

DUXTON WATER LIMITED DECEMBER 2023 ANNUAL REPORT



PROUDLY SUPPORTING AUSTRALIAN IRRIGATORS AND FARMERS

ACN 611 976 517



FULL-YEAR 2023 SNAPSHOT

Duxton Water's Investment Manager operates a broad range of Australian agricultural businesses in **viticulture, dried fruit, nuts, broadacre, bees, dairy, apples, and water**. In any given year, the Duxton businesses produce around **15-20 different commodities** and **provide jobs** for over **500 people living** in rural communities.

-9.5%
PORTFOLIO
RETURN¹
(12 MONTHS)

\$390M
WATER
PORTFOLIO
VALUE

\$1.62
PER SHARE
NON-STATUTORY
NET ASSET VALUE
(POST-TAX)

90.5GL
TOTAL WATER
OWNED

60%
LEASED %

3.1
YEARS
WALE²

¹ Total Portfolio Return is based on NAV movements and includes franked dividends for the 12 month period to 31 December 2023.

² Weighted Average Lease Expiry.





"We use our geographically diverse portfolio of **Australian Water Entitlements** to provide **irrigation water** to a wide range of Australian farming businesses.

Our **long-term water leases** can allow **Australian farming businesses** to **access water** at a fraction of the cost of owning the same **water licences outright**."



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CHAIRMAN'S LETTER

TO SHAREHOLDERS - Ed Peter



On behalf of our Board, I am pleased to present the 2023 Annual Financial Report for Duxton Water Limited ("D20" or "the Company").

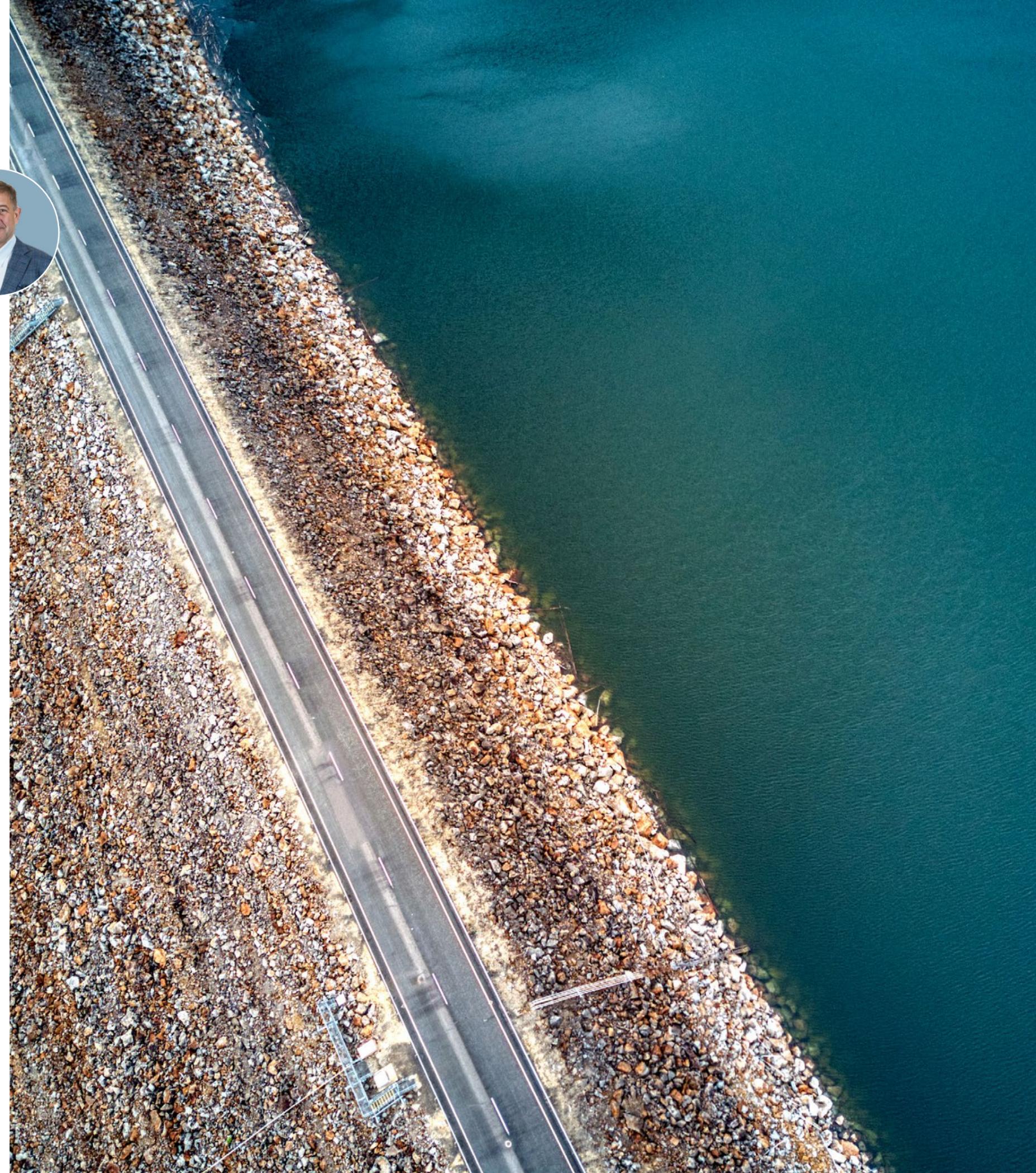
I would like to express my sincere gratitude to our shareholders for their support in 2023. This year D20 successfully raised \$51.5 million of new capital from both new and existing shareholders. This was an outstanding result for our Company in what was a very difficult market. This is a testament to the strong belief in our business model from the Australian investment community.

We continued to honour our dividend targets in FY2023. We also issued free bonus options to our existing shareholders as a sign of appreciation for their support. This initiative was also aimed at encouraging further investment in our Company, ahead of anticipated favourable market conditions.

On 3 July 2023, we announced to the market a \$39.1 million acquisition and lease-back transaction with a major Australian irrigator. This was the largest transaction that Duxton Water has been involved in since its inception.

Australia's weather over the last 12 months has been more variable than usual, challenging many weather forecasting agencies. Despite the volatility, we grew our water entitlement portfolio by 8% during the year, to 90.5 gigalitres. We also entered further leasing arrangements with our customers to support their longer-term water strategies.

Over the past year, we have had the pleasure of collaborating with farmers of all sizes to provide them with diverse and flexible options for their water usage. We are committed to continuing these partnerships for many more years to come.





FINANCIAL PERFORMANCE

We are pleased to report that in FY2023, Duxton Water made a net profit before tax of \$9.00 million (FY2022: \$14.01 million). Although the Company posted a lower NPAT when compared to FY2022, this represents a positive result in a year that has been marked by challenging conditions both within the Australian water markets and the broader economy.

Our leasing revenue stream remained strong. We maintained at least 50% of our portfolio leased at any one time during FY2023. Our leased percentage ended the year at 60%. The lease portfolio has provided the Company with a visible revenue stream and acted as a hedge against below-average allocation prices that have now been seen for three consecutive years.

Continued wet conditions have resulted in southern Murray Darling Basin ("sMDB") dam storages staying at record-high levels. Further rainfall over full storages will continue to put downward pressure on spot prices. While our general security assets have performed well during wet conditions, returns from our unleased high security assets were below average.

Allocation sales in FY2023 were lower when compared to FY2022. This is primarily due to the timing of allocation sales. Due to wet conditions and weather outlook for FY2022, most of the unleased allocations received on 1 July 2022 were sold in the second half of FY2022 (i.e. 1 July 2022 to 31 December 2022). This differs from a more normal water year; whereby unleased allocations would typically be sold down across the whole water year. Thus, revenue from temporary allocation sales in FY2022 was higher than in FY2023.

Finally, during the year, we rebalanced parts of the portfolio when we saw well-priced opportunities in the market. This resulted in the Company realising a significant capital gain on entitlement sales during FY2023. This contributed to the overall financial result for the year.

At 31 December 2023, the Company has an unrealised capital gain reserve of \$74.28 million embedded within the permanent portfolio (FY22: \$114.00 million). Due to the application of Australian accounting standards, this uplift is excluded from our statutory financial statements and statutory retained earnings position.

As per the accounting standards, an impairment expense must be recognised if the market value of any of the Company's water assets falls below cost base. Therefore, this year's profit or loss statement includes an impairment expense of \$0.92 million. This impairment expense has been recorded against the Company's permanent water assets. Should the market value of the impaired assets revert back above cost, this will positively impact the Company's statement of profit or loss.

Despite the challenging conditions, our balance sheet remains strong. At 31 December 2023, we had a net debt of \$116.50 million compared to a total portfolio valuation of \$390 million. This puts our gearing at 29%, which is well within our maximum net debt covenant of 40%.

In FY2023, Duxton Water generated an Earnings Per Share ("EPS") of 4.8 cents per share (FY2022: 8.4 cents per share). Shareholders received Dividends Per Share ("DPS") of 6.9 cents per share (FY2022: 6.5 cents per share). While the \$0.95 million non-cash impairment expense recorded at 31 December 2023 impacted the Company's final EPS result, the Company used its retained earnings reserve to meet the shortfall between Earnings per Share and Dividends Paid per Share. At 31 December 2023, the Company has a retained earnings reserve of \$5.00 million, equivalent to approximately 3.5 cents per share.

Over the last 12 months:	FY2023	FY2022	Difference
Non-statutory NAV (post-tax)	\$1.62	\$1.90	-\$0.28
Dividends paid	6.9 cps	6.5 cps	+0.4 Cps
Water portfolio Valuation	\$390m	\$377m	\$12m
Water owned (GL)	90.5GL	83.6GL	6.9 GL
Leased %	60% ¹	54%	6%

PORTFOLIO RETURNS

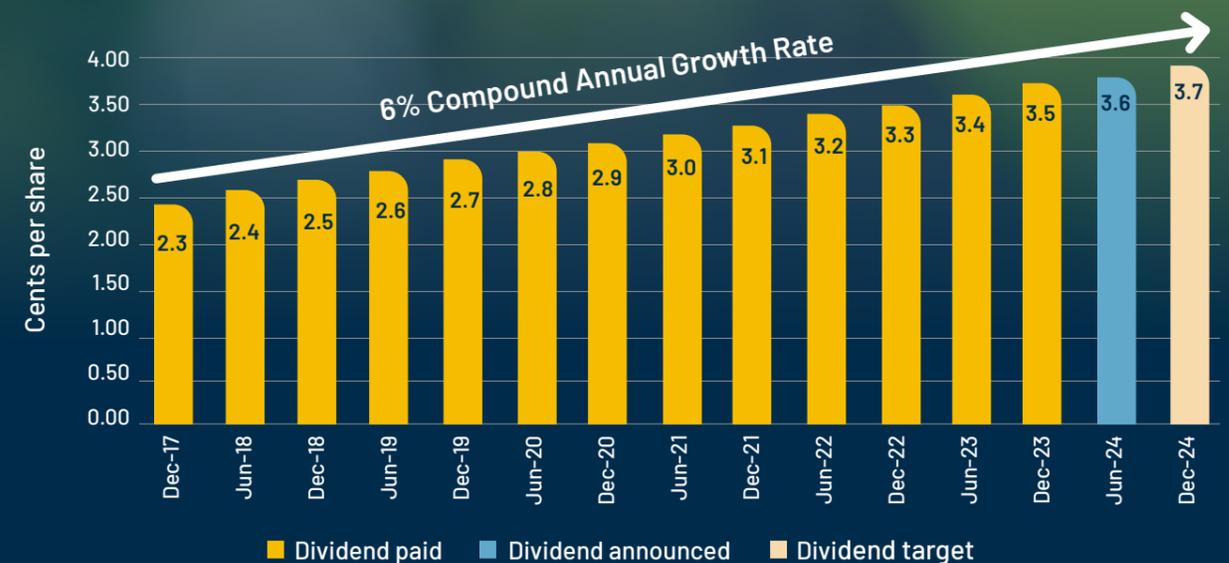
During 2023, entitlement values across the sMDB experienced the largest annual decline in value in over 10 years. The Aither Entitlement Index ("AEI"), which tracks the value of a group of major water entitlement types within the sMDB, has fallen by approximately 9% since December 2022. This decline in the AEI translated through to the Duxton Water portfolio.

The recent decrease in entitlement valuations is due to several challenges faced by the Australian agricultural sector, along with macroeconomic headwinds. Higher borrowing costs, lower commodity prices, and recent flooding events have led water entitlement owners to sell entitlements for working capital or land expansion.

Given the strong macro fundamentals, the growth potential is high. In the last two months of 2023, entitlement prices have rebounded, and transactional levels have improved.

1. The lease percentage includes the two TWE leases that are subject to termination upon the exercise of the call option. Information on these leases has been released in the ASX on 3 July 2023.

DIVIDENDS SINCE INCEPTION



DIVIDENDS

Duxton Water has delivered on both of its dividend targets for 2023.

The Company paid two fully franked dividends to shareholders totalling 6.9cps (FY2022: 6.5cps). In the second half of 2023, the Company resolved to increase the Company's Dividend Reinvestment Plan ("DRP") discount to 5% (up from 3%).

Since Duxton Water paid its maiden dividend in November 2017, it has paid 13 consecutive dividends to shareholders, with each dividend being higher than the last. In total, shareholders invested since IPO (September 2016) have received total dividends of 37.7 cents per share. The Company's dividend stream has grown at a 6% compound annual growth rate since November 2017.

We remain confident in the long-term strategy of our business and would like to reaffirm our intention to provide shareholders with a bi-annual dividend, franked to the greatest extent possible.

Finally, we reaffirm our dividend targets for 2024 and are now pleased to formally announce the final 2023 dividend of 3.6 cents per share (fully franked). This dividend will be paid to shareholders on Friday, 26 April 2024. We look forward to providing further dividend guidance to shareholders in due course.

CURRENT DIVIDEND GUIDANCE

Dividend Guidance	Cents Per Share
Final 2023	3.6 cps (declared)
Interim 2024	3.7 cps (target)

DEBT

In 2023, our Net Debt to Water Assets Ratio ("LVR") has remained well below the Company's maximum LVR of 40%. At 31 December 2023, the Company's LVR was 29%, with total debt drawn of \$116.50 million (FY22: \$125.00 million).

