

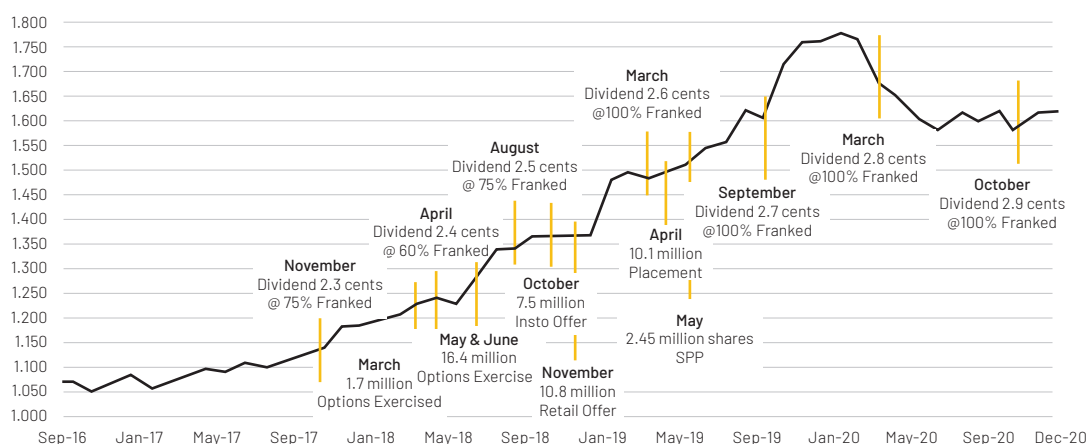
The primary investment objective of Duxton Water ("the Company") is to build a portfolio of permanent water entitlements and utilise this portfolio to provide flexible water supply solutions to our Australian farming partners. The Company generates a return by offering Irrigators a range of supply solutions including long-term entitlement leases, forward allocation contracts and spot allocation supply.

NET ASSET VALUE PER SHARE

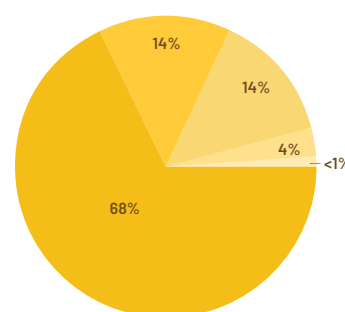
Duxton Water's NAV at 31 December 2020 was \$1.62 per share.

The after-tax NAV 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. The Company does not expect to trigger these tax provisions through the turnover of these assets and expects to maintain its low entitlement turnover ratio. **The NAV excluding tax provisions for unrealised capital gain is \$1.80.** The Company's NAV is primarily the fair value of its water asset portfolio at the stated date. The Company uses an independent Fair Market Unit Value for entitlement and allocations provided by Aither Pty Ltd ('Aither') to undertake the NAV assessment.

NET ASSET VALUE PER SHARE – SINCE INCEPTION

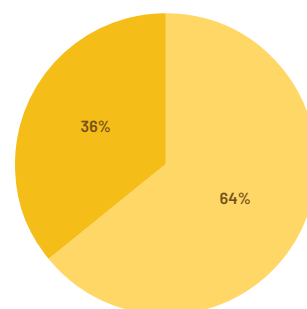


Entitlement Portfolio Value by Region



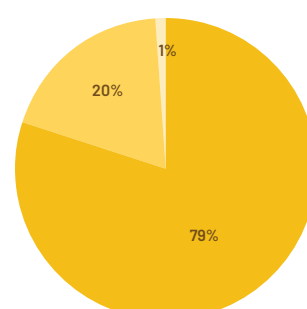
● Murray
● Murrumbidgee
● Goulburn
● Lachlan
● Mallee

Water Portfolio Diversification



● Unleased
● Leased

Water Security Breakdown



● HS
● GS
● Bore

PERFORMANCE*

1 Month	3 Months	6 Months	12 Months	Inception
0.63%	2.68%	5.00%	-3.33%	75.02%

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

INVESTMENT UPDATE

As of 31 December 2020, Duxton Water is invested in approximately \$320 million of water assets with the remainder of the portfolio held in cash and net current assets. Having taken the opportunity to rebalance a portion of the portfolio, the Company continues to redeploy capital as opportunities become present. Currently, 144.3ML (\$0.6 m) of water entitlements are in the acquisition pipeline at 31 December 2020.

