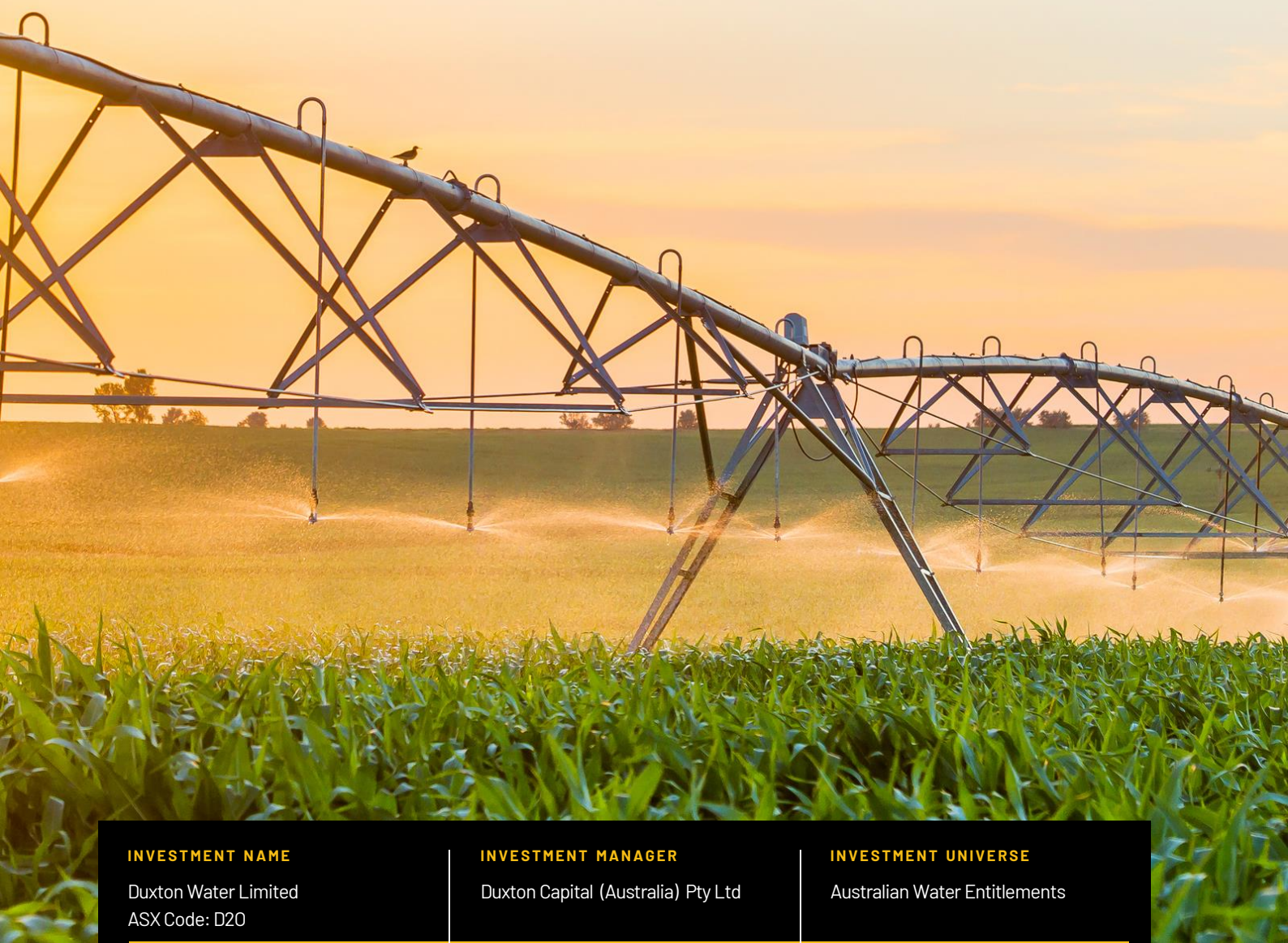


Monthly Update



SEPTEMBER 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)

\$1.93 per share

SHARES ON ISSUE

119,187,629

WATER PORTFOLIO VALUE

\$382 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

As we enter the third month of the 22/23 Water Year (WY), wet climatic conditions have continued, posing continual challenges for the system and its users. Rainfall in September 2022 was the fifth-highest on record for Australia, and more rainfall is expected in the coming months.

