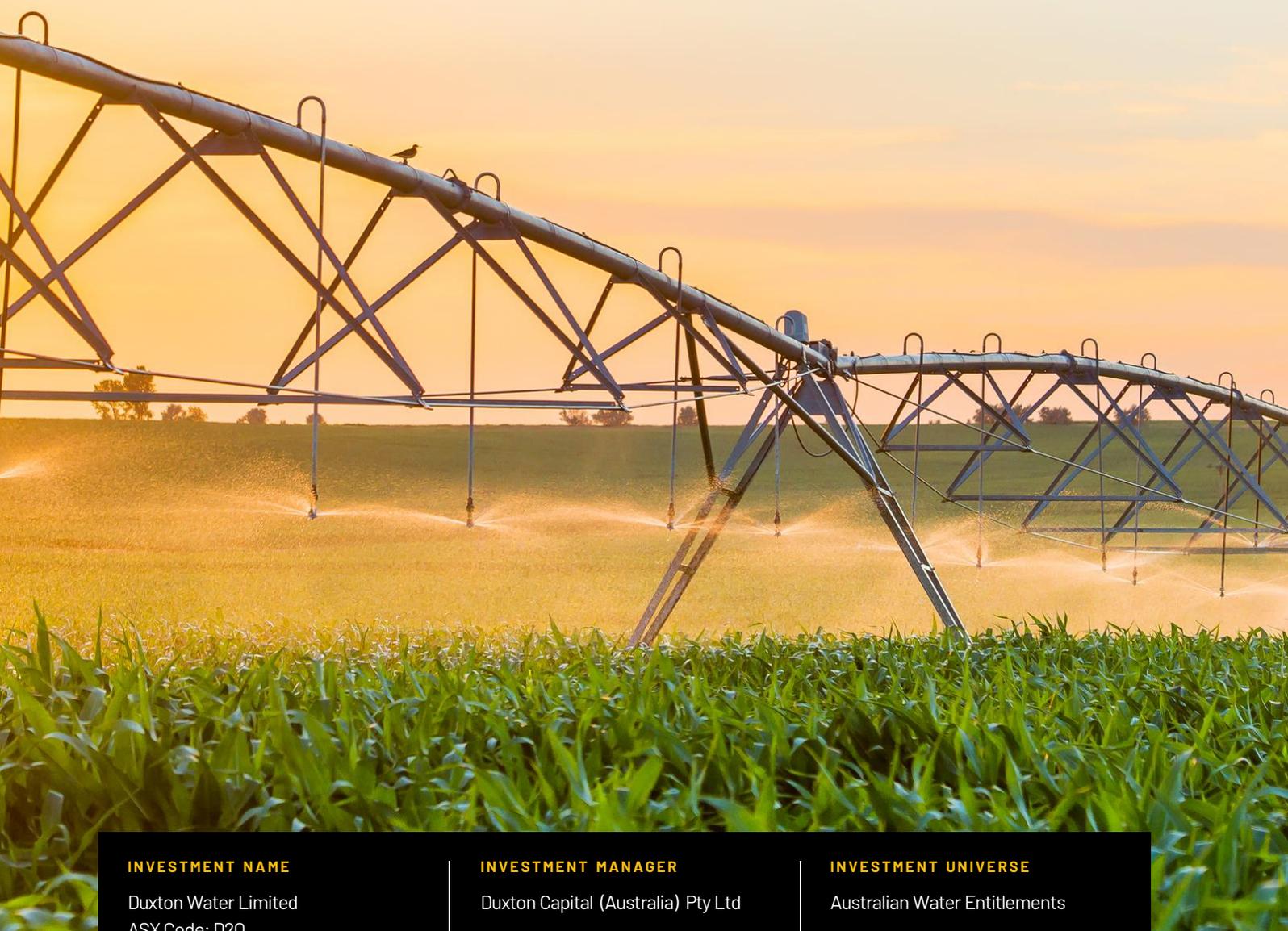


# Monthly Update



SEPTEMBER 2024



#### 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)

\$1.57 per share

#### WATER PORTFOLIO VALUE

\$369 million

**SHARES ON ISSUE:** 155,993,838

**OPTIONS ON ISSUE:** 38,165,906



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

Since the last Company’s monthly report, there have been several updates on the Government’s water entitlement purchase program for the recovery of 450 GL of environmental water by 31 December 2027.