Since May 2020, entitlement prices fluctuations have been relatively stable. This follows a 6% retracement in values from their peak in January 2020. For context since January 2014, water entitlement values have increased over 250%, reflective of the long-term structural drivers, rather than the short-term climatic 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 entitlement on issue in the market.

December rainfall across the MDB was 10% above the long-term average however inflows for December were in the lowest 30% recorded. The MDB Authority active storage levels are higher than they were 12 months ago, however they are still approximately 22.5% below long-term levels. Storages continue to be drawn down as summer irrigation requirements increase with warmer daytime temperatures. The Murray-Goulburn system is currently 58% of storage capacity levels; 22.9% higher than 12 months ago. Northern basin storage levels are currently 27%, 20% higher than 12 months ago.

Duxton Water continues to support its Irrigator partners through the peak water irrigation period for the 20/21 water year. This involves the provision of leases to over 70 family farming and corporate businesses. Through June 2020, many Irrigators took advantage of seasonally low allocation pricing and acquired allocation to carry over into the new water year. The Company has further supported Irrigator water risk management through the provision of forward allocation contracts for the 20/21 water year. This provides Irrigators with visibility to water supply and assists Duxton Water in hedging its allocation risk on its unleashed permanent water assets.

The Company actively manages its allocation holding in order to deliver on demand for spot allocation sales, meet its obligation for the provision of forward allocation sales and deliver on new entitlement lease arrangements. In offering these products, the company supports market liquidity and risk management options for our Irrigator partners.

* <https://waterregister.vic.gov.au/about/news/330-new-analysis-on-trends-and-drivers-of-water-market-prices-for-allocation>

ENTITLEMENT MARKET

Duxton Water is engaged in building a targeted portfolio of water entitlements predominantly across the southern MDB. The Company has invested in both surface and ground water assets. At 31 December 2020, the Company holds approximately 81.2 GL of water entitlements across 19 different asset types and classes.

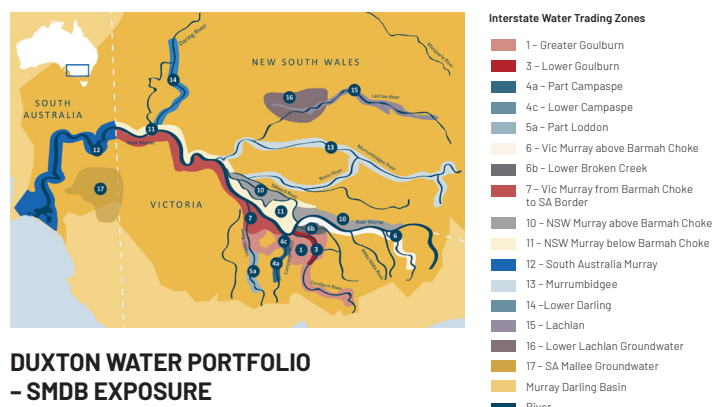
Across all SMDB Entitlement pricing remained stable throughout December 2020, with a weighted decrease of 0.1%. The Company has however benefited from its exposure to general security entitlements which continue to see both increased allocation and capital appreciation with improved resource availability. The company has also benefited from strengthening value in its Mallee ground water exposure.

On the 20 November 2020, the Victorian Government released* a report on water market trends and drivers in the southern MDB. This report delivered further analysis on the future market pricing impacts on allocation prices of both the increased horticulture development as well as past and future government water recovery. The key findings of this report were that with the impact of these structural demand and supply shifts, with a repeat of the last 15 years resource availability, we are likely to see weighted average pricing significantly above that experienced over the last 15 years.

The Company uses an independent Fair Market Unit Value for allocations and dry entitlements (without allocation) provided by Aither to undertake the NAV assessment.

Notable Entitlement pricing movements through December:

- ↑ 6.67% in NSW Murray (above choke) GS (~7.49% of portfolio)
- ↑ 1.67% in VIC Murray (below choke) HS (~9.74% of portfolio)
- ↓ 2.35% in VIC Murray (above choke) HS (~10.23% of portfolio)



DUXTON WATER PORTFOLIO - SMDB EXPOSURE

ALLOCATION MARKET

Allocation prices soften back to \$200-210 in the lower Murray with the expectation of Murrumbidgee intervalley trade opening. Prices in the upper Murray and Goulburn have traded from \$130-\$160/ML.

