

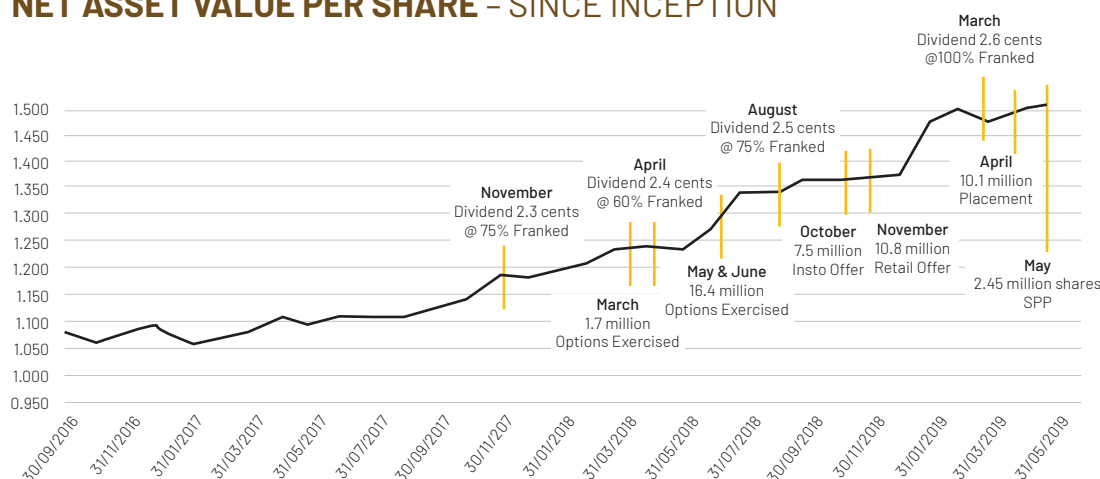
The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

## NET ASSET VALUE PER SHARE

**Duxton Water's NAV as at 31 May 2019 was \$1.51 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. The Company does not expect to trigger these tax provisions through the turnover of these assets and expects to maintain its low entitlement turnover ratio. **The NAV excluding tax provisions for unrealised capital gain is \$1.64.** 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
0.42%	3.04%	13.07%	27.95%	53.15%

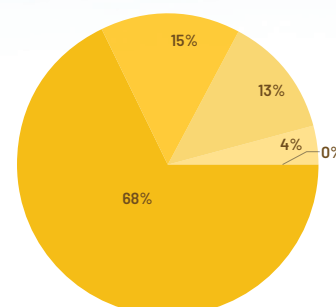
\*These figures are based on NAV movements and include franked dividends for the period.

## INVESTMENT UPDATE

The company is pleased to announce the successful completion of the Share Purchase Plan (SPP) at a price of AUD\$1.48 per share, raising an additional AUD\$3.6 million. This in conjunction with the company's recently completed placement, brings total capital raised for FY19 to AUD\$18.6 million. These funds will be used to paydown the existing debt facility and continue to acquire permanent water entitlements.

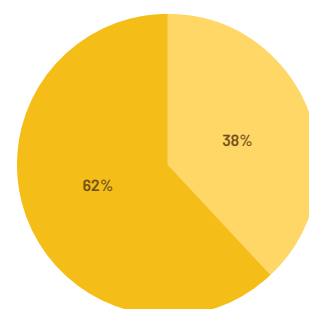
At 31 May 2019, Duxton Water Ltd is invested in approximately \$249.1 million of water assets with the remainder of the portfolio held in cash and net current assets. The Company currently has approximately 2,509.4 ML (AUD\$6.2 million) of water entitlements in its acquisition pipeline at 31 May 2019.

## Entitlement Portfolio Value by Region



● Murray ● Lachlan  
● Murrumbidgee ● Mallee  
● Goulburn

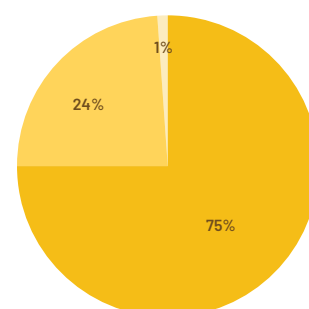
## Water Portfolio Diversification



● Unleased ● Leased

\*inclusive of conditionally approved leases, commencing 1 July 2019, the leased portfolio is 48.5%

## Water Security Breakdown



● HS ● GS ● Bore ● Supp

Rainfall received across the Murray Darling Basin this month was 23% below the mean rainfall for May. Despite below average inflows into the Murray system, storage dams across the basin have experienced a small increase in volume. The total volume of water available in active storages within the total Murray Goulburn system is 35% which is 19% lower than the same time last year and 32% lower than in May 2017. Volumes within the northern basin are now 7% and continue to be the lowest levels experienced since the millennium drought.

