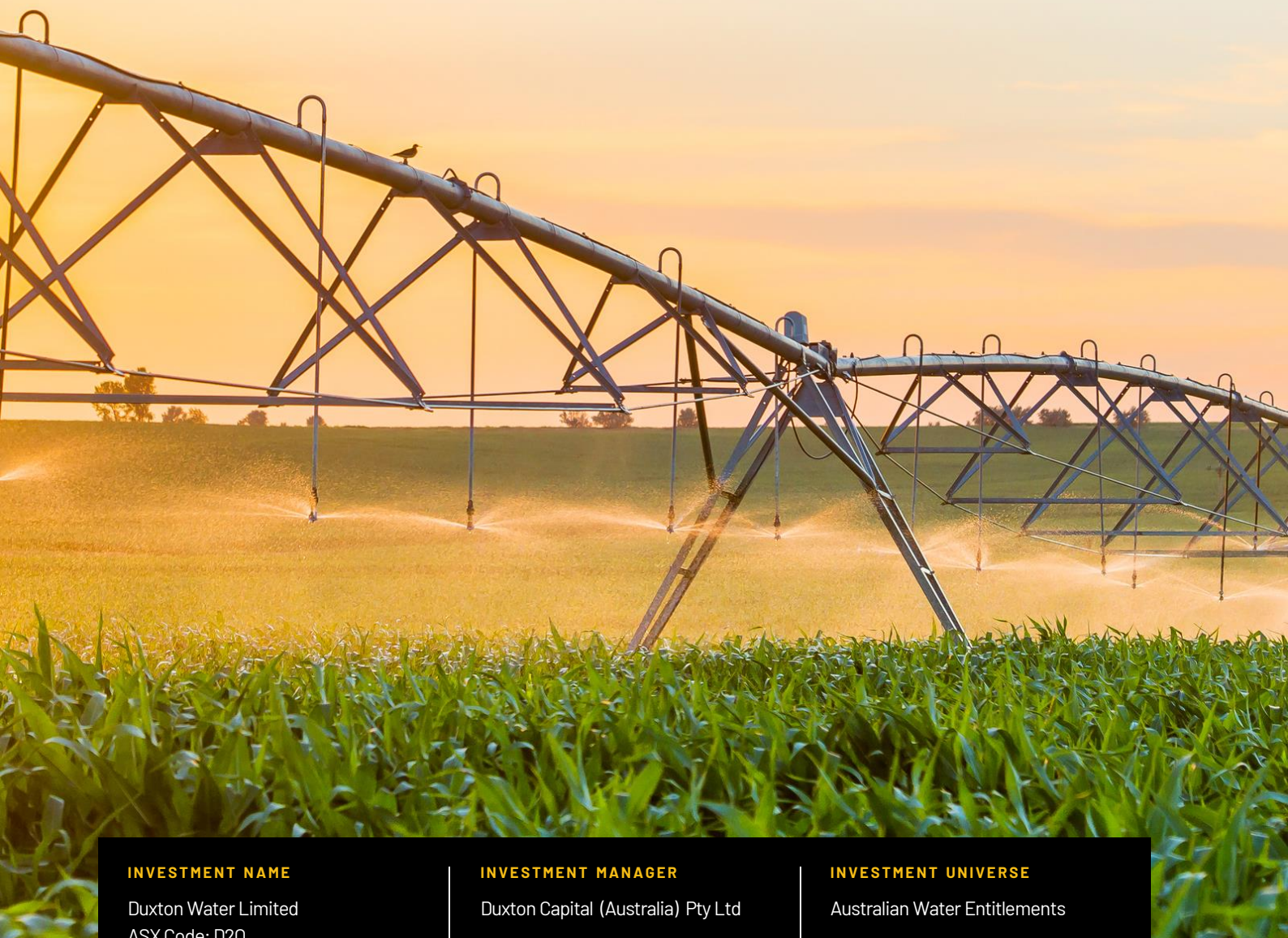


Monthly Update



DECEMBER 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)

\$1.62 per share

SHARES ON ISSUE

152,720,578

WATER PORTFOLIO VALUE

\$390 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 begin a new year, we would like to thank all of our shareholders and customers, both new and existing, for their support in 2023.

