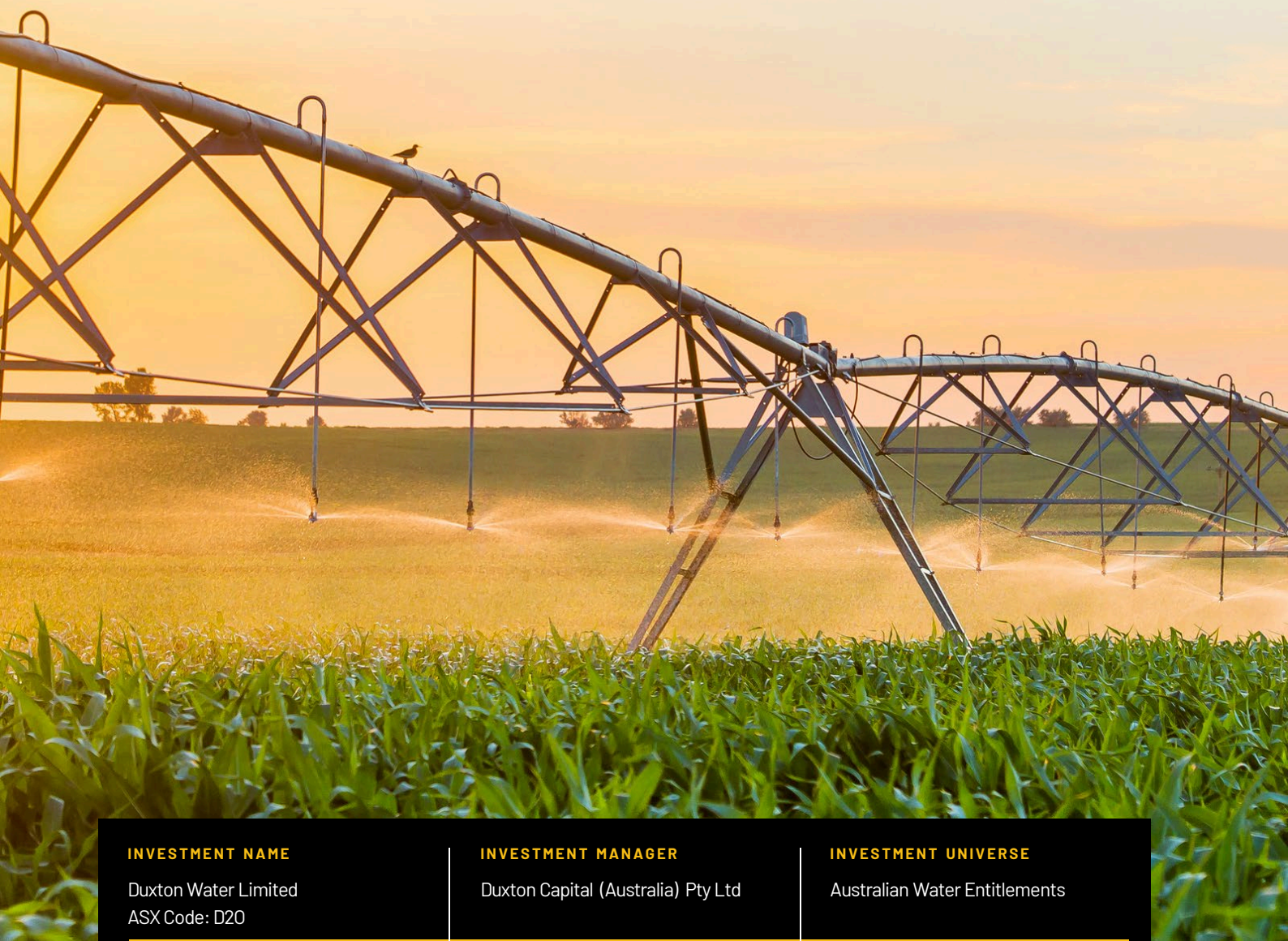


Monthly Update



FEBRUARY 2022



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)

\$1.87 per share

SHARES ON ISSUE

119,917,469

WATER PORTFOLIO VALUE

\$357 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

February is typically a quiet month in the irrigation season as growers enter the harvest period, await first outlooks for the next water season and shift their focus towards preparing for the next irrigation season. Although demand for allocation has been low, demand for our forward and leasing products has been consistent as irrigators begin to think about water security ahead of next season.