On the 22nd of September, the Dartmouth dam, the largest water storage in the Murray-Darling Basin, commenced flowing over the spillway for the first time since 1996. With major storages at c.100% capacity, dam operators are balancing priorities between creating airspace to prepare for the wet outlook, and conserving water for the next dry years.

Despite the continued wet conditions and low allocation prices, we have continued to see permanent entitlement values trading at near all-time highs.

We believe this is a reflection of the long-term demand and supply drivers that continue to underpin entitlement markets that have caused entitlement values to remain stable during this period of extreme wet.

Throughout September, Duxton Water contracted two new entitlement acquisitions. We believe that these acquisitions will provide both greater flexibility in the delivery of water and future value appreciation.

While there is an increased availability of water currently in the system, low spot prices have been evident in the market. The Company is however well hedged against these low prices based on taking a proactive approach to selling down the majority of its unleased holdings early in the WY.

Further to this, given the Company's portfolio is made up of c.20% general security (GS) entitlements, greater water availability means high awarded allocations to GS entitlements. This therefore means that in wet years, the Company has greater volumes of water sell down. This therefore acts as a natural hedge for the portfolio.

There continues to be demand for leases to begin 1 July 2023 and based on the wet climatic conditions being experienced this WY, irrigators now have an excellent opportunity to lock in water security and prepare for future water seasons.

The Company is continuing to have discussions with several brokers and lessees with respect to finalising future leasing arrangements and water supply partnerships.

Lastly, the Company is pleased to be paying its eleventh consecutive and increasing dividend of 3.3 cps (fully franked) to shareholders on 28 October 2022. Duxton Water Ltd would like to thank its shareholders for their continued support.



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager

COMPANY PERFORMANCE

1 Month	3 months	6 Months	12 Months	Inception
0.26%	1.57%	4.92%	17.44%	116.22%

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



Water Lease Update

At 30 September 2022, Duxton Water has 55% of its permanent water portfolio (by value) leased to Australian farming businesses, accounting for 71% of the Company's high security portfolio (by value). The current Weighted Average Lease Expiry ("WALE") is 1.6 years. Inclusive of renewal options, this increases the WALE to 4.7 years.

During September, the Company has continued to discuss a range of lease options with a number of brokers, as well as new and existing lessees. Given the sheer volume of water currently available in the system and the expectation for more rainfall in the coming months, lessees are shifting their focus to leases that commence 1 July 2023.

Duxton Water has therefore been looking forward and providing lease options to meet this demand. The Company is currently in negotiations with a number of brokers and irrigator clients with the expectation to lock in several new leases to begin 1 July 2023. Products like these provide opportunity to irrigators to lock in future water security ahead of potential dry years as well as hedging the Company's lease book.

Duxton Water continues to work towards once again achieving its long-term leasing target of 70-80%. Through long-term leases, the Company is able to provide lessees with water security at a fraction of the price of owning the same water entitlements outright.



Dartmouth Dam spilling

WATER LEASE CASE STUDY: GOULBURN

Duxton Water recently finalised a c.1,500ML Zone 1A Goulburn Low Reliability water lease to an almond grower located in the Goulburn region, Victoria. Historically, Goulburn low reliability entitlements do not receive an annual water allocation. However, they provide irrigators with an excellent carry over capability, with a very low risk of spill. This lease will provide the lessee with the ability to take a multi-year view of their water supply strategy by utilising the carry over space attached to these entitlements.