During 2023, we paid two fully franked dividends, totalling 6.9 cents per share, raised \$51.5 million of new equity to expand the portfolio, and locked in several new leasing contracts with institutional grade counterparties.

Whilst 2023 had posed many challenges for Australia's agricultural sector, we remain optimistic about the outlook for Australian water markets, and the future of our business.

During December, the portfolio experienced an overall uplift in valuations due to a small rise in entitlement values across the southern Murray Darling Basin ("sMDB"). This led to an increase in the Company's net assets. For the second consecutive month, water entitlement prices have improved after what has been a period of softening throughout most of the year.

Allocation prices also increased in December compared to November. This was likely due to a higher demand for spot water during the peak summer irrigation season. That being said, allocation markets have softened within the first two weeks of January due to recent rainfall events across the sMDB.

Weather conditions were average to wet across the sMDB in December. The El Niño event remains active. However, the Bureau of Meteorology ("BOM") has advised that its influence on Australia's weather during summer and autumn is reduced.

The positive Indian Ocean Dipole ("IOD") has passed its peak and is weakening. The Southern Annular Mode ("SAM") was positive from the second fortnight of December. A positive SAM during summer can lead to higher rainfall in eastern parts of Australia.

These recent rain events led to additional allocations being awarded to NSW Murrumbidgee general security, and Goulburn low-reliability water entitlements. These entitlements continue to yield positive results for the portfolio.

Looking ahead, the BOM weather outlook indicates average to below-average rainfall for Australia between February and April 2024. During this period, there is also a high likelihood of warmer-than-average temperatures. The positive IOD is expected to return to neutral conditions in January, while the El Niño event is forecasted to continue until Autumn.

In other news, on 7 December 2023, the bill Restoring our Rivers received royal assent to become an Act. The Act has removed legislative barriers to allow the Government to use water buybacks to assist with the recovery of up to 450 GL under the enhanced environmental outcomes target. The Government will soon release a draft framework for the implementation of the 450 GL water recovery. The Government will then seek public consultation on the framework until March 2024.

We look forward to the release of our 2023 full-year results in due course.



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager

COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
0.71%	-0.70%	-7.14%	-9.57%	100.94%

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



Water Lease & Forward Update

At 31 December 2023, Duxton Water had 60% of its permanent water portfolio (by value) leased to Australian farming businesses. This accounts for approximately 76% of the Company's high-security portfolio (by value).

The Company's WALE is 3.1 years, and inclusive of renewal options, the WALE increases to 5.0 years.

There have been no new leases entered into this month. However, the Company has received several enquiries for leases starting on 1 July 2024. We are collaborating with our business partners and irrigators to offer various lease terms and contract types for the upcoming season.

The lease market has been relatively slow over the past few months. There remains interest from both buyers and sellers, however buyers and sellers continue to have different pricing expectations. Typically, there is an increase in leases being executed in the post-harvest period, specifically between March-June of each year.

The Company continued to deliver on its forward contract obligations for 2023-2024 and is currently offering forwards for the next water year.

Duxton Water would like to emphasise the importance of having a well-defined water strategy for agri-businesses that depend on irrigation, given climate variability and unpredictability.



Table Grape Vineyard

QUICK FACTS SUMMARY

	November 2023	December 2023
Water Entitlements	89.0GL	90.56L
Portfolio Diversification (types)	19	19
Leased % of Portfolio	60%	60%
Weighted Average Lease Expiry (WALE)	3.1 years	3.1 years
WALE (incl. renewal options)	5.1 years	5.0 years

Entitlement Market Update

At 31 December 2023, Duxton Water holds 90.5 GL of water entitlements across 19 different entitlement types and classes. The portfolio had a net increase of 1.5 GL since last month. During the month, the Company made several strategic purchases and sales to rebalance part of its portfolio.

