



1 May 2020  
ASX Announcement

## AMENDED QUARTERLY ACTIVITIES REPORT

Duxton Water Limited ("the Company") provides the attached amended 'Quarterly Activities & Cashflow Report' (released to the ASX on 1 May 2020).

### **Financial Update: NAV** (page 1)

The Company's NAV per share, excluding tax provisions for unrealised capital gain, has fallen from \$2.00 at 31 December 2019 to \$1.91 at 31 March 2020. At the closing share price on the 31 March 2020 of \$1.30, this represents a \$0.61 or 32% discount to the pre-tax NAV (previously incorrectly described as a \$0.61 discount to the closing share price as at 31 March 2020).

Yours sincerely,

**Katelyn Adams**  
Company Secretary  
Duxton Water Ltd

*This announcement was authorised for release by the Board of Duxton Water Limited.*

Duxton Water Limited (ASX: D20) ('Duxton Water' or 'the Company') is pleased to provide the Quarterly Activities Report for the period ended 31 March 2020. The purpose of this report is to provide an update on key areas of business activity during the quarter ended 31 March 2020. This report should be read in conjunction with the Company's respective Quarterly Cash Flow Report (Appendix 4C).

## WATER PORTFOLIO UPDATE

### ENTITLEMENTS

The Company continues to build a targeted portfolio of water entitlements primarily located in the southern Murray Darling Basin ('SMDB') and utilises this portfolio to provide flexible water supply solutions to our Australian farming partners. At 31 March 2020, the Company held approximately 83.7GL of permanent water entitlements across 19 different asset types and classes. During the March 2020 quarter, the Company settled 670ML of permanent water transactions to the value of \$4.281 million.

Whilst we have seen retracement in permanent entitlement values over the last couple of months, the value uplift experienced over the last 36 months reflects long-term drivers rather than the recent drought conditions. Irrigators have over the last 10 years significantly enhanced their marginal return per megalitre through both more efficient use of water and conversion to higher value commodities. At the same time, we have seen significant steps taken to return water to the environment with Government purchases of between 20-22% of entitlements that were previously available to the consumptive pool. The combined impact has seen stronger demand for a reducing available water supply and subsequent increased asset prices. Irrigators themselves have been the greatest beneficiaries from this capital appreciation as they collectively own the majority of water entitlements on issue in the market.

### ALLOCATION MARKET

During the March 2020 quarter, Allocation prices have continued to ease across much of the SMDB. Driven by an increase in available supply to the market via the opening of trade between the Murrumbidgee and Goulburn River systems, a 'gap down' of pricing has occurred between these two regions. Allocation pricing has fallen in the below choke Murray and Murrumbidgee from between \$830-\$860/ML at 31 December 2019 to between \$475-\$490/ML at 31 March 2020. The Goulburn and above choke Murray fell from between \$660-\$700/ML to \$400-\$450/ML during the same period.

Duxton Water continues to actively manage its allocation portfolio to meet obligations to its farming partners through the provision of forward allocation and spot market allocation sales.

### LEASES

No new water supply leases were entered into during the March 2020 quarter. The Company continues to work with its farming partners to assist in meeting their water requirements for the 2020-2021 water year (commencing 1 July 2020). The leased portion of the portfolio fell from 66% at 31 December 2019 to 64% at 31 March 2020 due to the further acquisition of permanent water entitlement and valuation movement during this period. The Board maintains its view to have 70-80% of the Company's permanent water portfolio under lease. This approach delivers a visible and stable revenue stream across the climatic cycle.

## FINANCIAL UPDATE

### NAV

In March 2020, the Company experienced the first material fall in portfolio Net Asset Value ('NAV') since inception. There was a 10 cent per share fall in NAV between February 2020 and March 2020 which was directly attributed to paying out retained earnings as part of the March 2020 dividend as well as a fall in permanent and temporary water asset prices. The Company still holds significant fair value revaluation uplift (>\$90 million) across the portfolio. This uplift remains excluded from the statutory retained earnings position of the Company in line with the accounting treatment of water assets (AASB 138 - Intangible Assets).

