

Quarterly Update



DECEMBER 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)

\$1.62 per share

SHARES ON ISSUE

152,720,578

WATER PORTFOLIO VALUE

\$390 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

On 24 November 2023, Duxton Water was pleased to confirm the settlement of the water entitlement acquisition from Treasury Wine Estates (“TWE”), which was first announced to the ASX on 3 July 2023. The Company views this type of transaction as a significant opportunity for D20 to expand its portfolio and support the needs of the Australian farming community.

At 31 December 2023, Duxton Water had 60% of its permanent portfolio (by value) leased to its customers, representing an 8% increase since the previous quarter due to new leases. In addition to that, the Company’s WALE has increased to 3.1 years or 5.0 years, including renewal options. Duxton Water continues to have conversations with irrigators about new leases and forwards for the upcoming water season (commencing 1 July 2024).

The Company’s entitlement holdings increased by 1.7 gigalitres (“GL”) during this quarter through strategic acquisitions. As a result, the Company’s permanent water portfolio reached a new high of 90.5 GL at the end of 2023. This represents less than 1% of all entitlements on issue (by volume) in the southern Murray Darling Basin (“sMDB”).

Rainfall across the sMDB has been average to above average over the past three months despite El Niño and the positive Indian Ocean Dipole events continuing to play out.

Finally, on 7 December 2023, the “Restoring our Rivers” Bill received royal assent and became an Act. This Act has removed legislative barriers that prevented the Government from using large-scale water buybacks to meet the Basin Plan targets. The Federal Government reiterated their commitment to delivering 450 GL of annual water savings under the enhanced environmental outcomes target by 2027. Currently, the shortfall against this target is approximately 424 GL.

COMPANY SNAPSHOT

| | September 2023 | December 2023 |
|---|----------------|---------------|
| Water Entitlements | 88.8GL | 90.5GL |
| Leased % of Portfolio | 52% | 60% |
| Weighted Average Lease Expiry (WALE) | 3.0 years | 3.1 years |
| WALE (incl. renewal options) | 4.5 years | 5.0 years |
| Shares on Issue | 152.3 | 152.7 |
| Total Water Assets | \$393m | \$390m |

Water Markets – Industry Update

Entitlement Market

Since November 2023, the prices for most entitlements, including high and general security, have either increased or remained steady. This comes after the water entitlement market saw price softening for most of FY2023.

Spot Market and Leases

The spot market has been relatively volatile over the last three months of 2023, with allocation prices fluctuating month-on-month. Prices have decreased since the end of September 2023, when they reached their highest point. Recent softening is likely due to the prolonged rainfall events that occurred in the sMDB in November and December.

At the end of December 2023, spot water traded at \$150-\$160/ML in the Murrumbidgee, \$120-\$125/ML in the Goulburn, \$120-\$130/ML in the lower Murray, and \$50-\$70/ML in the upper Murray. In early January, spot prices continued to fall from these levels due to persistent rainfall and inflows to dam storages.

Due to recent rainfall, the lease market has seen a reduced level of activity during the quarter. That being said, there has been increasing interest from customers in relation to lease contracts starting on 1 July 2024 (i.e. next water year).

COMPANY PERFORMANCE – DECEMBER 2023

| 1 Month | 3 months | 6 Months | 12 Months | Inception |
|---------|----------|----------|-----------|-----------|
| 0.71% | -0.70% | -7.14% | -9.57% | 100.94% |

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



Dividends

On 27 October 2023, Duxton Water paid a 3.5 cent per share dividend, marking the Company's 13th consecutive dividend paid to shareholders since November 2017.

This dividend was in line with the previously stated target and was fully franked (30% tax rate) for Australian taxation purposes.

Since the Company's inception in 2016, shareholders have received total dividends of 38 cents per share. The Company's 10 most recent dividend payments have been fully franked.

The Board of Duxton Water is pleased to reaffirm the Company's dividend guidance for FY2024:

| | Cents Per Share | Franking Target |
|--------------|-----------------|-----------------|
| Final 2023 | 3.6 cps | Fully Franked |
| Interim 2024 | 3.7 cps | Fully Franked |

Bonus Option Issue

On 9 November 2023, Duxton Water issued bonus options to eligible shareholders. Eligible shareholders¹ received one (1) bonus option for every four (4) ordinary shares held at the record date of 3 November 2023. The bonus options were issued to shareholders at zero cost, and as such, no further action was required.

