

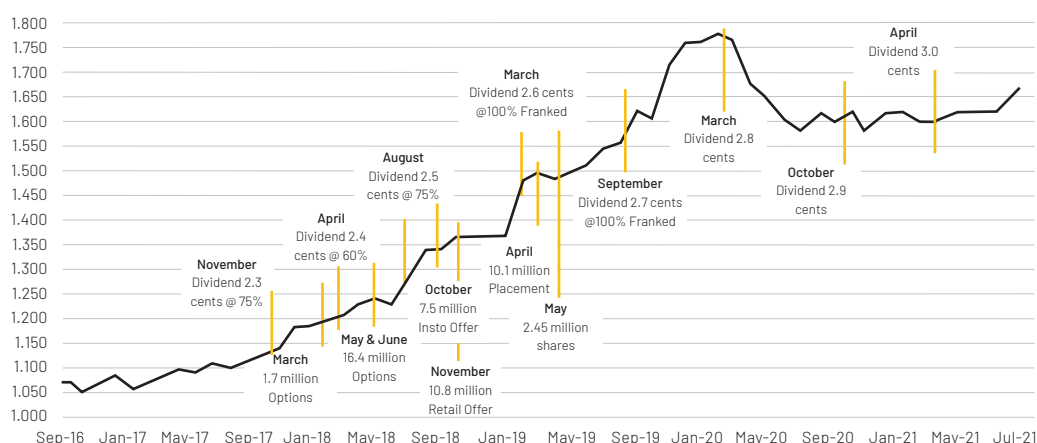
The primary investment objective of Duxton Water ("the Company") is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering Irrigators a range of supply solutions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

## NET ASSET VALUE PER SHARE

Duxton Water's NAV at 31 July 2021 was \$1.67 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 \$1.86 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
1.88%	2.90%	6.51%	7.88%	83.05%

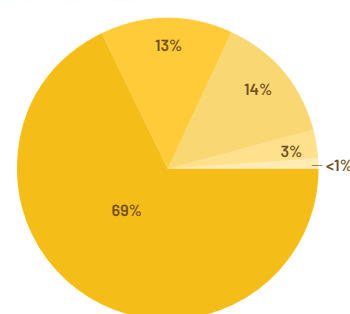
\*These figures are based on NAV movements and include franked dividends for the period.

## INVESTMENT UPDATE

At 31 July 2021, Duxton Water is invested in approximately \$319 million of water assets with the remainder of the portfolio held in cash and net current assets. Duxton Water has recently repositioned part of its portfolio which has allowed the Company to re-deploy capital into zones that offer more flexibility when delivering water to its lessee counterparties. During the month of July, the Company contracted the purchase of two NSW Murray Zone 11 general security parcels.

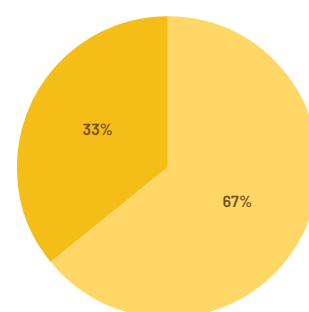
Since December 2020, entitlement prices have continued to strengthen, with a notable uplift being seen across the Company's general security portion of the portfolio. By December 2020, entitlement prices softened from their peak in January 2020. The 2021 year has seen entitlement pricing continue to strengthen for both high security and general security assets as general security assets receive an allocation and permanent irrigators continue to increase their exposure to high security assets. Permanent entitlement prices have increased 5% since December 2020.

## Entitlement Portfolio Value by Region



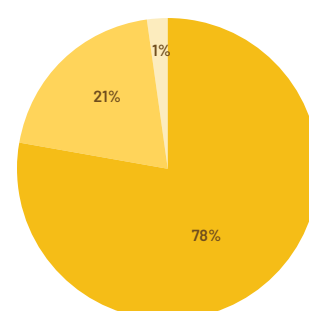
● Murray  
● Murrumbidgee  
● Lachlan  
● Mallee

## Water Portfolio Diversification



● Unleased ● Leased

## Water Security Breakdown



● HS ● GS ● Bore

The Government has taken significant steps to return water to the environment with buy-backs. So far the Government has bought back 31% of high security and 27% of general security entitlements from the consumptive pool. This constrain on supply combined with the significant increase in demand for permanent water from permanent horticulture has and will continue to see value appreciation for permanent water assets.

July rainfall across the MDB was 19% above the long-term average. MDB active storage levels are now 2.5% higher than long term averages. Above average rainfall and cooler days throughout July have benefitted some parts of south-eastern Australia, with the coldest day in 40 years being recorded. Soil moistures across much of the basin are above average. The Murray-Goulburn system is currently at 74% of storage capacity; 23% higher than 12 months ago. Northern basin storage levels are currently 73%, 51% higher than 12 months ago. Dam storages within the Murrumbidgee system are now at 98% capacity; 46% higher than 12 months ago. The Hume dam, one of the Murray-Goulburn's major storages is at 85%, reflecting the vast inflows and potential for spill to occur.

