

Quarterly Update



MARCH 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)

\$1.88 per share

SHARES ON ISSUE

119,792,469

WATER PORTFOLIO VALUE

\$360 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

The end of the March quarter signifies the end of the irrigation season for many. While this year has provided irrigators with much needed rainfall in some areas, the spot allocation market has been quieter than usual over the last 3-4 weeks.

Throughout the quarter, we have continued to be active in the water markets. We have been deploying capital into permanent water assets that we believe will provide us with an improved capability to deliver flexible water supply to our customers into the future.

Entitlement values continued to strengthen throughout the March quarter, with a weighted average increase of 4%. This appreciation in water prices was reflected in our post-tax NAV per share increasing 9 cents to \$1.88 per share during the quarter. We were able to add an additional 2.2GL of water entitlements to the portfolio during the March quarter, and at the end of March an additional 10 entitlement purchases are in the acquisition pipeline and ready for contract execution.

The Company continues to engage in discussions with existing and new lessees in relation to long-term water leases. We are in final talks with two new customers in relation to the commencement of two new water leases to start in the new water year (WY), 1 July 2022.

We have continued to sell down our allocation holdings that came from our unleased entitlements into the spot market. These spot sales have provided irrigators with final water requirements and the opportunity to take advantage of carryover products ahead of the next irrigation season. The Company is now well placed ahead of the end of the 21/22WY with a well hedged allocation portfolio.

COMPANY PERFORMANCE – MARCH 2022

1 Month	3 months	6 Months	12 Months	Inception
0.75%	5.08%	12.05%	21.39%	107.56%

COMPANY SNAPSHOT

	December 2021	March 2022
Share Price	\$1.53	\$1.55
NAV Per Share (Post Tax)	\$1.79	\$1.88
NAV Per Share (Pre Tax)	\$2.04	\$2.16
Shares on Issue	120.1m	119.8m
Market Capitalisation	\$184m	\$186m
Total Water Assets	\$340m	\$360m

Dividend Update

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%). The record date for this dividend will be Thursday 14 April 2022, with the payment date being Friday 29 April 2022.

The Board of Duxton Water is pleased to offer shareholders the ability to participate in the Company’s Dividend Reinvestment Plan.

The Board maintains its commitment to providing shareholders with a bi-annual dividend, franked to the greatest 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

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



Water Lease Update

At 31 March 2022, Duxton Water has 68% of its permanent water portfolio (by value) leased to Australian farming businesses. This accounts for 88% of the Company's high security portfolio (by value). The Company's leased percentage of the portfolio decreased 2% during the quarter from 70% in December 2021, due to portfolio pricing fluctuations alone. The underlying lease book did not change during the March quarter.

Demand for long-term water leases has continued to strengthen throughout the quarter, as irrigators switch their focus towards water security for the next water year. The Company is in final discussions with several new lessees, with the expectation to grow the lease book in the coming months. Several conversations with existing lessees around the renewal of their current leases are also currently underway.

The current Weighted Average Lease Expiry ("WALE") is 1.1 years. Inclusive of renewal options, this increases the WALE to 3.3 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 provide irrigators with reliable access to water at a fraction of the cost of owning the same water licenses outright.

PORTFOLIO SUMMARY

	December 2021	March 2022
Water Entitlements	80.0GL	82.2GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	72%	68%
Weighted Average Lease Expiry (WALE)	1.3 years	1.1 years
WALE (incl. renewal options)	3.5 years	3.3 years

Entitlements Market Update

The Company has continued to strategically identify opportunities and deploy capital into zones and valleys that fit its target portfolio composition. It has also focused on entitlements that provide greater flexibility when it comes to the delivery of water to its irrigator partners, and entitlements that will provide future growth and value to shareholders.

The Company increased its entitlement holding by 2.2GL during the quarter. Duxton Water now holds 82.2 GL of entitlements at 31 March 2022.

Permanent water pricing across the southern Murray Darling Basin continued to strengthen over the quarter, with a weighted average increase of 4%.

Allocation Market Update

The allocation market over the quarter has continued to gradually soften. This comes on the back of continued wet weather conditions, resulting in a greater water availability and a willingness from buyers to sit back from transacting in the market in hope of greater rainfall.

For context on wet weather conditions, on 17 January 2022 an additional 60% allocation was awarded to VIC Murray Low Reliability entitlements. Allocations have not been awarded to this entitlement since the last wet period in 2016.

This increase in availability, coupled with in-valley rainfall and reduced usage, has been the dominant factor to price softening.

However, some unexpected price firming for particular zones did come towards the end of the quarter.

Allocation prices softened over the quarter from their January prices of \$65-\$75/ML in the Lower Murray and Goulburn systems, \$25-\$35/ML in the Murrumbidgee, and \$40-\$50/ML in the upper Murray. March saw prices closed at \$55-\$65/ML in the Lower Murray, \$40-\$50/ML in the Goulburn, \$8-\$12/ML in the Murrumbidgee, and \$15-\$20/ML in the upper Murray.



Hume Weir, New South Wales



Finance Update

During the March quarter, Duxton Water increased its maximum debt facility from \$106 million to \$130 million, which will take the Company's gearing to 35% once fully deployed (based on current water prices). These funds will be used to acquire additional permanent water entitlements that will be leased to irrigators, further strengthening the Company's visible leasing revenue stream. The Company's Maximum Net Debt Covenant has also been extended from 35% to 40% to allow for portfolio value fluctuations.