During December, several water entitlements across the sMDB experienced a price appreciation. Collectively, entitlements increased by 1% during the month.

Allocation Market Update

In December 2023, allocation prices increased compared to November, likely due to the increased demand for spot water to support summer irrigation.

At the end of December, spot water traded between \$150-\$160/ML in the Murrumbidgee, \$120-\$125/ML in the Goulburn, \$120-\$130/ML in the lower Murray, and \$50-\$70/ML in the upper Murray. In early January, spot prices have continued to drop from these levels after large rainfall events were recorded in the sMDB at the end of the year.

Goulburn's low-reliability entitlements increased to 46% allocation, with NSW General security entitlements in the Murrumbidgee increasing to 60%:

Allocation awarded to entitlements (2 January 2024):

Entitlement Region	High Security	General Security
NSW Murray	100%	110%
VIC Murray	100%	16%
SA Murray	100%	n/a
Murrumbidgee	95%	60%
Goulburn	100%	46%

ENTITLEMENT LEASE CASE STUDY:

Duxton Water recently entered into a 5-year lease for 300ML of high-security water entitlements with a potato grower in southern NSW. During the summer watering program, potatoes usually require an average of 6ML per hectare. Through this partnership, this grower now has cost and supply visibility for the next 5 years. By entering a long-term water lease, this customer has also hedged against potential future increases in allocation prices, especially during dry climate conditions.

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 December 2023, Duxton Water's post-tax NAV closed at \$1.62 per share, increasing by 1 cent during the month.

Likewise, the Company's pre-tax NAV, which excludes tax provisions, closed at \$1.78, increasing by 2 cents since last month.

The increase in both post and pre-tax NAV was driven by a small uplift in water portfolio valuations, as some entitlement prices across the sMDB increased during December 2023.

The Company's net debt to water assets ratio ("LVR") remained at 30%, which is below the Company's maximum LVR of 40%.

NAV (post-tax)	NAV (pre-tax)
\$1.62 per Share	\$1.78 per Share

Dividends

During FY2023, Duxton Water paid two fully franked dividends to shareholders, totalling 6.9 cents per share. This comprised of a 3.4 cent dividend paid on 28 April 2023, and a 3.5 cent dividend paid on 27 October 2023.

Dividends paid in 2023 were in line with the Company's previously stated dividend targets and were fully franked at a 30% tax rate for Australian tax purposes.

Duxton Water has now paid 13 consecutive dividends to shareholders since its maiden dividend in November 2017.

The Board is pleased to reaffirm dividend guidance for FY2024:

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

Bonus Option

On 9 November 2023, Duxton Water issued Bonus Options to eligible shareholders. As previously announced, eligible shareholders received Bonus Options on the basis of one (1) Bonus Option for every four (4) ordinary shares held at the record date of 3 November 2023.