Duxton Water has continued to work alongside its farming partners throughout July as wetter conditions have persisted throughout the majority of the basin. Some irrigators have taken advantage of the wetter conditions and lower allocation pricing in preparation for the remainder of this season and next season.

## 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 31 July 2021, the Company holds approximately 79.5 GL of water entitlements across 18 different asset types and classes.

Entitlement pricing across the southern MDB strengthened during July 2021, with a weighted average increase of 0.9%. The company has continued to benefit from its exposure to both high and general security New South Wales entitlements which continued to see increased capital appreciation throughout July.

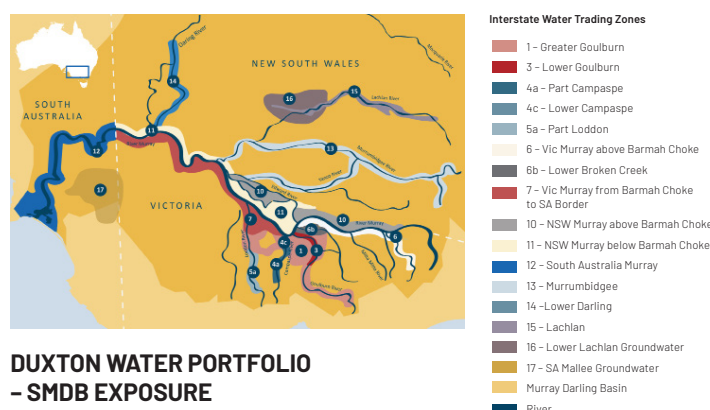
On 20 November 2020, the Victorian Government released a report\* on water market trends and drivers in the southern MDB. This report delivered further analysis on the future market pricing impacts on allocation prices of both the increased horticulture development as well as past and future government 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.

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

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 July 2021:

- ↑ 12.0% in NSW Lachlan (above choke) GS (3.2% of portfolio)
- ↑ 4.8% in NSW Murray (below choke) GS (5.1% of portfolio)
- ↑ 4.2% in NSW Murrumbidgee (above choke) HS (7.5% of portfolio)



## ALLOCATION MARKET

It was a very slow start to the 21/22 water season as very few transactions took place, particularly in the first two weeks of July. This comes on the back of irrigators holding back from transacting in the market while new season allocations were awarded and confidence in the market built.

Allocation pricing for the 21/22 season opened between \$170-\$200/ML in the lower Murray, \$90-\$110/ML in the Goulburn and between \$120-\$150/ML in the Murrumbidgee. On the back of the significant volume of water carried forward from the 20/21 water year, above average rainfall and cooler days, the allocation market softened throughout the remainder of July. Lower Murray prices traded around \$120/ML and \$90/ML in the Goulburn. An expression of interest tender announced by Murray Irrigation around releasing 40GL of above choke Murray allocation at \$65/ML saw the above choke Murray market soften to \$65/ML.

Duxton Water will deliver on a number of forward allocation sale contracts in the coming months. Forward allocation sale contracts provide visibility to cost and water security to Irrigators. They also provide Duxton Water with a guaranteed revenue stream which hedges the Company's unleased portion of the portfolio against future allocation pricing movements.

## DIVIDENDS

The Board of Duxton Water is committed to providing shareholders with a bi-annual dividend. In April 2021, Duxton Water paid its eight successive and increasing dividend of 3.0 cents per share (franked to 100%).

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 and visible revenue stream, the Board is pleased reaffirm dividend targets 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.

## LEASES

Through long-term leasing arrangements, Duxton Water is able to satisfy the water requirements of its irrigator partners, enabling them to better manage a key input into their business.

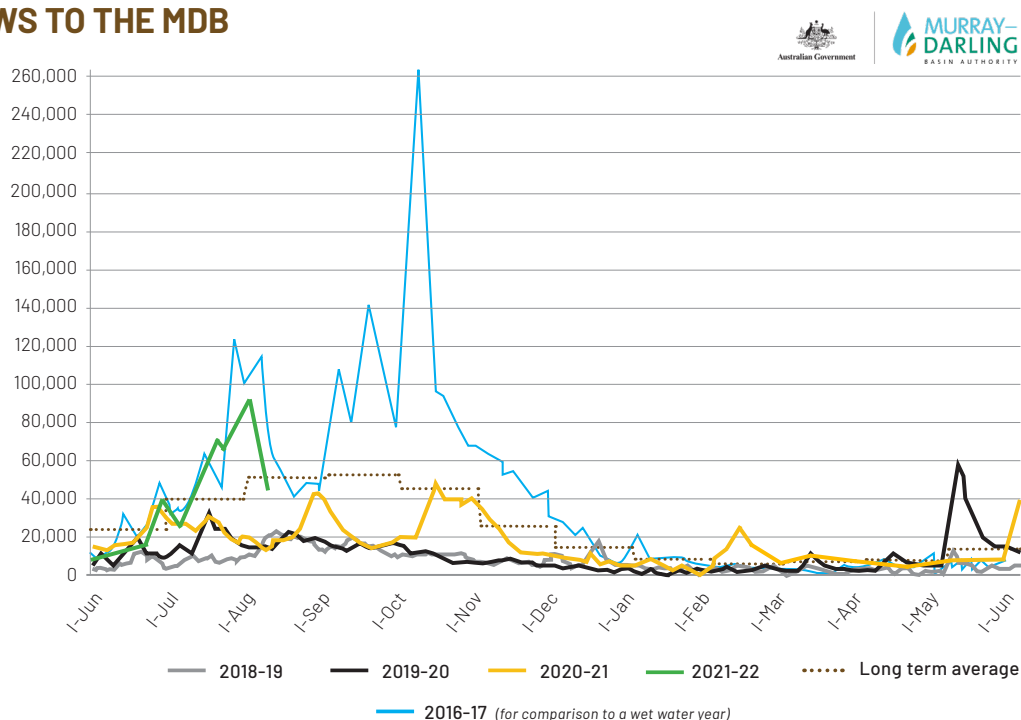
Long-term water leases give farmers a cost-effective way to access water and provide water security as they can be guaranteed a water allocation every year.

