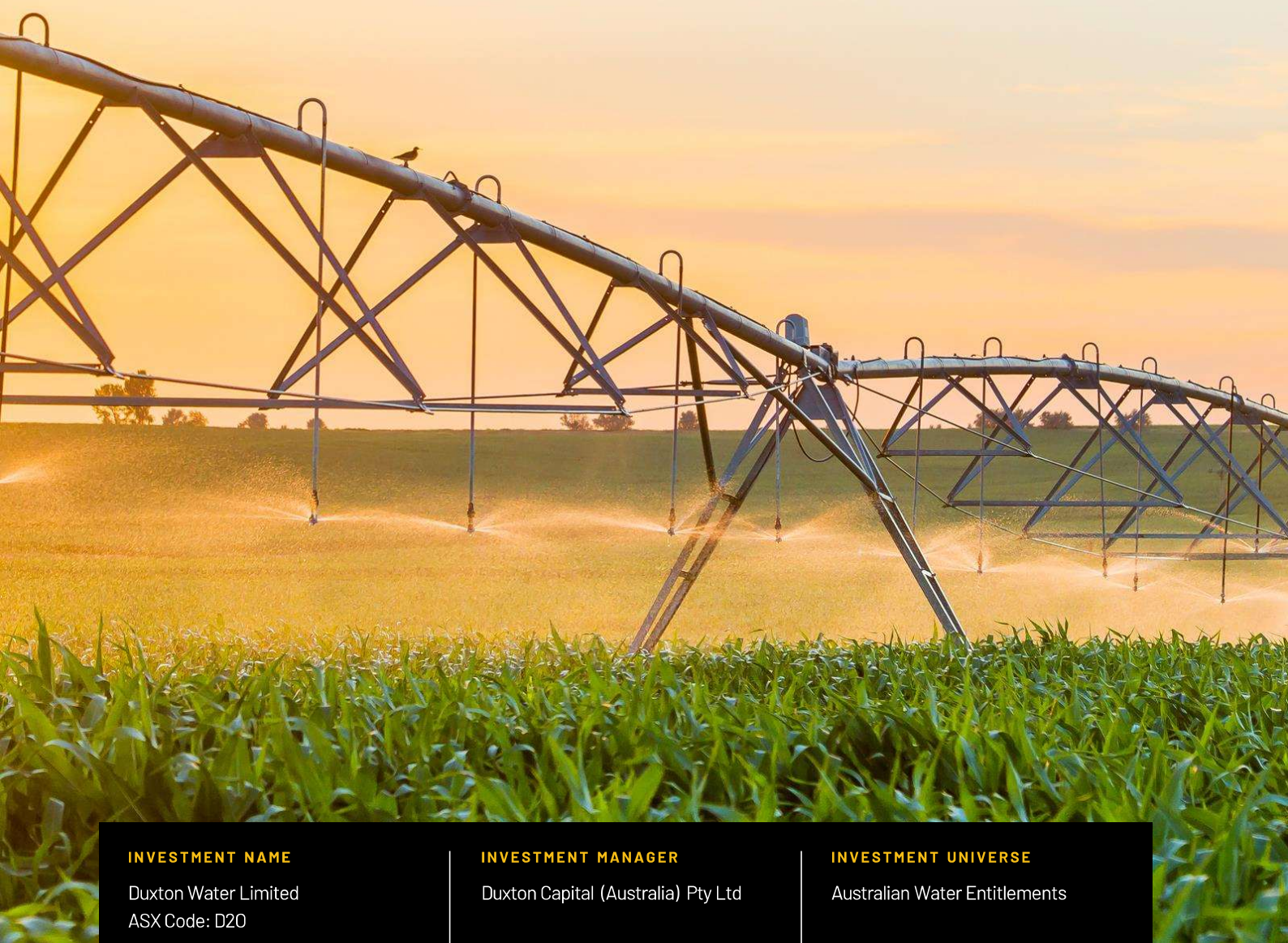


Monthly Update



AUGUST 2022



INVESTMENT NAME

Duxton Water Limited
ASX Code: D20

INVESTMENT MANAGER

Duxton Capital (Australia) Pty Ltd

INVESTMENT UNIVERSE

Australian Water Entitlements

NET ASSET VALUE (POST-TAX)

\$1.92 per share

SHARES ON ISSUE

119,340,793

WATER PORTFOLIO VALUE

\$383 million



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.