Throughout the month we have continued to identify opportunities and deploy capital into areas that we believe will provide us with an improved capability to deliver flexible water supply to our customers into the future. We also see future value appreciation in these assets that will provide greater value to shareholders. At the end of February, an additional 12 entitlement acquisitions were in the pipeline ready for contract execution. These acquisitions will be reflected in the Company's March portfolio holdings.

Entitlement values experienced a weighted average increase of 3% throughout the month of February. Although a level of reduced buy side pressure has been present in the market, on the back of recent price highs, it is evident that underlying demand for the asset remains strong. Permanent crop producers continue to be active in the market with the goal of improving water security. The inelastic demand for water that permanent crops have continues to be the main contributing factor to value appreciation in permanent water prices that we have seen over the last 4-5 years.

Our allocation holdings that come from our unleased entitlements have continued to be sold down into the market, providing irrigators with final water requirements for the year.

Conversations around carryover and forward products with irrigators are now underway. Leasing products have also gained traction as irrigators think beyond this water year.

On 15 February 2022, Victoria released its first outlook for the 22/23 water year opening allocations. It was stated that even in a dry scenario, opening allocations for VIC Murray would be 81% and 51% in the Goulburn system. An average year could open at 100% in the Murray and 65% in the Goulburn.

NSW will release first outlooks on 15 March 2022, while South Australia will release a first outlook on 15 April 2022.

On 28 February 2022, the Company was pleased to release its 2021 Annual Financial Report to the market. The Company was pleased to have:

- Delivered a profit before tax of \$12.2m
- Paid two fully franked dividends totalling 6.1 cents
- Provided shareholders with targets for the next four dividend payments.
- Achieved its long term goal of having 70-80% of entitlements under lease



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager

COMPANY PERFORMANCE

1 Month	3 months	6 Months	12 Months	Inception
2.7%	5.2%	11.9%	22.0%	106.3%

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



Water Lease Update

At 28 February 2022, Duxton Water has 69% of its permanent water portfolio (by value) leased to Australian farming businesses. This accounts for 89% of the Company's high security portfolio (by value).

The Company is currently in discussions with a number of existing lessees to renew their current leases as well as engaging with new potential lessees who are looking for long-term water security for their businesses.

The current Weighted Average Lease Expiry ("WALE") is 1.2 years. Inclusive of renewal options, this increases the WALE to 3.4 years. From 1 July 2022, the Company's WALE is expected to be 1.8 years or 6.1 years including renewal options. The Company's forecasted WALE is expected to increase between now and 1 July 2022 as new leases are finalised.

Through long-term leasing arrangements, Duxton Water is able to satisfy the water needs of its customers, enabling them to risk manage a key input into their business. Long-term water leases give irrigators reliable access to water at a fraction of the cost of owning the same water outright. The fixed cost nature of a long-term water lease can assist with normalising water costs over the climatic cycle.



Hume Dam, New South Wales

QUICK FACTS SUMMARY

	January 2022	February 2022
Water Entitlements	81.7GL	81.7GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	70%	69%
Weighted Average Lease Expiry (WALE)	1.3 years	1.2 years
WALE (incl. renewal options)	3.5 years	3.4 years

Entitlements Market Update

At 28 February 2022, Duxton Water holds approximately 81.7GL of permanent water entitlements across 18 different asset types and classes. There were 12 entitlement acquisitions in the pipeline ready for contract execution at the end of February. These acquisitions will be reflected in the Company's March portfolio holdings.

Permanent water pricing across the southern MDB continued to strengthen during January, with a weighted average increase of 3%. Notable appreciation was seen in VIC Goulburn High and Low Reliability entitlements, NSW Murray High and General Security entitlements and SA Murray High Security Entitlements. Duxton Water will continue to deploy capital into valleys and zones that fit its target portfolio composition, as well as those entitlements that provide greater flexibility when it comes to the delivery of water to irrigators.

Allocation Market Update

The allocation market remained relatively quiet throughout February, as irrigators awaited further rainfall conditions and first outlooks for the 21/22 water year.

Allocation prices continued to soften throughout February as irrigators begin to shift their focus towards preparing for the next water year. Allocations traded between \$65-\$75/ML in the Lower Murray, \$55-\$65/ML in the Goulburn system, \$15-\$25/ML in the Murrumbidgee, and \$25-\$35/ML in the upper Murray throughout February.

WATER LEASE CASE STUDY: MALLEE

Duxton Water recently finalised a 500ML water lease to a family farming business located in the Mallee region, South Australia. This lease has enabled the owners of this business to expand their production into irrigated agriculture without the need for owning water entitlements outright. This allows them to produce a higher value commodity that has a greater economic benefit for their business. This is a long-term lease arrangement that will provide a guaranteed supply of water for years to come.

