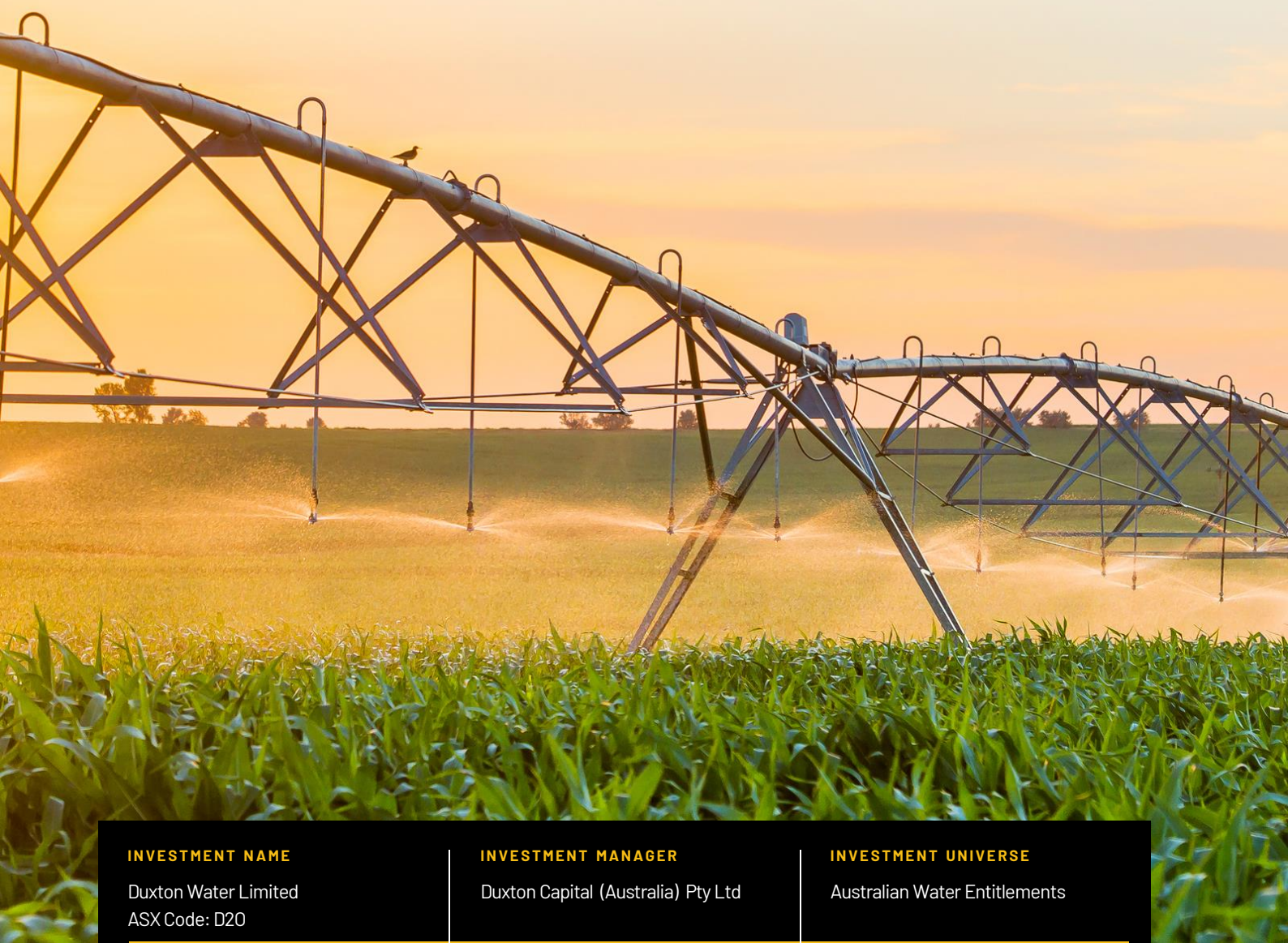


Monthly Update



MAY 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)

\$1.80 per share

SHARES ON ISSUE

117,948,814

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.



