

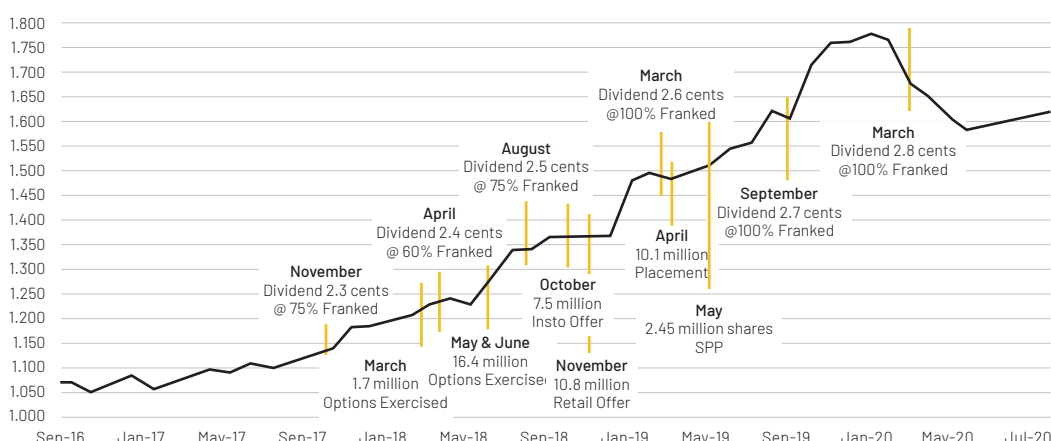
The primary investment objective of Duxton Water is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering irrigators a range of supply solutions including long term entitlement leases, forward allocation contracts and spot allocation supply.

NET ASSET VALUE PER SHARE

Duxton Water's NAV at 31 July 2020 was \$1.62 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 \$1.81.** The Company's NAV is primarily the fair value of its water asset portfolio at the stated date. The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment.

NET ASSET VALUE PER SHARE – SINCE INCEPTION



PERFORMANCE*

1 Month	3 Months	6 Months	12 Months	Inception
2.35%	-1.79%	-6.73%	8.98%	71.10%

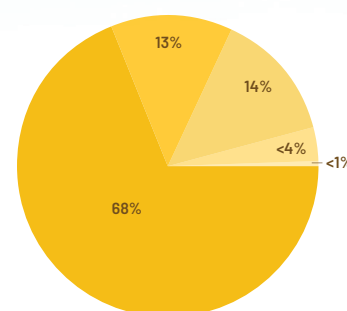
*These figures are based on NAV movements and include franked dividends for the period.

INVESTMENT UPDATE

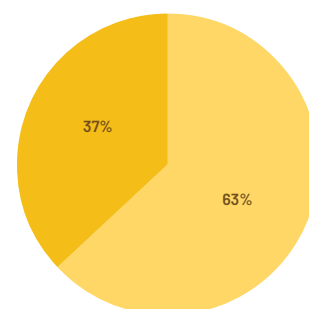
As of the 31 July 2020, Duxton Water Ltd is invested in approximately \$323.86 million of water assets with the remainder of the portfolio held in cash and net current assets. The Company currently has approximately 155.6ML (\$1.02 million) of water entitlements in its acquisition pipeline at 31 July 2020.

Through the 19/20 water year we saw significant pressure on available supply due to a 36-40 month period of below average rainfall and inflows. The water market facilitated the movement of available allocation between Irrigators and industries to meet critical demand. Many Irrigators took advantage of water supply products such as leases and forward allocation contracts to assist them in the management of their water requirement. Over the last couple of months of the 19/20 water year we saw an easing in allocation pricing with an average price in June of ~\$200/ML. This enabled both perennial and annual cropping producers to mitigate supply risk into the 20/21 water year, which while beginning

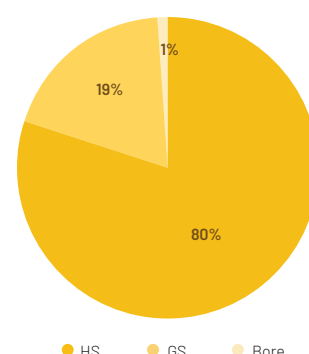
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



with some promise for improved resource availability, has currently not see the inflow yields needed to substantially restore storage levels. As a result, opening 20/21 allocation prices through July in the lower Murray have averaged ~\$350/ML.

