



**DUXTON
WATER**

\$1.79

Net Asset Value per Share

ASX CODE: D20

Shares on Issue (December): 120,112,469

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 2021 was **\$1.79 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 \$2.04 per share.** 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



PERFORMANCE*

1 Month	3 Months	6 Months	12 Months	Inception
0.90%	6.76%	12.37%	16.00%	99.05%

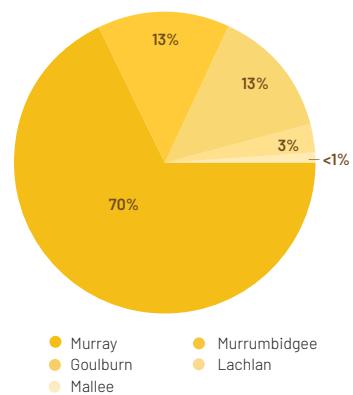
*These figures are based on NAV movements and include franked dividends for the period.

INVESTMENT UPDATE

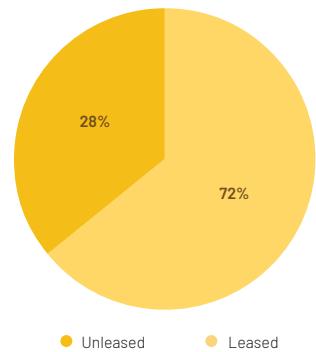
At 31 December 2021, Duxton Water is invested in approximately \$340 million of water assets, with the remainder of the portfolio held in cash and net current assets. This month, Duxton Water entered into a number of permanent water purchase contracts in VIC Murray Zone 7 (HR) and VIC Goulburn 1A (HR). There are a number of transactions in the Company's acquisition pipeline.

The 2021 year has seen entitlement pricing continue to strengthen for both high security and general security assets. Irrigators have continued to increase their exposure to high security water in preparation for future water years, and general security assets have drawn interest as allocations are now at 100% on general security in NSW Murray, Murrumbidgee and Lachlan. Permanent entitlement prices have on average increased 16.5% since the start of 2021.

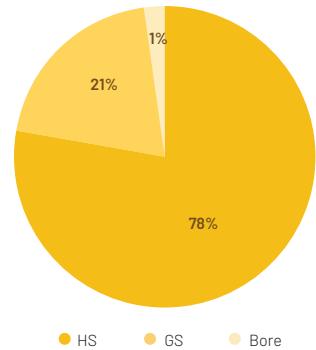
Entitlement Portfolio Value by Region



Water Portfolio Diversification



Water Security Breakdown





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The Government has taken significant steps to return water to the environment with buy-backs and infrastructure upgrade projects. So far, the Government has removed ~30% of water entitlements on issue from the consumptive pool through these initiatives. This constraint on supply combined with the significant increase in inelastic demand for water from permanent crop producers, has seen the value of permanent water assets continue to increase in 2021.

Murray Darling Basin (MDB) active storage levels are now 42% higher than long term averages. Above average rainfall and inflows to catchments has significantly improved major storages over the last 6-7 months. The Hume dam, one of Murray Goulburn's main water storages, is at 97% capacity. The MDB authority has continued to manage Hume by releasing water to help mitigate the impacts of further spill events.

On 15 December 2021, the resource manager declared that all VIC Murray HR spillable water accounts were now empty with 100% of water spilt.

The resource manager also awarded a 12% allocation to VIC Murray LR water shares, a first determination to this water share since 2016/17. "Stored resources, plus the statistical inflows used in our two-year allocation cycle, can fully support seasonal determinations against Murray high-reliability water shares in 2022/23" and "We have enough water for a 12 per cent seasonal determination for low-reliability water shares this year". This comes on the back of continued inflows into the Menindee Lakes and Hume dam. Further releases to control the Hume dam level has also aided this announcement.

A low risk of spill declaration will not be made until after January. Releases made from Hume throughout December to manage inflows may also have an effect on any January determinations to VIC Murray LR water shares.

Storage capacity at Burrinjuck and Blowering dams, Murrumbidgee's main storages, are both at 93% and 94%, with current air space management and supplementary events taking place. A low risk of spill has been declared in the Goulburn system.

Duxton Water has continued to work alongside its farming partners throughout December. The Company has continued to provide its range of water supply products to the market. Duxton Water is committed to supporting irrigators through these conditions by offering long-term water leases, spot allocation sales, forward contracts and carry over products.