Through this type of partnership, Duxton Water continues to build a stronger Australian economy by supporting Australian farming businesses.





Finance Update

Duxton Water's post-tax NAV increased 5 cents during the month of February 2022 to \$1.87 per share. This was largely due to the appreciation in value of a range of entitlements within the portfolio. This includes NSW Murray and Murrumbidgee High and General Security, VIC Goulburn High Reliability and SA Murray High Security entitlements. The portfolio increased in value by c.\$7m during the month due to value appreciation of the underlying assets.

The Company's NAV excluding tax provisions for unrealised capital gain increased 6 cents during the month to \$2.14 per share. The NAV primarily consists of the fair value of its water asset portfolio, cash and net current assets. The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment on a monthly basis.

Duxton Water's debt position continues to be diluted by asset appreciation. At 28 February 2022, the Company's LVR (Net Debt to Water Assets) is 28%.

NAV (post tax)	NAV (pre tax)
\$1.87 per Share	\$2.14 per Share

Share Buyback

At 28 February 2022, the Company has bought back a total of 310k shares at an average price of \$1.50 per share since November 2021. The Board believes buying back shares at the current discount to NAV is in the interest of all shareholders.

Dividends

On 3 March 2022, Duxton Water was pleased to announce that it would pay its tenth consecutive and increasing dividend to shareholders of 3.2 cents per share (franked to 100%).

Record date for this dividend will be Thursday 14 April 2022, with payment date being Friday 29 April 2022.

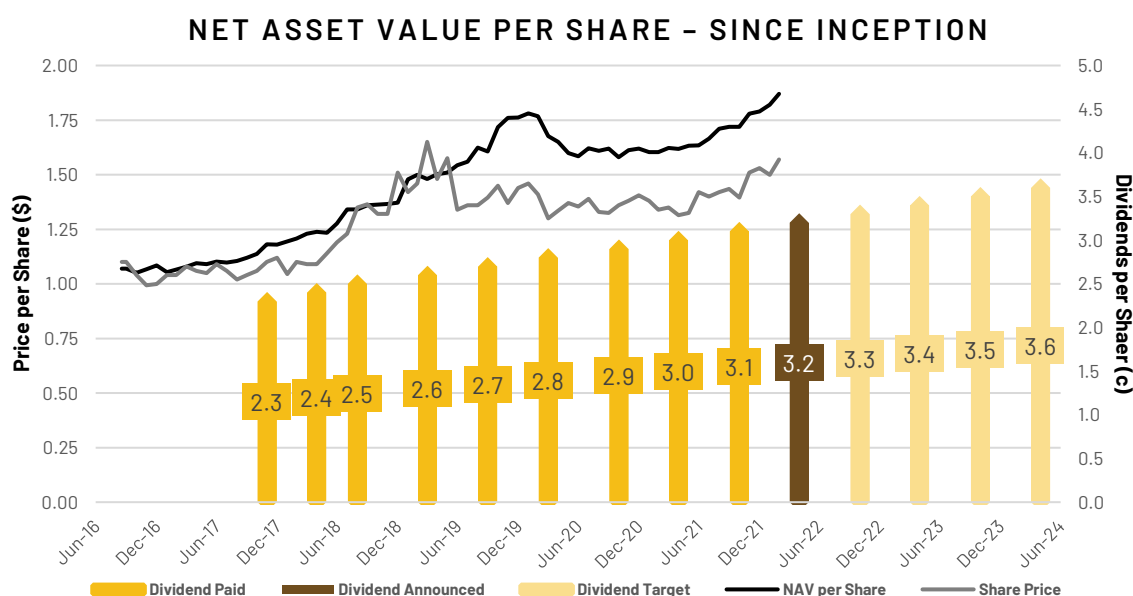
The Board of Duxton Water encourages shareholders to participate in the Company's Dividend Re-investment Plan (DRP).

The Board maintains its commitment to providing shareholders with a bi-annual dividend, franked to the maximum extent possible.