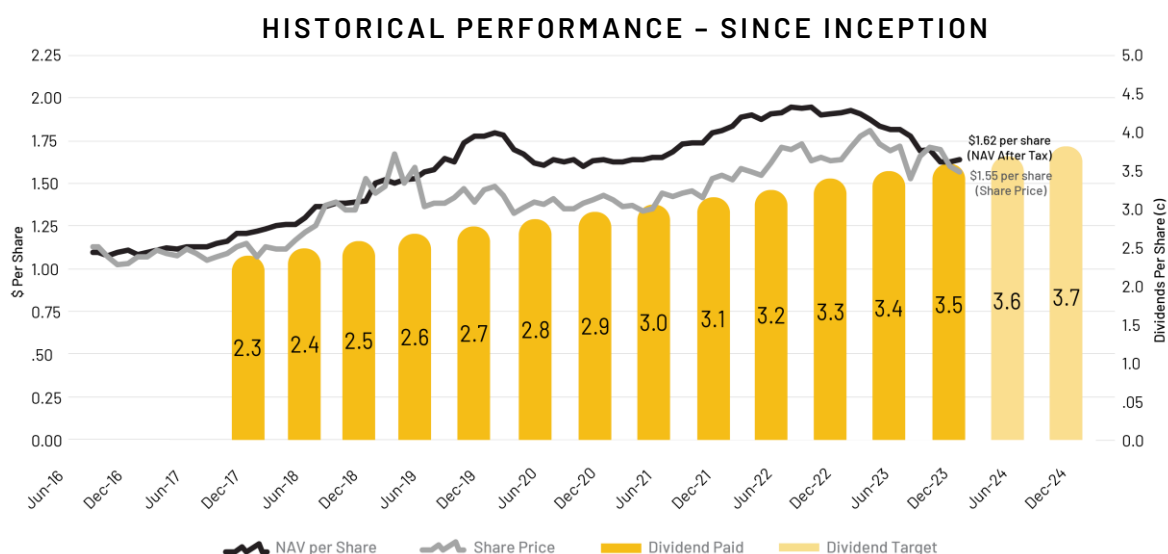
Bonus Options were issued to shareholders at zero cost, and as such, no further action was required on behalf of eligible shareholders to receive their free bonus options.

On 9 November 2023, the Company successfully applied for the Bonus Options to be quoted on the ASX under the ticker code D200A.

These options give holders the right, but not the obligation, to purchase additional D20 shares at the Bonus Option strike price of \$1.92 per share. These options can be exercised on or before 10 May 2026.

Further information about the Company's Bonus Option issue can be found in the Company's Bonus Option Prospectus, released on the ASX on 30 October 2023.

Additional correspondence, including option exercise forms, were distributed to eligible shareholders around 16 November 2023.

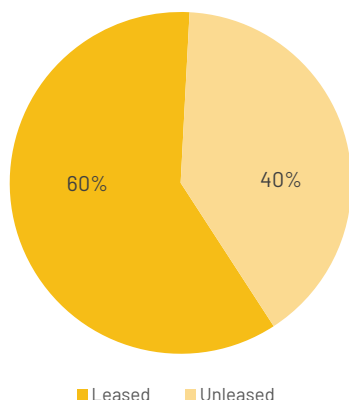


VALUATION METHODOLOGY

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

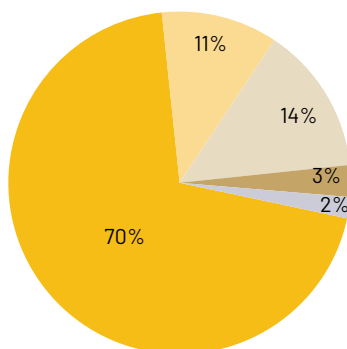


WATER PORTFOLIO DIVERSIFICATION



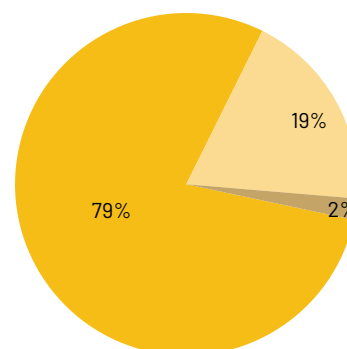
■ Leased ■ Unleased

ENTITLEMENT VALUE BY REGION



■ Murray ■ Murrumbidgee
■ Goulburn ■ Lachlan
■ Mallee

WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

Weather Update

National rainfall for December 2023 was 1.9% lower than the long-term average. In December, most of Queensland, New South Wales, Victoria, and South Australia received above-average rainfall. By contrast, rainfall was below to very much below average for Western Australia and the Northern Territory.

In the MDB, rainfall was 10% above the long-term average. While the northern basin received average rain for this time of the year, some localised areas in SA and NSW received very much above average rainfall.

