



DUXTON
WATER LTD

Duxton Water Limited Monthly Update

30 November 2016

Net Asset Value per Share

\$1.07

Duxton Water	
ASX Code (Shares)	D2O
ASX Code (Options)	D200
Shares on Issue	63,965,406
Options Outstanding	63,965,406
Options Exercise Price	\$1.10
Options Expiry	31 May 2018

The primary investment objective of Duxton Water is to generate annual income through capitalising on the increasing demand for scarce water resources. Duxton Water derives its income from a diversified portfolio of Australian Water Allocations and Water Entitlements.

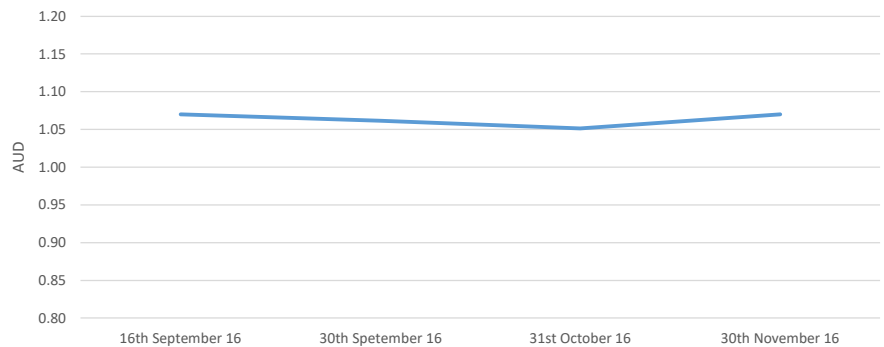
Net Asset Value per Share

Duxton Water's NAV as at 30 November 2016 was \$1.07 per share.

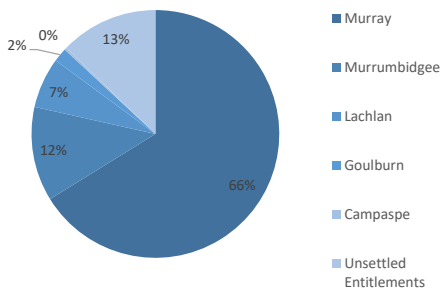
These figures are not adjusted for any dilution due to the outstanding options which are exercisable at \$1.10. The after tax figure takes into account the provision for deferred tax on set-up costs and estimates of net tax provisions that may arise should the entire portfolio be disposed of on the above date.

Note: NAV per Share is now shown in the graph below (compared to NAV as previously reported) as this is more relevant to investors. Also note that the inception date used is the date in which D2O listed on the ASX, not the date the company commenced operating.

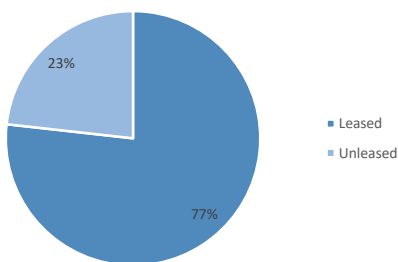
Net Asset Value per Share - Since Inception



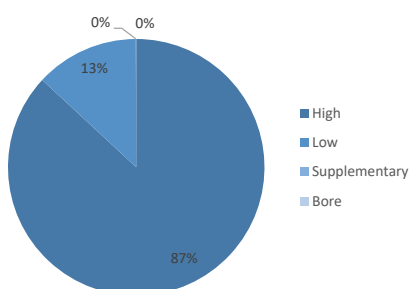
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown



Performance	Gain/Loss
1 Month	1.80%
3 Months	0.80%
6 Months	N/A
12 Months	N/A
Inception	0.00%

Market Update

Market Summary

Early November saw extreme weather sweep through parts of Sunraysia and the SA riverland, resulting in intense winds and hail damage to some farms. This thunderstorm marked the end of the wet winter/early spring, with rainfall easing and temperatures warming up across most of the Murray Darling Basin. Allocation announcements were made during the month, with NSW Murray and Murrumbidgee high and general security entitlements receiving a full allocation (100%). The full allocation announcement is a result of continued above average inflows, proactive usage of available supplementary events and effective redistribution of carryover.

Murray System

A drier November across the southern Murray Darling Basin offered reprieve to saturated soils. Total inflows into the Murray system were 1,500GL, compared to the 10 year average of 750GL. The large gap between actual vs historical inflows reflects the record wet October and the high capture of rainfall in the catchment area. The Hume and Dartmouth reservoirs remain at high storage levels of 97.6% and 76.4%, respectively. The Hume Reservoir received a total rainfall of 50.6mm, compared to the long-term average of 65.4mm.

In southern NSW, the price of zone 11 high security entitlements increased by 7.3% during November. This was the main cause for the overall increase in value of the water portfolio for November. Victorian assets (zone 6 and 1A) have reduced in value in recent weeks, driven by exposure to the dairy industry. To combat low milk prices, distressed dairy farmers have been selling their water entitlements, placing downward pressure on the price of water entitlements. However, the drier and warmer weather has had a positive impact on temporary water prices, increasing zone 6 and 7 prices by 30% and 25%, respectively.