During the year, the Company managed its surplus cash as appropriate to minimise interest expenses. After the \$51.5 million capital raise, a large portion of the proceeds were used to offset against the Company's debt facilities until settlement of the \$39.1 million acquisition took place. This resulted in an overall reduction in interest expenses.

In the first half of 2023, the Company closed out its 10-year fixed interest rate swap positions. This was done to maximise the cash proceeds on the swap arrangements when the time value was most favourable, resulting in a total gain of \$1.9 million settled in cash.

A summary of the Company's debt position at 31 December 2023 can be seen below:

D20 Debt Summary	FY2023	FY2022	Difference
Total Debt Drawn	\$116.50	\$125.00m	\$8.5m
Total LVR	29%	30%	(1%)
Total Fixed Debt	-	\$15m	-\$15m
Total Variable Debt	\$116.50	\$110m	\$6.5m
Effective Cost of Borrowings	5.20%	3.04%	2.16%

THANK YOU

In summary, I have great confidence in the future of our business.

I would like to reaffirm that we have a clear strategy in place to capitalise on market conditions as they unfold. I express my gratitude to the Board and the management team, who have made significant contributions towards achieving our goals this year.

Thank you



Ed Peter
Chairman

PORTFOLIO MANAGERS' REPORT

- Lachlan Campbell - Lachlan Beech



"We have focused on expanding our water portfolio, forming strategic partnerships, and strengthening our ties with Australian irrigation communities"

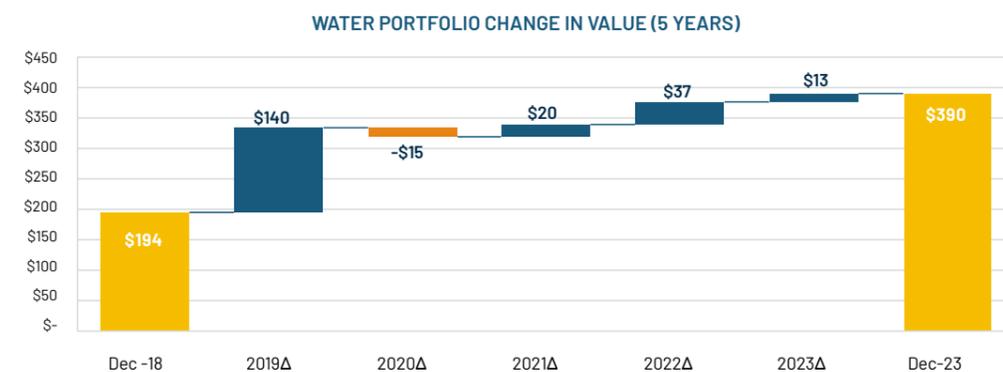
PORTFOLIO OF AUSTRALIAN WATER ASSETS

In December 2023, the water portfolio reached a significant milestone of above 90 gigalitres, which is more than three times the volume held by the Company at IPO in 2016. The Company's water portfolio was valued at \$390 million at 31 December 2023, up from \$377 at the same time last year.

Despite a general decrease in the value of entitlements in 2023, our portfolio has grown due to a range of acquisitions. Most notably, on 3 July 2023, a large acquisition and leaseback of entitlements was announced to the market. Having a focus on building strategic partnerships with our customers and irrigation communities has been paramount to accessing opportunities that complement the existing portfolio.

This acquisition involved acquiring 4,770 megalitres of high security entitlements in the Lower Murray for \$39.1 million. This transaction was part of our growth strategy to expand into water zones that enable us to continue delivering value to our customers and shareholders. In addition, we secured a lease back for 80% of these entitlements. This lease reduces our exposure to price volatility within the spot market. The annual lease rate secured on these entitlements was materially higher than the spot price for the entirety of 2023, and this continues to be the case for 2024.

In 2023, we also increased our groundwater holdings by an additional 1,200 megalitres. This included a leaseback agreement for 100% of the acquired entitlements with a long-standing lessee. We will continue to invest in uncorrelated pockets of the water market that can serve as a hedge against changes in high security entitlement values. This year, our groundwater holdings and general security water licences have helped mitigate the impact of falling valuations for major high security water entitlements.

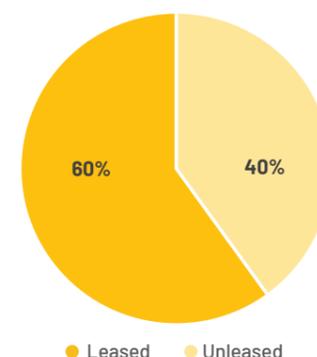


Entitlement Holding Type	31/12/2022(ML)	ML Change (ML)	31/12/2023 (ML)
VIC 1A Goulburn HR	11,164	2,400	13,564
VIC 1A Goulburn LR	1,401	-	1,401
VIC 1B Boort HR	376	-	376
VIC 3 Goulburn HR	421	-	421
VIC 6 Murray HR	5,817	-	5,817
VIC 6 Murray LR	313	-	313
VIC 7 Murray HR	5,216	2,121	7,337
VIC 6B Murray HR	1,248	96	1,344
NSW Murray 10 HS	3,010	-	3,010
NSW Murray 10 GS	14,491	-	14,491
NSW Murray 11 HS	7,710	1,539	9,249
NSW Murray 11 GS	7,225	-	7,225
NSW Murray 11 Supp	83	-	83
NSW Murrumbidgee 13 HS	2,884	(494)	2,390
NSW Murrumbidgee 13 GS	8,822	-	8,822
NSW Lachlan Valley – GS	4,504	-	4,504
NSW Lachlan Valley – Jemalong Irrigation GS	2,660	-	2,660
SA Murray HS	4,901	-	4,901
SA Mallee Prescribed Wells Area – Parilla Red Zone	500	-	500
SA Mallee Prescribed Wells Area – Parilla Green Zone	846	1,200	2,046
Total	83,591	6,862	90,453

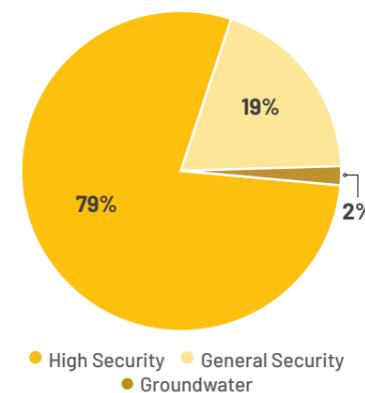
“100% of our water is used to produce Australian agricultural commodities”



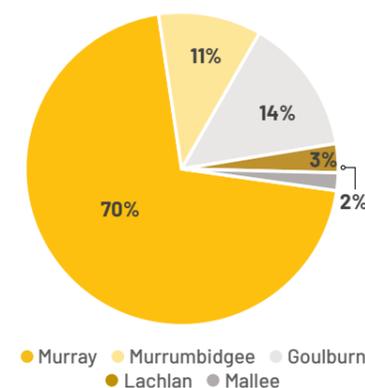
WATER PORTFOLIO DIVERSIFICATION



WATER SECURITY BREAKDOWN



ENTITLEMENT VALUE BY REGION



OPERATIONS

At 31 December 2023, the lease book represents 60% of the water entitlement portfolio (by value), and 76% of the high security portfolio. The Company has increased its lease percentage by 6% since 31 December 2022. The Weighted Average Lease Expiry was 3.1 years, or 5.0 years, including renewal options.

Our focus for leasing over the past year has been to establish new leasing partnerships and further diversify the lease portfolio. We were pleased to have initiated over 10 new leases for 22,000 megalitres of water across 6 different water zones in the last 12 months.

We were pleased to have continued to form valuable partnerships with some of the most prominent agricultural producers in Australia. 100% of our water is used in the production of a range of Australian commodities, including almonds and grapes, dairy products, and a variety of annual crops.

In terms of the unleased portfolio, we have actively managed holdings, moving water to the highest-value zones where possible. We locked in several forward arrangements early in 2023 to hedge against a softer allocation market. We have been successfully delivering on these contracts over the last few months.

Finally, we have continued to actively work with our business partners and irrigator customers to secure new contracts (both leases and forwards) for the upcoming season.

MARKET OVERVIEW

Australia has experienced variable weather patterns in 2023, particularly across the eastern states. 2023 began with Australia’s third consecutive La Niña, a rarity when considering Australia’s weather patterns over the last 100 years. The La Niña, however, shifted to El Niño by September 2023.

The second half of 2023 was marked by several hot and dry months, however well above-average rainfall returned towards the end of 2023. The increased rainfall led to a reduced demand for allocation water and increased price volatility in the allocation market.

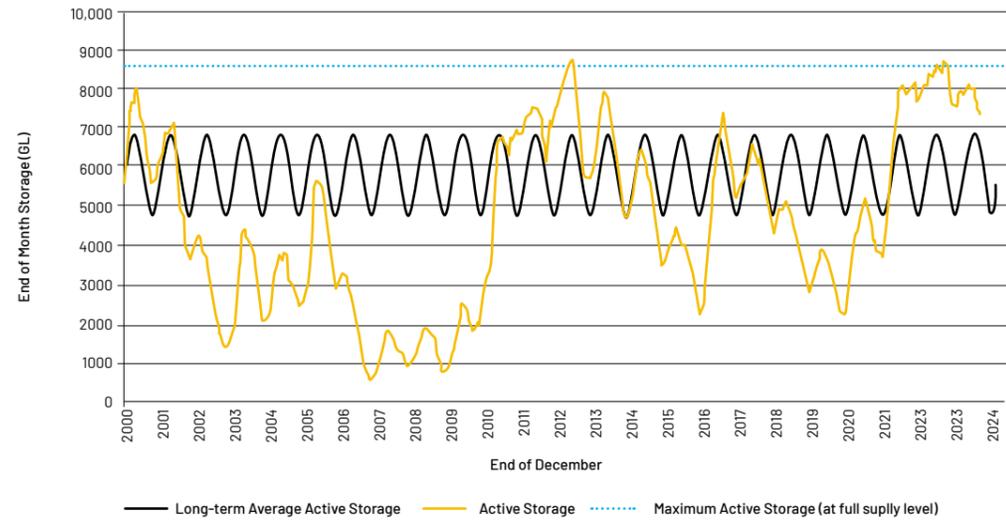
On balance, the water entitlement market had a challenging year in 2023. From December 2022 to December 2023, entitlement values declined by approximately 9%. The difficult economic conditions faced by the agriculture sector are believed to have contributed to the increased sell-side pressure (i.e. higher interest rates, higher input costs, and lower commodity prices). Entitlement prices showed signs of stabilising in late 2023, increasing by 2.6% from November 2023.

SYSTEM INFLOWS AND STORAGE LEVELS

At 31 December 2023, dam storage levels in the Murray Darling Basin (“MDB”) continued to be well above the long-term average. Compared to the same time last year, storage levels have decreased in the sMDB by approximately 1,325 gigalitres or 9%.

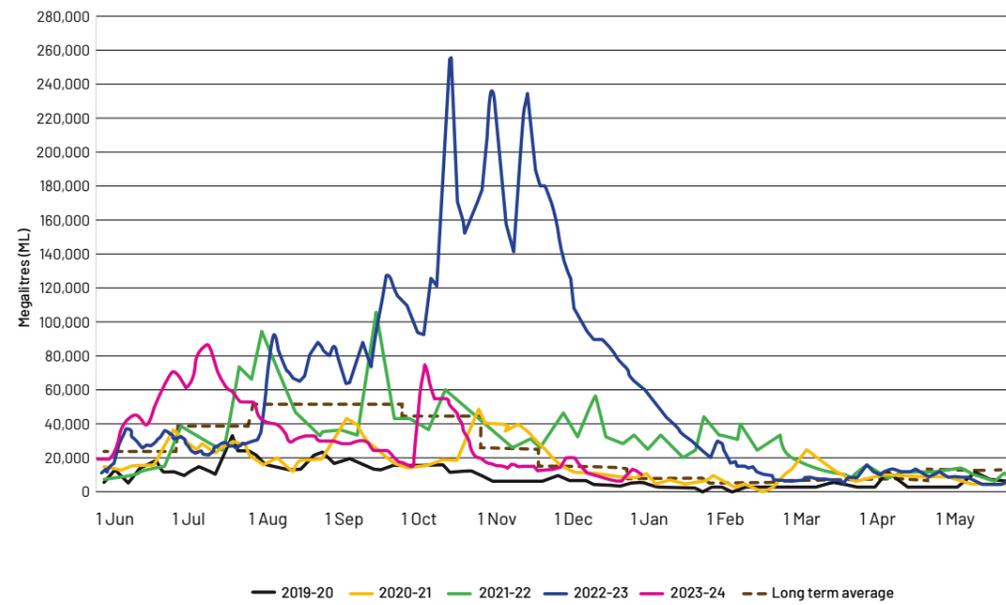
At the end of December 2023, MDB storages were at 87% capacity. Northern basin storages were at 77%, and southern basin storages were at 87%. In the previous year, the northern basin was at 101% capacity, while the southern basin was at 99%.

