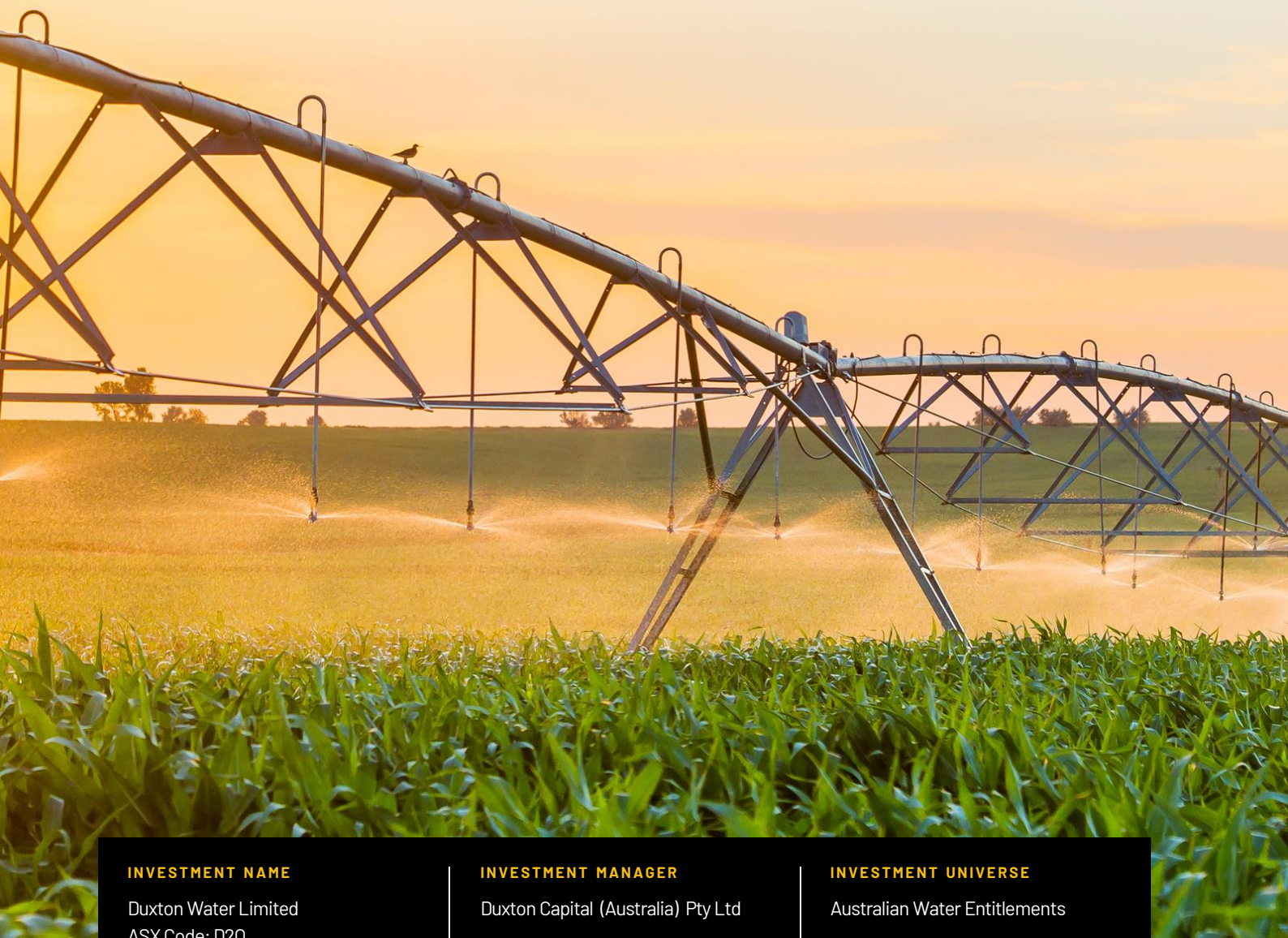


# Monthly Update



JULY 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)

\$1.76 per share

#### SHARES ON ISSUE

122,782,148

#### WATER PORTFOLIO VALUE

\$398 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**

Duxton Water was pleased to announce it has successfully completed a \$44.2 million partially underwritten Non-Renounceable Entitlement Offer. We are delighted by the strong support received from our existing shareholders.