Duxton Water continues to support its customers as their focus turns towards the new water year. The Company continues to provide a range of risk management tools such as leases and forward allocation contracts which will help support agricultural production.

## ENTITLEMENT MARKET

Duxton Water Ltd is engaged in building a targeted portfolio of water entitlements predominantly across the southern Murray-Darling Basin. The Company has invested in both surface and ground water assets. At 31 May 2019 the Company holds over 71,696 ML of entitlement across 19 different asset types and classes.

Continued ongoing maturity of permanent plantings has seen greater water demand from high value crop industries such as almonds and citrus. Demand for long-term water security such as high security entitlement ownership and long-term leases continues to increase.

Aither Pty Ltd values the Duxton Water Ltd portfolio on a monthly basis on a dry (without allocation) equivalent basis. There were multiple notable movements in values and are shown below:

### SOUTHERN BASIN

- ↑ 3.33% in NSW Murray 11 HS (~21.0% of portfolio)
- ↑ 2.86% in VIC Murray 7 HS (~12.6% of portfolio)
- ↑ 2.86% in VIC Murray 6B HS (~0.3% of portfolio)
- ↑ 1.72% in SA Murray 3 HS (~8.2% of portfolio)
- ↓ 2.94% in NSW Murray 11 GS (~4.9% of portfolio)
- ↓ 3.03% in NSW Murray 10 GS (~9.5% of portfolio)

### NORTHERN BASIN

No notable movements were recorded in the northern basin.



**DUXTON WATER PORTFOLIO - SMDB EXPOSURE**

## ALLOCATION MARKET

Allocation pricing has eased slightly in May from April prices of \$600/ML. Prices in May ranged from between \$550/ML to \$575/ML and were influenced by irrigators looking to balance over usage on their accounts and purchasing water for carryover into the new water year. Continued high allocation prices are not only a reflection of current dry conditions but also a continued reflection of dry conditions experienced over the last 2-3 years.

Allocation pricing within the Lachlan Valley decreased slightly from \$325/ML to \$300/ML.

## LEASES

Duxton Water has conditionally agreed to a further 24 new lease agreements through May, which will commence at the beginning of the new water year (1st July 2019) increasing the proportion of the portfolio lease to 48.5% (based off current portfolio valuations) with a weighted average lease expiry of 3.58 years. These leases have been

negotiated with a range of irrigators across a number of different industries. The Company is in discussions with further irrigators and expects to enter into further leases commencing 1 July 2019, increasing the proportion of the portfolio under lease to between 55-60%.

## DIVIDENDS

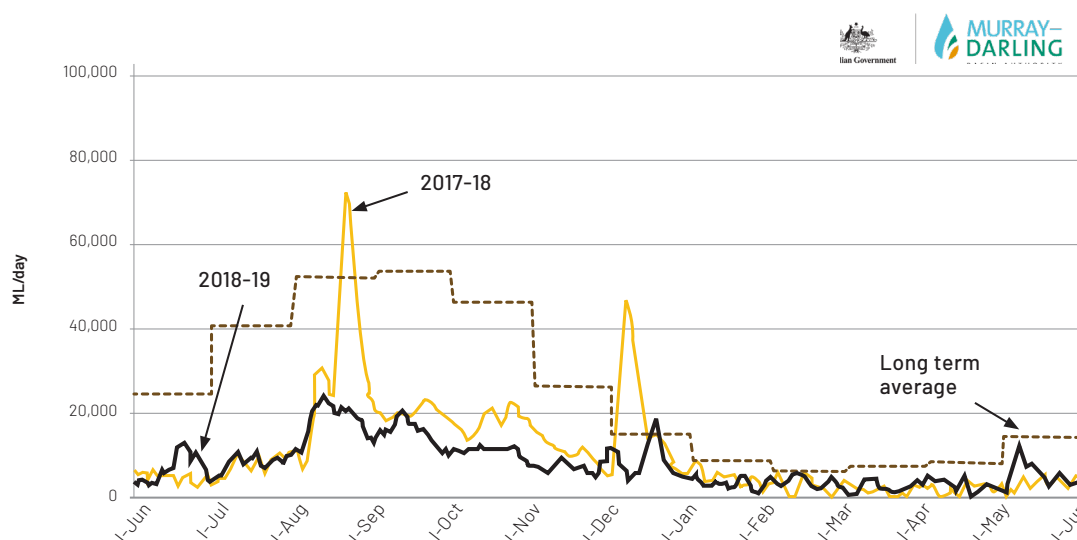
The Company is pleased to have paid its most recent dividend of 2.6 cents (fully franked) on 27 March 2019.

Given the current allocation market conditions, and demand for water entitlement leasing, the Company has reaffirmed its targeted dividend of 2.7 cents (\$0.027), fully franked, to be paid in September 2019.