MDB AUTHORITY STORAGE: JUNE 2000 TO END DECEMBER 2023



Source: Murray Darling Basin Authority active storage as of December 2023

DAILY INFLOWS TO THE MURRAY DARLING BASIN



Source: Murray Darling Basin Authority



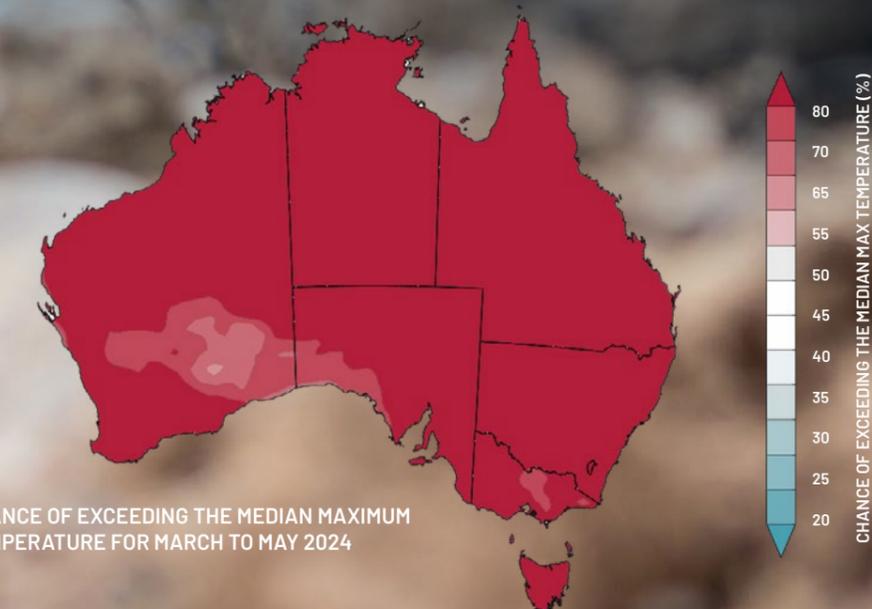
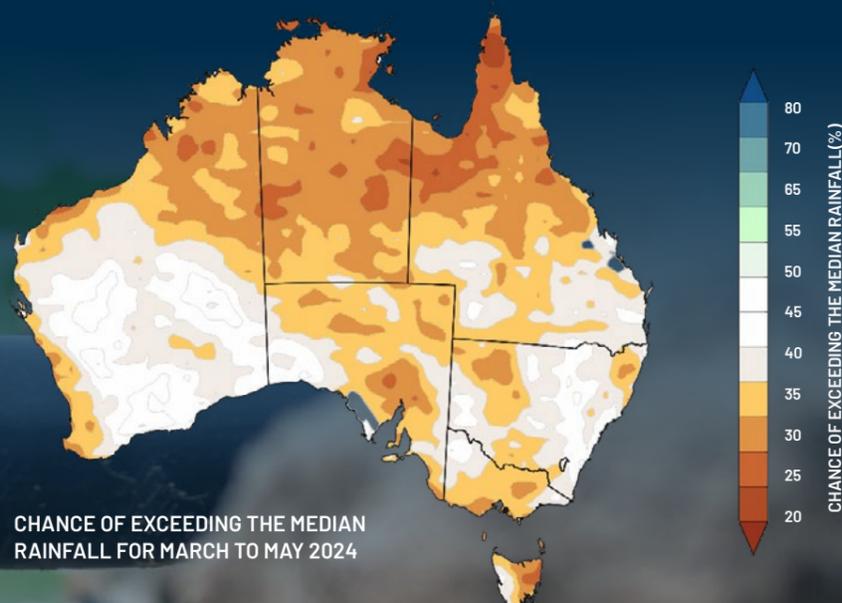
WEATHER OUTLOOK

The weather outlook for Autumn 2024 indicates that rainfall is likely to be below median for most of northern, western and parts of south-eastern Australia. There is less than a 50% chance of exceeding the median rainfall in the MDB.

Temperatures are likely to be above average for most of Australia, as has been the case for most of 2023. The World Meteorological Organization has confirmed that 2023 was the warmest year on record.

As of February 2024, El Niño remains active, but the Bureau of Meteorology has advised that it has passed its peak and is now declining. All models suggest that El Niño will dissipate by Autumn 2024. The Indian Ocean Dipole ("IOD") has returned to neutral.

The Southern Annual Mode ("SAM") is also currently neutral and is forecasted to remain neutral until at least late February. SAM was positive for most of December and January, which was likely influencing rainfall conditions. During summer, a positive SAM can lead to higher rainfall in the east.



Source: The Bureau of Meteorology. Long-range forecast - 22 February 2024

GOVERNMENT WATER BUYBACKS

In the second quarter of 2023, the Government conducted a voluntary water entitlement buyback program to recover approximately 49.2 gigalitres of water through an open tender. This was to complete the remaining shortfall towards the Basin Plan "Bridging the Gap" target.

On 6 September 2023, the Minister for the Environment and Water introduced the Water Amendment (Restoring Our Rivers) Bill into the House of Representatives. On 7 December 2023, the bill received royal assent to become an Act.

The Act introduced legislative amendments to support the recovery of water for the environment until 31 December 2027. In addition to this, the Act also removed the legislative cap on buybacks. Without a buyback cap in place, the Government can conduct further entitlement buybacks over the next four years to fulfil the Basin Plan's remaining targets.

Government buybacks involve the direct purchase of water licences from the market by the Government, which are then transferred to the Commonwealth Environmental Water Holder. These licenses, previously used for agriculture, are now repurposed for environmental needs.

The Government has committed to delivering 450 gigalitres of additional environmental outcomes with the current shortfall of 424 gigalitres. In addition to this, the MDB Authority has indicated there may be an additional shortfall between 190 and 315 gigalitres under the Sustainable Diversion Limit Mechanism projects.

On 30 January 2024, the Government released a draft framework for delivering the 450 gigalitre target. This framework outlines the main programs that will take place from 2024 to 2027. The framework highlights the Government's intention to commence water buybacks in the sMDB in 2024.

THANK YOU

We would like to thank both our shareholders and customers for their confidence and business in 2023. We look forward to working with and supporting your businesses in 2024 and beyond.


Lachlan Campbell
 Portfolio Manager


Lachlan Beech
 Portfolio Manager



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors of Duxton Water Limited submit herewith their Directors' Report, the financial report of Duxton Water Limited ("the Company") for the year ended 31 December 2023, and the Auditors' Report. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report as follows:

DIRECTORS

The names of the Directors of the Company that held office during and since the end of the financial year are:

Mr Edouard Peter

Mr Stephen Duerden

Mr Dirk Wiedmann

Mr Dennis Mutton

Dr Vivienne Brand

Mr Brendan Rinaldi

The above named Directors held office during the whole of the financial year and since the end of the financial year unless otherwise stated.

The office of company secretary is held by Mrs Katelyn Adams.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel is set out in the remuneration report section of this Directors' Report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

PRINCIPAL ACTIVITIES

There has been no change in the principal activities of the Company. The Company's primary focus has been acquiring and managing a portfolio of Australian water entitlements in the southern Murray Darling Basin. The Company generates income by providing water supply solutions to mainly primary producers through a combination of long-term lease arrangements and the sale of temporary water allocations to support Australian agricultural production. There haven't been any significant changes in the nature of the Company's activities during the period.

OPERATING AND FINANCIAL REVIEW

During the period ended 31 December 2023, the Company:

- **Delivered a profit before tax of \$9.0 million (2022: \$14.01 million).**
- **Generated leasing revenue of \$7.88 million (2022: \$8.20 million).**
- **Paid two fully franked dividends totalling 6.9 cents per share.**
- **Increased the portfolio of water assets to \$390 million (2022: \$377 million).**

The Company delivered a profit before taxes of \$9.0 million for the year ended 31 December 2023 (2022: \$14.01 million) and a net profit after tax of \$6.33 million (2022: \$10.01 million).

Key Metrics	2023	2022	2021	2020	2019	2018
Profit (loss) attributable to owners of the company	\$6.331m	\$10.007m	\$8.541m	\$8.696m	\$7.425m	\$7.265m
Basic earnings per share	\$0.048	\$0.084	\$0.071	\$0.073	\$0.064	\$0.085
Dividends paid	\$9.332m	\$7.770m	\$7.303m	\$6.798m	\$6.098m	\$3.990m
Dividends per share	\$0.069	\$0.065	\$0.061	\$0.057	\$0.053	\$0.049
Non-statutory NAV (post-tax)	\$1.62	\$1.90	\$1.78	\$1.62	\$1.76	\$1.37
Return on capital employed	5.00%	4.90%	4.70%	6.70%	5.40%	6.70%

This year's results were largely supported by the Company's leasing revenue stream and the realisation of capital gains from rebalancing the permanent water portfolio. While the Company's general security assets performed well from a yield point of view, the unleased high security entitlements experience below-average returns due to the continued wet conditions, and below-average allocation prices.

One of the highlights of 2023 was the successful acquisition and leaseback of \$39.1 million of permanent water entitlements with Treasury Wine Estates ("TWE"), first announced on 3 July 2023. This type of transaction allows Australian farming businesses to free up capital from their balance sheets while maintaining long-term operational access to their water. The inclusion of these assets adds value and complements D20's existing portfolio.

In addition, over the past 12 months, Duxton Water commenced several new long-term water leases with new and existing customers. The new leases that commenced on 1 July 2023 successfully offset the leases that were due to expire on 30 June 2023. By the end of December 2023, Duxton Water had 60% of entitlements under lease, compared to 54% at the same time last year. The Company intends to keep building out its leasing stream over time, back to its long-term leasing target of 70-80%.

At 31 December 2023, the post-tax NAV from a fair market value perspective closed at \$1.62 per share compared to \$1.90 per share at 31 December 2022, representing a 28 cents decrease.



The fall in NAV can be attributed to several factors. These include a decline in the value of water entitlements since December 2022. Additionally, the dilution from the issuance of 34 million shares at a discounted price of \$1.50 per share which was part of the company's capital-raising activities. Lastly, the payment of 6.9 cents dividends per share throughout 2023.

This year, the profit or loss statement also includes an impairment expense of \$0.92 million. The impairment occurred due to fluctuations in the valuation of permanent water assets. It should be noted that if there is a positive movement observed in these same assets, this impairment will be reversed, positively impacting the Company's statement of profit or loss.

The Company is carrying \$74.28 million, or \$0.49 per share of unrealised capital gain within the permanent water portfolio (exclusive of tax provisions). This is excluded from the statutory financial statements due to the application of Australian Accounting Standards.

The NAV of the Company in accordance with Australian Accounting Standards (which excludes unrealised gains) is \$1.26 per share (31 December 2022: \$1.23 per share).

CAPITAL RAISE

The Company has raised a total of \$51.5 million from its capital-raising activities in FY2023. This comprises \$44.2 million from applications received under the partially underwritten Non-renounceable Entitlement Offer and \$7.25 million from the underwritten Institutional Placement.

This was an excellent outcome. The board is very pleased and would like to thank both new and existing investors for their strong support. The new equity raised was used to fund the \$39.1 million acquisition of water entitlements from TWE, which settled in November 2023. Surplus funds were used to increase portfolio holdings as opportunities presented and manage debt levels.

DEBT SUMMARY & INTEREST RATE SWAPS

At 31 December 2023, Duxton Water's net debt to water assets was 29%. Throughout 2023, the Company's LVR has remained well below the maximum LVR covenant of 40%.

Throughout the year, the Company managed its surplus cash as appropriate to minimise interest expenses. After raising capital in July and August 2023, the Company used a significant portion of the \$51.5 million to offset the debt facilities until the settlement of the TWE transaction. As a result, the company was able to save on interest expenses overall.

In April 2023, the Company closed its 10-year fixed interest rate swap positions. This was done to maximise the cash consideration while the time value of the swap was at its highest. The Company made a total gain of \$1.9 million, which was settled in cash in April 2023.

The Company continues to closely monitor interest rate markets for well-priced hedging opportunities to manage its debt position.

FOR THE YEAR ENDED 31 DECEMBER 2023:

Cash Finance Costs = \$5.72 million

Non-Cash Finance Costs = \$0.74 million

Total Finance Costs/(Income) = \$6.46 million

Average Debt Drawn = \$110.09 million

VALUATION EXPERT

The portfolio continues to be valued on a dry equivalent basis by Aither Pty Ltd. Aither employs a market valuation approach to determine a Fair Market Value, which draws on publicly available water trade data from the relevant state water registers as well as analysis of trade data obtained from market intermediaries to calculate a dollar per ML volume weighted average price for each entitlement and allocation type. The Fair Market Value is not in accordance with the recognition and measurement requirements of the Australian Accounting Standards in relation to the accounting treatment of water assets (intangible assets). Therefore, increases in the Fair Market Value of water assets are not reported in the statutory accounts.

For financial statement reporting purposes, in accordance with the basis of preparation described in Note 2 of the financial statements, the Company's permanent water entitlements are carried at cost less any accumulated impairment losses. Temporary water allocations related to these entitlements are recognised in the Statement of Financial Position at zero cost initially. Purchased temporary water allocations are recognised at cost when acquired.

Presented below is a summary of the Company's NAV on a Fair Market Value basis compared to the basis of preparation described in Note 2 of the financial statements.

	Per company Statement of Financial Position \$'000	Per Fair Market Value* \$'000	Variance \$'000
31 December 2023			
ASSETS			
Permanent water entitlements	311,101	386,300	75,199
Temporary water entitlements	-	4,199	4,199
Net current and deferred tax asset	32	(24,395)	(24,427)
Net other current assets	(2,044)	(2,044)	-
Net non-current liabilities	(116,500)	(116,500)	-
TOTAL NET ASSETS	192,589	247,560	54,971
NET ASSET VALUE PER SHARE	\$1.261	\$1.621	\$0.360

	Per company Statement of Financial Position \$'000	Per Fair Market Value* \$'000	Variance \$'000
31 December 2022			
ASSETS			
Permanent water entitlements	262,756	376,760	114,004
Temporary water entitlements	26	72	46
Net current and deferred tax asset	(2,089)	(36,592)	(34,503)
Net other current assets	6,561	6,561	-
Net non-current liabilities	(122,391)	(122,391)	-
TOTAL NET ASSETS	144,864	224,410	79,546
NET ASSET VALUE PER SHARE	\$1.227	\$1.901	\$0.674

Further detail by reported segment is disclosed in Note 19 of the financial statements.

*Fair Market Value is evaluated on a monthly basis by the Company's independent valuer "Aither Pty Ltd". It is a non IFRS measure that is not reviewed or audited by the Company's auditor.



DIVIDENDS

During the year, the Company paid two fully franked dividends amounting to 6.9 cents. The first dividend, an interim dividend of 3.4 cents per share, was paid to shareholders on 27 October 2023. The dividend was franked to 100% at a corporate income tax rate of 30%. The second dividend, a final dividend of 3.5 cents per share, was paid to the shareholders on 28 April 2023. The dividend was also franked to 100% at a corporate income tax rate of 30%.

Total dividends paid to shareholders for FY2023 were \$9.33 million (FY2022: \$7.77 million). This consisted of cash distributions of \$8.08 million (FY2022: \$6.70 million), and shares issued under the DRP to the value of \$1.25 million (FY2022: \$1.07 million).

The Company has provided the following dividend announcement and targets for FY2024:

- Final 2023 dividend of 3.6 cents (declared)
- Interim 2024 dividend of 3.7 cents (target)



MATERIAL BUSINESS RISKS

Material business risks have the potential to significantly impact the Company's performance. The following outlines the key risks that the Company deems to be most significant, along with the existing measures in place to help mitigate these risks.