With the Company's high percentage of leased entitlements and visible revenue streams, the Board is pleased to reaffirm targets for the following four dividends:

DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Interim 2022	3.3 cps	Fully Franked
Final 2022	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked

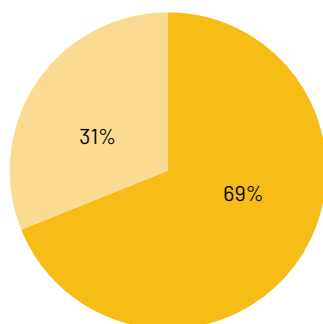


VALUATION METHODOLOGY

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

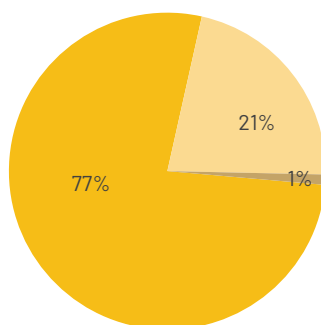


WATER PORTFOLIO DIVERSIFICATION



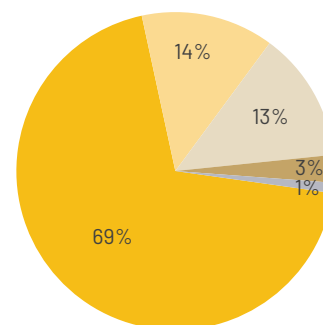
■ Leased ■ Unleased

WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

ENTITLEMENT VALUE BY REGION



■ Murray ■ Murrumbidgee
■ Goulburn ■ Lachlan
■ Mallee

Weather Update

February rainfall was 24% below average for Australia. Following January rainfalls over South Australia that resulted in significant destruction to property and isolation to some towns, recent rainfall and flood events throughout February over the eastern seaboard of Australia. Rainfall for February was the highest on record for the Sunshine Coast and coastal south-east Queensland. Extreme flooding is now present throughout large areas of south-east Queensland and NSW.

Rainfall over the MDB area was 1% above average for February, however continued wet weather conditions over the eastern states of Australia is likely to impact the MDB region in the coming weeks.

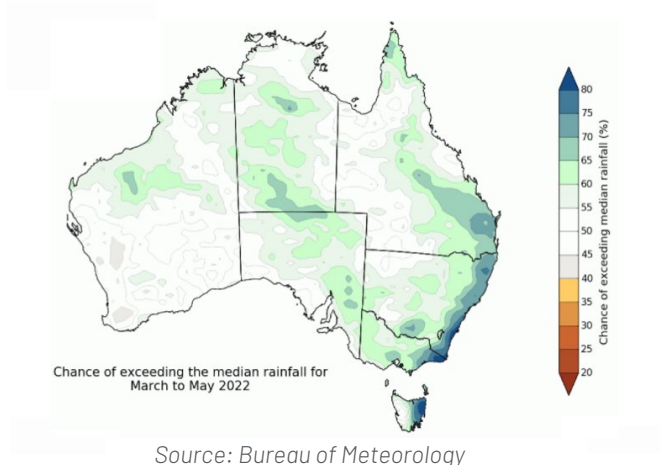
The La Nina event in the tropical Pacific Ocean remains active. The Bureau of Meteorology (BOM) have confirmed the current La Nina has passed its peak and is likely to remain active until Autumn 2022. A La Nina event typically increases the chance of above average rainfall across the north and east of Australia during summer.

The Southern Annular Mode (SAM) is forecast to remain neutral over the coming weeks. A neutral SAM should have little influence over Australia's climate.

The Indian Ocean Dipole (IOD) event that influenced our climate throughout winter and spring remains neutral. The IOD has had little impact on global weather conditions since December 2021, with little influence expected to April 2022.

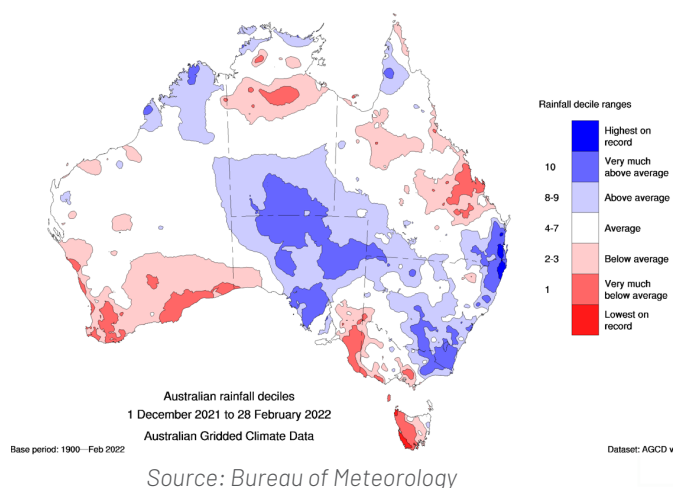
CHANCE OF ABOVE-AVERAGE RAINFALL

MARCH 2022 - MAY 2022



RAINFALL DECILE CHART (SUMMER)