Portfolio Managers' Update

On 18 May 2023, Duxton Water hosted another successful Annual General Meeting. The Board and team were pleased to welcome shareholders and would like to once again thank all shareholders for their ongoing support.

This month, we were pleased to execute a 10-year water lease with one of our existing customers. Leasing arrangements of this type can allow irrigators to "free-up" their balance sheets and allocate their capital to land and production assets. This lease will be reflected in the Company's annualised leasing revenue, Weighted Average Lease Expiry ("WALE"), and leased percentage from 1 July 2023.

In May, permanent entitlement valuations across the southern Murray Darling Basin ("sMDB") decreased by 1.3%. This caused a two-cent decrease in the Company's post-tax NAV in the month of May. Recent price softening in entitlement markets can be attributed to the continued impacts of the most recent floods (lower allocation prices and irrigators seeking to free up capital to support new season harvest programs).

Permanent entitlements have increased at an annualised rate of 13% over the last 8 years. Irrigators themselves have been the greatest beneficiaries of the uplift in water entitlement values during this period, as they collectively own the majority of water entitlements on issue in the Murray Darling Basin.

Duxton Water remains confident in the value of water as an investment class. The demand and supply drivers that underpin permanent water prices remain strong. We continue to focus our attention on actively managing our portfolio of entitlements, allocations and leases as we prepare for the upcoming water year.

Looking ahead, the Bureau of Meteorology ("BOM") predicts a warmer and drier winter for Australia, with various climate drivers expected to influence this outlook. The BOM issued an "El Niño Alert" on 6 June 2023, elevating the chances of El Niño forming in 2023 to 70%.

The National Oceanic and Atmospheric Administration ("NOAA"), the weather authority in the United States, has already confirmed that El Niño is underway. While both agencies monitor changes in the atmosphere and ocean temperatures, the BOM has stricter temperature requirements for declaring El Niño.

The Indian Ocean Dipole ("IOD") forecast remains the same, with all models pointing to a positive phase developing in 2023. Both of these climate drivers usually lead to below-average rainfall across the eastern half of Australia.

As the likelihood of a dry season increases, irrigators are being proactive in ensuring they have enough water security for the years ahead. We are working closely with brokers and customers to meet this demand. With the end of the water year fast approaching, conversations around carry-over for next year continue, along with new lease and forward contracts.



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager

COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
-1.24%	-2.34%	-1.92%	0.37%	113.14%

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



Water Lease & Forward Update

At 31 May 2023, Duxton Water had 57% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 74% of the Company's high-security portfolio (by value). The current WALE is 1.2 years, and inclusive of renewal options, the WALE increases to 4.1 years.

In comparison to April, there has been a 1% decrease in the portfolio's leased percentage. However, this decrease is due to changes in the permanent portfolio's composition rather than leases rolling off.

The Company is currently negotiating several new leases from 1 July 2023 that aims to provide water security and cost visibility to these customers for at least the next five years. We continue to emphasise the importance of having a well-defined water strategy for businesses that depend on irrigation, especially in anticipation of drier weather conditions.

During the month, there has been an increase in activity in the carry-over market. Irrigators utilise this product to transfer unused water allocations into the following water year. Duxton Water has recently entered into several carry-over contracts, providing customers with visibility and flexibility ahead of the upcoming water year.

Duxton Water's range of water supply products can assist farmers to risk manage 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.



Vineyard drip irrigation.

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.



QUICK FACTS SUMMARY

	April 2023	May 2023
Water Entitlements	83.8GL	85.0GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	58%	57%
Weighted Average Lease Expiry (WALE)	1.2 years	1.2 years
WALE (incl. renewal options)	4.1 years	4.1 years

Entitlement Market Update

At 31 May 2023, Duxton Water holds 85.0GL of permanent water entitlements across 18 different asset types and classes.