EXTREME WEATHER EVENTS RISK

Extreme weather conditions have a significant impact on the supply and demand of water. For example, too much rain typically increases the supply of available water within river systems. This generally results in lower allocation prices. Under drier conditions, the supply of available water is significantly reduced. This generally results in higher allocation prices.

Extreme weather events tend to have a greater impact on water allocation prices, as opposed to water entitlement values which tend to be much less volatile. In general, prices for high security/high reliability water entitlements tend to increase under dry conditions and decrease under wet conditions. This is in contrast to the prices for general security/low reliability water entitlements which tend to decrease in value under dry conditions and increase in value under wet conditions.

Recent research suggests that Australia's climate is likely to experience greater weather variability, resulting in an increase in extreme weather events such as intense and short-duration heavy rainfall events. This unpredictability in weather patterns can impact forecast accuracy, which is crucial for making business decisions.

MITIGATION

- The Company holds a diversified portfolio of water entitlement types across various regions, zones, and catchments. Owning a diversified portfolio of water entitlements helps to hedge against extreme weather events as adverse conditions in one area, may be offset by more favourable conditions elsewhere, reducing the overall vulnerability of the company to weather-related risks.

REGULATORY RISK

Government actions and policy changes, including alterations to state laws and regulations, can impact the Company's core business of acquiring and leasing water entitlements. This encompasses potential modifications to the MDB Plan, environmental water regulations, and water sharing plans at state and federal levels. These changes may influence the liquidity, transferability, and value of Australian water entitlements. Governments historically provide transitional periods for market adaptation to regulatory changes. The regulatory and political environment, including tax and legal structures related to water entitlements, is subject to potential change, posing a risk to the Company's performance and shareholder returns.

MITIGATION

- The Company continuously monitors and stays abreast of changes in laws, regulations, and government policies related to water entitlements. This proactive approach enables the Company to adapt the strategy promptly, ensuring compliance with evolving regulatory landscapes and minimising the impact on its core business.
- The Company owns a geographically diverse portfolio of water entitlements across different regions and water zones. This diversification strategy can help spread risk, making the Company less vulnerable to the specific impacts of regulatory changes in any single region or state.



GOVERNMENT WATER BUYBACKS

The MDB Plan includes a water buyback program to enhance the environmental sustainability of the MDB. This program involves purchasing water entitlements from willing sellers and redirecting the purchased water entitlements to the Commonwealth Environmental Water Holder ("CEWH"). Water entitlements held by the CEWH are used for environmental purposes that support river health. This reduces the annual volume of water available for agricultural use, thus increasing scarcity.

The Government's participation in water markets may distort market fundamentals, limiting opportunities for the Company to acquire water entitlements at attractive valuations for a period of time. The Government water buybacks may influence pricing in the short term. Further, as these water entitlements are expected to remain out of circulation for the foreseeable future, prices may continue to be impacted in the long-term.

MITIGATION

- The Company regularly monitors market dynamics and government initiatives related to the MDB Plan to anticipate and adapt to changes in the availability and pricing of water entitlements, allowing the Company to make informed decisions and navigate potential market distortions effectively.
- The Company diversifies its water entitlement holdings throughout different zones of the MDB. This helps to balance exposure to market dynamics, potentially reducing the impact of pricing distortions caused by government activities in a specific region, zone, or area.

COUNTERPARTY RISK

The Company's financial performance is subject to counterparties continuing to fulfil their obligations under various contracts. The Company anticipates many of its water entitlements will be subject to long-term lease arrangements. If a lessee defaults, this could adversely affect the revenue generated by the Company. If the Company or one of its transactional counterparties fails to adequately perform their contractual obligations, this may result in a loss of earnings, termination of the particular contract, disputes and or litigation.

MITIGATION

- The Company aims to minimise counterparty risk by dealing with a wide range of counterparties that are geographically diverse from one another. The Company aims to maintain a diversified lease book at all times. The Company's lease book will include leases of different sizes (by volume), to lessees operating in different river systems, and counterparties that grow different crop varieties to manage concentration risk.

MARKET RISK

Macroeconomic risks such as movements in interest rates, commodity prices, and inflation have the potential to adversely impact the value of assets. Significant fluctuations in macroeconomic factors may cause volatility in the value of water entitlements and water allocations. This may result in lower returns and greater volatility in the earnings profile of the business.

MITIGATION

- The Company closely monitors macroeconomic indicators to ensure the Company is well placed to make portfolio management decisions in line with the release of new economic and financial data. The Company also monitors longer-term interest rate markets and commodity prices. Forward looking markets will often be indicators of the overall health and financial performance of the Australian agricultural sector.

THINLY-TRADED ASSETS AND LIQUIDITY RISK

In some regions, water entitlements and water allocations are thinly traded, increasing the difficulty in obtaining a fair and accurate valuation of the asset. As a consequence, the realisable value of the water entitlements in these regions may be less than the apparent value or it may take a longer period of time before the investment is able to be realised at market value.

MITIGATION

- The Company only invests in Australian regulated water markets. This helps to minimise the risk of investment into a thinly traded or illiquid zone. In addition to this, the Company diversifies its water entitlements portfolio across regions with more active and liquid markets. This strategy helps mitigate the impact of thinly traded markets in specific regions, ensuring a more balanced and diversified exposure to water assets.
- The Company adopts a long-term investment perspective, recognising that thinly traded markets may require time to mature and gain liquidity. This approach involves patience in waiting for market dynamics to evolve, reducing the urgency to realise investments at potentially unfavourable valuations.
- The Company has its water assets valued by an independent expert on a monthly basis. The independent expert provides the Company with monthly valuations on each of the assets held by the Company which enables the Company to closely monitor asset pricing fluctuations.
- The Company frequently monitors public water register trade data which provides an insight into market liquidity within water entitlement markets.

**LIKELY DEVELOPMENTS**

The Board considers the Government buybacks to be an important development in the water markets over the next 12 to 48 months. The Government has committed to delivering the entire 450 gigalitres of enhanced environmental outcomes by 31 December 2027. This includes voluntary water purchases as part of the recovery package, along with infrastructure and alternative programs.

Although the Government has stated that voluntary water purchases are not the preferred recovery tool due to their socio-economic impacts on communities, the market anticipates that buybacks will make up a large component. This is because, to date, only about 10% of the 450 gigalitres has been recovered or contracted through efficiency measures. The Government's draft framework for delivering the 450 gigalitres of additional environmental water outlines their intention to commence targeted sMDB voluntary water purchases in 2024.

While there remains some uncertainty about the impact of government buybacks on water entitlement prices, this would largely depend on the extent and types of water entitlements being purchased. When the government acquires water entitlements, they are permanently added to environmental holdings and are not utilised for irrigation purposes. As a result, this could lead to an increase in the price of water entitlements in the recovery water zones. However, in certain circumstances, such as when the government has surplus water in accounts, they may choose to sell the allocation in the spot market.

Permanent plantings in the sMDB are expected to remain a key driving force behind Australian water entitlement prices. New trees have been planted in recent years while existing ones continue to mature. The significant expansion of permanent horticulture in the Lower Murray since 2016 has led to an increase in water demand, as these crops require consistent irrigation. This has resulted in irrigators seeking long-term water security.

The weather outlook for Autumn 2024 in the MDB is forecasting average rainfall with warmer-than-usual temperatures. Predictions beyond this period are less precise due to competing climate drivers. Weather variability continues to bring challenges to farmers in managing operations and planning for the next seasons. The Board does not see this latest outlook to represent a clear indication of water prices in the next water year. The Company's strategy remains consistent in continuing to build the lease portion of the portfolio, acquire well-priced water entitlements in zones that complement the existing portfolio, and actively manage the Company's unleased allocation holdings.

Duxton Water recognises the potential risks that climate change could pose to the Company and its customers in Australian Agriculture. The development of the Australian water market is considered a crucial tool in helping Australian agricultural producers manage climate variability. As the impacts of climate variability continue, it is anticipated an increase in extreme weather events and more volatility in water availability in the future.

Duxton Water believes that it has a vital role in helping Australian agriculture producers tackle upcoming challenges. The Company anticipates that water markets will keep adapting as market players assess these impacts and prepare themselves for future changes.

ENVIRONMENTAL REGULATION

The Company operates in a highly regulated environment and is subject to both Commonwealth and State legislation in relation to its acquisition of water entitlement activities. Based on the results of enquiries made, the Board is not aware of any significant breaches during the period covered by this report.

INDEMNITIES AND INSURANCE OF OFFICERS

The Company has agreed to indemnify all of the Directors of the Company against liabilities to another person that may arise from their position as Directors of the Company except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet the future amount of any such liabilities, including costs and expenses.

The Company has paid premiums amounting to \$115,380 to insure against such liabilities. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome;
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The Investment Manager is responsible for effecting and maintaining professional indemnity insurance, fraud and other insurance as is reasonable, having regard to the nature and extent of the Investment Manager's obligations under the Investment Management Agreement.

Provided that the Investment Manager has complied with the Investment Management Agreement, it will not be liable for any loss incurred by the Company in relation to the investment portfolio. The Investment Manager has agreed to indemnify the Company for all liabilities and losses incurred by the Company by reason of the Investment Manager's wilful default, bad faith, negligence, fraud in the performance of its obligations under the Investment Management Agreement or a material breach of the Investment Management Agreement.

Provided that the Investment Manager has complied with the Investment Management Agreement in all material respects, it is entitled to be indemnified by the Company in carrying out its obligations and performing its services under the Investment Management Agreement.

DIRECTOR OPTION HOLDINGS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Ordinary shares	Bonus Options exercisable at \$1.92
Mr Edouard Peter	7,983,480	2,039,083
Mr Stephen Duerden	278,228	69,558
Mr Dirk Wiedmann	1,554,544	388,636
Mr Dennis Mutton	65,795	16,449
Ms Vivienne Brand	11,328	2,833
Mr Brendan Rinaldi	12,500	3,125

SHARE OPTIONS**Unissued shares under options**

At the date of this report unissued shares of the Company under option are:

Expiry date	Exercise price	Number of shares
10/05/2026	1.92	38,167,826

All unissued shares are ordinary shares of the Company.

These options do not entitle the holder to participate in any share issue of the Company.

Shares issued on exercise of options

During the 2023 financial year, the Group did not issue any ordinary shares of the Company as a result of the exercise of options.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, 9 board meetings and 5 audit and risk committee meetings were held.

Director	Board Meetings		Audit & Risk Committee Meetings	
	Meetings attended	Meetings held	Meetings attended	Meetings held
Mr Edouard Peter	9	9	-	-
Mr Stephen Duerden	9	9	5	5
Mr Dirk Wiedmann	8	9	-	-
Mr Dennis Mutton	9	9	5	5
Dr Vivienne Brand	9	9	5	5
Mr Brendan Rinaldi	9	9	5	5

RESEARCH AND DEVELOPMENT

The Company did not undertake any research or development during the year.

CORPORATE GOVERNANCE

The Company complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition for the entire reporting period (unless otherwise stated in the Company's Corporate Governance statement).

CORPORATE ALL-ORDINARIES INDEX

In March 2023, Duxton Water was included in the All-Ordinaries Index, which tracks Australia's 500 largest ASX-listed companies by market capitalisation.

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Company during the financial year.

SUBSEQUENT EVENTS

There have been no events subsequent to reporting date which would have a material impact on the Company's 31 December 2023 financial statements.

INFORMATION ON DIRECTORS & COMPANY SECRETARY



CHAIRMAN OF THE BOARD & NON-EXECUTIVE DIRECTOR EDOUARD PETER

Edouard Peter, is the co-founder and Chairman of Duxton Asset Management Pte Ltd (“Duxton”). Prior to forming Duxton in 2009, Ed was Head of Deutsche Asset Management Asia Pacific (“DeAM Asia”), Middle East & North Africa. He was also a member of Deutsche Bank’s Group Equity Operating Committee and Asset Management Operating Committee. Ed joined Deutsche Bank in 1999 as Head of Equities and Branch Manager of DB Switzerland. In March 2001, Ed moved to Hong Kong with Deutsche Bank and was appointed Head of Global Equities for Asia and Australia, becoming responsible for all of Global Emerging Market Equities in the beginning of 2003. In November 2004, Ed became Head of Asian and Emerging Market Equities for the new Global Markets Division.

Ed holds a Bachelor’s Degree in English Literature from Carleton College in Northfield, Minnesota. Ed’s first foray into agricultural investing was in 1999 and he remains passionately interested in agriculture today.

Ed is appointed to the Board of the Company as a representative of the Investment Manager.

INTEREST IN SECURITIES Fully paid ordinary shares 7,983,480

QUALIFICATIONS Bachelor English Literature

OTHER DIRECTORSHIPS (ASX LISTED) Duxton Farms Ltd



NON-EXECUTIVE DIRECTOR STEPHEN DUERDEN

Stephen Duerden is currently the CEO of Duxton Capital (Australia) Pty Ltd. Stephen has over 25 years of experience in investment management, the last 14 of which have been focused on agriculture operations and investments, and joined Duxton in May 2009, as the CEO of Duxton in Singapore. Before joining Duxton, Stephen was the COO and Director for both the Complex Assets Investments Team and the Singapore operation of Deutsche Bank Asset Management Asia. Prior to this Stephen worked with Deutsche in Australia where he was a member of the Australian Executive Committee responsible for the management of the Australian business, with assets under management of approximately AUD \$20 billion, and a member of the Private Equity Investment Committee overseeing the management of over AUD \$2.5 billion in Private Equity and Infrastructure assets. Stephen has had exposure to a broad range of financial products and services during his career. He has been involved in direct property development and management, the listing and administration of REITS, as well as the operation and investment of more traditional asset portfolios.

Stephen holds a Bachelor of Commerce in Accounting Finance and Systems with merit from the University of NSW Australia and a Graduate Diploma in Applied Finance and Investments from the Financial Services Institute of Australasia. Stephen is a Fellow of the Financial Services Institute of Australasia and a Certified Practising Accountant.

Stephen is appointed to the Board of the Company as a representative of the Investment Manager.