ENTITLEMENT MARKET

Duxton Water is engaged in building a targeted portfolio of water entitlements predominantly located across the southern MDB. The Company has invested in both surface and groundwater assets. At 31 December 2021, the Company holds approximately 80GL of water entitlements across 18 different asset types and classes.

Entitlement pricing across the southern MDB continued to show a level of strengthening during December 2021, with a weighted average increase of 1%. VIC Lower Murray HR entitlement softened throughout December, from its recent high to \$8,000/ML.

Australian irrigators continue to be the greatest beneficiaries from water entitlement price increases, as they collectively own the majority of water entitlements on issue.

On 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 expected future pricing impacts on allocation markets, due to increased horticulture development and past and future government water recovery initiatives

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

The key findings of this report indicated that with the impact of these structural demand and supply shifts, and a repeat of the last 15 years of resource availability, it is likely the weighted average price of water will be significantly above what has been 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 2021:

- ↑ 5.5% in SA Murray (below choke) HS (11% of portfolio)
- ↑ 4.3% in VIC Murray (above choke) HR (10% of portfolio)
- ↓ 3.8% in VIC Murray (below choke) HS (13% of portfolio)



DUXTON WATER PORTFOLIO – SMDB EXPOSURE

Interstate Water Trading Zones

1 - Greater Goulburn	10 - NSW Murray above Barmah Choke
3 - Lower Goulburn	11 - NSW Murray below Barmah Choke
4a - Part Campaspe	12 - South Australia Murray
4c - Lower Campaspe	13 - Murrumbidgee
5a - Part Loddon	14 - Lower Darling
6 - Vic Murray above Barmah Choke	15 - Lachlan
6b - Lower Broken Creek	16 - Lower Lachlan Groundwater
7 - Vic Murray from Barmah Choke to SA Border	17 - SA Mallee Groundwater
	Murray Darling Basin
	River



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ALLOCATION MARKET

Allocation prices strengthened during December as temperatures increased heading into summer. The La Nina event declared in November has continued to present rainfall episodes across the MDB so far this summer, however the area average rainfall for the MDB was average for the month of December. Allocation pricing traded between \$95-\$105/ML in the Lower Murray, \$70-\$80/ML in the Goulburn and Murrumbidgee, and between \$70-\$80/ML in the Upper Murray throughout December.

Duxton Water has continued to deliver on forward allocation sale contracts throughout December that were contracted earlier in the 20/21 water year. These forward allocation sale contracts benefit irrigators by providing a guaranteed supply of water at a predetermined price. They also provide Duxton Water with a visible revenue stream that hedges the Company's unleased portion of the portfolio against future allocation pricing movements.

DIVIDENDS & BUY BACK

The Board of Duxton Water is committed to providing shareholders with a bi-annual dividend. On 29 October 2021, Duxton Water paid its ninth successive and increasing dividend to shareholders of 3.1

cents per share (franked to 100%). The Board of Duxton Water was pleased to see continued support from shareholders who elected to participate 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.

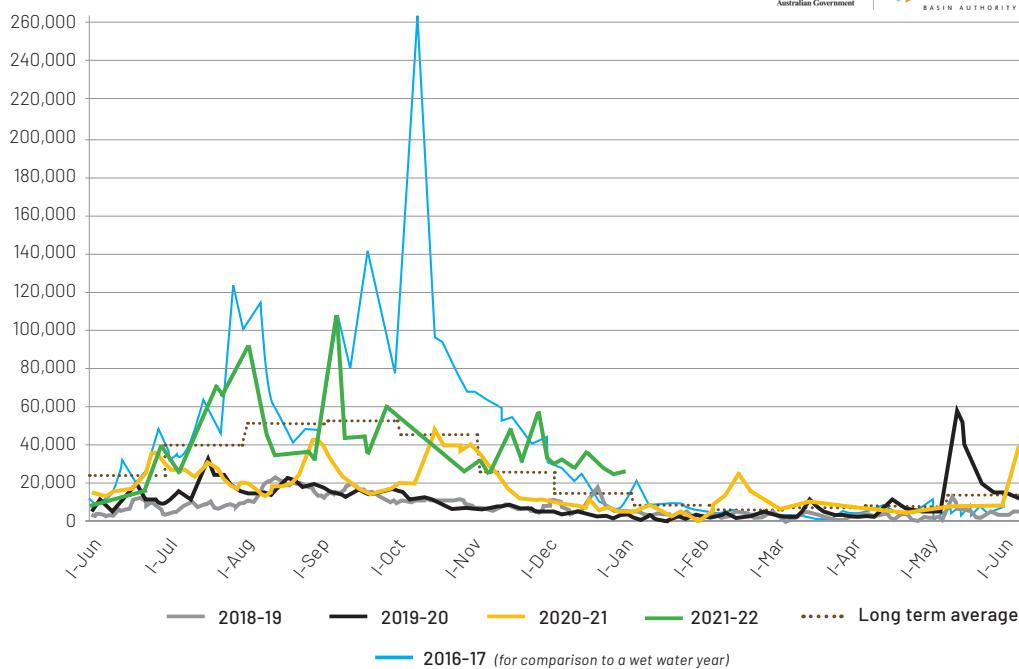
The Company has provided the following fully franked dividend targets:

- 3.2 cents (\$0.032) as the final 2021 dividend;
- 3.3 cents (\$0.033) as the interim 2022 dividend; and
- 3.4 cents (\$0.034) as the final 2022 dividend.
- 3.5 cents (\$0.035) as the interim 2023 dividend.

Dividend targets are to be paid in the following reporting periods.

On 13 October 2021, the Company announced it would commence an on-market share buy back program. As of 31 December 2021, the Company had purchased 115k shares at an average price of \$1.46/share. The Board believes the purchase of the Company's shares at the current discount to NAV is in the interest of all shareholders.

DAILY INFLOWS TO THE MDB



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



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LEASES

Through long-term leasing arrangements, Duxton Water is able to satisfy the water requirements of its irrigator partners, enabling them to risk manage a key input into their business. Long-term water leases give irrigators a cost-effective way to access water and provide water security as they can be guaranteed a water allocation every year at a fixed cost.

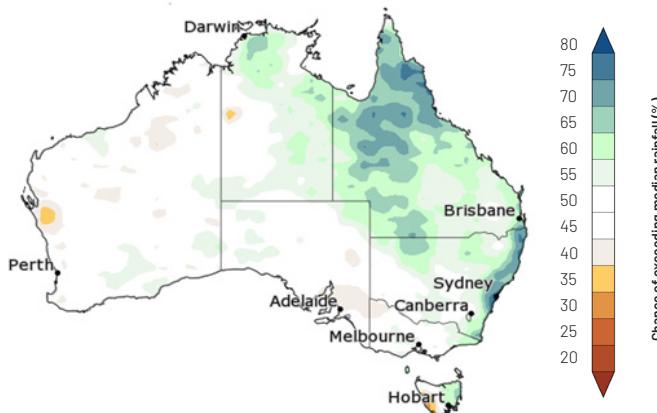
At 31 December 2021, Duxton Water has 72% of its permanent water portfolio leased to Australian farming businesses. This represents 91% of the Company's high security portfolio.

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 looking for long-term water security for their businesses.

The current weighted average lease expiry ("WALE") is 1.3 years. Inclusive of renewal options this increases the WALE to 3.5 years. The Company has reached its long term goal of having 70-80% of the portfolio under lease (by value).

CHANCE OF ABOVE-AVERAGE RAINFALL

February 2022 – April 2022



MARKET UPDATE & OUTLOOK

December rainfall was 6% below average for Australia as a whole, with drier than average conditions in the south but wetter than average conditions in parts of the north and east of Australia. Soil moistures were above average in the east of the country, extending to South Australia and parts of Western Australia. Temperatures were warmer than average across parts of the MDB regions.

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 Chairman of Duxton Water Limited.

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The La Nina event that was established in the tropical Pacific Ocean in November remains active, resulting in the recent rainfall events across the MDB. Climate models suggest the current La Nina event will likely persist until early autumn for the southern hemisphere. A La Nina event typically increases the chance of above average rainfall across much of northern and eastern Australia during summer.

The Southern Annular Mode (SAM) is currently neutral, however it's forecasted to become positive towards the end of January. A positive SAM during the summer months typically brings wetter weather conditions to the eastern parts of Australia.

The Indian Ocean Dipole (IOD) event that influenced our climate throughout winter and spring is now neutral. The IOD has had little effect towards global climatic conditions since December, with little influence expected to April 2022.

As a result, the February to April rainfall outlook suggests wetter than usual conditions for the east of the country, with the active La Nina event largely contributing to this. However drier conditions throughout western Victoria and parts of South Australia can be expected. High streamflows are likely for the eastern mainland from January to March 2022. Daytime temperatures are likely to be warmer than average for much of the country, except for parts of the south-east coast. Warmer than average night time temperatures can be

STORAGE LEVELS IN MAJOR DAMS

