

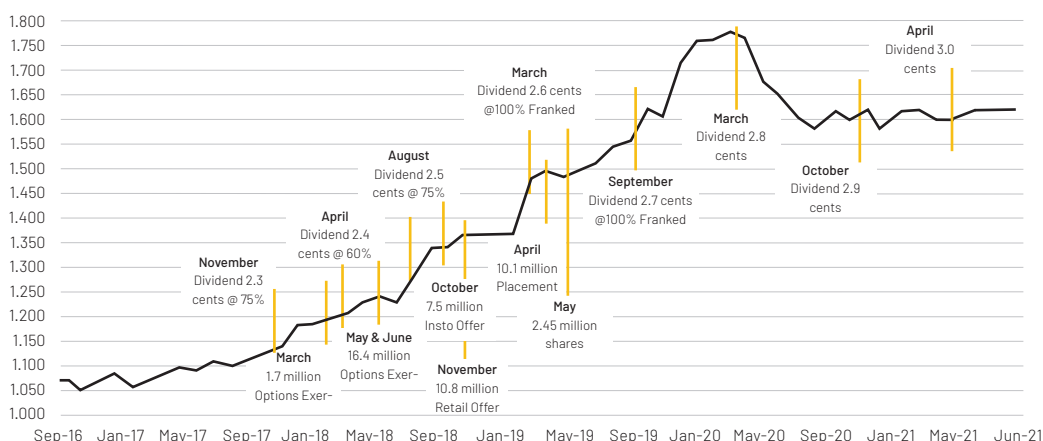
The primary investment objective of Duxton Water ("the Company") is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering Irrigators a range of supply solutions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

## NET ASSET VALUE PER SHARE

Duxton Water's NAV at 30 June 2021 was \$1.63 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 \$1.82 per share.** 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
0.11%	3.33%	3.52%	8.48%	80.17%

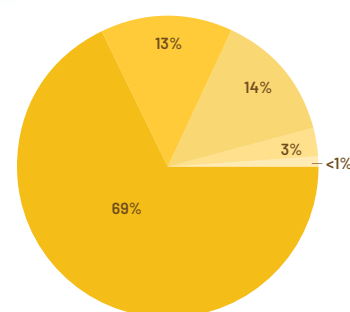
\*These figures are based on NAV movements and include franked dividends for the period.

## INVESTMENT UPDATE

At 30 June 2021, Duxton Water is invested in approximately \$310 million of water assets with the remainder of the portfolio held in cash and net current assets. The Company is currently rebalancing a portion of the portfolio, with negotiations taking place on a number of new permanent entitlement parcels for sale and acquisition.

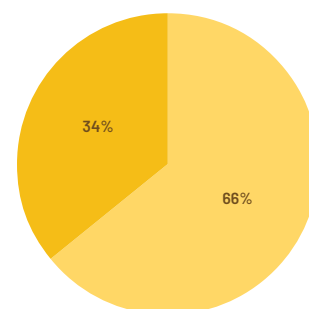
Since May 2020, entitlement prices have remained relatively stable. This follows a 6% retracement in values from their peak in January 2020. Since January 2014, water entitlement values have increased over 250%, reflective of the long-term structural drivers, rather than short-term climatic conditions. 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 buyback purchases of between 20-22% of entitlements that were previously available to the consumptive pool.

### Entitlement Portfolio Value by Region



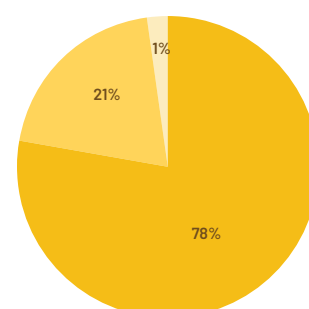
● Murray  
● Murrumbidgee  
● Goulburn  
● Lachlan  
● Mallee

### Water Portfolio Diversification



● Unleased  
● Leased

### Water Security Breakdown



● HS  
● GS  
● Bore

The combined impact has seen stronger demand for a reducing available water supply and subsequently increased asset prices. Irrigators themselves have been the greatest beneficiaries from this capital appreciation as they collectively own the majority of water entitlements on issue in the market.