These options give holders the right, but not the obligation, to purchase additional D20 shares at a strike price of \$1.92 per share, and can be exercised before 10 May 2026.

Further information can be found in the Company's bonus option prospectus, released to the ASX on 30 October 2023.

In addition, the Company successfully applied for these options to be quoted on the ASX under the ticker code D200A, making them tradeable.

| September 2023 NAV (post-tax) | December 2023 NAV (post-tax) |
|-------------------------------|------------------------------|
| \$1.68 per Share | \$1.62 per Share |

Investment Update

At 31 December 2023, Duxton Water's post-tax NAV was \$1.62 per share, decreasing 6 cents per share during the quarter.

The Company's pre-tax NAV, which excludes tax provisions, closed at \$1.78 per share, decreasing by 8 cents during the quarter.

The quarterly decrease in NAV can be attributed to the payment of the Company's most recent dividend (3.5 cents fully franked, paid on 27 October 2023) and a recent softening in the allocation market. The water entitlement market traded flat during the quarter after experiencing a 2.2% price decrease in October 2023, with the market rebounding in November 2023 and December 2023.

Finance

In the December quarter ("Q4"), receipts from customers were higher than in the previous quarters of the year. This can be attributed to the commencement of new leases that were backdated to commence on 1 July 2023.

Receipts from customers for FY23 were lower than in FY22. This is primarily due to the timing of allocation sales that occurred earlier than usual in the second half of FY22 (July-December) when compared to this year. The Company continues to sell down its unleased allocations to support summer irrigation programs and negotiate forward contracts for the next water year.

In addition to this, there were several expenses paid in the first quarter of 2023 that relate to the previous financial year (performance fees and taxes), thus increasing operational cash outflows in FY2023.

The Company's net debt to water assets ratio ("LVR") was 30% at the end of December 2023, which continues to be well below the Company's maximum LVR of 40%.

Payments to Associates/Related Parties

During Q4, the following cash payments to Associates and Related Parties occurred (GST exclusive):

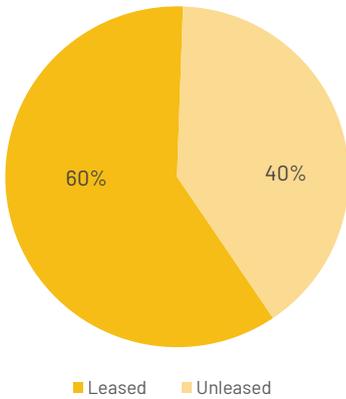
| | December 2023 Quarter | YTD |
|--|-----------------------|---------|
| Duxton Capital - Administration Fees <i>(Admin, & Accounting Services)</i> | \$68k | \$300k |
| Duxton Capital - Management Fees <i>(As per the Management Agreement)</i> | \$599k | \$2.21M |
| Duxton Capital - Performance Fees <i>(As per the Management Agreement)</i> | - | \$2.46M |
| Duxton Capital - Reimbursements <i>(On-charged Reimbursements)</i> | \$69k | \$189k |

VALUATION METHODOLOGY

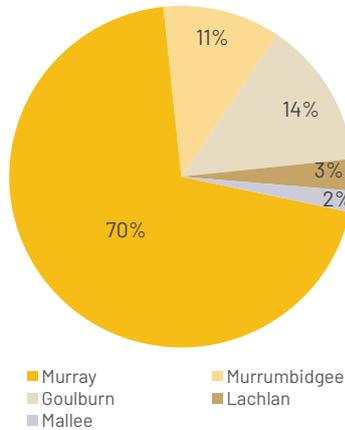
The Company uses an Independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement. 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