Over the last few weeks, the Company has successfully raised a total of \$51.5 million from its recent capital-raising activities. This comprised of \$44.2 million from applications received under the Non-renounceable Entitlement Offer and \$7.25 million from the underwritten Institutional Placement. Further details on these initiatives can be found in the Company’s recent ASX announcements.

This was an exceptional result for the Company, and we would like to thank all our shareholders for their continued support in our business. New equity raised will fund the recent \$39.1 million acquisition of water entitlements from Treasury Wine Estates (“TWE”). Surplus funds will be used to increase portfolio holdings as opportunities present or will be parked against the Company’s debt facility in the short term.

Regarding water market operations, 1 July 2023 represented the beginning of the 2023-24 Water Year (“WY”). A new WY means that allocation markets reset. Spot allocation pricing opened around \$80-\$90/ML in the Lower Murray but has continued to increase since opening to around \$150/ML by early to mid-August.

The Bureau of Meteorology (“BOM”) maintains that the El Niño-Southern Oscillation (“ENSO”) outlook remains at El Niño Alert. That being said, their latest update suggests that an El Niño event is likely to develop during spring. Further to this, the BOM continues to forecast a positive Indian Ocean Dipole (“IOD”) event in late winter or early spring.

Water entitlement values continued to fall in July. This is a reflection of irrigators feeling the effects of tougher economic conditions, including high-interest rates, high input costs, and in some cases, lower commodity prices. This, combined with the impact on harvest yields due to the most recent flooding events, has led irrigators to put water entitlements up for sale.

While the market has seen some pull back in recent months, we remain confident in the long-term demand and supply drivers that underpin water entitlement prices.

Further to the above, The Basin Plan deadline of 30 June 2024 has been one of the most discussed topics amongst irrigators and market participants. The Government recently advised that they may look to seek legislative changes to extend the current 30 June 2024 deadline, given the current shortfall that exists against water savings targets. This came as a result of The Murray Darling Basin Authority advising the Minister that full delivery is not possible by 30 June 2024. The market is expecting a more formal update in the coming months.

Finally, we commenced the new WY with 53% of the portfolio leased, with a Weighted Average Lease Expiry (“WALE”) of 3.2 years (or 4.7 years, including renewal options). Following the settlement of the TWE transaction (outlined in previous announcements), we are expecting to be 61% leased, with a WALE of 3.5 years.



**Lachlan Campbell**  
Portfolio Manager



**Lachlan Beech**  
Portfolio Manager



**COMPANY PERFORMANCE**

1 Month	3 Months	6 Months	12 Months	Inception
-2.17%	-3.51%	-5.36%	-4.05%	109.28%

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



### Water Lease & Forward Update

At 31 July 2023, Duxton Water had 53% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 67% of the Company's high-security portfolio (by value).

The addition of leases that commenced on 1 July 2023 increased Duxton Water's WALE from 1.1 years at the end of June to 3.2 years at 31 July 2023. Including renewal options, the current WALE extends to 4.7 years.

Demand for leases has continued to increase from 1 July 2023 with the arrival of the new WY and the increased likelihood of El Niño conditions. This has led many irrigators to start looking for long-term water security options ahead of anticipated drier conditions. Duxton Water continues to emphasise the importance of having a well-defined water strategy for agri-businesses that depend on irrigation, especially in anticipation of changing weather conditions.

Duxton Water's range of water supply products (leases, forwards, allocations and carry-over) can assist farmers to risk managing a key input into their business. The Company structures its water products to suit its customers, as there is no one size fits all approach when it comes to water security.



Table grapes.

### QUICK FACTS SUMMARY

	June 2023	July 2023
Water Entitlements	88.8GL	88.8GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	53%	53%
Weighted Average Lease Expiry (WALE)	1.1 years	3.2 years
WALE (incl. renewal options)	4.0 years	4.7 years

### Entitlement Market Update

At 31 July 2023, Duxton Water holds 88.8GL of permanent water entitlements across 18 different asset types and classes.