Firstly, the Government has announced that it is currently evaluating submissions for the tender that opened in July 2024, which was for up to 70 GL of water entitlements. This tender closed on 11 September 2024, and the Government intends to start accepting offers before the end of 2024.

Secondly, the Government opened two expressions of interest (“EOIs”) on 30 September 2024. The purpose of the EOIs is to gather information about the market’s willingness to sell water entitlements in 2025. This then would support the design of the 2025 phase of the voluntary water purchase program.

The first EOI invites responses from surface water rights owners who were ineligible for the July 2024 tender. This includes entitlement owners under irrigation infrastructure operators as well as unregulated entitlements. The second EOI seeks portfolio volumes of 20 GL or greater. Both EOIs target entitlements in the southern connected basin catchments.

The Government has advised that they are not seeking specific volumes of water from particular states, catchments, or water rights. The two expressions of interest are expected to close on 27 November 2024, and the evaluation of submissions is expected to be until March 2025. After completing the EOI process, the Government may open tenders to recover the water. Alternatively, the Government might engage directly with respondents following the EOI.

With regard to the water markets during the month, major entitlement values in the southern Murray Darling Basin (“sMDB”) have generally remained steady from August 2024. Since 1 July 2024, water entitlements in the sMDB have increased in value by approximately 3.3%.

Allocation prices have increased across most catchments in NSW in September. Meanwhile, allocation prices in Victoria have dropped slightly compared to August. This is likely due to an increase in the seasonal determination of high reliability entitlements in Victoria but not in NSW. Weather conditions have been very dry across large areas of the sMDB during winter and the beginning of spring, prompting irrigators to transact in the market.

The latest weather outlook suggests that there is a high chance of above-average rainfall for the remainder of spring and the beginning of summer. However, the recent lack of rain has led to increased uncertainty among irrigators. In the most recent climate driver update, the Bureau of Meteorology (“BOM”) advised that if La Niña occurs in the coming months, it is expected to be weak and short-lived.

Recent dry conditions have also resulted in river inflows remaining well below the long-term average. The Resource Manager for Northern Victoria has advised that flows into major storages are tracking between dry and extremely dry inflow scenarios. As a result, seasonal determinations for VIC Murray high reliability entitlements are only at 89% as of 1 October 2024.

Lastly, with increasing interest in water security for the upcoming year, we have been actively engaging with irrigators to establish leases commencing on 1 July 2025.



**Lachlan Campbell**  
Portfolio Manager



**Lachlan Beech**  
Portfolio Manager

### COMPANY PERFORMANCE\*

1 Month	3 Months	6 Months	12 Months	Inception
0.35%	4.35%	1.07%	-0.53%	101.19%

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



## Water Lease & Forward Update

At 30 September 2024, Duxton Water had 40% of its permanent water portfolio (by value) leased to Australian farming businesses. The Company’s WALE is currently 3.0 years, or 4.6 years including renewal options.

While no new leasing agreements commenced this month, the Company is in negotiations with several irrigators regarding lease offers for the upcoming water year.

There is a growing interest in leases starting on 1 July 2025. The Company believes this is likely due to the recent dry conditions experienced in parts of the sMDB, and ongoing uncertainty around the weather outlook. This has prompted irrigators to proactively plan for the year ahead.

Additionally, Duxton Water is actively managing its forward portfolio. In September, the Company fulfilled approximately 30% of its forward obligations for this water year. As previously mentioned, Duxton Water has a significant volume of unleased portfolio secured in forward contracts.

The Company is carefully managing this portfolio to ensure the successful delivery of water to its customers.

**Duxton Water continues to offer its range of water supply solutions to the market. These products are intended to provide farmers with choice and flexibility to manage their annual water requirements. Duxton Water highlights the importance for Australian irrigators to have a well-defined water strategy.**



Irrigated Cotton Field in NSW

## QUICK FACTS SUMMARY

	August 2024	September 2024
<b>Water Entitlements</b>	87.3GL	87.3GL
<b>Portfolio Diversification (types)</b>	19	19
<b>Leased % of Portfolio</b>	40%	40%
<b>Weighted Average Lease Expiry (WALE)</b>	3.1 years	3.0 years
<b>WALE (incl. renewal options)</b>	4.7 years	4.6 years

## Entitlement Market Update

At 30 September 2024, Duxton Water held 87.3 GL of water entitlements across 19 different types and classes. There have been no changes in portfolio composition over the month.

