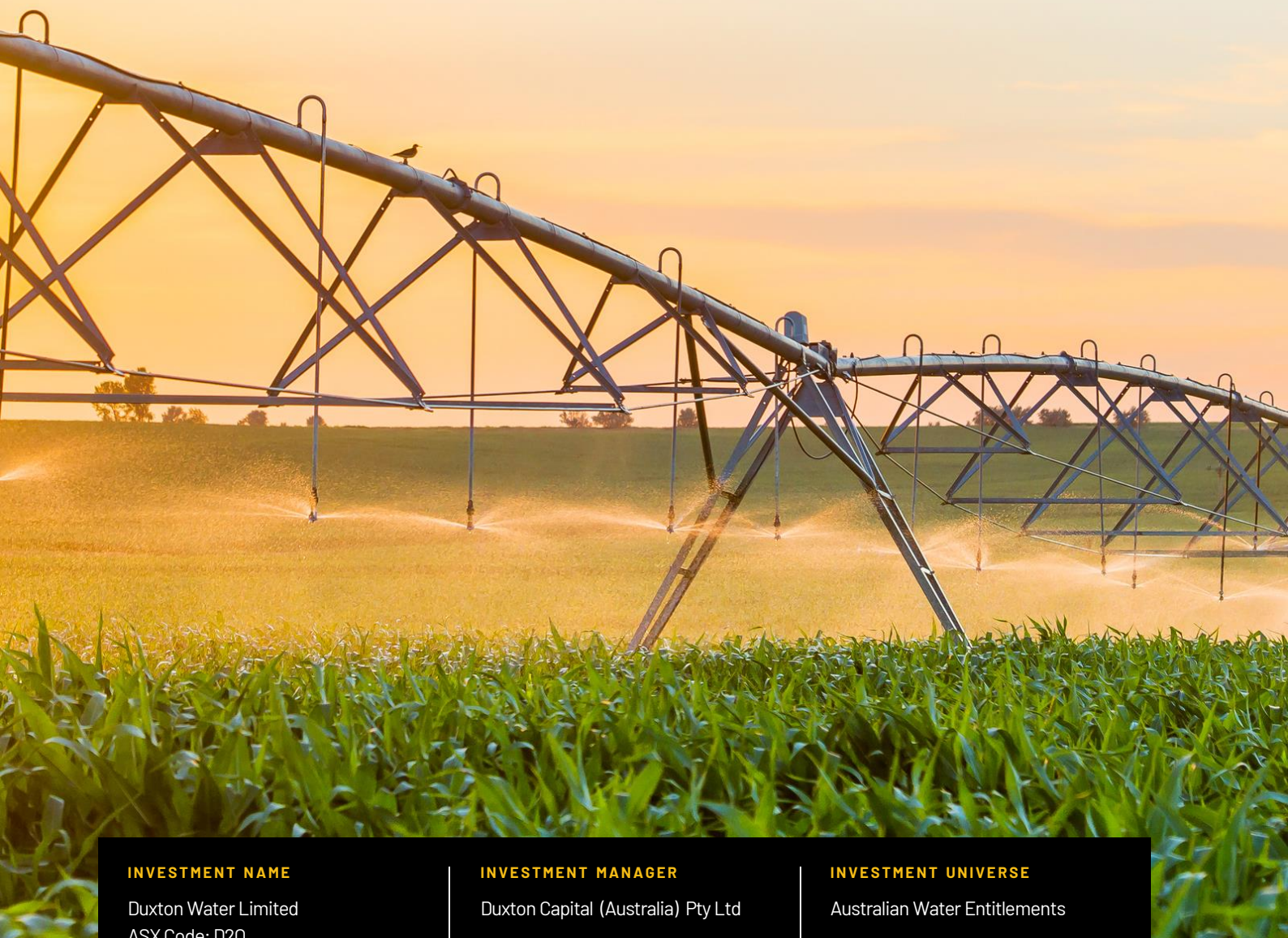


Monthly Update



JANUARY 2024



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

WATER PORTFOLIO VALUE

\$391 million

SHARES ON ISSUE: 152,720,578

OPTIONS ON ISSUE: 38,165,906



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 first month of the year, the "Restoring our Rivers" Act, which commenced on 7 December 2023, remains a major topic in the water markets.

