

Quarterly Update



SEPTEMBER 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)

\$1.93 per share

SHARES ON ISSUE

119,187,629

WATER PORTFOLIO VALUE

\$382 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.



Operational Update

During the September quarter, Duxton Water has continued to strategically execute a number of transactions that further benefit the portfolio. Recycling capital has allowed the Company to unlock statutory profits while freeing up capital to be redeployed into well priced parcels and valleys.

Wet conditions have persisted across the Basin. The Bureau of Meteorology (BOM) declared a third consecutive La Niña event in early September. This, in addition to the already active Negative Indian Ocean Dipole (IOD), resulted in September's rainfall being the fifth-highest on record for Australia. In early September, the Dartmouth Dam, the largest water storage in the Murray Darling Basin physically spilt for the first time since 1996.

Full dam storages have been very beneficial to general security (GS) entitlement owners who continue to yield strong allocations on these assets. As a result, we have seen a strong demand for these entitlements, with parcels transacting above previous market values. Duxton Water has 21% of its entitlement portfolio (by value) invested in GS entitlements, which has continued to receive strong allocations and capital appreciation over the last 6-12 months.

Entitlement Market

Despite the persistent wet conditions, permanent water prices have continued to remain stable. Permanent water pricing across the southern Murray Darling Basin (sMDB) increased by 0.31% in the September quarter (resulting in a c.15% increase since 30 September 2021).

At 30 September 2022, Duxton Water held approximately 84.5GL of permanent water entitlements across 18 different asset types and classes.

COMPANY SNAPSHOT

	June 2022	September 2022
Water Entitlements	84.6GL	84.5GL
Leased % of Portfolio	67%	55%
Weighted Average Lease Expiry (WALE)	0.9 years	1.6 years
WALE (incl. renewal options)	3.0 years	4.7 years
Shares on Issue	119.7m	119.2m
Market Capitalisation	\$202m	\$192m
Total Water Assets	\$381m	\$382m

Leases

At 30 September 2022, Duxton Water had 55% of its permanent water portfolio (by value) leased to Australian farming businesses, which accounts for 71% of the Company's high security portfolio (by value).

There remains interest from irrigators for leases beginning 1 July 2023, as they look to prepare for future water seasons. The Company continues to adapt to this demand, offering its range of water supply products to suit irrigator requirements.

The Company's WALE at 30 September 2022, is 1.6 years or 4.7 years including renewal options.

Allocation Market

Allocation pricing at the start of 22/23WY in July was between \$70-\$80/ML in the Lower Murray, \$60-\$80/ML in the Goulburn, \$60-\$75/ML in the Murrumbidgee, and \$45-\$65/ML in the Upper Murray.

The Company has been proactive early in the season and has already sold down the majority of its unleased allocation holdings, minimising its exposure to softer allocation prices. Current spot prices trade between \$20-\$40/ML across the various zones and valleys.

COMPANY PERFORMANCE - SEPTEMBER 2022

1 Month	3 months	6 Months	12 Months	Inception
0.26%	1.57%	4.92%	17.44%	116.22%

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



Investment Update

During the September quarter, Duxton Water's post-tax NAV increased by 3 cents to \$1.93 per share. This represents a 1.6% increase from the previous quarter (June 2022).

The Company's NAV, excluding tax provisions for unrealised capital gain, also increased by 3 cents to \$2.23 per share. This demonstrates the defensive and resilient nature of water as an asset class, considering the recent volatility of global equity markets and the persistent wet conditions seen across the SMDB over the last 12-18 months.

During the quarter, Duxton Water's share price traded between \$1.60 and \$1.76, and has traded consistently between \$1.64 and \$1.70 in the first two weeks of October.

Compared to the ASX300 Total Return Index, Duxton Water has outperformed the ASX300 in 7 out of 9 months in 2022:

D20 vs ASX300 (Total Return Index)			
Period	S&P/ASX300 Total Return	Total D20 Return	Difference
January 2022	-6.45%	-1.96%	4.49%
February 2022	2.09%	4.67%	2.58%
March 2022	6.90%	-1.27%	-8.17%
April 2022	-0.84%	1.66%	2.50%
May 2022	-2.76%	4.58%	7.33%
June 2022	-8.97%	5.62%	14.59%
July 2022	5.95%	-0.59%	-6.55%
August 2022	1.18%	1.79%	0.61%
September 2022	-6.29%	-5.85%	0.45%

The table above details the monthly **Total Returns Index** for the ASX 300 for 2022 YTD. This is compared to Duxton Water's total performance over the same months.

Share Buyback

At 30 September 2022, Duxton Water bought back a total of 1.3 million shares (equivalent to 1% of the Company), at an average price of \$1.60 per share, since November 2021.

The D20 Board believes buying back shares at the current discount to NAV is value accretive and in the interest of all shareholders.

June 2022 NAV (post-tax)	September 2022 NAV (post-tax)
\$1.92 per Share	\$1.93 per Share

Dividends

During the September quarter, Duxton Water declared its 11th consecutive and increasing dividend to shareholders of 3.3 cents per share (fully franked). The record date of the upcoming October 2022 dividend was Friday, 14 October 2022, with the payment date being Friday, 28 October 2022.