The national average temperature in December was 1.60°C above the long-term average, which represents the fourth warmest on record. The maximum temperature was 1.92°C above average, while the minimum temperature was 1.27°C above the long-term average.¹

El Niño continues in the Tropical Pacific. However, its drying effect on Australia's climate typically declines during summer, especially in the east. In addition, high-impact rainfall events can occur during El Niño years, particularly during October to April when severe storm frequency peaks.

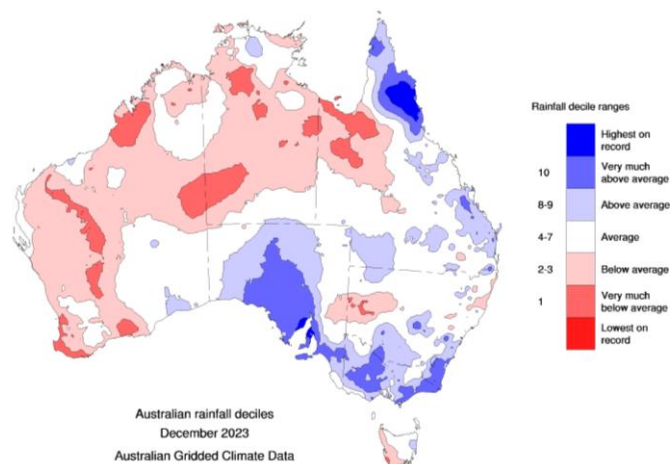
The positive IOD event has passed its peak and continues to weaken.

The SAM index is currently positive and expected to remain so until late January. During summer, a positive SAM index increases the likelihood of above-average rainfall in the eastern regions of NSW, Queensland, Victoria, and Tasmania. However, it also increases the probability of below-average rainfall in western Tasmania.

The Madden-Julian Oscillation ("MJO") is currently over the Indian Ocean, strengthening as it shifts into Australian longitudes. During this time of the year, the MJO can impact central and northern Australia's climate.²

RAINFALL DECILE CHART (SUMMER)

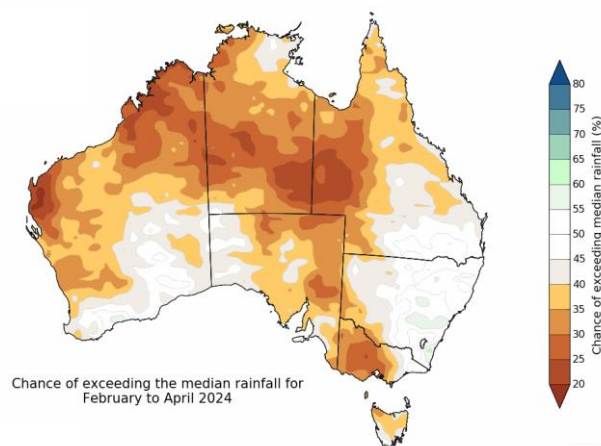
DECEMBER 2023



Source: Bureau of Meteorology

CHANCE OF ABOVE-AVERAGE RAINFALL

FEBRUARY 2024 - APRIL 2024



Source: Bureau of Meteorology

1. Bureau of Meteorology. Australia in December 2023 - 4 January 2024
2. Bureau of Meteorology. Climate Driver Update - 9 January 2024.



Outlook & Storages

The BOM's forecast for February to April suggests below-average rainfall is likely for much of the west, north, and areas around south-eastern Australia. The rest of the country is likely to receive average rainfall.