Through the first half of 2020 we have seen a retracement in permanent entitlement values of approximately 6.1% from their peak in January 2020. For context since January 2014, water entitlement values have increased 254%, reflective of the long-term structural drivers, rather than the short-term climatic conditions. Irrigators have over the last 10 years significantly enhanced their marginal return per megalitre through both more efficient use of water and conversion to higher value commodities. At the same time, we have seen significant steps taken to return water to the environment with Government purchases of between 20-22% of entitlements that were previously available to the consumptive pool. The combined impact has seen stronger demand for a reducing available water supply and subsequent increased asset prices. Irrigators themselves have been the greatest beneficiaries from this capital appreciation as they collectively own the majority of water entitlement on issue in the market.

July rainfall was 32% below the long-term average rainfall for the Murray Darling Basin (MDB), extending the below average conditions experienced through May and June. Whist storages received an inflow boost in May on the back of the 8th wettest April on record, 3 months deficits have seen inflows drop well back. With 4 years of drier than average conditions and the subsequent drawing down of the water storage levels within the MDB, many months of above average rain is required to provide adequate replenishment to the system.

The current volume of water available within the Murray-Goulburn system is 50% of storage capacity levels; 9% higher than 12 months ago. Northern basin storage levels are currently 19.5%, also 9% higher than 12 months ago.

Duxton Water continues to support its irrigating farming partners as they prepare for peak water requirements through the 20/21 water year. This involves the provision of leases to over 70 family farming and corporate businesses. Through June we saw many Irrigators take advantage of seasonally low allocation pricing and acquire allocation to carry over into the new water year. The Company has further supported Irrigator water risk management through the provision of forward allocation contracts for the 20/21 water year. This provides Irrigators with clear water supply visibility and assists Duxton Water in hedging its allocation risk on unleased assets.

The Company actively manages its allocation holding in order to deliver on demand for spot allocation sales, meet its obligation for the provision of forward allocation sales and deliver on new entitlement lease arrangements. With low storage levels, visible water supply

through the provision of these products are a critical tool that Irrigators use to risk manage their water requirement. In the offering of these products, the Company supports market liquidity and risk management options for our irrigation partners.

ENTITLEMENT MARKET

Duxton Water Ltd is engaged in building a targeted portfolio of water entitlements predominantly across the southern MDB. The Company has invested in both surface and ground water assets. At 31 July 2020, the Company holds approximately 83,981ML of water entitlements across 19 different asset types and classes.

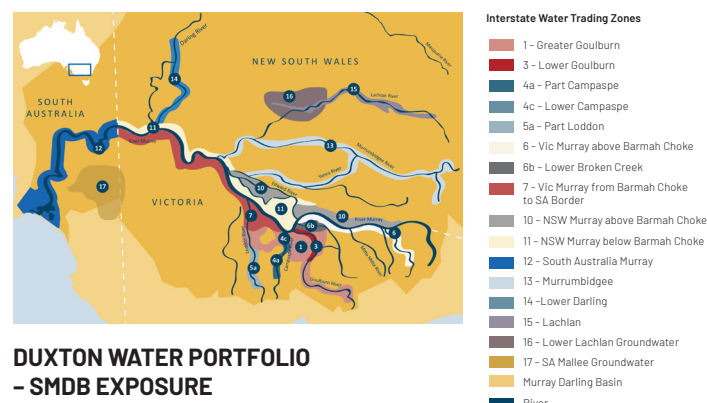
Over the past 5 months we have seen a level of retracement in the value of permanent entitlement on the back of relatively low levels of trade. Through July we have seen price stability and demand build in the permanent entitlement market.

On the 27 June 2020, the Victorian Government released* an update to their previous work on increasing horticulture demand within the southern MDB. This report reaffirmed, with a higher degree of accuracy, the previous findings, that the continued maturity of inelastic horticultural demand in the lower Murray will create a structural shortfall under extreme dry conditions. It remains the Company's view, that over the next 2-3 years, this demand pressure will become further evident, as a number of new projects come into full production and peak water use.

The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment.

Aither Pty Ltd provide a Fair Market Unit Value for entitlement on a monthly basis on a dry (without allocation) equivalent basis.

There were no notable movements in entitlement values through July. The July uplift in NAV is reflective of new season allocations.



