



9 May 2023

## **AMENDMENT TO QUARTERLY CASH FLOW REPORT**

Duxton Water Limited (**Company**) advises that immaterial errors have been identified in the Quarterly Cash Flow Report – Appendix 4C lodged on the 28 April 2023.

- Item 4.1 (Cash and cash equivalents at beginning of period \$A'000) is 1,246 (previously reported as 1,248).
- Item 8.4 (total available funding \$A'000) has been incorrectly calculated and is 3,297 (previously reported 5,799). As a result, Item 8.5 (Estimated quarters of fundings available \$A'000) has been updated to 0.7 (previously reported as 1.2).
- Payments to related parties on page 3 has been updated to reflect item 6.1.

An updated Quarterly Activities Report and Appendix 4C is enclosed.

This announcement has been authorised for release by Katelyn Adams, Company Secretary of Duxton Water Limited.

# Quarterly Update



MARCH 2023

## 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)

\$1.86 per share

## SHARES ON ISSUE

117,700,718

## WATER PORTFOLIO VALUE

\$372 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

Our focus over the last quarter has been to strengthen and diversify the lease portfolio ahead of the upcoming year. We are pleased to report that during the quarter, we have successfully negotiated a number of new lease arrangements with both existing and new leasing counterparties. We look forward to reporting on our leasing revenue and Weighted Average Lease Expiry ("WALE") for the upcoming water year in due course.

At 31 March 2023, 58% of the Company's permanent water portfolio is leased to Australian farming businesses, which is 4% higher compared to the December 2022 quarter.

Last year, we made the decision to sell the majority of our unleased water allocations to support summer irrigation. While this resulted in an overall benefit to the Company, it meant that Receipts from Customers were below the historical average for the March 2023 quarter. This was compounded by the effect of low allocation pricing that has been seen over the last 2-3 years. In addition to this, Income Taxes Paid for the March 2023 quarter were also higher than average due to the timing of tax payments from the previous financial year.

Australia's weather outlook remains drier than average for the upcoming months, which has seen an increase in demand for leases, forwards, and carry-over products for next season. We continue to speak with our customers about the importance of having a strong water strategy in place ahead of the anticipated changing climatic conditions.

The Bureau of Meteorology issued an El Niño watch in early 2023, meaning there is approximately a 50% chance of El Niño forming in 2023. Global climate models are also forecasting a positive Indian Ocean Dipole ("IOD") event by mid-2023. A positive IOD event typically reduces winter and spring rainfall over most of Australia and can exacerbate dry conditions caused by El Niño.

## COMPANY SNAPSHOT

	December 2022	March 2023
<b>Water Entitlements</b>	83.6GL	83.8GL
<b>Leased % of Portfolio</b>	54%	58%
<b>Weighted Average Lease Expiry (WALE)</b>	1.4 years	1.3 years
<b>WALE (incl. renewal options)</b>	4.4 years	4.2 years
<b>Shares on Issue</b>	118.0m	117.7m
<b>Total Water Assets</b>	\$377m	\$372m

## Entitlement Market

At 31 March 2023, Duxton Water holds 83.8GL of permanent water entitlements across 18 asset types and classes. The Company has increased its portfolio by 0.2GL since the end of the last quarter, and continues to monitor the market for well priced opportunities.

Trading in the entitlement market continues to be quieter than usual for this time of year. Across the southern Murray Darling Basin ("sMDB"), entitlement values decreased by 1.6% during the quarter, with general security entitlements being the greatest contributor to this.

## Allocation Market

Lower allocation prices continued to be seen throughout the March quarter, consistent with prices observed for most of the current water year.

Allocation water traded between \$8-\$30/ML in the Lower Murray, \$10-\$30/ML in the Goulburn, \$7-\$15/ML in the Murrumbidgee, and \$5-\$20/ML in the Upper Murray.

Lower allocation prices continue to be a reflection of the prolonged wet conditions seen over the last 2-3 years. Further to that, there is typically little demand for allocation water at this time of year, with irrigators primarily buying for carry-over into the new water year.

## COMPANY PERFORMANCE - MARCH 2023

1 Month	3 months	6 Months	12 Months	Inception
-1.91%	-2.27%	-1.28%	3.61%	113.91%

<sup>^</sup>These figures are based on NAV movements and include franked dividends for the period.