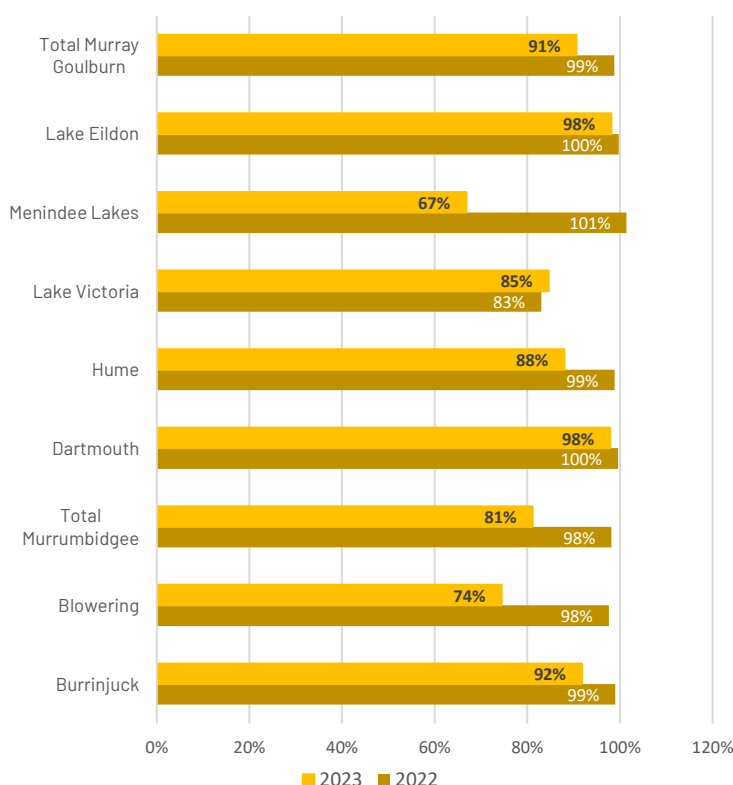
During the same period, most of Australia can expect to experience warmer days and nights, except for parts of eastern Victoria which are expected to be cooler.

The positive IOD is expected to continue to weaken in the coming weeks and return to neutral during January. El Niño is expected to last until autumn 2024.

In December, river inflows into the Murray system were above the long-term average. Median to high streamflows are likely for January to March.

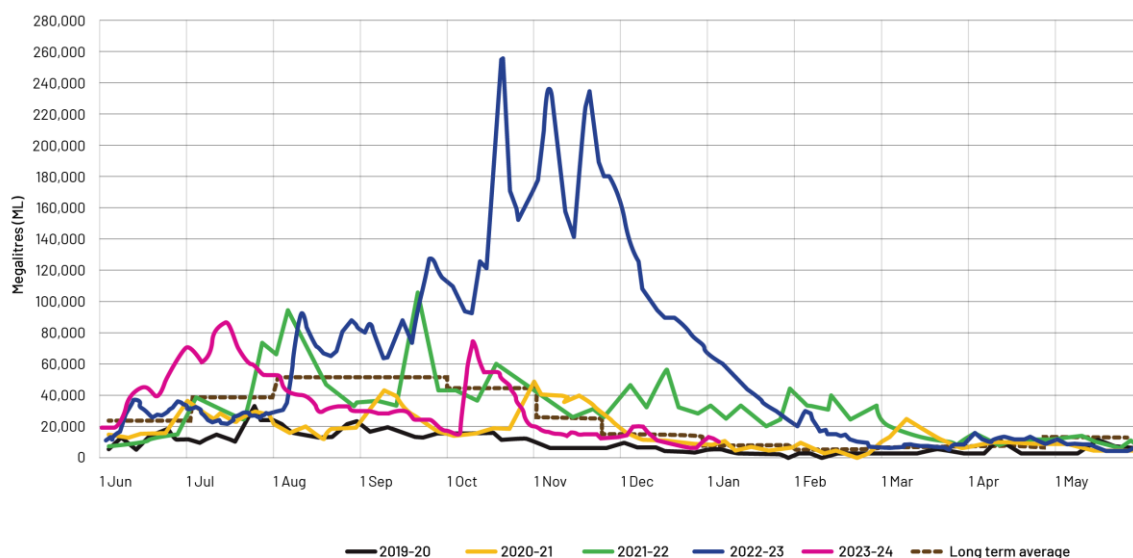
At the end of December, MDB storages were at 87% capacity. Northern basin storages were at 77%, while southern basin storages were at 87%. Last year, the northern basin was at 101% capacity, and the southern was at 99%.

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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