This takes total dividends paid to shareholders since the Company's maiden dividend in November 2017, to 30.8 cents per share. Including franking credits, shareholders invested in D20 since IPO (September 2016 – 6 years ago) have received a 38% gross cash return on their initial investment.

The Board maintains its commitment to providing shareholders with a bi-annual dividend, franked to the maximum extent possible. The Board is also pleased to reaffirm targets for the following four dividends:

	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

Finance Update

At 30 September 2022, Duxton Water has \$130 million of debt facilities, with \$124 million drawn at the end of the quarter. A total of \$55 million of this debt is fixed at 1.2% + facility and margin fees. Full facility details are outlined in the Appendix 4C attached to this report. The Company's Net Debt to Water Assets (LVR) at the end of the quarter was 31% which is well within the Company's bank covenant limit of 40%.

The Board and Management Team of Duxton Water continue to closely monitor short-term and long-term interest rates in order to manage the Company's debt and portfolio position.

Payments to Associates/Related Parties

During the September 2022 quarter, the following cash payments to Associates and Related Parties occurred (GST Inclusive):

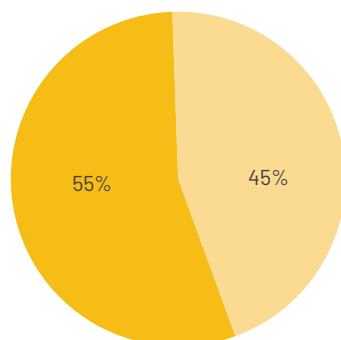
	September 2022 Quarter	YTD
Duxton Capital - Administration Fees (Admin & Accounting Services)	\$79k	\$217K
Duxton Capital - Management Fees (As per the Management Agreement)	\$665k	\$2,048k
Duxton Capital - Reimbursements (On-charged Reimbursements)	\$21k	\$58k

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

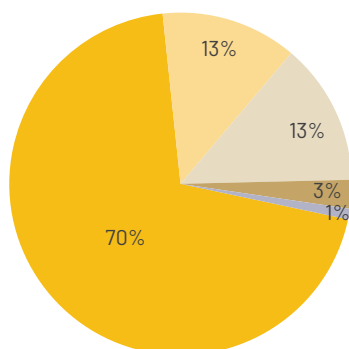


WATER PORTFOLIO DIVERSIFICATION



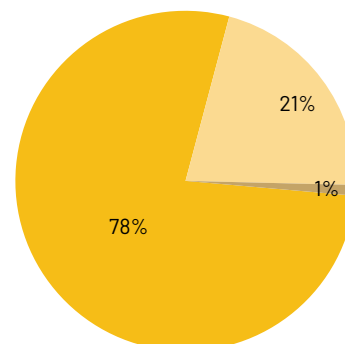
■ Leased ■ Unleased

WATER SECURITY BREAKDOWN



■ Murray ■ Murrumbidgee
■ Goulburn ■ Lachlan
■ Mallee

ENTITLEMENT VALUE BY REGION



■ High Security ■ General Security ■ Groundwater

NET ASSET VALUE PER SHARE - SINCE INCEPTION



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

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Duxton Water Limited

ABN

53 611 976 517

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,090	8,491
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(125)	(449)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs	(301)	(750)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,361)	(2,492)
1.6 Income taxes paid	(993)	(2,840)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
- Management Fees	(597)	(1,840)
- Performance Fee	-	-
1.9 Net cash from / (used in) operating activities	(287)	120

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(5,900)	(24,479)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	9,996
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	- Net Deposits (Paid)/Received	-	3
2.6	Net cash from / (used in) investing activities	(5,900)	(14,480)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(853)	(1,531)
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(5)
3.5	Proceeds from borrowings	7,500	17,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(3,837)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	6,645	12,127

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,529	6,220
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(287)	120

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,900)	(14,480)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,645	12,127
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,987	3,987

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,987	3,529
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,987	3,529

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

765

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	130,000	123,500
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	130,000	123,500

7.5 **Unused financing facilities available at quarter end** **6,500,000**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Debt Facility A

Lender: National Australia Bank

Max Debt: \$106,000,000

Variable Interest Rate: BBSY plus 0.65% p.a. + Facility Fee of 0.65%

Maturity Date: 31 March 2024

Secured: Yes

Debt Facility B

Lender: National Australia Bank

Max Debt: \$24,000,000

Variable Interest Rate: BBSY plus 0.725% p.a. + Facility Fee of 0.725%

Maturity Date: 31 March 2024

Secured: Yes

While the maturity date of the Company's debt facility is set out above, the Company's interest rate swap arrangements remain unchanged. The Company has locked a portion of its debt into 5-year and 10-year interest rate swap arrangements, providing a level of hedging against future interest rate movements.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(287)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	3,987
8.3 Unused finance facilities available at quarter end (Item 7.5)	6,500
8.4 Total available funding (Item 8.2 + Item 8.3)	10,487
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	36

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2022

Authorised by: Chairman
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.