Through this type of partnership, Duxton Water continues to enable Australian farming businesses to take a multi-year approach to managing their annual water supply strategy.



QUICK FACTS SUMMARY

	August 2022	September 2022
Water Entitlements	84.8GL	84.5GL
Portfolio Diversification (types)	18	18
Leased % of Portfolio	55%	55%
Weighted Average Lease Expiry (WALE)	1.7 years	1.6 years
WALE (incl. renewal options)	4.8 years	4.7 years

Entitlement Market Update

At 30 September 2022, Duxton Water holds 84.5GL of permanent water entitlements across 18 different asset types and classes. Throughout September, two additional parcels of water entitlements were added to the portfolio, increasing holdings by 17ML.

Permanent water pricing across the southern Murray Darling Basin (sMDB) strengthened slightly throughout September, with a weighted average increase of 0.1% (resulting in a c.15% increase since September 2021).

The Company has continued to seek opportunities that benefit the portfolio from both a sale and acquisition perspective. Deal flow in the entitlement market has increased in recent weeks with more parcels on offer.

Allocation Market Update

Whilst wet conditions have remained present reducing the requirement for water this season, allocation prices have continued to move downwards in September. It should however be noted that the Company sold down the bulk of its unleased holdings earlier in the season, meaning it has less exposure to current prices.

Allocation water has traded between \$30-\$40/ML in the Lower Murray, \$25-\$35/ML in the Goulburn, \$30-\$40/ML in the Murrumbidgee, and \$25-\$35/ML in the Upper Murray throughout the month of September.



Finance Update

Duxton Water's post-tax NAV increased by 1 cent during the month of September 2022 to \$1.93 per share. This represents a 0.3% increase from last month. On an annualised basis, post-tax NAV increased by 12% since September 2021 and 18%, including dividends.

The Company's NAV, excluding tax provisions for unrealised capital gain, also increased by 1 cent during the month to \$2.23 per share.

Duxton Water's share price closed September 2022 at \$1.61, a decrease of 10 cents from the end of August. However, September was challenging for the stock markets, with major indices such as the ASX 200 closing the month at -7.3%. The share price started to bounce back in early October, reaching a high of \$1.71 on 10 October. Since September 2021, D20 shares have increased by 12% and have provided shareholders with a total return of 18.5%, including dividends.

At 30 September 2022, Duxton Water had \$55m/\$124m of fixed debt, and the remaining debt is variable. The Company has taken the opportunity to lock into several fixed interest rate swaps to hedge against future interest rate movements. The swaps are due for expiry between 2024 and 2031. The Company continues to monitor short-term and long-term interest rates to manage its debt position.

At 30 September 2022, the Company's Net Debt to Water Assets is 31% (with a maximum Net Debt covenant of 40% in place).

NAV (post tax)	NAV (pre tax)
\$1.93 per Share	\$2.23 per Share

Share Buyback

At 30 September 2022, Duxton Water bought back a total of 1.3 million shares (equivalent to 1% of the Company), at an average price of \$1.60 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 2 September 2022, Duxton Water was pleased to announce that it will pay its 11th consecutive and increasing dividend to shareholders of 3.3 cents per share (fully franked).

The record date for this dividend is Friday, 14 October 2022, with the payment date being Friday, 28 October 2022.