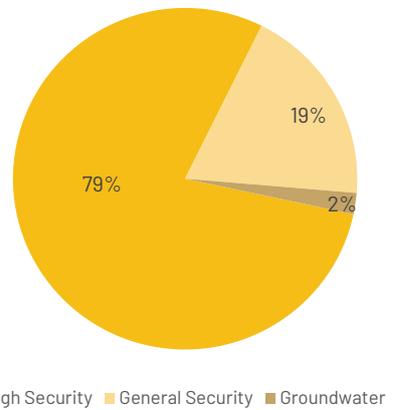
WATER PORTFOLIO DIVERSIFICATION



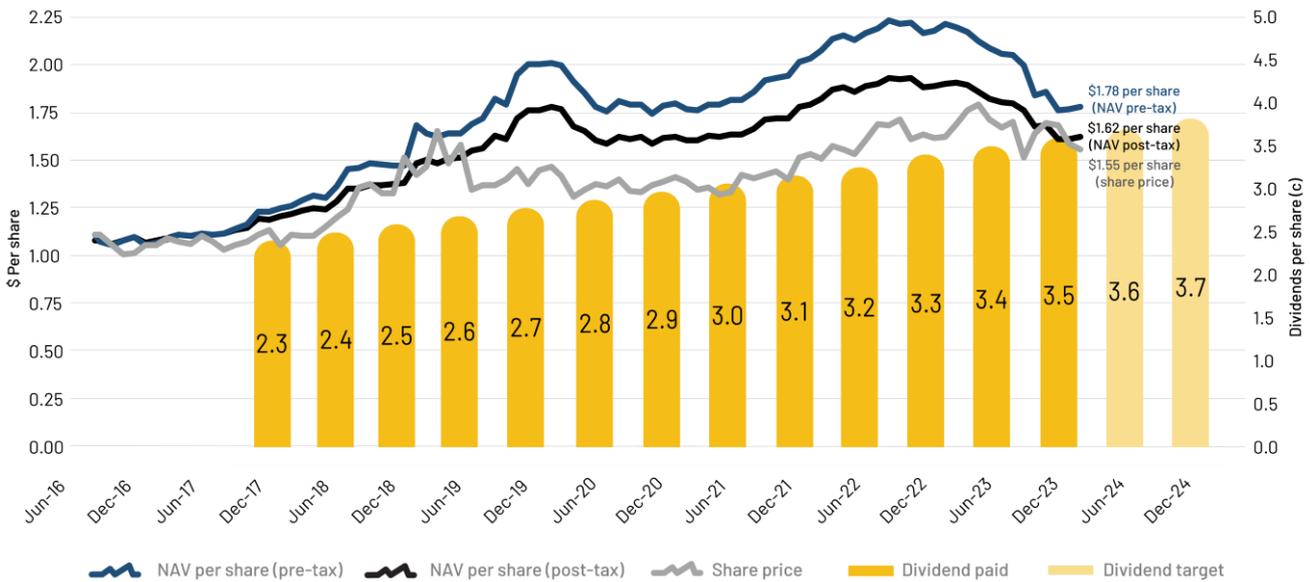
ENTITLEMENT VALUE BY REGION



WATER SECURITY BREAKDOWN



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")

31 December 2023

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 3,296 | 9,033 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (100) | (449) |
| (c) advertising and marketing | - | - |
| (d) leased assets | - | - |
| (e) staff costs | - | - |
| (f) administration and corporate costs | (638) | (1,757) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (1,302) | (5,680) |
| 1.6 Income taxes paid | (191) | (4,043) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | | |
| - Management Fees | (599) | (2,212) |
| - Performance Fee | - | (2,458) |
| 1.9 Net cash from / (used in) operating activities | 466 | (7,566) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | (39,882) | (44,850) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 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 | - | 20,670 |
| | (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 | (39,882) | (24,180) |

| | | | |
|-------------|---|---------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 50,793 |
| 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 | (75) | (1,883) |
| 3.5 | Proceeds from borrowings | 45,500 | (8,500) |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | (4,600) | (8,078) |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 40,825 | 32,332 |

| | | | |
|-----------|--|-----|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 423 | 1,246 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 466 | (7,566) |

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

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|--|------------------------------------|---|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (39,882) | (24,180) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 40,825 | 32,332 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 1,832 | 1,832 |

| 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 | 1,832 | 423 |
| 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) | 1,832 | 423 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|-----------|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 736 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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 <i>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.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|-----|--|---|--|
| 7.1 | Loan facilities | 130,000 | 116,500 |
| 7.2 | Credit standby arrangements | | |
| 7.3 | Other (please specify) | | |
| 7.4 | Total financing facilities | 130,000 | 116,500 |
| 7.5 | Unused financing facilities available at quarter end | | 13,500 |
| 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. | | |
| | <p>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</p> <p>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</p> | | |

| 8. | Estimated cash available for future operating activities | \$A'000 |
|-----|--|----------------|
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | 466 |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 1,832 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 13,500 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 15,332 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | N/A |
| | <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i> | |

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 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: **N/A**

8.6.2 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: **N/A**

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: **N/A**

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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 January 2024

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.