Portfolio Managers' Update

As we close out the first two months of the 22/23 Water Year (WY), wet climatic conditions have continued to pose challenges for both the system and its users. Most major dam storages are now at c.100% capacity with more rainfall expected in the coming months.

On 13 September 2022, the Bureau of Meteorology (BOM) declared that a third consecutive La Niña event is officially underway. This in addition to the already active Negative Indian Ocean Dipole (IOD) is expected to result in an increased level of rainfall activity across the eastern half of Australia until early 2023. This is first time since 1974 that we have seen three consecutive La Niña events coincide with a Negative IOD.

Despite the persistent wet conditions, permanent entitlement values continue to trade at close to all-time highs. This is reflected in D20's strong 18% NAV growth over the last 12 months.

While there is a perception that entitlement values may decrease in times of high-water availability, what we have seen over the last 12-18 months has shown that this isn't the case. We believe it is the long-term demand and supply drivers that underpin the entitlement markets that have caused entitlement values to remain stable during this period of extreme wet (primarily led by the expansion of permanent horticulture and irrigators seeking long-term water security).

Throughout August, D20 contracted a further six entitlement acquisitions and one entitlement sale. The sale of entitlement was executed on the basis of receiving an above market offer that allows the Company to both unlock statutory profits and strategically redeploy capital into the market.

While the leasing marketing has been a little quieter than usual, there has been significant demand for leases to commence 1 July 2023. This is largely due to the persistent wet conditions and lower allocation prices that have been experienced across most of the Murray Darling Basin ("Basin") over the last 2 years. We continue to offer a 10-year leasing product to the market which will provide lessees with a level of visibility to water supply and cost until 2032.

The Company will continue to engage with new and existing lessees offering lease products that backdate to both begin 1 July 2022 and those that begin 1 July 2023. It is our goal to work towards achieving the Company's long-term goal again of having 70-80% of the portfolio locked into long term leases.

Finally, on 2 September 2022, Duxton Water formally announced and declared an interim 2022 dividend of 3.3 cps (fully franked), to be paid to shareholders on 28 October 2022. Further to this, D20 extended its long-term dividend guidance by targeting an interim 2024 dividend target of 3.7 cps (fully franked) to be paid in late 2024.

The composition of D20's diversified portfolio of water assets allows for balanced returns to be generated over the climatic cycle (in both wet and dry years).



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager

COMPANY PERFORMANCE

1 Month	3 months	6 Months	12 Months	Inception
-0.47%	1.85%	5.44%	17.83%	115.75%

[^]These figures are based on NAV movements and include franked dividends for the period.



Water Lease Update

At 31 August 2022, Duxton Water has 55% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 71% of the Company's high security portfolio (by value). The current Weighted Average Lease Expiry ("WALE") is 1.7 years. Inclusive of renewal options, this increases the WALE to 4.8 years.

During August, D20 continued to have discussions with several potential new and existing lessees. The focus of these discussions have been around leases to commence 1 July 2023, as irrigators look to take advantage of lower allocation prices this year. That being said, D20 has continued to offer a 10-year leasing option to the market. This lease option will provide the counterparty with a level of visibility to price and water supply for the next 10-years.

Duxton Water expects to lock in several new leases to begin 1 July 2023. Proactive irrigators are taking this opportunity lock-in future water security for the next 5-10 years, ahead of weather conditions beginning to normalise, which will likely occur in the not-too-distant future. Leases beginning 1 July 2023 will hedge D20's lease book by replacing any existing leases that are due to expire 30 June 2023.

Duxton Water continues to work towards once again achieving its long-term leasing target of 70-80%. Through long-term leases, the Company is able to provide lessees with water security at a fraction of the price of owning the same water entitlements outright.