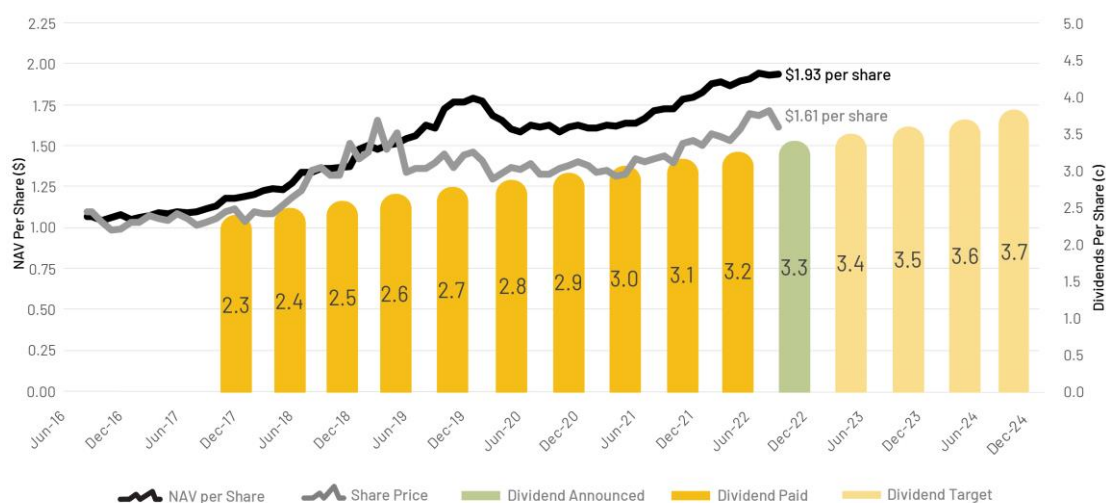
The Board of Duxton Water is once again pleased to offer shareholders the ability to participate in the Company's Dividend Reinvestment Plan.

Due to continued strong portfolio performance, the Board of Duxton Water is pleased to extend its dividend guidance to shareholders out to the second half of 2024. The Company is now targeting an interim 2024 dividend of 3.7 cents per share (fully franked).

DIVIDEND GUIDANCE

	Cents Per Share	Franking Target
Final 2022	3.4 cps	Fully Franked
Interim 2023	3.5 cps	Fully Franked
Final 2023	3.6 cps	Fully Franked
Interim 2024	3.7 cps	Fully Franked

NET ASSET VALUE PER SHARE - SINCE INCEPTION

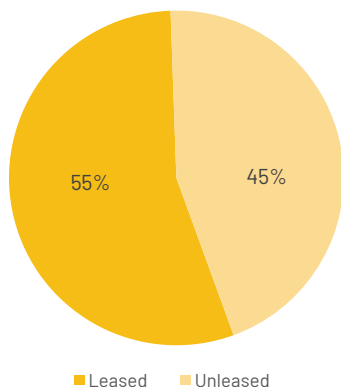


VALUATION METHODOLOGY

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

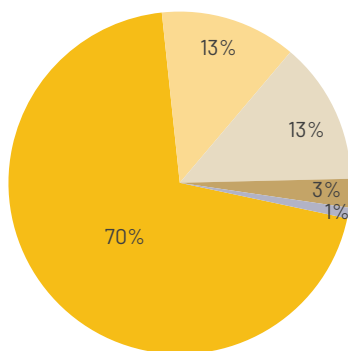


WATER PORTFOLIO DIVERSIFICATION



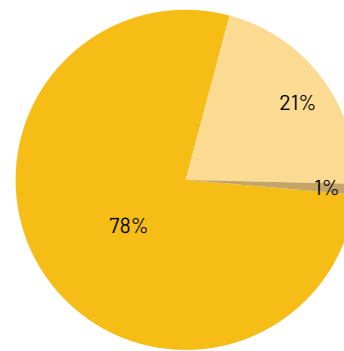
■ Leased ■ Unleased

WATER SECURITY BREAKDOWN



■ Murray ■ Murrumbidgee ■ Goulburn ■ Lachlan ■ Mallee

ENTITLEMENT VALUE BY REGION



■ High Security ■ General Security ■ Groundwater

Weather Update

Rainfall in September was the fifth-highest on record for Australia as a whole. The national average was 103% above the long-term 1961–1990 average. Queensland, New South Wales, and Western Australia's rainfall was among the ten highest on record compared with all of September since 1900. Moderate and major flood events continued in New South Wales and part of Queensland during September.