Sensible debt funding continues to be used to enhance shareholder returns, with interest rates being lower than lease income rates. At full deployment, Duxton Water will have approximately 40% of its debt locked into 5 and 10-year interest rate swaps that expire between 2024 and 2031.

Duxton Water's post-tax NAV increased 9 cents during the March quarter to \$1.88 per share. The Company's NAV excluding tax provisions for unrealised capital gain increased 12 cents during the quarter to \$2.16 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 to undertake the NAV assessment on a monthly basis.

March NAV (post tax)	March NAV (pre tax)
\$1.88 per Share	\$2.16 per Share

Share Buyback

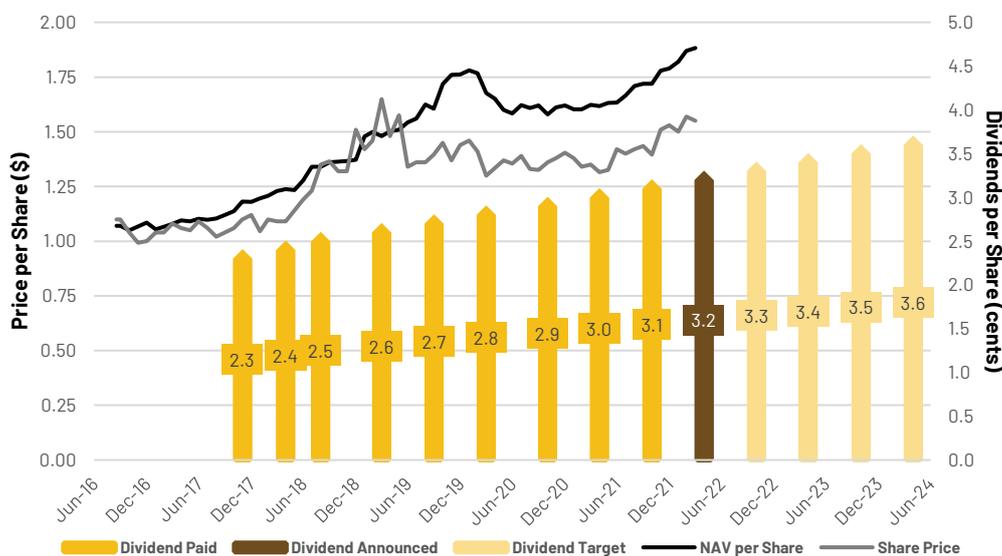
At 31 March 2022, the Company has bought back a total of 435k shares at an average price of \$1.51 per share since November 2021. The Board believes buying back shares at the current discount to NAV is in the interests of all shareholders.

Payments to Associates/Related Parties

During the March 2022 quarter, the following payments to Associates and Related Parties occurred (GST Inclusive):

	March 2022	YTD
Duxton Capital - Administration Fees (Admin & Accounting Services)	\$72k	\$72K
Duxton Capital - Management Fees (As per the Management Agreement)	\$755k	\$755k
Duxton Capital - Reimbursements (On-charged Reimbursements)	\$20k	\$20k

NET ASSET VALUE PER SHARE - 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")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,780	2,780
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(165)	(165)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs	(221)	(221)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(582)	(582)
1.6 Income taxes paid	(1,394)	(1,394)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
- Management Fees	(686)	(686)
- Performance Fee	-	-
1.9 Net cash from / (used in) operating activities	(268)	(268)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	(6,881)	(6,881)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	6,109	6,109
	(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)		
	- Net Deposits (Paid)/Received	(33)	(33)
2.6	Net cash from / (used in) investing activities	(805)	(805)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(491)	(491)
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)	(1)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(492)	(492)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,220	6,220
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(268)	(268)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(805)	(805)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(492)	(492)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,655	4,655

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	4,655	6,220
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)	4,655	6,220

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**

847

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	106,000
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	130,000	106,000

7.5 **Unused financing facilities available at quarter end** **24,000,000**

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 23 March 2022, Duxton Water opened "Facility B" (\$24 million) which will be used to acquire additional permanent water entitlements. This will take the Company's maximum gearing to 35% once fully deployed (based on current water prices). The expiry for Facility B is 31 March 2024 and the fee structure is set out below. The expiry for Facility A has also been extended by three months to align with the expiry of Facility B (31 March 2024). During this process, the Company's maximum net debt covenant was also extended from 35% to 40% to allow for portfolio value fluctuations should they occur.

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 2024

Secured: Yes

Debt Facility B

Lender: National Australia Bank

Max Debt: \$24,000,000

Variable Interest Rate: BBSY plus 0.725% p.a. + Facility Fee of 0.725%

Maturity Date: 31 March 2024

Secured: Yes

While the maturity date of the Company's debt facility is set out above, the Company's interest rate swaps remain unchanged. The Company has locked a portion of its debt into 5-year and 10-year interest rate swap arrangements that have varying expiry dates between 2024 and 2031, providing a level of hedging against future interest rate movements.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(268)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,655
8.3	Unused finance facilities available at quarter end (Item 7.5)	24,000
8.4	Total available funding (Item 8.2 + Item 8.3)	28,655
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	106.9

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:

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:

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:

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 7 April 2022

Authorised by: the Board
(Name of body or officer authorising release – see note 4)

Notes

- 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.
- 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.
- 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.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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.