At the end of January, the Federal Government released a Draft Framework¹ for recovering the 450 GL of additional environmental outcomes. This framework outlines the guiding principles for water recovery as well as the three main programs that will take place from 2024 to 2027.

The first program is called Resilient Rivers. This program will focus on infrastructure projects, rule changes, and water partnerships. Under this program, the Government will also look to explore commercial mechanisms with market participants.

The Voluntary Water Purchase Program, also known as Government water buybacks, is the second program. This program involves buying entitlements from willing sellers in the market. The Government has not disclosed the exact volume of water it will look to acquire. However, the market expects that a large portion of the target will be met through this program. The Draft Framework indicates that voluntary water purchases for southern Murray Darling Basin (“sMDB”) entitlements will commence in 2024. The sMDB has been selected due to its overall market size and river connectivity.

The third program, Sustainable Communities, aims to provide adjustment assistance to communities affected by water buybacks. Consultation on the Draft Framework for delivering the 450 GL is open until 4 March 2024.

Entitlement markets in January have been relatively stable, with no significant movements in pricing. The permanent portfolio had increased total holdings to 90.7 GL after new acquisitions in the Lower Murray. Duxton Water continues to seek well-priced entitlements that complement the existing portfolio.

Allocation prices have fallen substantially since December 2023. The large amount of rainfall across the sMDB from the end of last year until January likely suppressed the demand for summer irrigation. This summer has been marked by unpredictable weather and more rainfall than anticipated by weather agencies. The Company continued to sell down its unleased allocation holdings and has assigned a portion of the uncommitted holdings for delivery in the upcoming water year.

On the other hand, rainfall in recent months has benefited the Company's general security portfolio. Almost all the general security entitlements in NSW have now reached 100% allocation. In Victoria, low-reliability entitlements in the Goulburn and the Murray also received significant allocations this year.

Looking ahead, weather conditions for autumn are likely to bring average rainfall in the sMDB and warmer-than-usual temperatures. For the same period, climate drivers are expected to be neutral. Duxton Water is working with customers and partners to fulfil the last water requirements for this season and start planning for 2024-2025.

Finally, the Company looks forward to releasing its 2023 full-year results in the coming weeks.



Lachlan Campbell
Portfolio Manager



Lachlan Beech
Portfolio Manager



COMPANY PERFORMANCE

1 Month	3 Months	6 Months	12 Months	Inception
-0.06%	0.77%	-5.13%	-10.09%	100.84%

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



Water Lease & Forward Update

At 31 January 2024, Duxton Water had 59% of its permanent water portfolio (by value) leased to Australian farming businesses. This accounts for approximately 75% of the Company’s high-security portfolio (by value).

The Company’s WALE is 3.0 years, or including renewal options, the WALE increases to 5.0 years.

No new leases were entered into during January. However, the Company has engaged with various counterparties to provide a range of leasing options for the forthcoming water year.

As we approach 2024/2025, there has been an increase in lease enquiries from irrigators in preparation for the new season. In past months, the lease market has been relatively stagnant due to differing price expectations between lessees and lessors.

From the operations perspective, the Company continued to deliver on its forward contract obligations for 2023/2024 and is currently offering forwards for the next water year.

Duxton Water would like to emphasise the importance of having a well-defined water strategy that enables farming businesses to take a multi-year approach to their water security. The products offered by Duxton Water give farmers choice and flexibility when it comes to managing their annual water requirements.



Young Walnut trees

QUICK FACTS SUMMARY

	December 2023	January 2024
Water Entitlements	90.5GL	90.76L
Portfolio Diversification (types)	19	19
Leased % of Portfolio	60%	59%
Weighted Average Lease Expiry (WALE)	3.1 years	3.0 years
WALE (incl. renewal options)	5.0 years	4.9 years

Entitlement Market Update

At 31 January 2024, Duxton Water held 90.7 GL of water entitlements across 19 different entitlement types and classes. The Company increased its entitlement holdings by 200 ML during the month.