## Leases

At 31 March 2023, Duxton Water had 58% of its permanent water portfolio (by value) leased to Australian farming businesses, which accounts for 74% of the Company's high security portfolio (by value).

The Company's WALE at 31 March 2023 is 1.3 years or 4.2 years, including renewal options.

The lease market has continued to see an increased level of activity over the last three months, when compared to the previous quarter. This increased demand for leases has been driven by the drier outlook, and irrigators looking for water supply ahead of the upcoming water year.

During the quarter, the Company finalised several new lease agreements, which include renewals of existing leases, and new leases. This will be reflected in the 2023-2024 annualised leasing revenue, leased percentage, and WALE.

The Portfolio Management Team continues to negotiate new leases and forward contracts for the upcoming water year, with both new and existing customers.

## Investment Update

At 31 March 2023, Duxton Water's post-tax NAV was \$1.86 per share, which was a decrease of 4 cents per share during the quarter. The decrease in NAV is primarily due to a softening of entitlement values seen across the sMDB, with general security entitlements being the greatest contributor to this.

The Company's NAV, excluding tax provisions for unrealised capital gain, decreased by 9 cents per share during the March quarter, to \$2.13 per share.

Duxton Water's share price closed at \$1.79 at the end of March 2023, up from \$1.62 at 31 December 2022.

December 2022 NAV (post-tax)	March 2023 NAV (post-tax)
\$1.90 per Share	\$1.86 per Share

## Share Buyback

At 31 March 2023, Duxton Water has bought back a total of 3.2 million shares (equivalent to 2.8% of the Company), at an average price of \$1.63 per share since November 2021.

## Dividends

On 28 April 2023, Duxton Water pays its 12<sup>th</sup> consecutive and increasing dividend to shareholders of 3.4 cents per share (fully franked).

This will take total dividends paid to 34.2 cents per share, since the Company's maiden dividend in November 2017. For shareholders invested in D20 since IPO (September 2016), this represents a 45% gross cash return on their investment.

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

In addition to this dividend announcement, the Board would like to reaffirm the Company's dividend guidance out to the end of 2024:

	Cents Per Share	Franking Target
<b>Final 2022 (Announced)</b>	3.4 cps	Fully Franked
<b>Interim 2023</b>	3.5 cps	Fully Franked
<b>Final 2023</b>	3.6 cps	Fully Franked
<b>Interim 2024</b>	3.7 cps	Fully Franked

## Debt Update

At 31 March 2023, Duxton Water has \$130 million of debt facilities, with \$128 million drawn at the end of the quarter.

In March, the Company finalised its annual facility renewal with NAB, extending Facility A for 2 years and Facility B for 3 years. Updated debt facility terms 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 33%. The current LVR remains within the Company's LVR bank covenant limit of 40%.

## Payments to Associates/Related Parties

During the March 2023 quarter, the following cash payments to Associates and Related Parties occurred (GST inclusive):

	March 2023 Quarter	YTD
<b>Duxton Capital - Administration Fees</b> (Admin & Accounting Services)	\$78k	\$78k
<b>Duxton Capital - Management Fees</b> (As per the Management Agreement)	\$547k	\$547k
<b>Duxton Capital - Performance Fees</b> (As per the Management Agreement)	\$1,754k	\$1,754k
<b>Duxton Capital - Reimbursements</b> (On-charged Reimbursements)	\$45k	\$45k

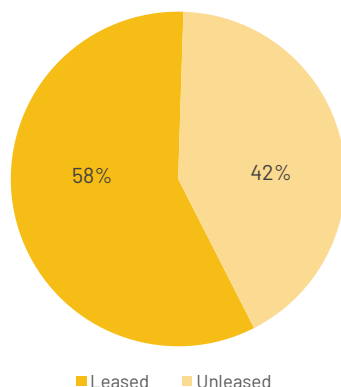
## VALUATION METHODOLOGY

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)