Irrigated Maze (Corn)

WATER LEASE CASE STUDY: GOULBURN

Duxton Water recently finalised a c.1,500ML Zone 1A Goulburn Low Reliability water lease to an almond grower located in the Goulburn region, Victoria. Historically, Goulburn low reliability entitlements do not receive an annual water allocation. However, they provide irrigators with an excellent carry over capability, with a very low risk of spill. This lease will provide the lessee with the ability to take a multi-year view of their water supply strategy by utilising the carry over space attached to these entitlements.

Through this type of partnership, Duxton Water continues to enable Australian farming businesses to take a multi-year approach to managing their annual water supply strategy.



QUICK FACTS SUMMARY

	July 2022	August 2022
Water Entitlements	84.7GL	84.8GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	56%	55%
Weighted Average Lease Expiry (WALE)	1.7 years	1.7 years
WALE (incl. renewal options)	4.9 years	4.8 years

Entitlement Market Update

At 31 August 2022, Duxton Water holds 84.8GL of permanent water entitlements across 18 different asset types and classes. Throughout August, six additional parcels of water entitlements were added to the portfolio, increasing holdings by 125ML. At the end of August, there were two additional acquisitions and one sale ready for contract execution in the pipeline.

Permanent water pricing across the southern Murray Darling Basin (sMDB) softened throughout August, with a weighted average decrease of -0.4%. By contrast, entitlement prices have increased c.19% since August 2021.

The entitlement market has continued to be slower than usual throughout August. Larger parcels continue to attract price premiums and tend to transact quickly. It is expected that as we move through the 22/23 WY, further parcels will become available on the market.

Allocation Market Update

On the back of continued wet conditions and the forecasted wet outlook for the remainder of 2022, allocation prices have continued to move downwards from their 1 July openings.

Allocation water has traded between \$45-\$55/ML in the Lower Murray, \$40-\$50/ML in the Goulburn, \$45-\$55/ML in the Murrumbidgee, and \$30-\$40/ML in the Upper Murray throughout the month of August.



Finance Update

In August 2022, Duxton Water's share price closed at \$1.71, representing a 1.8% increase from last month. On an annualised basis, D20 shares have increased 20.4% since August 2021. Including dividends paid to shareholders over the same period, total returns were 26.8%.

Duxton Water's monthly post-tax NAV at 31 August 2022 is \$1.92 per share, decreasing by 1 cent during the month, due to a minor softening in entitlement values.

Duxton Water's pre-tax NAV at 31 August 2022 (excludes tax provisions for unrealised capital gain) is \$2.22 per share, decreasing by 2 cents during the month. On an annualised basis, the Company's post and pre-Tax NAV's have (including dividends) increased by 18% and 20% respectively since August 2021.

D20 has used a sensible level of debt funding to acquire permanent water entitlements over the last 4-5 years which has overall provided a significant benefit to shareholders. The Company has taken the opportunity to lock into several fixed interest rate swaps to hedge against future interest rate movements.

At 31 August 2022, Duxton Water has locked \$55m/\$124m into fixed interest rate swaps, that are due for expiry between 2024 and 2031. At 31 August 2022, the Company's Net Debt to Water Assets is 31% (with a maximum Net Debt covenant of 40% in place). The Company continues to monitor short-term and long-term interest rates to manage its debt position.

NAV (post tax)	NAV (pre tax)
\$1.92 per Share	\$2.22 per Share

Share Buyback

At 31 August 2022, Duxton Water has bought back a total of 1.2 million shares (equivalent to 1% of the Company), at an average price of \$1.60 per share, since November 2021. The Board believes buying back shares at the current discount to NAV is in the interest of all shareholders.

Dividends

On 2 September 2022, Duxton Water was pleased to announce that it will pay its 11th consecutive and increasing dividend to shareholders of 3.3 cents per share (fully franked).

The record date for this dividend is Friday, 14 October 2022, with the payment date being Friday, 28 October 2022.