In September 2024, sMDB entitlement values remained relatively stable, with a slight increase in the value of select entitlements within the portfolio. Consequently, the Company’s portfolio saw a small uplift when compared to the previous month.

## Allocation Market Update

Allocation prices across NSW catchments have either increased or remained steady compared to last month. This is likely due to the recent dry conditions across agricultural areas.

In Victoria, additional allocation to Murray and Goulburn high reliability entitlements has contributed to downward pressure in prices compared to August.

At the end of September, spot water prices ranged between \$130-\$140/ML in the Murrumbidgee, \$100-\$105/ML in the Goulburn, \$145-\$150/ML in the lower Murray, and \$100-\$105/ML in the upper Murray.

## Allocations to entitlements (as of 1 October 2024):

Entitlement Region	High Security	General Security
NSW Murray	97%	44%
VIC Murray	89%	0%
SA Murray	100%	n/a
Murrumbidgee	95%	34%
Goulburn	100%	0%

## FORWARD CONTRACT CASE STUDY:

A forward contract allows an irrigator to agree on the volume, price, and future delivery date of water. This provides farmers with visibility over water costs for the season and protects against volatility in spot water prices. These contracts become particularly valuable during volatile weather conditions. Additionally, forward contracts also guarantee a reliable water supply, as the vendor is obligated to deliver the agreed quantity on the specified date.

*Through this type of partnership, Duxton Water offers Australian farming businesses additional security when it comes to managing their annual water requirements.*





### Finance Update

At 30 September 2024, Duxton Water's post-tax NAV closed at \$1.57 per share. This figure is unchanged from the previous month.

The Company's pre-tax NAV, excluding tax provisions, remained steady at \$1.68 per share. This figure is also unchanged from the previous month.

At 30 September 2024, the Company's net debt to water assets ratio ("LVR") remains at 28%. This continues to be well below the Company's maximum LVR covenant of 40%.

NAV (post-tax)	NAV (pre-tax)
\$1.57 per Share	\$1.68 per Share

### On Market Share Buyback

Duxton Water currently has a share buyback program in place. The Board believes the current share price does not accurately reflect the underlying value of the Company's assets and considers the share buyback program to be in the interests of all existing Shareholders.

At 30 September 2024, the Company bought back since 27 June 2024 a total of 460,000 shares at an average price of \$1.35 per share.

### Dividends

On 25 October 2024, Duxton Water will pay a fully franked dividend of 3.7 cents per share. This dividend is in line with the previously stated guidance and represents the Company's 15<sup>th</sup> consecutive dividend paid since November 2017.

The Company is pleased to once again offer shareholders the opportunity to participate in the Company's Dividend Reinvestment Plan ("DRP"). The Board has maintained the DRP discount at 5% to encourage participation.

Participants in the DRP are eligible for a 5% discount on the share price, calculated using the 5-day VWAP up to and including the record date of Friday, 11 October 2024. The deadline for DRP elections was Monday, 14 October 2024.