June rainfall across the MDB was 81% above the long-term average. MDB active storage levels are higher than 12 months ago, however they are still approximately 9% below long-term averages. Cold fronts throughout June brought significant rainfalls to southern parts of Australia. Soil moistures across the basin remain average. The Murray-Goulburn system is currently at 62% of storage capacity; 15% higher than 12 months ago. Northern basin storage levels are currently 59%, 40% higher than 12 months ago.

Duxton Water continued to support its Irrigator partners throughout June as the 20/21 water year came to a close. This involves the provision of leases to over 70 family farming and corporate businesses. Through June 2021, many Irrigators took advantage of seasonally low allocation pricing and acquired 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 21/22 water year. This provides Irrigators with visibility to water supply and assists Duxton Water in hedging pricing risk on the allocation received on the Company's unleased portion of the portfolio.

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 entitlement lease arrangements. In offering these products, the company supports market liquidity and risk management options for its Irrigator partners.

## ENTITLEMENT MARKET

Duxton Water is engaged in building a targeted portfolio of water entitlements predominantly located across the southern MDB. The Company has invested in both surface and ground water assets. At 30 June 2021, the Company holds approximately 78.7 GL of water entitlements across 18 different asset types and classes.

Entitlement pricing across the southern MDB strengthened during June 2021, with a weighted average increase of 0.5%. The company has continued to benefit from its exposure to both its high and general security New South Wales entitlements, which continued to see capital appreciation throughout June.

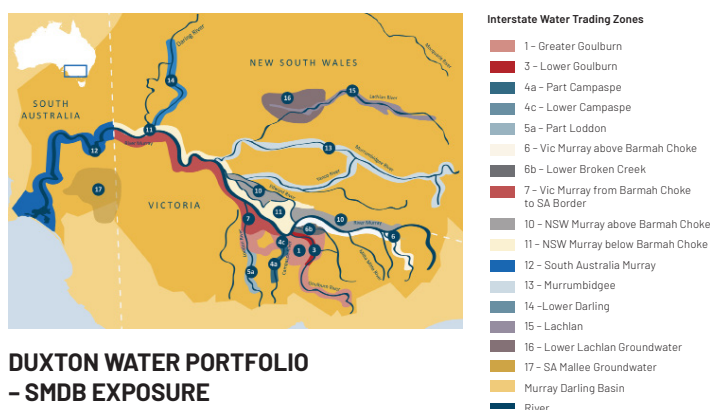
On 20 November 2020, the Victorian Government released a report\* on water market trends and drivers in the southern MDB. This report delivered further analysis on the future market pricing impacts on

allocation prices of both the increased horticulture development as well as past and future government water recovery. The key findings of this report indicated that with the impact of these structural demand and supply shifts, and a repeat of the last 15 years of resource availability, it is likely the weighted average price of water will be significantly above what has been experienced over the last 15 years.

The Company uses an independent Fair Market Unit Value for allocations and dry entitlements (without allocation) provided by Aither to undertake the NAV assessment.

Notable Entitlement pricing movements through June 2021:

- ↑ 4.2% in NSW Lachlan (above choke) GS (2.88% of portfolio)
- ↑ 2.9% in NSW Murrumbidgee (above choke) HS (7.4% of portfolio)
- ↑ 1.1% in NSW Murray (above choke) HS (9.9% of portfolio)



## ALLOCATION MARKET

Allocation prices softened throughout June due to the closing of the 20/21 water year. Allocation in the lower Murray traded anywhere between \$50-100/ML. In the Goulburn, prices traded between \$40-100/ML, while in the Murrumbidgee allocation pricing ranged between \$20-80/ML. Demand towards the end of the water year primarily came from Irrigators filling carry over space or balancing water accounts in deficit. The unexpected early closure of the Goulburn system left some irrigators uncovered, which further increased demand for allocation during the month.

Demand for forward allocation contracts continued to strengthen towards the end of the 20/21 water year as some irrigators looked towards their annual water requirement for the 21/22 water year and beyond. The Company has continued to lock in forward allocation contracts for delivery in the 21/22 water year, which hedges the Company's allocation portfolio against future pricing movements.

\* <https://waterregister.vic.gov.au/about/news/330-new-analysis-on-trends-and-drivers-of-market-prices-for-allocation>

On 1 July 2021, the 21/22 water year opened with new season allocations being awarded across the major states.