DUXTON WATER PORTFOLIO - SMDB EXPOSURE

* <https://waterregister.vic.gov.au/images/documents/Water-supply-and-horticulture-demand-in-the-sMDB-2020-Update.pdf>

ALLOCATION MARKET

Low storage levels and a lower than originally anticipated 3 monthly rainfall outlook resulted in allocation prices in the lower Murray opening the 20/21 water year between \$350 to \$400/ML. Closure of trading limits from the Upper Murray, Goulburn and Murrumbidgee has seen a level of price fragmentation from the lower Murray, with trading between \$250-\$280/ML at the end of July. Lower than anticipated inflows and trade restrictions may limit water availability in the lower Murray should we not see substantial increases in rainfall across the next month or so.

LEASES

The leased portion of the water entitlement portfolio is ~63%. This represents ~74.2% of the Company's High Security Entitlement holding. This is lower than the projected ~66% of total portfolio and ~78% High Security portfolio as of 1 July 2020 due to entitlement valuation movements within the Company's portfolio.

The current weighted average lease expiry (WALE) remains at 2.7 years. Inclusive of renewal options this pushes the WALE to 5.0 years. The Company continues to work towards its long-term goal of having 70-80% of the portfolio under lease.

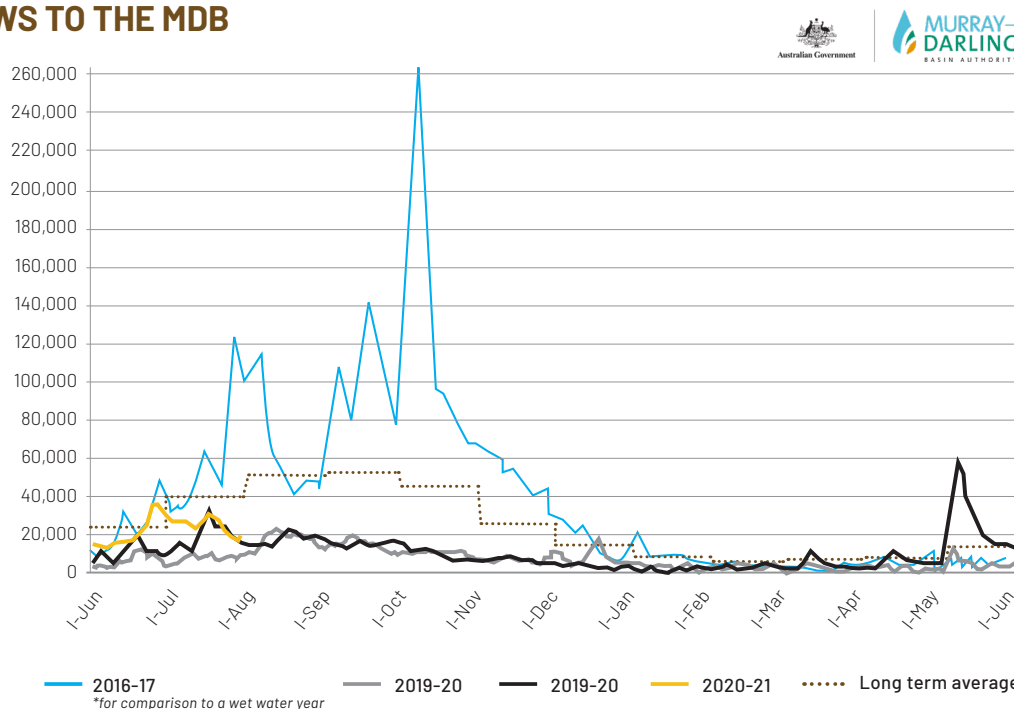
DIVIDENDS

The Board maintains its commitment to providing shareholders with a bi-annual dividend franked to the maximum extent possible. With the Company's high percentage of leased entitlements, the Directors have advised the next 4 targeted dividends out to the March 2022 distribution.