During July, the Company continued to monitor market conditions as entitlement values softened. Entitlement values across the southern Murray Darling Basin ("sMDB") decreased by 3.8% on average in July 2023.

Many Australian farming businesses are currently dealing with challenging economic conditions (higher interest rates, higher input costs, and in some cases, lower commodity prices). This has resulted in irrigators selling water entitlements on the market to generate cash to prepare for the upcoming farming season.

### Allocation Market Update

As the 2023-24 WY begins, the allocation market has proved to be active amongst buyers. Many irrigators are being proactive in locking in allocation requirements for the year ahead of the potential change in climate conditions.

The spot allocation market has been trading between \$120-\$130/ML in the Lower Murray, \$75-\$85/ML in the Goulburn, \$125-\$135/ML in the Murrumbidgee and \$65-\$80/ML in the Upper Murray.

Entitlement Zone	High Security	General Security
NSW Murray	100%	110%
VIC Murray	100%	0%
SA Murray	100%	n/a
Murrumbidgee	95%	37%
Goulburn	100%	0%

Allocation on entitlements as of 15 August 2023

### ENTITLEMENT LEASE CASE STUDY: MURRAY

Duxton Water recently entered a 6-year, 400ML lease with a table grape grower in Sunraysia, Victoria. Table grapes, like other perennials, require water security to produce high-quality crops. Through this partnership, this grower now has cost visibility for the next 6 years and water certainty to maintain adequate moisture levels throughout the entire growing period. By entering a long-term water lease, this customer has also hedged against future allocation price increases and can redirect any excess funds into their land and production assets.

*Through this type of partnership, Duxton Water offers Australian farming businesses a flexible and cost-effective way to fulfil their irrigation requirements without having to purchase water entitlements outright.*







## Finance Update

At 31 July 2023, Duxton Water's post-tax NAV was at \$1.76 per share, decreasing by 4 cents compared to last month. This is due to a softening in entitlement values as well as the issue of 4.8 million new shares at \$1.50 from the underwritten institutional placement.

The Company's NAV at 31 July 2023, excluding tax provisions, closed at \$2.00 per share, decreasing by 6 cents.

At the end of July, the Company's adjusted Net Debt to Water Assets ratio was 31%, which is below the Company's maximum Net Debt covenant of 40%. This adjusts for equity funding of the TWE water acquisition.

NAV (post-tax)	NAV (pre-tax)
\$1.76 per Share	\$2.00 per Share

## Completion of Non-Renounceable Entitlement Offer

Duxton Water Limited is pleased to announce the successful completion of the partially underwritten Non-Renounceable Entitlement Offer. The Company has successfully raised a maximum total of \$44.2 million.

The Company received applications from existing Eligible Shareholders of approximately \$19.86 million (equal to 13,239,275 New Shares). The remaining shortfall shares, pursuant to the Entitlement Offer of 16,247,929 (approximately \$24.37 million), were allocated to the underwriter (MST Financial Services Pty Ltd) and subsequently distributed to the sub-underwriters.

Including the institutional placement of \$7.25 million that was completed in early July 2023, the Company has raised a total of \$51.5 million.

## Bonus Option Issue

Eligible Shareholders will also receive one (1) free Bonus Option for every four (4) ordinary shares held in the Company at the Bonus Option Record Date of 3 November 2023.

Bonus Options will provide shareholders with the ability to acquire additional shares in the Company at \$1.92 per share prior to the Bonus Option Expiry Date of 10 May 2025.

The Bonus Options are intended to be quoted on the ASX under ticker code D200, making them tradeable.

Further information on the Bonus Option will be provided in the Bonus Option prospectus, which is expected to be lodged with the ASX on 27 October 2023.