The New South Wales Resource Manager awarded 97% for high security and 3% for general security in the Murray, and 95% for high security and 30% for general security in the Murrumbidgee.

In Victoria, the Victorian Resource Manager awarded an opening allocation of 21% for high reliability and 0% for low reliability in the Murray system. While in the Goulburn system, opening allocations were 33% for high reliability and 0% for low reliability.

The South Australian Resource Manager awarded 100% allocation to South Australian Irrigators. There will be no further allocation awarded to South Australia for the 21/22 water year.

## LEASES

At 30 June 2021, Duxton Water has leased 66% of its permanent water portfolio to Australian farming businesses. This represents 78% of the Company's high security entitlement holding. The Company is currently in the process of negotiating a number of new leases as irrigators look to forward plan their annual water requirements.

The current weighted average lease expiry ("WALE") is 1.8 years. Inclusive of renewal options this increases the WALE to 4.2 years. The Company continues to work towards its long-term goal of having 70-80% of the portfolio under lease.

## DIVIDENDS

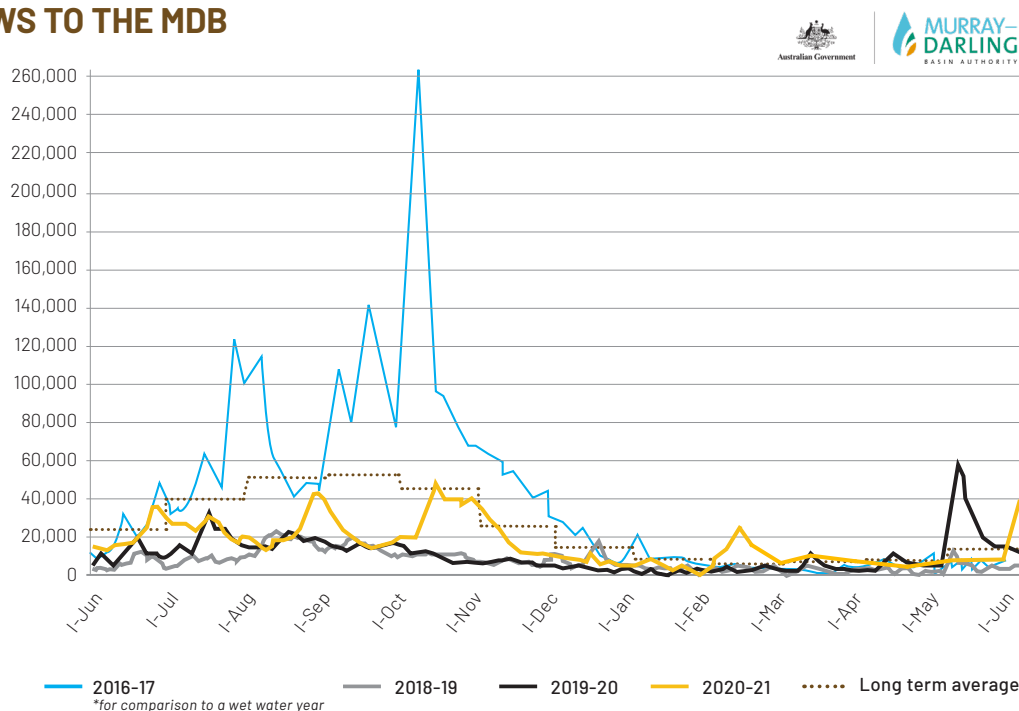
The Company paid a final 2020 dividend of 3.0 cents per share (franked to 100%) on 30 April 2021. The Board maintains its commitment to providing shareholders with a bi-annual dividend, franked to the maximum extent possible. With the Company's high percentage of leased entitlements, the Directors reaffirm its target for the next four dividends.

**The Company has provided the following fully franked dividend targets:**

- 3.1 cents (\$0.031) as the interim 2021 dividend;
- 3.2 cents (\$0.032) as the final 2021 dividend;
- 3.3 cents (\$0.033) as the interim 2022 dividend; and
- 3.4 cents (\$0.034) as the final 2022 dividend.

The dividend targets are to be paid in the following reporting periods.