The entitlement market has been relatively quiet in January, with predominately small parcels being traded. During the month, several entitlement types saw small pricing fluctuations. However, at an aggregate level, these changes in value largely balanced out.

Allocation Market Update

In January 2024, allocation prices fell significantly. This came on the back of large rainfall events registered during the month, which suppressed demand for irrigation water.

By the end of January, spot water traded between \$35-\$45/ML in the Murrumbidgee, \$40-\$60/ML in the Goulburn, \$30-\$60/ML in the lower Murray, and \$25-\$35/ML in the upper Murray.

In early February, both entitlements in the Murrumbidgee High and the General Security have reached 100%. Currently, all major high-security entitlements have received a full allocation.

Allocation awarded to entitlements (2 February 2024):

Entitlement Region	High Security	General Security
NSW Murray	100%	110%
VIC Murray	100%	25%
SA Murray	100%	n/a
Murrumbidgee	100%	100%
Goulburn	100%	67%

ENTITLEMENT LEASE CASE STUDY:

Duxton Water recently entered into a 5-year lease for 300ML of high-security water entitlements with a potato grower in southern NSW. During the summer watering program, potatoes usually require an average of 6ML per hectare. Through this partnership, this grower now has cost and supply visibility for the next 5 years. By entering a long-term water lease, this customer has also hedged against potential future increases in allocation prices, especially during dry climate conditions.

Through this type of partnership, Duxton Water offers Australian farming businesses a flexible and cost-effective way to fulfil their irrigation requirements without having to purchase water entitlements outright.





Finance Update

At 31 January 2024, Duxton Water's post-tax NAV remained stable at \$1.62 per share. There were no significant variations in the value of water entitlements in the month of January.

The Company's pre-tax NAV, which excludes tax provisions, closed at \$1.76, decreasing by 2 cents since last month. The change was due to the timing of tax payments, as well as deferred tax movements.

The Company's net debt to water assets ratio ("LVR") remained at 30%, which remains below the Company's maximum LVR of 40%.

NAV (post-tax)	NAV (pre-tax)
\$1.62 per Share	\$1.76 per Share

Dividends

In January, no new dividends were paid or declared.

During FY2023, the Company paid two fully franked dividends, totalling 6.9 cents per share. This comprised of a 3.4 cent dividend paid on 28 April 2023 and a 3.5 cent dividend paid on 27 October 2023.

Overall, Duxton Water has paid 13 consecutive dividends to shareholders since its maiden dividend in November 2017. The Board is pleased to reaffirm 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

Duxton Water issued bonus options to eligible shareholders¹ on 9 November 2023. On the same day, these bonus Options were quoted to the ASX and are listed under the ticker code D200A.

Eligible shareholders 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 on behalf of eligible shareholders to receive their free bonus options.

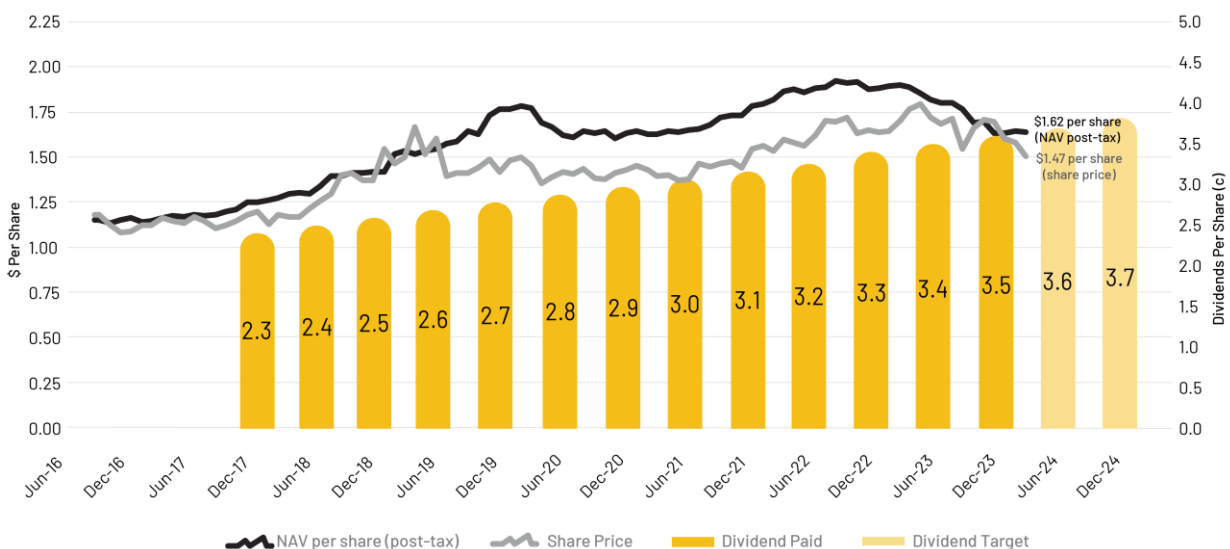
These options give holders the right, but not the obligation, to purchase additional D20 shares at the strike price of \$1.92 per share. These can be exercised on or before 10 May 2026.