INTEREST IN SECURITIES Fully paid ordinary shares 278,228

COMMITTEES Member - Audit and Risk Committee

QUALIFICATIONS Bachelor of Commerce Accounting (Finance and Systems), Graduate Diploma of Applied Finance, Member of Certified Practising Accountants, Fellow of Financial Services Institute of Australia

OTHER DIRECTORSHIPS (ASX LISTED) Duxton Farms Ltd



INDEPENDENT NON-EXECUTIVE DIRECTOR & DEPUTY CHAIRMAN DIRK WIEDMANN

Dirk Wiedmann has 30 years of experience in the finance industry. Over his career, Dirk has held senior global positions with several Banks, including UBS AG, Bank Julius Baer & Co Ltd and Rothschild Bank AG. Throughout his time in the industry, Mr Wiedmann has gained a vast range of experience covering international equities and derivatives, business sector market development, executive education and strategic marketing. Dirk has been invested in Australian agriculture business, including wine and dairy operations, since 1999.

Until August 2015, Dirk was the Global Head of Investments & Chief Investment Officer at Rothschild Wealth Management and Trust, a Member of the Divisional Board and a member of the Executive Committee of Rothschild Bank AG. Within his role as Global Head of Investments and CIO, Dirk was also responsible for all trading and execution activities and strategic marketing in the Bank.

Besides his Australian interests, Dirk acts as an independent director for MAN Investment Management Switzerland AG, advises a Family Office and is active in a Swiss Real Estate company.

Mr Wiedmann is an Independent Non-Executive Director of the Company.

INTEREST IN SECURITIES Fully paid ordinary shares 1,554,544

COMMITTEES Nil

QUALIFICATIONS Diplom Kaufmann from Johann Wolfgang Goethe, University/Frankfurt, Germany, Advanced Management Program at The Wharton School, University of Pennsylvania

OTHER DIRECTORSHIPS (ASX LISTED) Nil



INDEPENDENT NON-EXECUTIVE DIRECTOR DENNIS MUTTON

Dennis Mutton is an independent consultant in the fields of natural resource management, primary industries, regional growth initiatives, leadership development and Government-business relationships. He also holds a range of board Directorships in government, business and not for profit organisations at State and National levels.

His full time work career included executive management roles in both the private and public sectors culminating in 15 years as CEO of a number of South Australian State Government agencies including the Department of Environment, Water and Natural Resources and the Department of Primary Industries and Regions. Dennis also held roles as Commissioner and Deputy President of the Murray Darling Basin Commission and Chair of the SA Natural Resources Management Council.

INTEREST IN SECURITIES Fully paid ordinary shares 65,795

COMMITTEES Chair - Audit and Risk Management Committee

QUALIFICATIONS BSc (Hons 1), Grad Dip Mgt, FAICD, FAIM

OTHER DIRECTORSHIPS (ASX LISTED) Nil

INFORMATION ON DIRECTORS & COMPANY SECRETARY



INDEPENDENT NON-EXECUTIVE DIRECTOR VIVIENNE BRAND

Dr Vivienne Brand is a qualified lawyer who specialises in corporate law research, governance and ethics. She started her career with a leading commercial law firm, working in banking, finance and insolvency for a number of years, before a period working in house in BankSA's Treasury team. Vivienne has several decades of experience on a range of not for profit boards and management committees, including as a Chair of Governance. Vivienne holds a PhD in business ethics and has done significant research in relation to corporate whistleblowing and social licence to operate concepts.

Vivienne holds a Bachelor of Laws (Honours) from the University of Adelaide Australia, and a Master of Laws (Merit) from the University of London. She is also a Member of the Law Council of Australia's Business Law Division. Vivienne grew up in the Riverland on an irrigated fruit block and so has a personal understanding of, and interest in, the critical role access to water plays in supporting Australia's agriculture.

Vivienne is an Independent Non-Executive Director of the Company.

INTEREST IN SECURITIES Fully paid ordinary shares 11,328

COMMITTEES Member – Audit and Risk Management Committee

QUALIFICATIONS Bachelor of Laws (Hons), GAICD, LL(M)(Lond), PhD

OTHER DIRECTORSHIPS (ASX LISTED) Nil



INDEPENDENT NON-EXECUTIVE DIRECTOR BRENDAN RINALDI

Brendan Rinaldi has 20 years experience in the finance and agribusiness sectors and is the Elders Ltd General Manager for Victoria and Riverina. Brendan held various leadership roles in risk, agribusiness and commercial lending and was previously the State General Manager for Business Banking in South Australia, Northern Territory and Western Australia. Brendan is of a mixed farming and irrigation background in the Murray region of NSW.

His leadership roles in Agribusiness include the State Director for ANZ Corporate Agribusiness for Victoria and Tasmania, and the Head of Agribusiness in risk. Brendan is also a Governor of the American Chamber of Commerce. Brendan holds a Bachelor of Commerce from Latrobe University (Melbourne), is a Chartered Accountant, and also completed the ARITA Education Program (Advanced Insolvency Law).

Brendan is an Independent Non-Executive Director of the Company.

INTEREST IN SECURITIES Fully paid ordinary shares 12,500

COMMITTEES Member – Audit and Risk Management Committee

QUALIFICATIONS Bachelor of Commerce, Member of Chartered Accountants Australia and New Zealand

OTHER DIRECTORSHIPS (ASX LISTED) Nil



COMPANY SECRETARY KATELYN ADAMS

Katelyn Adams has over 15 years of accounting and board experience, servicing predominantly ASX listed companies. Katelyn is a Chartered Accountant and Partner of the Corporate Advisory division of HLB Mann Judd in Adelaide, as well as the Company Secretary of various listed and private companies.

Katelyn has extensive knowledge in corporate governance, ASX Listing Rule requirements, IPO and capital raising processes, as well as a strong technical accounting background.

Katelyn is a Non-Executive Director of Clean Seas Seafood Limited, and Company Secretary of Duxton Water Limited, Highfield Resources Limited and Petratherm Limited.

QUALIFICATIONS

Bachelor of Commerce, Member of Chartered Accountants Australia and New Zealand

REMUNERATION REPORT

REMUNERATION REPORT (AUDITED) – INVESTMENT MANAGER

The Company has appointed Duxton Capital (Australia) Pty Ltd as its Investment Manager to manage its assets and implement its investment strategy. The Company does not have any employees. The full board has appointed the Investment Manager in line with the terms of the Investment Management Agreement.

The Investment Management Agreement signed on 25 July 2016 is for an initial term of ten (10) years. After this initial term, the Investment Management Agreement will be renewed for further new terms of five (5) years, unless terminated by the Company or the Investment Manager.

Under the Investment Management Agreement, the Investment Manager will be responsible for the day-to-day management of the Company and management of the investment portfolio. Services provided by the Investment Manager include, but are not limited to, the selection, determination, structuring, investment, reinvestment, leasing, and management of the Company's assets.

The Management Fee for the first calendar month from the Closing Date and for the final calendar month in which the Company is wound up or the Investment Management Agreement is terminated will be calculated using the following formula:

$$\text{Monthly Management Fee} = \frac{(\text{Days in Operation}) \times 0.85\%}{365} \times \text{Portfolio Net Asset Value on the relevant Valuation Day}$$

"Days in Operation" means the number of days in that calendar month in which the Company incurs liabilities or debts and/ or generates revenue or owns assets.

"Closing Date" means the Listing Date of the Company on the ASX.

"Portfolio Net Asset Value" ("PNAV") means the total assets of the Company including water assets which for the purpose of determining the Management Fee, will be valued at fair market value based upon independent valuation, or the weighted average price of the last three applicable trades on or prior to the relevant Valuation Day, received from at least one broker, excluding outliers). Outliers are defined as a trade with greater than 10% variance from the last transacted price and transactions that are less than 10ML. (unless there are no applicable transactions greater than 10ML) less; the total liabilities of the Company excluding provisions for tax payable and Performance Fee.

"Valuation Day" means the last day in each month, unless the Directors resolve otherwise, and such other days as the Directors may determine, each being a day on which the Portfolio Net Asset Value is calculated.

The Management Fee is to be paid to the Investment Manager regardless of the performance of the Company.

Management Fees will increase if the Portfolio value increases, and decrease if the Portfolio value decreases, over the period. The Management Fee payable to the Investment Manager is calculated on the basis of the total value of the Company's assets at the applicable valuation date, including any unrealised capital gains of the Company.

The management fee paid or payable to the Investment manager for the year ended 31 December 2023 amounted to \$2,218,516 (year ended 31 December 2022: \$2,211,532).

In addition to the monthly Management Fee, the Investment Manager is entitled to be paid a Performance Fee at the end of each financial year from the Company. The Performance Fee is split over two hurdles and is calculated as:

- 5% of the outperformance of the Investment Return of the Company above a hurdle return of 8% per annum up to 12% per annum; plus
- If the Investment Return is above 12% for the year then the Performance Fee will include 10% of the remaining outperformance of the Investment Return over the hurdle of 12% per annum.

The Performance Fee will be subject to a High Water Mark and will be accrued monthly and paid annually. The terms of the Performance Fee are outlined below:

The Performance Fee will be calculated by reference to the audited accounts of the Company ("Audited Accounts") adjusted to reflect the value of water assets as determined by independent valuation, and the Company will pay the Performance Fee to the Investment Manager in arrears within 30 days from the completion of the Audited Accounts.

The Performance Fee will be payable if the Company outperforms either of the First Benchmark Hurdle or the Second Benchmark Hurdle (as defined below) during any Calculation Period. The formula for calculating the Performance Fee payable to the Investment Manager for any Calculation Period is as follows:

(a) If the Investment Return of the Company between the Start Date and the Calculation Date is less than the First Benchmark Return Hurdle (8%) then no Performance Fee is payable.

(b) If the Investment Return of the Company between the Start Date and the Calculation Date is greater than the First Benchmark Hurdle (8%) but less than the Second Benchmark Hurdle (12%) then the Performance Fee will be:

$$5\% \times ((\text{Adjusted Ending PNAV} - \text{Opening PNAV} - \text{Capital Raisings}) - \text{First Benchmark Return Hurdle})$$

(c) If the Investment Return of the Company between the Start Date and the Calculation Date is greater than the Second Benchmark Hurdle (12%) then the Performance Fee will consist of two components as follows:

Component A = 5% x (Second Benchmark Return Hurdle - First Benchmark Return Hurdle)

Plus

Component B = 10% x ((Adjusted Ending PNAV - Opening PNAV - Capital Raisings) - Second Benchmark Return Hurdle)

Where:

"Investment Return" means the percentage by which the Adjusted Ending Portfolio Net Asset Value exceeds the Opening Portfolio Net Asset Value at the Calculation Date; excluding any additions or reductions in the equity of the Company including distributions paid or provided for, dividend reinvestments, new issues, the exercise of share options, share buybacks and the provision or payment of tax made since the previous Calculation Date.

"Adjusted Ending PNAV" means the PNAV at the Calculation Date, adjusted by adding back to the Ending PNAV:

- Any Distributions or reductions in capital paid or provided for during such Calculation Period; and
- Any relevant taxes paid or provided for during such Calculation Period.

"First Benchmark Return Hurdle" means an amount equal to: 8% per annum of the Opening PNAV;

• Plus 8% per annum on Capital Raisings during the Calculation Period, calculated on a time weighted basis;

• Minus 8% per annum on the amount of any Distributions paid during the Calculation Period, calculated on a time weights basis.

"Second Benchmark Return Hurdle" means an amount equal to: 12% per annum of the Opening PNAV;

• Plus 12% per annum on Capital Raisings during the Calculation Period, calculated on a time weighted basis;

• Minus 12% per annum on the amount of any Distributions paid during the Calculation Period, calculated on a time weights basis.

"Ending PNAV" means the Portfolio Net Asset Value of the Company at the end of the relevant Calculation Period.

"Opening PNAV" means the higher of Portfolio Net Asset Value of the Company at the relevant Start Date for the Calculation Period or the highest Ending PNAV since inception of the Company on which a performance fee has been paid.

"High Water Mark" means the highest Adjusted Portfolio Net Asset Value at which a Performance Fee has been paid to the Investment Manager.

"Commencement Date" means the first Business Day immediately following the Listing Date (including such extended period(s) where applicable).

"Calculation Period" commences from a "Start Date" and ends on a "Calculation Date".

"Start Date" means 1st of January of each year except for the first Calculation Period which will start on the first Business Day immediately following the Listing Date (i.e. Commencement Date).

"Calculation Date" means the 31st December of each year, except for the year in which the Company is wound up or the Investment Management Agreement is terminated, in which case the Calculation Date will be the last Business Day before the termination of the Company or the Investment Management Agreement (as applicable).

"Business Day" means a day on which banks are open in South Australia, excluding weekends and public holidays in South Australia.

The performance fee paid or payable to the Investment manager for the year ended 31 December 2023 amounted to nil (year ended 31 December 2022: \$2,458,222).

A termination fee is payable by the Company to the Investment Manager if the Investment Management Agreement is terminated within the first ten years of the Agreement, unless the Company has terminated the Investment Management Agreement for default by the Investment Manager. The termination fee is equal to 5% of the PNAV of the Company, reduced by 1/60th for each calendar month elapsed after the first five years since commencement of the Investment Management Agreement up to the date of termination.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Details of movements in Directors Shareholdings for the period are set out in the following table:

Movements in Shares	1 Jan 2023	Exercise of Options	Other Changes ¹	31 Dec 2023
Mr Edouard Peter ⁽¹⁾	7,954,879	-	28,601	7,983,480
Mr Stephen Duerden ⁽¹⁾	251,997	-	26,231	278,228
Mr Dirk Wiedmann	1,500,095	-	54,449	1,554,544
Mr Dennis Mutton	52,636	-	13,159	65,795
Dr Vivienne Brand	9,062	-	2,226	11,328
Mr Brendan Rinaldi	10,000	-	2,500	12,500
Total	9,778,669	-	127,206	9,905,875

¹Other Changes represent shares that were purchased or sold during the year at an arm's length basis on the ASX. Shares held by a Director prior to their appointment date are also included as "Other Changes". There were no equity instruments granted during the period as compensation. Director shares held comprise of both direct and indirect holdings.

The Board policy is to remunerate Independent Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Fees for Non-Executive Directors are not linked to the performance of the Company.