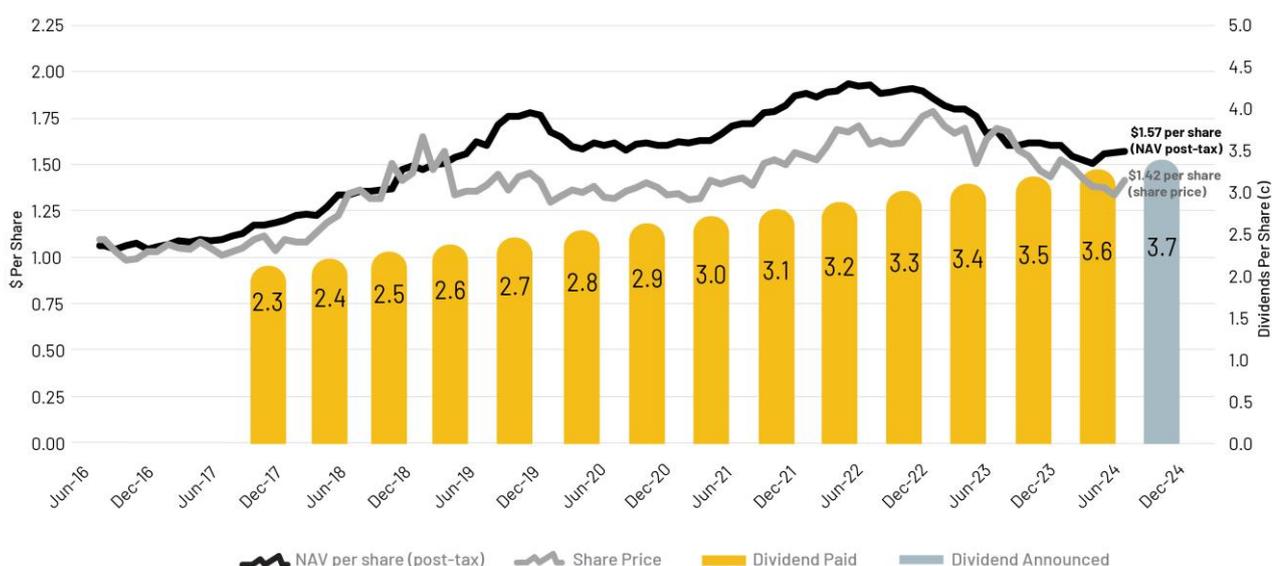
	Cents Per Share	Franking Target
Interim 2024 (declared)	3.7 cps	Fully Franked

### Bonus Options

At 30 September 2024, there were 38,165,906 options on issue on the ASX under the ticker code D200A. These can be exercised on or before 10 May 2026 at a strike price of \$1.92.

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.

## HISTORICAL PERFORMANCE - SINCE INCEPTION



### VALUATION METHODOLOGY

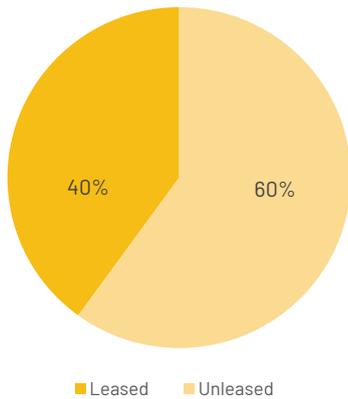
The Company uses an independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement.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

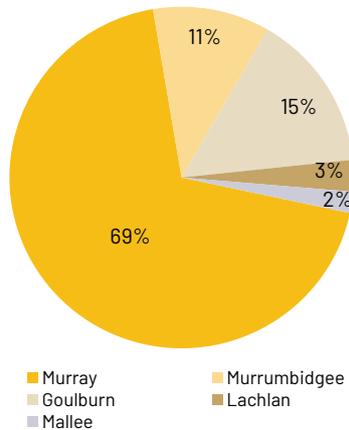
SEPTEMBER 2024



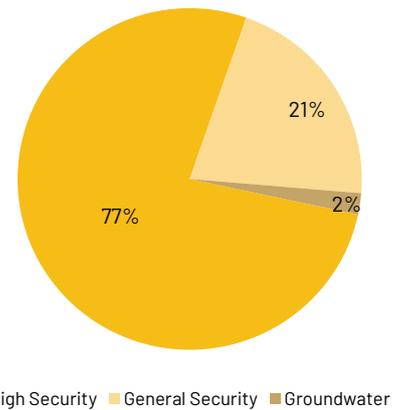
## WATER PORTFOLIO DIVERSIFICATION



## ENTITLEMENT VALUE BY REGION



## WATER SECURITY BREAKDOWN



## Weather Update

In September 2024, national rainfall was 23.2% above the long-term average. Wetter than average weather conditions were experienced in large areas of northwestern Australia. By contrast, it was drier than usual throughout most of the sMDB, including Victoria, New South Wales, parts of Queensland, and South Australia.