## Dividends

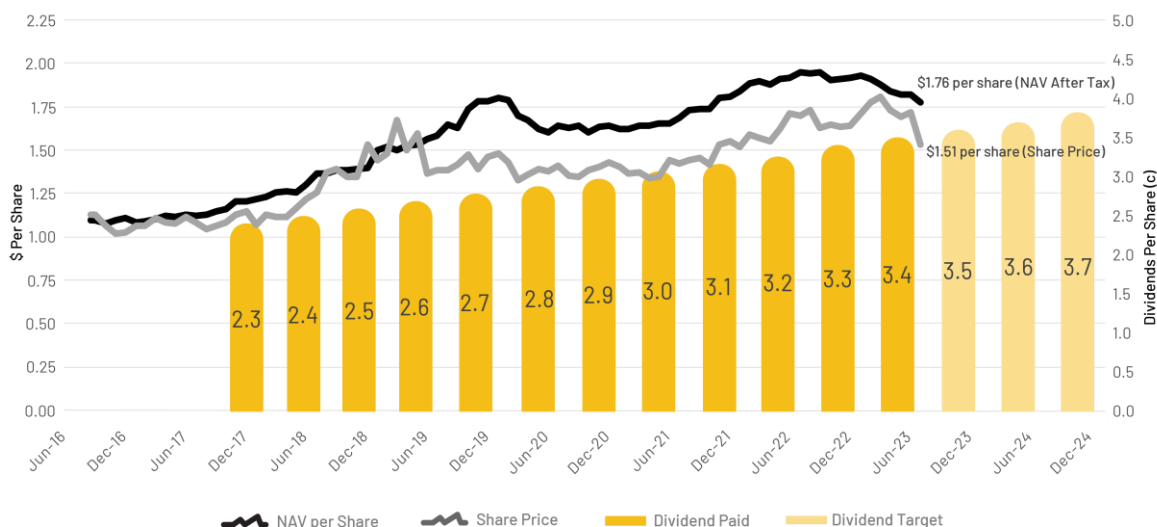
The Board would like to reaffirm its intention to continue to provide shareholders with a bi-annual dividend, franked to the greatest extent possible.

Over the past 6 years, Duxton Water has proven its ability to pay a consistent and increasing dividend stream to shareholders.

Current dividend guidance provided out to the end of 2024:

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

## HISTORICAL PERFORMANCE - SINCE INCEPTION



## VALUATION METHODOLOGY

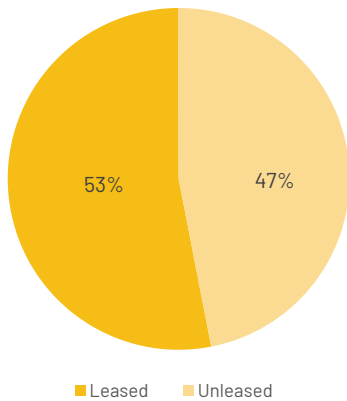
The Company uses an independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement.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

## Monthly Update

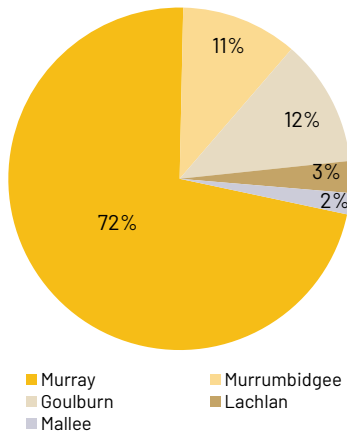
JULY 2023



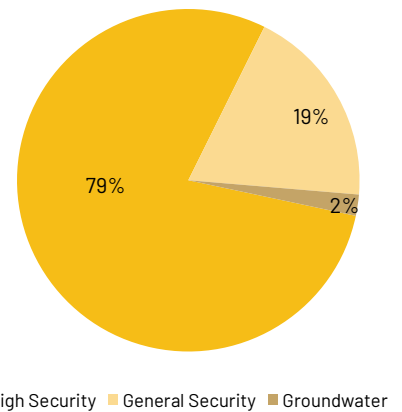
### WATER PORTFOLIO DIVERSIFICATION



### ENTITLEMENT VALUE BY REGION



### WATER SECURITY BREAKDOWN



## Weather Update

In July 2023, national rainfall was 1.1% above the long-term average for the same period. Notably, Victoria endured the driest July since 1997, as rainfall was 48% below average. In the Murray-Darling Basin, rainfall was 39% below average.

Northern Territory, northwest Australia, and most of western Queensland experienced very much above-average rainfall throughout July, with the Northern Territory conceding the ninth wettest July on record. Conversely, rainfall was below average for southwest Australia, parts of South Australia, eastern New South Wales, south-east Victoria, and eastern Tasmania.