In determining competitive remuneration rates, the Board review local and international trends among comparative companies and industry generally. Typically, the Company will compare Non-Executive Remuneration to companies with similar market capitalisations. These reviews are performed to confirm that non-executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

Further to ongoing reviews, the maximum aggregate amount of fees that can be paid to Non-Executive Directors is \$0.250 million and is subject to approval by shareholders at the Annual General Meeting.

Details of the remuneration of the Non-Executive Directors of the Company, paid for the reported period, are set out in the following table:

Non-executive Directors (Total Remuneration)	2023 \$	2022 \$
Mr Edouard Peter ⁽¹⁾	-	-
Mr Stephen Duerden ⁽¹⁾	-	-
Mr Dirk Wiedmann	35,000	35,000
Mr Dennis Mutton	45,000	45,000
Dr Vivienne Brand	40,000	40,000
Mr Brendan Rinaldi	40,000	30,000
Total	160,000⁽²⁾	150,000⁽²⁾

(1) These Non-Executive Directors are employed by the Investment Manager (Duxton Capital (Australia) Pty Ltd) and receive no remuneration from Duxton Water Ltd, however Duxton Capital (Australia) Pty Ltd does receive management fees and performance fees.

(2) Total Director Remuneration Fees received in cash are inclusive of statutory superannuation entitlements. The rates applied were:
 1 July 2021 to 30 June 2022: 10.00%
 1 July 2022 to 30 June 2023: 10.50%
 1 July 2023 to 30 June 2024: 11.00%

OPTIONS

The Directors have not received any options as remuneration by the Company during the reported period.

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

The movement during the reporting period, by number of options over ordinary shares in Duxton Water Ltd, held directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

Director	Held at 01 January 2023	Issued on 09.11.2023	Purchased on Market	Disposed / Exercised	Held at 31 December 2023
Mr Edouard Peter	-	1,989,093	50,000	-	2,039,083
Mr Stephen Duerden	-	69,558	-	-	69,558
Mr Dirk Wiedmann	-	388,637	-	-	388,637
Mr Dennis Mutton	-	16,449	-	-	16,449
Ms Vivienne Brand	-	2,833	-	-	2,833
Mr Brendan Rinaldi	-	3,125	-	-	3,125

No Options were issued as compensation during the reporting period.

ROUNDING

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

No amounts were paid or payable to the auditor for non-audit services during the year.

CORPORATE GOVERNANCE STATEMENT

The Company's corporate governance statement can be viewed on the Company's website www.duxtonwater.com.au.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, KPMG, to provide the Directors of the Company with an Independence Declaration. This Lead Auditor's Independence Declaration is included on page 47.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.



Edouard Peter
Chairman



Dennis Mutton
Independent Non-Executive Director

Stirling, South Australia
27 February 2024



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Duxton Water Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Duxton Water Limited for the financial year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG


Neil Ediriweera
Partner

Adelaide
27 February 2024

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STATEMENT OF **PROFIT OR LOSS**
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue	4	9,566	11,955
Gain on entitlement sales		11,379	8,026
Cost of sales and leasing		(396)	(1,020)
Management fees		(2,219)	(2,212)
Performance fees		-	(2,458)
Legal and professional fees		(185)	(109)
Other expenses	5	(1,772)	(1,373)
(Impairment) / Impairment reversal of permanent water entitlements	6	(915)	171
Impairment reversal of temporary water allocations		-	255
Total expenses		(5,487)	(6,746)
Profit before net finance (cost)/income		15,458	13,235
Finance expense		(6,462)	771
Net finance (cost) / income	7	(6,462)	771
Profit before tax		8,996	14,006
Income tax expense	8	(2,665)	(3,999)
Profit for the year attributable to shareholders of Duxton Water Limited		6,331	10,007
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year attributable to shareholders of Duxton Water Limited		6,331	10,007
Earnings per share attributable to shareholders of Duxton Water Limited			
Basic Earnings per share	17	\$ 0.048	\$ 0.084
Diluted earning per share	17	\$ 0.048	\$ 0.084

The notes on pages 52 to 73 are an integral part of these financial statements

STATEMENT OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	1,832	1,246
Trade and other receivables	10	9,941	9,568
Temporary water allocations	12	-	26
Other current assets		223	434
Total current assets		11,996	11,274
Non-current assets			
Permanent water entitlements	13	311,101	262,756
Deferred taxation	8	1,546	11
Financial derivative assets	22	-	2,609
Total non-current assets		312,647	265,376
Total assets		324,643	276,650
LIABILITIES			
Current liabilities			
Trade and other payables	14	13,156	3,275
Unearned Revenue		884	1,411
Tax liability	8	1,514	2,100
Total current liabilities		15,554	6,786
Non-current liabilities			
Interest-bearing liabilities	15	116,500	125,000
Total non-current liabilities		116,500	125,000
Total liabilities		132,054	131,786
Net assets		192,589	144,864
EQUITY			
Issued capital	16	185,252	134,526
Retained earnings		7,337	10,338
Total equity		192,589	144,864

The notes on pages 52 to 73 are an integral part of these financial statements

STATEMENT OF CHANGES IN **EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Issued capital \$'000	Retained Earnings \$'000	Total equity \$'000
Balance at 1 January 2023		134,526	10,338	144,864
Profit for the year		-	6,331	6,331
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	6,331	6,331
<i>Transactions with owners of the Company:</i>				
Shares issued	16	52,732	-	52,732
Share buyback	16	(688)	-	(688)
Share issue costs - net of taxes	16	(1,318)	-	(1,318)
Distribution of dividends	16	-	(9,332)	(9,332)
Balance at 31 December 2023		185,252	7,337	192,589
Balance at 1 January 2022		137,939	8,101	146,040
Profit for the year		-	10,007	10,007
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		-	10,007	10,007
<i>Transactions with owners of the Company:</i>				
Shares issued	16	1,072	-	1,072
Share buyback	16	(4,474)	-	(4,474)
Share issue costs - net of taxes	16	(11)	-	(11)
Distribution of dividends	16	-	(7,770)	(7,770)
Balance at 31 December 2022		134,526	10,338	144,864

The notes on pages 52 to 73 are an integral part of these financial statements

STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash flows from operating activities			
Receipts from customers		9,033	12,035
Payments to suppliers		(6,876)	(4,226)
Interest paid		(5,680)	(3,635)
Income tax paid		(4,043)	(2,898)
Net cash (used in)/from operating activities	18	(7,566)	1,276
Cash flows from investing activities			
Purchase of water entitlements		(44,850)	(27,446)
Disposal of water entitlements		18,804	10,966
Disposal of financial derivative assets		1,867	2,409
Movement in deposits		-	3
Net cash used in investing activities		(24,179)	(14,068)
Cash flows from financing activities			
Payment of share buyback	16	(688)	(4,474)
Shares issued, net of costs	16	49,597	(11)
Proceeds from borrowings	15	51,000	19,000
Repayment of borrowings	15	(59,500)	-
Payment of dividends	16	(8,078)	(6,697)
Net cash from financing activities		32,331	7,818
Net increase/(decrease) in cash and cash equivalents		586	(4,974)
Cash and cash equivalents at beginning of the year		1,246	6,220
Cash and cash equivalents at end of year	9	1,832	1,246

The notes on pages 52 to 73 are an integral part of these financial statements

1. CORPORATE INFORMATION

Duxton Water Limited (the "Company") is a Company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under the symbol D20. Its registered office and principal place of business is located at 7 Pomona Road Stirling SA 5152

The Company is a for-profit entity. The full-year financial statements were authorised for issue by the Directors on 27 February 2024.

2. BASIS OF PREPARATION

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention except for financial derivative liabilities which are at fair value.

All amounts are presented in Australian dollars, unless otherwise noted. The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

At 31 December 2023 the Company has statutory net assets of \$192.589 million (31 December 2022: \$144.864 million). At balance date, the Company has a net current asset deficiency of \$3.558 million (2022: \$4,488 million surplus), arising from the timing and recognition of the permanent water entitlement purchases. At balance date, Company has \$16.5 million of non-current, undrawn debt facilities and can draw down the necessary cash to have a net current asset surplus. As such, the directors have determined it is appropriate to prepare the financial statements by applying the going concern basis of accounting. They are based on historical costs and do not take into account changing money values, except for financial derivatives which are measured at Fair Value

STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, and Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with Australian Accounting Standards Board ("AASBs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets,

liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are:

a) Permanent water entitlements

Permanent water entitlements are treated as intangible assets on the Statement of Financial Position at cost (in accordance with AASB 138 Intangible Assets). It has been determined that there is no foreseeable future limit to the period over which the asset is expected to generate net cash inflows for the entity, therefore the entitlements will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements will be tested annually for impairment, and whenever there are indications present that the asset is impaired or if there are indications present that a previously impaired asset is no longer impaired.

b) Temporary water allocations

Temporary water allocations purchased are treated as items of inventory available for resale in accordance with AASB 102 Inventories. Temporary water allocations are measured at the lower of its individual cost and net realisable value.

3. MATERIAL ACCOUNTING POLICIES

CHANGES IN MATERIAL ACCOUNTING POLICIES

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material Accounting Policies (2022: Significant Accounting Policies) in certain instances in line with the amendments.

LEASES

The Company (as lessor) generates leasing revenue through the provision of long-term leasing arrangements (typically 3-10 years) of permanent water entitlements to various counterparties. As lessor, the process of accounting for these leases under AASB 16 remains unchanged from AASB 117. Under AASB 16 the Company classifies all leases as either operating or finance leases using similar principles as defined in AASB 117 Leases. AASB 16 does not have any impact on the Company's financial statements for leasing arrangements where the company acts as lessor. The Company can (as lessee) lease permanent water entitlements from various counterparties through the provision of long-term leasing arrangements. AASB 16 would ordinarily require the present value of the future lease payments to be recorded on the Company's Statement of Financial Position, however given the nature of permanent water entitlements (i.e. intangible assets) the Company has elected to not apply AASB 16 to these intangible assets.

REVENUE AND OTHER INCOME

Sale of temporary water allocations

The Company's revenue under AASB 15 is derived from the sale of temporary water allocations. Revenue derived from the sale of temporary water allocations is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer which is when the performance obligations under the contract are completed.

Customers obtain control of temporary water allocations upon settlement of the sales contract.

Lease of water entitlements

Income from water entitlement lease agreements is recognised on a straight-line basis over the term of the lease.

Interest income

Interest income comprises of income earned on financial assets and interest charged on overdue customer accounts in accordance with customer contracts. Interest is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be reliably measured. Interest is recognised in the Statement of Profit or Loss and Other Comprehensive Income, using the effective interest method.

Sale of permanent water entitlements

The profit or loss on the disposal of water entitlements (which are a non-current asset) is recognised in the Statement of Profit or Loss on the date in which control of the asset passes to the purchaser, usually when an unconditional contract of sale is achieved. This gain or loss on disposal is calculated as the difference between

the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Impairment of Financial Assets

The Company has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime Expected Credit Losses ("ECLs").

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the Statement of Profit or Loss and Other Comprehensive Income.

Segment reporting

Operating segments are reported in a manner consistent with the internal reports which are provided to the chief operating decision maker. The chief operating decision maker, who is responsible for monitoring and assessing segment performance, has been identified as the board of Directors.

Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In this case, GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax amounts. Current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years or because of items that are never taxable or deductible.

The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively

enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Current and deferred tax is recognised in the profit and loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Financial Instruments

a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

c) Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

d) Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

e) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the

cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of profit or loss.

f) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Water assets

a) Permanent water entitlements

Intangible assets with indefinite useful lives (permanent water entitlements) that are acquired separately are carried at cost less accumulated impairment losses.

Permanent water entitlements are treated as intangible assets on the Statement of Financial Position at cost (in accordance with AASB 138 Intangible Assets). It has been determined that there is no foreseeable future limit to the period over which the asset is expected to generate net cash inflows for the entity, therefore the entitlements will not be subject to amortisation, as the permanent water entitlements have an indefinite life. Permanent water entitlements will be tested at least annually for impairment and whenever there are indications present that the asset is impaired or if there are indications present that a previously impaired asset is no longer impaired.

b) Temporary water allocations

Temporary water allocations purchased are treated as items of inventory available for resale in accordance with AASB 102 Inventories. Temporary water allocations are measured at the lower of its individual cost and net realisable value.

Impairment of tangible and intangible assets other than goodwill.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-

generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives (permanent water entitlements) are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Permanent water entitlements

Permanent water entitlements are tested for impairment at a entitlement zone level by comparing each entitlement zone with its carrying amount annually. Whenever there is an indication that an impairment exists, any excess of the carrying amount over the recoverable amount is recognised as an impairment loss in the Statement of Profit or Loss. The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine if there is any indication of impairment.

If such an indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. The Company determines the fair value of its permanent water entitlements based upon independent valuations. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income and are only reversed to the extent of previously recognised impairment.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts.

Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with AASB 112 Income Taxes.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

b) Diluted earnings per share

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the dilutive effect, if any.

4. REVENUE

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Lease income from water entitlements	7,875	8,195
Sale of temporary water allocations	1,501	3,718
Other income	190	42
Total	9,566	11,955

5. OTHER EXPENSES

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Administration and marketing expenses	613	460
ASX listing fees	65	53
Auditors remuneration - KPMG - Audit of financial statements*	76	57
Bad debt expense	66	12
Brokerage, bank fees and other expenses	1	25
Company secretary	68	78
Directors' and officers' insurance	115	118
Government water charges	532	366
Non-executive Directors fees	160	150
Share registry costs	76	54
Total	1,772	1,373

*Auditors remuneration - KPMG - Audit of financial statements = \$75,775.

6. IMPAIRMENT OF WATER ENTITLEMENTS

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
(Impairment) / impairment reversal of water entitlements	(915)	171
Total	(915)	171

The recoverable amount for each entitlement zone is determined at least annually using a market based approach. Each entitlement zone is a discrete section within a river system, or entitlement type. The key assumption applied to determining the recoverable amount of each entitlement zone is the estimated price per mega litre (ML).

The Company contracts an independent expert to determine the fair value of entitlements. The independent expert employs a market valuation approach which draws on publicly available water trade data from the relevant state water registers as well as analysis of trade data obtained from market intermediaries to calculate a dollar per ML volume weighted average price for each entitlement and allocation type. Water entitlements are classified as Level 3 fair value hierarchy assets (2022: Level 3).

