

Quarterly Update



JUNE 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

\$401 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.



Operational Update

30 June 2023 represents the end of the 2022/2023 Water Year ("WY"). Entitlement and allocation trading volume was relatively low during the June quarter. Lease and carry-over markets remained active as irrigators looked towards improving water security ahead of the upcoming water year, which commenced 1 July 2023.

During the quarter, the Company was preparing for the new water year by transferring any surplus allocations to preferential zones where possible. This enables the Company to optimise the delivery of water to customers on leases, forwards, and carry-over in the new water year.

On 3 July 2023, Duxton Water was pleased to announce that it has agreed to acquire \$39.1 million of high security water entitlements. This acquisition brings the Company's water portfolio to a new high of \$401 million.

To fund this acquisition, the Company announced a partially underwritten 1:4 Non-renounceable Entitlement Offer ("Offer") to existing Eligible Shareholders¹. The Offer enables Eligible Shareholders to acquire additional shares in the Company at \$1.50 per share. The Offer opened on 11 July 2023 and is expected to close on Tuesday, 1 August 2023. An underwritten \$7.25 million Placement was completed in early July 2023 at the same price of \$1.50 per share to institutional and sophisticated investors.

Due to the cyclical nature of Australia's water markets, the Company typically has stronger net operating cashflows in the second half of its financial year (July to December). This is due to new season water allocations that are awarded from 1 July. Last year, D2O sold the majority of its unleased allocation holdings before 31 December 2022 to support summer irrigation. Combined with the lower-than-average allocation prices (due to the extremely wet conditions), receipts from customers for the first 6 months of this financial year were below average.

COMPANY SNAPSHOT

	March 2023	June 2023
Water Entitlements	83.6GL	88.8GL
Leased % of Portfolio	58%	53%
Weighted Average Lease Expiry (WALE)	1.3 years	1.1 years
WALE (incl. renewal options)	4.2 years	4.0 years
Shares on Issue	117.7m	117.9m
Total Water Assets	\$372m	\$401m

Entitlement Market

At 30 June 2023, Duxton Water held 88.8GL of permanent water entitlements across 18 asset types and classes. During the June 2023 quarter, the Company increased its portfolio size by 5.2 Gigalitres (or 6%).

The overall entitlement market softened by 3% in the June quarter, with the largest decline occurring in May. Factors contributing to the decrease are the ongoing impact of the recent floods and sellers looking to release capital to support new season farming plans.

The Company continues to monitor the market for attractive acquisitions and rebalancing opportunities.

Allocation Market

Low allocation prices continued to be observed throughout the June quarter. This reflected the extremely wet conditions seen throughout the southern Murray Darling Basin ("sMDB") over the last couple of years.

Allocation water traded between \$2-\$20/ML in the Lower Murray, \$1-\$10/ML in the Upper Murray, \$5-\$20/ML in the Goulburn and \$2-\$10/ML in the Murrumbidgee.

Allocation prices opened the new water year at \$85-\$100/ML across most regions and continued to stabilise and gently move up throughout the last few weeks of July 2023.

COMPANY PERFORMANCE - JUNE 2023

1 Month	3 months	6 Months	12 Months	Inception
-0.12%	-0.56%	-2.81%	-1.31%	112.94%

1. Entitlement Offer Eligible Shareholders are those who held shares in the Company on 6 July 2023 (Record Date) and do not have a registered address in the United States of America.

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



Leases

At 30 June 2023, Duxton Water had 53% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 67% of the Company's high-security portfolio (by value). The WALE was 1.1 years, or 4.0 years, including renewal options.

The Company's leased percentage dropped from 58% to 53% during the quarter. This is due to the acquisition of water entitlements from Treasury Wine Estates ("TWE") being recorded at 30 June 2023, with the leaseback only commencing upon settlement of the transaction (expected late August 2023). The lease will be backdated to commence 1 July 2023 once settlement occurs. Further details on this transaction can be found in the Company's recent ASX announcements.

During the June quarter, the Company finalised additional leases to start on 1 July 2023. This has resulted in D20 successfully replacing the leases that were due for expiry on 30 June 2023. The Company continues to actively work with irrigators to help improve water security ahead of the upcoming farming season.

Excluding the TWE lease, from 1 July 2023, D20 will have 53% of its portfolio leased, with a WALE of 3.3 years. Including the TWE lease that will commence upon settlement, the Company expects both the leased percentage and WALE to increase to 61% and 3.5 years respectively (5.5 years with renewal options).

D20 anticipates annualised leasing revenue of \$9 million for the 2023-2024WY, including the TWE lease.

Capital Raise and Bonus Option Issue

Duxton Water was pleased to announce a 1:4 partially underwritten Non-Renounceable Entitlement Offer to all existing Eligible Shareholders. The Offer closes on Tuesday, 1 August 2023.

The Offer enables Eligible Shareholders to purchase additional shares in the Company at \$1.50 per share. The Offer is partially underwritten to \$25 million and intends to raise a maximum of \$44.2 million (before costs). The Company also recently completed a \$7.25 million underwritten Placement to institutional and sophisticated investors in early July 2023.