In the Murray Darling Basin (“MDB”), September rainfall was 47% below the long-term average, with dry conditions experienced across the Murray, Murrumbidgee, and Goulburn catchments. This has resulted in soil moisture dropping below average, resulting in the occurrence of significant frost events across parts of the MDB.

The national average temperature in September 2024 was 1.89°C above the long-term average. Both maximum and minimum temperatures were above the long-term average.<sup>1</sup>

Overall, the start of spring 2024 brought warmer days and nights for most of Australia when compared to historical records.

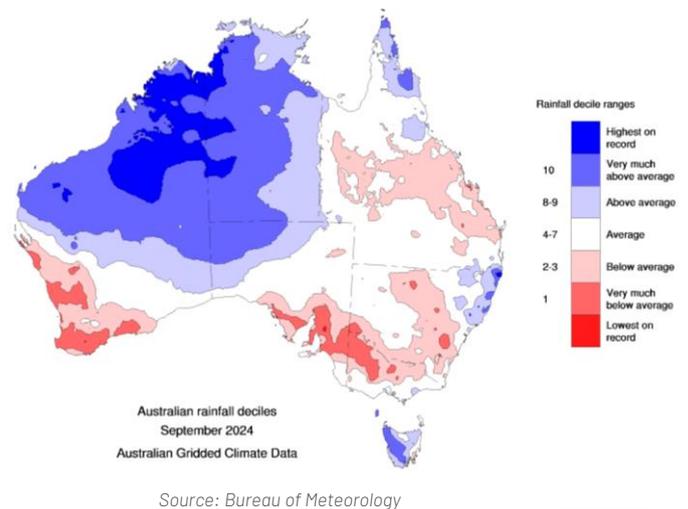
The El Niño-Southern Oscillation (“ENSO”) and the Indian Ocean Dipole (“IOD”) remained neutral. The ENSO outlook is at “La Niña Watch”, which indicates there is approximately a 50% chance that La Niña may develop later in 2024.<sup>2</sup>

As of 28 September 2024, the Southern Annular Mode (“SAM”) is negative, having been negative for the last 1-2 weeks. A negative SAM typically decreases rainfall in eastern Australia during spring. The SAM index is forecast to become neutral during the coming week.

As of 8 October 2024, the Madden-Julian Oscillation (“MJO”) progressed eastwards across the Western Pacific. It is expected that the MJO will have little impact on northern Australian rainfall in the coming weeks.

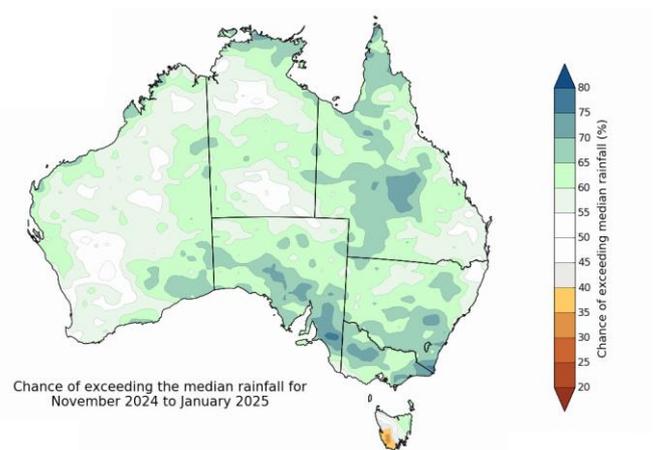
## RAINFALL DECILE CHART (SPRING)

SEPTEMBER 2024



## CHANCE OF ABOVE-AVERAGE RAINFALL

NOVEMBER 2024 - JANUARY 2025



1. Bureau of Meteorology, Australia in September 2024 - 1 October 2024  
2. Bureau of Meteorology, Climate Driver Update - 1 October 2024



Outlook & Storages

The weather forecast for November to January indicates above average rainfall for most of Australia.