The determination of fair value is subject to unobservable judgement applied by the independent expert in selecting transactions sourced from state water registers and intermediary transaction data as input in calculating a dollar per ML volume weighted average price.

For the year ended 31 December 2023, the Company recognised a net impairment of \$0.915 million against the high security portion of the portfolio (2022: impairment reversal of \$0.171million). Details of information to which reportable segment the impairment reversal relates to is disclosed in Note 19.

The impairment/(impairment reversal) relates to the following entitlements held:

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Goulburn Zone 1A HS	860	-
Murray Zone 6B HS	55	-
Murray Zone 10 HS	-	(171)
Total	915	(171)

Price change sensitivity

If the fair market price of the impaired assets listed above changed by 1%, this would result in a \$0.744 million change to the statutory impairment expense in the Statement of Profit or Loss.

7. NET FINANCE (COST)/INCOME

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Interest paid on debt	(5,720)	(3,529)
Non-cash gain from interest rate swaps	-	1,891
Realised (loss)/ gain from interest rate swaps	(742)	2,409
Cash interest income	-	-
Net finance (Cost)/Income	(6,462)	771

8. TAXATION

(a) Recognised in the statement of profit or loss and other comprehensive income	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Current tax expense	(3,636)	(3,764)
Deferred tax benefit/(expense)	971	(235)
Total income tax expense	(2,665)	(3,999)

Profit from continuing operations before income tax	8,996	14,006
Tax at the Australian tax rate of 30%	2,699	4,202
Adjustments for current tax of prior periods	(34)	(203)
Income tax benefit attributable to ordinary activities	2,665	3,999

(b) Recognised in the statement of changes in equity	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Deferred tax expense (benefit) – share issue expenses	(565)	(3)
Income tax recognised directly in equity	(565)	(3)

(c) Current Tax Liability	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Current tax expense recognised through profit or loss	(3,636)	(3,764)
Income tax instalments paid	2,122	1,125
Prior year tax paid	-	539
Current tax liability	(1,514)	(2,100)

(d) Deferred Tax Asset	2023 \$'000	Transactions via P&L	Transactions via Equity	2022 \$'000
Deferred tax assets (liabilities) in relation to:				
Share issue and listing costs	454	(154)	565	43
Water entitlements	275	275	-	-
Provision for bad debt	-	(207)	-	207
Unearned revenue	711	160	-	551
Prepaid expenses	(15)	35	-	(50)
Accrued expenses	9	4	-	5
Deposits paid	112	74	-	38
Financial derivatives	-	783	-	(783)
Total	1,546	970	565	11

(e) Dividend Franking Account	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Total franking account balance at 30%	1,543	1,766
Total	1,543	1,766

The above amount represents the balance of the franking account as at 31 December, after taking into account adjustments for:

- Franking credits that will arise from the payment of income tax payable for the current year;
- Franking credits that will arise from the receipt of dividends recognised as receivables at the year end; and
- Franking credits that may be prevented from being distributed in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

9. CASH AND CASH EQUIVALENTS

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash at bank	1,832	1,246
Total	1,832	1,246

10. TRADE AND OTHER RECEIVABLES

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Trade receivables	9,914	9,516
Other receivables	27	52
Total	9,941	9,568

Trade receivables are net of provision for impairment of \$0.75 million (2022: \$0.69 million).

11. LEASES AS LESSOR

Duxton Water leases out some of the water entitlements that it owns. At 31 December 2023, the future minimum lease payments under non-cancellable leases receivable was:

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Less than one year	6,618	6,614
Between one and five years	13,497	11,515
More than five years	938	1,322
Total	21,053	19,451

During 2023, lease income of \$7.88 million was included in revenue (2022: \$8.20 million).

12. WATER ALLOCATIONS

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Water allocations	-	26
Total	-	26

See accounting policy note 2.

In 2023, temporary water allocations of \$0.04 million (2022: \$0.49 million) were recognised as an expense in cost of sales.



13. WATER ENTITLEMENTS

Permanent water entitlements – at cost	\$'000
Balance at 1 January 2022	241,282
Additions	27,753
Disposals	(6,279)
Balance at 31 December 2022	262,756
Balance at 1 January 2023	262,756
Additions	56,797
Disposals	(7,537)
Balance at 31 December 2023	312,016
Accumulated impairment	\$'000
Balance at 1 January 2022	171
Reversal of impairment losses recognised in profit or loss	(171)
Balance at 31 December 2022	-
Balance at 1 January 2023	-
Impairment losses recognised in profit or loss	915
Balance at 31 December 2023	915

14. TRADE AND OTHER PAYABLES

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Trade payables	12,451	367
Accrued expenses*	328	2,781
Other payables	377	127
Total	13,156	3,275

*In 2023, no performance fee was accrued (2022: \$2.46m)

15. INTEREST-BEARING LIABILITIES

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Bank loans - secured	116,500	125,000
Total	116,500	125,000

The Company's debt is secured by a security interest and charge over all of the present and future rights, property and undertakings of Duxton Water Ltd. As per the debt agreement, the debt facility is secured by mortgages on approximately 69 GL of permanent water entitlements at 31 December 2023.

SUMMARY OF BORROWING ARRANGEMENTS

At 31 December 2023 the Company has an outstanding debt facilities with NAB:

- Limit of \$106 million due for expiry 31 March 2025 (\$106.0 million drawn).
- Limit of \$24 million due for expiry 31 March 2026 (\$10.5 million drawn).

Terms of borrowing arrangements:

- The variable interest payable on debt facility A (\$106m) is calculated as BBSY + Margin Fee of 0.65% p.a + Facility Fee of 0.65% p.a.
- The variable interest payable on debt facility B (\$24m) is calculated as BBSY + Margin Fee of 0.70% p.a + Facility Fee of 0.70% p.a.
- The facility is secured by mortgages on the Company's permanent water rights.
- The Company must maintain an interest coverage ratio (ICR) greater than 2.5.



16. EQUITY

	No. Shares	\$'000
a) Ordinary Shares		
Opening balance at 1 January 2022	120,112,469	137,939
Shares issued during the year (dividend reinvestment plan)	690,606	1,072
Share buy-back	(2,764,896)	(4,474)
Share issue costs - net of taxes	-	(11)
Closing balance at 31 December 2022	118,038,179	134,526
Opening balance at 1 January 2023	118,038,179	134,526
Shares issued during the year (dividend reinvestment plan)	755,861	1,251
Shares issued during the year (capital raising)	34,320,538	51,481
Share buy-back	(394,000)	(688)
Share issue costs - net of taxes	-	(1,318)
Closing balance at 31 December 2023	152,720,578	185,252

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

b) Options on issue

Unissued ordinary shares of the Company under option at the date of this report are as follows.

Type	Expiry Date	Exercise Price	Number of Options
Bonus Options - Issued 09/11/2023	10/5/2026	1.92	38,167,826

	2023 \$'000	2022 \$'000
c) Dividends		

Dividends declared and paid on ordinary shares

Final dividend for FY23 of 3.4 cents per share, 100% franked (2022: 3.2 cents per share, 100% franked) ^a	4,002	3,837
Interim dividend for FY24 of 3.5 cents per share, 100% franked (2022: 3.3 cents per share, 100% franked) ^b	5,329	3,934

Dividends approved after balance date

Since the end of the financial year, the Directors approved a final dividend of 3.6 cents per share (2022: 3.4 cents) 100% franked (2022: 100% franked).	5,498	4,002
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This dividend has not been recognised as a liability in the consolidated financial statements at year-end

A) The FY23 Final Dividend includes an amount of \$0.523 million (FY22 final dividend: \$0.526 million) for shares issued under the Dividend Reinvestment Plan.

B) The FY24 Interim Dividend includes an amount of \$0.728 million (FY23 interim dividend: \$0.548 million) for shares issued under the Dividend Reinvestment Plan.

17. EARNINGS PER SHARE

	2023	2022
Earnings \$'000	6,331	10,007
Earnings used in the calculation of basic EPS \$,000	6,331	10,007
Weighted average number of ordinary shares (basic)	131,830,777	119,579,236
Weighted average number of ordinary shares (diluted)	131,830,777	119,579,236
Basic earnings per share from continuing operations (dollars)	0.048	0.084
Diluted earnings per share from continuing operations (dollars)	0.048	0.084

18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2023 \$'000	2022 \$'000
Profit after tax	6,331	10,007

Adjustments for non-cash items included in profit:

Increase in fair value of financial derivatives	-	(1,891)
Impairment / (reversal of Impairment) of water entitlements	915	(426)
Profit on disposal of water entitlements	(11,379)	(8,026)
(Profit) / loss on disposal of financial derivatives	742	(2,409)

Changes in other items:

Trade & other receivables*	(167)	279
Prepaid expenses	(212)	54
Trade & other payables*	(2,172)	2,216
Unearned revenue	526	75
Income taxes	(588)	1,019
Deferred tax	(1,536)	235
Water allocations	25	486
Other	(51)	(342)

Net cash generated from operating activities	(7,566)	1,276
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*Items exclude water receivables and payables

Non-cash transaction

During the year, the Company entered into the following non-cash activities which are not reflected in the statement of cash flows:

- 755,861 shares (\$1.251 million) were issued under the Company's Dividend Reinvestment Plan during 2023.

19. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker to make strategic decisions. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The amounts provided to the Board of Directors with respect to profit or loss, liabilities and assets other than water entitlement assets is measured in a manner consistent with that of the financial statements, while permanent water entitlement assets and temporary water allocations are allocated to a segment based on the geographical region of the water entitlement assets and measured on a "Fair Market Value" basis.

"Fair Market Value" for purposes of valuing the Company's water entitlement and allocation portfolio that is reported to the Board of Directors, is based on the independent monthly valuation that is undertaken by an independent expert.

Segment revenue and results For the year ended 31 December 2023	Permanent Water \$'000	Temporary Water \$'000	Unallocated \$'000	Total \$'000
Profit & Loss				
Reportable segment revenue	7,875	1,501	190	9,566
Gain on entitlement sales	11,379	-	-	11,379
Total segment gross revenue and other income	19,254	1,501	190	20,945
Expenses	(1,252*)	(591)	(3,644)	(5,487)
Finance costs	-	-	(6,462)	(6,462)
Tax expense	-	-	(2,665)	(2,665)
Net profit after tax	18,002	910	(12,581)	6,331

*Includes \$0.915 million of impairment on the Company's permanent water portfolio.

Balance Sheet	Murray \$'000	Murrumbidgee \$'000	Goulburn \$'000	Other ¹ \$'000	Unallocated \$'000	Total \$'000
Permanent water entitlements at fair value	269,788	40,827	57,232	18,453	-	386,300
- Less fair market value adjustment ⁽²⁾	(58,657)	(7,062)	119	(8,684)	-	(74,284)
- Less accumulated impairment ⁽²⁾	(55)	-	(860)	-	-	(915)
Permanent water entitlements at cost	211,076	33,765	56,491	9,769	-	311,101
Temporary water allocations at fair value	1,792	1,842	520	46	-	4,200
- Less fair market value adjustment ⁽³⁾	(1,792)	(1,842)	(520)	(46)	-	(4,200)
Temporary water allocations at cost	-	-	-	-	-	-
Total segment assets as disclosed in the financial statements ⁽⁴⁾	220,899	33,765	56,572	9,779	3,628	324,643
Total segment liabilities as disclosed in the financial statements	(2,539)	-	(9,034)	(8)	(120,473)	(132,054)

For the year ended 31 December 2022	Permanent Water \$'000	Temporary Water \$'000	Unallocated \$'000	Total \$'000
Profit & Loss				
Reportable segment revenue	8,195	3,718	42	11,955
Gain on entitlement sales	8,026	-	-	8,026
Total segment gross revenue and other income	16,221	3,718	42	19,981
Finance income	-	-	9	9
Expenses	(287*)	(674**)	(5,785)	(6,746)
Finance costs	-	-	771	(6,746)
Tax expense	-	-	(3,999)	(3,999)
Net profit after tax	15,934	3,044	(8,929)	10,007

*Includes \$0.171 million of impairment reversal on the Company's permanent water portfolio.

**Includes \$0.255 million of impairment reversal on the Company's temporary water portfolio.

Balance Sheet	Murray \$'000	Murrumbidgee \$'000	Goulburn \$'000	Other ¹ \$'000	Unallocated \$'000	Total \$'000
Permanent water entitlements at fair value	261,672	49,335	50,932	14,821	-	376,760
- Less fair market value adjustment ⁽²⁾	(89,090)	(13,677)	(3,183)	(8,054)	-	(114,004)
Permanent water entitlements at cost	172,582	35,658	47,749	6,767	-	262,756
Temporary water allocations at fair value	24	48	-	-	-	72
- Less fair market value adjustment ⁽³⁾	(9)	(37)*	-	-	-	(46)
Temporary water allocations at cost	15	11	-	-	-	26
Total segment assets as disclosed in the financial statements ⁽⁴⁾	182,134	35,669	47,749	6,746	4,352	276,650
Total segment liabilities as disclosed in the financial statements	(1,304)	-	(33)	(75)	(130,375)	(131,786)

- "Other" comprises of the Lachlan and Parilla regions which individually account for less than 10% of the Company's revenue, loss before taxation, total liabilities and total assets.
- In accordance with the Australian Accounting Standards requirements on measuring permanent water entitlements subsequent to initial recognition, fair market value increments are not included in the amounts recognised in the financial statements.
- In accordance with the requirements of the Australian Accounting Standards, temporary water allocations obtained through owned permanent water entitlements are not recognised as assets in the Statement of Financial Position. Only those allocations separately acquired are recognised.
- "Total segment assets" is a measure used by the Company for internal reporting purposes. For purposes of determining this measure, all assets excluding water entitlements are measured consistent with the financial statements and water entitlements are measured at fair value. The measure of water entitlements does not comply with the recognition and measurement requirements of the Australian Accounting Standards.

20. KEY MANAGEMENT PERSONNEL

The Company has appointed Duxton Capital (Australia) Pty Ltd as its Investment Manager to manage its assets and implement its investment strategy. Details of the basis of remuneration paid or payable to the Investment Manager is fully disclosed in the Remuneration Report of the Directors' Report. During the year the Company recognised management fees paid or payable to its Investment Manager amounting to \$2,218,516 (2022: \$2,211,532) and no performance fees to its Investment Manager were accrued (2022: \$2,458,222).