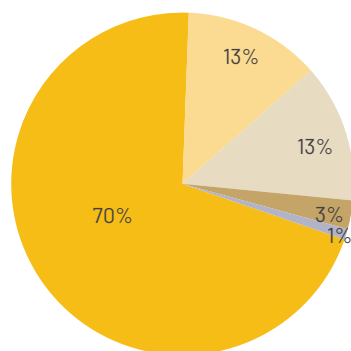


### WATER PORTFOLIO DIVERSIFICATION



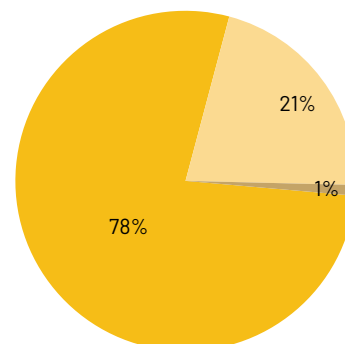
■ Leased ■ Unleased

### WATER SECURITY BREAKDOWN



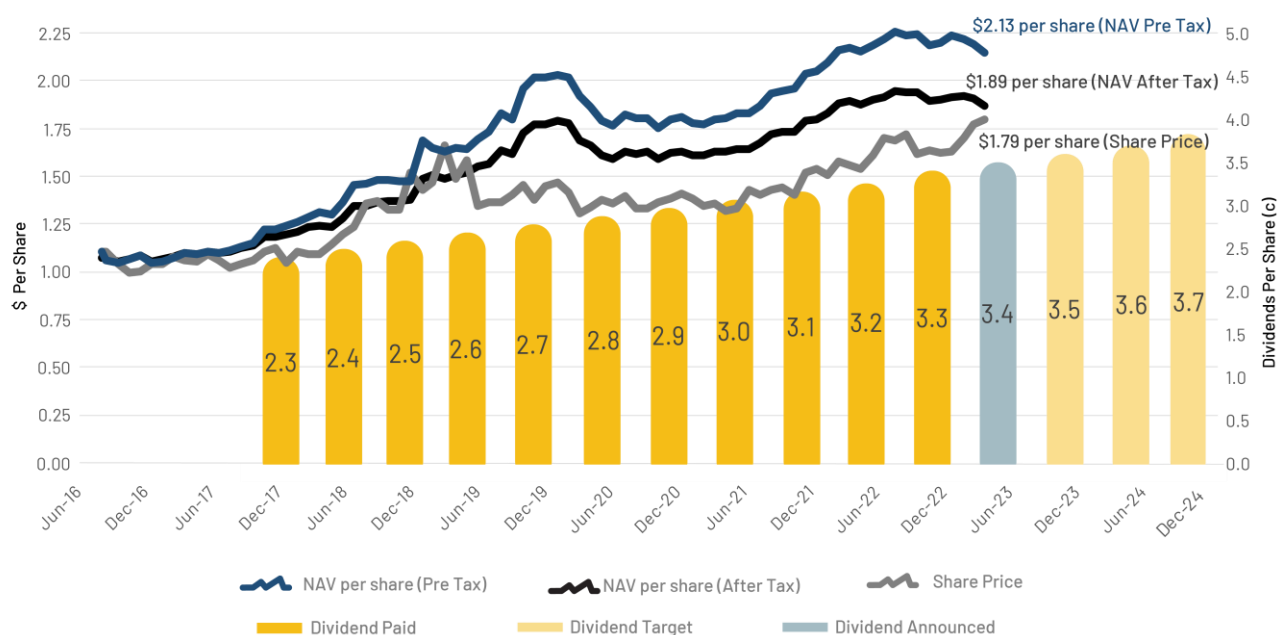
■ Murray ■ Murrumbidgee  
■ Goulburn ■ Lachlan  
■ Mallee

