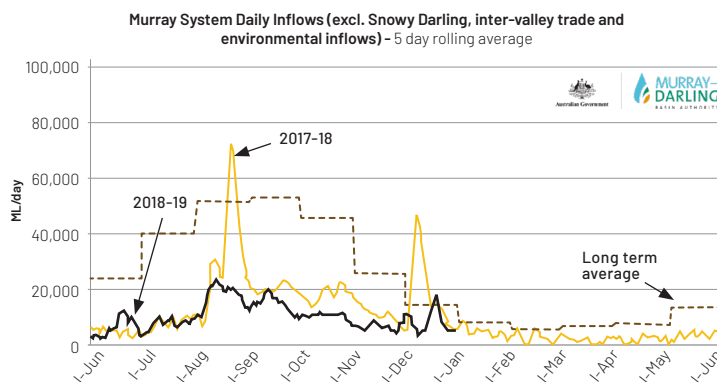


DUXTON WATER PORTFOLIO - SMDB EXPOSURE

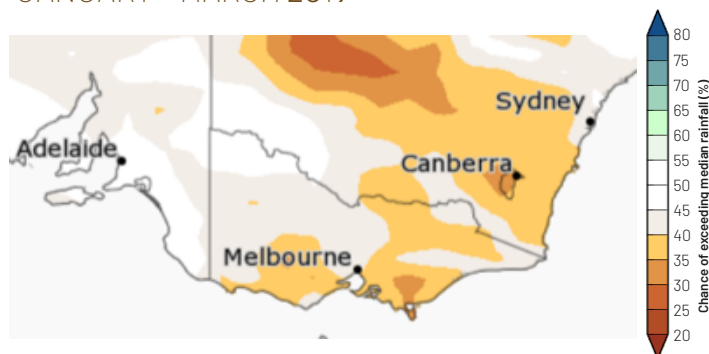
STORAGE LEVELS IN MAJOR DAMS



DAILY INFLOWS TO THE MDB



CHANCE OF ABOVE-AVERAGE RAINFALL JANUARY - MARCH 2019



MARKET UPDATE & OUTLOOK

December 2018 was the warmest December on record for Australia with New South Wales, Victoria, Tasmania and the Northern Territory all posting new record highs. Aside from isolated pockets of rainfall within south western Victoria, December was a relatively dry month for the Murray Darling Basin as a whole receiving ~26% below mean rainfall.

These record high temperatures and strong winds have not been favourable for irrigators, due to increasing levels of evaporation and additional heat stress that must be managed.

Inflows into storages throughout December of 234GL are far below the long term average of 450GL, with inflows for the whole year of ~2,880GL being significantly lower than the 10 year average of ~7,400GL. Storages within the northern MDB are currently at ~20% capacity compared to ~48% at this time last year and storages within the southern MDB are currently at ~51% capacity compared to ~73% at the same time last year.

Stronger reserves and higher tributary flow has helped the Victorian Resource Manager provide increased Victorian high security entitlement allocation with a further 10% in the Murray and 8% in the Goulburn which takes allocations to 100% and 93% respectively. Both NSW high security and general security entitlements received no further allocation in December, marking the first summer since 2007-08 that no allocation has been received by general security entitlements. Allocation pricing during the 2007-08 summer reached highs of over \$1,000/ML.

The latest Bureau of Meteorology outlooks forecast an average to below average chance (50%) for above median rainfall over the next quarter throughout the Southern Murray Darling Basin.

The BoM's El Niño-Southern Oscillation outlook remains at an 'El Niño Alert', suggesting a high chance of an El Niño event forming in the coming months. Five of the eight surveyed climate models have predicted an El Niño event forming and remaining throughout Autumn. The positive Indian Ocean Dipole event which has been effect since September 2018, has since concluded with all six of the surveyed climate models forecasting that the Indian Ocean will remain neutral through the Autumn. An El Niño typically results in below average rainfall and above average temperatures across eastern Australia. A positive Indian Ocean Dipole event typically reduces spring rainfall in southern Australia and can further exacerbate the affects of an El Niño.

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

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