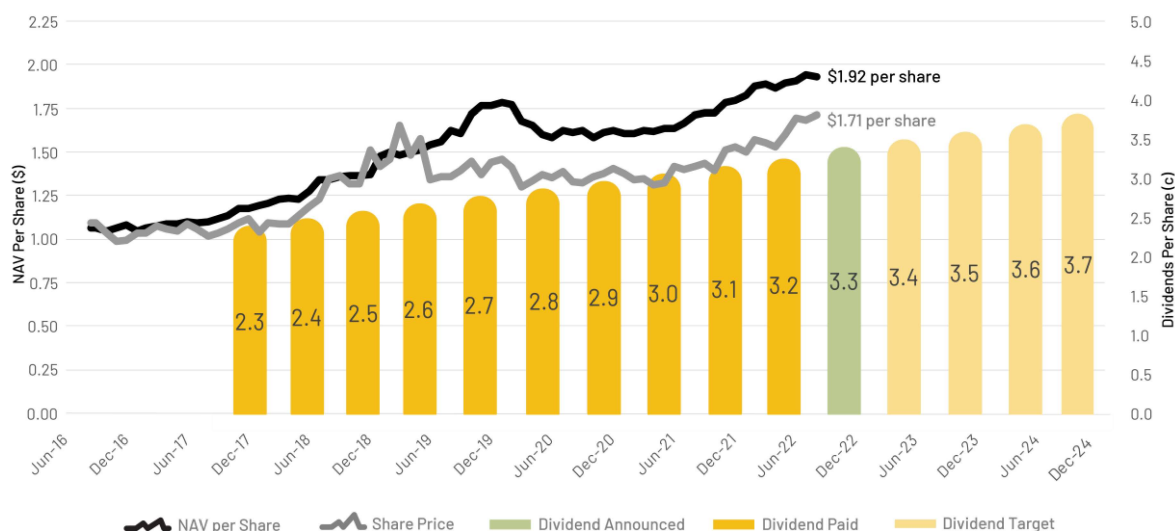
The Board of Duxton Water is pleased to once again offer shareholders the ability to participate in the Company's Dividend Reinvestment Plan.

Due to continued strong portfolio performance, the Board of Duxton Water is pleased to extend its dividend guidance to shareholders out to the second half of 2024. The Company is now targeting an interim 2024 dividend of 3.7 cents per share (fully franked).

DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Final 2022	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked
Interim 2024	3.7 cps	Fully Franked

NET ASSET VALUE PER SHARE - SINCE INCEPTION



VALUATION METHODOLOGY

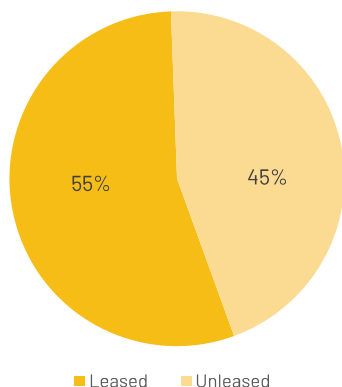
The Company uses an independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. 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

Monthly Update

AUGUST 2022

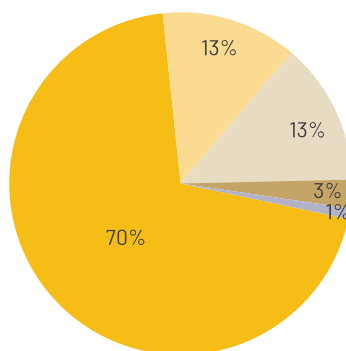


WATER PORTFOLIO DIVERSIFICATION



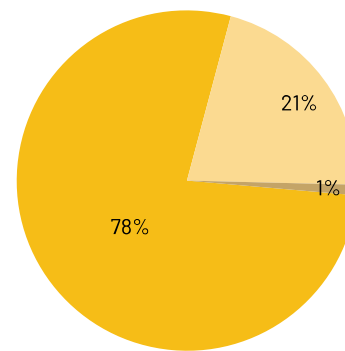
■ Leased ■ Unleased

WATER SECURITY BREAKDOWN



■ Murray ■ Murrumbidgee ■ Goulburn ■ Lachlan ■ Mallee

ENTITLEMENT VALUE BY REGION



■ High Security ■ General Security ■ Groundwater

Weather Update

Rainfall in August was 34% above average for Australia as a whole. It was above average for much of eastern Australia, central to southern Northern Territory, and along the west coast of Western Australia. Some weather stations in South Australia registered their highest total August rainfall in 20 years.