LEASES

The leased portion of the water entitlement portfolio is ~64%. This represents ~78% of the Company's High Security Entitlement holding.

The current weighted average lease expiry (WALE) remains at 2.2 years. Inclusive of renewal options this pushes the WALE to 4.5 years. The Company continues to work towards its long-term goal of having 70-80% of the portfolio under lease.

DIVIDENDS

The Company paid a fully franked dividend of 2.9 cents on the 30 October 2020, with 222k shares issued under the Dividend Reinvestment Plan at a VWAP of \$1.3401/Share.

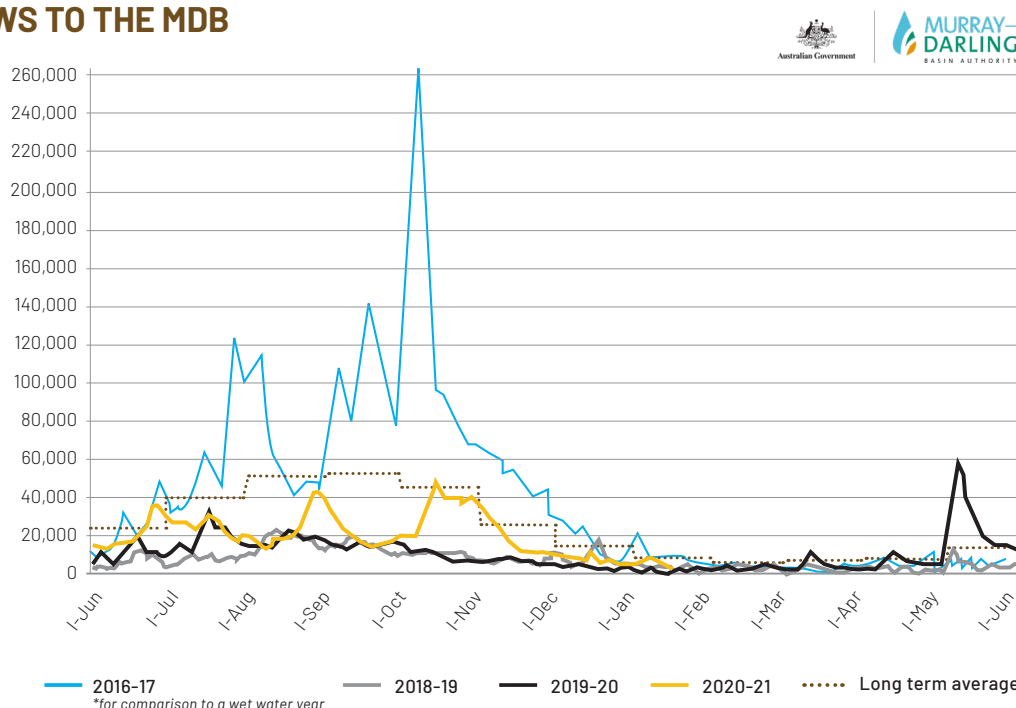
The Board maintains its commitment to providing shareholders with a bi-annual dividend franked to the maximum extent possible. With the Company's high percentage of leased entitlements, the Directors reaffirm its target for the next four dividends.

The Company has targeted fully franked payments of:

- 3.0 cents (\$0.030) as the final 2020 dividend;
- 3.1 cents (\$0.031) as the interim 2021 dividend;
- 3.2 cents (\$0.032) as the final 2021 dividend; and
- 3.3 cents (\$0.033) as the interim 2022 dividend.

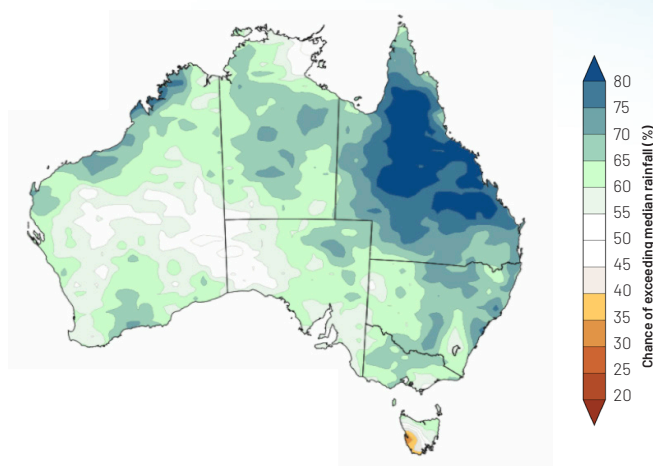
The dividend targets are to be paid in the following reporting periods.