During May, the Company added a 1.2GL groundwater parcel to the portfolio. This parcel further supports portfolio diversification and expands our product offerings to customers.

Entitlement values, on average, reduced by 1.3% in May, which continues to reflect current market conditions. Most high and general security entitlements softened during the month, with a few exceptions in NSW entitlements.

Allocation Market Update

As the current water year comes to an end, prices for allocation in the sMDB have remained low. Allocation water traded between \$5-\$20/ML in the Lower Murray and Goulburn, \$1-\$12/ML in the Upper Murray, and \$3-\$5/ML in the Murrumbidgee.

The latest opening allocation projections for the 2023-24 water year are for Victorian Murray and Goulburn high security to open at 70% and 80%, respectively. These entitlements are expected to gradually increase to 100% throughout the year.

NSW Murray and Murrumbidgee high security entitlements are anticipated to open at 97% and 95%, with these general security entitlements predicted to open at 50% and 30%, respectively.



Finance Update

At 31 May 2023, Duxton Water's post-tax NAV decreased by two cents to \$1.80 per share (a contraction of -1.2% from April 2023).

This reduction is primarily due to a softening in entitlement values across the sMDB, reflecting the challenges some irrigation communities are facing from the most recent flooding events.

The Company's NAV, excluding tax provisions, decreased by two cents in May to \$2.06 per share. Duxton Water's share price closed the month at \$1.67.

The Company's Net Debt to Water Assets sits at 34% at the end of May, which remains below the Company's maximum Net Debt covenant of 40%.

Share Buyback

Since November 2021, Duxton Water has bought back a total of 3.2 million shares (equivalent to 2.8% of the Company's shares) at an average price of \$1.63 per share. There were no share buybacks in May.

NAV (post-tax)	NAV (pre-tax)
\$1.80 per Share	\$2.06 per Share

Dividends

On 28 April 2023, Duxton Water paid its latest dividend of 3.4 cents per share, which marked the 12th consecutive and increasing dividend paid to shareholders.

This dividend was in line with the previously stated dividend target and was fully franked (30% tax rate) for Australian taxation purposes.

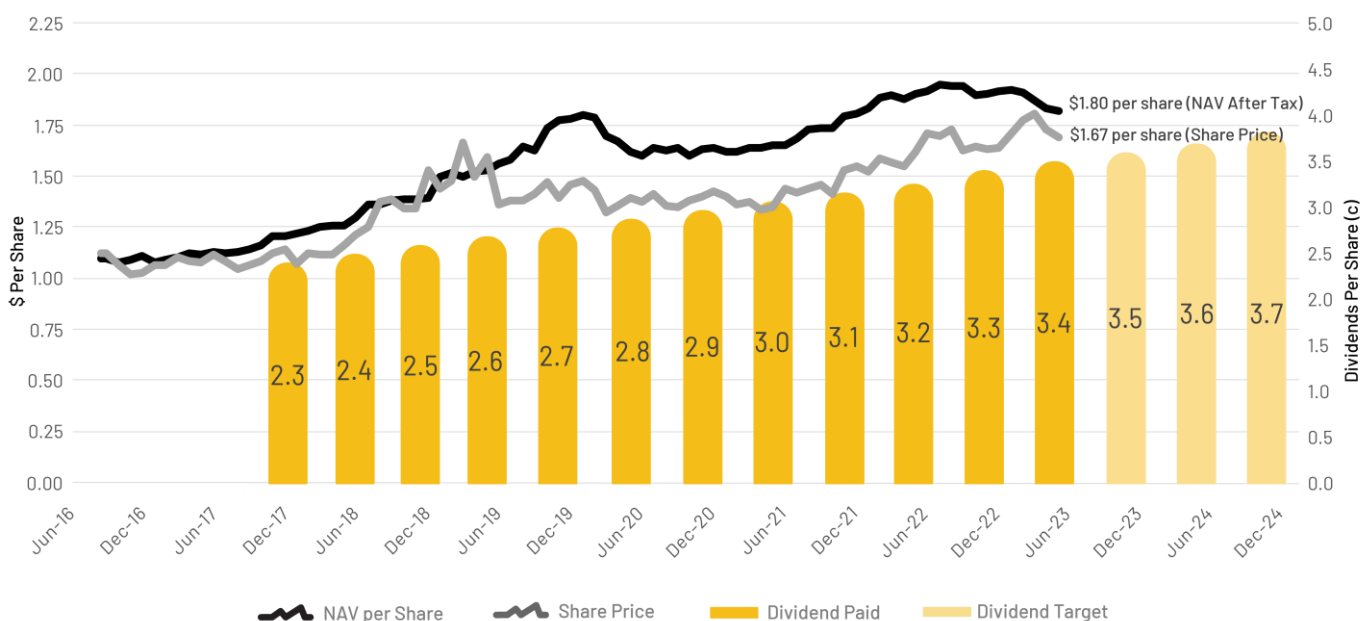
Duxton Water continued to offer shareholders the ability to participate in the Company's Dividend Reinvestment Plan (DRP), which allowed participants to receive a 3% price discount on new shares issued under the DRP.