The Company's NAV per share excluding tax provisions for unrealised capital gain has fallen from \$2.00 at 31 December 2019 to \$1.91 at 31 March 2020. At the closing share price on the 31 March 2020 of \$1.30, this represents a \$0.61 or 32% discount to the pretax NAV.

### BUYBACK

During the March 2020 Quarter, the Company purchased (on market) 732,472 shares at an average price of \$1.462. This takes the total shares purchased back by the Company to 2.301 million at an average price of \$1.442.

### DEBT

During the March 2020 quarter, the Company drew down the remaining \$5.800 million available on the Company's debt facility. This drawn down was primarily used to fund permanent water acquisition.

In March 2020, the Board also approved a facility extension from \$100 million to \$112 million. The facility extension is effective from April 2020 and will be used for working capital and further permanent water acquisition.

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In January 2020, the Company locked in a portion of the \$100 million debt facility into an interest rate swap arrangement with NAB to take advantage of historically low interest rates. The Board will continue to look for opportunity within financial derivatives to further hedge against the variable interest rate payable on the debt facility.

At 31 March 2020, the Company's Net Debt Ratio (Debt to Water Assets) is 29%. As part of the debt facility increase, the Company's Maximum Net Debt banking covenant has been extended from 30% to 35%.

## DIVIDENDS

On 30 March 2020, the Company paid a fully franked final dividend of 2.8 cents (\$0.028) per share.

The Board reaffirms previous guidance around its forward-looking dividend targets and reaffirms targets of paying a:

- Fully franked interim dividend of 2.9 cents (\$0.029) in September 2020; and a
- Fully franked final dividend of 3.0 cents (\$0.03) in March 2021.

As part of the March 2020 dividend, the Company issued further capital of \$0.241 million (227,624 shares) in relation to the Company's Dividend Reinvestment Plan (DRP).

The Board of Duxton Water is committed to providing shareholders with a bi-annual dividend and dividend reinvestment plan option (DRP).

## PAYMENTS TO ASSOCIATES/RELATED PARTIES

During the March 2020 quarter, the following payments to associates/related parties occurred (GST Inclusive):

### Duxton Capital (Australia) Pty Ltd or ('DCA'):

Administration Fees (\$35k) - fees paid for the provision of admin and finance related services.

Management Fees (\$394k) - management fees paid as per the Company's Investment Management Agreement.

Reimbursements (\$9k) - on-charge reimbursements for D20 expenses incurred by DCA.

Performance Fees (\$1.7m) - part payment of FY2019 performance fee of \$5.566 million (as per FY19 Annual Report).

## ACCC

Duxton Water continues to actively participate in the ACCC's Inquiry into the SMDB water market. The ACCC's preliminary findings report is due to be published in May 2020 with the final report due in November 2020.

## COVID 19

The Investment manager and Board of Duxton Water Ltd continue to monitor the on-going Covid-19 pandemic. The Investment manager has put in place measures to ensure staff are able to continue to operate effectively whilst adhering to Government recommendations. This has enabled the day to day operations of the Company to continue with little impact. The distancing measures will require the Company to hold its AGM, scheduled for 19 May 2020, via an audio webcast. The Notice of Meeting has already been posted to shareholders. While the Board will continue to monitor and advise of any change, it does not currently foresee any significant operational impact to the business and has reaffirmed its September 20 and March 21 dividend targets.