However, rainfall was below average in western Tasmania, South and West Gippsland in Victoria, and south-west Western Australia.

Across the Murray-Darling Basin, rainfall was 128% above the long-term 1961–1990 average. September rainfall in the Basin, as a whole, was the 4th highest on record.

The national mean temperature for August was 0.69°C warmer than the long-term average for Australia. The maximum temperature exceeded the mean by 0.02°C and the mean minimum by 1.36°C, representing the tenth-highest on record for September.

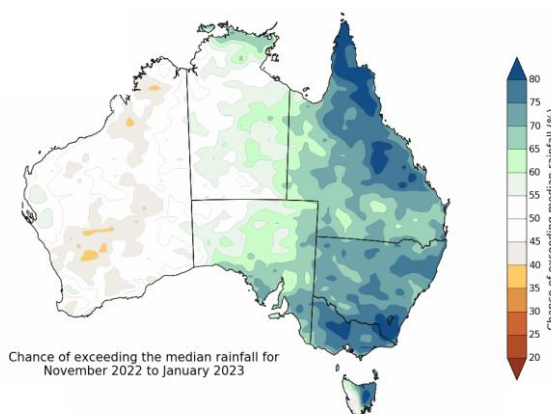
La Niña continues in the tropical Pacific. La Niña events increase the chances of above-average rainfall for northern and eastern Australia during spring and summer. Models indicate that La Niña may peak during spring and return to neutral conditions early in 2023.

The Indian Ocean Dipole (IOD) remains negative, with values below the threshold (−0.4°C) since June. Most models suggest that the negative IOD is likely to persist until at least late spring, increasing the likelihood of above-average spring rain for most of the eastern two-thirds of Australia.

The Southern Annular Mode (SAM) is currently positive and is expected to remain positive throughout spring and into early summer. A positive SAM increases the chance of above-average rainfall for parts of eastern New South Wales, eastern Victoria, and south-eastern Queensland.

CHANCE OF ABOVE-AVERAGE RAINFALL

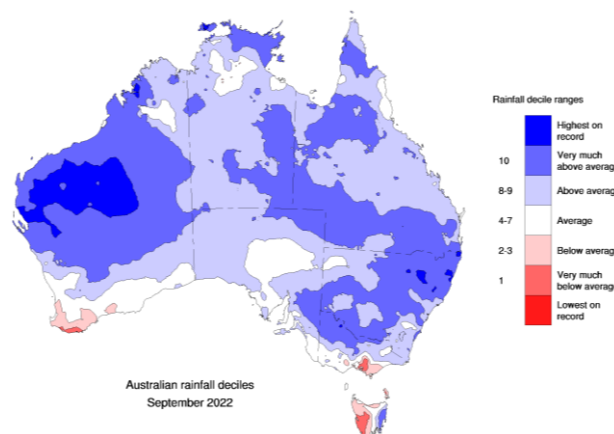
NOVEMBER 2022 – JANUARY 2023



Source: Bureau of Meteorology

RAINFALL DECILE CHART (SPRING)

SEPTEMBER 2022



Source: Bureau of Meteorology



Outlook & Storages

The November to January outlook suggests that it will be wetter than average for the eastern half of Australia, with a 60% chance of above-average rainfall. The chance increases to 75% for large parts of tropical and far northern Queensland, north-eastern New South Wales, south-eastern New South Wales, Victoria, and eastern Tasmania.