DAILY INFLOWS TO THE MDB



Murray System Daily Inflows (excl. Snowy Darling, inter-valley trade and environmental inflows) - 5 day rolling average

CHANCE OF ABOVE-AVERAGE RAINFALL FEBRUARY 2021 - APRIL 2021



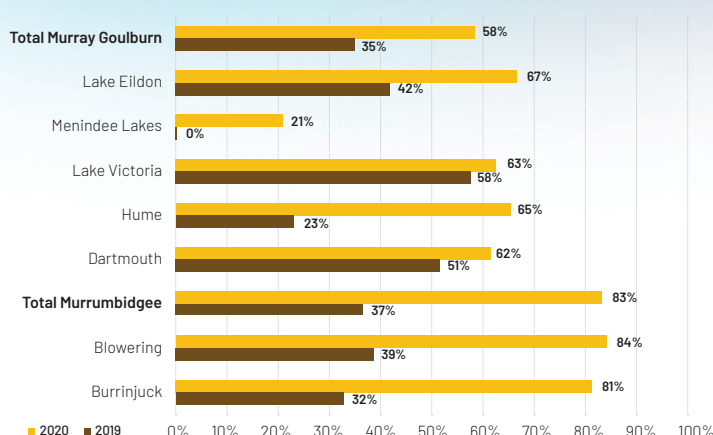
MARKET UPDATE & OUTLOOK

The BOM expect that the La Nina event in the Pacific Ocean has now peaked and is likely to ease in the coming weeks returning to neutral conditions during late summer. La Nina typically means above average rainfalls over the summer months for much of eastern Australia. It should however be noted that for the southern parts of Australia and particularly the southern MDB, summer is not typically a high rainfall period and requires only small increases of received precipitation to breach the average rainfall thresholds.

The BOM have made commentary in recent outlooks that: "While the outlooks indicate wetter than average conditions, southern parts of Australia are entering into their drier season, so rainfall is not likely to be sufficient to relieve long-term rainfall deficits."

Rainfall for the MDB for December was 10% above the long-term average however inflows into Murray storages were in the lowest 30% for December. We continue to see draw downs of major storages to meet peak summer requirements. Daytime temperatures are expected to be warmer than average for south east Australia. In the northern and southern MDB, storages are now at 27% and 58%, compared to 7% and 35% this time last year.

STORAGE LEVELS IN MAJOR DAMS



ACCC

On 30 July 2020, the ACCC released the interim report into the Southern Murray Darling Basin Water Market.

The ACCC has spent almost a year reviewing the markets operation and engaging with key stakeholders. The Commission has had an ongoing role in monitoring the Australian Water Markets, having issued reports on its operation since 2012. It is the Company's view that the interim report is thorough and well-balanced.

We note the ACCC has stated that:

"Water trading has brought substantial benefits to water users across the Basin. Water markets allow Irrigators to increase their water supplies, to earn income by selling their water rights when they are more valuable to someone else, to expand production, or to release capital for investment in their businesses. The benefit of water markets is demonstrated by the fact that, despite tough and volatile climatic conditions, the value of production from irrigated agriculture in the Southern Basin has trended upwards in real terms since 2010-11."

"Water investors, meanwhile, can help Irrigators free up capital by buying and leasing out water; they can increase water market liquidity; and they can help Irrigators manage water-supply risks, by providing water products such as leases and forward contracts."

We note the report has identified opportunities to improve governance, regulatory and operational frameworks that support Australian water markets. We believe that a focus in these areas will benefit all stakeholders and Duxton will actively engage in that process.

The interim report can be found at:

<https://www.accc.gov.au/focus-areas/inquiries-ongoing/murray-darling-basin-water-markets-inquiry/interim-report>

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

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

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