The Board would like to reaffirm the Company's dividend guidance provided out to the end of 2024:

DIVIDEND GUIDANCE

	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

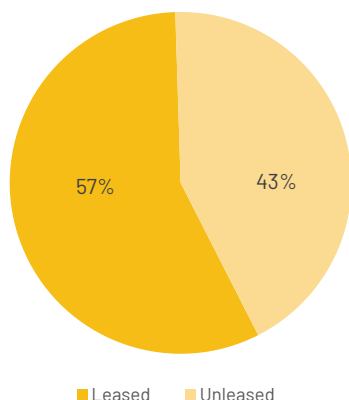
The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement.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

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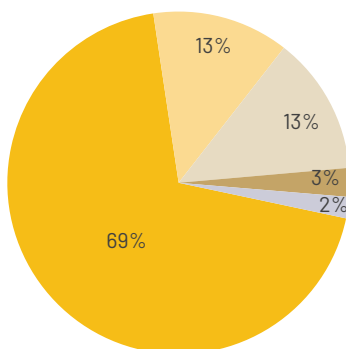


WATER PORTFOLIO DIVERSIFICATION



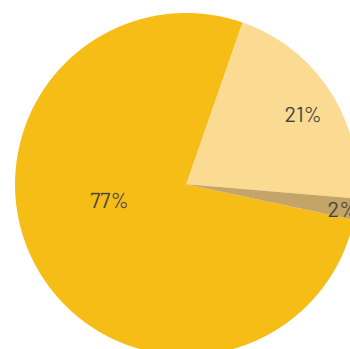
■ Leased ■ Unleased

ENTITLEMENT VALUE BY REGION



■ Murray ■ Murrumbidgee
■ Lachlan ■ Mallee

WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

Weather Update

National rainfall for May 2023 was 73% below the long-term average for May, representing Australia's second-driest May on record.

May rainfall was below average for most of Australia, with only small areas receiving above-average rain. For instance, in Western Australia, it was the driest May on record and in the lowest 10% for adjacent parts of the Northern Territory and South Australia.

Across the MDB, May rainfall was 60% below the long-term average. This led to soil dryness throughout the Basin across several southern and northern catchments, where soil moisture levels were below average by the end of the month.

In May 2023, the national mean temperature was 1.10°C below average, marking one of the lowest monthly average temperatures since 2011.