The northern half of Australia recorded a significant wet weather event due to a low-pressure trough in the upper atmosphere, which dragged tropical moisture from the Timor and Arafura Seas southwards. Resulting in substantial rainfall for much of northwest and central Australia in early July.

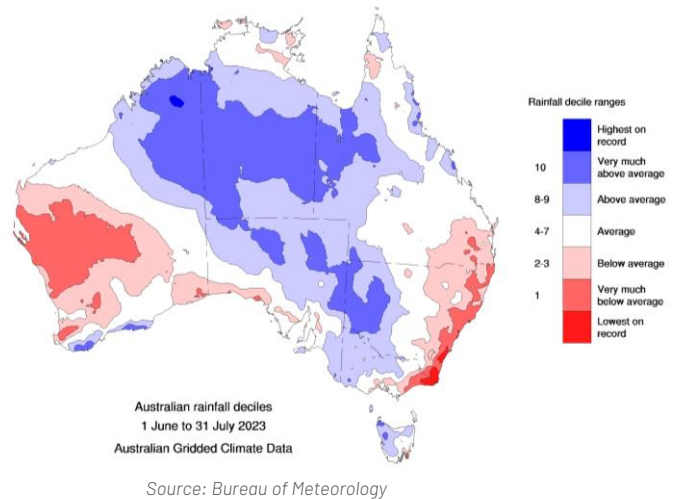
July 2023 was warmer than usual, with the national mean temperature being 1.19°C above average, representing the ninth warmest July on record. The national mean maximum temperature was also 1.23 °C above average.

The BOM maintains the ENSO outlook to “El Niño Alert”. This indicates a 70% chance of El Niño occurring this year. El Niño typically reduces winter and spring rainfall across eastern parts of Australia. The BOM requires four climate indicators to be satisfied in order to declare El Niño. Three of the four El Niño determinants have been satisfied while the BOM is still waiting for Pacific Ocean trade winds to reach El Niño thresholds.

The IOD indicator remains neutral. However, all climate models suggest that a positive IOD event may develop in late winter or early spring. A positive IOD can reduce winter and spring rainfall over much of Australia while potentially exacerbating the dry effects of El Niño.

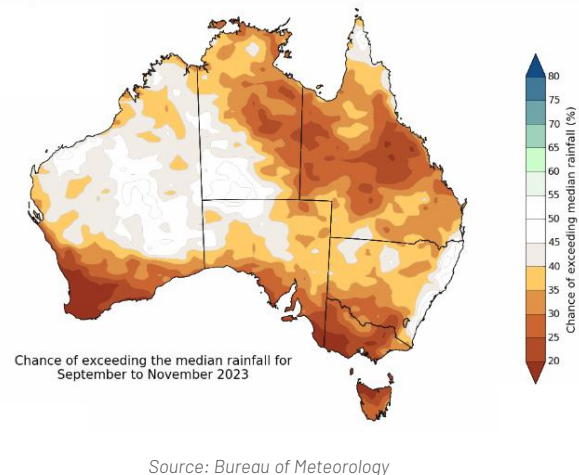
## RAINFALL DECILE CHART (WINTER)

JUN 2023 - JULY 2023



## CHANCE OF ABOVE-AVERAGE RAINFALL

SEPTEMBER 2023 - NOVEMBER 2023





Outlook & Storages

The 3-month September to November outlook indicates that below median rainfall is likely for most of Australia. For Victoria, parts of South Australia and south Western Australia, the likelihood of below average rainfall is greater than 80%. In comparison, northern and central Western Australia and central Australia are expecting median rainfall.