Proceeds from both capital raising initiatives will be used to fund the Company's recent \$39.1 million acquisition of water entitlements from TWE.

In addition to the above, Eligible Shareholders² will also receive one (1) free Bonus Option for every four (4) ordinary shares held in the Company at the Record Date of 3 November 2023. Bonus Options will give Eligible Shareholders the right, but not the obligation, to purchase additional shares in the Company at \$1.92 until the option expires on 10 May 2025.

Investment Update

At 30 June 2023, Duxton Water's post-tax NAV was \$1.80 per share, decreasing 6 cents per share during the quarter.

The decrease in NAV is primarily due to the recent dividend paid in April 2023 and a softening of entitlement values seen across the sMDB.

The Company's NAV, excluding tax provisions for unrealised capital gain, decreased by 7 cents per share to \$2.06 per share at 30 June 2023.

March 2023 NAV (post-tax)	June 2023 NAV (post-tax)
\$1.86 per Share	\$1.80 per Share

Dividends

On 28 April 2023, Duxton Water paid its 12th consecutive and increasing dividend to shareholders of 3.4 cents per share (fully franked). D20 has paid total dividends of 34.2 cents per share since the Company's maiden dividend in November 2017.

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

	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

Debt Update

At 30 June 2023, Duxton Water had \$130 million of debt facilities, with \$129 million drawn at 30 June 2023.

The Company's adjusted Net Debt to Water Assets at the end of the quarter was 33%, which remains within the Company's LVR bank covenant limit of 40%. The recent acquisition of water entitlements from TWE has been excluded from the LVR calculation until the Company's capital raise has been closed.

Payments to Associates/Related Parties

During the June 2023 quarter, the following cash payments to Associates and Related Parties occurred (GST exclusive):

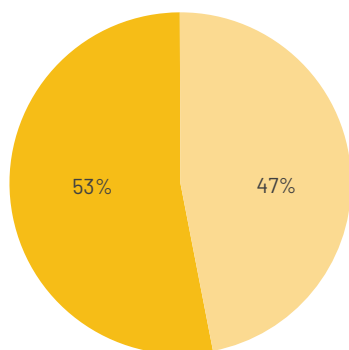
	June 2023 Quarter	YTD
Duxton Capital - Administration Fees (Admin, & Accounting Services)	\$61k	\$139k
Duxton Capital - Management Fees (As per the Management Agreement)	\$519K	\$1.07M
Duxton Capital - Performance Fees (As per the Management Agreement)	\$704k	\$2.46M
Duxton Capital - Reimbursements (On-charged Reimbursements)	\$47k	\$92k