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

Additional correspondence, including option exercise forms, was distributed to eligible shareholders around 16 November 2023.

1. Bonus Option Eligible Shareholders are those who hold shares in the Company on 3 November 2023 (Record Date) and do not have a registered address in the United States of America.

HISTORICAL PERFORMANCE - SINCE INCEPTION



VALUATION METHODOLOGY

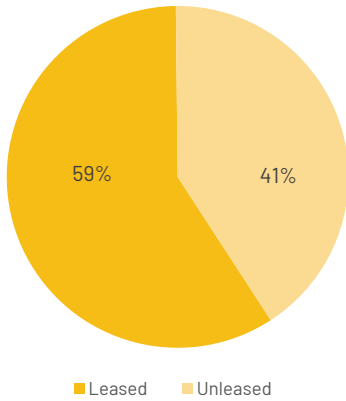
The Company uses an independent Fair Market Unit Value for entitlement and allocation provided by Aither Pty Ltd ("Aither") to undertake the NAV assessment. Aither's definition of fair market value is consistent with the principles of the Australian Accounting Standards Board (AASB) 13 Fair Value Measurement.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

Monthly Update

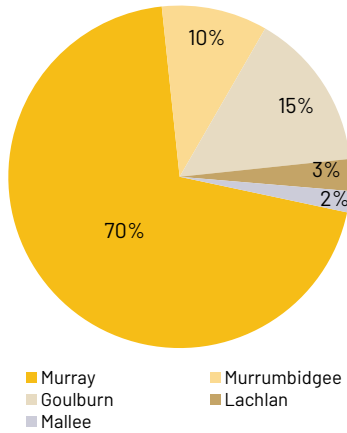
JANUARY 2024



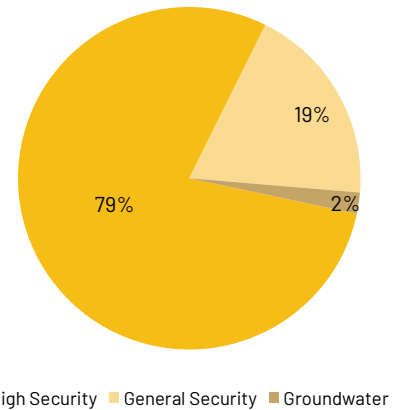
WATER PORTFOLIO DIVERSIFICATION



ENTITLEMENT VALUE BY REGION



WATER SECURITY BREAKDOWN



Weather Update

National rainfall for January 2024 was 47.4% above the long-term average, representing the ninth-wettest January on record. January rainfall was above average for all states and territories.

In the Murray Darling Basin (“MDB”), rainfall was 60% above the long-term average, which is the highest since 1996. The basin has experienced significant daily rainfall events, making it the third year in a row to commence with wet conditions.

Soil moisture levels were above to very much above average across the MDB in January. Rainfall has also led to an increase in storage levels and overall water availability.