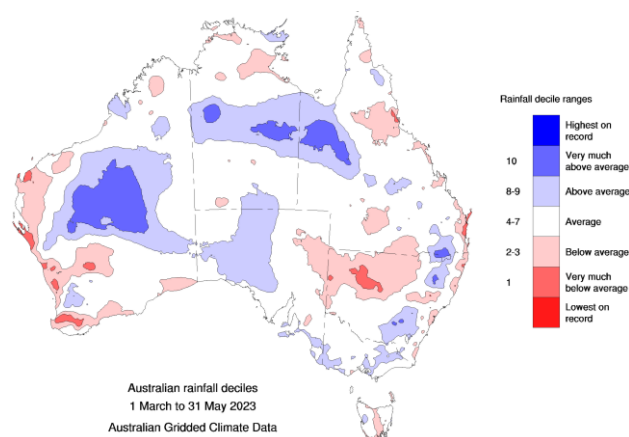
The El Niño–Southern Oscillation (“ENSO”) remains neutral. However, ocean patterns in the tropical Pacific are showing signs of El Niño, which is increasing the likelihood of its formation in winter 2023. El Niño typically reduces winter and spring rainfall across eastern parts of Australia.

The IOD indicator is also neutral. Most major climate models are suggesting that a positive IOD event is likely to develop during winter and early spring. A positive IOD can reduce winter and spring rainfall over much of Australia while potentially exacerbating the dry effects of El Niño.

The Southern Annular Mode (“SAM”) index was positive for most of May. While SAM typically has little influence on Australian rainfall during autumn, a positive SAM often has a drying influence for parts of south-west and south-east Australia during winter.

RAINFALL DECILE CHART (AUTUMN)

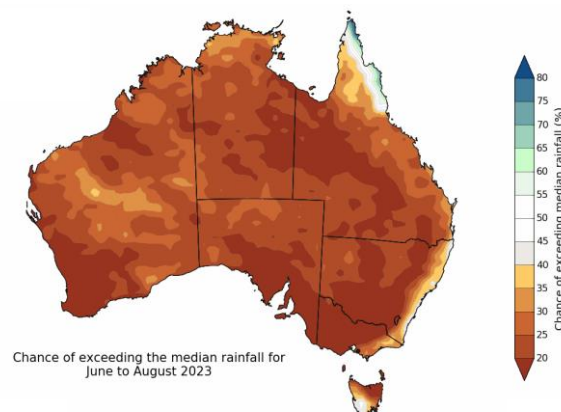
MARCH 2023 - MAY 2023



Source: Bureau of Meteorology

CHANCE OF ABOVE-AVERAGE RAINFALL

JUNE 2023 - AUGUST 2023



Source: Bureau of Meteorology



Outlook & Storages

The June to August outlook suggests the coming months are likely to be drier than average for much of Australia.

For most parts of Australia, June to August is also expected to be warmer than average. Areas of Victoria, Tasmania, South Australia and New South Wales have a high chance of experiencing unusually high maximum temperatures.

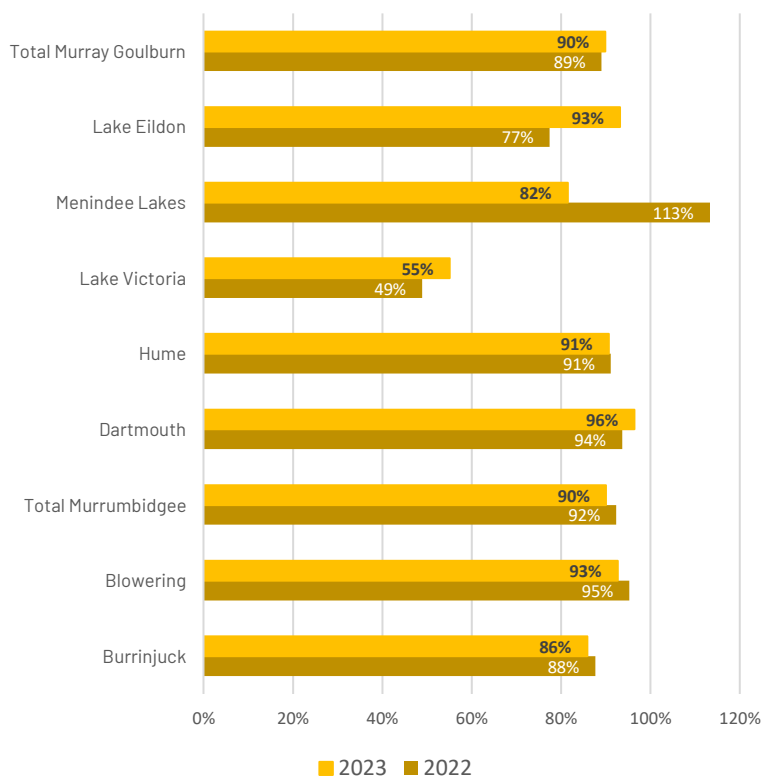
In early June, the ENSO outlook shifted to El Niño Alert, indicating there is now a 70% chance of El Niño forming in 2023, most likely during winter. In addition to this, forecasts indicate a potential positive IOD event forming during winter, which could result in decreased rainfall across Australia during the winter and spring seasons.