### ENTITLEMENT VALUE BY REGION



■ High Security ■ General Security ■ Groundwater

## HISTORICAL PERFORMANCE - SINCE INCEPTION



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

**DISCLAIMER:** This factsheet is prepared by Duxton Capital (Australia) Pty Ltd [ACN: 164 225 647; AFSL no. 450218] ("Duxton Capital (Australia)"). Duxton Capital (Australia) is the Investment Manager of Duxton Water Limited [ACN 611 976 517] ("Duxton Water"). This factsheet has been prepared for the purposes of providing general information only and does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any securities in Duxton Water. Information from this factsheet must not be issued in any jurisdiction where prohibited by law and must not be used in any way that would be contrary to local law or regulation. The terms of Duxton Water are set out in the prospectus of Duxton Water ("Prospectus"), and should there be any conflict between the terms set out in this factsheet and the Prospectus, the terms in the Prospectus shall prevail. The forecasts provided are based upon our opinion of the market as at this date and are subject to change, dependent on future changes in the market. Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance. Investments are subject to risks, including possible loss of principal amount invested. The value of shares/units and their derived income may fall as well as rise. Past performance or any prediction or forecast is not necessarily indicative of future performance. No assurance is given that the investment objective or the targets will be met. This document does not constitute investment, tax, legal or any other form of advice or recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. Investors should study all relevant information and consider whether the investment is appropriate for them. If you require investment or financial advice please contact a regulated financial adviser. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in this presentation. The Duxton Group or its affiliates may hold positions in the securities referred. Where stocks are mentioned, it should not be construed that these are recommendations to buy or sell those stocks. You are not authorized to redistribute this document nor qualified to make any offer, representation or contract on behalf of Duxton Capital (Australia) or its affiliates. Although the information was compiled from sources believed to be reliable, no liability for any error or omission is accepted by Duxton Capital (Australia) or its affiliates or any of their directors or employees. The information and opinions contained may also change. Copyright protection exists in this presentation. To the extent permitted by applicable law, none of the Duxton Group, their affiliates, or any officer or employee of the Duxton Group accepts any liability whatsoever for any direct or consequential loss arising from any use of this factsheet or its contents, including for negligence.

## 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")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,811	1,811
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(75)	(75)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs	(461)	(461)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,523)	(1,523)
1.6 Income taxes paid	(2,115)	(2,115)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- Management Fees	(547)	(547)
- Performance Fee	(1,754)	(1,754)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,664)</b>	<b>(4,664)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(784)	(784)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	3,087	3,087
	(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	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>2,303</b>	<b>2,303</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(587)	(587)
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	(1)	(1)
3.5	Proceeds from borrowings	2,500	2,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>1,912</b>	<b>1,912</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,246	1,246
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,664)	(4,664)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,303	2,303
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,912	1,912
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>797</b>	<b>797</b>

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	797	797
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>797</b>	<b>797</b>

**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**

2,424

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	127,500
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	<b>130,000</b>	<b>127,500</b>

7.5 <b>Unused financing facilities available at quarter end</b>	<b>2,500</b>
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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.

During the quarter, the Company finalised its debt facility renewals with NAB. The Company extended Facility A for 2 years and Facility B for 3 years with terms as per below:

**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 2025

**Secured:** Yes

**Debt Facility B**

**Lender:** National Australia Bank

**Max Debt:** \$24,000,000

**Variable Interest Rate:** BBSY plus 0.70% p.a. + Facility Fee of 0.70%

**Maturity Date:** 31 March 2026

**Secured:** Yes

The Board actively monitors fixed interest rate swap markets for opportunities to hedge its debt facilities.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(4,664)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	797
8.3	Unused finance facilities available at quarter end (Item 7.5)	2,500
8.4	Total available funding (Item 8.2 + Item 8.3)	3,297
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>0.7</b>

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

1. 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:** No.

The Company does not expect to have the same level of operating cash flows as seen in the current quarter. Receipts from Customers are lower than previous March quarters, given the Company decided to sell the majority of its unleased water allocations in 2022. Further to this, Income Taxes Paid were also higher, due to the timing of tax payments for the previous financial year, and the Company also paid a performance fee, for the first time since 2019.

Finally, due to the cyclical nature of Australia's water markets, the Company typically has stronger net operating cashflows in the second half of the financial year due to new season water allocations, and an increased demand for water supply products as irrigators prepare for the new water year.

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:**

The Company has an ability to generate cashflows to fund operations should it need. Cash is generated through the provision of water supply products to its customers:

- Leasing revenue
- Sale of water allocations (inc. forward contracts)
- Carry-over contracts
- Sale of permanent water entitlements

The Board is comfortable of the Company's ability to generate sufficient cashflows to fund its operations through its existing debt facilities and through the provision of the water supply products listed above.

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:** Yes.

The nature of the Company's revenue streams provides the Board with a high degree of visibility to its cash flows through allocation sales, long-term leasing arrangements, and forward sale contracts. This gives the Board confidence that the Company can continue its operations and meet its business objectives as and when they fall due.

## 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: ...9 May 2023.....

Authorised by: ...Chair of the Board.....  
(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.