However, some small areas on the east coast between the New South Wales Mid-North Coast and Townsville in Queensland, registered below average rainfall.

Across the Murray-Darling Basin, rainfall was 49% above the long-term average (1961-1990). August rainfall in the Basin as a whole, was the 7th highest August since 1985.

The national mean temperature for August was 0.73°C warmer than the long-term average for Australia, with maximum and minimum temperatures exceeding the mean by 0.71°C and 0.75 °C respectively.

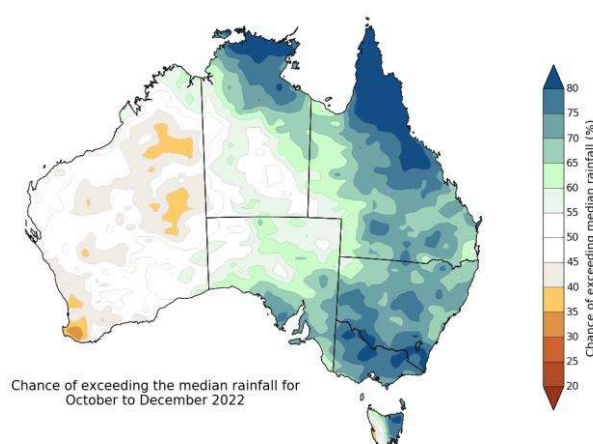
The Indian Ocean Dipole (IOD) remains negative, increasing the chances of above-average winter to spring rainfall for much of Australia. The latest IOD value was -0.80°C, which has continued at or below the threshold (-0.4°C) since mid-June. All models suggest that negative IOD conditions are likely to persist through November and dissipate by December.

As of 13 September 2022, the Bureau of Meteorology has now declared a third consecutive La Niña event is officially underway. La Niña events increase the chances of above-average rainfall for northern and eastern Australia during spring and summer.

The Southern Annular Mode (SAM) is currently positive and is expected to remain positive throughout spring and into early summer. A positive SAM has a drying influence for parts of south-west and south-east Australia at this time of year.

CHANCE OF ABOVE-AVERAGE RAINFALL

OCTOBER 2022 - DECEMBER 2022

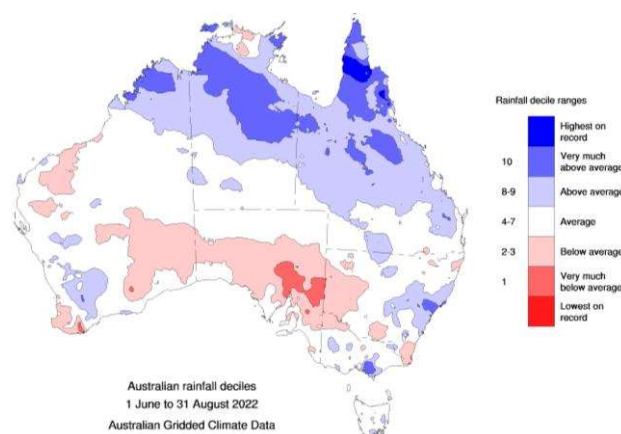


Chance of exceeding the median rainfall for October to December 2022

Source: Bureau of Meteorology

RAINFALL DECILE CHART (WINTER)

JUNE 2022 - AUGUST 2022



Australian rainfall deciles
1 June to 31 August 2022
Australian Gridded Climate Data

Source: Bureau of Meteorology



Outlook & Storages

The October to December outlook suggests above average rainfall for the eastern half of Australia and below average rainfall for parts of Western Australia and western Tasmania. November will likely be the wettest month across eastern and northern Australia.