Central and Northern NSW (Murrumbidgee and Lachlan Valley)

The central and northern NSW water assets remained flat in November, due to the illiquidity of the assets. There is significant demand for Lachlan Valley entitlements at a 20% premium to our weighted average price. These transactions will eventually be filled and will be reflected in our Lachlan Valley valuations.



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Investment Update

Permanent Water Acquisitions and Divestments

As at 30 November 2016, Duxton Water's cash position was \$21.7m. The value of contracts entered into in November amounted to \$5.9m. This brings the total contract value of capital deployed post-IPO to \$14.1m. As at the end of November, Duxton Water had entered into contracts to deploy 43.2% of the IPO funds available for investment (funds raised less IPO expenses) and 76.3% of its total NAV.

Temporary Water Acquisitions and Divestments

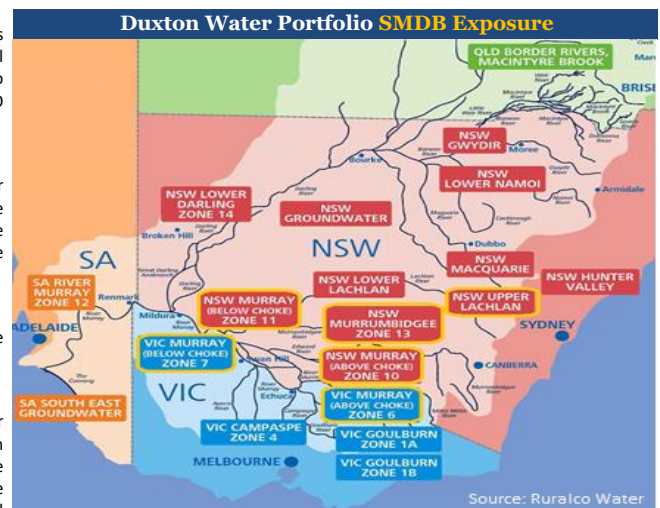
No allocation sales were made during November due to the time lag between purchasing water entitlements and then receiving the water allocation. However, the Company did enter into three forward contracts at a weighted average yield of 6.3%; two for the sale of a total of 3,000ML zone 10 and one for the sale of 300ML zone 1A. Delivery of these contracts will be in January once we have access to the allocation.

Lease Yield

The Company entered into a lease for 500ML of SA groundwater at a rate of 9.0%. This brings the weighted average yield for long-term leases to 6.0% (compared to 5.9% previously).

Valuation Methodology

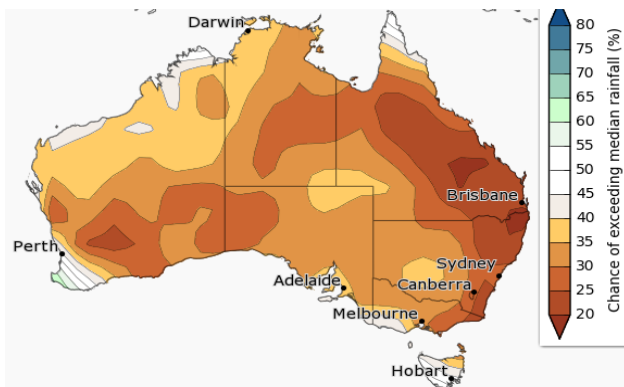
Total assets of the Company are valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from the respective state register, excluding outliers. Outliers are defined as a trade with greater than 10.0% variance from the last weighted average price and transactions that are less than 10ML (unless there are no applicable transactions greater than 10ML) less the total



Market Outlook

The Indian Ocean Dipole (IOD) became neutral at the end of November. When the IOD is neutral it has limited impact on the Australian climate. As noted in last month's report, the Australian climate has been strongly influenced during the second half of 2016 by both a strong negative IOD in the tropical Indian Ocean and the weak La Niña-like pattern in the tropical Pacific (which has eased). This combination of climate drivers contributed to Australia observing its wettest May to September on record in 2016. The December outlook, from the Bureau of Meteorology, indicates that next month is likely to be drier across most of mainland Australia, with a 70-80% chance of below average rainfall across eastern Australia (see chart below). The gradual onset of warmer weather may be a catalyst for further price increases due to higher rates of crop water usage over December and January.

The chance of above median rainfall for November



Source: Bureau of Meteorology

Storage Levels

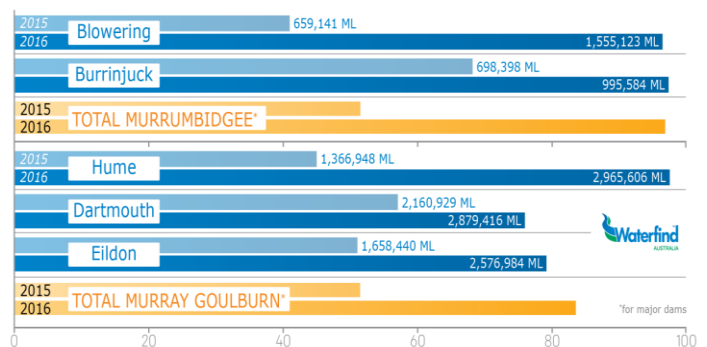


Chart provided by Waterfind with data from the BOM.

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