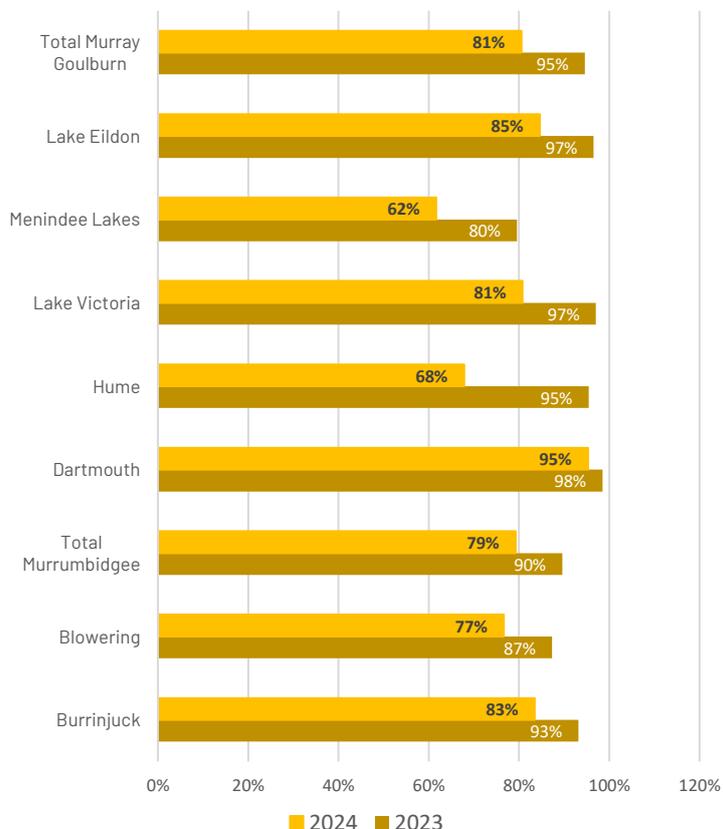
During the same period, most of Australia is expected to have warmer than average temperatures with unusually high minimum temperatures in northern and eastern Australia.

The BOM continues to forecast neutral ENSO during spring 2024. Three of the seven models indicate conditions will exceed La Niña thresholds, and four out of seven climate models suggest neutral ENSO values. The BOM expects that if La Niña forms in the coming months, it is expected to be relatively weak and short-lived.

River inflows into the Murray system remained significantly below the long-term average in September. This is given that rainfall has been very much below average for most of the year. Low river streamflow continued to be forecasted for October to November 2024.

By the end of September 2024, MDB storage levels were at 80%. Storages in the northern and southern basins were at 75% and 81%, respectively. At the same time last year, the northern basin storage level was at 90%, and the southern basin storage level was at 94%.

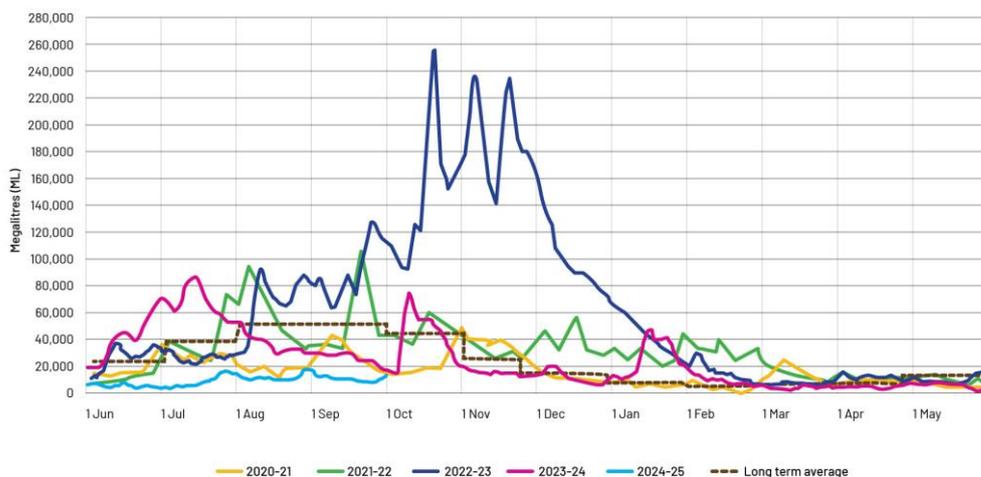
STORAGE LEVELS IN MAJOR DAMS



1. Bureau of Meteorology, Long-range forecast overview - 10 October 2024  
 2. Bureau of Meteorology, Climate Driver Update - 1 October 2024

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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