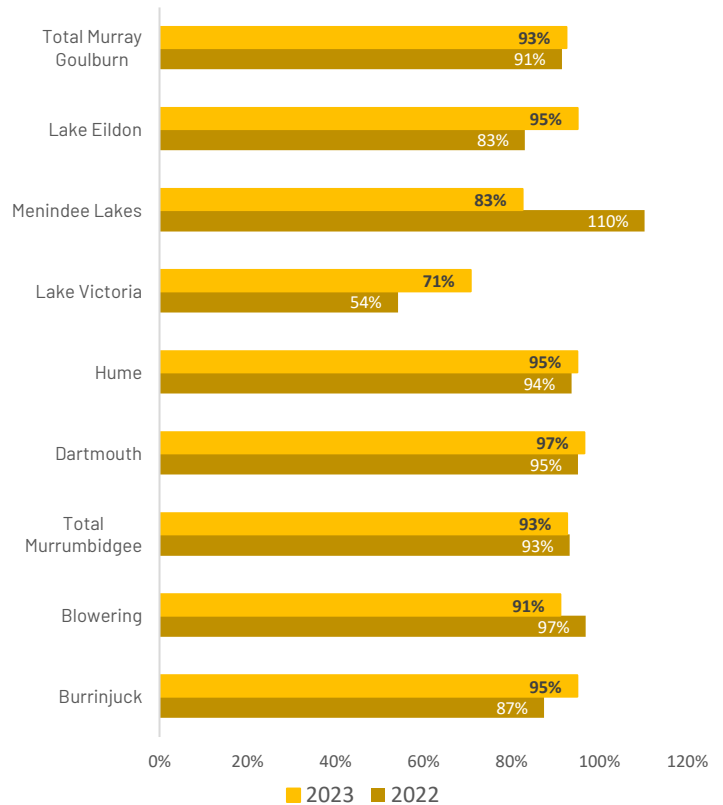
For the entirety of Australia, September to November is expected to be warmer than average, with maximum and minimum temperatures all expected to be above average.

This drier and warmer outlook is influenced by the increased likelihood of both El Niño and a positive IOD developing in late winter or early Spring.

River inflows to the Murray system were high for July. Nationally, near median to low streamflows are expected for August to October for almost all sites.

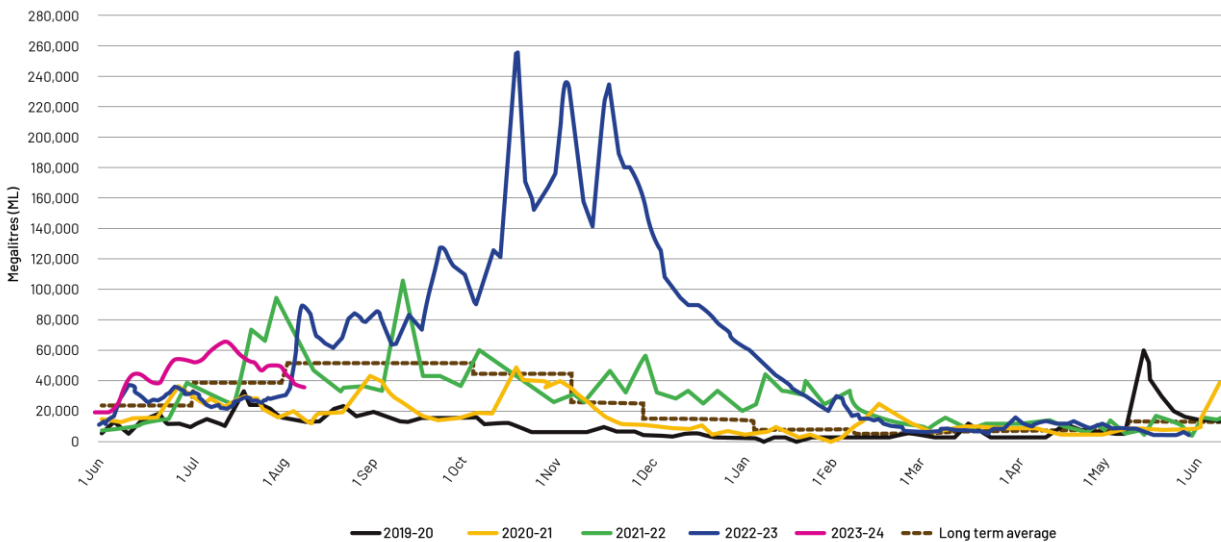
Storages across the MDB as a whole remained at 93%. Northern Basin storages are at 93% capacity, while the Southern Basin storages are 94%. Water authorities continue to manage airspace releases in all major water storages.

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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