Key management personnel of the Company are:

Mr Edouard Peter
Mr Stephen Duerden
Mr Dirk Wiedmann
Mr Dennis Mutton
Dr Vivienne Brand
Mr Brendan Rinaldi

Mr Edouard Peter, Chairman of the Company, controls the Investment Manager and is a shareholder and Director of the Investment Manager's parent Company, Duxton Capital Holdings Pty Ltd, and as such, may receive remuneration from the Investment Manager for services provided to the Investment Manager.

Company Director, Mr Stephen Duerden, is also a shareholder and Director of the Investment Manager's parent Company and as such, may receive remuneration from the Investment Manager for services provided to the Investment Manager.

Mr Edouard Peter has a direct interest of 450,000 shares in the Company and an indirect interest in 7,533,480 shares in the Company.

Mr Stephen Duerden has a direct interest of 53,859 shares in the Company and an indirect interest in 224,369 shares in the Company.

As shareholders of the Investment Manager, Mr Peter and Mr Duerden may receive a financial benefit from the Company as a result of payment of fees by the Company to the Investment Manager.

The Investment Management Agreement is on arms-length commercial terms and was approved by the Non-Executive Directors of the Company.

Neither Mr Edouard Peter nor Mr Stephen Duerden have received Directors' fees from the Company.



21. RELATED PARTY TRANSACTIONS

The following transactions occurred with related parties during the year ended 31 December 2023 (and the year ended 31 December 2022):

	2023 \$	2022 \$
Management fee - Duxton Capital (Australia) Pty Ltd	(2,218,516)	(2,211,532)
Administration fee - Duxton Capital (Australia) Pty Ltd	(270,492)	(284,554)
Performance fee - Duxton Capital (Australia) Pty Ltd	-	(2,458,222)
Lease Revenue - Duxton Viticulture Pty Ltd	1,433,178	2,419,473
Lease Revenue - Duxton Dairies (Cobram) Pty Ltd	55,437	125,672
Lease Revenue - Duxton Farms Ltd	525,884	222,666

Transactions between related parties are on commercial terms and conditions and are periodically reviewed by the Independent Directors.

The following balances are outstanding between the Company and its related parties:

	2023 \$	2022 \$
Amount due to Duxton Capital (Australia) Pty Ltd	242,672	2,680,647
Amount due from Duxton Farms Ltd	(159,507)	(3,538)
Amount due (from) / to Duxton Viticulture Pty Ltd	(149,185)	24,100

22. FINANCIAL INSTRUMENTS - RISK MANAGEMENT AND FAIR VALUE AASB13

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial Assets	Note	2023 \$'000	2022 \$'000
Financial assets <u>not</u> measured at fair value:			
Cash and cash equivalents	9	1,832	1,246
Trade and other receivables	10	9,941	9,568
Total financial assets <u>not</u> measured at fair value:		11,773	10,814
Financial Assets measured at fair value:			
Financial derivative assets		-	2,609
Total financial assets measured at fair value:		-	2,609
Financial Liabilities			
Financial liabilities <u>not</u> measured at fair value:			
Trade and other payables	14	13,156	3,275
Interest-bearing liabilities	15	116,500	125,000
Total financial liabilities <u>not</u> measured at fair value:		129,656	128,275

The fair value of cash, trade and other receivables and trade and other payables are not disclosed, as their carrying amount is a reasonable approximation of fair value.

Financial risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Specific financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. This note presents information about the Company's exposure to each of the above risks, the Company's objective, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and the regular monitoring of exposures and the financial stability of significant customers and counterparties.

Risk is also minimised through investing surplus funds with financial institutions that maintain a high credit rating or in entities that the board of Directors have otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position.

The fair values of financial assets and liabilities held by the Company at the reporting date are considered to be approximate to their carrying amounts. There is no significant concentration of credit risk as the Company transacts with a large number of customers.

Past due and impaired assets

Financial assets carried at amortised cost that are past due or impaired at 31 December 2023 was \$0.75 million (2022: \$0.69 million).

Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities that are settled by delivering cash or another financial asset. The Company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities; and
- obtaining funding from a variety of sources.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Financial Liabilities	Note	Carrying Value \$'000	Contractual Cash Flows \$'000	6 Months or Less \$'000	Over 6 Months \$'000
Trade and other payables	14	13,156	13,156	13,156	-
Interest-bearing liabilities	15	116,500	123,266	3,383	119,883
Total		129,656	136,422	16,539	119,883

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or its value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

The Company has exposure to interest rate risk through its interest-bearing loan from NAB. Movements in interest rates are not expected to have a material impact on the Company's balance sheet.

Lessor risk

The Company acknowledges there are risks associated with being a lessor. Risks can include situations where the Company does not receive its lease payments, or damage is incurred to the respected asset.

To ensure corrective measures have been taken to reduce or minimise these risks, the Company utilises mechanisms to reduce the risk associated with acting as lessor in asset leasing arrangements. The Company undertakes due diligence procedures which include:

- Utilising a third-party assessor to perform background and credit checks of all lessees. This level of verification gives the Company confidence in the lessees ability to satisfy its lease payment obligations in a timely manner.
- Leasing arrangements require payment in advance. The Company does not transfer useable water associated with the lease until payment has been made in full; and
- The Company maintains control of the underlying permanent water entitlement attributable to leasing arrangements.

Fair value assessment of financial derivatives

The fair value of the Company's interest rate swaps are calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, future prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Company and of the counter party; this is calculated based on credit spreads derived from current credit default swap or bond prices. Interest rate swaps are classified as Level 2 fair value financial instruments.

Fair values are not based on any significant unobservable inputs. During the year, fair value changes of (\$742k) (2022: \$4.3 million) were recognised as interest expense in the Statement of Profit or Loss and Other Comprehensive Income. There were no transfer between fair value levels during the year.

Interest rate risk

At 31 December 2023, it is estimated that a general increase/(decrease) of 1% in interest rates would increase/(decrease) the Company's profit before tax by approximately \$1.165 million (2022: \$1.25 million). As at 31 December 2023, the company has no open interest rate hedge positions, however it is actively monitoring its interest rate risk exposure.

	2023 \$'000	2022 \$'000
Interest bearing liabilities (carrying value)		
Fixed debt (IRS arrangements)	-	15,000
Variable debt	116,500	110,000
Total interest bearing liabilities	116,500	125,000

	2023 \$'000	2022 \$'000
Interest expense		
Cash interest expense	5,720	3,529
IRS cash interest expense	-	(2,409)
IRS non-cash interest expense	742	(1,891)
Total interest expenses	6,462	(771)

Capital management risk

For the purpose of the Company's capital management profile, capital includes issued capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management assessment is to maximise shareholder value.

The Company's policy is to uphold a strong capital base to maintain investor interest, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends paid to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) for 2023 was 5.2% (2022: 3.0%).

From time to time, the Company purchases its own shares on the market; the timing of these purchases depends on market prices. The objective of the Company's share buyback program is to provide value to existing shareholders by taking advantage of the gap between the Company's share price and the NAV per share all while providing market liquidity to existing shareholders.

23. CAPITAL COMMITMENT

At 31 December 2023, the Company had no capital commitments relating to permanent water entitlements (2022: nil).

24. SUBSEQUENT EVENTS

There have been no events subsequent to reporting date which would have a material impact on the Company's 31 December 2023 financial statements.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2023

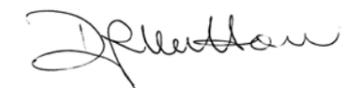
The Directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that Duxton Water Limited will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including that:
 - i. the financial report complies with Australian Accounting Standards, the Corporations regulations 2001 and other mandatory professional reporting requirements; and
 - ii. the financial statements and notes give a true and fair view of Duxton Water Limited's financial position and performance for the year ended 31 December 2023.
- c) the audited remuneration disclosures set out on pages 42 to 44 of the Directors' report comply with section 300A of the Corporations Act 2001; and
- d) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors made pursuant to s.295A of the Corporations Act 2001.



Edouard Peter
Chairman



Dennis Mutton
Independent Non-Executive Director

Stirling, South Australia
27 February 2024



Independent Auditor's Report

To the shareholders of Duxton Water Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Duxton Water Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of Financial Position as at 31 December 2023;
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- Notes including material accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Duxton Water Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.



Carrying value of Permanent Water Entitlements (\$311.101m)

Refer to Notes 6 and 13 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Permanent water entitlements are recognised by the Company as indefinite useful life intangible assets, measured at acquisition cost less any impairment in value since acquisition.</p> <p>The carrying value of permanent water entitlements is a key audit matter as:</p> <ul style="list-style-type: none"> • they are the most significant assets on the Company's Statement of Financial Position and form the basis of the Company's future long term revenue and cash-flow; and • the Company engaged an external expert to assist with the fair value less costs of disposal assessment of permanent water entitlements. The fair value less costs of disposal assessment applied a market approach fair value valuation technique to assess permanent water entitlements for impairment. This valuation technique used prices observed in the market for identical or comparable transactions to determine a Fair Market Unit Value. We focussed our audit effort on evaluating the selection of comparable transaction data to determine a Fair Market Unit Value. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • we assessed the Company's external expert's methodology of a market approach as a fair value valuation technique, and the adjustment of observable selling prices, against the criteria in the accounting standards; • we assessed the scope, competence and objectivity of the external expert engaged by the Company; • with involvement of our valuation specialists: <ul style="list-style-type: none"> – we assessed the Company's market approach fair value valuation technique of using prices of recent identical and comparable transactions to calculate a Fair Market Unit Value to determine the recoverable amount of the permanent water entitlements, against industry practice; – on a sample basis, we formed an independent expectation of Fair Market Unit Values and compared these to the Company's Fair Market Unit Value. Where the Company's valuations deviated beyond our acceptable tolerance, we investigated differences to challenge the external expert's assumptions used in calculating the Company's recoverable amount of permanent water entitlements. This process involved obtaining transactions, by water entitlement type, from brokers and state government water trades register websites and assessing the attributes of the transactions (date, water volumes and water zone) for comparability to the entitlements held by the Company; – we compared the results of our independently developed Fair Market Unit Values to the recoverable amount applied in the Company's assessment of impairment and determination of impairment charge by entitlement type. We considered this impairment against our knowledge and understanding of the economic factors impacting the price of permanent water entitlements, and government regulation and allocation; and • we assessed the disclosures made in the financial statements using our understanding obtained from our testing and against the requirements of the accounting standards.

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Other Information

Other Information is financial and non-financial information in Duxton Water Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf.

This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Duxton Water Limited for the year ended 31 December 2023, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 42 to 44 of the Directors' report for the year ended 31 December 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Neil Ediriweera
Partner

Adelaide

28 February 2024

ASX ADDITIONAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 31 January 2024 (unless otherwise stated).

TWENTY LARGEST EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities as at 31 January 2024 are listed below:

Name	ORDINARY SHARES	
	Number held	Percentage
BNP PARIBAS NOMS PTY LTD	13,836,283	9.06
CITICORP NOMINEES PTY LIMITED	12,004,225	7.86
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,669,779	7.01
PRESALI AUSTRALIA HOLDINGS PTY LTD	4,891,392	3.20
UBS NOMINEES PTY LTD	4,578,713	3.00
FRIDAY INVESTMENTS PTY LIMITED <GOLDBURG FAMILY ACCOUNT>	3,836,473	2.51
BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	2,336,003	1.53
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	2,271,225	1.49
BALMORAL FINANCIAL INVESTMENTS PTY LTD	1,936,842	1.27
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,934,020	1.27
INARI INVESTMENT CO PTY LIMITED	1,762,854	1.15
ELATA INVESTMENT CO PTY LIMITED	1,762,853	1.15
OMURA INVESTMENT CO PTY LIMITED	1,762,853	1.15
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	1,625,000	1.06
WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,207,250	0.79
BOND STREET CUSTODIANS LIMITED <SASA - D87318 A/C>	1,201,261	0.79
CHAR PTY LTD <HANDLEY RETIREMENT A/C>	1,139,100	0.75
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSI EDA	1,085,778	0.71
WKM HOLDINGS PTY LTD <THE RONWYNNE NO 3 A/C>	1,035,302	0.68
ALADY SUPER PTY LTD <ALADY SUPER FUND A/C>	1,000,000	0.65
Total	71,907,206	47.08

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding as at 31 January 2024 are listed below:

Holding	ORDINARY SHARES	
	Shares	No. of Holders
1 - 1,000	470,763	920
1,001 - 5,000	2,445,873	953
5,001 - 10,000	3,220,752	420
10,001 - 100,000	38,915,397	1,216
100,001 and over	107,669,713	165
	152,722,498	3,674

SUBSTANTIAL HOLDERS

Substantial holders of ordinary shares in the Company as at 31 January 2024 are listed below:

Holding	ORDINARY SHARES	
	Number Held	Percentage
BNP PARIBAS NOMS PTY LTD <DRP>	13,836,283	9.06
CITICORP NOMINEES PTY LIMITED	12,004,225	7.86
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,669,779	7.01

HOLDERS OF EACH CLASS OF EQUITY SECURITIES

Number of holders in each class of equity securities as at 31 January 2024 are listed below:

Holding	Number
Ordinary shares	152,722,498

VOTING RIGHTS

Ordinary shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

VOLUNTARY ESCROW

The table below shows a breakdown of the vendor shares subject to voluntary escrow as at 31 January 2024:

Escrow period	Total
No escrow	152,722,498

CORPORATE DIRECTORY

Non-Executive Chairman

Edouard Peter

Non-Executive Director

Stephen Duerden

Independent Non-Executive Directors

Dirk Wiedmann

Dennis Mutton

Vivienne Brand

Brendan Rinaldi

Company Secretary

Katelyn Adams

Principal and Registered Office

7 Pomona Road

Stirling SA 5152

Telephone: (08) 8130 9500

Facsimile: (08) 8130 9599

Legal Advisors

Cowell Clarke

63 Pirie Street

Adelaide SA 5000

Share Registry

Computershare

Auditors

KPMG

151 Pirie Street

Adelaide SA 5000

Computershare Investor Services

Level 5, 115 Grenfell Street

Adelaide SA 5000

Stock Exchange Listing

Australian Securities Exchange

Share Code: D20



DUXTON
WATER