## 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 2020

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(3 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 1.1 Receipts from customers                               | 17,542                             | 17,542   |
| 1.2 Payments for  |                                    |  |
| (a) research and development                              | -                                  | -  |
| (b) product manufacturing and operating costs             | (12,276)                           | (12,276)                                       |
| (c) advertising and marketing                             | -                                  | -  |
| (d) leased assets   | -                                  | -  |
| (e) staff costs   | -                                  | -  |
| (f) administration and corporate costs                    | (487)                              | (487)  |
| 1.3 Dividends received (see note 3)                       | -                                  | -  |
| 1.4 Interest received                                     | -                                  | -  |
| 1.5 Interest and other costs of finance paid              | (667)                              | (667)  |
| 1.6 Income taxes paid                                     | -                                  | -  |
| 1.7 Government grants and tax incentives                  | -                                  | -  |
| 1.8 Other (provide details if material)                   | (1,756)                            | (1,756)  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>2,356</b>                       | <b>2,356</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   | (4,281)                            | (4,281)  |
| (e) intellectual property                                 | -                                  | -  |
| (f) other non-current assets                              | -                                  | -  |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2                                  | Proceeds from disposal of:                            |                            |                                       |
|                                      | (a) entities  | -                          | -                                     |
|                                      | (b) businesses  | -                          | -                                     |
|                                      | (c) property, plant and equipment                     | -                          | -                                     |
|                                      | (d) investments                                       | 299                        | 299                                   |
|                                      | (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)                   |                            |                                       |
|                                      | - Deposits paid                                       | 294                        | 294                                   |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b> | <b>(3,688)</b>             | <b>(3,688)</b>                        |

|             |   |              |              |
|-------------|---|--------------|--------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>   |              |              |
| 3.1         | Proceeds from issues of equity securities (excluding convertible debt securities)       | (1,071)      | (1,071)      |
| 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 | (5)          | (5)          |
| 3.5         | Proceeds from borrowings  | 5,800        | 5,800        |
| 3.6         | Repayment of borrowings   | -            | -            |
| 3.7         | Transaction costs related to loans and borrowings                                       | -            | -            |
| 3.8         | Dividends paid  | (3,047)      | (3,047)      |
| 3.9         | Other (provide details if material)   | -            | -            |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>1,677</b> | <b>1,677</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                             | 751     | 751     |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | 2,356   | 2,356   |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | (3,688) | (3,688) |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.4                                  | Net cash from / (used in) financing activities<br>(item 3.10 above) | 1,677                      | 1,677                                 |
| 4.5                                  | Effect of movement in exchange rates on<br>cash held                | -                          | -                                     |
| 4.6                                  | <b>Cash and cash equivalents at end of<br/>period</b>               | <b>1,096</b>               | <b>1,096</b>                          |

| 5.  | Reconciliation of cash and cash<br>equivalents<br>at the end of the quarter (as shown in the<br>consolidated statement of cash flows) to the<br>related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|---|----------------------------|-----------------------------|
| 5.1 | Bank balances   | 1,096                      | 751                         |
| 5.2 | Call deposits   | -                          | -                           |
| 5.3 | Bank overdrafts   | -                          | -                           |
| 5.4 | Other (provide details)   | -                          | -                           |
| 5.5 | <b>Cash and cash equivalents at end of<br/>quarter (should equal item 4.6 above)</b>  | <b>1,096</b>               | <b>751</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**

2,138

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.*

|                                       | <b>Total facility<br/>amount at quarter<br/>end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|---------------------------------------|---|--|
| 7.1 Loan facilities                   | 100,000   | 100,000  |
| 7.2 Credit standby arrangements       |   |  |
| 7.3 Other (please specify)            |   |  |
| 7.4 <b>Total financing facilities</b> | <b>100,000</b>  | <b>100,000</b>                                     |

**7.5 Unused financing facilities available at quarter end**

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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.

**Lender:** National Australia Bank

**Variable Interest Rate:** BBSY plus 0.82% p.a. + Facility Fee of 0.82%

**Maturity Date:** January 2020

**Secured:** Yes

| <b>8. Estimated cash available for future operating activities</b>                | <b>\$A'000</b> |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9)                     | 2,356          |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6)                           | 1,096          |
| 8.3 Unused finance facilities available at quarter end (Item 7.5)                 | -              |
| 8.4 Total available funding (Item 8.2 + Item 8.3)                                 | 1,096          |
| 8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b> | <b>0.47</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: Yes. Although item 8.5 is less than 2, the Company has an operating cash surplus and has no requirement to draw down additional debt to fund operating expenses.

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 Board has approved an additional loan facility of \$12m. The new facility is effective from April 2020 and will be used for working capital and further permanent water acquisition.

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 Company will be able to continue its operations and meet its business objectives on the basis of having an operational cash surplus.



## 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.

30/04/2020

Date: .....

the Board of Duxton Water Limited

Authorised by: .....  
(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.