DECEMBER 2022 - FEBRUARY 2022





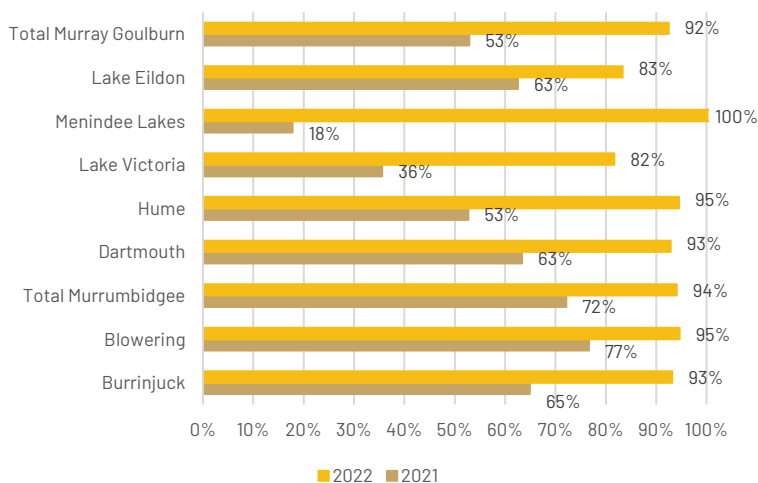
Outlook & Storages

The outlook for March to May suggests a wetter autumn for parts of central and eastern Australia. The La Nina event in the tropical Pacific Ocean has passed its peak with the BOM expecting this to weaken by mid Autumn.

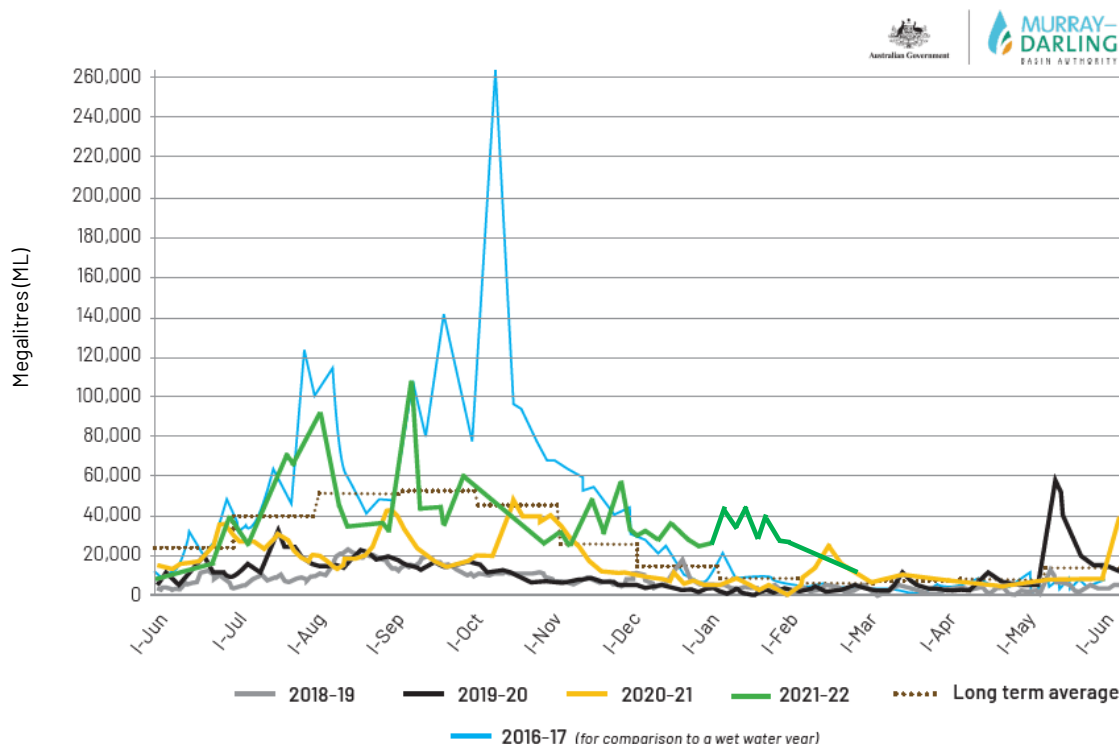
Mostly high and near median streamflows are likely at most forecast locations between March to April 2022. Warmer autumn days are likely for most areas of the country, however cooler days can be expected in eastern NSW. Autumn nighttime temperatures are likely to be higher than normal, Australia wide.

In the northern and southern MDB, storages are now at 94% and 92%, compared to 27% and 53% the same time last year.

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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