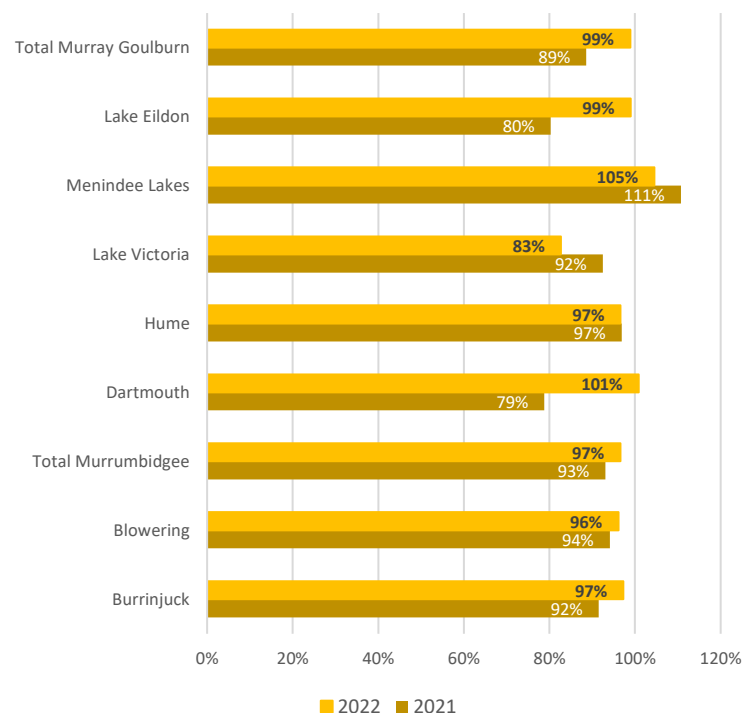
Cooler days are expected in southern Queensland and large parts of New South Wales, and warmer days in Tasmania, Western Australia, and the northern coasts.

La Niña, a negative IOD, a positive phase of SAM and warmer waters around Australia all contribute to wetter outlooks over large parts of Australia.

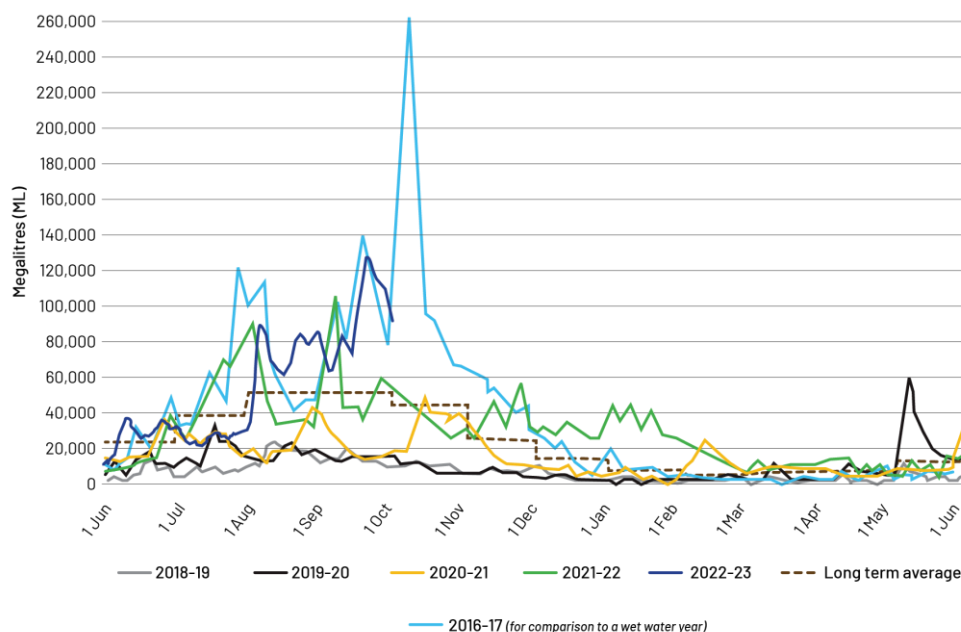
River Murray inflows for September were within the highest 15% of inflows on record for September, and high streamflows are likely for October-December 2022.

In the northern and southern MDB, storages are now at 106% and 98%, respectively, compared to 82% and 89% at the same time last year. High storage levels, heavy rainfall and already wet soils increase the risk of flooding, especially in eastern Australia. Flood alerts have been raised in some areas.

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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