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

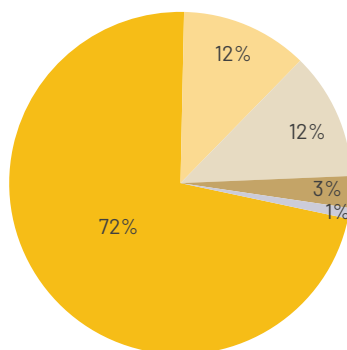


WATER PORTFOLIO DIVERSIFICATION



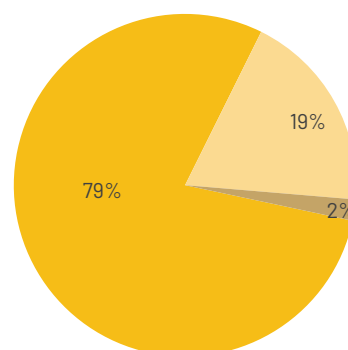
■ Leased ■ Unleased

ENTITLEMENT VALUE BY REGION



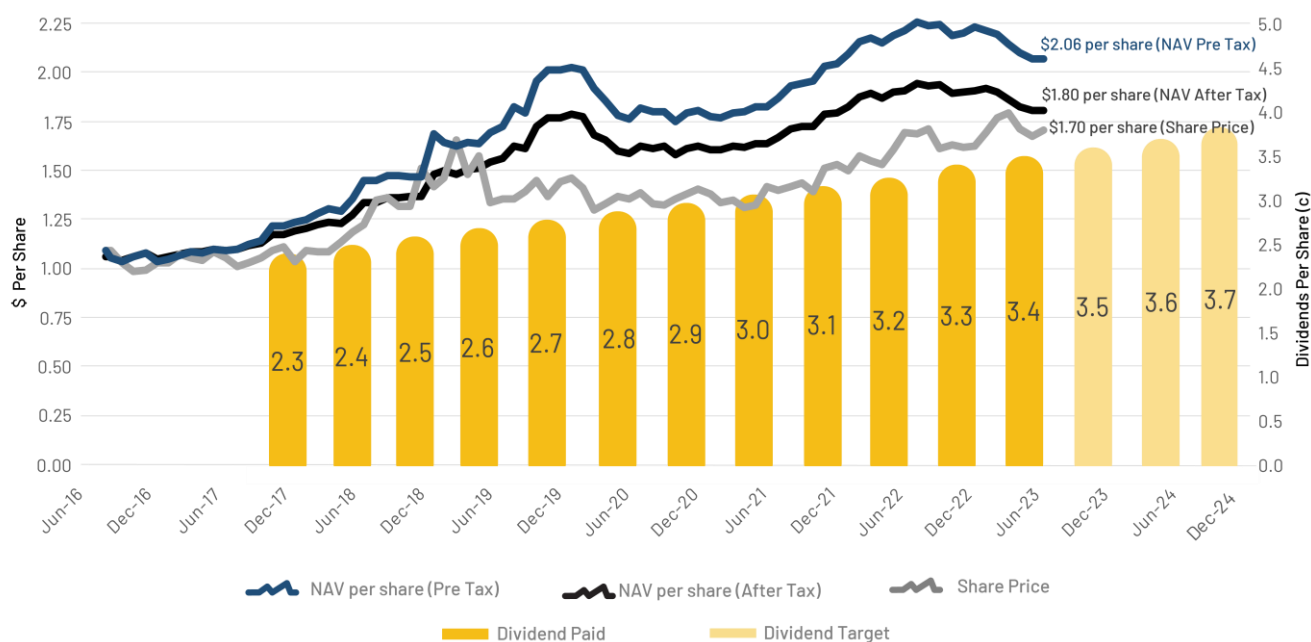
■ Murray ■ Murrumbidgee
■ Goulburn ■ Lachlan
■ Mallee

WATER SECURITY BREAKDOWN



■ High Security ■ General Security ■ Groundwater

HISTORICAL PERFORMANCE - SINCE INCEPTION



This announcement has been authorised for release by the Chairman of Duxton Water Limited.

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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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,063	2,874
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(15)	(90)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs	(306)	(767)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,596)	(3,119)
1.6 Income taxes paid	-	(2,115)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- Management Fees	(519)	(1,066)
- Performance Fee	(704)	(2,458)
1.9 Net cash from / (used in) operating activities	(2,077)	(6,741)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(4,184)	(4,968)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	8,402	11,489
	(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)	-	-
2.6	Net cash from / (used in) investing activities	4,218	6,521

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(101)	(688)
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	(1)	(2)
3.5	Proceeds from borrowings	1,000	3,500
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(3,477)	(3,477)
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(2,579)	(667)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	797	1,246
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,077)	(6,741)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	4,218	6,521
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,579)	(667)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	359	359

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	359	797
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	359	797

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**

1,331

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	130,000	128,500
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	130,000	128,500

7.5 Unused financing facilities available at quarter end

1,500

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.

On 1st April 2023, the Company finalised the annual facility review process with NAB. The company extended Facility A for 2 years and Facility B for 3 years with terms as per below.

Debt Facility A

Lender: National Australia Bank

Max Debt: \$106,000,000

Variable Interest Rate: BBSY plus 0.65% p.a. + Facility Fee of 0.65%

Maturity Date: 31 March 2025

Secured: Yes

Debt Facility B

Lender: National Australia Bank

Max Debt: \$24,000,000

Variable Interest Rate: BBSY plus 0.70% p.a. + Facility Fee of 0.70%

Maturity Date: 31 March 2026

Secured: Yes

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,077)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	359
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,500
8.4	Total available funding (Item 8.2 + Item 8.3)	1,859
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.9

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: No.

The Company does not expect to have the same level of operating cash flows as seen in the current quarter. Due to the cyclical nature of Australia's water markets, the Company typically has stronger net operating cashflows in the second half of the financial year (July to December) due to new season water allocations, and an increased demand for water supply products, as irrigators prepare for the new water year.

Given the Company decided to sell the majority of its unleased water allocations prior to 31 December 2022 last year, this meant there were fewer unleased water allocations available for sale in the first half of this year (1 January 2023 – 30 June 2023). Combined with lower than average allocation prices, due to the extremely wet conditions, this has caused receipts from customer to be below the long-term average.

Further to this, Income Taxes Paid were also higher, due to the timing of tax payments for the previous financial year, and the Company also paid a performance fee, for the first time since 2019.

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 Company has an ability to generate cashflows to fund operations should it need. Cash is generated through the provision of water products/assets to its customers:

- Leasing revenue
- Sale of water allocations (inc. forward contracts)
- Carry-over contracts
- Sale of permanent water entitlements

The Board is comfortable of the Company's ability to generate sufficient cashflows to fund its operations through its existing debt facilities and through the provision of the water supply products listed above.

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 nature of the Company's revenue streams provides the Board with a high degree of visibility to its cash flows through allocation sales, long-term leasing arrangements, and forward sale contracts. This gives the Board confidence that the Company can continue its operations and meet its business objectives as and when they fall due.

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.

Date: 31 July 2023

Authorised by: The Chairman of Duxton Water Limited
.....
(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.