The national average temperature in January was 1.54°C above the long-term average, which represents the third warmest January on record. The maximum temperature was 1.26°C above average, while the minimum temperature was 1.81°C above the long-term average.¹

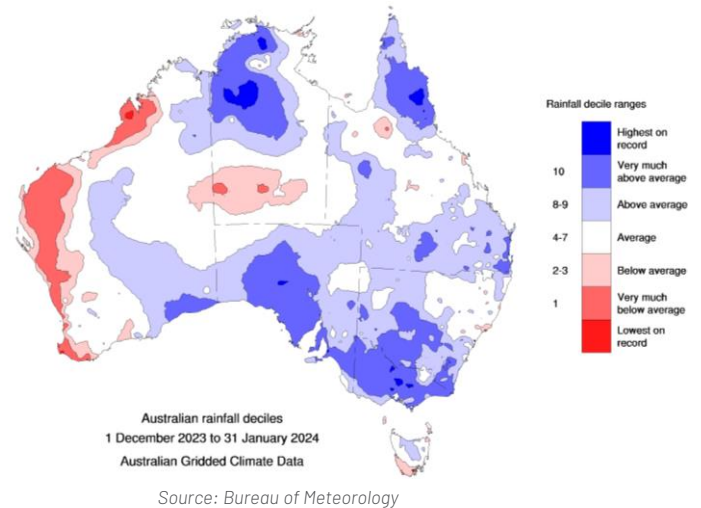
El Niño continues in the Tropical Pacific, but it is currently declining. As of 6 February 2024, the positive Indian Ocean Dipole (“IOD”) event has ended, and the IOD index has returned to neutral. A neutral IOD has minimal impact on Australia’s weather.

In early February, the Southern Annual Mode (“SAM”) index was also neutral after being positive for most of December 2023 and January 2024. A positive SAM during summer increases the likelihood of above-average rainfall in eastern Australia, while neutral conditions have little influence.

The Madden-Julian Oscillation (“MJO”) is currently over the central Pacific. When the MJO is in the central Pacific region, it weakens trade winds in the central to western Pacific. This can cause a temporary delay in the cooling of sea surface temperatures that are typically associated with the decline of El Niño.

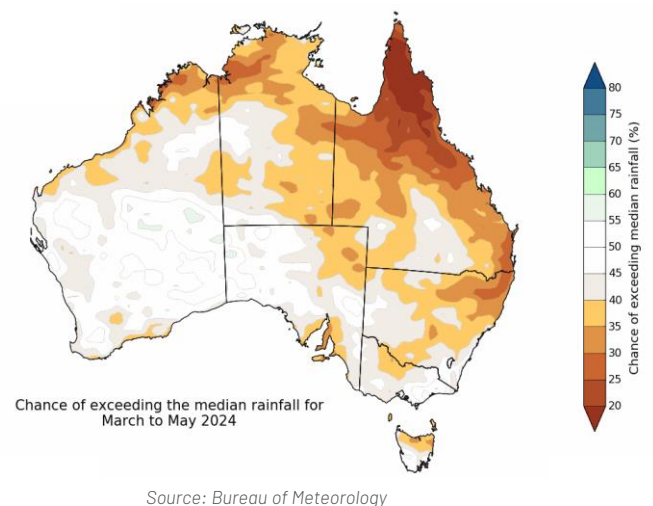
RAINFALL DECILE CHART (SUMMER)

DECEMBER 2023 - JANUARY 2024



CHANCE OF ABOVE-AVERAGE RAINFALL

MARCH 2024 - MAY 2024



1. Bureau of Meteorology, Australia in January 2024 - 1 February 2024
2. Bureau of Meteorology, Climate Driver Update - 6 February 2024.



Outlook & Storages

The BOM's forecast for March to May 2024 suggests that below-median rainfall is likely for much of northern and eastern Australia. In the MDB, there is approximately a 50% chance of exceeding the median rainfall.