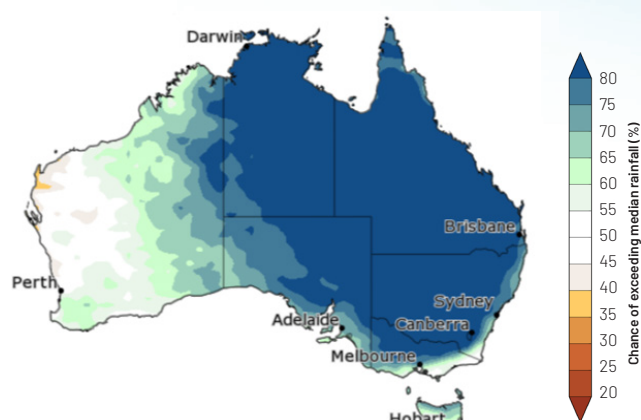
## DAILY INFLOWS TO THE MDB



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



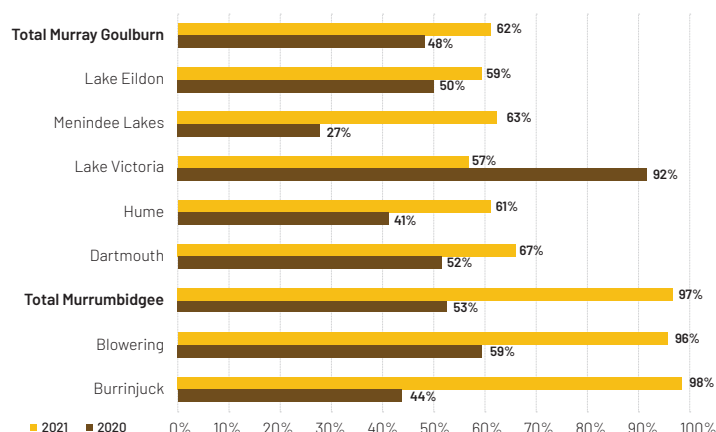
## CHANCE OF ABOVE-AVERAGE RAINFALL AUGUST – OCTOBER 2021



## MARKET UPDATE & OUTLOOK

The Bureau of Meteorology ("BOM") has indicated that the potential for a negative Indian ocean dipole (IOD) is likely this year. A negative IOD often brings above average winter-spring rainfall to parts of southern Australia. In addition to this, warmer ocean temperatures to the north and north-west of Australia may also increase moisture available to be drawn into rainfall systems crossing the country. We can therefore expect that August to October is likely to be wetter than average across central and eastern parts of the country. Temperatures are likely to be warmer than average in the north and south of the country, remaining average across the MDB area. Streamflows are likely to be near-median or high at most forecasted locations across Australia.

## STORAGE LEVELS IN MAJOR DAMS



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

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Rainfall for the MDB during June was 81% above the long-term average. In the northern and southern MDB, storages are now at 59% and 62%, compared to 19% and 48% this time last year.

## ACCC

On 26 March 2021, the ACCC released the final 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 had an ongoing role in monitoring the Australian Water Markets, having issued reports on its operation since 2012.

Duxton Water actively participated in the ACCC inquiry and supports any efforts to provide further transparency and benefits to participants of the Australian water market. Duxton Water believes the report is a thorough and well-balanced report.

The Final Report has identified opportunities to improve the governance, regulatory and operational frameworks that support the Australian water market. We believe that a consistent and committed focus in these areas will benefit all stakeholders.

### We note the ACCC has stated that:

"Investors provide benefits to water markets. They provide new sources of capital to irrigated agriculture, increase water market liquidity and provide a range of water products which help irrigators to manage water supply risks".

The ACCC also stated it does not support a return to the system where water ownership was tied to land.

Duxton Water is managed by the Australian owned Duxton Group, which actively manages farms throughout Australia, producing a variety of agricultural commodities including wine grapes, dairy, walnuts, dried fruit, apples and grain. As an agricultural producer, irrigator and water product supplier, the Duxton Group understands the importance of water in the development of the Australian agricultural sector. 100% of the Company's water is actively used by farmers.

The Final Report can be found on the ACCC website via the URL below.

<https://www.accc.gov.au/focus-areas/inquiries-finalised/murray-darling-basin-water-markets-inquiry/final-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](http://www.duxtonwater.com.au)