The Company has targeted fully franked dividend payments of:

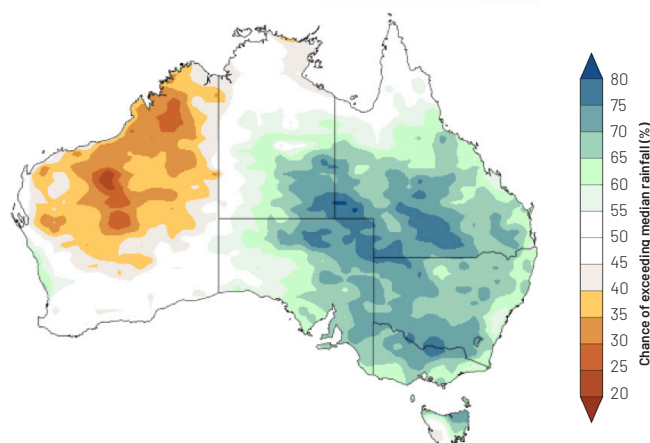
- 2.9 cents (\$0.029) in September 2020;
- 3.0 cents (\$0.030) in March 2021;
- 3.1 cents (\$0.031) in September 2021; and
- 3.2 cents (\$0.032) in March 2022.

DAILY INFLOWS TO THE MDB



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

CHANCE OF ABOVE-AVERAGE RAINFALL AUGUST 2020 – OCTOBER 2020



MARKET UPDATE & OUTLOOK

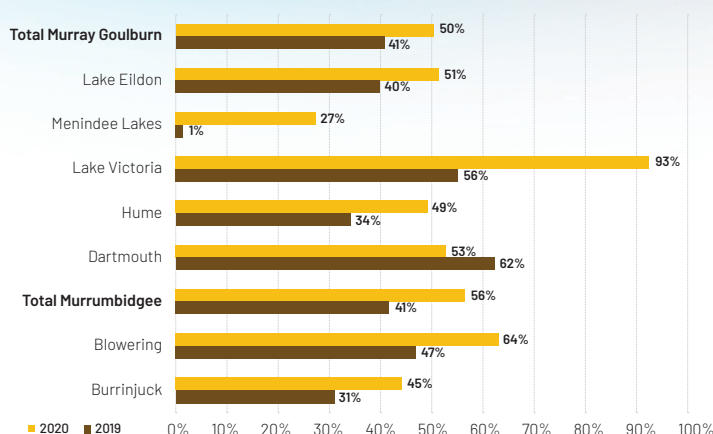
May to July rainfall has been below or very much below average over most of the southern half of Australia. This time of the year is a critical period where catchments should be primed and yielding inflows. The impact of this has been that storages have not benefited from the wet start through April. Whilst the Pacific and Indian Ocean climate drivers have not been working against a wetter outlook as they have in recent years, they are yet to substantially lock into the wetter part of their cycle. In addition, a positive phase of the Southern Annular Mode has been prevalent over the last couple of months, drawing rainfall away from the MDB. While the BOM still have some confidence that conditions will be wetter than average through September to November, catchments are looking less likely to deliver the significant inflows required to reset storages. In the northern and southern MDB, storages are now at 19% and 50%, compared to 10% and 41% this time last year.

ACCC

On 30 July 2020, the ACCC released the interim report into the Southern Murray Darling Basin Water Market.

The ACCC has spent almost a year reviewing the markets operation and engaging with key stakeholders. The Commission has had an ongoing role in monitoring the Australian Water Markets, having issued reports on its operation since 2012.

STORAGE LEVELS IN MAJOR DAMS



Whilst the Company will review the in-depth report, on a first read we believe it is a thorough and well-balanced report.

We note the ACCC has stated that:

"Water trading has brought substantial benefits to water users across the Basin. Water markets allow Irrigators to increase their water supplies, to earn income by selling their water rights when they are more valuable to someone else, to expand production, or to release capital for investment in their businesses. The benefit of water markets is demonstrated by the fact that, despite tough and volatile climatic conditions, the value of production from irrigated agriculture in the Southern Basin has trended upwards in real terms since 2010-11."

"Water investors, meanwhile, can help Irrigators free up capital by buying and leasing out water; they can increase water market liquidity; and they can help Irrigators manage water-supply risks, by providing water products such as leases and forward contracts."

We note the report has identified opportunities to improve governance, regulatory and operational frameworks that support Australian water markets. We believe that a focus in these areas will benefit all stakeholders and Duxton will actively engage in that process.

The interim report can be found at:
<https://www.accc.gov.au/focus-areas/inquiries-ongoing/murray-darling-basin-water-markets-inquiry/interim-report>

VALUATION METHODOLOGY

The Company uses an independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd (Aither) to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. It is a non IFRS measure that is not reviewed or audited by the Company's auditor. Further information can be found at www.duxtonwater.com.au

This announcement has been authorised for release by the Board of Duxton Water Limited.

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