River inflows to the Murray system were below the long-term average for May. Nationally, median to low streamflows are likely for June to August.

Storages remained high at 93% in the northern Basin and 89% in the southern Basin, compared to 98% and 87% at the same time last year.

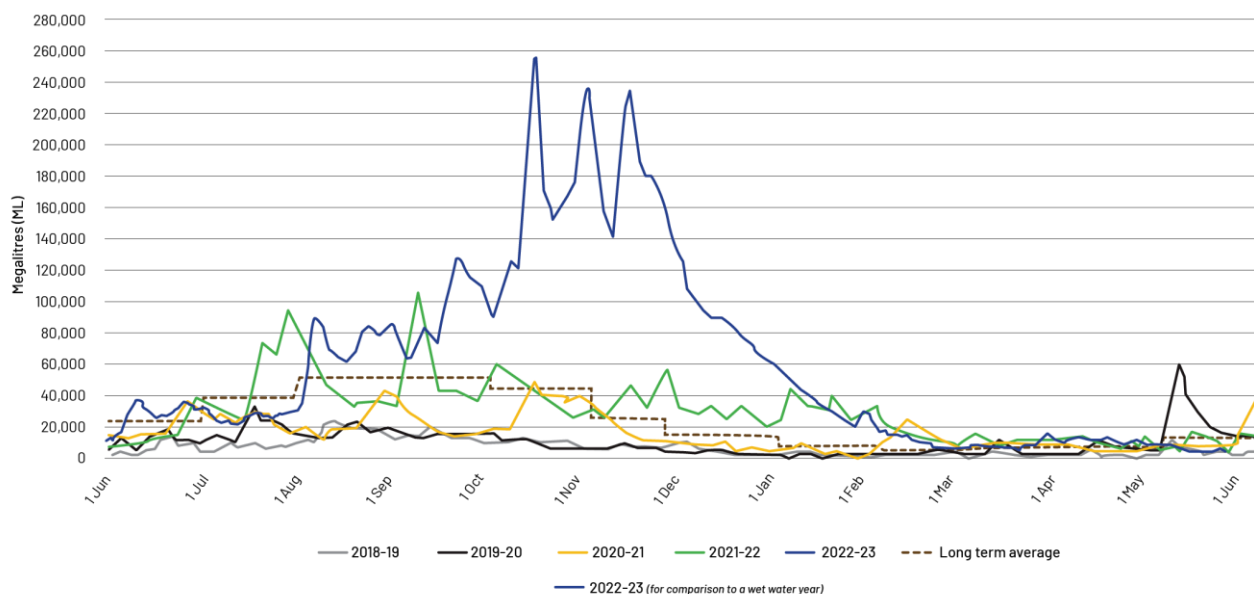
The Resource Manager in Northern Victoria maintains a high risk of spill for the Goulburn and Murray system at the start of 2023/24, with a likelihood of above 90%.

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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