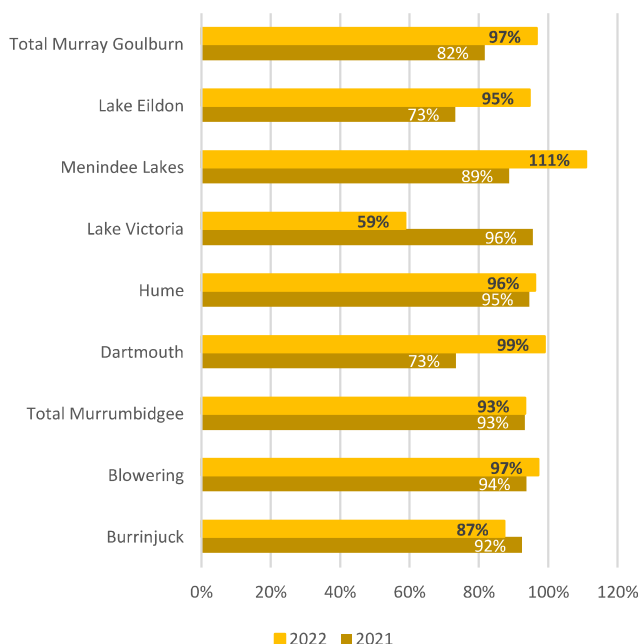
Warmer days are expected across most of Australia, with minimum and maximum temperatures exceeding the mean. However, cooler days are likely across most of New South Wales and the southern half of Queensland.

A negative IOD is likely to continue into late spring and a third La Niña has now been declared. Models indicate this La Niña event may peak in spring and return to neutral conditions early in 2023. When a La Niña and negative IOD coincide, it increases the likelihood of above average rainfall over Australia, particularly in the eastern half of the country.

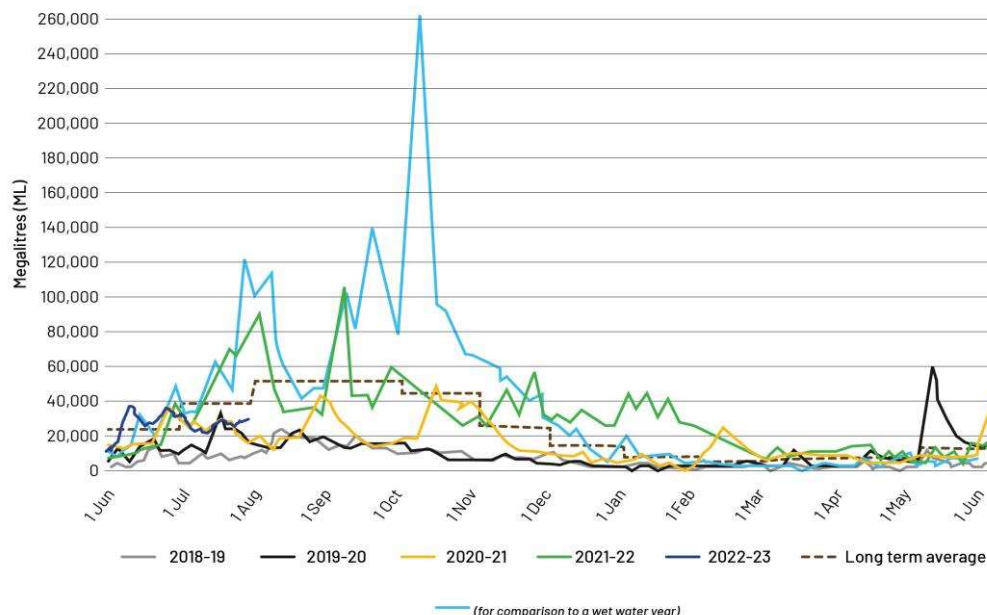
High streamflows are likely through September to November across most areas of the southern MDB.

In the northern and southern MDB, storages are now at 101% and 95% respectively, compared to 81% and 83% at the same time last year.

STORAGE LEVELS IN MAJOR DAMS



DAILY INFLOWS TO THE MURRAY DARLING BASIN



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

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

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