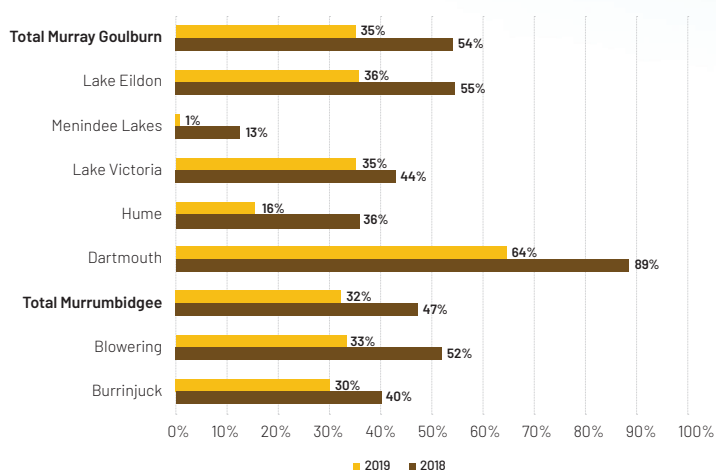
The Board maintains its commitment to providing our shareholders with a bi-annual dividend. It is also targeting a fully franked final dividend of 2.8 cents (\$0.028), payable in March 2020.

## DAILY INFLOWS TO THE MDB

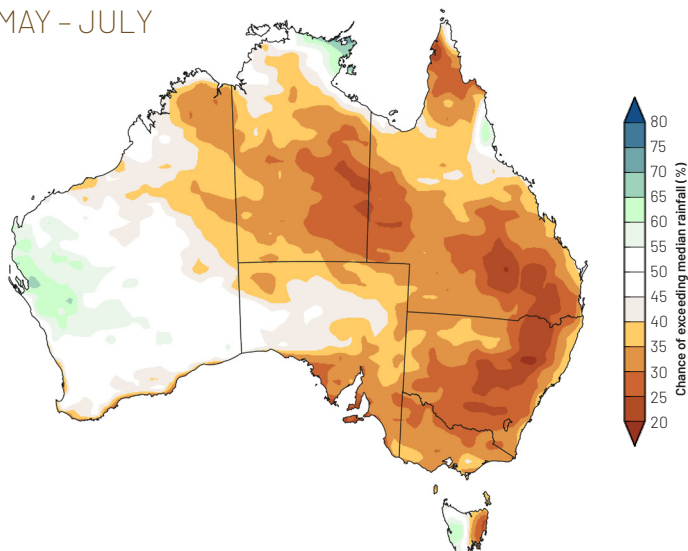
Murray System Daily Inflows (excl. Snowy Darling, inter-valley trade and environmental inflows) - 5 day rolling average



## STORAGE LEVELS IN MAJOR DAMS



## CHANCE OF ABOVE-AVERAGE RAINFALL MAY - JULY



## MARKET UPDATE & OUTLOOK

Dry and warmer than average conditions experienced in autumn are likely to continue into winter. Key agriculture regions throughout the Basin received below average rainfall during May, with conditions remaining as some of the driest on record. Australia is continuing to experience its warmest start to the year on record, as long-term drought conditions remain. Soil moisture across the basin have improved as a result of the slight increase of rainfall, however with dry conditions and above average temperatures forecast for winter, sub soil moisture levels may continue to fall. Rainfall in May contributed towards a 190GL inflow into MDB storages, however this is still 56.4% below the long term mean of 436GL. Storages in the northern and southern MDB are now at 7% and 35% respectively; compared to 35% and 54% this time last year.

Natural resource managers for South Australia and Victoria have also announced expected opening allocations for the 2019-20 water year. SA Murray HS allocation could open as low as 22% and Victorian Murray HR allocation is set to open at 0% if dry conditions continue throughout June. In the Goulburn, VIC Goulburn HR allocation is set to open at 1% if conditions remain consistent and NSW is yet to confirm its opening allocations for the 2019-20 water year.

The BoM's recent outlook forecast indicates a 70 - 80% chance of not exceeding the median rainfall in June through August across the key agricultural regions of the MDB. Their temperature outlook is forecasting an 80% - 90% chance of higher than average temperatures alongside continued low streamflow's.

BoM's El Niño-Southern Oscillation outlook has reduced to 'Watch' as temperatures in the Pacific Ocean are forecast to cool in coming months. A positive Indian Ocean dipole is likely to form through winter which historically results in lower than average rainfall being experienced across central and southern parts of Australia. Should neither an El Niño or IOD event occur, forecast high pressure systems over southern Australia this winter could increase the chance of rainfall occurring towards southern parts of Australia's coastline and therefore missing key agriculture areas along the MDB.

## 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](http://www.duxtonwater.com.au)

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