At 31 July 2021, Duxton Water has leased 67% of its permanent water portfolio to Australian farming businesses. This represents 78% of the Company's high security entitlement holding. During July, the Company finalised one new lease to begin 1 July 2022.

The Company is currently in discussion with a number of new and existing lessees around locking in water security for their crops in the coming years.

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.

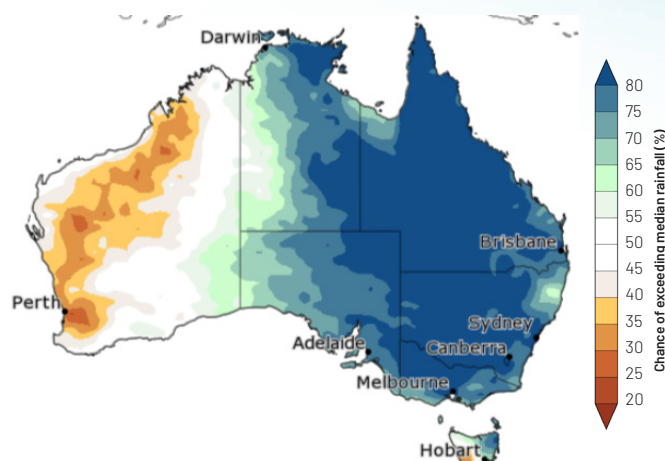
## DAILY INFLOWS TO THE MDB



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

## CHANCE OF ABOVE-AVERAGE RAINFALL

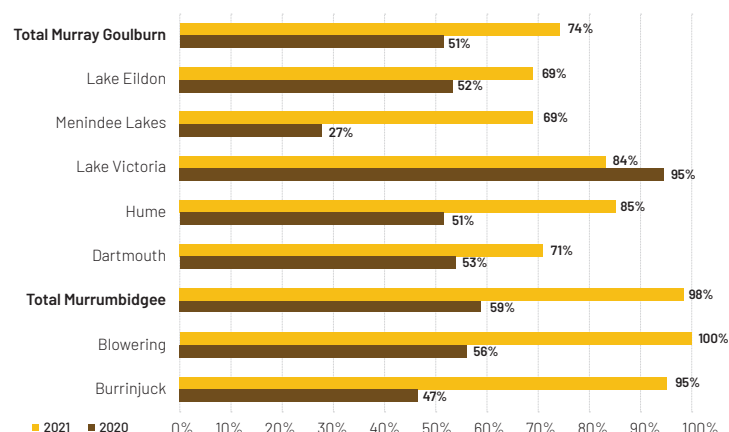
September – November 2021



## MARKET UPDATE & OUTLOOK

The Bureau of Meteorology ("BOM") has confirmed that a negative Indian ocean dipole (IOD) has developed in the Indian Ocean which will continue throughout spring. A negative IOD brings warmer ocean temperatures to the north and north-west of Australia. This often results in above average rainfall throughout winter-spring for southern and eastern parts of Australia. The last negative IOD that was experienced in Australia was in 2016, which contributed to Australia's wettest May to October on record. Although the 2021 IOD event is likely to be weaker than that of 2016, widespread flooding is still possible. In the Tropical Pacific Ocean, all surveyed models suggests that cooling of surface waters is likely to occur in the coming months which may bring La Nina like (wet) conditions into spring.

## STORAGE LEVELS IN MAJOR DAMS



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

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Above average rainfall is expected for the eastern half of Australia throughout September to November. Daytime temperatures are likely to be warmer for north and far south-eastern parts of Australia. High streamflows are expected at most forecast locations for September to November.

Rainfall for the MDB during July was 19% above the long-term average. In the northern and southern MDB, storages are now at 73% and 74%, compared to 22% and 51% the same time last year.

## ACCC

On 26 March 2021, the ACCC released the final report into the southern Murray Darling Basin Water Market. The ACCC 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 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.

## 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)