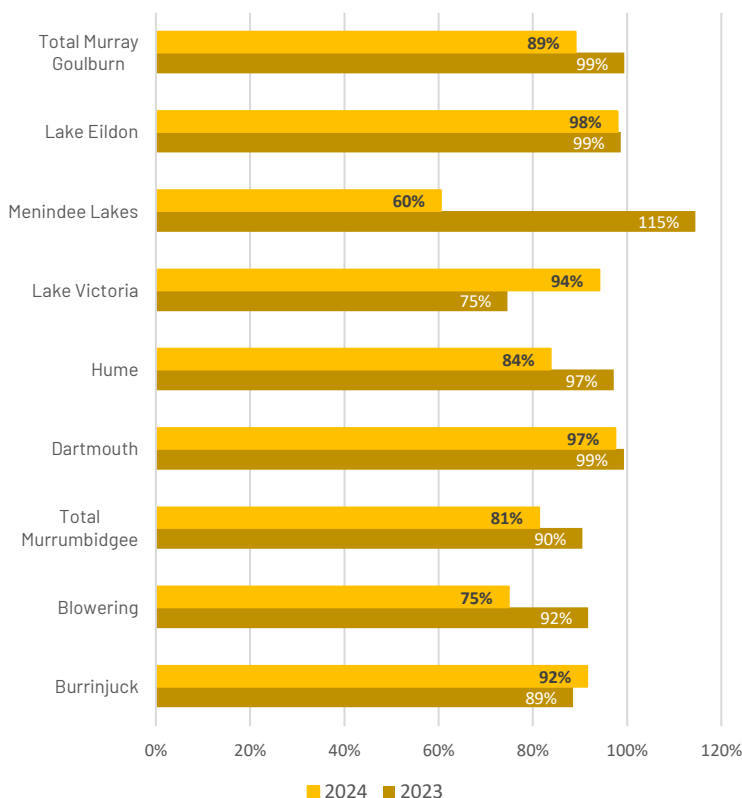
During Autumn 2024, most parts of Australia are expected to experience warmer days and nights. Both minimum and maximum temperatures are likely to be above the median.

The current El Niño event is expected to persist until Autumn. The IOD is forecasted to remain neutral until at least April 2024.

In January 2024, river inflows into the Murray system were above the long-term average. High streamflow is likely for February to April.

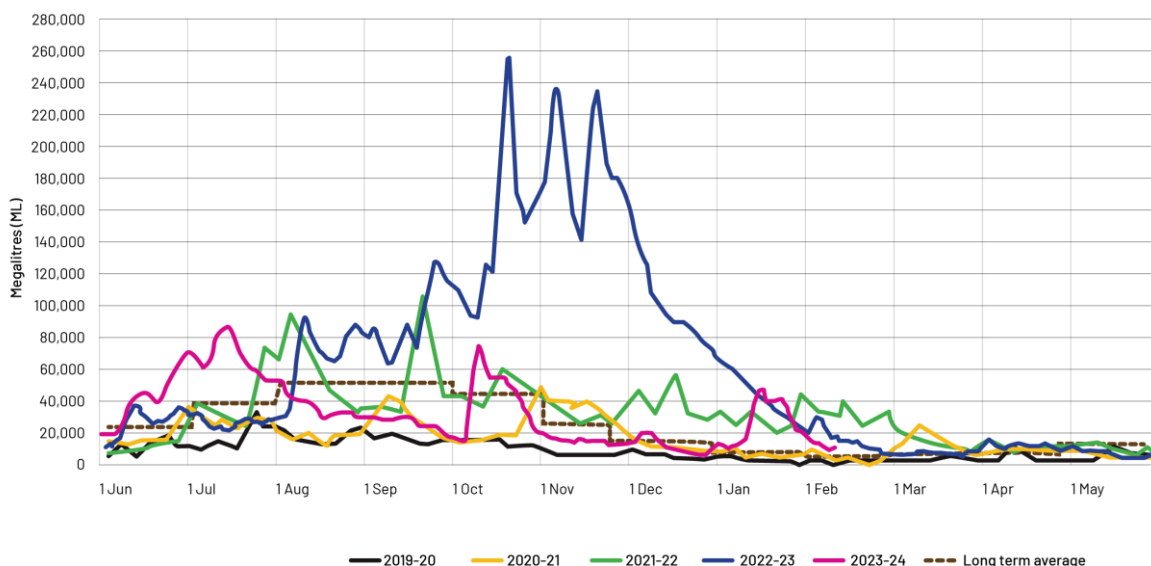
At the end of January, MDB storages were at 85% capacity. Northern basin storages were at 69%, while southern basin storages were at 88%. At the same time last year, northern and southern basin storages were at 95% and 98% respectively.

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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